

**European Bank
for Reconstruction and Development**

The EBRD Technical Cooperation Special Fund

**Annual Financial Report
31 December 2006**

European Bank for Reconstruction and Development

The EBRD Technical Cooperation Special Fund

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The EBRD Technical Cooperation Special Fund

Statement of movements in fund balance		Year to	Year to
For the year ended 31 December 2006		31 December 2006	31 December 2005
	Note	€000	€000
Balance brought forward		35	80
Interest and similar income		1	1
		36	81
Disbursements	5	(14)	(45)
Other operating expenses	6	(1)	(1)
Balance of fund available		21	35

Balance sheet		Year to	Year to
At 31 December 2006		31 December 2006	31 December 2005
	Note	€000	€000
Assets			
Placements with credit institutions		18	35
Other assets		7	4
Total assets		25	39
Liabilities and contributors' resources			
Unallocated fund balance		12	11
Allocated fund balance	5	9	24
		21	35
Other liabilities		4	4
Total liabilities and contributors' resources		25	39

The EBRD Technical Cooperation Special Fund

Notes to the financial statements

1 Creation of the Special Fund

The creation of The EBRD Technical Cooperation Special Fund ("the Fund") was approved by the Board of Directors ("the Board") of the European Bank for Reconstruction and Development ("the Bank") at its meeting of 12/13 September 1995 and is administered under the terms of Rules and Regulations of such Special Fund approved also by the Board on that date. The Fund became active in June 1996, following the receipt of the first contribution.

The Fund was established in accordance with Article 18 of the Agreement Establishing the Bank. The objective of the Fund is to serve as a facility for financing technical cooperation projects in the Bank's countries of operations.

2 President's responsibilities

The President of the Bank is responsible for preparing the financial statements in accordance with the accounting policies disclosed in note 3 below.

3 Significant accounting policies

i Accounting convention

The financial statements have been prepared under the historical cost convention. Contributions and disbursements are accounted for on a cash basis. Interest income and operating expenses are accounted for on an accruals basis.

ii Foreign currencies

Disbursements in currencies other than euro (€) are translated into euro at exchange rates ruling at the time of the transaction. Commitments net of disbursements made, in currencies other than euro, are translated at spot rates as at 31 December 2006.

iii Completed projects

A project is defined as completed when all consultants involved have satisfied all contractual obligations and all invoices related to the project have been submitted for payment.

On completion of a project any committed amounts not disbursed are reassigned to the unallocated fund balance.

4 Contributions

No contributions were received during the year (2005: Nil). Contributions consist of direct payments by Donors and repayments of technical cooperation costs by beneficiaries. In accordance with the Rules and Regulations of the Fund, repayments may only be received where Donors have signed a Contribution Agreement with the Bank. As at 31 December 2006, ten Donors have signed such an agreement as follows:

Canada
Finland
Germany
Ireland
Israel
Norway
Portugal
Sweden
Switzerland
United Kingdom

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Notes to the financial statements (continued)

5 Allocated fund balance and disbursements

The allocated fund balance represents all commitments approved by the Bank under the terms of the Fund Agreement net of cumulative disbursements.

	Commitments approved €000	Disbursements €000	Allocated fund balance €000
Projects in operation			
At 1 January 2006	72	48	24
Movement in the year	(22)	(7)	(15)
At 31 December 2006	50	41	9
Completed projects			
At 1 January 2006	1,004	1,004	-
Movement in the year	21	21	-
At 31 December 2006	1,025	1,025	-
Total projects			
At 1 January 2006	1,076	1,052	24
Movement in the year	(1)	14	(15)
At 31 December 2006	1,075	1,066	9

6 Other operating expenses

Other operating expenses comprise administrative expenses directly related to the Fund and include fees payable to the Bank for operating the Fund. The fee is set at a level such that it should not exceed interest income net of direct costs. Operating expenses borne by the Bank and eligible for recharge to the Fund also include external auditors' remuneration of €3,720 (2005: €3,532).

7 Net currency position

	Euro €000	United States dollars €000	Total €000
Assets			
Placements with credit institutions	18	-	18
Other assets	7	-	7
Total assets	25	-	25
Liabilities			
Unallocated fund balance	(12)	-	(12)
Allocated fund balance	(2)	(7)	(9)
Other liabilities	(4)	-	(4)
Total liabilities	(18)	(7)	(25)
Net currency position at 31 December 2006	7	(7)	-
Net currency position at 31 December 2005	7	(7)	-

Exchange rates used for the conversion of assets and liabilities denominated in foreign currencies into euro at 31 December 2006, where appropriate, were as follows:

At 31 December	2006	2005
United States dollars	1.3168	1.1830
Sterling	0.6716	0.6867

Independent auditors' report to the European Bank for Reconstruction and Development (the 'Bank')

Report on the Financial Statements

We have audited the accompanying special purpose financial statements of the EBRD Technical Cooperation Special Fund which comprise the Statement of Movements in Fund Balance, the Balance Sheet as at 31 December 2006 and the related notes numbered 1 to 7 for the year then ended which have been prepared in accordance with the accounting policies disclosed in note 3. These special purpose financial statements have been prepared solely to meet the terms of the Agreement of Cooperation between EBRD and the Contributors to the Fund.

Responsibility of the President for the financial statements

The President's responsibilities for preparing the financial statements in accordance with the accounting policies are set out in note 2 to the financial statements. 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 issued by the International Auditing and Assurance Standards Board. 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 entity'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 entity'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 accompanying special purpose financial statements have been prepared, in all material respects, in accordance with the accounting policies as set out in note 3 to the financial statements.

This report, including the opinion, has been prepared for and only for the Bank and for the confidential use of the Contributors to the Fund and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other

person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

6 March 2007

The maintenance and integrity of the EBRD's website is the responsibility of the President; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing preparation and dissemination of financial statements may differ from legislation in other jurisdictions.