

Financial statements

April 30, 2006



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Independent Auditors' Report

**To the Board of Governors
of the International Monetary Fund
Washington, DC**

We have audited the accompanying consolidated balance sheets of the General Department of the International Monetary Fund and subsidiary (the "Department") as of April 30, 2006, and 2005, and the related consolidated statements of income, changes in reserves and resources, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with International Standards on Auditing and auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the General Department of the International Monetary Fund at April 30, 2006, and 2005, and the results of their operations and their cash flows for the years then ended in conformity with International Financial Reporting Standards.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplemental schedules listed on pages 183 to 188 are presented for the purpose of additional analysis and are not a required part of the basic consolidated financial statements. These schedules are the responsibility of the Department's management. Such schedules have been subjected to the auditing procedures applied in our audits of the basic consolidated financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic consolidated financial statements taken as a whole.

Deloitte & Touche LLP

June 12, 2006

Member of
Deloitte Touche Tohmatsu

General Department
Consolidated balance sheets
as at April 30, 2006, and 2005

(In thousands of SDRs)

	2006	2005	2006	2005
Assets				
Usable currencies.....	151,132,488	122,388,465	117,354	247,798
Credit outstanding (Note 4)	19,227,219	49,853,664	93,901	151,530
Other currencies	40,519,674	41,244,248	380,198	—
Total currencies (Note 6)	<u>210,879,381</u>	<u>213,486,377</u>	<u>1,683,019</u>	<u>1,589,019</u>
SDR holdings	3,640,792	574,310	21,826,022	49,848,798
Gold holdings (Note 7)	5,851,771	5,851,771	191,652,378	163,629,602
Receivables (Note 8)	295,054	568,416	213,478,400	213,478,400
Other assets (Notes 9 and 16)	661,169	709,940	215,757,872	215,466,747
Investments held in				
Special Disbursement Account (Note 10)	—	2,518,613	5,959,591	5,724,067
MDRI-I Trust (Note 10)	384,296	—	8,840	8,840
Structural Adjustment Facility loans (Note 4)	8,840	45,566	2,564,179	2,564,179
Total assets	<u>221,721,303</u>	<u>223,754,993</u>	<u>221,721,303</u>	<u>223,754,993</u>

The accompanying notes are an integral part of these consolidated financial statements.

/s/ Michael G. Kuhn
Director, Finance Department

/s/ Rodrigo de Rato
Managing Director

General Department
Consolidated income statements
for the years ended April 30, 2006, and 2005

(In thousands of SDRs)

	2006	2005
Operational income		
Interest and charges (Note 8)	1,671,502	2,270,044
Interest on SDR holdings	58,330	16,322
Investment income of		
Special Disbursement Account (Note 10)	44,770	52,157
MDRI-I Trust (Note 10)	3,940	—
Other charges and income (Note 8)	22,558	34,035
	<u>1,801,100</u>	<u>2,372,558</u>
Operational expenses		
Remuneration (Note 14)	828,298	1,033,847
Administrative expenses (Note 15)	692,666	673,204
	<u>1,520,964</u>	<u>1,707,051</u>
Net operational income	<u>280,136</u>	<u>665,507</u>
MDRI grant assistance (Note 5)	<u>(1,499,842)</u>	<u>—</u>
Contributions from the Special Disbursement Account to Administered Accounts (Note 10):		
PRGF-ESF Trust	(507,109)	(40,592)
PRGF-HIPC Trust	(593,000)	(164,098)
Total net (loss)/income	<u>(2,319,815)</u>	<u>460,817</u>
Net income (loss) of the General Department comprises		
Net income of the General Resources Account	235,524	613,350
Loss of the Special Disbursement Account	(2,555,339)	(152,533)
	<u>(2,319,815)</u>	<u>460,817</u>

The accompanying notes are an integral part of these consolidated financial statements.

General Department
Consolidated statements of changes in reserves and resources
for the years ended April 30, 2006, and 2005

(In thousands of SDRs)

	General Resources Account			Special Disbursement Account reserve
	Special resources	General reserve	Total reserve	
Balance at April 30, 2004	2,415,435	2,695,282	5,110,717	2,716,712
Net income (loss)	31,394	581,956	613,350	(152,533)
Balance at April 30, 2005	<u>2,446,829</u>	<u>3,277,238</u>	<u>5,724,067</u>	<u>2,564,179</u>
Net income (loss)	(7,510)	243,034	235,524	(2,555,339)
Balance at April 30, 2006	<u>2,439,319</u>	<u>3,520,272</u>	<u>5,959,591</u>	<u>8,840</u>

The accompanying notes are an integral part of these consolidated financial statements.

General Department
Consolidated statements of cash flows
for the years ended April 30, 2006, and 2005

(In thousands of SDRs)

	2006	2005
Usable currencies and SDRs from operating activities		
Net (loss)/income	(2,319,815)	460,817
Adjustments to reconcile net (loss)/income to usable resources generated by operations:		
Depreciation	18,552	15,236
Changes in receivables and other assets	323,661	34,176
Changes in remuneration payable and other liabilities	(188,073)	86,485
Changes in accrued MDRI-I Trust grants	380,198	—
Increase in the Special Contingent Account	94,000	94,000
Usable currencies and SDRs from credit to members:		
Purchases in currencies and SDRs, including reserve tranche purchases	(2,156,025)	(1,613,933)
Repurchases in currencies and SDRs	32,782,470	13,907,177
Repayments of Structural Adjustment Facility loans	36,726	40,342
Net usable currencies and SDRs provided by operating activities	28,971,694	13,024,300
Usable currencies and SDRs from investment activities		
Acquisition of fixed assets	(20,080)	(59,111)
Net disposition of investments by the Special Disbursement Account	2,518,613	112,191
Net acquisition of investments by the MDRI-I Trust	(384,296)	—
Net usable currencies and SDRs provided by investment activities	2,114,237	53,080
Usable currencies and SDRs from financing activities		
Subscription payments in SDRs and usable currencies	—	171,100
Changes in composition of usable currencies	724,574	5,946,355
Net usable currencies and SDRs provided by financing activities	724,574	6,117,455
Net increase in usable currencies and SDRs	31,810,505	19,194,835
Usable currencies and SDRs, beginning of year	122,962,775	103,767,940
Usable currencies and SDRs, end of the year	154,773,280	122,962,775

The accompanying notes are an integral part of these consolidated financial statements.

General Department
Notes to the consolidated financial statements
as at April 30, 2006, and 2005

1. Purpose and organization

The International Monetary Fund (IMF) is an international organization of 184 member countries. It was established to promote international monetary cooperation and exchange stability and to maintain orderly exchange arrangements among members; to facilitate the expansion and balanced growth of international trade, and contribute thereby to the promotion and maintenance of high levels of employment; and to provide temporary financial assistance to member countries under adequate safeguards to assist in solving their balance of payments problems in a manner consistent with the provisions of the IMF's Articles of Agreement. The IMF conducts its operations and transactions through the General Department and the Special Drawing Rights Department (the SDR Department). The General Department consists of the General Resources Account (GRA), the Special Disbursement Account (SDA), including the Multilateral Debt Relief Initiative-I Trust (MDRI-I Trust), over which the SDA has substantial control, and the Investment Account. The IMF also administers trusts and accounts established to perform financial and technical services and financial operations consistent with the purposes of the IMF. The resources of these trusts and accounts are contributed by members or the IMF through the SDA. With the exception of the MDRI-I Trust, whose financial statements are consolidated with those of the General Department, the financial statements of the SDR Department and these trusts and accounts are presented separately.

General Resources Account

The GRA holds the general resources of the IMF. Its resources reflect the payment of quota subscriptions, use and repayment of IMF credit, collection of charges on the use of credit, payment of remuneration on creditor positions, borrowings, and payment of interest and repayment of borrowings.

Special Disbursement Account

The assets and resources of the SDA are held separately from the GRA and the Investment Account of the General Department. The SDA is the vehicle for receiving and investing profits from the sale of the IMF's gold and for making transfers to other accounts for special purposes authorized in the Articles, in particular for financial assistance on special terms to low-income members of the IMF. Resources of the SDA included proceeds from the sales of the IMF's gold in the past, including income from the investment of gold profits. The SDA holds claims receivable from outstanding loans extended under the Structural Adjustment Facility (SAF), and repayments of Trust Fund loans to the Trust Fund (in liquidation) are transferred to the SDA (see Note 10 below). Repayments of principal and interest from SAF loans and resources derived from the termination of the Trust Fund are transferred from the SDA to the Reserve Account of the Poverty Reduction and Growth Facility and Exogenous Shocks Facility Trust (PRGF-ESF Trust), which is administered separately by the IMF as Trustee.

Effective January 5, 2006, the IMF adopted the legal framework applicable to the Multilateral Debt Relief Initiative (MDRI) to provide full debt relief to low-

income member countries. For this purpose, the MDRI-I and MDRI-II Trusts were established to provide grant assistance under the MDRI. Subsequent to the adoption of the MDRI, the resources held in the SDA were transferred to the MDRI-I Trust, the PRGF-HIPC Trust, and the PRGF-ESF Trust Subsidy Account (Note 10).

Investment Account

On April 28, 2006, the Executive Board of the IMF approved the establishment of the Investment Account within the General Department and authorized the transfer of currencies from the GRA in an amount equivalent to the total amount of the General and Special Reserves of the GRA on April 30, 2006. The transfers to the Investment Account were made subsequent to the financial year ended April 30, 2006.

2. Summary of significant accounting policies

Basis of accounting

The consolidated financial statements of the General Department are prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements include the accounts of the GRA, the SDA, the Investment Account (inactive in financial year ended April 30, 2006), and the MDRI-I Trust, an entity that is determined to be substantially controlled by the SDA owing primarily to the existence of the Trustee's power to terminate the Trust and the SDA's claim to the Trust's entire residual assets upon termination as long as there are no contributor resources in the MDRI-I Trust. All transactions and balances between these entities have been eliminated during the consolidation. Specific accounting principles and disclosure practices are explained further below.

Use of estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Unit of account

The consolidated financial statements are expressed in terms of SDRs. The value of the SDR is determined by the IMF each day by summing the values in U.S. dollars, based on market exchange rates, of the currencies in the SDR valuation basket. The IMF reviews the SDR valuation basket every five years. The latest review was completed in November 2005, and the new composition of the SDR valuation basket became effective on January 1, 2006. The currencies in the basket as of April 30, 2006, and 2005 and their amounts were as follows:

Currency	Amount	
	2006	2005
Euro	0.4100	0.4260
Japanese yen	18.4000	21.0000
Pound sterling	0.0903	0.0984
U.S. dollar	0.6320	0.5770

As of April 30, 2006, one SDR was equal to 1.47106 U.S. dollars (one SDR was equal to 1.51678 U.S. dollars as of April 30, 2005).

Currencies

Currencies consist of members' currencies and securities held by the IMF. Each member has the option of substituting non-negotiable and non-interest-bearing securities for the IMF's holdings of its currency that exceed 1/4 of 1 percent of the member's quota. These securities are encashable by the IMF on demand.

Each member is required to pay to the IMF its initial quota and subsequent quota increases partly in its own currency, with the remainder to be paid in usable currencies prescribed by the IMF or SDRs. The only exception was the quota increase of 1978, which was paid entirely in members' own currencies.

Usable currencies consist of currencies of member countries considered by the IMF to have strong balance of payments and reserve positions. These currencies are included in the IMF's Financial Transactions Plan to finance purchases and other transfers of the IMF. Participation in the Financial Transactions Plan is reviewed on a quarterly basis. Usable currencies and SDR holdings readily available to finance IMF operations and transactions are considered cash equivalents. The changes in non-usable currencies result from the IMF's transactions (purchases and repurchases) where a member's currency is exchanged for another member's currency, or from the inclusion/exclusion of a member's currency in the IMF's Financial Transactions Plan.

Currencies, including securities, are valued in terms of the SDR on the basis of the currency/SDR exchange rate determined for each currency. Securities can be substituted by members for currencies at their option. These securities are not marketable but can be converted into currencies on demand. Each member is obligated to maintain, in terms of the SDR, the value of the balances of its currency, including its securities, held by the IMF in the GRA. This requirement is referred to as the maintenance-of-value obligation. Whenever the IMF revalues its holdings of a member's currency, a receivable or a payable is established for the amount required to maintain the SDR value of the IMF's holdings of that currency. The currency balances in the balance sheet include these receivables and payables. All currencies are revalued periodically in terms of the SDR, including at each financial year end.

Credit outstanding

The IMF provides balance of payments assistance in accordance with established policies by selling to members, in exchange for their own currencies, SDRs or currencies of other members. When members make purchases, they incur obligations to repurchase the IMF's holdings of their currencies arising from the purchases within specified periods by payments in SDRs or other currencies, as determined by the IMF. IMF credit is subject to specific repayment schedules over periods that vary depending on the type of facility used. Members are entitled to repurchase, at any time, the IMF's holdings of their currencies on which charges are levied and are expected to make repurchases as and when their balance of payments and reserve position improve.

The repurchase policies of the IMF are intended to ensure the revolving character of its resources. Purchases of currencies from the GRA are subject to repurchase obligations, which can differ depending on the policy or facility under which purchases are made. In keeping with a long-standing principle of the IMF that its resources should be repaid as soon as the balance of payments and reserve position improve, members in a position to do so are expected to make repurchases under predetermined time-based expectation schedules. However, if a member's external position is not sufficiently strong, it may request that repurchases on the expectation schedule be extended to the original obligation schedule. A member is considered overdue only after failure to make a payment on the repurchase obligation schedule.

Overdue obligations and the burden-sharing mechanism

It is the policy of the IMF to exclude from current income charges due from members that are six months or more overdue in meeting any financial obligation to the IMF. The IMF fully recovers this lost income from the burden-sharing mechanism, through adjustments, in the current period, to the rates of charge and remuneration. Members that have borne the financial consequences of overdue charges receive refunds to the extent that overdue charges that had given rise to burden-sharing adjustments are subsequently settled.

An impairment loss would be recognized if there is objective evidence of impairment as a result of a past event that occurred after initial recognition, and is determined as the difference between the outstanding credit's carrying value and the present value of the estimated future cash flows. No impairment losses have been recognized.

First Special Contingent Account

In view of the risk resulting from overdue obligations, the IMF accumulates balances in the first Special Contingent Account (SCA-1) by collecting resources under the burden-sharing mechanism. Losses arising from overdue principal, if realized, would be charged against the SCA-1. The IMF has not realized any losses on overdue financial obligations. However, the IMF considers it prudent to maintain the SCA-1 as an added protection until all arrears are fully settled. Balances in the SCA-1 are refundable to the members that shared the cost of its financing in proportion to their contributions when there are no outstanding overdue repurchases and charges, or at such earlier time as the IMF may decide.

SDR holdings

Although SDRs are not allocated to the IMF, the IMF may acquire, hold, and dispose of SDRs through the GRA. The IMF receives SDRs from members in the settlement of their financial obligations to the IMF and uses SDRs in transactions and operations with members. The IMF earns interest on its SDR holdings at the same rate as all other holders of SDRs.

Gold holdings

The Articles of Agreement limit the use of gold in the IMF's operations and transactions. Any use provided for in the Articles requires a decision adopted by an 85 percent majority of the total voting power. Under the Articles, the IMF may sell gold outright on the basis of prevailing market prices but cannot engage in any other gold transactions, such as loans, leases, swaps, or the use of gold as collateral. In addition, the IMF does not have the authority to buy gold, but it may accept payments from a member in gold instead of

SDRs or currencies in any operation or transaction under the IMF's Articles at prevailing market prices.

In accordance with the provisions of the Articles, whenever the IMF sells gold held on the date of the Second Amendment of the IMF's Articles of Agreement (April 1, 1978), the portion of the proceeds equal to the historical cost must be placed in the GRA. Any portion of the proceeds in excess of the historical cost will be held in the SDA or transferred to the Investment Account. The IMF may also sell gold held on the date of the Second Amendment to those members that were members on August 31, 1975, in proportion to their quotas on that date, in exchange for their own currencies at the historical cost.

The IMF values its gold holdings at historical cost using the specific identification method. The carrying value of the Fund's gold holdings is derived from quota subscriptions prior to the Second Amendment and the settlement of financial obligations by members in 1992 and 1999 (see Note 7).

Other assets

Other assets primarily include fixed assets, net pension plan assets, and net assets for other post-retirement benefits.

Fixed assets with a cost in excess of a threshold amount are capitalized at cost and depreciated over the estimated useful lives of the assets, using the straight-line method. Buildings, equipment, and furniture are depreciated over 30, 3, and 7 years, respectively. Software is amortized over 3 to 5 years.

The IMF operates two defined-benefit pension plans and provides post-retirement benefits to staff. The pension plans are funded by payments from staff and the IMF, taking into account the recommendations of independent actuaries. Assets of the pension plans are held in separate trustee-managed funds. The IMF also established a Retired Staff Benefits Investment Account (RSBIA) to hold and invest funds set aside to finance the cost of post-retirement employee benefits. The assets of the RSBIA are administered by the IMF. Pension plans and other post-retirement assets are measured at fair value as of the balance sheet date. Pension costs and expected costs of the post-retirement medical and life insurance benefits are determined using the Projected Unit Credit Method, which measures the present value of the estimated future cash outflows, using yields on high-quality corporate bonds that have maturities approximating the terms of the pension liabilities and accrued over the period of employment. Valuations of these obligations are carried out annually by independent actuaries.

Special Disbursement Account

Investments

Investments held in the SDA and the MDRI-I Trust are made in short-term deposits denominated in SDRs with maturities of less than one year and are classified as fair-value-through-profit-and-loss securities. Investments are recorded on the settlement date at cost and the carrying value of the investments approximate their fair value. Investment income comprises interest earned on investments.

The investments in the MDRI-I Trust are set aside for grant assistance to qualifying members under the MDRI.

Contributions to Administered Accounts

In connection with the implementation of the MDRI, the IMF transferred the resources of the SDA to the MDRI-I Trust, the PRGF-ESF Trust Subsidy

Account, and the PRGF-HIPC Trust. Since the transfers were intended to benefit these trusts and there is no expectation of repayment, the IMF adopted a change in the method of accounting for the transfers and is now treating them as contributions. The change in accounting policy was adopted with retrospective effect as of May 1, 2004. The impact of the change in accounting policy on the income statements was to reduce the income of the SDA by SDR 1,100 million for the year ended April 30, 2006 (SDR 205 million for the year ended April 30, 2005).

SAF Loans

SAF loans provided financial assistance to low-income members at an interest rate of ½ of 1 percent per annum for a period of 10 years. Repayments of all SAF loans are transferred to the PRGF-ESF Trust Reserve Account when received. Allowances for loan losses would be established if and when there is objective evidence that an impairment loss on loans has been incurred.

Reserve tranche position

A member has a reserve tranche in the IMF when the IMF's holdings of its currency, excluding holdings that reflect the member's use of IMF credit, are less than the member's quota. Reserve tranches result from quota payments, part of which are to be made in reserve assets, and the use of the member's currency in the IMF's transactions or operations. A member's reserve tranche is considered a part of its external reserves and a liquid claim against the IMF. The member may draw on the reserve tranche at any time when it represents that it has a balance of payments need. Reserve tranche purchases are not subject to repurchase obligations or charges.

Quotas

Each member is assigned a quota that forms the basis of its financial and organizational relationship with the IMF. A member's quota is related to, but not strictly determined by, economic factors such as national income, the value of external trade and payments, and the level of official reserves. Quotas determine members' subscriptions to the IMF, their relative voting power, access to financing, and their share in SDR allocations. Should a member withdraw from the Fund, quota subscriptions are repayable to the extent they are not needed to settle other net obligations of the member to the IMF.

Reserves of the General Resources Account

The IMF's reserves, consisting of the General Reserve and the Special Reserve, provide it with protection against financial risk of a general nature. The IMF determines annually what part of its net income will be retained and placed to the General Reserve or the Special Reserve, and what part, if any, will be distributed. The General Reserve may be used to meet capital losses or operational deficits or for distribution. The Articles of Agreement permit the IMF to use the Special Reserve for any purpose for which it may use the General Reserve, except distribution. After meeting the cost of administering the PRGF-ESF Trust, net operational income generated from surcharges on purchases under the SRF, the credit tranches, and the EFF has been placed to the General Reserve. All other income (losses) has been placed to (have been charged against) the Special Reserve.

SDR interest rate

The SDR interest rate is determined weekly by reference to a combined market interest rate, which is a weighted average of yields on short-term instru-

ments in the capital markets of the euro area, Japan, the United Kingdom, and the United States.

Charges

The IMF levies periodic charges on members' use of GRA credit. The basic rate of charge is set at the beginning of each financial year as the SDR interest rate plus a margin expressed in basis points determined by the Executive Board (a proportion of the SDR interest rate in financial year ended April 30, 2005). Under the burden-sharing mechanism (see Note 13), the basic rate of charge is increased (i) to offset the effect on the IMF's income of the non-payment of charges and (ii) to finance the additions to the SCA-1.

A surcharge progressing from 300 to 500 basis points above the rate of charge applies to the use of credit under the Supplemental Reserve Facility (SRF). In addition, credit outstanding exceeding 200 percent of quota, resulting from purchases in the credit tranches and under the Extended Fund Facility (EFF) (other than those under the SRF) after November 28, 2000, is subject to a surcharge of 100 basis points, and credit in excess of 300 percent of quota, to a surcharge of 200 basis points. Special charges are levied on members' currency holdings that are not repurchased when due and on overdue charges. Special charges do not apply to members that are six months or more overdue to the IMF. A service charge is levied by the IMF on all purchases, except reserve tranche purchases. A refundable commitment fee is charged on Stand-By and Extended Arrangements. At the expiration or cancellation of an arrangement, the unrefunded portion of the commitment fee is recognized as current income.

Remuneration

The IMF pays interest, referred to as remuneration, on a member's reserve tranche position. A portion of the reserve tranche is unremunerated and is equal to 25 percent of the member's quota on April 1, 1978 (that part of the quota that was paid in gold prior to the Second Amendment of the Fund's Articles). For a member that joined the Fund after that date, the unremunerated reserve tranche is the same percentage of its initial quota as the average unremunerated reserve tranche was as a percentage of the quotas of all other members when the new member joined the Fund. The unremunerated reserve tranche remains fixed for each member in nominal terms, but, because of subsequent quota increases, it is now significantly lower when expressed as a percentage of quota. The average is equal to 3.8 percent of quota at April 30, 2006, and 2005, but the actual percentage is different for each member.

The rate of remuneration, which is equivalent to the effective interest rate, is equal to the SDR interest rate, adjusted downward to finance a share of the nonpayment of charges and additions to the SCA-1 under the burden-sharing mechanism (see Note 13).

Adoption of New International Financial Reporting Standards

In December 2004, the International Accounting Standards Board issued an amendment to IAS 19, "Employee Benefits, Actuarial Gains and Losses, Group Plans, and Disclosures." The amended IAS 19 provides an additional option for recognizing actuarial gains and losses and requires additional disclosures on the plan assets held by the employee benefit plans as well as further disclosure on the net periodic cost and reconciliation of the funded status. The revised standard will become effective for financial year 2007.

The implementation of this amended standard will result in additional disclosures in the notes to the General Department's financial statements.

Comparatives

When necessary, comparative figures have been reclassified to conform with changes in the presentation of the current year.

3. Financial risk management

In providing financial assistance to member countries and conducting its operations, the IMF is exposed to various types of risks, including credit, interest rate, exchange rate, liquidity, and operational risks. Because of its unique role in the international monetary system, the principal risk facing the IMF is credit risk.

Credit risk

Credit risk refers to potential losses on the credit outstanding owing to the inability, or unwillingness, of member countries to make repurchases. While the IMF is accorded preferred creditor status, i.e., the claims of other creditors are subordinate to those of the IMF, credit risk is inherent since the IMF generally provides financing when other sources are not available to a member and has limited ability to diversify its loan portfolio. As a result, credit concentration is high (see Note 4).

The IMF's credit-risk-mitigating measures comprise policies on access limits; program design and monitoring, including conditionality attached to its financing; early repurchase policies; and preventative, precautionary, and remedial measures to cope with the financial consequences of protracted arrears.

The IMF has established access limits, including limits on overall access to resources in the GRA, as well as limits on access to the credit tranches under the Extended Fund Facility. The overall limit is currently set at an annual limit of 100 percent of a member's quota, with a cumulative limit of 300 percent of a member's quota. Access in excess of these limits can be granted in exceptional circumstances (exceptional access cases) subject to certain procedural requirements and substantive criteria that have been adopted by the Executive Board.

The IMF generally provides financial assistance to members in the context of a program that is designed to help the member overcome its balance of payments difficulties during the program period. IMF assistance is normally disbursed in tranches and subject to conditionality in the form of performance criteria and periodic reviews. To ensure the integrity of data provided to the Fund in the context of access to Fund resources and compliance with performance criteria, the IMF may apply remedies for misreporting by member countries by expecting early repurchases for non-complying purchases.

In accordance with the Articles of Agreement, member countries using IMF resources are expected to make early repurchases as their balance of payments and reserve positions improve. Moreover, members are expected to make repurchases resulting from purchases in the credit tranches or under the Compensatory Financing Facility made after November 20, 2000, under predetermined expectation schedules ahead of the obligation date to preserve the revolving character of the IMF's resources and reduce the duration of IMF credit exposure. The IMF maintains precautionary balances consisting of its reserves and the SCA-1 to cover possible overdue principal and losses

in income, and to preserve the IMF's reputation as a prudent financial organization. A target level of precautionary balances is determined by taking into consideration the amount of credit in protracted arrears and a margin for risk associated with credit in good standing. The Executive Board decided that, in the current circumstances, the IMF should aim at precautionary balances in an amount of SDR 10 billion. In addition, the burden-sharing arrangement for overdue charges is another risk-mitigating mechanism unique to the IMF whereby the financial risk from such charges is passed on to creditor and debtor members and allows for the strengthening of the IMF's overall financial position.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate because of changes in market interest rates. The IMF's cost structure and its income position are interest-rate driven. Fluctuations in interest rates could widen or narrow the spread between the rate of charge on credit outstanding and the rate of remuneration paid to member countries with remunerated reserve tranche positions. To minimize the effect of interest rate fluctuations on income, the IMF links the rate of charge directly to the SDR interest rate (which is equal to the rate of remuneration).

Exchange rate risk

Exchange rate risk is the exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on an entity's financial position and cash flows. The IMF uses the SDR as the unit of account and conducts its transactions in terms of the SDR. It has no exchange rate risk exposure on its holdings of members' currencies since, under the Articles of Agreement, members are required to maintain the value of such holdings in terms of the SDR. Any depreciation/appreciation in their currency vis-à-vis the SDR gives rise to a currency valuation adjustment receivable or payable that must be settled on an annual basis and that is included in the stock of the IMF's currency holdings. Therefore, the value of the IMF's currency holdings does not fluctuate in SDR terms.

Exchange rate risk on IMF investments is managed by investing in securities denominated in SDRs or in the constituent currencies of the SDR valuation basket. The IMF also has other assets and liabilities, such as trade receivables and payables, denominated in currencies other than SDRs and makes administrative payments largely in U.S. dollars, but the exchange rate risk exposure is very limited.

Liquidity risk

Liquidity risk is the risk of non-availability of resources to meet the IMF's financing needs and obligations. The IMF must have usable resources available to meet members' demand for credit. While the IMF's sources are revolving, uncertainties in timing and amount of credit extended to members during financial crises expose the IMF to liquidity risk. Moreover, the IMF must also stand ready to meet the potential demands from members drawing upon their reserve tranche positions, which have no fixed maturity and are part of members' reserves.

The IMF manages its liquidity risk not by matching the maturity of assets and liabilities but by closely scrutinizing developments in its liquidity position, especially as they relate to the adequacy of quota-based resources to meet liquidity needs. The Articles of Agreement require the IMF to conduct a general review of members' quotas at intervals of no more than five years in

order to assess the adequacy of quota-based resources to meet members' demand for IMF financing. There have been eight quota increases, including an ad hoc increase, as a result of the reviews. The last general review (the twelfth) was completed in January 2003 with no proposed quota increase. Should the available quota-based resources be inadequate to meet financing needs, the IMF may activate its standing credit lines totaling SDR 34 billion under the General Arrangements to Borrow and the New Arrangements to Borrow, and its associated agreement with Saudi Arabia for an additional SDR 1.5 billion. The IMF also monitors its liquidity position over a shorter term, using objective criteria such as the forward commitment capacity for the next twelve-month period. (Schedule 2 provides the IMF's available resources and liquidity position.)

Operational risk

Operational risk includes risk of loss attributable to errors or omissions because of failures in executing or processing transactions, inadequate controls, human factors, and/or failures in underlying support systems.

The IMF mitigates operational risk by (i) identifying key operational risks, (ii) maintaining a system of internal controls, (iii) documenting policies and procedures on administrative and accounting and reporting processes, and (iv) conducting internal audits to ensure accurate processing of transactions and minimize the possibility of undetected errors. The design and effectiveness of controls are evaluated continuously and improvements are implemented on a timely basis. The results of the internal evaluation of the effectiveness of internal controls are reported by the Office of Internal Audit and Inspection to the External Audit Committee, which also exercises oversight over the external audit of the IMF's accounts and its controls.

The IMF has adopted a Code of Ethics to promote the highest standards of ethics among its staff, including senior management and members of the Executive Board. The enforcement of the Code of Ethics is supplemented by procedures for the reporting and investigation of irregularities and improprieties, including fraudulent acts.

4. Credit and loans outstanding

Credit outstanding in the GRA and SAF loans in the SDA are carried at amortized cost.

Changes in the outstanding use of IMF credit under the various facilities of the GRA were as follows:

	April 30, 2004	Purchases	Repur- chases	April 30, 2005		Repur- chases	April 30, 2006
				Purchases	Repur- chases		
(In millions of SDRs)							
Credit tranches	41,730	1,445	(7,717)	35,458	1,967	(26,108)	11,317
Extended Fund Facility	13,751	163	(4,549)	9,365	189	(2,077)	7,477
Supplemental Reserve Facility	6,028	—	(1,459)	4,569	—	(4,569)	—
Systemic Transformation Facility	154	—	(136)	18	—	(18)	—
Enlarged access	276	—	(5)	271	—	(3)	268
Compensatory and Contingency Financing Facility	120	—	(36)	84	—	—	84
Supplementary Financing Facility	94	—	(5)	89	—	(8)	81
Total credit outstanding	<u>62,153</u>	<u>1,608</u>	<u>(13,907)</u>	<u>49,854</u>	<u>2,156</u>	<u>(32,783)</u>	<u>19,227</u>

The following repurchases were made by members during the financial years ended April 30:

	2006	2005
(In millions of SDRs)		
Early repurchases	21,968	2,645
Repurchase expectations	2,910	5,854
Repurchase obligations	7,905	5,408
Total repurchases	<u>32,783</u>	<u>13,907</u>

Repurchases for the year ended April 30, 2006, include Bolivia's repurchase of SDR 90 million that was part of its stock of debt eligible for debt relief under the MDRI (see Note 5). In addition, two members with total outstanding credit from the GRA of SDR 19 million as of April 30, 2006, are eligible for MDRI debt relief upon reaching the completion point under the HIPC Initiative.

The IMF approved the following members' requests to extend repurchases from the expectation to the obligation schedule during the financial years ended April 30:

	Repurchase expectations extended	
	2006	2005
(In millions of SDRs)		
Argentina	1,683	779
Dominica	1	1
Dominican Republic	—	11
Ecuador	—	33
Macedonia, FYR	18	—
Sri Lanka	—	74
Turkey	2,521	—
Uruguay	541	434

Subsequent to the extension of its repurchase expectations, Argentina made repurchases of all of its outstanding credit to the GRA in January 2006.

As of April 30, 2006, and 2005, outstanding SAF loans amounted to SDR 9 million and SDR 46 million, respectively.

Scheduled repurchases in the GRA and repayment of SAF loans in the SDA are summarized below:

Financial year ending April 30	General Resources Account	Special Disbursement Account
(In millions of SDRs)		
2007	8,019	—
2008	4,816	—
2009	3,439	—
2010	1,831	—
2011	427	—
2012 and beyond	101	—
Overdue	<u>594</u>	<u>9</u>
Total	<u>19,227</u>	<u>9</u>

The use of credit in the GRA by the largest users was as follows at April 30:

	2006	2005
(In millions of SDRs and as a percentage of total GRA credit outstanding)		
Largest user of credit	8,898	46.3%
Three largest users of credit	15,347	79.8%
Five largest users of credit	16,738	87.1%

The five largest users of credit as of April 30, 2006, were Turkey, Indonesia, Uruguay, Ukraine, and Serbia and Montenegro. Outstanding credit by member is provided in Schedule 1.

The concentration of GRA outstanding credit by region was as follows as of April 30:

	2006	2005
(In millions of SDRs and as a percentage of total GRA credit outstanding)		
Africa	667	3.5%
Asia and Pacific	5,616	29.2%
Europe	1,934	10.0%
Latin America and the Caribbean	1,648	8.6%
Middle East and Turkey	<u>9,362</u>	<u>48.7%</u>
Total	<u>19,227</u>	<u>100%</u>

Overdue obligations

At April 30, 2006, three members (four members as of April 30, 2005) were six months or more overdue in settling their financial obligations to the General Department.

GRA repurchases, GRA charges, SAF loan repayments, and SAF interest that are six or more months overdue were as follows:

	Repurchases and SAF loans		Charges and SAF interest	
	2006	2005	2006	2005
(In millions of SDRs)				
Total overdue	603	732	1,039	1,030
Overdue for six months or more	603	730	1,026	1,018
Overdue for three years or more	603	661	984	970

The type and duration of the overdue amounts in the General Department were as follows as of April 30, 2006:

	Repurchases and SAF loans	Charges and SAF interest	Total obligation	Longest overdue obligation
(In millions of SDRs)				
Liberia	201	262	463	May 1985
Somalia	105	102	207	July 1987
Sudan	<u>297</u>	<u>675</u>	<u>972</u>	August 1985
Total	<u>603</u>	<u>1,039</u>	<u>1,642</u>	

5. Multilateral Debt Relief Initiative

Under the MDRI, debt relief is provided to Heavily Indebted Poor Countries (HIPC)s and non-HIPC)s with annual per capita income of \$380 or less, and to HIPC)s with an annual per capita income of more than \$380. Grant assistance from the MDRI Trusts (together with assistance under the HIPC Initiative) provides debt relief to cover the full stock of debt owed to the IMF as of December 31, 2004, that remains outstanding at the time the member qualifies for such relief.

During the financial year ended April 30, 2006, debt relief under the MDRI was granted to 20 members amounting to SDR 2,503 million, consisting of outstanding credit in the GRA of SDR 90 million and PRGF-ESF Trust loans of SDR 2,413 million. MDRI grant assistance provided from resources held in the MDRI-I Trust amounted to SDR 1,120 million. All HIPC)s will receive MDRI assistance upon reaching the completion point under the HIPC Initiative. Since the stock of debt owed to the IMF as of December 31, 2004, decreases over time, the actual debt eligible for MDRI assistance for the remaining members depends on the timing of their completion points. The IMF periodically reviews the qualification of members for MDRI debt relief as these members make progress toward reaching the completion point under the HIPC Initiative.

MDRI grant assistance to the remaining eligible members is subject to the availability of resources and is accrued when it is probable that a liability has been incurred and the amount of such grant assistance can be reasonably estimated. The liability recorded in the MDRI-I Trust amounted to SDR 380 million as of April 30, 2006, and is based on the evaluation of currently available facts with respect to each individual eligible member and includes factors such as progress made toward reaching the completion point under the HIPC Initiative and the capacity to meet the macroeconomic performance and other objective criteria after reaching the completion point. As the qualification of members for MDRI debt relief is assessed, the amounts recorded are reviewed periodically and adjusted to reflect additional information that becomes available.

6. Currencies

Net changes in the IMF's holdings of members' currencies for the years ended April 30, 2006, and 2005 were as follows:

	April 30, 2004	Net change	April 30, 2005	Net change	April 30, 2006
(In millions of SDRs)					
Members' quotas	212,794	684	213,478	–	213,478
Members' outstanding use of IMF credit in the GRA	62,153	(12,299)	49,854	(30,627)	19,227
Members' reserve tranche positions in the GRA	(62,856)	13,007	(49,849)	28,023	(21,826)
Administrative currency balances	(5)	8	3	(3)	–
Total currencies	<u>212,086</u>	<u>1,400</u>	<u>213,486</u>	<u>(2,607)</u>	<u>210,879</u>

Receivables and payables arising from valuation adjustments at April 30, 2006, when all holdings of currencies of members were last revalued, amounted to SDR 4,103 million and SDR 7,074 million, respectively (SDR 8,521 million and SDR 5,435 million, respectively, at April 30, 2005). Settlements of these receivables or payables are required to be made by members promptly after the end of each financial year.

7. Gold holdings

At April 30, 2006, and 2005, the IMF held 3,217,341 kilograms of gold, equal to 103,439,916 fine ounces of gold, at designated depositories. Gold holdings were valued at a historical cost of SDR 5,852 million as of April 30, 2006, and 2005.

	Cost		
	Ounces	Per ounce	Total
(In millions)			
Gold acquired from quota subscriptions	90,474	35	3,167
Gold acquired from Cambodia in 1992	.021	241	5
Gold acquired through off-market transaction in 1999	<u>12,944</u>	<u>207</u>	<u>2,680</u>
Total	<u><u>103,439</u></u>	<u><u>5,852</u></u>	

As of April 30, 2006, the market value of the IMF's holdings of gold was SDR 45.3 billion (SDR 29.7 billion at April 30, 2005).

8. Interest and charges

As of April 30, 2006, the total holdings on which the IMF levies charges amounted to SDR 19,227 million (SDR 49,854 million as of April 30, 2005). For financial year 2006, the basic rate of charge was set at a fixed margin of 108 basis points above the SDR interest rate (for financial year 2005, it was set at 154 percent of the SDR interest rate for the first half of the year and 136 percent for the second half). The average adjusted rate of charge before applicable surcharges for financial year 2006 was 4.18 percent (3.10 percent for financial year 2005).

Charges and other receivables as of April 30 were as follows:

	2006	2005
(In millions of SDRs)		
Periodic charges	1,308	1,598
Amount paid through burden sharing	(859)	(848)
Unpaid charges	(186)	(187)
	<u>263</u>	<u>563</u>
Other receivables	<u>32</u>	<u>5</u>
Total receivables	<u><u>295</u></u>	<u><u>568</u></u>

Interest and periodic charges consisted of the following for the years ended April 30:

	2006	2005
(In millions of SDRs)		
Interest and periodic charges	1,667	2,259
Amounts paid through burden-sharing adjustments, net of refunds	<u>5</u>	<u>11</u>
Total interest and charges	<u><u>1,672</u></u>	<u><u>2,270</u></u>

Interest earned on SAF loans for the years ended April 30, 2006, and 2005 amounted to SDR 0.1 million and SDR 0.3 million, respectively.

Service charges and commitment fees on cancelled or expired arrangements, which amounted to SDR 23 million (SDR 34 million for the year ended April 30, 2005), are included in *Other Charges and Income*.

9. Other assets—fixed assets

Other assets include fixed assets, which at April 30, 2006, and 2005 amounted to SDR 313 million and SDR 311 million, respectively, and consisted of land, buildings, construction in progress, and equipment.

	Land	Buildings	Other	Total
	(In millions of SDRs)			
Cost				
Beginning of the year	96	215	152	463
Additions	–	5	15	20
Disposals	–	–	(14)	(14)
Reclassification	–	75	(75)	–
End of the year	96	295	78	469
Accumulated depreciation				
Beginning of the year	–	114	38	152
Additions	–	8	10	18
Disposals	–	–	(14)	(14)
End of the year	–	122	34	156
Net book value as at April 30, 2006	<u>96</u>	<u>173</u>	<u>44</u>	<u>313</u>
Net book value as at April 30, 2005	<u>96</u>	<u>101</u>	<u>114</u>	<u>311</u>

10. Special Disbursement Account

Investments

As at April 30, 2006, there were no investments in the SDA. Investments in the MDRI-I Trust consisted of short-term fixed-term deposits with maturities of less than one year and amounted to SDR 384 million. As at April 30, 2005, the investments in the SDA consisted of short-term fixed-term deposits with maturities of less than one year and amounted to SDR 2,519 million.

Investment income of the SDA and the MDRI-I Trust for the years ended April 30, 2006, and 2005 was SDR 49 million and SDR 52 million, respectively.

Contributions to Administered Accounts

Assets in the SDA can be used for special purposes authorized in the Articles, including providing financial assistance on special terms to low-income member countries.

Proceeds from the repayment of SAF loans are transferred from the SDA to the Reserve Account of the PRGF-ESF Trust as contributions. During the financial years ended April 30, 2006, and 2005, such contributions amounted to SDR 37 million and SDR 41 million, respectively.

In addition, the accumulated investment earnings in the SDA are available for financing the PRGF-HIPC Trust on an as-needed basis. During the financial year ended April 30, 2006, the SDA contributed SDR 63 million to the PRGF-HIPC Trust (SDR 164 million during the financial year ended April 30, 2005).

Following the implementation of the MDRI, effective January 5, 2006, the resources held in the SDA were contributed to other accounts as follows:

(In millions of SDRs)	
PRGF-HIPC Trust Account	530
MDRI-I Trust	1,500
PRGF-ESF Trust Subsidy Account	470
Total	2,500

Trust Fund

The IMF is the Trustee of the Trust Fund, which was established in 1976 to provide balance of payments assistance on concessional terms to eligible members that qualify for assistance. The Trust Fund is in liquidation.

In 1980, the IMF, as Trustee, decided that, upon the completion of the final loan disbursements, the Trust Fund would be terminated as of April 30, 1981. Since that date, the activities of the Trust Fund have been confined to the conclusion of its affairs. The Trust Fund has no assets other than claims receivable, including interest and special charges, from Liberia, Somalia, and Sudan amounting to SDR 118 million at April 30, 2006, and 2005. All interest is deferred. Cash receipts on these loans are to be transferred to the Special Disbursement Account.

11. Borrowings

Under the General Arrangements to Borrow (GAB) and an associated agreement with Saudi Arabia, the IMF may borrow up to SDR 18.5 billion when supplementary resources are needed, in particular, to forestall or to cope with an impairment of the international monetary system. The GAB became effective on October 24, 1962, and has been renewed through December 25, 2008. Interest on borrowings under the GAB is set at a rate equal to the SDR interest rate.

Under the New Arrangements to Borrow (NAB), the IMF may borrow up to SDR 34 billion of supplementary resources. The NAB is the facility of first and principal recourse, but it does not replace the GAB, which will remain in force. Outstanding drawings and commitments under these two borrowing arrangements are limited to a combined total of SDR 34 billion. The NAB became effective for a five-year period on November 17, 1998, and has been renewed through November 16, 2008. Interest on borrowings under the NAB is payable to the participants at the SDR interest rate or any such higher rate as may be agreed between the IMF and participants representing 80 percent of the total credit arrangements. There was no balance outstanding as at April 30, 2006, and 2005 under the GAB or the NAB.

12. Arrangements

An arrangement is a decision of the IMF that gives a member the assurance that the IMF stands ready to provide SDRs or usable currencies during a specified period and up to a specified amount, in accordance with the terms of the arrangement. At April 30, 2006, the undrawn balances under the 11 arrangements that were in effect in the GRA amounted to SDR 7,539 million (SDR 7,927 million under 12 arrangements at April 30, 2005).

13. Burden sharing and the Special Contingent Account

Under the burden-sharing mechanism, the basic rate of charge is increased and the rate of remuneration is adjusted downward to offset the effect on the IMF's income of the nonpayment of charges and also to finance the additions to the SCA-1.

Cumulative charges, net of settlements, that have resulted in adjustments to charges and remuneration since May 1, 1986 (the date the burden-sharing mechanism was adopted) amounted to SDR 859 million at April 30, 2006, (SDR 848 million at April 30, 2005). The cumulative refunds for the same period, resulting from the settlements of overdue charges for which burden-sharing adjustments have been made, amounted to SDR 1,080 million and SDR 1,073 million, at April 30, 2006, and 2005, respectively.

The SCA-1 is financed by adjustments to the rate of charge and the rate of remuneration. Balances in the SCA-1 are to be distributed to the members that shared the cost of its financing when there are no outstanding overdue repurchases and charges, or at such earlier time as the IMF may decide. Amounts collected from members for the SCA-1 are akin to refundable cash deposits and are recorded as collections of cash and as a liability to those who paid it. Losses arising from overdue obligations, if realized, would be shared by members in proportion to their cumulative contributions to the SCA-1. For the financial years ended April 30, 2006, and 2005, the annual addition to the SCA-1 amounted to SDR 94 million.

14. Remuneration

At April 30, 2006, total creditor positions on which the IMF paid remuneration amounted to SDR 15,051 million (SDR 43,209 million at April 30, 2005). The average adjusted rate of remuneration for the financial year ended April 30, 2006, was 2.68 percent (1.98 percent for the financial year ended April 30, 2005). Remuneration consisted of the following for the years ended April 30:

	2006	2005
	(In millions of SDRs)	
Remuneration	833	1,045
Amount withheld for burden-sharing adjustment, net of refunds	<u>(5)</u>	<u>(11)</u>
	<u>828</u>	<u>1,034</u>

The pension and other post-retirement benefits expenses recognized in the income statement include the amortization, over the estimated average remaining service lives of IMF staff, of actuarial gains and losses in excess of a corridor. The corridor is the higher of 10 percent of either the defined benefit obligation or the fair value of assets at the beginning of the financial year.

The amounts recognized in the income statements are as follows:

	2006	2005			
	SRP	SRBP	Other	Total	Total
(In millions of SDRs)					
Current service cost	106	31	42	179	172
Interest cost	169	15	34	218	210
Expected returns on assets	(236)	—	(27)	(263)	(244)
Amortization of actuarial (gain)/loss	18	3	(4)	17	34
Prior service cost	—	—	2	2	3
Total expense recognized in income statement	57	49	47	153	175
Actual return on assets	773	—	82	855	380

The principal actuarial assumptions used in the actuarial valuations were as follows:

	2006	2005
	(In percent)	
Discount rate	6.25	5.7
Expected return on plan assets	7.5	7.5
Future salary increases	6.4-10.8	6.4-10.8
Ultimate health-care-costs growth rates	4.0	4.0

15. Administrative expenses

Administrative expenses, the majority of which were incurred in U.S. dollars, were as follows for the years ended April 30:

	2006	2005
	(In millions of SDRs)	
Personnel	355	343
Pension and other long-term employee benefits	153	160
Travel	67	62
Exchange gains and losses	—	2
Other	118	106
Total administrative expenses, net of reimbursements	<u>693</u>	<u>673</u>

16. Pension and other post-retirement benefits

The IMF has a defined-benefit Staff Retirement Plan (SRP) that covers substantially all eligible staff and a Supplemental Retirement Benefits Plan (SRBP) for selected participants of the SRP. Participants contribute 7 percent of their pensionable remuneration and the IMF contributes the remainder of the cost of funding the plans and pays certain administrative costs of the plans. In addition, the IMF provides other employment and post-retirement benefits, including medical and life insurance, and other long-term benefits. In 1995, the IMF established a separate account, the Retired Staff Benefits Investment Account (RSBIA), to hold and invest resources set aside to fund the cost of the post-retirement benefits.

The defined benefit obligations are valued annually by independent actuaries. The latest actuarial valuations were carried out as at April 30, 2006, using the Projected Unit Credit Method.

The amounts recognized in the balance sheet are determined as follows:

	2006	2005			
	SRP	SRBP	Other	Total	Total
(In millions of SDRs)					
Fair value of plan assets	4,003	7	458	4,468	3,504
Present value of the defined benefit obligation	(2,982)	(279)	(573)	(3,834)	(3,720)
Unrecognized actuarial losses/(gains)	(271)	50	(120)	(341)	560
Unrecognized prior service cost	—	—	7	7	9
Net balance sheet asset/(liability)	<u>750</u>	<u>(222)</u>	<u>(228)</u>	<u>300</u>	<u>353</u>

The movement in the net balance sheet asset is reconciled as follows:

	2006	2005			
	SRP	SRBP	Other	Total	Total
(In millions of SDRs)					
Beginning of year	758	(182)	(223)	353	443
Expense recognized in the income statement	(57)	(49)	(47)	(153)	(175)
Contributions paid	49	9	42	100	85
End of year	<u>750</u>	<u>(222)</u>	<u>(228)</u>	<u>300</u>	<u>353</u>

17. Related-party transactions

The GRA conducts its transactions with the SDR Department on the same terms and conditions applicable to participants in the SDR Department. During the financial years ended April 30, 2006, the receipts (consisting of repurchases, charges, and interest on SDR holdings) and uses (consisting of purchases and remuneration) of SDRs by the GRA amounted to SDR 5,867 million (SDR 3,100 million for the financial year ended April 30, 2005) and SDR 2,801 million (SDR 3,032 million for the financial year ended April 30, 2005), respectively. As of April 30, 2006, and 2005, the GRA's SDR holdings amounted to SDR 3,641 million and SDR 574 million, respectively.

The administrative expenses of operating the SDR Department, the PRGF-ESF Trust, the PRGF-HIPC Trust, and the MDRI-I and MDRI-II Trusts are paid by the GRA. The SDR Department reimbursed the GRA SDR 1.2 million and SDR 1.5 million for the financial years ended April 30, 2006, and 2005, respectively. The MDRI-I Trust will reimburse the GRA SDR 4.1 million for the financial year ended April 30, 2006. The IMF decided to forgive the reimbursements by the PRGF-ESF Trust to the GRA, amounting to SDR 50.9 million and SDR 54.4 million for the financial years ended April 30, 2006, and 2005, respectively. The PRGF-HIPC Trust and the MDRI-II Trust do not reimburse the GRA.

General Department

Quotas, IMF's holdings of currencies, reserve tranche positions, and outstanding credit and loans as at April 30, 2006

(In thousands of SDRs)

Member	Quota	General Resources Account			Outstanding credit and loans					
		IMF's holdings of currencies ¹		Reserve tranche position	GRA		SDA ³		PRGF-ESF Trust ⁴	
		Total	Percent of quota		Amount (A)	Percent ² +	(B)	+	(C)	=
Afghanistan, Islamic Republic of	161,900	161,916	100.0	—	—	—	—	—	—	—
Albania	48,700	46,568	95.6	3,355	1,218	0.01	—	—	63,702	64,919
Algeria	1,254,700	1,169,619	93.2	85,082	—	—	—	—	—	—
Angola	286,300	286,445	100.1	—	—	—	—	—	—	—
Antigua and Barbuda	13,500	13,499	100.0	6	—	—	—	—	—	—
Argentina	2,117,100	2,116,919	100.0	195	—	—	—	—	—	—
Armenia	92,000	92,005	100.0	—	—	—	—	—	116,263	116,263
Australia	3,236,400	2,833,494	87.6	403,156	—	—	—	—	—	—
Austria	1,872,300	1,692,531	90.4	179,778	—	—	—	—	—	—
Azerbaijan	160,900	179,576	111.6	10	18,676	0.10	—	—	85,713	104,389
Bahamas, The	130,300	124,041	95.2	6,260	—	—	—	—	—	—
Bahrain	135,000	63,843	47.3	71,203	—	—	—	—	—	—
Bangladesh	533,300	533,079	100.0	230	—	—	—	—	283,060	283,060
Barbados	67,500	62,144	92.1	5,348	—	—	—	—	—	—
Belarus	386,400	386,400	100.0	20	—	—	—	—	—	—
Belgium	4,605,200	4,069,818	88.4	535,402	—	—	—	—	—	—
Belize	18,800	14,562	77.5	4,239	—	—	—	—	—	—
Benin	61,900	59,720	96.5	2,188	—	—	—	—	880	880
Bhutan	6,300	5,280	83.8	1,020	—	—	—	—	—	—
Bolivia	171,500	172,298	100.5	8,875	9,660	0.05	—	—	—	9,660
Bosnia and Herzegovina	169,100	205,505	121.5	0 ⁶	36,400	0.19	—	—	—	36,400
Botswana	63,000	55,892	88.7	7,109	—	—	—	—	—	—
Brazil	3,036,100	3,036,538	100.0	—	—	—	—	—	—	—
Brunei Darussalam	215,200	190,827	88.7	24,576	—	—	—	—	—	—
Bulgaria	640,200	900,215	140.6	33,045	293,042	1.52	—	—	—	293,042
Burkina Faso	60,200	52,858	87.8	7,346	—	—	—	—	13,760	13,760
Burundi	77,000	76,641	99.5	360	—	—	—	—	40,700	40,700
Cambodia	87,500	87,500	100.0	—	—	—	—	—	—	—
Cameroon	185,700	184,998	99.6	707	—	—	—	—	2,650	2,650
Canada	6,369,200	5,649,903	88.7	719,307	—	—	—	—	—	—
Cape Verde	9,600	9,593	99.9	16	—	—	—	—	8,640	8,640
Central African Republic	55,700	68,079	122.2	159	12,533	0.07	—	—	17,888	30,421
Chad	56,000	55,719	99.5	282	—	—	—	—	52,856	52,856
Chile	856,100	759,608	88.7	96,493	—	—	—	—	—	—
China	6,369,200	5,629,974	88.4	739,273	—	—	—	—	—	—
Colombia	774,000	488,202	63.1	285,803	—	—	—	—	—	—
Comoros	8,900	8,358	93.9	544	—	—	—	—	—	—
Congo, Democratic Republic of the	533,000	533,000	100.0	—	—	—	—	—	553,467	553,467
Congo, Republic of	84,600	84,070	99.4	536	—	—	—	—	17,110	17,110
Costa Rica	164,100	144,113	87.8	20,000	—	—	—	—	—	—
Côte d'Ivoire	325,200	324,556	99.8	646	—	—	—	—	130,476	130,476
Croatia	365,100	364,943	100.0	159	—	—	—	—	—	—
Cyprus	139,600	123,582	88.5	16,033	—	—	—	—	—	—
Czech Republic	819,300	728,233	88.9	91,072	—	—	—	—	—	—
Denmark	1,642,800	1,513,202	92.1	129,602	—	—	—	—	—	—
Djibouti	15,900	14,800	93.1	1,100	—	—	—	—	12,540	12,540
Dominica	8,200	10,652	129.9	9	2,460	0.01	—	—	5,366	7,826
Dominican Republic	218,900	488,154	223.0	3	269,255	1.40	—	—	—	269,255
Ecuador	302,300	322,899	106.8	17,153	37,750	0.20	—	—	—	37,750
Egypt	943,700	943,723	100.0	—	—	—	—	—	—	—
El Salvador	171,300	171,303	100.0	—	—	—	—	—	—	—
Equatorial Guinea	32,600	32,605	100.0	—	—	—	—	—	—	—
Eritrea	15,900	15,900	100.0	5	—	—	—	—	—	—
Estonia	65,200	65,195	100.0	6	—	—	—	—	—	—
Ethiopia	133,700	126,474	94.6	7,241	—	—	—	—	—	—

Schedule 1 (continued)

Member	General Resources Account				Outstanding credit and loans				
	IMF's holdings of currencies ¹		Reserve tranche position	GRA		PRGF-ESF			Total ⁵ (D)
	Quota	Total		Percent of quota	Amount (A)	Percent ² +	SDA ³ (B) +	Trust ⁴ (C) =	
Fiji	70,300	54,934	78.1	15,372	—	—	—	—	—
Finland	1,263,800	1,142,006	90.4	121,863	—	—	—	—	—
France	10,738,500	9,765,045	90.9	973,646	—	—	—	—	—
Gabon	154,300	201,726	130.7	219	47,640	0.25	—	—	47,640
Gambia, The	31,100	29,618	95.2	1,485	—	—	—	13,882	13,882
Georgia	150,300	150,300	100.0	10	—	—	—	159,335	159,335
Germany	13,008,200	11,208,829	86.2	1,799,457	—	—	—	—	—
Ghana	369,000	369,004	100.0	0 ⁶	—	—	—	26,350	26,350
Greece	823,000	745,918	90.6	77,095	—	—	—	—	—
Grenada	11,700	17,190	146.9	—	5,489	0.03	—	1,560	7,049
Guatemala	210,200	210,206	100.0	—	—	—	—	—	—
Guinea	107,100	107,026	99.9	75	—	—	—	57,570	57,570
Guinea-Bissau	14,200	14,200	100.0	— ⁶	—	—	—	7,364	7,364
Guyana	90,900	90,902	100.0	—	—	—	—	27,810	27,810
Haiti	81,900	102,308	124.9	68	20,475	0.11	—	3,035	23,510
Honduras	129,500	120,874	93.3	8,627	—	—	—	20,342	20,342
Hungary	1,038,400	917,148	88.3	121,254	—	—	—	—	—
Iceland	117,600	99,014	84.2	18,589	—	—	—	—	—
India	4,158,200	3,642,215	87.6	515,990	—	—	—	—	—
Indonesia	2,079,300	7,122,583	342.5	145,499	5,188,779	26.99	—	—	5,188,779
Iran, Islamic Republic of	1,497,200	1,497,204	100.0	—	—	—	—	—	—
Iraq	1,188,400	1,314,413	110.6	171,100	297,100	1.55	—	—	297,100
Ireland	838,400	764,230	91.2	74,177	—	—	—	—	—
Israel	928,200	823,017	88.7	105,191	—	—	—	—	—
Italy	7,055,500	6,175,154	87.5	880,367	—	—	—	—	—
Jamaica	273,500	273,550	100.0	—	—	—	—	—	—
Japan	13,312,800	11,829,008	88.9	1,485,034	—	—	—	—	—
Jordan	170,500	314,229	184.3	144	143,858	0.75	—	—	143,858
Kazakhstan	365,700	365,700	100.0	5	—	—	—	—	—
Kenya	271,400	258,655	95.3	12,747	—	—	—	107,733	107,733
Kiribati	5,600	5,601	100.0	4	—	—	—	—	—
Korea	1,633,600	1,449,576	88.7	184,035	—	—	—	—	—
Kuwait	1,381,100	1,223,043	88.6	158,077	—	—	—	—	—
Kyrgyz Republic	88,800	88,800	100.0	5	—	—	—	116,773	116,773
Lao People's Democratic Republic	52,900	52,900	100.0	— ⁶	—	—	—	19,880	19,880
Latvia	126,800	126,762	100.0	55	—	—	—	—	—
Lebanon	203,000	184,168	90.7	18,833	—	—	—	—	—
Lesotho	34,900	31,324	89.8	3,601	—	—	—	24,500	24,500
Liberia	71,300	271,854	381.3	31	200,573	1.04	—	—	223,463
Libya	1,123,700	728,202	64.8	395,505	—	—	—	—	—
Lithuania	144,200	144,185	100.0	16	—	—	—	—	—
Luxembourg	279,100	252,306	90.4	26,805	—	—	—	—	—
Macedonia, former Yugoslav Republic of	68,900	99,763	144.8	— ⁶	30,861	0.16	—	11,725	42,587
Madagascar	122,200	122,174	100.0	27	—	—	—	11,348	11,348
Malawi	69,400	80,124	115.5	2,290	13,013	0.07	—	40,820	53,833
Malaysia	1,486,600	1,310,695	88.2	175,911	—	—	—	—	—
Maldives	8,200	10,746	131.1	1,554	4,100	0.02	—	—	4,100
Mali	93,300	84,114	90.2	9,194	—	—	—	3,993	3,993
Malta	102,000	61,741	60.5	40,261	—	—	—	—	—
Marshall Islands	3,500	3,500	100.0	1	—	—	—	—	—
Mauritania	64,400	64,404	100.0	—	—	—	—	44,475	44,475
Mauritius	101,600	89,843	88.4	11,758	—	—	—	—	—
Mexico	2,585,800	2,293,040	88.7	292,808	—	—	—	—	—
Micronesia, Federated States of	5,100	5,100	100.0	1	—	—	—	—	—
Moldova	123,200	155,908	126.5	5	32,708	0.17	—	27,720	60,428
Mongolia	51,100	50,967	99.7	136	—	—	—	22,784	22,784
Morocco	588,200	517,756	88.0	70,447	—	—	—	—	—
Mozambique	113,600	113,600	100.0	7	—	—	—	4,860	4,860
Myanmar	258,400	258,402	100.0	—	—	—	—	—	—
Namibia	136,500	136,438	100.0	71	—	—	—	—	—

Schedule 1 (continued)

Member	General Resources Account				Outstanding credit and loans				
	IMF's holdings of currencies ¹		Reserve tranche position	GRA		PRGF-ESF		Total ⁵ (D)	
	Quota	Total		Percent of quota	Amount (A)	Percent ² +	SDA ³ (B)	Trust ⁴ +	
Nepal	71,300	71,311	100.0	—	—	—	—	14,260	14,260
Netherlands	5,162,400	4,513,858	87.4	648,588	—	—	—	—	—
New Zealand	894,600	792,157	88.5	102,463	—	—	—	—	—
Nicaragua	130,000	130,010	100.0	—	—	—	—	13,930	13,930
Niger	65,800	57,193	86.9	8,611	—	—	—	11,750	11,750
Nigeria	1,753,200	1,753,121	100.0	143	—	—	—	—	—
Norway	1,671,700	1,554,108	93.0	117,604	—	—	—	—	—
Oman	194,000	176,981	91.2	17,067	—	—	—	—	—
Pakistan	1,033,700	1,080,976	104.6	118	47,393	0.25	—	975,150	1,022,543
Palau	3,100	3,100	100.0	1	—	—	—	—	—
Panama	206,600	210,585	101.9	11,860	15,833	0.08	—	—	15,833
Papua New Guinea	131,600	131,163	99.7	438	—	—	—	—	—
Paraguay	99,900	78,428	78.5	21,475	—	—	—	—	—
Peru	638,400	665,183	104.2	—	26,750	0.14	—	—	26,750
Philippines	879,900	1,001,594	113.8	87,486	209,171	1.09	—	—	209,171
Poland	1,369,000	1,258,351	91.9	110,654	—	—	—	—	—
Portugal	867,400	786,165	90.6	81,268	—	—	—	—	—
Qatar	263,800	233,403	88.5	30,398	—	—	—	—	—
Romania	1,030,200	1,161,094	112.7	—	130,889	0.68	—	—	130,889
Russian Federation	5,945,400	5,808,295	97.7	137,141	—	—	—	—	—
Rwanda	80,100	80,113	100.0	—	—	—	—	1,142	1,142
St. Kitts and Nevis	8,900	8,819	99.1	82	—	—	—	—	—
St. Lucia	15,300	15,295	100.0	7	—	—	—	—	—
St. Vincent and the Grenadines	8,300	7,800	94.0	500	—	—	—	—	—
Samoa	11,600	10,918	94.1	693	—	—	—	—	—
San Marino	17,000	12,900	75.9	4,101	—	—	—	—	—
São Tomé and Príncipe	7,400	7,403	100.0	— ⁶	—	—	—	2,653	2,653
Saudi Arabia	6,985,500	6,005,958	86.0	979,546	—	—	—	—	—
Senegal	161,800	160,228	99.0	1,582	—	—	—	17,330	17,330
Serbia and Montenegro	467,700	1,123,964	240.3	—	656,250	3.41	—	—	656,250
Seychelles	8,800	8,798	100.0	3	—	—	—	—	—
Sierra Leone	103,700	103,685	100.0	24	—	—	—	133,375	133,375
Singapore	862,500	765,329	88.7	97,196	—	—	—	—	—
Slovak Republic	357,500	357,505	100.0	—	—	—	—	—	—
Slovenia	231,700	205,383	88.6	26,324	—	—	—	—	—
Solomon Islands	10,400	9,852	94.7	550	—	—	—	—	—
Somalia	44,200	140,907	318.8	—	96,701	0.50	8,840	—	112,004
South Africa	1,868,500	1,867,671	100.0	843	—	—	—	—	—
Spain	3,048,900	2,709,066	88.9	339,839	—	—	—	—	—
Sri Lanka	413,400	531,865	128.7	47,855	166,303	0.87	—	38,390	204,693
Sudan	169,700	466,300	274.8	11	296,580	1.54	—	—	355,808
Suriname	92,100	85,976	93.4	6,125	—	—	—	—	—
Swaziland	50,700	44,147	87.1	6,562	—	—	—	—	—
Sweden	2,395,500	2,098,121	87.6	297,382	—	—	—	—	—
Switzerland	3,458,500	3,075,149	88.9	383,388	—	—	—	—	—
Syrian Arab Republic	293,600	293,603	100.0	5	—	—	—	—	—
Tajikistan	87,000	87,000	100.0	2	—	—	—	29,400	29,400
Tanzania	198,900	188,903	95.0	9,999	—	—	—	8,400	8,400
Thailand	1,081,900	960,301	88.8	121,607	—	—	—	—	—
Timor-Leste	8,200	8,200	100.0	1	—	—	—	—	—
Togo	73,400	73,069	99.5	332	—	—	—	7,602	7,602
Tonga	6,900	5,189	75.2	1,712	—	—	—	—	—
Trinidad and Tobago	335,600	298,198	88.9	37,408	—	—	—	—	—
Tunisia	286,500	266,276	92.9	20,249	—	—	—	—	—
Turkey	964,000	9,748,963	1,011.3	112,775	8,897,735	46.28	—	—	8,897,735
Turkmenistan	75,200	75,200	100.0	5	—	—	—	—	—
Uganda	180,500	180,506	100.0	— ⁶	—	—	—	6,000	6,000
Ukraine	1,372,000	2,106,268	153.5	3	734,268	3.82	—	—	734,268
United Arab Emirates	611,700	541,977	88.6	70,324	—	—	—	—	—
United Kingdom	10,738,500	9,511,432	88.6	1,227,173	—	—	—	—	—

Schedule 1 (concluded)

Member	General Resources Account				Outstanding credit and loans					
	IMF's holdings of currencies ¹		Reserve tranche position	GRA Amount (A)	Outstanding credit and loans		PRGF-ESF Trust ⁴ (C)		Total ⁵ (D)	
	Quota	Total			Percent of quota	Percent ² +	SDA ³ (B)	+		
United States	37,149,300	32,236,917	86.8	4,907,329	—	—	—	—	—	
Uruguay	306,500	1,567,265	511.3	—	1,260,758	6.56	—	—	1,260,758	
Uzbekistan	275,600	275,600	100.0	5	—	—	—	—	—	
Vanuatu	17,000	14,506	85.3	2,496	—	—	—	—	—	
Venezuela, República Bolivariana de	2,659,100	2,337,199	87.9	321,902	—	—	—	—	—	
Vietnam	329,100	329,100	100.0	5	—	—	—	136,280	136,280	
Yemen, Republic of	243,500	266,488	109.4	13	23,000	0.12	—	168,150	191,150	
Zambia	489,100	489,101	100.0	18	—	—	—	22,009	22,009	
Zimbabwe	353,400	353,075	99.9	328	—	—	—	75,013	75,013	
Total	<u>213,478,400</u>	<u>210,879,381</u>		<u>21,826,022</u>	<u>19,227,219</u>	<u>100.00</u>	<u>8,840</u>	<u>3,819,760</u>	<u>23,144,400</u>	

¹Includes nonnegotiable, non-interest-bearing notes that members are entitled to issue in substitution for currencies, and outstanding currency valuation adjustments.

²Represents the percentage of total use of GRA resources (column A).

³The Special Disbursement Account (SDA) of the General Department had financed loans under Structural Adjustment Facility (SAF) and Poverty Reduction and Growth Facility (PRGF) arrangements.

⁴For information purposes only. The PRGF-ESF Trust provides financing under PRGF arrangements and is not a part of the General Department.

⁵Includes outstanding Trust Fund loans to Liberia (SDR 22.9 million), Somalia (SDR 6.5 million), and Sudan (SDR 59.2 million).

⁶Less than SDR 500.

General Department
Financial resources and liquidity position
in the General Resources Account
as at April 30, 2006, and 2005

(In thousands of SDRs)

	2006	2005
Total resources		
Currencies	210,879,381	213,486,377
SDR holdings	3,640,792	574,310
Gold holdings	5,851,771	5,851,771
Other assets ¹	744,968	879,028
Total resources	<u>221,116,912</u>	<u>220,791,486</u>
Less: Non-usable resources ²	66,343,632	97,828,711
of which: Credit outstanding	<u>19,227,219</u>	<u>49,853,664</u>
Equals: Usable resources ³	<u>154,773,280</u>	<u>122,962,775</u>
Less: Undrawn balances under GRA arrangements	7,539,069	7,926,545
Equals: Uncommitted usable resources	<u>147,234,211</u>	<u>115,036,230</u>
Plus: Repurchases one year forward ⁴	7,005,607	13,320,313
Less: Prudential balance ⁵	34,162,440	34,017,800
Equals: One-year forward commitment capacity	<u>120,077,378</u>	<u>94,338,743</u>
 Memorandum items:		
Resources available under borrowing arrangements	34,000,000	34,000,000
Quotas of members that finance IMF transactions	170,812,200	170,089,000
Net uncommitted usable resources	131,652,914	99,882,010
Liquid liabilities	21,826,022	49,848,798
Liquidity ratio ⁶	603.2%	200.4%

¹Other assets reflect current assets (charges, interest, and other receivables) and other assets (which include capital assets such as land, buildings, and equipment), net of other liabilities including remuneration payable.

²Resources are regarded as non-usable if they cannot be used in the financing of the IMF's ongoing operations and transactions. These resources include (1) gold holdings, (2) currencies of members that are using IMF credit, (3) currencies of other members with relatively weak external positions, and (4) other assets.

³Usable resources consist of (1) holdings of currencies of members considered by the IMF as having balance of payments and reserve positions sufficiently strong for their currencies to be used in transfers, (2) SDR holdings, and (3) any unused amounts under credit lines that have been activated.

⁴Repurchases by member countries during the coming one-year period. It is assumed that repurchases would be made on an expectation basis for the SRF, and on an obligation basis under all other facilities.

⁵Prudential balance is set at 20 percent of quotas of members that issue the currencies that are used in the financing of IMF transactions and any amounts activated under borrowing arrangements.

⁶The liquidity ratio is a measure of the IMF's liquidity position, represented by the ratio of its net uncommitted usable resources to its liquid liabilities (i.e., members' reserve tranche positions plus outstanding borrowing).

Schedule 3

General Department
Status of arrangements in the
General Resources Account
as at April 30, 2006

(In thousands of SDRs)

Member	Date of arrangement	Expiration	Total amount agreed	Undrawn balance
Stand-By Arrangements				
Bulgaria	August 6, 2004	September 5, 2006	100,000	100,000
Colombia	May 2, 2005	November 2, 2006	405,000	405,000
Croatia	August 4, 2004	November 15, 2006	99,000	99,000
Dominican Republic	January 31, 2005	May 31, 2007	437,800	288,940
Iraq	December 23, 2005	March 22, 2007	475,360	475,360
Macedonia, former Yugoslav Republic of	August 31, 2005	August 30, 2008	51,675	41,175
Peru	June 9, 2004	August 16, 2006	287,279	287,279
Romania	July 7, 2004	July 6, 2006	250,000	250,000
Turkey	May 11, 2005	May 10, 2008	6,662,040	4,996,530
Uruguay	June 8, 2005	June 7, 2008	766,250	588,480
Total Stand-By Arrangements			9,534,404	7,531,764
Extended Arrangements				
Albania	February 1, 2006	January 31, 2009	8,523	7,305
Total Extended Arrangements			8,523	7,305
Total General Resources Account			9,542,927	7,539,069



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Independent Auditors' Report

**To the Board of Governors
 of the International Monetary Fund
 Washington, DC**

We have audited the accompanying balance sheets of the SDR Department of the International Monetary Fund (the "Department") as of April 30, 2006, and 2005, and the related statements of income and cash flows for the years then ended. These financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with International Standards on Auditing and auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the SDR Department of the International Monetary Fund at April 30, 2006, and 2005, and the results of its operations and its cash flows for the years then ended in conformity with International Financial Reporting Standards.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules listed on pages 194 to 199 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of the Department's management. Such schedules have been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Deloitte & Touche LLP

June 12, 2006

Member of
 Deloitte Touche Tohmatsu

SDR Department
Balance sheets
as at April 30, 2006, and 2005
(In thousands of SDRs)

	2006	2005		2006	2005
Assets			Liabilities		
Net charges receivable	70,217	49,889	Net interest payable		70,419
Overdue assessments and charges (Note 3)	37,875	35,988	Participants with holdings above allocations (Note 2)		
Participants with holdings below allocations (Note 2)			SDR holdings		13,280,520
Allocations	12,477,679	12,133,536	Less: allocations		16,617,864
Less: SDR holdings	4,253,303	4,006,504	Holdings in excess of allocations		8,955,651
Allocations in excess of holdings	8,224,376	8,127,032	Holdings by the General Resources Account		9,299,794
Total assets	<u>8,332,468</u>	<u>8,212,889</u>	Holdings of SDRs by prescribed holders		<u>4,324,869</u>
			Total liabilities		<u>3,640,792</u>
					<u>296,388</u>
					<u>8,332,468</u>
					<u>8,212,889</u>

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

/s/ Michael G. Kuhn
Director, Finance Department

/s/ Rodrigo de Rato
Managing Director

SDR Department
Income statements
for the years ended April 30, 2006, and 2005

(In thousands of SDRs)

	2006	2005
Revenue		
Net charges from participants with holdings below allocations	245,826	173,782
Assessment on SDR allocations	<u>1,200</u>	<u>1,500</u>
	<u>247,026</u>	<u>175,282</u>
Expenses		
Interest on SDR holdings		
Net interest to participants with holdings above allocations	179,686	149,673
General Resources Account	58,340	16,322
Prescribed holders	<u>7,800</u>	<u>7,787</u>
	<u>245,826</u>	<u>173,782</u>
Administrative expenses	<u>1,200</u>	<u>1,500</u>
	<u>247,026</u>	<u>175,282</u>
Net income	<u>—</u>	<u>—</u>

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

SDR Department
Statements of cash flows
for the years ended April 30, 2006, and 2005

(In thousands of SDRs)

	2006	2005
Cash flows from operating activities		
Receipts of SDRs		
Transfers among participants and prescribed holders	4,336,675	4,499,083
Transfers from participants to the General Resources Account	5,867,261	3,100,437
Transfers from the General Resources Account to participants	<u>2,800,779</u>	<u>3,032,157</u>
Total receipts of SDRs	<u>13,004,715</u>	<u>10,631,677</u>
Uses of SDRs		
Transfers among participants and prescribed holders	4,142,521	4,356,089
Transfers from participants to the General Resources Account	5,835,916	3,085,510
Transfers from the General Resources Account to participants	<u>2,800,779</u>	<u>3,032,157</u>
Charges paid in the SDR Department	<u>223,593</u>	<u>210,741</u>
Other	<u>1,906</u>	<u>(52,820)</u>
Total uses of SDRs	<u>13,004,715</u>	<u>10,631,677</u>

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

SDR Department
Notes to the financial statements
as at April 30, 2006, and 2005

1. Nature of operations

The International Monetary Fund (the IMF) conducts its operations and transactions through the General Department and the Special Drawing Rights Department (the SDR Department). The Special Drawing Right (SDR) is an international interest-bearing reserve asset created by the IMF following the First Amendment of the Articles of Agreement in 1969. All transactions and operations involving SDRs are conducted through the SDR Department. The SDR may be allocated by the IMF, as a supplement to existing reserve assets, to members participating in the SDR Department. Its value as a reserve asset derives, essentially, from the commitments of participants to hold and accept SDRs and to honor various obligations connected with its proper functioning as a reserve asset.

The resources of the SDR Department are held separately from the assets of all the other accounts of, or administered by, the IMF. They may not be used to meet the liability, obligations, or losses of the Fund incurred in the operations of the General Department or other accounts, except that the SDR Department reimburses the General Department for expenses incurred in conducting the business of the SDR Department.

At April 30, 2006, all members of the IMF were participants in the SDR Department. SDRs have been allocated by the IMF to members that are participants in the SDR Department at the time of the allocation in proportion to their quotas in the IMF. Six allocations have been made (in 1970, 1971, 1972, 1979, 1980, and 1981) for a total of SDR 21.4 billion. A proposed amendment of the IMF's Articles of Agreement was approved by the Board of Governors in January 1998 to allow for a special one-time allocation of SDRs equal to SDR 21.4 billion. The amendment will enter into force after three-fifths of the members, having 85 percent of the total voting power, have accepted it. Upon termination of participation or liquidation of the SDR Department, the IMF will provide to holders the currencies received from the participants in settlement of their obligations. The IMF is empowered to prescribe certain official entities as holders of SDRs; at April 30, 2006, 15 institutions were prescribed as holders (14 institutions at April 30, 2005). Prescribed holders do not receive allocations.

The SDR is also used by a number of international and regional organizations as a unit of account or as the basis for their units of account. Several international conventions also use the SDR as a unit of account, notably those expressing liability limits for the international transport of goods and services.

Uses of SDRs

Participants and prescribed holders can use and receive SDRs in transactions and operations by agreement among themselves. Participants can also use SDRs in operations and transactions involving the General Resources Account, such as the payment of charges and repurchases. By designating participants to provide freely usable currency in exchange for SDRs, the IMF ensures that a participant can use its SDRs to obtain an equivalent amount of currency if it has a need because of its balance of payments, its reserve position, or developments in its reserves.

General allocations and cancellations of SDRs

The IMF has the authority to provide unconditional liquidity through general allocations of SDRs to participants in the SDR Department in proportion to their quotas in the IMF. The IMF cannot allocate SDRs to itself or to other holders it prescribes. The Articles also provide for the cancellation of SDRs, although to date there have been no cancellations. In its decisions on general allocations of SDRs, the IMF, as prescribed under its Articles, has sought to meet the long-term global need to supplement existing reserve assets in such a manner as will promote the attainment of the IMF's purposes and avoid economic stagnation and deflation, as well as excess demand and inflation.

2. Summary of significant accounting policies

Basis of accounting

The financial statements of the SDR Department are prepared in accordance with International Financial Reporting Standards (IFRS). Specific accounting principles and disclosure practices are explained further below.

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Unit of account

The financial statements are expressed in terms of SDRs. The value of the SDR is determined by the IMF each day by summing the values in U.S. dollars, based on market exchange rates, of the currencies in the SDR valuation basket. The IMF reviews the SDR valuation basket every five years. The latest review was completed in November 2005 and the new composition of the SDR valuation basket became effective on January 1, 2006.

The currencies in the basket as of April 30, 2006, and 2005 and their amounts were as follows:

Currency	Amount	
	2006	2005
Euro	0.4100	0.4260
Japanese yen	18.4000	21.0000
Pound sterling	0.0903	0.0984
U.S. dollar	0.6320	0.5770

As of April 30, 2006, one SDR was equal to 1.47106 U.S. dollars (one SDR was equal to 1.51678 U.S. dollars as of April 30, 2005).

Allocations and holdings

At April 30, 2006, and 2005, IMF net cumulative allocations to participants totaled SDR 21.4 billion. Participants with holdings in excess of their allocations have established a net claim on the SDR Department, which is represented on the balance sheet as a liability. Participants with holdings below their allocations have used part of their allocations, which results in a net obligation to the SDR Department and is presented as an asset of the SDR Department. Participants' net SDR positions as of April 30, 2006, and 2005 were as follows:

	2006			2005		
	Total	Below allocations	Above allocations	Total	Below allocations	Above allocations
(In millions of SDRs)						
Cumulative allocations	21,433.3	12,477.7	8,955.6	21,433.3	12,133.5	9,299.8
Holdings of SDRs by participants	<u>17,533.8</u>	<u>4,253.3</u>	<u>13,280.5</u>	<u>20,624.4</u>	<u>4,006.5</u>	<u>16,617.9</u>
Net SDR positions	<u>3,899.5</u>	<u>8,224.4</u>	<u>(4,324.9)</u>	<u>808.9</u>	<u>8,127.0</u>	<u>(7,318.1)</u>

A summary of SDR holdings is provided below:

	2006	2005
(In millions of SDRs)		
Participants	17,533.8	20,624.4
General Resources Account	3,640.8	574.3
Prescribed holders	<u>296.5</u>	<u>270.4</u>
	21,471.1	21,469.1
Less: Overdue charges receivable	<u>37.8</u>	<u>35.8</u>
Total holdings	<u>21,433.3</u>	<u>21,433.3</u>

Interest and charges

Interest is paid on holdings of SDRs. Charges are levied on each participant's net cumulative allocations plus any allocations in excess of holdings of the participant and unpaid charges. Interest on SDR holdings is paid quarterly. Charges on net cumulative allocations are also collected quarterly. Interest and charges are levied at the same rate and are settled by crediting and debiting individual holdings accounts on the first day of the subsequent quarter. The SDR Department is required to pay interest to each holder, whether or not sufficient SDRs are received to meet the payment of interest. If sufficient SDRs are not received because charges are overdue, additional SDRs are temporarily created.

The rate of interest on the SDR is determined by reference to a combined market interest rate, which is a weighted average of yields or rates on short-term instruments in the capital markets of the euro area, Japan, the United Kingdom, and the United States. The combined market interest rate used to determine the SDR interest rate is calculated each Friday, using the yields or rates of that day. The SDR interest rate, which is set equal to the combined

market interest rate, enters into effect on the following Monday and applies through the following Sunday. The average SDR interest rate was 2.92 percent for the year ended April 30, 2006 (2.08 percent for the year ended April 30, 2005).

Administrative expenses

The expenses of conducting the business of the SDR Department are paid by the IMF from the General Resources Account, which is reimbursed in SDRs by the SDR Department at the end of each financial year. For this purpose, the SDR Department levies an assessment on all participants in proportion to their net cumulative allocations.

Overdue obligations

An allowance for losses resulting from overdue SDR obligations would be created if the IMF expected a loss to be incurred; no losses have been incurred to date.

Comparatives

When necessary, comparative figures have been reclassified to conform with changes in the presentation of the current year.

3. Overdue assessments and charges

At April 30, 2006, assessments and charges amounting to SDR 37.8 million were overdue to the SDR Department (SDR 36.0 million at April 30, 2005). At April 30, 2006, and 2005, three members were six months or more overdue in meeting their financial obligations to the SDR Department.

Assessments and charges due from members that are six months or more overdue to the SDR Department were as follows as of April 30:

	2006	2005
(In millions of SDRs)		
Total	37.8	36.0
Overdue for six months or more	36.8	35.2
Overdue for three years or more	33.5	32.1

The amount and duration of arrears as of April 30, 2006, were as follows:

	Total	Longest overdue obligation
(In millions of SDRs)		
Liberia	26.3	April 1986
Somalia	11.4	February 1991
Sudan	0.1	April 1991
Total	<u>37.8</u>	

Schedule 1

SDR Department
Statements of changes in SDR holdings
for the years ended April 30, 2006, and 2005

(In thousands of SDRs)

	Participants	General Resources Account	Prescribed holders	Total	
				2006	2005
Total holdings, beginning of the year	20,624,368	574,310	270,419	21,469,097	21,521,916
Receipts of SDRs					
Transfers among participants and prescribed holders					
Transactions by agreement	3,394,768	—	102,675	3,497,443	3,039,600
Operations					
Settlement of financial obligations	10,200	—	33,582	43,782	152,413
IMF-related operations					
SAF/PRGF loan	38,473	—	—	38,473	238,394
SAF repayments and interest	—	—	1,549	1,549	2,639
PRGF contributions and payments	132,914	—	47,713	180,627	332,906
PRGF repayments and interest	—	—	367,069	367,069	584,772
PRGF-HIPC contributions and interest	933	—	1,373	2,306	4,949
Emergency Assistance subsidy payments	4,572	—	—	4,572	416
Net interest on SDRs	187,060	—	7,094	194,154	142,994
MDRI grant assistance	6,700	—	—	6,700	—
Transfers from participants to the General Resources Account					
Repurchases	—	3,791,600	—	3,791,600	739,803
Charges	—	2,043,118	—	2,043,118	2,344,061
Assessment on SDR allocation (Note 2)	—	1,198	—	1,198	1,646
Interest on SDRs	—	31,345	—	31,345	14,927
Transfers from the General Resources Account to participants					
Purchases	437,046	—	—	437,046	501,091
In exchange for currencies of other members					
Acquisitions to pay charges	1,393,573	—	—	1,393,573	1,577,043
Remuneration	903,429	—	—	903,429	950,317
Other					
Refunds and adjustments	66,731	—	—	66,731	3,706
Total receipts	<u>6,576,399</u>	<u>5,867,261</u>	<u>561,055</u>	<u>13,004,715</u>	<u>10,631,677</u>

Schedule 1 (concluded)

SDR Department
Statements of changes in SDR holdings
for the years ended April 30, 2006, and 2005

(In thousands of SDRs)

	Participants	General Resources Account	Prescribed holders	Total	2006	2005
Uses of SDRs						
Transfers among participants and prescribed holders						
Transactions by agreement	3,156,149	—	341,294	3,497,443	3,039,600	
Operations						
Settlement of financial obligations	33,582	—	10,200	43,782	152,413	
IMF-related operations						
SAF/PRGF Loan	—	—	38,473	38,473	238,394	
SAF repayments and interest	1,549	—	—	1,549	2,639	
PRGF contributions and payments	47,713	—	132,914	180,627	332,906	
PRGF repayments and interest	367,069	—	—	367,069	584,772	
PRGF-HIPC contributions and interest	1,373	—	933	2,306	4,949	
Post-conflict subsidy payments	—	—	4,572	4,572	416	
MDRI grant assistance	—	—	6,700	6,700	—	
Transfers from participants to the General Resources Account						
Repurchases	3,791,600	—	—	3,791,600	739,803	
Charges	2,043,118	—	—	2,043,118	2,344,061	
Assessment on SDR allocation (Note 2)	1,198	—	—	1,198	1,646	
Transfers from the General Resources Account to participants						
Purchases	—	437,046	—	437,046	501,091	
In exchange for currencies of other members						
Acquisitions to pay charges	—	1,393,573	—	1,393,573	1,577,043	
Remuneration	—	903,429	—	903,429	950,317	
Other						
Refunds and adjustments	—	66,731	—	66,731	3,706	
Charges paid in the SDR Department						
Net charges due	225,499	—	—	225,499	157,921	
Total uses	9,668,850	2,800,779	535,086	13,004,715	10,631,677	
Charges not paid when due	2,021	—	—	2,021	2,805	
Settlement of unpaid charges	(115)	—	—	(115)	(55,625)	
Total holdings, end of the year	<u>17,533,823</u>	<u>3,640,792</u>	<u>296,388</u>	<u>21,471,003</u>	<u>21,469,097</u>	

The ending balances contain rounding differences.

Schedule 2

SDR Department
Allocations and holdings of participants
as at April 30, 2006

(In thousands of SDRs)

Participant	Net cumulative allocations	Total	Holdings	
			Percent of cumulative allocations	(+) Above (-) Below allocations
Afghanistan, Islamic Republic of	26,703	23	0.1	(26,680)
Albania	—	9,475	—	9,475
Algeria	128,640	1,273	1.0	(127,367)
Angola	—	151	—	151
Antigua and Barbuda	—	6	—	6
Argentina	318,370	192,026	60.3	(126,344)
Armenia	—	9,034	—	9,034
Australia	470,545	135,933	28.9	(334,612)
Austria	179,045	103,891	58.0	(75,154)
Azerbaijan	—	432	—	432
Bahamas, The	10,230	107	1.0	(10,123)
Bahrain	6,200	2,143	34.6	(4,057)
Bangladesh	47,120	448	1.0	(46,672)
Barbados	8,039	67	0.8	(7,972)
Belarus	—	23	—	23
Belgium	485,246	210,677	43.4	(274,569)
Belize	—	1,798	—	1,798
Benin	9,409	148	1.6	(9,261)
Bhutan	—	304	—	304
Bolivia	26,703	25,917	97.1	(786)
Bosnia and Herzegovina	20,481	933	4.6	(19,548)
Botswana	4,359	35,888	823.3	31,529
Brazil	358,670	13,798	3.8	(344,872)
Brunei Darussalam	—	10,483	—	10,483
Bulgaria	—	4,160	—	4,160
Burkina Faso	9,409	97	1.0	(9,312)
Burundi	13,697	132	1.0	(13,565)
Cambodia	15,417	149	1.0	(15,268)
Cameroon	24,463	750	3.1	(23,713)
Canada	779,290	632,766	81.2	(146,524)
Cape Verde	620	12	1.9	(608)
Central African Republic	9,325	3,079	33.0	(6,246)
Chad	9,409	250	2.7	(9,159)
Chile	121,924	36,896	30.3	(85,028)
China	236,800	927,840	391.8	691,040
Colombia	114,271	122,525	107.2	8,254
Comoros	716	11	1.5	(705)
Congo, Democratic Republic of the	86,309	809	0.9	(85,500)
Congo, Republic of	9,719	312	3.2	(9,407)
Costa Rica	23,726	172	0.7	(23,554)
Côte d'Ivoire	37,828	456	1.2	(37,372)
Croatia	44,205	488	1.1	(43,718)
Cyprus	19,438	2,932	15.1	(16,506)
Czech Republic	—	9,238	—	9,238
Denmark	178,864	71,687	40.1	(107,177)
Djibouti	1,178	265	22.5	(913)
Dominica	592	57	9.7	(535)
Dominican Republic	31,585	4,140	13.1	(27,445)
Ecuador	32,929	5,517	16.8	(27,412)
Egypt	135,924	75,056	55.2	(60,868)
El Salvador	24,985	24,978	100.0	(7)
Equatorial Guinea	5,812	440	7.6	(5,372)
Eritrea	—	—	—	—
Estonia	—	56	—	56
Ethiopia	11,160	144	1.3	(11,016)

Schedule 2 (continued)

SDR Department
Allocations and holdings of participants
as at April 30, 2006

(In thousands of SDRs)

Participant	Net cumulative allocations	Total	Holdings	
			Percent of cumulative allocations	(+) Above (-) Below allocations
Fiji	6,958	5,666	81.4	(1,292)
Finland	142,690	98,991	69.4	(43,699)
France	1,079,870	622,235	57.6	(457,635)
Gabon	14,091	703	5.0	(13,388)
Gambia, The	5,121	136	2.7	(4,985)
Georgia	—	1,521	—	1,521
Germany	1,210,760	1,340,859	110.7	130,099
Ghana	62,983	799	1.3	(62,184)
Greece	103,544	20,466	19.8	(83,078)
Grenada	930	1,567	168.5	637
Guatemala	27,678	4,397	15.9	(23,281)
Guinea	17,604	3,150	17.9	(14,454)
Guinea-Bissau	1,212	392	32.4	(820)
Guyana	14,530	9,504	65.4	(5,026)
Haiti	13,697	8,536	62.3	(5,161)
Honduras	19,057	169	0.9	(18,888)
Hungary	—	46,002	—	46,002
Iceland	16,409	103	0.6	(16,306)
India	681,170	3,805	0.6	(677,365)
Indonesia	238,956	74,275	31.1	(164,681)
Iran, Islamic Republic of	244,056	274,877	112.6	30,821
Iraq	68,464	293,105	428.1	224,641
Ireland	87,263	62,289	71.4	(24,974)
Israel	106,360	13,393	12.6	(92,967)
Italy	702,400	176,077	25.1	(526,323)
Jamaica	40,613	492	1.2	(40,121)
Japan	891,690	1,810,377	203.0	918,687
Jordan	16,887	2,503	14.8	(14,384)
Kazakhstan	—	815	—	815
Kenya	36,990	3,174	8.6	(33,816)
Kiribati	—	10	—	10
Korea	72,911	32,287	44.3	(40,625)
Kuwait	26,744	131,270	490.8	104,525
Kyrgyz Republic	—	12,071	—	12,071
Lao People's Democratic Republic	9,409	9,859	104.8	450
Latvia	—	102	—	102
Lebanon	4,393	22,254	506.6	17,861
Lesotho	3,739	302	8.1	(3,437)
Liberia	21,007	—	—	(21,007)
Libya	58,771	501,034	852.5	442,263
Lithuania	—	63	—	63
Luxembourg	16,955	11,704	69.0	(5,251)
Macedonia, former Yugoslav Republic of	8,379	2,247	26.8	(6,132)
Madagascar	19,270	235	1.2	(19,035)
Malawi	10,975	721	6.6	(10,254)
Malaysia	139,048	138,796	99.8	(252)
Maldives	282	323	114.4	41
Mali	15,912	191	1.2	(15,721)
Malta	11,288	32,525	288.1	21,237
Marshall Islands	—	—	—	—
Mauritania	9,719	128	1.3	(9,591)
Mauritius	15,744	18,081	114.8	2,337
Mexico	290,020	314,656	108.5	24,636
Micronesia, Federated States of	—	1,257	—	1,257
Moldova	—	496	—	496

Schedule 2 (continued)

SDR Department
Allocations and holdings of participants
as at April 30, 2006

(In thousands of SDRs)

Participant	Net cumulative allocations	Total	Holdings		(+/-) Above (-/-) Below allocations
			Percent of cumulative allocations	(+/-) Above (-/-) Below allocations	
Mongolia	—	14	—	—	14
Morocco	85,689	46,722	54.5	—	(38,967)
Mozambique	—	163	—	—	163
Myanmar	43,474	525	1.2	—	(42,949)
Namibia	—	18	—	—	18
Nepal	8,105	6,131	75.7	—	(1,973)
Netherlands	530,340	508,542	95.9	—	(21,798)
New Zealand	141,322	23,990	17.0	—	(117,332)
Nicaragua	19,483	216	1.1	—	(19,267)
Niger	9,409	178	1.9	—	(9,231)
Nigeria	157,155	1,678	1.1	—	(155,477)
Norway	167,770	201,044	119.8	—	33,274
Oman	6,262	10,578	168.9	—	4,316
Pakistan	169,989	150,384	88.5	—	(19,605)
Palau	—	—	—	—	—
Panama	26,322	562	2.1	—	(25,760)
Papua New Guinea	9,300	91	1.0	—	(9,209)
Paraguay	13,697	88,905	649.1	—	75,208
Peru	91,319	1,616	1.8	—	(89,703)
Philippines	116,595	3,746	3.2	—	(112,849)
Poland	—	56,179	—	—	56,179
Portugal	53,320	73,051	137.0	—	19,731
Qatar	12,822	25,823	201.4	—	13,001
Romania	75,950	2,819	3.7	—	(73,131)
Russian Federation	—	4,433	—	—	4,433
Rwanda	13,697	15,162	110.7	—	1,465
St. Kitts and Nevis	—	2	—	—	2
St. Lucia	742	1,530	206.2	—	788
St. Vincent and the Grenadines	354	3	0.9	—	(350)
Samoa	1,142	2,473	216.6	—	1,331
San Marino	—	686	—	—	686
São Tomé and Príncipe	620	447	72.0	—	(173)
Saudi Arabia	195,527	396,485	202.8	—	200,959
Senegal	24,462	781	3.2	—	(23,681)
Serbia and Montenegro	56,665	41,684	73.6	—	(14,981)
Seychelles	406	11	2.6	—	(396)
Sierra Leone	17,455	22,010	126.1	—	4,555
Singapore	16,475	202,090	1,226.6	—	185,615
Slovak Republic	—	907	—	—	907
Slovenia	25,431	8,259	32.5	—	(17,172)
Solomon Islands	654	10	1.6	—	(644)
Somalia	13,697	—	—	—	(13,697)
South Africa	220,360	222,874	101.1	—	2,514
Spain	298,805	216,316	72.4	—	(82,489)
Sri Lanka	70,868	3,114	4.4	—	(67,754)
Sudan	52,192	547	1.0	—	(51,645)
Suriname	7,750	1,014	13.1	—	(6,736)
Swaziland	6,432	2,483	38.6	—	(3,949)
Sweden	246,525	108,840	44.1	—	(137,685)
Switzerland	—	14,428	—	—	14,428
Syrian Arab Republic	36,564	36,575	100.0	—	11
Tajikistan	—	3,851	—	—	3,851
Tanzania	31,372	303	1.0	—	(31,069)
Thailand	84,652	577	0.7	—	(84,075)
Timor-Leste	—	—	—	—	—

Schedule 2 (concluded)

SDR Department
Allocations and holdings of participants
as at April 30, 2006

(In thousands of SDRs)

Participant	Net cumulative allocations	Total	Holdings	
			Percent of cumulative allocations	(+) Above (-) Below allocations
Togo	10,975	129	1.2	(10,846)
Tonga	—	296	—	296
Trinidad and Tobago	46,231	2,622	5.7	(43,609)
Tunisia	34,243	942	2.8	(33,301)
Turkey	112,307	155,317	138.3	43,010
Turkmenistan	—	—	—	—
Uganda	29,396	589	2.0	(28,807)
Ukraine	—	9,595	—	9,595
United Arab Emirates	38,737	7,301	18.8	(31,436)
United Kingdom	1,913,070	218,733	11.4	(1,694,337)
United States	4,899,530	5,790,474	118.2	890,944
Uruguay	49,977	24,070	48.2	(25,907)
Uzbekistan	—	10	—	10
Vanuatu	—	1,011	—	1,011
Venezuela	316,890	2,620	0.8	(314,270)
Vietnam	47,658	713	1.5	(46,945)
Yemen, Republic of	28,743	6,439	22.4	(22,304)
Zambia	68,298	10,607	15.5	(57,691)
Zimbabwe	10,200	102	1.0	(10,098)
Above allocations	8,955,651	13,280,520	148.3	4,324,869
Below allocations	12,477,679	4,253,303	34.1	(8,224,376)
Total participants	21,433,330	17,533,823		
General Resources Account		3,640,792		
Prescribed holders		296,388		
Overdue charges	37,673			
	<u>21,471,003</u>	<u>21,471,003</u>		

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Independent Auditors' Report

**To the Board of Governors
of the International Monetary Fund
Washington, DC**

We have audited the accompanying combined balance sheets of the Poverty Reduction and Growth Facility and Exogenous Shocks Facility Trust (formerly known as Poverty Reduction and Growth Facility Trust) (the "Trust") as of April 30, 2006, and 2005, and the related combined statements of income and changes in resources and of cash flows for the years then ended. These combined financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with International Standards on Auditing and auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the combined financial position of the Poverty Reduction and Growth Facility and Exogenous Shocks Facility Trust at April 30, 2006, and 2005, and the combined results of their operations and their cash flows for the years then ended in conformity with International Financial Reporting Standards.

Our audits were conducted for the purpose of forming an opinion on the basic combined financial statements taken as a whole. The supplemental schedules listed on pages 208 to 212 are presented for the purpose of additional analysis and are not a required part of the basic combined financial statements. These schedules are the responsibility of the Trust's management. Such schedules have been subjected to the auditing procedures applied in our audits of the basic combined financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic combined financial statements taken as a whole.

Deloitte & Touche LLP

June 12, 2006

Member of
Deloitte Touche Tohmatsu

**Poverty Reduction and Growth Facility and
Exogenous Shocks Facility Trust**

**Combined balance sheets
as at April 30, 2006, and 2005**

(In thousands of SDRs)

	2006	2005
Assets		
Cash and cash equivalents	747,326	1,945,902
Investments (Note 4)	4,882,395	3,900,371
Loans receivable (Note 5)	3,819,760	6,588,065
Interest receivable	29,333	25,669
Total assets	<u>9,478,814</u>	<u>12,460,007</u>
Liabilities and resources		
Borrowings (Note 6)	4,979,466	7,411,651
Interest payable	41,507	47,477
Other liabilities	9,126	6,399
Total liabilities	<u>5,030,099</u>	<u>7,465,527</u>
Resources	<u>4,448,715</u>	<u>4,994,480</u>
Total liabilities and resources	<u>9,478,814</u>	<u>12,460,007</u>

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

/s/ Michael G. Kuhn
Director, Finance Department

/s/ Rodrigo de Rato
Managing Director

**Poverty Reduction and Growth Facility and
Exogenous Shocks Facility Trust**

**Combined statements of income and changes in resources
for the years ended April 30, 2006, and 2005**

(In thousands of SDRs)

	2006	2005
Balance, beginning of the year	4,994,480	4,925,784
Investment income (Note 8)	140,407	98,373
Interest on loans	27,936	32,961
Interest expense	(154,379)	(126,912)
Other expenses	(2,886)	(2,986)
Operational income	11,078	1,436
Contributions		
Bilateral contributions (Note 9)	56,048	26,668
Special Disbursement Account (Note 9)	507,109	40,592
Contributions to MDRI-II Trust (Note 7)	(1,120,000)	-
Net (loss) income/changes in resources	(545,765)	68,696
Balance, end of the year	<u>4,448,715</u>	<u>4,994,480</u>

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

**Poverty Reduction and Growth Facility and
Exogenous Shocks Facility Trust**
Combined statements of cash flows
for the years ended April 30, 2006, and 2005

(In thousands of SDRs)

	2006	2005
Cash flows from operating activities		
Net (loss)/income	(545,765)	68,696
Adjustments to reconcile net income to cash generated by operations		
Changes in interest receivable.	(3,664)	(4,754)
Changes in interest payable and other liabilities.	(3,243)	14,875
Cash from credit to members		
Loan disbursements	(402,743)	(770,672)
Loan repayments	3,171,048	882,335
Net cash provided by operating activities	2,215,633	190,480
Cash flows from investment activities		
Net acquisition of investments.	(982,024)	(865,243)
Net cash used in investment activities.	(982,024)	(865,243)
Cash flows from financing activities		
Borrowings	412,029	769,614
Repayment of borrowings	(2,844,214)	(870,619)
Net cash used in financing activities	(2,432,185)	(101,005)
Cash and cash equivalents, beginning of the year	1,945,902	2,721,670
Cash and cash equivalents, end of the year.	747,326	1,945,902

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

Poverty Reduction and Growth Facility and Exogenous Shocks Facility Trust

Notes to the combined financial statements as at April 30, 2006, and 2005

1. Nature of operations

The Poverty Reduction and Growth Facility Trust (the PRGF Trust), for which the IMF is Trustee, was established in December 1987 to provide loans on concessional terms to qualifying low-income country members. Assistance under the Poverty Reduction and Growth Facility (PRGF) is made available under three-year arrangements in support of macroeconomic and adjustment programs. Effective January 5, 2006, the PRGF Trust was renamed the Poverty Reduction and Growth Facility and Exogenous Shocks Facility Trust (the Trust) to also support programs under the Exogenous Shocks Facility (ESF) to facilitate member countries' adjustment to sudden and exogenous shocks. Programs under the ESF range from one to two years.

The operations of the Trust are conducted through the Loan Account, the Reserve Account, and three Subsidy Accounts—the PRGF-ESF Subsidy Account, the PRGF Subsidy Account, and the ESF Subsidy Account. The resources of the Trust are held separately from the assets of all other accounts of, or administered by, the IMF and may not be used to discharge liabilities or to meet losses incurred in the administration of other accounts. Combining balance sheets and statements of income and changes in resources for the Trust are provided in Note 13 of these financial statements.

Loan Account

The resources of the Loan Account consist of the proceeds from borrowings, repayments of principal, and interest payments on loans extended by the Trust.

Reserve Account

The resources of the Reserve Account consist of amounts transferred by the IMF from the Special Disbursement Account and net earnings from investment of resources held in the Reserve Account.

The resources held in the Reserve Account are to be used by the Trustee, in the event that borrowers' principal repayments and interest payments, together with the authorized interest subsidy, are insufficient to repay loan principal and interest on borrowings of the Loan Account. The Trustee reviews the adequacy of the Reserve Account semiannually to determine whether sufficient resources are available to meet all obligations to the lenders to the Loan Account.

Subsidy Accounts

The resources held in the Subsidy Accounts consist of bilateral contributions to the Trust, including transfers of net earnings from the PRGF Administered Accounts, contributions by the IMF from the Special Disbursement Account, net earnings on loans made to the Trust for the Subsidy Accounts, and net earnings from investment of Subsidy Accounts resources.

The resources available in the Subsidy Accounts are drawn by the Trustee to pay the difference, with respect to each interest period, between the interest due from the borrowers under the Trust and the interest due on Loan Account borrowings.

The resources in the PRGF Subsidy Account are earmarked for PRGF loans only, while the resources in the ESF Subsidy Account are earmarked for ESF loans only. The PRGF-ESF Subsidy Account can be used for both PRGF and ESF loans.

To the extent that resources in the PRGF-ESF Subsidy Account and the PRGF Subsidy Account are insufficient for PRGF subsidy operations, the Trustee will transfer to the PRGF Subsidy Account resources in the PRGF-HIPC Trust Account not earmarked for debt relief under the HIPC Initiative.

2. Summary of significant accounting policies

Basis of accounting

The financial statements of the PRGF-ESF Trust are prepared in accordance with International Financial Reporting Standards (IFRS). Specific accounting principles and disclosure practices are explained further below.

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Unit of account

The financial statements are expressed in terms of SDRs. The value of the SDR is determined by the IMF each day by summing the values in U.S. dollars, based on market exchange rates, of the currencies in the SDR valuation basket. The IMF reviews the SDR valuation basket every five years. The latest review was completed in November 2005, and the new composition of the SDR valuation basket became effective on January 1, 2006. The currencies in the basket as of April 30, 2006, and 2005 and their amounts were as follows:

Currency	Amount	
	2006	2005
Euro	0.4100	0.4260
Japanese yen	18.4000	21.0000
Pound sterling	0.0903	0.0984
U.S. dollar	0.6320	0.5770

As of April 30, 2006, one SDR was equal to 1.47106 U.S. dollars (one SDR was equal to 1.51678 U.S. dollars as of April 30, 2005).

Foreign currency translation

Foreign currency transactions are recorded at the rate of exchange on the date of the transaction. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are reported using the closing

exchange rates. Exchange differences arising from the settlement of transactions at rates different from those at the originating date of the transaction and unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities are included in the determination of net income.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Investments

Investments are made in fixed-term deposits; domestic government bonds of the euro area, Japan, the United Kingdom, and the United States; and obligations of multilateral organizations. For deposits, the Trust may invest only in obligations issued by institutions with a credit rating of A and above. For other investments, the Trust may invest only in obligations issued by an agency of a government and a multilateral organization with a minimum credit rating of AA.

Investments in debt securities, classified as securities at fair-value-through-profit-and-loss, are measured initially at cost. Subsequent to initial recognition, all fair-value-through-profit-and-loss assets are remeasured to fair value based on the quoted market price at the balance sheet date. Gains and losses arising from a change in the fair value are recognized in the statement of income.

Investment income comprises interest income and realized and unrealized gains and losses on investments, including currency valuation differences arising from exchange rate movements against the SDR.

Loans

Loans in the Trust are initially recorded at the amount disbursed provided that the present value of the cash flows from stated interest due and the Subsidy Accounts is equal to or exceeds the disbursed amount. Thereafter, the carrying value of the loans is amortized cost.

Both PRGF and ESF loans are repayable in 5½ to 10 years in semiannual installments. Interest on loans accrues at the stated interest rate of ½ of 1 percent per annum. It is the Trust's policy to exclude from income interest on loans that are six months or more overdue. At each balance sheet date, the loans are reviewed to determine whether there is objective evidence of loan impairment. If any such evidence exists, an impairment loss is recognized to the extent that the present value of estimated future cash flows falls below the carrying amount.

Contributions

Contributions are reflected as increases in resources after the achievement of specified conditions and are subject to bilateral agreements stipulating how the resources are to be used.

Transfers

Internal transfers of resources within the Trust are accounted for under the accrual method of accounting.

Administrative costs

The expenses of conducting the activities of the Trust are paid by the General Resources Account of the IMF. In financial years 2006 and 2005, the IMF decided to forgo reimbursements for these costs.

Comparatives

When necessary, comparative figures have been reclassified to conform with changes in the presentation of the current year.

Accounting and reporting developments

In December 2003, the International Accounting Standards Board revised International Accounting Standard 39, "Financial Instruments: Recognition and Measurement," which became effective for financial year 2006. Upon adoption of the revised standard, and as permitted by the transition provisions, investments previously classified as available-for-sale were reclassified as securities at fair-value-through-profit-and-loss. After the reclassification, changes in fair value of the investments continued to be recognized in the income statement.

3. Financial risk management

In providing financial assistance to eligible country members and conducting its operations, the Trust is exposed to various types of risks, including credit, interest rate, exchange rate, and liquidity risks.

Credit risk refers to potential losses on credit outstanding owing to the inability, or unwillingness, of member countries to make loan repayments. To mitigate credit risk, the amounts that eligible member countries may borrow under the PRGF and ESF are limited to 140 percent and 50 percent of their IMF quota, respectively. Disbursements under PRGF and ESF arrangements are linked to performance criteria, and the IMF, as Trustee, conducts periodic reviews to ensure that such criteria are met. To protect the lenders to the Trust, resources are accumulated in the Reserve Account. These resources are available to repay the lenders in the event of delays in repayment or non-payment by borrowers.

Interest rate risk is the risk that future cash flows will fluctuate because of changes in market interest rates. Interest rate risk on the Trust's investments is managed by limiting the investment portfolio to a weighted-average effective duration that does not exceed three years.

Exchange rate risk is the exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on the Trust's financial position and cash flows. Exchange rate risk on the Trust's investments is managed by investing in securities denominated in SDRs or in the constituent currencies, with the same composition, of the SDR valuation basket.

Liquidity risk is the risk of non-availability of resources to meet the Trust's financing needs and obligations. The Trust conducts semiannual reviews to determine the adequacy of the resources accumulated in the Subsidy and Reserve accounts to meet liquidity needs. Resources in the Subsidy Accounts are expected to exceed estimated needs based on the present level of loans outstanding, and the balance in the Reserve Account is projected to increase until it reaches the level sufficient to cover all outstanding PRGF-ESF Trust obligations to lenders.

4. Investments

Investments consisted of the following at April 30:

	2006	2005
	(In thousands of SDRs)	
Fixed-term deposits	1,838,961	1,185,595
Debt securities	3,043,434	2,714,776
Total	<u>4,882,395</u>	<u>3,900,371</u>

The maturities of the investments are as follows at April 30:

	2006	2005
	(In thousands of SDRs)	
Less than 1 year	4,571,089	3,635,060
1-3 years	298,294	228,811
3-5 years	2,257	36,500
Over 5 years	<u>10,755</u>	<u>—</u>
Total	<u>4,882,395</u>	<u>3,900,371</u>

5. Loans receivable

Resources of the Loan Account of the PRGF-ESF Trust are committed to qualifying members for a three-year period, upon approval by the Trustee of three-year PRGF arrangements or ESF arrangements with durations of one to two years in support of the members' macroeconomic and structural adjustment programs. Interest on the outstanding loans, which is repayable in 10 equal semi-installments beginning 5½ years after disbursement, is set at the rate of ½ of 1 percent per annum.

At April 30, 2006, and 2005, the resources of the Loan Account included cumulative advances from the Reserve Account of SDR 75 million resulting from the nonpayment of principal by Zimbabwe.

PRGF-ESF Trust loan repayments for the year ended April 30, 2006, include repayments totaling SDR 2,413 million made to the Loan Account by members that received MDRI debt relief on January 6, 2006, and April 28, 2006 (see Schedule 5).

Scheduled repayments of loans by borrowers, including Zimbabwe's overdue obligations, are summarized below:

Period of repayment, financial year ending April 30

	(In thousands of SDRs)
2007	65,189
2008	214,607
2009	185,740
2010	117,813
2011	209,786
2012 and beyond	<u>2,951,612</u>
Overdue	<u>75,013</u>
Total	<u>3,819,760</u>

As of April 30, 2006, scheduled repayments of loans include loans totaling SDR 1,164 million due from members, including potentially HIPC-eligible members under the sunset clause, that are potentially eligible for MDRI debt relief.

As of April 30, use of credit in the Trust by the largest users was as follows:

	2006	2005
	(In millions of SDRs and percent of total PRGF-ESF credit)	
Largest user of credit	975.1	25.5%
Three largest users of credit	1,811.7	47.4%
Five largest users of credit	2,139.2	56.0%

The five largest users of credit as of April 30, 2006, were Pakistan, the Democratic Republic of the Congo, Bangladesh, the Republic of Yemen, and Georgia.

6. Borrowings

The Trust borrows on such terms and conditions as agreed between the Trustee and the lenders. Interest rates on borrowings as at April 30, 2006, were at a weighted average rate of 2.38 percent per annum (1.69 percent per annum as at April 30, 2005). The principal amounts of the borrowings are repayable between 5½ and 16 years after the first drawing.

During the year ended April 30, 2006, the PRGF-ESF Trust made early repayments of SDR 1,438 million to lenders following the repayment of Trust loans by members that received MDRI debt relief.

Scheduled repayments of borrowings are summarized below:

Period of repayment, financial year ending April 30

	(In thousands of SDRs)
2007	345,344
2008	249,691
2009	338,543
2010	318,677
2011	302,054
2012 and beyond	<u>3,425,157</u>
Total	<u>4,979,466</u>

The following summarizes the borrowing agreements concluded as of April 30:

	Amount undrawn	
	2006	2005
	(In thousands of SDRs)	
Loan Account	3,690,736	4,092,456
Subsidy Accounts	49,148	58,435

7. Multilateral Debt Relief Initiative

Under the Multilateral Debt Relief Initiative (MDRI), the IMF administers resources to provide debt relief to Heavily Indebted Poor Countries (HIPC)s and non-HIPC)s with annual per capita income of \$380 or less and to HIPC)s with annual per capita income of more than \$380. Qualifying members at or below the per capita income threshold receive grant assistance from the MDRI-I Trust, which was funded initially by resources transferred from the Special Disbursement Account (SDR 1.5 billion). Grant assistance to the HIPC)s with per capita income above the threshold is provided from the MDRI-II Trust by resources contributed by individual members. The initial contributions to the MDRI-II Trust were received through the transfer of a portion of members' contributions to the PRGF-ESF Trust Subsidy Account (SDR 1.12 billion). Grant assistance from the MDRI Trusts (together with assistance under the HIPC Initiative) provides debt relief to cover the full stock of debt owed to the IMF (including the PRGF-ESF Trust) as of December 31, 2004, that remains outstanding at the time the member qualifies for such relief.

During the financial year ended April 30, 2006, debt relief under the MDRI was provided to 18 members that had already reached the completion point under the enhanced HIPC Initiative and two non-HIPCs (a total amount of SDR 2,503 million, of which SDR 90 million was for debt owed to the GRA and SDR 2,413 million was for debt owed to the PRGF-ESF Trust). No impairment loss has been recognized in the Loan Account. Since the stock of debt owed to the IMF as of December 31, 2004, decreases over time, the actual debt eligible for MDRI assistance for the remaining potentially eligible members depends on the timing of their completion points. The qualification of members for MDRI debt relief is reviewed periodically as progress by these members toward reaching the completion point under the HIPC Initiative is being made.

8. Investment income

Investment income comprised the following for the financial years ended April 30:

	2006	2005
	(In thousands of SDRs)	
Interest income	161,763	142,021
Realized gains/(losses), net	16,620	(7,915)
Unrealized losses, net	(37,848)	(35,427)
Exchange rate losses, net	(128)	(306)
Total	<u>140,407</u>	<u>98,373</u>

9. Contributions

The Trustee accepts contributions for the Subsidy Accounts of the PRGF-ESF Trust on such terms and conditions as agreed between the Trustee and the contributors. At April 30, 2006, cumulative contributions amounted to SDR 2,983 million (SDR 2,457 million as of April 30, 2005).

10. Commitments under loan arrangements

An arrangement under the PRGF-ESF is a decision of the IMF, as Trustee, that gives a member the assurance that the Trust stands ready to provide foreign exchange or SDRs during a specified period and up to a specified amount in accordance with the terms of the decision. At April 30, 2006, undrawn balances under 27 loan arrangements amounted to SDR 736 million (SDR 1,315 million under 31 arrangements at April 30, 2005).

11. Related-party transactions

The expenses of conducting the business of the Trust are paid by the General Resources Account of the IMF and reimbursed by the Trust through the Special Disbursement Account. However, in financial years 2006 and 2005, the Executive Board of the IMF decided to forgo the reimbursement, which would have amounted to SDR 51 million and SDR 54 million, respectively.

The cumulative contributions from the IMF, through the Special Disbursement Account, as of April 30, 2006, and April 30, 2005, were as follows:

	2006	2005
	(In millions of SDRs)	
PRGF-ESF Trust:		
Reserve Account	2,667	2,630
Subsidy Accounts	<u>870</u>	<u>400</u>
Total	<u>3,537</u>	<u>3,030</u>

The PRGF-ESF Subsidy Account also receives contributions from member countries that had placed deposits in the Poverty Reduction and Growth Facility Administered Accounts at low interest rates. Net investment income transferred from the Poverty Reduction and Growth Facility Administered Accounts to the PRGF-ESF Subsidy Account amounted to SDR 0.1 million and SDR 0.3 million for financial years 2006 and 2005, respectively.

12. Loans under the Saudi Fund for Development Special Account

The Saudi Fund for Development (SFD) Special Account was established at the request of the SFD to provide supplementary financing in association with loans under the PRGF-ESF Trust. The SFD makes funds available after a bilateral agreement between it and a recipient country has been effected. The SFD places funds, denominated in SDRs, in the SFD Special Account for disbursement to a recipient country simultaneously with disbursements under a PRGF arrangement. These loans are repayable in 10 equal semiannual installments commencing 5½ years after the date of disbursement and interest on these loans is set at a rate of ½ of 1 percent per annum.

The cumulative receipts and uses of resources for the Saudi Fund for Development Special Account were SDR 101 million as of April 30, 2006, and 2005.

13. Combining balance sheets and statements of income and changes in resources

The balance sheets and statements of income and changes in resources of the PRGF-ESF Trust are presented below:

**Poverty Reduction and Growth Facility and
Exogenous Shocks Facility Trust**

**Combining balance sheets
as at April 30, 2006, and 2005**

(In thousands of SDRs)

	Loan Account		Reserve Account		Subsidy Accounts		Combined	
	2006	2005	2006	2005	2006	2005	2006	2005
Assets								
Cash and cash equivalents	274,873	—	178,230	888,457	294,223	1,057,445	747,326	1,945,902
Investments	944,080	885,595	3,077,307	2,252,108	861,008	762,668	4,882,395	3,900,371
Loans receivable	3,819,760	6,588,065	—	—	—	—	3,819,760	6,588,065
Accrued account transfers	15,450	23,275	58,412	56,196	(73,862)	(79,471)	—	—
Interest receivable	22,114	23,827	5,123	1,789	2,096	53	29,333	25,669
Total assets	<u>5,076,277</u>	<u>7,520,762</u>	<u>3,319,072</u>	<u>3,198,550</u>	<u>1,083,465</u>	<u>1,740,695</u>	<u>9,478,814</u>	<u>12,460,007</u>
Liabilities and resources								
Borrowings	4,950,249	7,391,721	—	—	29,217	19,930	4,979,466	7,411,651
Interest payable	41,454	47,407	—	—	53	70	41,507	47,477
Other liabilities	9,105	6,399	—	—	21	—	9,126	6,399
Total liabilities	<u>5,000,808</u>	<u>7,445,527</u>	<u>—</u>	<u>—</u>	<u>29,291</u>	<u>20,000</u>	<u>5,030,099</u>	<u>7,465,527</u>
Resources	<u>75,469</u>	<u>75,235</u>	<u>3,319,072</u>	<u>3,198,550</u>	<u>1,054,174</u>	<u>1,720,695</u>	<u>4,448,715</u>	<u>4,994,480</u>
Total liabilities and resources	<u>5,076,277</u>	<u>7,520,762</u>	<u>3,319,072</u>	<u>3,198,550</u>	<u>1,083,465</u>	<u>1,740,695</u>	<u>9,478,814</u>	<u>12,460,007</u>

Note 13 (concluded)

**Poverty Reduction and Growth Facility and
Exogenous Shocks Facility Trust**

**Combining statements of income and changes in resources
for the years ended April 30, 2006, and 2005**

(In thousands of SDRs)

	Loan Account		Reserve Account		Subsidy Accounts		Combined	
	2006	2005	2006	2005	2006	2005	2006	2005
Balance, beginning of the year								
Balance, beginning of the year	<u>75,235</u>	<u>74,698</u>	<u>3,198,550</u>	<u>3,098,340</u>	<u>1,720,695</u>	<u>1,752,746</u>	<u>4,994,480</u>	<u>4,925,784</u>
Investment income	10,754	—	85,151	61,646	44,502	36,727	140,407	98,373
Interest on loans	27,936	32,961	—	—	—	—	27,936	32,961
Interest expense	(154,255)	(126,828)	—	—	(124)	(84)	(154,379)	(126,912)
Other expenses	—	—	(1,640)	(1,491)	(1,246)	(1,495)	(2,886)	(2,986)
Operational (loss)/income	(115,565)	(93,867)	83,511	60,155	43,132	35,148	11,078	1,436
Contributions								
Bilateral contributions	—	—	—	—	56,048	26,668	56,048	26,668
Special Disbursement Account	—	—	36,789	40,592	470,320	—	507,109	40,592
Contributions to MDRI-II Trust	—	—	—	—	(1,120,000)	—	(1,120,000)	—
Transfers between:								
Loan and Reserve Accounts	(222)	537	222	(537)	—	—	—	—
Loan and Subsidy Accounts	116,021	93,867	—	—	(116,021)	(93,867)	—	—
Net income (loss)/changes in resources	234	537	120,522	100,210	(666,521)	(32,051)	(545,765)	68,696
Balance, end of the year	<u>75,469</u>	<u>75,235</u>	<u>3,319,072</u>	<u>3,198,550</u>	<u>1,054,174</u>	<u>1,720,695</u>	<u>4,448,715</u>	<u>4,994,480</u>

Schedule 1

**Poverty Reduction and Growth Facility and
Exogenous Shocks Facility Trust**

**Schedule of outstanding loans
as at April 30, 2006**

(In thousands of SDRs)

Member	PRGF Loans		Structural Adjustment Facility ¹	
	Balance	Percent	Balance	Percent
Albania	63,702	1.67	—	—
Armenia	116,262	3.04	—	—
Azerbaijan	85,713	2.24	—	—
Bangladesh	283,060	7.41	—	—
Benin	880	0.02	—	—
Burkina Faso	13,760	0.36	—	—
Burundi	40,700	1.07	—	—
Cameroon	2,650	0.07	—	—
Cape Verde	8,640	0.23	—	—
Central African Republic	17,888	0.47	—	—
Chad	52,856	1.38	—	—
Congo, Democratic Republic of the	553,467	14.49	—	—
Congo, Republic of	17,110	0.45	—	—
Côte d'Ivoire	130,476	3.42	—	—
Djibouti	12,540	0.33	—	—
Dominica	5,366	0.14	—	—
Gambia, The	13,882	0.36	—	—
Georgia	159,335	4.17	—	—
Ghana	26,350	0.69	—	—
Grenada	1,560	0.04	—	—
Guinea	57,570	1.51	—	—
Guinea-Bissau	7,364	0.19	—	—
Guyana	27,810	0.73	—	—
Haiti	3,035	0.08	—	—
Honduras	20,342	0.53	—	—
Kenya	107,732	2.82	—	—
Kyrgyz Republic	116,772	3.06	—	—
Lao People's Democratic Republic	19,880	0.52	—	—
Lesotho	24,500	0.64	—	—
Macedonia, former Yugoslav Republic of	11,725	0.31	—	—
Madagascar	11,348	0.30	—	—
Malawi	40,820	1.07	—	—
Mali	3,993	0.10	—	—
Mauritania	44,474	1.16	—	—
Moldova	27,720	0.73	—	—
Mongolia	22,784	0.60	—	—
Mozambique	4,860	0.13	—	—
Nepal	14,260	0.37	—	—
Nicaragua	13,930	0.36	—	—
Niger	11,750	0.31	—	—
Pakistan	975,150	25.53	—	—
Rwanda	1,142	0.03	—	—
São Tomé and Príncipe	2,653	0.07	—	—
Senegal	17,330	0.45	—	—
Sierra Leone	133,375	3.49	—	—
Somalia	—	—	8,840	100.00
Sri Lanka	38,390	1.01	—	—
Tajikistan	29,400	0.77	—	—
Tanzania	8,400	0.22	—	—
Togo	7,602	0.20	—	—
Uganda	6,000	0.16	—	—
Vietnam	136,280	3.57	—	—
Yemen, Republic of	168,150	4.40	—	—
Zambia	22,009	0.58	—	—
Zimbabwe	75,013	1.96	—	—
Total loans outstanding	3,819,760	100.00	8,840	100.00

¹Since Structural Adjustment Facility (SAF) loans have been disbursed in connection with PRGF arrangements, the above list includes these loans, as well as loans disbursed to members under SAF arrangements. These loans are held by the Special Disbursement Account, and repayments of all SAF loans are transferred to the PRGF-ESF Reserve Account when received.

**Poverty Reduction and Growth Facility and
Exogenous Shocks Facility Trust**
**Cumulative contributions to and resources of the Subsidy Accounts
as at April 30, 2006**

(In thousands of SDRs)

Contributor ¹	Subsidy Accounts			Total
	PRGF-ESF	PRGF	ESF	
Direct contributions to the Subsidy Accounts				
Argentina	27,068	—	—	27,068
Australia	9,246	—	—	9,246
Bangladesh	578	—	—	578
Canada	198,268	—	—	198,268
China	9,900	—	—	9,900
Czech Republic	10,004	—	—	10,004
Denmark	38,299	—	—	38,299
Egypt	10,002	—	—	10,002
Finland	22,684	—	—	22,684
Germany	132,832	—	—	132,832
Iceland	3,200	—	—	3,200
India	8,580	—	—	8,580
Ireland	5,802	—	—	5,802
Italy	158,982	—	—	158,982
Japan	506,997	—	—	506,997
Korea	33,856	—	—	33,856
Luxembourg	9,642	5	—	9,647
Morocco	7,284	—	—	7,284
Netherlands	99,278	—	—	99,278
Norway	28,074	—	—	28,074
Oman	2,243	—	—	2,243
Sweden	110,887	—	—	110,887
Switzerland	41,205	—	—	41,205
Turkey	8,000	—	—	8,000
United Kingdom	345,280	—	—	345,280
United States	126,079	—	—	126,079
Total direct contributions to the Subsidy Accounts	<u>1,954,270</u>	<u>5</u>	<u>—</u>	<u>1,954,275</u>
Net income transferred to the Subsidy Accounts				
Austria	40,451	—	—	40,451
Belgium	77,953	—	—	77,953
Botswana	1,352	—	—	1,352
Chile	2,910	—	—	2,910
Greece	25,941	—	—	25,941
Indonesia	5,003	—	—	5,003
Iran, Islamic Republic of	1,346	—	—	1,346
Portugal	3,402	—	—	3,402
Spain (ICO)	168	—	—	168
Total net income transferred to the Subsidy Accounts	<u>158,526</u>	<u>—</u>	<u>—</u>	<u>158,526</u>
Total bilateral contributions received	<u>2,112,796</u>	<u>5</u>	<u>—</u>	<u>2,112,801</u>
Contributions from Special Disbursement Account	<u>870,320</u>	<u>—</u>	<u>—</u>	<u>870,320</u>
Total contributions received	<u>2,983,116</u>	<u>5</u>	<u>—</u>	<u>2,983,121</u>
Cumulative net income of the Subsidy Accounts	<u>939,316</u>	<u>403</u>	<u>—</u>	<u>939,719</u>
Contributions to MDRI-II Trust	<u>(1,120,000)</u>	<u>—</u>	<u>—</u>	<u>(1,120,000)</u>
Transfers to PRGF Subsidy Account	<u>(95,042)</u>	<u>95,042</u>	<u>—</u>	<u>—</u>
Transfers to ESF Subsidy Account	<u>(35)</u>	<u>—</u>	<u>35</u>	<u>—</u>
Resources disbursed to subsidize Trust lending	<u>(1,718,926)</u>	<u>(29,740)</u>	<u>—</u>	<u>(1,748,666)</u>
Total resources of the Subsidy Accounts	<u>988,429</u>	<u>65,710</u>	<u>35</u>	<u>1,054,174</u>

¹In addition to direct contributions, a number of members also make loans available to the Loan Account on concessional terms. See Schedule 3.

Schedule 3

**Poverty Reduction and Growth Facility and
Exogenous Shocks Facility Trust**

**Schedule of borrowing agreements
as at April 30, 2006**

(In thousands of SDRs)

Member	Interest rate (in percent)	Amount of agreement	Amount drawn	Outstanding balance
Loan Account				
Prior to enlargement of PRGF				
France	0.50 ¹	800,000	800,000	15,870
Germany	Variable ²	700,000	700,000	14,999
Japan	Variable ²	2,200,000	2,200,000	53,995
Total prior to enlargement of PRGF		<u>3,700,000</u>	<u>3,700,000</u>	<u>84,864</u>
For enlargement of PRGF				
Belgium	Variable ²	350,000	242,331	150,211
Canada	Variable ²	400,000	400,000	218,991
China	Variable ²	200,000	155,052	74,195
Denmark	Variable ²	100,000	100,000	68,070
Egypt	Variable ²	155,600	100,000	38,910
France	Variable ¹	2,100,000	1,197,827	592,559
Germany	Variable ²	2,050,000	1,032,730	568,262
Italy	Variable ²	1,010,000	707,944	434,484
Japan	Variable ²	2,934,800	2,450,282	2,057,034
Korea	Variable ²	27,700	27,700	14,982
Netherlands	Variable ²	450,000	153,416	98,237
Norway	Variable ²	60,000	60,000	25,951
OPEC Fund for International Development	Variable ²	33,989 ³	36,990	20,167
Spain—Bank of Spain	Variable ²	425,000	144,234	102,824
Spain—Government of Spain (ICO)	Fixed	67,000	67,000	47,819
Switzerland	Variable ²	401,700	199,547	89,609
Total for enlargement of PRGF		<u>10,765,789</u>	<u>7,075,053</u>	<u>4,602,305</u>
Resources held pending repayment	4	—	—	263,080 ⁴
Total—Loan Account		<u>14,465,789</u>	<u>10,775,053</u>	<u>4,950,249</u>
PRGF-ESF Subsidy Account				
Malta	0.50	1,365	1,365	1,365
Spain—Government of Spain (ICO)	0.50	67,000	19,181	19,181
Pakistan	0.50	10,000	8,671	8,671
Total—Subsidy Accounts		<u>78,365</u>	<u>29,217</u>	<u>29,217</u>

¹The agreement with France made before the enlargement of PRGF (SDR 800 million) provides that the interest rate shall be 0.5 percent on the first SDR 700 million drawn, and for variable, market-related rates of interest thereafter. The agreement with France made for the enlargement of the PRGF (SDR 2.1 billion) provides that the interest rate shall be 0.5 percent until the cumulative implicit interest subsidy reaches SDR 250 million, and at variable, market-related rates of interest thereafter.

²The loans under these agreements are made at variable, market-related rates of interest.

³The agreement with the OPEC Fund for International Development is for the amount of \$50 million, converted at the exchange rate of April 30, 2006.

⁴This amount represents principal repayments held and invested on behalf of a lender.

**Poverty Reduction and Growth Facility and
Exogenous Shocks Facility Trust**

**Status of loan arrangements
as at April 30, 2006**

(In thousands of SDRs)

Member	Date of arrangement	Expiration date	Amount agreed	Undrawn balance
Albania	Feb. 1, 2006	Jan. 31, 2009	8,523	7,305
Armenia	May 25, 2005	May 24, 2008	23,000	16,440
Bangladesh	Jun. 20, 2003	Dec. 31, 2006	400,330	117,270
Benin	Aug. 5, 2005	Aug. 4, 2008	6,190	5,310
Burkina Faso	Jun. 11, 2003	Sep. 30, 2006	24,080	3,440
Burundi	Jan. 23, 2004	Jan. 22, 2007	69,300	28,600
Cameroon	Oct. 24, 2005	Oct. 23, 2008	18,570	15,920
Chad	Feb. 16, 2005	Feb. 15, 2008	25,200	21,000
Congo, Republic of	Dec. 6, 2004	Dec. 5, 2007	54,990	39,270
Dominica	Dec. 29, 2003	Dec. 28, 2006	7,688	2,322
Georgia	Jun. 4, 2004	Jun. 3, 2007	98,000	42,000
Ghana	May 9, 2003	Oct. 31, 2006	184,500	79,100
Grenada	Apr. 17, 2006	Apr. 16, 2009	10,530	8,970
Guyana	Sep. 20, 2002	Sep. 12, 2006	54,550	9,250
Honduras	Feb. 27, 2004	Feb. 26, 2007	71,200	30,516
Kenya	Nov. 21, 2003	Nov. 20, 2006	225,000	150,000
Kyrgyz Republic	Mar. 15, 2005	Mar. 14, 2008	8,880	6,350
Malawi	Aug. 5, 2005	Aug. 4, 2008	38,170	27,827
Mali	Jun. 23, 2004	Jun. 22, 2007	9,330	4,007
Mozambique	Jul. 6, 2004	Jul. 5, 2007	11,360	4,880
Nepal	Nov. 19, 2003	Nov. 18, 2006	49,910	35,650
Nicaragua	Dec. 13, 2002	Dec. 12, 2006	97,500	27,850
Niger	Jan. 31, 2005	Jan. 30, 2008	26,320	14,570
Rwanda	Aug. 12, 2002	Jun. 11, 2006	4,000	571
São Tomé and Príncipe	Aug. 1, 2005	Jul. 31, 2008	2,960	2,114
Tanzania	Aug. 16, 2003	Aug. 15, 2006	19,600	2,800
Zambia	Jun. 16, 2004	Jun. 15, 2007	220,095	33,014
			1,769,776	736,346

Schedule 5

**Poverty Reduction and Growth Facility and
Exogenous Shocks Facility Trust**
**Disbursed Multilateral Debt Relief Initiative assistance
as of April 30, 2006**

(in thousands of SDRs)

Member	Eligible debt			Sources of grant assistance		
	PRGF-ESF	GRA	Total	MDRI-I Trust	MDRI-II Trust	PRGF-HIPC Trust
Benin	36,060	—	36,060	—	34,111	1,949
Burkina Faso	62,120	—	62,120	57,053	—	5,067
Bolivia	71,154	89,780	160,934	—	154,819	6,115
Cameroon	173,260	—	173,260	—	149,169	24,091
Ethiopia	112,073	—	112,073	79,645	—	32,428
Ghana	265,389	—	265,389	220,020	—	45,369
Guyana	45,058	—	45,058	—	31,572	13,486
Honduras	107,457	—	107,457	—	98,240	9,217
Cambodia	56,829	—	56,829	56,829	—	—
Madagascar	137,286	—	137,286	128,492	—	8,794
Mali	75,066	—	75,066	62,434	—	12,632
Mozambique	106,560	—	106,560	83,039	—	23,521
Niger	77,554	—	77,554	59,815	—	17,739
Nicaragua	140,481	—	140,481	—	91,762	48,719
Rwanda	52,743	—	52,743	20,174	—	32,569
Senegal	100,323	—	100,323	—	94,762	5,561
Tajikistan	69,308	—	69,308	69,308	—	—
Tanzania	234,031	—	234,031	206,990	—	27,041
Uganda	87,728	—	87,728	75,845	—	11,883
Zambia	402,592	—	402,592	—	398,471	4,121
Total	<u>2,413,072</u>	<u>89,780</u>	<u>2,502,852</u>	<u>1,119,644</u>	<u>1,052,906</u>	<u>330,302</u>

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Independent Auditors' Report

**To the Board of Governors
 of the International Monetary Fund
 Washington, DC**

We have audited the accompanying balance sheets as of April 30, 2006, and 2005, and the related statements of income and changes in resources and of cash flows for the years then ended of the following entities:

Poverty Reduction and Growth Facility Administered Accounts (the "Accounts")

- Austria
- Indonesia
- Islamic Republic of Iran
- Portugal

These financial statements are the responsibility of Accounts management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with International Standards on Auditing and auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Accounts' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Poverty Reduction and Growth Facility Administered Accounts at April 30, 2006, and 2005, and the results of their operations and their cash flows for the years then ended in conformity with International Financial Reporting Standards.

Deloitte & Touche LLP

June 12, 2006

Member of
 Deloitte Touche Tohmatsu

Poverty Reduction and Growth Facility Administered Accounts**Balance sheets
as at April 30, 2006, and 2005**

(In thousands of SDRs)

	Austria		Indonesia		Iran, I. R. of		Portugal	
	2006	2005	2006	2005	2006	2005	2006	2005
Assets								
Cash and cash equivalents	—	1,399	—	—	—	—	4,382	1,838
Investments (Note 4)	—	3,601	25,000	25,000	—	—	—	4,735
Advance payments to the PRGF-ESF Trust Subsidy Account	—	31	—	—	—	—	21	32
Interest/other receivable	—	—	399	192	—	—	—	—
Total assets	—	<u>5,031</u>	<u>25,399</u>	<u>25,192</u>	—	—	<u>4,403</u>	<u>6,605</u>
Liabilities and resources								
Deposits (Note 5)	—	5,000	25,000	25,000	—	—	4,382	6,573
Interest payable	—	31	193	28	—	—	21	32
Total liabilities	—	<u>5,031</u>	<u>25,193</u>	<u>25,028</u>	—	—	<u>4,403</u>	<u>6,605</u>
Resources	—	—	206	164	—	—	—	—
Total liabilities and resources	—	<u>5,031</u>	<u>25,399</u>	<u>25,192</u>	—	—	<u>4,403</u>	<u>6,605</u>

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

/s/ Michael G. Kuhn
Director, Finance Department

/s/ Rodrigo de Rato
Managing Director

Poverty Reduction and Growth Facility Administered Accounts

Statements of income and changes in resources for the years ended April 30, 2006, and 2005

(In thousands of SDRs)

	Austria		Indonesia		Iran, I. R. of		Portugal	
	2006	2005	2006	2005	2006	2005	2006	2005
Balance, beginning of the year	—	—	164	1	—	—	—	—
Investment income (Note 4)	35	207	706	510	—	7	129	136
Other expenses	(1)	(6)	—	—	—	—	(1)	(4)
Interest expense on deposits	(7)	(51)	(206)	(28)	—	(2)	(22)	(33)
Operational income	27	150	500	482	—	5	106	99
Transfers to the								
PRGF-ESF Trust Subsidy Account	(27)	(150)	—	(67)	—	(5)	(106)	(99)
PRGF-HIPC Trust	—	—	(458)	(252)	—	—	—	—
Net income/changes in resources	—	—	42	163	—	—	—	—
Balance, end of the year	—	—	206	164	—	—	—	—

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

Poverty Reduction and Growth Facility Administered Accounts

Statements of cash flows for the years ended April 30, 2006, and 2005

(In thousands of SDRs)

	Austria		Indonesia		Iran, I. R. of		Portugal	
	2006	2005	2006	2005	2006	2005	2006	2005
Cash flows from operating activities								
Net income	—	—	42	163	—	—	—	—
Adjustments to reconcile net income to cash generated by operations	—	—	—	—	—	—	—	—
Changes in interest payable	(31)	(36)	165	28	—	(23)	(11)	(10)
Changes in interest receivable and other assets	31	36	(207)	(191)	—	23	11	10
Net cash used in operating activities	—	—	—	—	—	—	—	—
Cash flow from investment activities								
Net disposal/(acquisition) of investments	3,601	6,686	—	(25,000)	—	3,429	4,735	1,275
Net cash provided by/(used in) investment activities	3,601	6,686	—	(25,000)	—	3,429	4,735	1,275
Cash flow from financing activities								
Repayment of deposits	(5,000)	(10,000)	—	—	—	(5,000)	(2,191)	(2,191)
Net cash used by financing activities	(5,000)	(10,000)	—	—	—	(5,000)	(2,191)	(2,191)
Cash and cash equivalents, beginning of year	1,399	4,713	—	25,000	—	1,571	1,838	2,754
Cash and cash equivalents, end of year	—	1,399	—	—	—	4,382	1,838	—

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

Poverty Reduction and Growth Facility Administered Accounts

Notes to the financial statements as at April 30, 2006, and 2005

1. Nature of operations

At the request of certain member countries, the IMF established the Poverty Reduction and Growth Facility Administered Accounts ("PRGF Administered Accounts" or "Administered Accounts") for the benefit of the PRGF-ESF Subsidy Account of the PRGF-ESF Trust and PRGF-HIPC Trust Account. The IMF is the Trustee of each of the Administered Accounts. The Administered Accounts comprise deposits made by contributors. The difference between interest earned by the Administered Accounts and the interest payable on deposits is transferred to the PRGF-ESF Subsidy Account of the PRGF-ESF Trust and PRGF-HIPC Trust Account.

The resources of each Administered Account are held separately from the assets of all other accounts of, or administered by, the IMF and may not be used to discharge liabilities or to meet losses incurred in the administration of other accounts.

2. Summary of significant accounting policies

Basis of accounting

The financial statements of the Administered Accounts are prepared in accordance with International Financial Reporting Standards (IFRS). Specific accounting principles and disclosure practices are explained further below.

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Unit of account

The financial statements are expressed in terms of SDRs. The value of the SDR is determined by the IMF each day by summing the values in U.S. dollars, based on market exchange rates, of the currencies in the SDR valuation basket. The IMF reviews the SDR valuation basket every five years. The latest review was completed in November 2005 and the new composition of the SDR valuation basket became effective on January 1, 2006.

The currencies in the basket as of April 30, 2006, and 2005 and their amounts were as follows:

Currency	Amount	
	2006	2005
Euro	0.4100	0.4260
Japanese yen	18.4000	21.0000
Pound sterling	0.0903	0.0984
U.S. dollar	0.6320	0.5770

As of April 30, 2006, one SDR was equal to 1.47106 U.S. dollars (1.51678 U.S. dollars as of April 30, 2005).

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Investments

Investments in debt securities, classified as securities at fair-value-through-profit-and-loss, are measured initially at cost. Subsequent to initial recognition, all fair-value-through-profit-and-loss assets are remeasured to fair value, based on the quoted market price at the balance sheet date. Gains and losses arising from a change in the fair value are recognized in the statement of income.

Administrative costs

The expenses of conducting the activities of the Administered Accounts are incurred and borne by the General Department of the IMF.

Accounting and reporting developments

In December 2003, the International Accounting Standards Board revised International Accounting Standard 39, "Financial Instruments: Recognition and Measurement," which became effective for financial year 2006. Upon adoption of the revised standard, and as permitted by the transition provisions, investments previously classified as available-for-sale were reclassified as securities at fair-value-through-profit-and-loss. After the reclassification, changes in the fair value of the investments continued to be recognized in the income statement.

Comparatives

When necessary, comparative figures have been reclassified to conform with changes in the presentation of the current year.

3. Financial risk management

In conducting their operations, the PRGF Administered Accounts are exposed to various types of risks, including interest rate and exchange rate risks.

Interest rate risk is the risk that future cash flows will fluctuate because of changes in market interest rates. Interest rate risk on the PRGF Administered Accounts' investments is managed by limiting the investment portfolio to a weighted-average effective duration that does not exceed three years.

Exchange rate risk is the exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on the PRGF Administered Accounts'

financial position and cash flows. Exchange rate risk on the investments is managed by investing in securities denominated in SDRs or in the constituent currencies, with the same composition of the SDR valuation basket.

4. Investments

Investments consisted of the following at April 30:

	2006	2005
	(In thousands of SDRs)	
Fixed-term deposits	25,000	25,000
Debt securities	—	8,336
Total	<u>25,000</u>	<u>33,336</u>

The maturities of the Administered Accounts' investments are as follows at April 30:

	2006	2005
	(In thousands of SDRs)	
Less than 1 year	25,000	32,833
1-3 years	—	503
Total	<u>25,000</u>	<u>33,336</u>

Investment income comprised the following for the financial years ended April 30:

	2006	2005
	(In thousands of SDRs)	
Interest income	888	1,094
Realized gains/(losses), net	51	(115)
Unrealized losses, net	(69)	(119)
Total	<u>870</u>	<u>860</u>

5. Deposits

Austria

The Administered Account Austria was established on December 27, 1988, for the administration of resources deposited in the account by the Austrian National Bank. Two deposits (SDR 60.0 million made on December 30, 1988, and SDR 50.0 million on August 10, 1995) are to be repaid in 10 equal semiannual installments beginning five and a half years after the date of each deposit and ending at the end of the tenth year after the date of each deposit. The deposits bear interest at a rate of $\frac{1}{2}$ of 1 percent a year. Both deposits from Austria have been repaid in full.

Indonesia

The Administered Account Indonesia was established on June 30, 1994, for the administration of resources deposited in the account by Bank Indonesia. The deposit, totaling SDR 25.0 million, is to be repaid in one installment 10 years after the date the deposit was made. The interest payable on the deposit is equivalent to that obtained for the investment of the deposit less 2 percent a year. Upon maturity in June 2004, the deposit was reinvested for another 10 years (according to the amendment of the instrument), and investment income of 2 percent per annum (or any lesser amount if investment returns are below 2 percent) is to be transferred to the PRGF-HIPC Trust.

Islamic Republic of Iran

The Administered Account Islamic Republic of Iran was established on June 6, 1994, for the administration of resources deposited in the account by the Central Bank of the Islamic Republic of Iran (CBIRI). The CBIRI has made five annual deposits, each of SDR 1.0 million. All of the deposits are to be repaid at the end of 10 years after the date of the first deposit. Each deposit bears interest at a rate of $\frac{1}{2}$ of 1 percent a year. All deposits have been repaid in full.

Portugal

The Administered Account Portugal was established on May 16, 1994, for the administration of resources deposited in the account by the Banco de Portugal (BdP). The BdP has made six annual deposits, each of SDR 2.2 million. Each deposit is to be repaid in five equal annual installments beginning six years after the date of the deposit and will be completed at the end of the tenth year after the date of the deposit. Each deposit bears interest at a rate of $\frac{1}{2}$ of 1 percent a year.

6. Related-party transactions

The difference between the income earned by the Administered Accounts on the amounts invested and the interest payable on the deposits of the Administered Accounts, net of any cost, is contributed to the PRGF-ESF Subsidy Account of the PRGF-ESF Trust and PRGF-HIPC Trust Account. For the financial years ended April 30, 2006, and 2005, net investment income contributed from the Administered Accounts to the PRGF-ESF Subsidy Account amounted to SDR 0.1 million and SDR 0.3 million, respectively; contributions to the PRGF-HIPC Trust amounted to SDR 0.5 million and SDR 0.3 million, respectively.

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Independent Auditors' Report

**To the Board of Governors
of the International Monetary Fund
Washington, DC**

We have audited the accompanying combined balance sheets of the Poverty Reduction and Growth Facility-Heavily Indebted Poor Countries Trust and Related Accounts (the "Trust") as of April 30, 2006, and 2005, and the related combined statements of income and changes in resources and of cash flows for the years then ended. These combined financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with International Standards on Auditing and auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the combined financial position of the Poverty Reduction and Growth Facility-Heavily Indebted Poor Countries Trust and Related Accounts at April 30, 2006, and 2005, and the combined results of their operations and their cash flows for the years then ended in conformity with International Financial Reporting Standards.

Our audits were conducted for the purpose of forming an opinion on the basic combined financial statements taken as a whole. The supplemental schedules listed on pages 226 to 229 are presented for the purpose of additional analysis and are not a required part of the basic combined financial statements. These schedules are the responsibility of the Trust's management. Such schedules have been subjected to the auditing procedures applied in our audits of the basic combined financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic combined financial statements taken as a whole.

Deloitte & Touche LLP

June 12, 2006

Member of
Deloitte Touche Tohmatsu

PRGF-HIPC Trust and Related Accounts

**Combined balance sheets
as at April 30, 2006, and 2005**

(In thousands of SDRs)

	2006	2005
Assets		
Cash and cash equivalents	346,630	503,226
Investments (Note 4)	897,128	705,406
Interest receivable	6,759	2,272
Total assets	<u>1,250,517</u>	<u>1,210,904</u>
Liabilities and resources		
Borrowings (Note 5)	609,723	610,324
Interest payable	1,241	1,277
Total liabilities	<u>610,964</u>	<u>611,601</u>
Resources	639,553	599,303
Total liabilities and resources	<u>1,250,517</u>	<u>1,210,904</u>

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

/s/ Michael G. Kuhn
Director, Finance Department

/s/ Rodrigo de Rato
Managing Director

PRGF-HIPC Trust and Related Accounts
Combined statements of income and changes in resources
for the years ended April 30, 2006, and 2005

(In thousands of SDRs)

	2006	2005
Balance, beginning of the year	<u>599,303</u>	<u>546,700</u>
Investment income (Note 6)	32,345	22,408
Interest expense	(1,775)	(2,053)
Other expenses	(209)	(254)
Operational income	30,361	20,101
Contributions		
Bilateral contributions	7,479	24,456
Special Disbursement Account	593,000	164,097
Disbursements	<u>(590,590)</u>	<u>(156,051)</u>
Net income/changes in resources	40,250	52,603
Balance, end of the year	<u>639,553</u>	<u>599,303</u>

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

PRGF-HIPC Trust and Related Accounts**Combined statements of cash flows
for the years ended April 30, 2006, and 2005***(In thousands of SDRs)*

	2006	2005
Cash flows from operating activities		
Net income	40,250	52,603
Adjustments to reconcile net income to cash generated by operations		
Change in interest receivable	(4,487)	(961)
Change in interest payable	(36)	(42)
Foreign currency translation: Investments	601	(9,406)
Borrowings	<u>(601)</u>	<u>9,406</u>
Net cash provided by operating activities	<u>35,727</u>	<u>51,600</u>
Cash flows from investment activities		
Net acquisition of investments	<u>(192,323)</u>	<u>(126,987)</u>
Net cash used in investment activities	<u>(192,323)</u>	<u>(126,987)</u>
Cash flows from financing activities		
Borrowings	—	3,000
Repayment of borrowings	—	(15,000)
Net cash used in financing activities	<u>—</u>	<u>(12,000)</u>
Cash and cash equivalents, beginning of the year	<u>503,226</u>	<u>590,613</u>
Cash and cash equivalents, end of the year	<u>346,630</u>	<u>503,226</u>

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

PRGF-HIPC Trust and Related Accounts

Notes to the combined financial statements as at April 30, 2006, and 2005

1. Nature of operations

The Trust for Special PRGF Operations for the Heavily Indebted Poor Countries and for Interim PRGF Subsidy Operations (the PRGF-HIPC Trust, or the Trust) and Related Accounts comprise the PRGF-HIPC Trust Account, the Umbrella Account for HIPC Operations, and the Post-SCA-2 Administered Account. The IMF is the Trustee of the Trust and the related accounts. The PRGF-HIPC Trust Account comprises three subaccounts: the PRGF-HIPC, PRGF, and HIPC subaccounts. Combining balance sheets and income statements and changes in resources for each of these accounts are provided in Note 10. Transactions between the above accounts are eliminated on combination in the combined balance sheets and combined income statements and changes in resources.

PRGF-HIPC Trust

The PRGF-HIPC Trust was established on February 4, 1997, to provide balance of payments assistance to low-income developing members by making grants or loans to eligible members for the purpose of reducing their external debt burden and for interim PRGF subsidy purposes. The resources of the PRGF-HIPC Trust are held separately from the assets of all other accounts of, or administered by, the IMF and may not be used to discharge liabilities or to meet losses incurred in the administration of other accounts.

The operations of the PRGF-HIPC Trust are conducted through the PRGF-HIPC Trust Account and the Umbrella Account for HIPC Operations.

PRGF-HIPC Trust Account and related accounts

The resources of the PRGF-HIPC Trust Account consist of grant contributions, borrowings, and other types of investments made by contributors; amounts transferred by the IMF from the Special Disbursement Account (SDA) and the General Resources Account; and net earnings from investment of resources held in the PRGF-HIPC Trust Account.

The PRGF-HIPC subaccount holds resources that can finance either HIPC operations or interim PRGF subsidy operations; the PRGF subaccount holds resources earmarked for interim PRGF subsidy operations, while the HIPC subaccount holds resources earmarked for HIPC operations. PRGF-HIPC subaccount resources used to finance HIPC operations through the HIPC subaccount gave rise to interest-bearing balances between the two subaccounts, which were eliminated following the MDRI-related transfers (Note 7). The investment earnings in the SDA were transferred to the HIPC subaccount on an as-needed basis.

The resources held in the PRGF-HIPC Trust Account are to be used by the Trustee to make grants or loans to eligible members that qualify for assistance under the HIPC Initiative and for subsidizing the interest rate on interim PRGF operations to PRGF-eligible members.

Umbrella Account for HIPC Operations

The Umbrella Account for HIPC Operations (the Umbrella Account) receives and administers the proceeds of grants or loans made to eligible members that qualify for assistance under the terms of the PRGF-HIPC Trust. Within

the Umbrella Account, resources received are administered through the establishment of subaccounts for each eligible member upon the approval of disbursements under the PRGF-HIPC Trust.

The resources of a subaccount of the Umbrella Account consist of (1) amounts disbursed from the PRGF-HIPC Trust Account as grants or loans for the benefit of a member, and (2) net earnings from investment of the resources held in the subaccount.

The resources held in a subaccount of the Umbrella Account are to be used to repay the member's existing debt to the IMF, or accounts administered by it, in accordance with the schedule for using the proceeds of the Trust grants or loans agreed by the Trustee and the member.

Post-SCA-2 Administered Account

The Post-SCA-2 Administered Account, which is administered by the IMF on behalf of members, was established on December 8, 1999, for the temporary administration of resources transferred by members following the termination of the second Special Contingent Account (SCA-2) in the General Department of the IMF, prior to the final disposition of those resources.

Resources received from a member's cumulative SCA-2 contributions, together with the member's pro rata share of investment returns, shall be transferred to the PRGF-HIPC Trust or to the member, in accordance with the member's instructions. The assets held in the Post-SCA-2 Administered Account are held separately from the assets and property of all other accounts of, or administered by, the IMF and may not be used to discharge liabilities or to meet losses incurred in the administration of other accounts.

2. Summary of significant accounting policies

Basis of accounting

The financial statements of the PRGF-HIPC Trust and Related Accounts are prepared in accordance with International Financial Reporting Standards (IFRS). Specific accounting principles and disclosure practices are explained further below.

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Unit of account

The financial statements are expressed in terms of SDRs. The value of the SDR is determined by the IMF each day by summing the values in U.S. dollars, based on market exchange rates, of the currencies in the SDR valuation

basket. The IMF reviews the SDR valuation basket every five years. The latest review was completed in November 2005 and the new composition of the SDR valuation basket became effective on January 1, 2006. The currencies in the basket as of April 30, 2006, and 2005 and their amounts were as follows:

Currency	Amount	
	2006	2005
Euro	0.4100	0.4260
Japanese yen	18.4000	21.0000
Pound sterling	0.0903	0.0984
U.S. dollar	0.6320	0.5770

As of April 30, 2006, one SDR was equal to 1.47106 U.S. dollars (one SDR was equal to 1.51678 U.S. dollars as of April 30, 2005).

Foreign currency translation

Foreign currency transactions are recorded at the rate of exchange on the date of the transaction. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are reported using the closing exchange rates. Exchange differences arising from the settlement of transactions at rates different from those at the originating date of the transaction and unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities are included in the determination of net income.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Investments

Investments are made in fixed-term deposits; domestic government bonds of the euro area, Japan, the United Kingdom, and the United States; and obligations of multilateral organizations. For deposits, the Trust may invest only in obligations issued by institutions with a credit rating of A and above. For other investments, the Trust may invest only in obligations issued by an agency of a government and a multilateral organization with a minimum credit rating of AA.

Investments in debt securities, classified as securities at fair-value-through-profit-and-loss, are measured initially at cost. Subsequent to initial recognition, all fair-value-through-profit-and-loss assets are remeasured to fair value based on the quoted market price at the balance sheet date. Gains and losses arising from a change in the fair value are recognized in the statement of income.

Investment income comprises interest income and realized and unrealized gains and losses on investments, including currency valuation differences arising from exchange rate movements against the SDR.

Contributions

Bilateral contributions are reflected as increases in resources and are subject to bilateral agreements stipulating how the resources are to be used.

Transfers

Internal transfers of resources within the Trust are accounted for under the accrual method of accounting.

Administrative costs

The expenses of conducting activities of the Trust and related accounts were paid for by the General Resources Account of the IMF.

Comparatives

When necessary, comparative figures have been reclassified to conform with changes in the presentation of the current year.

Accounting and reporting developments

In December 2003, the International Accounting Standards Board revised International Accounting Standard 39, "Financial Instruments: Recognition and Measurement," which became effective for financial year 2006. Upon adoption of the revised standard, and as permitted by the transition provisions, investments previously classified as available-for-sale were reclassified as securities at fair-value-through-profit-and-loss. After the reclassification, changes in the fair value of the investments continued to be recognized in the income statement.

3. Financial risk management

In providing financial assistance to eligible country members and conducting its operations, the Trust is exposed to various types of risks, including interest rate and exchange rate risks.

Interest rate risk is the risk that future cash flows will fluctuate because of changes in market interest rates. Interest rate risk on the Trust's investments is managed by limiting the investment portfolio to a weighted-average effective duration that does not exceed three years.

Exchange rate risk is the exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on the Trust's financial position and cash flows. Exchange rate risk on the Trust's investments is managed by investing in securities denominated in SDRs or in the constituent currencies, with the same composition, of the SDR valuation basket.

4. Investments

Investments consisted of the following at April 30:

	2006	2005
(In thousands of SDRs)		
Fixed-term deposits	897,128	414,213
Debt securities	—	291,193
Total	<u>897,128</u>	<u>705,406</u>

The maturities of the investments are as follows at April 30:

	2006	2005
(In thousands of SDRs)		
Less than 1 year	897,128	687,839
1-3 years	—	17,567
Total	<u>897,128</u>	<u>705,406</u>

5. Borrowings

The Trust borrows on such terms and conditions as agreed between the Trust and the lenders. Interest rates on borrowings at April 30, 2006, and 2005 varied between 0 percent and 2 percent a year. The principal amounts of the borrowings are repayable in one installment at their maturity dates. Scheduled repayments of borrowings are summarized below:

Financial year ending April 30	<i>(In thousands of SDRs)</i>
2007	310
2008	20,066
2009	25,000
2010	276,816
2011	70,842
2012 and beyond	216,689
Total	609,723

There were no borrowings, net of the effect of foreign currency fluctuations, or repayments during the financial year ended April 30, 2006 (borrowings and repayments for the financial year ended April 30, 2005, amounted to SDR 3 million and SDR 15 million, respectively).

6. Investment income

Investment income comprised the following for the financial years ended April 30:

	2006	2005
<i>(In thousands of SDRs)</i>		
Interest income	33,489	27,873
Realized losses, net	(15,865)	(3,418)
Unrealized gains/(losses), net	14,720	(2,087)
Exchange rate gains, net	1	40
Total	32,345	22,408

7. Transfers receivable and payable

The HIPC subaccount had been accumulating a negative balance to the PRGF-HIPC subaccount arising from past disbursements to the Umbrella Account under the HIPC Initiative. Following the implementation of the MDRI during the financial year ended April 30, 2006, the resources of the SDA were no longer available to finance operations in the HIPC subaccount. Consequently, the inter-subaccount balance of SDR 1,182 million, including accrued interest, was eliminated.

8. Related-party transactions

The expenses of conducting the business of the Trust were paid by the General Resources Account of the IMF.

Cumulative transfers from the SDA of the IMF to the PRGF-HIPC Trust amounted to SDR 1,167 million as of April 30, 2006 (SDR 573 million as of April 30, 2005). The PRGF-HIPC Trust also receives contributions from member countries that had placed deposits in the Poverty Reduction and Growth Facility Administered Accounts. Net investment income transferred from the Poverty Reduction and Growth Facility Administered Account to the PRGF-HIPC Trust amounted to SDR 0.5 million for financial year 2006 (SDR 0.3 million for financial year 2005).

9. Multilateral Debt Relief Initiative

Effective January 5, 2006, the IMF adopted the Multilateral Debt Relief Initiative (MDRI) to provide debt relief to Heavily Indebted Poor Countries (HIPC) and non-HIPC members with an annual per capita income of \$380 or less and to HICPs with an annual per capita income of more than \$380, and for this purpose established the MDRI-I and MDRI-II Trusts, respectively. Grant assistance from the MDRI Trusts (together with assistance under the HIPC Initiative) provides debt relief to cover the full stock of debt owed to the IMF (including the PRGF-ESF Trust) as of December 31, 2004, that remains outstanding at the time the member qualifies for such relief.

During the financial year ended April 30, 2006, debt relief under the MDRI was provided to 18 members that had already reached the completion point under the enhanced HIPC Initiative and two non-HICPs (for a total amount of SDR 2,503 million, of which SDR 90 million for debt owed to the GRA and SDR 2,413 million for debt owed to PRGF-ESF Trust). Since the stock of debt owed to the IMF as of December 31, 2004, decreases over time, the actual debt eligible for MDRI assistance for the remaining potentially eligible members depends on the timing of their completion points. The IMF periodically reviews the qualification of members for MDRI debt relief as progress by these members toward reaching the completion point under the HIPC Initiative is being made.

10. Combining balance sheets and statements of income and changes in resources

The balance sheets and statements of income and changes in resources for the accounts and subaccounts in the PRGF-HIPC Trust and Related Accounts are presented below.

PRGF-HIPC Trust and Related Accounts
Combining balance sheets
as at April 30, 2006, and 2005
(In thousands of SDRs)

	2006			2005		
	PRGF-HIPC Trust Account	Subaccount	HIPC	Post-SCA-2 Administered Account	PRGF-HIPC Trust Account	Umbrella Account for HIPC Operations
Assets						
Cash and cash equivalents	158,734	16,004	124,050	298,788	5,527	346,630
Investments	496,977	15,151	385,000	897,128	—	897,128
Interest receivable	2,375	—	4,031	6,406	—	6,759
Total assets	658,086	31,155	513,081	1,202,322	5,527	1,250,517
Liabilities and resources						
Borrowings	609,723	—	—	609,723	—	609,723
Interest payable	1,241	—	—	1,241	—	1,241
Total liabilities	610,964	—	—	610,964	—	610,964
Accumulated resources	47,122	31,155	513,081	591,358	5,527	42,668
Total liabilities and resources	658,086	31,155	513,081	1,202,322	5,527	1,250,517

PRGF-HIPC Trust and Related Accounts
Combining statements of income and changes in resources
for the years ended April 30, 2006, and 2005

(In thousands of SDRs)

	2006				2005			
	PRGF-HIPC Trust Account		Umbrella Account for HIPC Operations		PRGF-HIPC Trust Account		Umbrella Account for HIPC Operations	
	PRGF-HIPC Subaccount	HIPC	Post-SCA-2 Administered Account	Combined total	PRGF-HIPC Subaccount	HIPC	Post-SCA-2 Administered Account	Combined total
Balance, beginning of the year	1,357,658	26,540	(1,316,300)	67,898	489,961	41,444	599,303	152,623
Investment income	33,647	842	5,498	23,416 ¹	7,705	1,224	32,345	14,264
Interest expense	(1,775)	–	(16,571)	(1,775) ¹	–	–	(1,775)	(2,053)
Other expenses	(196)	(13)	–	(209)	–	–	(209)	(254)
Operational income/(loss)	31,676	829	(11,073)	21,432	7,705	1,224	30,361	11,957
Contributions								
Bilateral contributions	3,693	3,786	–	7,479	–	–	7,479	24,456
Special Disbursement Account	(164,097)	–	757,097	593,000	–	–	593,000	164,097
Grants	–	–	(98,451)	(98,451)	98,451	–	(98,451)	(285,235)
Disbursements	–	–	–	–	(590,590)	–	(590,590)	–
Reversal of subaccount transfers (Note 7)	(1,181,808)	–	1,181,808	–	–	–	–	(156,051)
Net (losses) income/changes in resources	(1,310,536)	4,615	1,829,381	523,460	(484,434)	1,224	40,250	–
Balance, end of the year	<u>47,122</u>	<u>31,155</u>	<u>513,081</u>	<u>591,388</u>	<u>5,527</u>	<u>42,668</u>	<u>639,553</u>	<u>67,898</u>

¹Interest payable between subaccounts amounting to SDR 16.6 million (SDR 19.1 million at April 30, 2005) has been eliminated in the combined totals.

Schedule 1

Post-SCA-2 Administered Account
Holdings, interest, and transfers
for the year ended April 30, 2006

(In thousands of SDRs)

Member	Balance beginning of year	Interest earned	Transfers to PRGF-HIPC Trust	Balance end of year
Argentina	5,630	166	—	5,796
Dominican Republic	1,042	31	—	1,073
Jordan	1,183	35	—	1,218
Trinidad and Tobago	2,542	75	—	2,617
Vanuatu	50	1	—	51
Venezuela	30,997	916	—	31,913
	<u>41,444</u>	<u>1,224</u>	<u>—</u>	<u>42,668</u>

Schedule 2

PRGF-HIPC Trust Account
Contributions and transfers
for the years ended April 30, 2006, and 2005

(In thousands of SDRs)

	Subaccount			Combined
	PRGF-HIPC	PRGF	HIPC	
Period ended April 30, 2005				
Belgium	3,731	—	—	3,731
Belize	20	—	—	20
Mexico	8,119	—	—	8,119
Netherlands	—	3,790	—	3,790
Norway	1,089	—	—	1,089
Indonesia	251	—	—	251
Poland	258	—	—	258
South Africa	4,000	—	—	4,000
St. Vincent and the Grenadines	11	—	—	11
Switzerland	3,187	—	—	3,187
	<u>20,666</u>	<u>3,790</u>	<u>—</u>	<u>24,456</u>
Contributions from SDA	<u>164,097</u>	<u>—</u>	<u>—</u>	<u>164,097</u>
	<u><u>184,763</u></u>	<u><u>3,790</u></u>	<u><u>—</u></u>	<u><u>188,553</u></u>
Period ended April 30, 2006				
Belize	20	—	—	20
Indonesia	458	—	—	458
Netherlands	—	3,786	—	3,786
St. Vincent and the Grenadines	11	—	—	11
Switzerland	3,204	—	—	3,204
	<u>3,693</u>	<u>3,786</u>	<u>—</u>	<u>7,479</u>
Contributions from SDA	<u>(164,097)</u>	<u>—</u>	<u>757,097</u>	<u>593,000</u>
	<u><u>(160,404)</u></u>	<u><u>3,786</u></u>	<u><u>757,097</u></u>	<u><u>600,479</u></u>

Umbrella Account for HIPC Operations
Grants, interest, disbursements, and changes in resources
for the years ended April 30, 2006, and 2005

(In thousands of SDRs)

Member	Opening balance	Grants from PRGF-HIPC Trust Account	Interest earned	Disbursements	Ending balance
Period ended April 30, 2005					
Benin	5,256	—	75	2,885	2,446
Bolivia	23,647	—	362	11,294	12,715
Burkina Faso	10,883	11,595	229	10,485	12,222
Cameroon	1,989	—	18	1,984	23
Chad	492	1,375	5	808	1,064
Congo, Democratic Republic of the	573	1,131	16	1,138	582
Ethiopia	17,252	19,364	359	3,603	33,372
Gambia, The	1	—	—	1	—
Ghana	181	69,239	900	13,866	56,454
Guinea	28	—	1	1	28
Guinea-Bissau	5	—	—	—	5
Guyana	25,809	17	434	8,744	17,516
Honduras	4,341	13,860	68	6,899	11,370
Madagascar	628	10,804	86	2,115	9,403
Malawi	1,828	—	10	1,810	28
Mali	25,385	—	429	9,133	16,681
Mauritania	10,155	—	163	3,827	6,491
Mozambique	39,026	—	678	9,313	30,391
Nicaragua	67,200	—	1,202	13,883	54,519
Niger	15,343	12,205	297	6,118	21,727
Rwanda	80	23,843	82	3,918	20,087
Senegal	19,528	4,602	301	13,181	11,250
Sierra Leone	5,369	—	51	5,357	63
Tanzania	40,642	—	678	9,879	31,441
Uganda	36,369	—	543	15,183	21,729
Zambia	1,477	117,200	303	626	118,354
	<u>353,487</u>	<u>285,235</u>	<u>7,290</u>	<u>156,051</u>	<u>489,961</u>
Period ended April 30, 2006					
Benin	2,446	—	33	2,479	—
Bolivia	12,715	—	165	12,880	—
Burkina Faso	12,222	—	159	12,381	—
Burundi	—	87	1	42	46
Cameroon	23	28,118	76	28,217	—
Chad	1,064	—	12	1,063	13
Congo, Democratic Republic of the	582	1,132	20	1,141	593
Ethiopia	33,372	366	637	34,375	—
Gambia, The	—	—	1	—	1
Ghana	56,454	—	1,002	57,456	—
Guinea	28	—	—	1	27
Guinea-Bissau	5	—	—	—	5
Guyana	17,516	—	276	17,792	—
Honduras	11,370	3,697	197	15,264	—
Madagascar	9,403	—	177	9,580	—
Malawi	28	4,628	66	3,327	1,395
Mali	16,681	—	256	16,937	—
Mauritania	6,491	—	140	3,222	3,409
Mozambique	30,391	—	475	30,866	—
Nicaragua	54,519	—	918	55,437	—
Niger	21,727	198	370	22,295	—
Rwanda	20,087	16,752	494	37,333	—
Senegal	11,250	—	153	11,403	—
Sierra Leone	63	4,000	30	4,055	38
Tanzania	31,441	—	507	31,948	—
Uganda	21,729	—	273	22,002	—
Zambia	118,354	39,473	1,267	159,094	—
	<u>489,961</u>	<u>98,451</u>	<u>7,705</u>	<u>590,590</u>	<u>5,527</u>

Schedule 4

PRGF-HIPC Trust Account
Cumulative contributions and transfers
as at April 30, 2006

(In thousands of SDRs)

Member	Subaccount			Combined
	PRGF-HIPC	PRGF	HIPC	
Algeria	412	—	—	412
Australia	—	—	17,019	17,019
Austria	—	—	9,981	9,981
Bangladesh	1,163	—	—	1,163
Barbados	250	—	—	250
Belgium	25,930	—	—	25,930
Belize	160	—	—	160
Brazil	11,033	—	—	11,033
Brunei Darussalam	4	—	—	4
Cambodia	27	—	—	27
Canada	32,929	—	—	32,929
China	13,132	—	—	13,132
Colombia	13	—	—	13
Croatia	31	—	—	31
Cyprus	544	—	—	544
Denmark	13,068	—	—	13,068
Egypt	37	—	—	37
Estonia	372	—	—	372
Fiji	21	—	—	21
Finland	2,583	—	—	2,583
France	55,892	—	—	55,892
Gabon	458	—	—	458
Greece	2,200	—	—	2,200
Iceland	643	—	—	643
India	390	—	—	390
Indonesia	833	—	—	833
Ireland	3,937	—	—	3,937
Israel	1,189	—	—	1,189
Italy	43,309	—	—	43,309
Jamaica	1,800	—	—	1,800
Japan	98,355	—	—	98,355
Korea	10,625	—	—	10,625
Kuwait	108	—	—	108
Latvia	710	—	—	710
Luxembourg	488	—	—	488
Malaysia	478	—	—	478
Malta	706	—	—	706
Mauritius	40	—	—	40
Mexico	39,977	—	—	39,977
Morocco	49	—	—	49
Netherlands	—	27,595	16,347	43,942
New Zealand	1,158	—	—	1,158
Nigeria	6,150	—	—	6,150
Norway	12,942	—	—	12,942
Oman	73	—	—	73
Pakistan	105	—	—	105
Philippines	4,500	—	—	4,500
Poland	5,000	—	—	5,000
Portugal	4,430	—	—	4,430
Russian Federation	10,200	—	—	10,200
Samoa	3	—	—	3
San Marino	32	—	—	32
Saudi Arabia	978	—	—	978
Singapore	249	—	—	249
Slovak Republic	2,669	—	—	2,669

Schedule 4 (concluded)

PRGF-HIPC Trust Account
Cumulative contributions and transfers
as at April 30, 2006

(In thousands of SDRs)

Member	Subaccount			Combined
	PRGF-HIPC	PRGF	HIPC	
Slovenia	311	—	—	311
South Africa	20,895	—	—	20,895
Spain	16,550	—	—	16,550
Sri Lanka	12	—	—	12
St. Vincent and the Grenadines	66	—	—	66
Swaziland	20	—	—	20
Sweden	5,322	—	—	5,322
Switzerland	19,219	—	—	19,219
Thailand	350	—	—	350
Tonga	3	—	—	3
Tunisia	136	—	—	136
United Arab Emirates	353	—	—	353
United Kingdom	23,551	—	33,837	57,388
United States	—	—	221,932	221,932
Vietnam	10	—	—	10
	<u>499,183</u>	<u>27,595</u>	<u>299,116</u>	<u>825,894</u>
Contributions from SDA	409,697	—	757,097	1,166,794
Contributions from GRA	72,456	—	—	72,456
	<u>482,153</u>	<u>27,595</u>	<u>757,097</u>	<u>1,239,250</u>
	<u><u>981,336</u></u>	<u><u>27,595</u></u>	<u><u>1,056,213</u></u>	<u><u>2,065,144</u></u>

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Independent Auditors' Report

**To the Board of Governors
of the International Monetary Fund
Washington, DC**

We have audited the accompanying balance sheet of the Multilateral Debt Relief Initiative-II Trust (the "Trust") as of April 30, 2006, and the related statements of income and changes in resources and of cash flows for the period from January 5, 2006 (date of inception) to April 30, 2006. These financial statements are the responsibility of the Trust's management. 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 and auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such 2006 financial statements present fairly, in all material respects, the financial position of the Multilateral Debt Relief Initiative-II Trust at April 30, 2006, and the results of its operations and its cash flows for the above stated period in conformity with International Financial Reporting Standards.

Deloitte & Touche LLP

June 12, 2006

Member of
Deloitte Touche Tohmatsu

Multilateral Debt Relief Initiative-II Trust

Balance sheet as at April 30, 2006

(In thousands of SDRs)

Assets

Cash and cash equivalents	43,941
Investments (Note 4)	25,000
Interest receivable	305
Total assets	<u>69,246</u>

Liabilities and resources

Accrued MDRI grant assistance	69,246
Total liabilities	<u>69,246</u>
Resources	—
Total liabilities and resources	<u>69,246</u>

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

/s/ Michael G. Kuhn
Director, Finance Department

/s/ Rodrigo de Rato
Managing Director

Multilateral Debt Relief Initiative-II Trust

Statement of income and changes in resources from inception to April 30, 2006

(In thousands of SDRs)

Investment income (Note 4)	2,153
Operational income	<u>2,153</u>
Contributions	1,120,000
MDRI grant assistance (Note 2)	<u>(1,122,153)</u>
Net income/changes in resources	<u>—</u>
Balance, end of the period	<u>—</u>

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

Multilateral Debt Relief Initiative-II Trust

Statement of cash flows from inception to April 30, 2006

(In thousands of SDRs)

Cash flows from operating activities

Net income	—
Adjustments to reconcile net income to cash generated by operations	
Change in interest receivable	(305)
Change in accrued MDRI grant assistance	<u>69,246</u>
Net cash provided by operating activities	<u>68,941</u>

Cash flows from investment activities

Net acquisition of investments	(25,000)
Net cash used in investment activities	<u>(25,000)</u>

Cash flows from financing activities

Net cash provided by financing activities	—
—	<u>—</u>

Cash and cash equivalents, end of the period

43,941

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

Multilateral Debt Relief Initiative-II Trust

Notes to the financial statements as at April 30, 2006

1. Nature of operations

Effective January 5, 2006, the IMF adopted the Multilateral Debt Relief Initiative (MDRI) to provide full debt relief to qualifying low-income countries. For this purpose, the IMF established the Multilateral Debt Relief Initiative-I (MDRI-I) Trust and the Multilateral Debt Relief Initiative-II (MDRI-II) Trust. The IMF acts as Trustee for both trusts.

Under the MDRI, the IMF provides debt relief to HIPC and non-HIPC members with annual per capita income of \$380 or less and to HIPCs with annual per capita income of more than \$380. Qualifying members at or below the per capita income threshold receive grant assistance from the MDRI-I Trust, which was initially funded by resources transferred from the Special Disbursement Account (SDR 1.5 billion). Grant assistance to the remaining HIPC members with per capita income above the threshold is provided from the MDRI-II Trust by resources contributed by individual members. The initial contributions to the MDRI-II Trust were received through the transfer of a portion of members' contributions to the PRGF-ESF Trust Subsidy Account (SDR 1.12 billion). Grant assistance from the MDRI Trusts (together with assistance under the HIPC Initiative) provides debt relief to cover the full stock of debt owed to the IMF (including the PRGF-ESF Trust) as of December 31, 2004, that remains outstanding at the time the member qualifies for such relief.

2. Summary of significant accounting policies

Basis of accounting

The financial statements of the MDRI-II Trust (the Trust) are prepared in accordance with International Financial Reporting Standards (IFRS). Specific accounting principles and disclosure practices are explained further below.

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Unit of account

The financial statements are expressed in terms of SDRs. The value of the SDR is determined by the IMF each day by summing the values in U.S. dollars, based on market exchange rates, of the currencies in the SDR valuation basket. The IMF reviews the SDR valuation basket every five years. The latest review was completed in November 2005, and the new composition of the SDR valuation basket became effective on January 1, 2006. The currencies in the basket as of April 30, 2006, were as follows:

Currency	Amount
Euro	0.4100
Japanese yen	18.4000
Pound sterling	0.0903
U.S. dollar	0.6320

As of January 5, 2006, and April 30, 2006, one SDR was equal to 1.44408 and 1.47106 U.S. dollars, respectively.

Foreign currency translation

Foreign currency transactions are recorded at the rate of exchange on the date of the transaction. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are reported using the closing exchange rates. Exchange differences arising from the settlement of transactions at rates different from those at the originating date of the transaction and unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities are included in the determination of net income.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Investments

Investments are made in fixed-term deposits. For these deposits, the Trust may invest only in obligations issued by institutions with a credit rating of A and above. The Trust may invest only in obligations issued by an agency of a government and a multilateral organization with a minimum credit rating of AA.

Investment income comprises interest income and currency valuation differences arising from exchange rate movements against the SDR.

Contributions

Contributions are reflected as increases in resources and are subject to bilateral agreements stipulating how the resources are to be used.

MDRI grant assistance

During the financial year ended April 30, 2006, the IMF provided debt relief under the MDRI to 18 members that had already reached the completion point under the enhanced HIPC Initiative and two non-HIPCs (for a total amount of SDR 2,503 million, of which SDR 1,053 million was provided by the MDRI-II Trust).

MDRI grant assistance to the remaining eligible members is subject to the availability of resources and is accrued when it is probable that a liability has been incurred and the amount of such grant assistance can be reason-

ably estimated. The amount of liability recorded (SDR 69 million) is based on the evaluation of currently available facts with respect to each individual eligible member and includes factors such as progress made toward reaching the completion point under the HIPC Initiative, and the capacity to meet the macroeconomic performance and other objective criteria after reaching the completion point. As the qualification of members for MDRI debt relief is assessed, the amounts recorded are reviewed periodically and adjusted to reflect additional information that becomes available.

Administrative costs

The expenses of conducting the business of the MDRI-II Trust were paid by the General Resources Account.

3. Financial risk management

In providing grant assistance to eligible country members and conducting its operations, the Trust is exposed to various types of risks, including exchange rate and liquidity risks.

Exchange rate risk is the exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on the Trust's financial position and cash flows. Exchange rate risk on the Trust's investments is managed by investing in securities denominated in SDRs or in the constituent currencies, with the same composition, of the SDR valuation basket.

Liquidity risk is the risk of non-availability of resources to meet the Trust's obligations. The Trust conducts periodic reviews to determine the adequacy of the resources accumulated to meet liquidity needs.

4. Investments and investment income

Investments at April 30, 2006, consisted of fixed-term deposits maturing in one year or less, and investment income comprised interest income (SDR 2.19 million) and exchange rate losses (SDR 0.04 million).

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Independent Auditors' Report

**To the Board of Governors
of the International Monetary Fund
Washington, DC**

We have audited the accompanying balance sheets as of April 30, 2006, and 2005, and the related statements of income and changes in resources and of cash flows for the years then ended of the following entities:

Other Administered Accounts (the "Accounts")

- Administered Account Japan
- Administered Account for Selected Fund Activities—Japan
- Framework Administered Account for Technical Assistance Activities
- Supplementary Financing Facility Subsidy Account
- The Post-Conflict and Natural Disaster Emergency Assistance Subsidy Account

We have also audited the accompanying balance sheets of Administered Account—Spain as of April 28, 2006, and April 30, 2005, and the related statements of income and changes in resources and of cash flows for the years then ended.

These financial statements are the responsibility of the Accounts' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with International Standards on Auditing and auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Accounts' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Other Administered Accounts at April 30, 2006, and 2005, and the results of their operations and their cash flows for the years then ended in conformity with International Financial Reporting Standards.

Deloitte & Touche LLP

June 12, 2006

Member of
Deloitte Touche Tohmatsu

Other Administered Accounts
Balance sheets
as at April 30, 2006, and 2005

	(In thousands of U.S. dollars)				(In thousands of SDRs)			
	Administered Account Japan		Administered Account for Selected Fund Activities—Japan		Framework Administered Account for Technical Assistance Activities		Administered Account—Spain	
	2006	2005	2006	2005	2006	2005	2006	2005
Assets								
Cash and cash equivalents	127,127	122,402	24,266	21,691	29,642	23,948	—	—
Investments	—	—	—	—	—	—	—	—
Interest/other receivables	—	—	—	—	—	—	—	—
Total assets	127,127	122,402	24,266	21,691	29,642	23,948	—	—
Liabilities								
Other liabilities	—	—	—	—	—	—	—	—
Total liabilities	—	—	—	—	—	—	—	—
Resources								
Total resources	127,127	122,402	24,266	21,691	29,642	23,948	—	—

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

/s/ Michael G. Kuhn
Director, Finance Department

/s/ Rodrigo de Rato
Managing Director

Other Administered Accounts
Statements of income and changes in resources
for the years ended April 30, 2006, and 2005

Administered Account Japan	2005		2006		Administered Account for Selected Fund Activities—Japan	2005		2006		Administered Account—Spain	2005		2006		The Post-Conflict and Natural Disaster Emergency Assistance Subsidiy Account	
	2006	2005	2006	2005		2006	2005	2006	2005		2006	2005	2006	2005		
↓																
Balance, beginning of the year	122,402	120,235	21,691	22,699	23,948	18,912	—	—	—	—	2,296	2,249	18,684	18,684	7,850	7,850
Interest and investment income	4,725	2,167	624	562	1,024	438	—	—	—	—	68	47	615	615	199	199
Contributions received	—	—	22,133	20,849	21,634	24,407	—	—	40	—	—	—	9,877	9,877	11,051	11,051
Payments to and on behalf of beneficiaries	—	—	(20,182)	(22,419)	(16,964)	(19,809)	—	—	(40)	—	—	—	(4,573)	(4,573)	(416)	(416)
Operational income/(loss)	4,725	2,167	2,575	(1,008)	5,694	5,036	—	—	—	—	68	47	5,919	5,919	10,834	10,834
Net income (loss)/changes in resources	4,725	2,167	2,575	(1,008)	5,694	5,036	—	—	—	—	68	47	5,919	5,919	10,834	10,834
Balance, end of the year	127,127	122,402	24,266	21,691	29,642	23,948	—	—	—	—	2,296	2,249	18,684	18,684	—	—

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

Other Administered Accounts
Statements of cash flows
for the years ended April 30, 2006, and 2005

	(In thousands of U.S. dollars)				(In thousands of SDRs)	
	Administered Account Japan		Framework Administered Account for Selected Fund			
	2006	2005	2006	2005	2006	2005
Cash flows from operating activities						
Net income/(loss)	4,725	2,167	2,575	(1,008)	5,694	5,036
Adjustments to reconcile net income to cash generated by operations	—	—	—	—	—	—
Changes in other liabilities	—	—	—	—	—	—
Changes in interest receivable and other assets	—	—	—	—	—	—
Net cash provided by/(used in) operating activities	4,725	2,167	2,575	(1,008)	5,694	5,036
Cash flow from investment activities						
Net cash provided by/(used in) investment activities	—	—	—	—	—	—
Cash flow from financing activities						
Net cash used by financing activities	122,402	120,235	21,691	22,689	23,948	18,912
Cash and cash equivalents, beginning of year	127,127	122,402	24,286	21,691	29,642	23,948
Cash and cash equivalents, end of year	122,402	120,235	24,286	21,691	29,642	23,948
The Post-Conflict and Natural Disaster Emergency Assistance Subsidy Account						
Framework	—	—	—	—	—	—
Administered Account for Technical Assistance Activities	—	—	—	—	—	—
Administered Account—Spain	—	—	—	—	—	—
Supplementary Financing Facility Subsidy Account	—	—	—	—	—	—

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

Other Administered Accounts

Notes to the financial statements as at April 30, 2006, and 2005

1. Nature of operations

At the request of members, the IMF has established special purpose accounts to administer contributed resources and to perform financial and technical services consistent with the purposes of the IMF. The IMF is the Trustee of each account. The assets of each account and each subaccount are separate from the assets of all other accounts of, or administered by, the IMF and are not to be used to discharge liabilities or to meet losses incurred in the administration of other accounts.

Administered Account Japan

At the request of Japan, the IMF established an account on March 3, 1989, to administer resources made available by Japan or other countries with Japan's concurrence that are to be used to assist certain members with overdue obligations to the IMF. The resources of the account are to be disbursed in amounts specified by Japan and to members designated by Japan.

Administered Account for Selected Fund Activities—Japan

At the request of Japan, the IMF established the Administered Technical Assistance Account—Japan on March 19, 1990, to administer resources contributed by Japan to finance technical assistance to member countries. On July 21, 1997, the account was renamed the Administered Account for Selected Fund Activities—Japan and amended to include the administration of resources contributed by Japan in support of the IMF's Regional Office for Asia and the Pacific (OAP). The resources of the account designated for technical assistance activities are used with the approval of Japan and include the provision of scholarships. The resources designated for the OAP are used as agreed between Japan and the IMF for certain activities of the IMF with respect to Asia and the Pacific through the OAP. Disbursements can also be made from the account to the General Resources Account to reimburse the IMF for qualifying technical assistance projects and OAP expenses.

Framework Administered Account for Technical Assistance Activities

The Framework Administered Account for Technical Assistance Activities (the Framework Account) was established by the IMF on April 3, 1995, to receive and administer contributed resources that are to be used to finance technical assistance consistent with the purposes of the IMF. The financing of technical assistance activities is implemented through the establishment and operation of subaccounts within the Framework Account. Resources are to be used in accordance with the written understandings between the contributor and the Managing Director. Disbursements can also be made from the Framework Account to the General Resources Account to reimburse the IMF for its costs incurred on behalf of technical assistance activities financed by resources from the Framework Account.

As of April 30, 2006, the Framework Account comprised the following subaccounts:

Subaccount for Japan Advanced Scholarship Program

At the request of Japan, this subaccount was established on June 6, 1995, to finance the cost of studies and training of nationals of member countries in macroeconomics and related subjects at selected universities and institutions. The scholarship program focuses primarily on the training of nationals of Asian member countries, including Japan.

Rwanda—Macroeconomic Management Capacity Subaccount

At the request of Rwanda, this subaccount was established on December 20, 1995, to finance technical assistance to rehabilitate and strengthen Rwanda's macroeconomic management capacity.

Australia—IMF Scholarship Program for Asia Subaccount

At the request of Australia, this subaccount was established on June 5, 1996, to finance the cost of studies and training of government and central bank officials in macroeconomic management so as to enable them to contribute to their countries' achievement of sustainable economic growth and development. The program focuses primarily on the training of nationals of Asian countries.

Switzerland Technical Assistance Subaccount

At the request of Switzerland, this subaccount was established on August 27, 1996, to finance the costs of technical assistance activities of the IMF that consist of policy advice and training in macroeconomic management.

French Technical Assistance Subaccount

At the request of France, this subaccount was established on September 30, 1996, to cofinance the costs of training in economic fields for nationals of certain member countries.

Denmark Technical Assistance Subaccount

At the request of Denmark, this subaccount was established on August 25, 1998, to finance the costs of technical assistance activities of the IMF that consist of advising on policy and administrative reforms in the fiscal, monetary, and related statistical fields.

Australia Technical Assistance Subaccount

At the request of Australia, this subaccount was established on March 7, 2000, to finance the costs of technical assistance activities of the IMF that consist of advising on the design of policy and administrative reforms in the fiscal, monetary, and related statistical fields, as well as to provide training in the formulation and implementation of macroeconomic and financial policies.

The Netherlands Technical Assistance Subaccount

At the request of the Netherlands, this subaccount was established on July 27, 2000, to finance projects that seek to enhance the capacity of the members to formulate and implement policies in the macroeconomic, fiscal,

monetary, financial, and related statistical fields, including training programs and projects that strengthen the legal and administrative framework in these core areas.

The United Kingdom Department for International Development (DFID) Technical Assistance Subaccount

At the request of the United Kingdom, this subaccount was established on June 29, 2001, to finance projects that seek to enhance the capacity of the members to formulate and implement policies in the macroeconomic, fiscal, monetary, financial, and related statistical fields, including training programs and projects that strengthen the legal and administrative framework in these core areas.

Italy Technical Assistance Subaccount

At the request of Italy, this subaccount was established on November 16, 2001, to finance projects that seek to enhance the capacity of certain members to formulate and implement policies related to fiscal, financial, and statistical standards and codes, including training programs and projects that strengthen the legal and administrative framework in these core areas.

Pacific Financial Technical Assistance Centre Subaccount

At the request of Australia and New Zealand, this subaccount was established on May 22, 2002, to finance activities of the Pacific Financial Technical Assistance Centre that seek to enhance the capacity of Pacific island countries and territories to formulate and implement policies related to macroeconomic, fiscal, monetary, financial, and statistical fields, including training and activities that strengthen the legal and administrative framework in these core areas.

Africa Regional Technical Assistance Centers Subaccount

At the request of France, Germany, Italy, the Netherlands, Norway, Sweden, and the United Kingdom, this subaccount was established on August 9, 2002, to finance activities of the Africa Regional Technical Assistance Centers that seek to support the Poverty Reduction Strategy Paper process in sub-Saharan African countries by fostering the capacity for sound macroeconomic management, strong fiscal institutions and financial systems, and timely and accurate collection and dissemination of economic data, including training and activities that strengthen the legal and administrative framework in these core areas. The resources of this subaccount are contributed by the above governments and other governments or official agencies, including those of China, Luxembourg, the Russian Federation, and Switzerland, that reached an understanding with the IMF subsequent to the establishment.

Sweden Technical Assistance Subaccount

At the request of Sweden, this subaccount was established on November 25, 2002, to finance projects that seek to enhance the capacity of members to formulate and implement policies in the macroeconomic, fiscal, monetary, financial, and related statistical fields, including training programs and projects that strengthen the legal and administrative framework in these core areas.

China Technical Assistance Subaccount

At the request of the People's Republic of China, this subaccount was established on May 23, 2003, to finance projects that seek to enhance the capac-

ity of members to formulate and implement policies in the macroeconomic, fiscal, monetary, financial, and related statistical fields, including training programs and projects that strengthen the legal and administrative framework in these core areas.

Technical Assistance Subaccount for Iraq

At the request of Australia, Canada, Italy, and the United Kingdom, this subaccount was established on July 22, 2003, to finance technical assistance activities that seek to enhance the capacity of Iraq to formulate and implement policies in the macroeconomic, fiscal, monetary, financial, and related statistical fields, including training programs and activities that strengthen the legal and administrative framework in these core areas. The resources of this subaccount are contributed by the above governments and the Government of Sweden, which reached an understanding with the IMF subsequent to the establishment.

Canada Technical Assistance Subaccount

At the request of Canada, this subaccount was established on January 28, 2004, to finance projects that seek to enhance the capacity of members to formulate and implement policies in the macroeconomic, fiscal, monetary, financial, and related statistical fields, including training programs and projects that strengthen the legal and administrative framework in these core areas.

Middle East Regional Technical Assistance Center Subaccount

At the request of France and Lebanon, this subaccount was established on August 20, 2004, to finance the technical assistance activities of the Middle East Regional Technical Assistance Center (METAC). METAC seeks to support the efforts of the participating countries/territories to achieve effective macroeconomic management, strong fiscal institutions and financial systems, and timely and accurate collection and dissemination of economic data, including training and activities that strengthen the legal and administrative framework in these areas. The current METAC's participating countries/territories include the Islamic Republic of Afghanistan, Iraq, Jordan, Lebanon, Libya, Sudan, Syria, West Bank and Gaza, and Yemen. The resources of this subaccount are contributed by the above governments and other governments or official agencies, including Egypt and Kuwait, that reached an understanding with the IMF subsequent to the establishment.

Technical Assistance Subaccount to Support Macroeconomic and Financial Policy Formulation and Management

At the request of Norway, this subaccount was established on September 29, 2004, to finance projects that seek to enhance the capacity of members to formulate and implement policies in the macroeconomic, fiscal, monetary, financial, and related statistical fields, including training programs and projects that strengthen the legal and administrative framework in these core areas. The activities to be financed from the subaccount will seek in the first instance to enhance the capacity of Poverty Reduction and Growth Facility-eligible countries to formulate and implement the strategies needed to achieve the goals described in their Poverty Reduction Strategy Papers in those core areas of competence of the Fund, including strengthening their anti-money-laundering and countering the financing of terrorism legislation and implementation capacity, and improving central bank functions and operations in low-income countries.

Spain Technical Assistance Subaccount

At the request of Spain, this subaccount was established on March 2, 2005, to finance projects that seek to enhance the capacity of members to formulate and implement policies in the macroeconomic, fiscal, monetary, financial, and related statistical fields, including training programs and projects that strengthen the legal and administrative framework in these core areas.

European Commission Technical Assistance Subaccount for the Middle East Regional Technical Assistance Center

At the request of European Commission, this subaccount was established on June 13, 2005, to finance technical assistance activities of the Middle East Regional Technical Assistance Center.

European Investment Bank Technical Assistance Subaccount

At the request of European Investment Bank, this subaccount was established on June 29, 2005, to finance projects that seek to enhance the capacity of members to formulate and implement policies in the macroeconomic, fiscal, monetary, financial, and related statistical fields, including training programs and projects that strengthen the legal and administrative framework in these core areas.

Administered Account—Spain

At the request of Spain, the IMF established an account on March 20, 2001, to receive and disburse resources up to \$1 billion contributed by Spain for Argentina. The resources of this account are to be used to assist Argentina in the implementation of the adjustment program supported by the IMF under the Stand-By Arrangement for Argentina approved on March 10, 2000, and augmented on January 12, 2001. The account was terminated on April 28, 2006, as agreed between Spain and the IMF.

Supplementary Financing Facility Subsidy Account

The Supplementary Financing Facility Subsidy Account administered by the IMF was established in December 1980 to assist low-income developing country members to meet the costs of using resources made available through the IMF's Supplementary Financing Facility and under the policy on exceptional use. All repurchases due under these policies were scheduled for completion by January 31, 1991, and the final subsidy payments were approved in July 1991. However, two members (Liberia and Sudan), overdue in the payment of charges, remain eligible to receive previously approved subsidy payments of SDR 2.2 million when their overdue charges are settled. Accordingly, the Account remains in operation and has retained amounts for payment to these members after the overdue charges are paid.

The Post-Conflict and Natural Disaster Emergency Assistance Subsidy Account

The Post-Conflict Emergency Assistance Subsidy Account for PRGF-Eligible Members was established in May 2001 to administer contributed resources for the purpose of providing assistance to PRGF-eligible members in support of their adjustment efforts. The account was amended on January 21, 2005, to provide for the subsidization of emergency assistance for natural disasters for PRGF-eligible members. Contributions to this account will be used to provide grants to PRGF-eligible members that have made post-conflict and natural disaster emergency assistance purchases under the IMF General Resources Account, effectively subsidizing the basic rate of charge on these

purchases to 0.5 percent per annum. The subsidy to each eligible member would be prorated if resources are insufficient to reduce the basic rate of charge to 0.5 percent.

Austria-II Administered Account

At the request of the Austrian National Bank, the IMF established this account on April 3, 2006, to provide resources to subsidize charges due by PRGF-eligible countries on purchases under the policy on emergency assistance for natural disasters ("ENDA"). The account has no assets or liabilities as of April 30, 2006. The Austrian National Bank made a deposit of SDR 7 million on May 2, 2006, for a period of five years at an interest rate of ½ of 1 percent per annum. The resources in the account are to be invested, and the difference between the investment earnings and the interest due on the deposit is to be transferred to the ENDA subaccount of the Post-Conflict and Natural Disasters Emergency Assistance Subsidy Account for PRGF-eligible members.

2. Summary of significant accounting policies

Basis of accounting

The financial statements of the Other Administered Accounts are prepared in accordance with International Financial Reporting Standards (IFRS). Specific accounting principles and disclosure practices are explained further below.

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Unit of account

Administered Account Japan, Administered Account for Selected Fund Activities—Japan, Framework Administered Account for Technical Assistance Activities, and Administered Account—Spain

These accounts are expressed in U.S. dollars. All transactions and operations of these accounts, including the transfers to and from the accounts, are denominated in U.S. dollars, except for transactions and operations in respect of the OAP, which are denominated in Japanese yen, or transactions in other currencies as agreed between Japan and the IMF. Contributions denominated in other currencies are converted into U.S. dollars upon receipt of the funds.

The Supplementary Financing Facility Subsidy Account, the Post-Conflict and Natural Disaster Emergency Assistance Subsidy Account, and Austria-II Administered Account

These accounts are expressed in terms of SDRs. The value of the SDR is determined by the IMF each day by summing the values in U.S. dollars, based on market exchange rates, of the currencies in the basket. The IMF reviews the SDR valuation basket every five years. The latest review was completed in November 2005 and the composition of the SDR valuation basket

became effective from January 1, 2006. The currencies in the basket as of April 30, 2006, and 2005 and their amounts were as follows:

Currency	Amount	
	2006	2005
Euro	0.4100	0.4260
Japanese yen	18.4000	21.0000
Pound sterling	0.0903	0.0984
U.S. dollar	0.6320	0.5770

As of April 30, 2006, one SDR was equal to 1.47106 U.S. dollars (one SDR was equal to 1.51678 U.S. dollars as of April 30, 2005).

Transactions and operations of the accounts are denominated in SDRs. Contributions denominated in other currencies are converted into SDRs upon receipt of the funds.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Investments

As at April 30, 2006, the investments in the Post-Conflict and Natural Disaster Emergency Assistance Subsidy Account consisted of short-term fixed-term deposits with maturities of less than one year and amounted to SDR 12 million.

Contributions

Bilateral contributions are reflected as increases in resources after the achievement of specified conditions and are subject to bilateral agreements stipulating how the resources are to be used.

Payments to and on behalf of beneficiaries

Payments to and on behalf of beneficiaries are recognized when the specified conditions in the respective agreements are achieved.

Transfers

Internal transfers of resources within the IMF are accounted for under the accrual method of accounting.

Foreign currency translation

Foreign currency transactions are recorded at the rate of exchange on the date of the transaction. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are reported using the closing exchange rates. Exchange differences arising from the settlement of transactions at rates different from those at the date of the transactions and unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities are included in the determination of net income.

Administrative expenses

The expenses of conducting the activities of the Other Administered Accounts are incurred and borne by the General Department of the IMF. To help defray the expenses incurred by the IMF in the administration of the Administered Account for Selected Fund Activities—Japan and the Framework Administered Account for Technical Assistance Activities, reimbursement equal to 13 percent of the expenses financed from the accounts is paid to the General Resources Account from these accounts. As at April 30, 2006, the administrative costs for the Administered Account for Selected Fund Activities—Japan amounted to \$2.1 million (\$2.3 million at April 30, 2005), and, for the Framework Administered Account for Technical Assistance Activities, \$1.9 million (\$2.2 million at April 30, 2005). These amounts are included in payments to and on behalf of beneficiaries on the statements of income and changes in resources.

Comparatives

When necessary, comparative figures have been reclassified to conform with changes in the presentation of the current year.

3. Cumulative contributions and disbursements

The cumulative contributions to and disbursements from these Administered Accounts are as follows:

Account	April 30, 2006		April 30, 2005	
	Cumulative contributions ¹	Cumulative disbursements ²	Cumulative contributions	Cumulative disbursements ²
(In millions of U.S. dollars)				
Administered Account Japan	135.2	72.5	135.2	72.5
Administered Account for Selected Fund Activities—Japan	267.4	251.9	245.3	231.7
Technical Assistance	235.3	223.3	217.7	207.2
Scholarships	21.0	18.4	18.3	15.8
Office of Asia and Pacific	11.1	10.2	9.3	8.7
Framework Administered Account for Technical Assistance Activities	104.3	77.5	82.7	60.6
Subaccount for Japan Advanced Scholarship Program	14.8	13.8	13.2	12.3
Rwanda—Macroeconomic Management Capacity Subaccount	1.5	1.6	1.5	1.6
Australia—IMF Scholarship Program for Asia Subaccount	3.9	3.5	3.4	3.0
Switzerland Technical Assistance Subaccount	17.5	13.2	16.1	12.1
French Technical Assistance Subaccount	1.2	0.7	1.2	0.5
Denmark Technical Assistance Subaccount	6.8	4.8	5.6	3.9
Australia Technical Assistance Subaccount	0.3	0.2	0.3	0.1
The Netherlands Technical Assistance Subaccount	4.6	4.4	5.1	4.3
The United Kingdom DFID Technical Assistance Subaccount	8.1	7.3	6.6	5.4
Italy Technical Assistance Subaccount	3.7	1.8	2.8	1.0
Pacific Financial Technical Assistance Centre Subaccount	4.4	3.6	2.8	2.6
Africa Regional Technical Assistance Centers Subaccount	20.8	15.0	14.9	10.0
Sweden Technical Assistance Subaccount	1.3	0.9	1.1	0.5
China Technical Assistance Subaccount	0.2	0.2	0.2	0.1
Canada Technical Assistance Subaccount	1.9	0.8	1.5	0.6
Technical Assistance Subaccount for Iraq	5.8	2.9	4.5	2.1
Middle East Regional Technical Assistance Center Subaccount	3.2	2.6	1.3	0.5
Technical Assistance Subaccount to Support Macroeconomic and Financial Policy Formulation and Management	0.6	0.1	0.6	—
Spain Technical Assistance Subaccount	2.0	—	—	—

(concluded)

Account	April 30, 2006		April 30, 2005	
	Cumulative contributions ¹	Cumulative disbursements ²	Cumulative contributions	Cumulative disbursements ²
(In millions of U.S. dollars)				
European Commission Technical Assistance Subaccount for METAC	1.1	—	—	—
European Investment Bank Technical Assistance Subaccount	0.6	0.1	—	—
Administered Account—Spain	835.5	835.6	835.5	835.6
The Post-Conflict and Natural Disaster Emergency Assistance Subsidy Account	30.5	6.9	20.6	2.3

¹Net of refunds of contributions to donors due to termination of projects financed by resources in the Administered Account.

²Disbursements had been made from resources contributed to these accounts as well as from interest earned on these resources.

4. Transfer of resources

Resources of the Supplementary Financing Facility Subsidy Account in excess of the remaining subsidy payments are to be transferred to the Special Disbursement Account. At April 30, 2006, and 2005, subsidy payments totaling SDR 2.2 million had not been made to Liberia and Sudan and were being held pending the payment of overdue charges by these members.

5. Accounts termination

Administered Account Japan

The account can be terminated by the IMF or by Japan at any time. Any remaining resources in the account at termination are to be returned to Japan.

Administered Account for Selected Fund Activities—Japan

The account can be terminated by the IMF or by Japan at any time. Any resources that may remain in the account at termination, net of accrued liabilities under technical assistance projects or in respect of the OAP, are to be returned to Japan.

Framework Administered Account for Technical Assistance Activities

The Framework Account or any subaccount thereof may be terminated by the IMF at any time. The termination of the Framework Account shall terminate each subaccount thereof. A subaccount may also be terminated by the contributor of the resources to the subaccount or, in the case of a subaccount comprising resources from more than one contributor, by all the contributors participating in the subaccount at the time of termination, provided that a contributor to such a subaccount may cease its own participation in the subaccount at any time without termination of the subaccount. Termination shall be effective on the date that the IMF or the contributor, as the case may be, receives notice of termination. The disposition of any balances, net of continuing liabilities and commitments under the activities financed, is governed by the conditions agreed between the IMF and the contributor, or contributors in the case of a subaccount with more than one contributor. Absent such agreement, the balances are returned to the contributor(s).

The Post-Conflict and Natural Disaster Emergency Assistance Subsidy Account

The account can be terminated by the IMF at any time. Any balance remaining in the account after discharge of all obligations of the account upon its termination are to be transferred to each contributor in the proportion that the SDR equivalent of its respective contribution bears to the total contributions. In the case of earmarked contributions that have been fully used, no such transfer shall be made. A contributor may also designate its share or a specified portion for such other purposes as may be mutually agreed between the contributor and the IMF.

Austria-II Administered Account

The account will be terminated upon completion of its operation. Any assets remaining after the repayment of the deposit and interest due thereon will be transferred to the Natural Disaster Emergency Assistance subaccount of the Post-Conflict and Natural Disaster Emergency Assistance Subsidy Account for PRGF-eligible members.