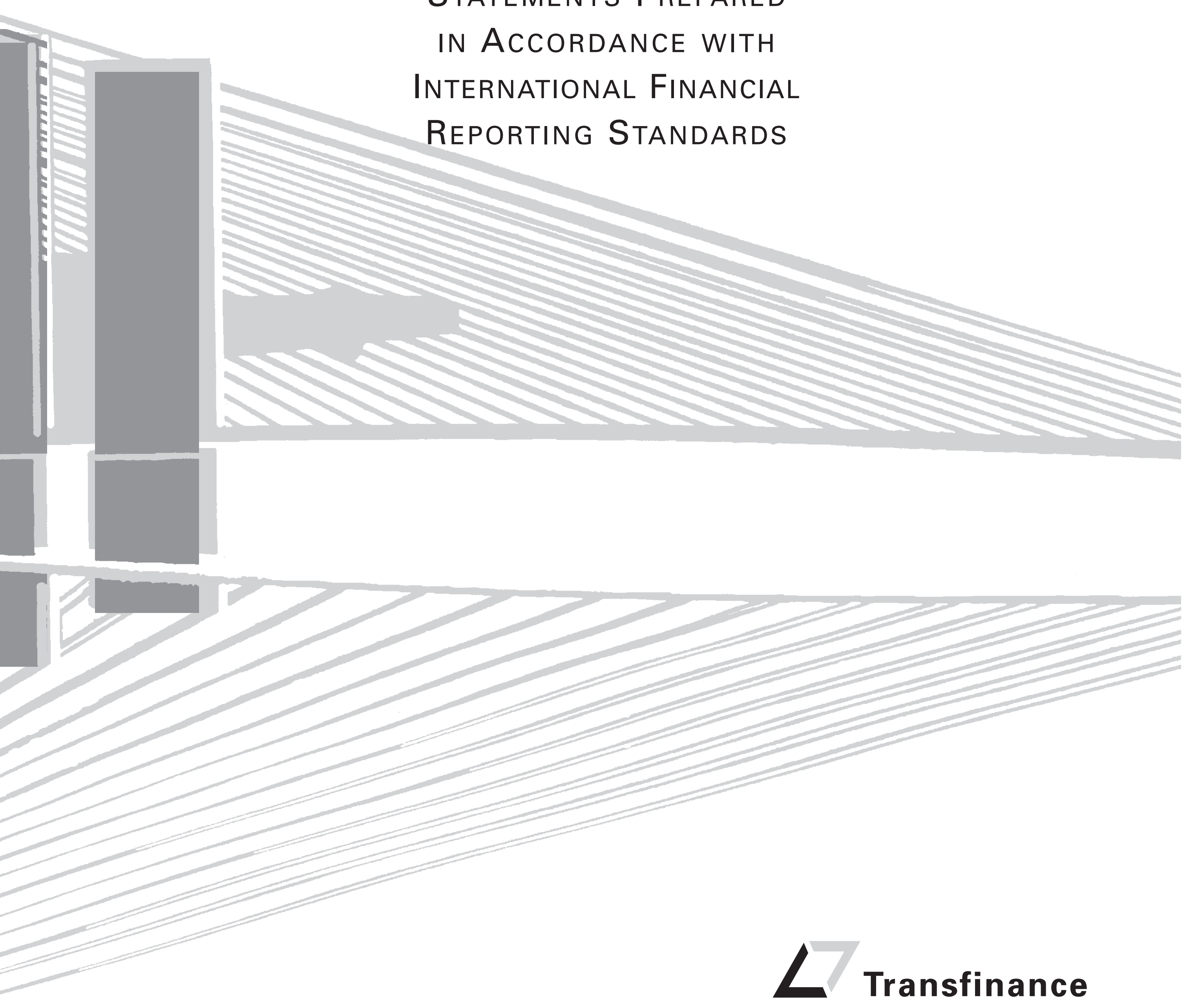
31 DECEMBER

2004

Consolidated Financial Statements Prepared in Accordance with International Financial Reporting Standards



Transfinance

Independent Auditors' Report

To the shareholders of Transfinance a.s.:

We have audited the accompanying consolidated balance sheet of Transfinance a.s. ("the Company") as of 31 December 2004 and the related consolidated statements of income, changes in equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of 31 December 2004 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as published by the International Accounting Standards Board.

Ernst & Young

Ernst & Young ČR, s.r.o.
9 February 2005
Prague, Czech Republic

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Transfinance

Consolidated Balance Sheet as at 31 December

In thousands of Czech Crowns	Note	2004	2003
NON CURRENT ASSETS			
Intangible assets	3	958	2,904
Property, plant and equipment	4	6,777	7,299
Investments in subsidiaries and associates	5	100	4,363
Other non-current assets	6	3,524	3,524
		11,359	**18,090**
CURRENT ASSETS			
Held to maturity, net	7	591,770	587,041
Receivables originated by the enterprise, net	8	2,124,834	1,865,376
Prepayments and other assets	10	4,773	1,634
Derivative financial instruments	30	0	497
Cash and cash equivalents	9	28,321	125,323
		2,749,698	**2,579,871**
TOTAL ASSETS		**2,761,057**	**2,597,961**
NON CURRENT LIABILITIES			
Deferred tax liability	21	283	443
CURRENT LIABILITIES			
Accounts payable	11	481,059	425,121
Bank borrowings	12	2,054,341	1,954,815
Tax payable		82	11,389
Accruals and other provisions	13	13,809	9,183
Derivative financial instruments	30	0	497
		2,549,291	**2,401,005**
TOTAL LIABILITIES		**2,549,574**	**2,401,448**
SHAREHOLDERS' EQUITY			
Share capital	14	112,000	112,000
Legal reserve fund	15	7,587	5,306
Retained earnings		91,896	79,207
		211,483	**196,513**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,761,057**	**2,597,961**

The notes on pages 7 to 32 form an integral part of the consolidated financial statements.

Consolidated Income Statement for the Year Ended 31 December

In thousands of Czech Crowns	Note	2004	2003
Factoring revenue		143,698	133,789
Interest revenue, net	16	54,943	44,987
Other operating income		1,624	1,243
Administration expenses	17	(37,233)	(38,347)
Staff costs	18	(25,026)	(20,804)
Depreciation and amortization		(5,090)	(5,534)
Bad debts expense	19	(63,524)	(35,673)
Other operating expenses, net	20	(15,211)	(12,851)
OPERATING PROFIT		54,181	66,810
Income from associate		0	320
Profit on sale of share in associate		224	0
Financial expense, net		(10,386)	(7,375)
Foreign exchange result, net		6,773	7,268
NET INCOME BEFORE TAXES		50,792	67,023
Taxation	21	(14,821)	(21,080)
NET INCOME		**35,971**	**45,943**

Signed on behalf of the Board

Prague
9 February 2005

Jiří Matula
Chairman of the Board

Jana Němečková
Vice-chairman of the Board

The notes on pages 7 to 22 form an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Shareholder's Equity

In thousands of Czech Crowns	Share capital	Legal reserve fund	Retained earnings	Total
Balance as at 1 January 2003	112,000	4,291	48,279	164,570
Transfer to Statutory reserve	–	1,015	(1,015)	–
Dividends	–	–	(14,000)	(14,000)
Profit for the year	–	–	45,943	45,943
Balance as at 31 December 2003	**112,000**	**5,306**	**79,207**	**196,513**
Balance as at 1 January 2004	112,000	5,306	79,207	196,513
Transfer to Statutory reserve	–	2,281	(2,281)	–
Dividends	–	–	(21,000)	(21,000)
Profit for the year	–	–	35,971	35,971
Balance as at 31 December 2004	**112,000**	**7,587**	**91,896**	**211,483**

The notes on pages 7 to 22 form an integral part of the financial statements.

Consolidated Statement of Cash Flows

In thousands of Czech Crowns	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before taxes	50,792	67,023
Adjustments for:		
Depreciation and amortization	5,090	5,534
Reserves	–	2,500
Bad debts expense	63,524	30,620
Foreign exchange gains/losses	4,437	(7,268)
Gain/(Loss) on disposal of tangible assets	(233)	(490)
Operating profit before working capital changes	123,610	97,919
Decrease/(Increase) in debtors and other assets	(335,198)	(602,545)
(Decrease)/Increase in creditors and other liabilities	60,563	220,436
Cash generated from operations	(151,025)	(284,190)
Income taxes paid	(26,288)	(9,771)
NET CASH FLOWS FROM OPERATING ACTIVITIES	(177,313)	(293,961)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	4,409	490
Purchase of intangible assets, property, plant and equipment	(2,624)	(3,364)
NET CASH USED IN INVESTING ACTIVITIES	1,785	(2,874)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short term borrowings	99,526	365,850
Dividends paid	(21,000)	(14,000)
NET CASH FROM FINANCING ACTIVITIES	78,526	351,850
NET CASH INCREASE IN CASH AND CASH EQUIVALENTS	(97,002)	55,015
CASH AND CASH EQUIVALENTS AT 1 JANUARY	125,323	70,308
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**28,321**	**125,323**

Supplemental information:

Interest income received:	116,315	100,436
Interest expense paid:	(61,372)	(55,368)

The notes on pages 7 to 22 form an integral part of the consolidated financial statements.

Notes to the Financial Statements (in thousand of Czech Crowns)

1 ACTIVITIES

Transfinance a.s. (“the Company”) is a joint stock company which is incorporated in the Czech Republic.

The registered office of the Company is located at Křižíkova 237/36a, Prague 8, Czech Republic.

During the year, the principal activities of the Company were factoring services, mainly the purchase of export debts and domestic debts.

The Company operates in the Czech Republic and employed 36 employees in 2004, (2003: 34) on average.

The shareholders of the Company are Intermarket Bank AG, Austria (50%) and BRE Bank SA, Poland (50%). Its parent company is BRE Bank SA, Warsaw, Poland and the Company is part of its consolidation group. The parent company of BRE Bank SA is Commerzbank AG, Germany.

The financial statements of the Company for the year ended 31 December 2004 were authorized for issue by directors on 9 February 2005.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (thereafter "IFRS"). The consolidated financial statements of the Company have been prepared under the historical cost convention as modified by the revaluation of derivative transactions. In the financial statements certain balances from the prior year have been reclassified to enhance the comparability.

b) Basis for consolidation

The Company and its associate and subsidiary maintain their books of accounts and prepare statements for regulatory purposes in accordance with local accounting principles. The accompanying consolidated financial statements are based on the accounting records of the Company and its subsidiary and associate, together with appropriate adjustments and reclassifications necessary for fair presentation in accordance with accounting standards as prescribed by the International Accounting Standards Board.

The presentation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and their reported amounts of revenues and expenses during the reporting period. Actual results will differ from those estimates and such differences could be material.

A reconciliation of shareholders’ equity and profit reported under Czech accounting principles to shareholders’ equity and profit after taxation reported under IFRS is shown in Note 32 to the consolidated financial statements.

The Company accounted for its investment in an associate Transfinance Slovakia a.s. using the equity method. The investment in a subsidiary Vartimex s.r.o. was not consolidated due to its immateriality. The investment in Vartimex s.r.o. was carried at cost in the financial statements.

c) Intangible assets

Intangible assets are stated at cost less accumulated depreciation and amortisation.

The cost of intangible assets is depreciated on a straight-line basis over the estimated useful lives of the assets with the exception of intangible fixed assets with a cost of less than CZK 60 thousand that are expensed in the year of purchase.

d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and amortisation.

The cost of property, plant and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets with the exception of tangible fixed assets with a cost of less than CZK 40 thousand that are expensed in the year of purchase.

The estimated useful lives in years of the main categories of fixed assets are as follows:

Leasehold improvements	10 years or the life of the lease, whichever is shorter
Plant and equipment	4 – 6 years
Software	4 years

Land and capital work in progress are not depreciated.

e) Held to maturity and receivables originated by enterprise

Held to maturity and receivables originated by the enterprise are connected with the factoring activities of the Company. The Company purchases receivables either with the right to return the receivable if they are not paid (recourse factoring) or without such a possibility (non-recourse factoring). The Company charges commissions for the collection of those receivables. Commissions are based on the amount of factored receivables and are recognized on an accrual basis and are reported as Factoring revenue. The Company also provides factoring financing to its clients up to an agreed percentage of transferred receivables. The Company earns interest on this financing which is recognized within Financial revenue.

Purchased non-recourse trade receivables are classified as held to maturity. They are recognized at the fair value of the consideration given and are carried at amortised cost, after provision for impairment.

Purchased receivables and resulting liabilities from recourse factoring are not recorded on the balance sheet as the risks and rewards are not transferred to the Company. The Company recognizes assets to the extent of factoring financing provided to clients reduced by subsequent repayments resulting from the underlying purchased recourse receivables. Factoring financing for recourse receivables is classified as receivables originated by the enterprise. It is recognized at the fair value of the consideration given and carried at amortised cost, after provision for impairment. Underlying recourse receivables and liabilities are maintained in an off balance sheet account.

f) Provision for impairment

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rate.

g) Liabilities from purchased non-recourse receivables

Liabilities arising from purchased non-recourse trade receivables are recognised at the original invoiced amount of the purchased trade receivables less subsequent repayments provided by the Company.

h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and deposits in banks.

i) Derivative financial instruments

Derivatives are recognized at acquisition cost, which includes the purchase price and direct costs related to the acquisition (fees and commissions paid to agents).

The Company classifies all derivatives as trading at the balance sheet date. Derivatives held for trading are revalued to at fair value. Changes in the fair values of derivatives held for trading are recorded in the Income Statement. The positive fair value of derivatives are recorded as assets and the negative fair value of derivatives is recorded as liabilities.

The fair value of derivative financial instruments was determined by the Company using market rates.

j) Foreign currencies

Transactions in foreign currencies are recorded during the year at the fixed exchange rate used by the Company. The Company calculates the fixed exchange rates as an average of three average exchange rates for three past years and the exchange rate prevailing on the first working day of the current year. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Czech Crowns using the year-end foreign exchange rates. All exchange differences are recorded in the Income Statement.

k) Share capital

The share capital of the Company is stated at the amount recorded in the Commercial Register maintained by the Regional Court.

l) Legal reserve fund

Under Czech legislation, in the first year in which profit is generated, a joint-stock company should allocate 20% of profit after tax (however, not more than 10% of basic capital) to the legal reserve fund. In subsequent years, the legal reserve fund is allocated a minimum 5% of profit after tax determined under Czech accounting standards until the fund reaches 20% of basic capital. These funds can only be used to offset losses.

m) Taxation and deferred taxation

The taxation charge is calculated in accordance with Czech regulations and is based on the profits reported in the Income statement prepared under Czech accounting regulations after adjustments for tax purposes.

Certain items of income and expense are recognized in different periods for tax and financial accounting purposes. Deferred taxes are provided using the liability method whereby deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. The tax effects of these temporary differences are reflected as deferred tax items. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the tax assets can be utilised.

n) Revenue recognition

Revenue is recognized as earned to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

o) Social security and pension schemes

Contributions are made to the Czech government's health, retirement benefit and unemployment schemes at the statutory rates in force during the year based on gross salary payments. The cost of social security payments is charged to the Income Statement in the same period as the related salary costs.

p) Borrowing costs

Borrowing costs are recognized as expenses in the period in which they are incurred.

q) Operating leases

Leases of assets under which substantially all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

3 INTANGIBLE ASSETS

Intangible assets consist of the following:

Cost:	2004 Software	2003 Software
At 1 January	18,132	16,832
Additions	928	1,300
Disposals	–	–
At 31 December	**19,060**	**18,132**
Accumulated amortization:		
At 1 January	(15,228)	(12,261)
Charge for the year	(2,874)	(2,967)
Disposals	–	–
At 31 December	**(18,102)**	**(15,228)**
Net book value:		
At 31 December	**958**	**2,904**

4 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	Leasehold improvements	Plant and equipment	Total
Cost:			
At 1 January 2003	1,304	20,076	21,380
Additions		1,957	1,957
Disposals		(2,923)	(2,923)
At 31 December 2003	**1,304**	**19,110**	**20,414**
At 1 January 2004	1,304	19,110	20,414
Additions	–	1,696	1,695
Disposals	–	(1,579)	(1,577)
At 31 December 2004	**1,304**	**19,227**	**20,531**
Accumulated depreciation:			
At 1 January 2003	(196)	(13,237)	(13,433)
Change for the year	(130)	(2,437)	(2,567)
Disposals	–	2,885	2,885
At 31 December 2003	**(326)**	**(12,789)**	**(13,115)**
At 1 January 2004	(326)	(12,789)	(13,115)
Change for the year	(131)	(2,085)	(2,216)
Disposals	–	1,577	1,577
At 31 December 2004	**(457)**	**(13,297)**	**(13,754)**
Net book value:			
At 31 December 2003	**978**	**6,321**	**7,299**
At 31 December 2004	**847**	**5,930**	**6,777**

The Company moved to rental offices in 2001. The leasehold improvements represent technical improvements (office equipment) to the offices, which are rented.

5 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

		2004		2003
	% Held		% Held	
Vartimex s.r.o. (Czech Republic)	100	100	100	100
Transfinance Slovakia a.s. (Slovakia)	0	0	33	4,263
		100		4,363

In 2003, the investment in an associate Transfinance Slovakia a.s. (factoring company) was accounted for using the equity method. The investment in a subsidiary Vartimex s.r.o. was not consolidated due to its immateriality. The investment in Vartimex s.r.o. (dormant company) was carried at cost in the financial statements.

The Company sold its 1/3 share in Transfinance Slovakia to its parent company Intermarket Bank AG in 2004. The Company realized a gain of CZK 224 thousand on the sale of the associate (see also Note 22).

6 OTHER NON-CURRENT ASSETS

Other non-current assets represent a building under construction and land, which has been gained as settlement for bad debt.

7 HELD TO MATURITY, NET

	2004	2003
Purchased trade receivables	612,656	610,102
Impairment provision	(20,886)	(23,061)
Purchased receivables, net	**591,770**	**587,041**

8 RECEIVABLES ORIGINATED BY THE ENTERPRISE, NET

	2004	2003
Factoring financing	2,288,010	2,008,816
Impairment provision	(163,176)	(143,440)
Purchased receivables and factoring financing, net	**2,124,834**	**1,865,376**

9 CASH AND CASH EQUIVALENTS

	2004	2003
Cash on hand	156	222
Cash in bank	28,165	125,101
	28,321	125,323

10 PREPAYMENTS AND OTHER ASSETS

	2004	2003
Prepayments	782	872
Other receivables	3,991	762
	4,773	1,634

11 ACCOUNTS PAYABLE

	2004	2003
Liabilities from purchased non-recourse receivables	471,216	417,928
Other payables	9,843	7,193
	481,059	425,121

12 BANK BORROWINGS

Bank borrowings mature within one year of the balance sheet date. Individual borrowings are without security. In 2004 the borrowings bear interest of approximately 3.1% p.a. (2003: 3% p.a.), and the weighted average interest rate as of 31 December 2004 was 3.1% p.a. (2003: 3.1% p.a.).

Bank borrowings are drawn using one-month revolving credits. Additionally, the Company is entitled to use an overdraft account up to the balance of unused credit limit.

Type of borrowing:	Credit limit as of 31 December 2004	Drawn bank borrowings as of 31 December 2004	Drawn bank 31 borrowings as of December 2003
Credit limit with undefined maturity	330,000	212,705	452,228
One year credit limit – repayable 31 May 2005	450,000	363,947	139,165
One month overdraft	30,000	6,964	0
Credit limit with undefined maturity	1,200,000	480,128	373,106
Two years credit limit – repayable 1 November 2004	0	0	33,350
One year credit limit – repayable 14 July 2004	0	0	211,144
One year credit limit – repayable 30 June 2005	400,000	254,390	292,101
One year credit limit – repayable 31 December 2005	850,000	535,267	453,721
Credit limit with undefined maturity	500,000	200,940	0
Total	3,760,000	2,054,341	1,954,815

As of 31 December, the Company draw CZK 480,128 thousand of borrowings from related parties (2003: 406,423 thousand).

13 ACCRUALS AND OTHER PROVISIONS

	2004	2003
Accrued expenses	11,309	6,683
Other provisions	2,500	2,500
	13,809	9,183

14 SHARE CAPITAL

Share capital consists of 2,000 ordinary bearer shares of 56,000 Czech Crowns each. All shares are fully paid up.

The Company paid out CZK 10.5 thousands of dividends per share in total amount of CZK 21,000 thousand on June 11, 2004 out of 2003 profit. In 2003, the Company paid out CZK 7 thousands of dividends per share in total amount of CZK 14,000 thousands out of 2002 profit.

15 LEGAL RESERVE FUND

	2004	2003
At 1 January	5,306	4,291
Allocation of profit from prior years	2,281	1,015
At 31 December	7,587	5,306

16 INTEREST REVENUE, NET

	2004	2003
Interest income	116,315	100,436
Interest expense	(61,372)	(55,449)
	54,943	44,987

Interest income is derived primarily from the factoring and forfeiting activities of the Company. Interest expense relates to the bank loans.

17 ADMINISTRATION EXPENSES

	2004	2003
Materials and energy consumption	1,918	1,764
Services	35,315	36,583
	37,233	38,347

18 STAFF COSTS

	2004	2003
Salaries and wages	19,927	16,296
Social and health insurance	4,317	4,065
Other social costs	602	263
Remuneration of board members	180	180
	25,026	**20,804**

Included in salaries and wages is management remuneration of CZK 6,253 thousand (2003: CZK 5,504 thousand).

19 BAD DEBT EXPENSE

	2004	2003
Write-off of uncollectible receivables	42,729	8,353
Release of provisions for impairment	(22,622)	(129,209)
Creation of provision for impairment	43,417	156,529
	63,524	**35,673**

Roll-forward of impairment provision:

	2004	2003
Impairment provision as of 1 January	166,501	144,235
Creation of provision for impairment	43,417	156,529
Release of provision for impairment	(22,622)	(129,209)
FX result	(3,234)	(5,054)
Impairment provision as of 31 December	**184,062**	**166,501**

Detail of impairment provisions:

	2004	2003
Held to maturity	20,886	23,061
Receivables originated by the enterprise	163,176	143,440
Total impairment provision	184,062	166,501

20 OTHER OPERATING EXPENSES, NET

	2004	2003
Other taxes and fees	(1,166)	(558)
Insurance	(13,595)	(10,001)
Gain/(loss) on sale of fixed assets	9	490
Creation of other provisions	0	(2,500)
Others	(459)	(282)
	(15,211)	**(12,851)**

21 TAXATION

A reconciliation of the accounting profit multiplied by the statutory tax rate to the Company's tax expense for the years ended 31 December is presented in the following table:

	2004	2003
Current tax expense	14,981	21,164
Deferred tax expense/(benefit)	(160)	(84)
Total income tax expense	**14,821**	**21,080**

	2004	2003
Accounting profit multiplied by statutory tax rate (28% in 2004 and 31% in 2003)	14,222	21,451
Effect of tax non-deductible expenses	818	350
Effect of income not subject to income tax	(59)	(637)
Effect of temporary differences	(160)	(84)
Taxation charge	**14,821**	**21,080**
Effective tax rate	**29%**	**31%**

Deferred taxes at 31 December related to the following:

	Balance 31.12.2002	Recognised in Income Statement	Balance 31.12.2003	Recognised in Income Statement	Balance 31.12.2004
Difference in depreciation	527	(84)	443	(160)	283
Deferred tax provision/(asset)	**527**	**(84)**	**443**	**(160)**	**283**

22 RELATED PARTIES DISCLOSURE

During the year, the Company entered into transactions with companies in the BRE Bank Group in the ordinary course of business. The transactions with related parties are performed on an arm's length basis. Those transactions, along with related balances at 31 December 2004 and 2003 and for the years then ended, are presented in the following table:

	2004	2003
Interest expenses:		
BRE Bank	853	2,532
Commerzbank	14,999	25,247
Revenues:		
Magyar factor	190	52
Polfactor	165	340
Transfinance Slovakia	1,375	2,898
Sale of share in Transfinance Slovakia		
Intermarket Bank	4,400	–
Administration expenses:		
Intermarket Bank	2,179	94
Magyar factor	–	74
Account receivable:		
Intermarket Bank	2,537	1,709
Magyar factor	–	1,814
Accounts payable:		
Magyar factor	3,949	1,981
Polfactor	5,093	2,516
Transfinance Slovakia	76,020	45,970
Intermarket Bank	2,024	–
Credit:		
BRE Bank	–	33,317
Commerzbank	480,128	373,106

23 CAPITAL COMMITMENTS

The Company had no capital commitments at 31 December 2004 (2003: nil).

24 PENSION COMMITMENTS

The Company makes contributions only to the basic state pension scheme. Contributions for state pension benefits are charged to the Income Statement on an accrual basis.

25 OTHER FINANCIAL COMMITMENTS

Rental expense for office space was CZK 3,294 thousand for the year ended 31 December 2004 (2003: CZK 3,463 thousand).

Future minimum rentals under non-cancellable leases are as follows:

	2004	2003
Within one year	3,392	3,392
After one year but less than five years	2,261	4,805
Total minimum rentals	5,653	8,197

26 CONTINGENT LIABILITIES

The Company has no significant contingent liabilities.

27 RISK MANAGEMENT AND EXPOSURE TO MARKET RISK

The main risks to which the Company is exposed are credit risk, interest rate risk, currency risk, liquidity risk and operational risk.

The Company has risk management policies and guidelines, which specifies the general risk management philosophy and has established processes to monitor and control risks in a timely and accurate manner.

The Company manages its interest rate risk, currency risk and liquidity risk mainly by natural hedging. Maturity, currency and interest rate structure of monetary assets and liabilities is matched in order to manage the exposure.

As of 31 December 2004, the monetary assets of the Company are denominated 61% in CZK, 23% in EUR, 8% in USD and 8% in other currencies. As of 31 December 2004, the monetary liabilities of the Company are denominated 61% in CZK, 22% in EUR, 8% in USD and 9% in other currencies.

All monetary assets and liabilities of the Company mature within one year. Due to the short-term nature of monetary assets interest rates of those assets are repriced based on the development of interest rates on monetary liabilities.

28 CREDIT RISK

As of 31 December 2004, the Company's maximum exposure to credit risk (not taking into account the value of any collateral or other security held) in the event that counterparties fail to perform their obligations as of 31 December 2004 in relation to each class of recognized financial assets is the carrying amount of those assets as indicated in the balance sheet.

Concentrations of credit risk exist when changes in economic, industry or geographic factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial assets is broadly diversified along industry and product, and transactions are entered into with diverse creditworthy counterparties, thereby mitigating any significant concentration of credit risk.

Purchased trade receivables are acquired under contract terms, which transfer all or partially all of the risks and rewards associated with their collection to the Company. The Company manages the credit risk exposure by either obtaining insurance cover or guarantees from other international factoring companies.

29 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Due to the short-term nature of monetary assets and liabilities, the carrying amounts of those monetary assets and liabilities as presented in the consolidated balance sheet approximates their fair values.

30 DERIVATIVE FINANCIAL INSTRUMENTS

All derivative financial instruments held by the Company are classified as held for trading. The Company entered into foreign exchange forward transactions with clients in connection with its business activities. At the same time the Company enters into back-to-back foreign exchange forward transactions with the bank to cover the exposure.

As at 31 December 2004 and 2003 the Company has the following open forward positions:

Legend	2004	2003
Nominal Purchase/ Sale [in TUSD]	–	416
Nominal using Forward FX Rate [in TCZK]	–	11,172
Positive Fair Value [in TCZK]	–	497
Negative Fair Value [in TCZK]	–	(497)

31 OFF BALANCE SHEET

The Company uses purchased recourse receivables as collateral for provided financing to the clients. These were accounted for on the off balance sheet. As at 31 December 2004 and 2003, the amount of recourse receivables totalled CZK 3,249,984 thousands and CZK 2,783,280 thousands respectively. Related off-balance sheet liabilities to transfer the recourse liabilities back to the clients amounted to CZK 980,444 thousands and CZK 903,521 thousands as at 31 December 2004 and 2003 respectively. The difference between the amount of off-balance sheet assets and liabilities represents actual financing provided by the Company and comprises the major part of the Factoring financing (see Note 8).

As of 31 December 2004, the Company also holds the promissory notes used as collateral for factoring financing in the total nominal amount of CZK 219,797 thousands (2003: CZK 129,107 thousands).

32 RECONCILIATION OF PROFIT AND NET ASSETS ACCORDING TO CZECH GAAP TO PROFIT AND NET ASSETS ACCORDING TO IFRS

	2004	2003
Profit per Czech statutory financial statements	37,007	45,623
Financial investment	(1,036)	320
Profit for the year per IFRS statements	**35,971**	**45,943**

	2004	2003
Shareholders funds per Czech statutory financial statements	211,483	195,477
Financial investment	–	1,036
Shareholders funds per IFRS statements	**211,483**	**196,513**