CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Transfinance

Transfinance

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ERNST & YOUNG

Independent Auditor's Report to the Shareholders of TRANSFINANCE a.s.

We have audited the accompanying financial statements of TRANSFINANCE a.s., which comprise the balance sheet as at 31 December 2006 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

ERNST & YOUNG

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of TRANSFINANCE a.s. as at 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

Ernst & Young Audit & Advisory, s.r.o., člen koncernu

12 January 2007
Prague, Czech Republic

Transfinance

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2006

In thousands of Czech Crowns	Note	2006	2005
NON CURRENT ASSETS			
Intangible assets	3	1,812	526
Property, plant and equipment	4	4,519	5,475
Other non-current assets	5	2,624	2,624
		8,955	**8,625**
CURRENT ASSETS			
Investments held to maturity, net	6	635,624	534,645
Receivables, net	7	2,651,498	2,341,620
Prepayments and other assets	8	2,066	1,553
Derivative financial instruments	25	1,089	301
Cash and cash equivalents	9	42,808	14,871
		3,333,085	**2,892,990**
TOTAL ASSETS		**3,342,040**	**2,901,615**
NON CURRENT LIABILITIES			
Deferred tax liability	20	142	163
CURRENT LIABILITIES			
Accounts payable	10	498,241	379,977
Bank borrowings	11	2,537,105	2,258,150
Income tax payable		12,315	10,060
Accruals and other provisions	12	10,835	10,266
Derivative financial instruments	25	1,089	301
		3,059,585	**2,658,754**
TOTAL LIABILITIES		**3,059,727**	**2,658,917**
SHAREHOLDERS' EQUITY			
Share capital	13	112,000	112,000
Legal reserve fund	14	11,707	9,438
Retained earnings		158,606	121,260
		282,313	**242,698**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**3,342,040**	**2,901,615**

The notes on pages 7 to 21 form an integral part of the consolidated financial statements.

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CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

In thousands of Czech Crowns	Note	2006	2005
Factoring revenue		139,302	137,826
Interest revenue, net	15	61,378	53,005
Total revenue		200,680	190,831
Administration expenses	16	(35,419)	(37,244)
Staff costs	17	(28,783)	(25,398)
Depreciation and amortization		(2,557)	(2,933)
Allowance for impairment	18	(30,248)	(34,165)
Other operating expenses, net	19	(4,986)	(8,564)
Financial expense, net		(9,473)	(9,362)
Foreign exchange result, net		**1,261**	**378**
NET INCOME BEFORE TAXES		**90,475**	**73,543**
Taxation	**20**	**(33,679)**	**(28,150)**
NET INCOME		**56,796**	**45,393**

Signed on behalf of the Board

Jana Němečková
Chairman of the Board

Tomáš Vogl
Member of the Board

Prague
12 January 2007

The notes on pages 7 to 21 form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

In thousands of Czech Crowns	Share capital	Legal reserve fund	Retained earnings	Total
Balance as at 1 January 2005	112,000	7,587	91,896	211,483
Transfer to Legal reserve fund	-	1,851	(1,851)	-
Dividends and royalties	-	-	(14,178)	(14,178)
Profit for the year	-	-	45,393	45,393
Balance as at 31 December 2005	**112,000**	**9,438**	**121,260**	**242,698**
Balance as at 1 January 2006	112,000	9,438	121,260	242,698
Transfer to Legal reserve fund	-	2,269	(2,269)	-
Dividends and royalties	-	-	(17,181)	(17,181)
Profit for the year	-	-	56,796	56,796
Balance as at 31 December 2006	**112,000**	**11,707**	**158,606**	**282,313**

The notes on pages 7 to 21 form an integral part of the financial statements.

Transfinance

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2006

In thousands of Czech Crowns	2006	2005
Cash flows from operating activities		
Net income before taxes	90,475	73,543
Adjustments for:		
Depreciation and amortization	2,557	2,933
Allowance for impairment and provisions	29,963	34,165
Foreign exchange gains/losses	(1,261)	(378)
Gain/(Loss) on disposal of tangible assets	(322)	170
Operating profit before working capital changes	**121,412**	**110,433**
Decrease/(Increase) in debtors and other assets	(748,822)	(291,776)
(Decrease)/Increase in creditors and other liabilities	427,584	(2,418)
Cash generated from (used in) operations	(199,826)	(183,761)
Income taxes paid	(31,445)	(18,292)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**(231,271)**	**(202,053)**
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	322	170
Purchase of intangible assets, property, plant and equipment	(2,888)	(1,198)
NET CASH USED IN INVESTING ACTIVITIES	**(2,566)**	**(1,028)**
Cash flows from financing activities		
Increase in short term borrowings	278,955	203,809
Dividends paid	(17,181)	(14,178)
NET CASH FROM FINANCING ACTIVITIES	**261,774**	**189,631**
NET CASH DECREASE IN CASH AND CASH EQUIVALENTS	**27,937**	**(13,450)**
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**14,871**	**28,321**
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**42,808**	**14,871**
Supplemental information		
Interest income received	142,939	113,023
Interest expense paid	(81,561)	(60,018)

The notes on pages 7 to 21 form an integral part of the consolidated financial statements.

1 CORPORATE INFORMATION

TRANSFINANCE a.s. ('the Company') is a joint stock company which, is incorporated in the Czech Republic, and which is the parent company of the Group.

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 an average of 38 employees in 2006, (38 in 2005).

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 consolidated financial statements include the following subsidiary:

2006 and 2005

Subsidiary	Ownership/ Voting, %	Country	Date of incorporation	Industry	Date of acquisition
Vartimex s.r.o.	100%	Czech Republic	30 September 1996	Trading	30 September 1996

The consolidated financial statements of the Group for the year ended 31 December 2006 were authorized for issue by the Company's directors on 12 January 2007.

2.1 BASIS OF PREPARATION

The consolidated financial statements of TRANSFINANCE a.s. and its subsidiary and associate ('the Group') have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. The consolidated financial statements are presented in Czech crowns ('CZK') and all values are rounded to the nearest thousand ('TCZK') except when otherwise indicated.

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board.

Basis for consolidation

The Company and its subsidiary maintain their books of account 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, together with appropriate adjustments and reclassifications necessary for fair presentation in accordance with accounting standards as prescribed by the International Accounting Standards Board.

2.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the pervious financial year except as follows:

The Group has adopted the following new and amended IFRS and IFRIS interpretations during the year. Adoption of these revised standards and interpretations did not have any effect of the financial statements of the Group.

IAS 19	Amendment – Employee Benefits
IAS 21	Amendment – The Effects of Changes in Foreign Exchange rates
IAS 39	Amendments – Financial Instruments: Recognition and Measurement
IFRIC 4	Determining whether an Arrangement contains a Lease
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IFRIC 6	Liabilities arising from Participating n a Specific Market – Waste Electrical and Electronical Equipment

Certain new standards, amendments and interpretations have been published that are mandatory for preparing the Group's financial statements for the accounting periods beginning on or after 1 January 2007 or later periods and which the Group has not adopted early.

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimation uncertainty

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.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

Allowance for impairment of investments held to maturity and receivables

The Group regularly reviews its investments held to maturity and receivables to assess impairment. The Group uses its judgment to estimate the amount of any impairment loss in cases where a borrower is in financial difficulties. Management uses estimates based on historical loss experience for an assessment of the overall credit risk for receivables and for the portfolio of investments held to maturity to assess the amount of potential impairment losses.

Impairment of other non-current assets

The Group regularly reviews other non-current assets to assess impairment. This requires an estimation of the recoverable amount of the asset.

Taxation

Czech tax legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant authorities. As such, significant additional taxes, penalties and interest may be assessed. As at 31 December 2006, management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax position will be sustained.

Legal claims

As at 31 December 2006, there is one legal action initiated against the Group, which may result in maximum contingent liability of EUR 12,250 (originally DEM 23,959). The Group's management believes that the Group will not be required to pay the amount claimed.

2.4 Summary of significant accounting policies

Intangible assets

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are stated at cost less accumulated amortization and any accumulated impairment losses.

The cost of intangible assets is amortized 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 which are expensed in the year of purchase. The amortization expense on intangible assets with finite lives is recognized in the income statement in the line item of 'Depreciation and amortization'.

The estimated useful lives of the main categories of intangible assets are as follows:

Software	4 years

Intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at each financial year-end.

Property, plant and equipment

Property, plant and equipment are measured on initial recognition at cost. Following initial recognition, tangible assets are stated at cost less accumulated amortization and any accumulated impairment losses.

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 which are expensed in the year of purchase. The depreciation expense on tangible assets is recognized in the income statement in the line item of 'Depreciation and amortization'.

The estimated useful lives of the main categories of property, plant and equipment are as follows:

Leasehold improvements	10 years or the life of the lease, whichever is shorter
Plant and equipment	3 – 6 years

Subsidiaries

Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights, or otherwise has power to exercise control over their operations, are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the Group and are deconsolidated from the date on which control ceases. All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Investments held to maturity and receivables

Investments held to maturity and receivables are connected with the factoring activities of the Group. The Group purchases receivables either with the right to return the receivable if they are not paid (recourse factoring) or without such a right (non-recourse factoring). The Group 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 Group also provides factoring financing to its clients up to an agreed percentage of transferred receivables. The Group earns interest on this financing which is recognized within Interest revenue.

Purchased non-recourse trade receivables are classified as Investments held to maturity. They are recognized at the fair value of the consideration given and are carried at amortized 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 Group. The Group 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. It is recognized at the fair value of the consideration given and carried at amortized cost, after provision for impairment. Underlying recourse receivables and liabilities are maintained in an off balance sheet account.

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 amortized 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 asset's original effective interest rate.

Liabilities from purchased non-recourse receivables

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

Cash and cash equivalents

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

Derivative financial instruments

In the normal course of business, the Group enters into derivative financial instruments including forwards and swaps. The Group uses derivative financial instruments to secure its currency position, it enters into forward foreign exchange transactions with clients in connection with its business activities and at the same time the Group enters into back-to-back forward foreign exchange transactions with the bank to cover the exposure. Such financial instruments are reported as held for trading and are initially recognised in accordance with the policy for initial recognition of financial instruments and are subsequently measured at fair value. The fair values are estimated based on market rates. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments are included in the consolidated Income Statement as foreign exchange result.

Foreign currency translation

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). The Group's financial statements are presented in Czech Crowns, which is the Group's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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.

Share capital

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

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.

Revenue recognition

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

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 recognized to the extent that it is probable that future taxable profit will be available against which the tax assets can be utilized.

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.

Borrowing costs

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

Operating Leases

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

3 INTANGIBLE ASSETS

Intangible assets consist of the following:

	2006	2005
Cost:	Software	Software
At 1 January	19,125	19,060
Additions – externally purchased	1,515	65
Disposals	-	-
At 31 December	**20,635**	**19,125**
Accumulated amortization:		
At 1 January	(18,599)	(18,102)
Amortization charge for the year	(224)	(497)
Disposals	-	-
At 31 December	**(18,823)**	**(18,599)**
Net book value:		
At 31 December	**1,812**	**526**

4 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

Cost:	Leasehold improvements	Plant and equipment	Total
At 1 January 2005	1,304	19,227	20,531
Additions	-	1,134	1,134
Disposals	-	(2,143)	(2,143)
At 31 December 2005	**1,304**	**18,218**	**19,522**
At 1 January 2006	1,304	18,218	19,522
Additions	-	1,440	1,440
Disposals	(62)	(1,259)	(1,321)
At 31 December 2006	**1,242**	**18,399**	**19,641**
Accumulated depreciation:			
At 1 January 2005	(457)	(13,297)	(13,754)
Depreciation change for the year	(130)	(2,306)	(2,436)
Disposals	-	2,143	2,143
At 31 December 2005	**(587)**	**(13,460)**	**(14,047)**

At 1 January 2006	(587)	(13,460)	(14,047)
Depreciation change for the year	(119)	(2,214)	(2,333)
Disposals	-	1,258	1,258
At 31 December 2006	**(706)**	**(14,416)**	**(15,122)**
Net book value:			
At 31 December 2005	717	4,758	5,475
At 31 December 2006	536	3,983	4,519

The leasehold improvements represent technical improvements (office equipment) to the offices, which are rented.

5 OTHER NON-CURRENT ASSETS

'Other non-current assets' represent primarily items obtained as settlement for bad debts resulting from the factoring activities of the Group.

As of 31 December 2006 and 2005 respectively the Group reports an impairment loss of TCZK 1,000, which represents the write-down of an item of other non-current assets to the recoverable amount. This was recognized in the income statement under 'Allowance for impairment' in 2005. The recoverable amount was based on an estimate made by the management of the Group.

6 INVESTMENTS HELD TO MATURITY, NET

	2006	2005
Purchased trade receivables	643,032	550,591
Allowance for impairment (Note 18)	(7,408)	(15,946)
Purchased trade receivables, net	**635,624**	**534,645**

For terms and conditions relating to related party receivables, refer to Note 21.

Purchased trade receivables are acquired by the Group under the non-recourse factoring service. The Group provides financing to the original creditor as a compensation for the receivables transferred. The balance of financing paid is subject to accrued interest. The purchased trade receivables thereby represent indirectly a source of the interest revenue of the Group and are generally on 30 - 90 day terms.

7 RECEIVABLES, NET

	2006	2005
Factoring financing	2,839,931	2,510,133
Allowance for impairment (Note 18)	(188,433)	(168,513)
Factoring financing, net	**2,651,498**	**2,341,620**

Factoring financing is interest bearing and is generally on 30-90 day terms.

8 PREPAYMENTS AND OTHER ASSETS

	2006	2005
Prepayments	1,319	773
Other receivables	747	780
	2,066	**1,553**

Other receivables are non-interest bearing and generally on 30 day terms.

9 CASH AND CASH EQUIVALENTS

	2006	2005
Cash on hand	3,802	120
Cash at bank	39,006	14,751
	42,808	**14,871**

Cash at bank earns interest at floating rate based on daily bank deposit rates.

10 ACCOUNTS PAYABLE

	2006	2005
Liabilities from purchased non-recourse receivables	486,366	368,124
Other payables	11,875	11,853
	498,241	**379,977**

For terms and conditions relating to related party receivables, refer to Note 21.

Liabilities for purchased non-recourse receivables are non-interest bearing and are normally settled on 30-90 day terms.

Other payables are non-interest bearing and are normally settled on 30 day terms.

11 BANK BORROWINGS

Bank borrowings mature within one year of the balance sheet date. Individual borrowings are without security. In 2006, the borrowings bear interest of approximately 3,2% p.a. (2005: 2,8% p.a.).

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

Bank:	Type of borrowing:	Credit limit as of 31 December 2006	Drawn bank borrowings as of 31 December 2006	Drawn bank borrowings as of 31 December 2005
Živnostenská banka, a.s.	Credit limit with unspecified maturity	500,000	240,408	330,294
Raiffeisenbank, a.s.	One year credit limit, repayable 30 June 2007	450,000	376,571	220,616
Komerční banka, a.s.	One year credit limit, repayable 31 January 2007	240,074	174,714	171,637
Commerzbank AG	Credit limit unspecified maturity	1,200,000	488,658	367,447
Citibank a.s.	One year credit limit, repayable 31 July 2007	50,000	18,141	-
BAWAG Bank a.s.	One year credit limit, repayable 30 June 2007	400,000	334,879	345,510
HVB Czech Republic, a.s.	One year credit limit, repayable 31 December 2007	850,000	488,156	493,195
ING Bank N.V.	Credit limit with unspecified maturity	500,000	415,577	329,451
Total		**4,190,074**	**2,537,105**	**2,258,150**

As of 31 December 2006, the Group had drawn CZK 488,658 thousand of borrowings from related parties (2005: CZK 367,447 thousand).

12 ACCRUALS AND OTHER PROVISIONS

	2006	2005
Accrued expenses	8,335	7,766
Other provisions	2,500	2,500
	10,835	**10,266**

Other provisions were created in relation to business risks identified by the Group; it is expected that the potential risks would materialize within 1 year (by the end of 2007).

13 SHARE CAPITAL

Share capital consists of 2,000 ordinary bearer shares of 56,000 Czech Crowns each; all shares are fully paid up as of 31 December 2006 and 2005 respectively.

The Group paid out CZK 8,5 thousand of dividends per share in total amount of CZK 17,000 thousand and royalties in total amount of CZK 181 thousand on 25 April 2006 out of the 2005 profit. In 2005, the Group paid out CZK 7 thousand of dividends per share in total amount of CZK 14,000 thousand and royalties in total amount of CZK 178 thousand out of the 2004 profit.

14 LEGAL RESERVE FUND

	2006	2005
At 1 January	9,438	7,587
Allocation of profit from prior years	2,269	1,851
At 31 December	**11,707**	**9,438**

15 INTEREST REVENUE, NET

	2006	2005
Interest income	142,939	113,023
Interest expense	(81,561)	(60,018)
	61,378	**53,005**

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

16 ADMINISTRATION EXPENSES

	2006	2005
Materials and energy consumption	1,546	1,701
Services	33,873	35,543
	35,419	**37,244**

17 STAFF COSTS

	2006	2005
Salaries and wages	22,506	19,751
Social and health insurance	5,367	4,795
Other social costs	668	672
Remuneration of board members	242	180
	28,783	**25,398**

Included in salaries and wages is management remuneration of CZK 6,646 thousand (2005: CZK 6,156 thousand).

18 ALLOWANCE FOR IMPAIRMENT

The movements in allowances for impairment were as follows:

	Investments held to maturity	Receivables	Other non-current assets	Total
31 December 2004	**20,886**	**163,176**	**-**	**184,062**
Amounts written off	-	(31,186)	-	(31,186)
Charge for the year (reversal)	(4,940)	38,105	1,000	34,165
FX difference	-	(1,582)	-	(1,582)
31 December 2005	**15,946**	**168,513**	**1,000**	**185,459**
Amounts written off	(8,729)	(8,548)	-	(17,277)
Charge for the year (reversal)	191	30,057	-	30,248
FX difference	-	(1,589)	-	(1,589)
31 December 2006	**7,408**	**188,433**	**1,000**	**196,841**

Allowances for impairment of assets are deducted from the carrying amounts of the related assets.

19 OTHER OPERATING EXPENSES, NET

	2006	2005
Other income	4,419	820
Other taxes and fees	(1,925)	(290)
Insurance	(8,129)	(10,063)
Gain/(loss) on sale of fixed assets	322	170
Others	327	799
	(4,986)	**(8,564)**

20 TAXATION

The major components of income tax expense for the years ended 31 December 2006 and 2005 are:

	2006	2005
Current income tax charge	33,576	28,363
Adjustment in respect of current income tax of previous years	124	(93)
Deferred income tax	(21)	(120)
Total income tax expense	33,679	28,150

A reconciliation between the tax expense and the accounting profit multiplied by the statutory tax rate for the years ended 31 December 2006 and 2005 is as follows:

	2006	2005
Accounting profit before income tax	90,475	73,543
At Czech statutory income tax rate 24% (2005: 26%)	21,714	19,121
Adjustment in respect of current income tax of previous years	124	(93)
Write off of receivable, tax non-deductible provisions	11,525	6,509
Other non-deductible expenses	316	2,612
Non-taxable income	-	-
Taxation charge	33,679	28,150
Effective tax rate	37%	38%

Deferred taxes as of 31 December 2006 and 2005 relates to the following:

	Balance 31 December 2004	Recognized in Income Statement	Balance 31 December 2005	Recognized in Income Statement	Balance 31 December 2006
Difference between NBV of fixed assets for accounting and tax purposes	283	(120)	163	(21)	142
Deferred income tax liability/(asset)	283	(120)	163	(21)	142

21 RELATED PARTIES

During the year, the Group entered into transactions with related parties in the ordinary course of business. Transactions with related parties are performed on an arm's length basis. Those transactions, along with related balances at 31 December 2006 and 2005 and for the years then ended, are presented in the following tables:

2006	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Parent/ultimate parent companies:				
Commerzbank	-	19,407	-	488,658
Intermarket Bank	-	2,378	3,111	-
Other companies in the BRE Bank consolidation group:				
Magyar Factor	338	-	-	19,686
Transfactor	6	24	2,939	2,021
Polfactor	223	20	437	5,803

2005	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Parent/ultimate parent companies:				
Commerzbank	-	13,817	-	367,447
Intermarket Bank	-	2,157	746	2,039
Other companies in the BRE Bank consolidation group:				
Magyar Factor	139	-	-	2,418
Transfactor	312	-	-	10,577
Polfactor	425	-	-	7,997

Terms and conditions of transactions with related parties

Outstanding balances of trade receivables and payables at the year-end are unsecured, interest free and settlement occurs in cash. Balances related to loans received are subject to interest accruing under standard business terms. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2006, the Group has not made any provision for doubtful debts relating to amounts owed by related parties (2005: nil).

22 COMMITMENTS AND CONTINGENCIES

Capital Commitments

The Group had no capital commitments at 31 December 2006 (2005: nil).

Pension commitments

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

Legal claims

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Group.

Guarantees

As of 31 December 2006, the Group had bank guarantees received totaling CZK 26 million, and bank guarantees totaling CZK 26 million issued for a benefit of other companies. The Group issues these guarantees as part of provision of normal services to clients within its business activities.

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans and overdrafts, and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, including principally currency swaps and forward
currency contracts. The purpose of these transactions is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk,
foreign currency risk and credit risk. The Management reviews and agrees policies for managing each of these risks and they are summarized below. The Group's accounting policies in relation to derivatives are described in Note 2.

The Group 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.

Interest rate, currency risk, liquidity risk

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

As of 31 December 2006, the monetary assets of the Group are denominated 59% in CZK, 30% in EUR, 5% in USD and 6% in other currencies. As of 31 December 2006, the monetary liabilities of the Group are denominated 60% in CZK, 29% in EUR, 4% in USD and 7% in other currencies.

As of 31 December 2005, the monetary assets of the Group are denominated 61% in CZK, 22% in EUR, 11% in USD and 6% in other currencies. As of 31 December 2005, the monetary liabilities of the Group are denominated 62% in CZK, 21% in EUR, 11% in USD and 6% in other currencies.

All monetary assets and liabilities of the Group 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.

Credit risk

As of 31 December 2006, the Group's maximum exposure to credit risk (not taking into account the value of any collateral insurance or other security held), in the event that counterparties fail to perform their obligations 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 Group's total credit exposure. The Group'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 substantially all of the risks and rewards associated with their collection to the Group. The Group manages the credit risk exposure by either obtaining insurance cover or guarantees from other international factoring companies.

24 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.

25 DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into derivative financial instruments to secure its currency position. Such financial instruments do not meet all the necessary requirements stipulated by IFRS to be classified as held for hedging and are therefore reported as held for trading. The outstanding deals with derivative financial instruments are as follows:

	2006			2005		
Foreign exchange contracts	Notional principal	Fair values		Notional principal	Fair value	
		Asset	Liability		Asset	Liability
Forwards	22,728	1,089	(1,089)	154,194	301	(301)

26 OFF BALANCE SHEET

The Group uses purchased recourse receivables as collateral for financing provided to clients. Such receivables are accounted for as off-balance sheet items. Off-balance sheet liabilities reported by the Group represent the related liability to transfer the recourse liabilities back to the clients. The difference between the amount of off-balance sheet assets and liabilities represents actual financing provided by the Group and comprises the major part of the Factoring financing (see Note 7).

As at 31 December 2006 and 2005, the Group reported the following off-balance sheet assets and liabilities relating to recourse factoring:

	2006	2005
Recourse receivables	4,462,142	3,623,590
Recourse liabilities	(1,518,260)	(1,108,603)

As of 31 December 2006, the Group also holds the promissory notes used as collateral for factoring financing in the total nominal amount of CZK 194,999 thousand (2005: CZK 270,013 thousand).

27 EVENTS AFTER BALANCE SHEET DATE

No events with the effect on the presented financial statements occurred after the balance sheet date.

Signed on behalf of the Board

Jana Němečková
Chairman of the Board

Tomáš Vogl
Member of the Board

Prague
12 January 2007