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 consolidated financial statements of TRANSFINANCE a.s. ("the Company"), which comprise the consolidated balance sheet as at 31 December 2007 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility

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.

A Member of Ernst & Young Global – Ernst & Young Audit & Advisory, s.r.o., člen koncernu
with its registered office at Karlovo náměstí 10, 120 00 Prague 2, Phone +420 225 335 111 has been incorporated
in the Commercial Register administered by the Municipal Court in Prague, Section C, entry no. 88504, under Identification No. 26704153.

ERNST & YOUNG

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of TRANSFINANCE a.s. as at 31 December 2007, 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

11 January 2008
Prague, Czech Republic

Transfinance

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2007

In thousands of Czech Crowns	Note	2007	2006
NON CURRENT ASSETS			
Intangible assets	3	4,314	1,812
Property, plant and equipment	4	4,315	4,519
Other non-current assets	5	100	2,624
		8,729	8,955
CURRENT ASSETS			
Investments held to maturity, net	6	554,964	635,624
Receivables, net	7	2,945,518	2,651,498
Prepayments and other assets	8	2,598	2,066
Derivative financial instruments	25	917	1,089
Cash and cash equivalents	9	55,510	42,808
		3,559,507	**3,333,085**
TOTAL ASSETS		**3,568,236**	**3,342,040**
NON CURRENT LIABILITIES			
Deferred tax liability	20	2	142
CURRENT LIABILITIES			
Accounts payable	10	352,481	498,241
Bank borrowings	11	2,892,444	2,537,105
Income tax payable		1,638	12,315
Accruals and other provisions	12	10,971	10,835
Derivative financial instruments	25	917	1,089
		3,258,451	**3,059,585**
TOTAL LIABILITIES		**3,258,453**	**3,059,727**
SHAREHOLDERS' EQUITY			
Share capital	13	112,000	112,000
Legal reserve fund	14	14,547	11,707
Retained earnings		183,236	158,606
		309,783	**282,313**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**3,568,236**	**3,342,040**

The notes on pages 7 to 25 form an integral part of the consolidated financial statements.

Transfinance

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

In thousands of Czech Crowns	Note	2007	2006
Factoring revenue		130,443	139,302
Interest revenue, net	15	66,680	61,378
Total revenue		197,123	200,680
Administration expenses	16	(35,451)	(35,419)
Staff costs	17	(30,108)	(28,783)
Depreciation and amortization		(2,413)	(2,557)
Allowance for impairment	18	(29,562)	(30,248)
Other operating expenses, net	19	(8,253)	(4,986)
Financial expense, net		(8,355)	(9,473)
Foreign exchange result, net		**4,568**	**1,261**
NET INCOME BEFORE TAXES		**87,549**	**90,475**
Taxation		**(31,880)**	**(33,679)**
NET INCOME		**55,669**	**56,796**

Signed on behalf of the Board

Jana Němečková
Chairman of the Board

Zdeněk Kmoníček
Member of the Board

Prague
11 January 2008

The notes on pages 7 to 25 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 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)**
Net income	**-**	**-**	**56,796**	**56,796**
Balance as at 31 December 2006	**112,000**	**11,707**	**158,606**	**282,313**
Balance as at 1 January 2007	112,000	11,707	158,606	282,313
Transfer to Legal reserve fund	-	2,840	(2,840)	-
Dividends and royalties	-	-	(28,199)	(28,199)
Net income	-	-	55,669	55,669
Balance as at 31 December 2007	**112,000**	**14,547**	**183,236**	**309,783**

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2007

In thousands of Czech Crowns	2007	2006
Cash flows from operating activities		
Net income before taxes	87,549	90,475
Adjustments for:		
Depreciation and amortization	2,413	2,557
Allowance for impairment and provisions	29,562	29,963
Foreign exchange gain/(loss)	(4,568)	(1,261)
Gain/(loss) on disposal of tangible assets	(370)	(322)
Operating profit before working capital changes	**114,586**	**121,412**
Decrease/(Increase) in debtors and other assets	(478,997)	(748,822)
(Decrease)/Increase in creditors and other liabilities	97,012	427,584
Cash generated from (used in) operations	(267,399)	(199,826)
Income taxes paid	(42,697)	(31,445)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**(310,096)**	**(231,271)**
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	370	322
Purchase of intangible assets, property, plant and equipment	(4,711)	(2,888)
NET CASH USED IN INVESTING ACTIVITIES	**(4,341)**	**(2,566)**
Cash flows from financing activities		
Increase in short term borrowings	355,338	278,955
Dividends paid	(28,199)	(17,181)
NET CASH FROM FINANCING ACTIVITIES	**327,139**	**261,774**
NET CASH DECREASE IN CASH AND CASH EQUIVALENTS	**12,702**	**27,937**
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**42,808**	**14,871**
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**55,510**	**42,808**
Supplemental information		
Interest income received	167,946	142,939
Interest expense paid	(101,266)	(81,561)

The notes on pages 7 to 25 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 41 employees in 2007 (38 in 2006).

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

The consolidated financial statements include the following subsidiary:

2007 and 2006

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 TRANSFINANCE a.s. and its subsidiary ('the Group') for the year ended 31 December 2007 were authorized for issue by the Company's directors on 11 January 2008.

2.1 BASIS OF PREPARATION

The consolidated financial statements of 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 balances 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 their 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 IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect of the financial statements of the Group.

IFRS 7 – 'Financial Instruments: Disclosures' and a complementary Amendment to IAS 1 – 'Presentation of Financial Statements - Capital Disclosures' (effective from 1 January 2007).

IFRIC 7 – Applying the Restatement Approach under IAS 29 (effective for periods beginning on or after 1 March 2006, that is from 1 January 2007);

IFRIC 8 – Scope of IFRS 2 (effective for periods beginning on or after 1 May 2006, that is from 1 January 2007);

IFRIC 9 – Reassessment of Embedded Derivatives (effective for periods beginning on or after 1 June 2006, that is from 1 January 2007);

IFRIC 10 – Interim Financial Reporting and Impairment (effective on or after 1 November 2006, that is from 1 January 2007).

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 2008 or later periods and which the Group has not adopted early.

IFRS 8 – Operating Segments (effective for periods beginning on or after 1 January 2009). The IFRS introduces new disclosures to improve the information about operating segments. It replaces IAS 14 – Segment Reporting.

IAS 1 Presentation of Financial Statements (effective for periods beginning on or after 1 January 2009).

IAS 23 Borrowing Costs (effective for periods beginning on or after 1 January 2009).

IFRIC 13 Customer Loyalty Programmes (effective for periods beginning on 1 July 2008, that is from 1 January 2009).

IFRIC 11, IFRS 2 – Group and Treasury Share Transactions (effective for periods beginning on 1 March 2007, that is from 1 January 2008).

IFRIC 12 Service Concession Arrangements (effective for periods beginning on 1 January 2008).

IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for periods beginning on 1 January 2008).

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 and estimates 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.

Receivables are written off when there is no realistic prospect of future recovery and all collaterals have been realized.

Accrued interest

Interest is not charged for impaired loans.

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 2007, 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 2007, there is no legal action initiated against the Group.

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 as '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 depreciation 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 as '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 the 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 liabilities resulting 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' and 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.

Accounts payable

Accounts payable are represented by liabilities from purchased non-recourse receivables and are recognized at the original invoiced amount of the purchased trade receivables less subsequent repayments provided by the Group. Accounts payable are recorded at amortized cost.

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 income statement as 'Foreign exchange result'.

Derivatives are recognized on a settlement date basis. Between the trade and settlement date derivatives are recorded in the off balance sheet.

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:

	2007	2006
Cost:	Software	Software
At 1 January	20,635	19,125
Additions – externally purchased	2,898	1,515
Disposals	(149)	-
At 31 December	23,384	20,635
Accumulated amortization:		
At 1 January	(18,823)	(18,599)
Amortization charge for the year	(247)	(224)
Disposals	-	-
At 31 December	(19,070)	(18,823)
Net book value:		
At 31 December	4,314	1,812

4 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

Cost:	Leasehold improvements	Plant and equipment	Total
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
At 1 January 2007	1,242	18,399	19,641
Additions	-	1,961	1,961
Disposals	-	(1,950)	(1,950)
At 31 December 2007	1,242	18,410	19,652

Accumulated depreciation:			
At 1 January 2006	(587)	(13,460)	(14,047)
Depreciation charge for the year	(119)	(2,214)	(2,333)
Disposals	-	1,258	1,258
At 31 December 2006	**(706)**	**(14,416)**	**(15,122)**
At 1 January 2007	(706)	(14,416)	(15,122)
Depreciation charge for the year	(119)	(2,047)	(2,166)
Disposals	-	1,951	1,951
At 31 December 2007	**(825)**	**(14,512)**	**(15,337)**
Net book value:			
At 31 December 2006	536	3,983	4,519
At 31 December 2007	417	3,898	4,315

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. In 2006, the Group reported an impairment loss of TCZK 1,000, which represented the write-down of an item of other non-current assets to the recoverable amount.

6 INVESTMENTS HELD TO MATURITY

	2007	2006
Purchased trade receivables	562,213	643,032
Allowance for impairment (Note 18)	(7,249)	(7,408)
Purchased trade receivables, net	**554,964**	**635,624**

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 compensation for the receivables transferred. The balance of financing provided is subject to accrued interest. The purchased trade receivables therefore represent a source of interest revenue for the Group and are normally on 30 -90 day terms.

7 RECEIVABLES, NET

	2007	2006
Factoring financing	3,150,540	2,839,931
Allowance for impairment (Note 18)	(205,022)	(188,433)
Factoring financing, net	2,945,518	2,651,498

Factoring financing is interest bearing.

8 PREPAYMENTS AND OTHER ASSETS

	2007	2006
Prepayments	1,009	1,319
Other receivables	1,589	747
	2,598	2,066

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

9 CASH AND CASH EQUIVALENTS

	2007	2006
Cash on hand	3,059	3,802
Cash at bank	52,451	39,006
	55,510	42,808

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

10 ACCOUNTS PAYABLE

	2007	2006
Liabilities from purchased non-recourse receivables	336,506	486,366
Other payables	15,975	11,875
	352,481	498,241

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 2007, the borrowings bear interest of approximately 3,7% p.a. (2006: 3,2% 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 2007	Drawn bank borrowings as of 31 December 2007	Drawn bank borrowings as of 31 December 2006
Živnostenská banka, a.s.	Credit limit with unspecified maturity	-	-	240,408
HVB Czech Republic, a.s.	One year credit limit, repayable 31 December 2007	-	-	488,156
UniCredit Bank a.s. from 5/ 11/ 2007.	One year credit limit, repayable 31 December 2008	1,350,000	788,954	-
Raiffeisenbank, a.s.	One year credit limit, repayable 30 June 2008	450,000	205,915	376,571
Komerční banka, a.s.	Credit limit unspecified maturity	271,170	188,575	174,714
Commerzbank AG	Credit limit unspecified maturity	1,200,000	699,382	488,658
Citibank a.s.	One year credit limit, repayable 31 July 2008	100,000	-	18,141
BAWAG Bank a.s.	One year credit limit, repayable 30 June 2009	400,000	225,507	334,879
ING Bank N.V.	Credit limit with unspecified maturity	500,000	220,842	415,577
HSBC Bank a.s.	Credit limit with unspecified maturity	750,000	563,269	-
Total		**5,021,170**	**2,892,444**	**2,537,105**

As of 31 December 2007, the Group had drawn CZK 699,382 thousand of borrowings from related parties (2006: CZK 488,658 thousand), refer to note 21.

12 ACCRUALS AND OTHER PROVISIONS

	2007	2006
Accrued expenses	8,471	8,335
Other provisions	2,500	2,500
	10,971	**10,835**

Other provisions were created in relation to business risks identified by the Group. It is expected that the potential risks will materialize within 1 year (by the end of 2008).

13 SHARE CAPITAL

Share capital consists of 2,000 ordinary bearer shares of CZK 56,000 each; all shares are fully paid up as of 31 December 2007 and 2006 respectively.

The Group paid out CZK 14 thousand of dividends per share in the total amount of CZK 28,000 thousand and royalties in total amount of CZK 199 thousand on 3 May 2007 out of the 2006 profit. In 2006, the Group paid out CZK 8.5 thousand of dividends per share in the total amount of CZK 17,000 thousand and royalties in the total amount of CZK 181 thousand out of the 2005 profit.

The Group maintains an actively managed capital base to cover risks inherent in the business.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

14 LEGAL RESERVE FUND

	2007	2006
At 1 January	11,707	9,438
Allocation of profi t from prior years	2,840	2,269
At 31 December	14,547	11,707

15 INTEREST REVENUE, NET

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

	2007	2006
Investments held to maturity	37,788	32,161
Receivables	130,158	110,778
Total interest income	167,946	142,939
Interest expense	(101,266)	(81,561)
Interest income, net	66,680	61,378

16 ADMINISTRATION EXPENSES

	2007	2006
Materials and energy consumption	1,744	1,546
Services	33,707	33,873
	35,451	**35,419**

17 STAFF COSTS

	2007	2006
Salaries and wages	23,146	22,506
Social and health insurance	5,776	5,367
Other social costs	706	668
Remuneration of board members	480	242
	30,108	**28,783**

Included in salaries and wages is management remuneration of CZK 7,180 thousand (2006: CZK 6,646 thousand).

18 ALLOWANCE FOR IMPAIRMENT

The movements in allowances for impairment were as follows:

	Investmentsheld tomaturity	Receivables	Other non-current assets	Total
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	34,321	-	34,512
Recoveries	-	(4,264)	-	(4,264)
FX difference	-	(1,589)	-	(1,589)
31 December 2006	7,408	188,433	1,000	196,841
Amounts written off	(159)	(10,718)	-	(10,877)
Charge for the year (reversal)	-	33,562	(1,000)	32,562
Recoveries	-	(3,000)	-	(3,000)
FX difference	-	(3,255)	-	(3,255)
31 December 2007	7,249	205,022	-	212,271

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

Allowance for impairment – segmentation according to classes of financial instruments

	Domestic	Export	Import	Total
31 December 2005	132,928	51,987	544	185,459
Amounts written off	(8,548)	(8,729)	-	(17,277)
Charge for the year (reversal)	34,321	191	-	34,512
Recoveries	(4,264)-		-	(4,264)
FX difference	-	(1,589)	-	(1,589)
31 December 2006	154,437	41,860	544	196,841
Amounts written off	(10,718)	159	-	(10,877)
Charge for the year (reversal)	32,562			32,562
Recoveries	(3,000)		-	(3,000)
FX difference	-	(3,255)	-	(3,255)
31 December 2007	173,281	38,446	544	212,271

19 OTHER OPERATING EXPENSES, NET

	2007	2006
Other income	153	4,419
Other taxes and fees	(1,482)	(1,925)
Insurance	(6,805)	(8,129)
Gain/(loss) on sale of fixed assets	524	322
Others	(643)	327
	(8,253)	(4,986)

20 TAXATION

The major components of income tax expense for the years ended 31 December 2007 and 2006 are:

	2007	2006
Current income tax charge	31,774	33,576
Adjustment in respect of current income tax of previous years	246	124
Deferred income tax	(140)	(21)
Total income tax expense	**31,880**	**33,679**

A reconciliation between the tax expense and the accounting profit multiplied by the statutory tax rate for the years ended 31 December 2007 and 2006 is as follows:

	2007	2006
Accounting profit before income tax	87,549	90,475
At Czech statutory income tax rate 24% (2006: 24%)	21,012	21,714
Adjustment in respect of current income tax of previous years	246	124
Write off of receivable, tax non-deductible provisions	10,098	11,525
Other non-deductible expenses	524	316
Taxation charge	31,880	33,679
Effective tax rate	**36%**	**37%**

Deferred taxes as of 31 December 2007 and 2006 relates to the following:

	31 December 2005	Recognized in Income Statement	31 December 2006	Recognized in Income Statement	31 December 2007
Difference between NBV of fixed assets for accounting and tax purposes	163	(21)	142	(140)	2
Deferred income tax liability/(asset)	163	(21)	142	(140)	2

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 2007 and 2006 and for the years then ended, are presented in the following tables:

2007	Sales to related parties	Purchases from related parties	Amounts owed by related parties (trade receivables)	Amounts owed to related parties	
				trade payable	loan
Parent/ultimate parent companies:					
Commerzbank	-	27,581	-	-	699,382
Intermarket Bank	-	2,438	828	1,129	-
Other companies in the BRE Bank consolidation group:					
Magyar Factor	363	-	-	1,401	-
Transfactor	-	-	2,166	1,956	-
Polfactor	227	78	781	5,606	-

2006	Sales to related parties	Purchases from related parties	Amounts owed by related parties (trade receivables)	Amounts owed to related parties	
				trade payable	loan
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	-

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 2007, the Group has not made any provision for doubtful debts relating to amounts owed by related parties (2006: nil).

22 COMMITMENTS AND CONTINGENCIES

Capital Commitments

The Group had no capital commitments at 31 December 2007 (2006: 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 2007, the Group had bank guarantees received totaling CZK 27 million (2006: CZK 26 million), and bank guarantees issued for the benefit of other companies totaling CZK 27 million (2006: CZK 26 million). The Group issues these guarantees as part of the provision of normal services to clients as part of its business activities.

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans and overdrafts, 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 main risks arising from the Group's financial activities are credit risk and liquidity risk. Market risk monitored by the Group is attributable to currency risk and interest rate 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 specify the general risk management philosophy and has established processes to monitor and control risks in a timely and accurate manner.

Credit risk

The Group manages the level of credit risk through standard procedures of debtors financial analysis, setting credit limits, reviews, credit committee etc. 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.

Analysis of financial instruments

The table below shows structure of the Group's financial instruments based on types of the Group's business:

Type of business	2007	2006
Domestic	2,462,065	2,192,504
Export	854,971	821,873
Import	182,446	272,745
Total (net)	3,500,482	3,287,122

The Group creates provisions against credit risk according to type of business (see Note 18).

As of 31 December 2007 and 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.

Credit quality of financial assets

The credit quality of financial assets is managed by the Group using an internal credit rating system. The table below shows credit quality by class of financial assets (not impaired). Cash, cash equivalents and derivatives are not subject to credit risk analysis:

2007	Investments held to maturity	Receivables	Total
High grade	63, 821	338,734	402,555
Standard grade	449,521	2,385,870	2,835,391
Substandard grade	41,622	220,914	262,536
Total	554,964	2,945,518	3,500,482

2006	Investments held to maturity	Receivables	Total
High grade	76,275	318,180	394,455
Standard grade	514,855	2,147,713	2,662,568
Substandard grade	44,494	185,605	230,099
Total	635,624	2,651,498	3,287,122

Transfinance

Credit quality is defined as follows:

High grade -represents investments held to maturity and receivables towards creditworthy entities with very low probability of default.

Standard grade – represents investments held to maturity and receivables with satisfactory risk level where the credit risk inherent in the portfolio is managed by creation of portfolio based allowances for impairment. The Group applies standard internal credit risk check procedures with respect to monitoring of such items.

Substandard grade -represents investments held to maturity and receivables with high risk that are covered by individually created allowances for impairment. Such receivables are treated individually with special attention in order to avoid and/or minimize potential losses.

Ageing analysis of Investments held to maturity

		Overdue (not impaired)			
2007	Not yet due	Overdue <1M	Overdue 1-3 M	Overdue >3M	Total
Domestic	27,030	7,978	4,753	41,288	81,049
Export	184,489	25,213	12,062	52,503	274,266
Import	175,844	7,057	1,159	15,588	199,648
Total	**387,364**	**40,247**	**17,974**	**109,379**	**554,963**

		Overdue (not impaired)			
2006	Not yet due	Overdue <1M	Overdue 1-3 M	Overdue >3M	Total
Domestic	15,270	2,129	1,684	5,377	24,461
Export	246,490	20,547	11,826	44,159	323,022
Import	252,693	11,820	1,183	22,444	288,141
Total	**514,453**	**34,496**	**14,694**	**71,981**	**635,624**

An ageing analysis is not performed for receivables as they are represented by financing provided within recourse factoring.

Liquidity risk

The Group reduces the liquidity risk mainly by natural hedging. The maturity structure of monetary assets and liabilities is matched in order to manage the exposure.

The table below analyses asset and liabilities into relevant groups based on the remaining period at the balance sheet date to the contractual maturity date:

Transfinance

Assets and liabilities according to remaining contractual maturities

2007	Up to 1 month	1 – 3 months	3 – 12 months	Undefined	Total
Cash and cash equivalents	55,510	-	-	-	55,510
Investments held to maturity, net	-	554,964	-	-	554,964
Receivables, net	-	2,945,518	-	-	2,945,518
Prepayments and other assets	-	2,598	-	-	2,598
Derivative financial instruments	-	917	-	-	917
Other assets	-	-	-	-	-
Non current assets	-	-	-	8,729	8,729
Total Assests	55,510	3,503,997	-	8,729	3,568,236
Accruals and other provisions	10,971	-	-	-	10,971
Income tax payable	1,638	-	-	-	1,638
Accounts payable	-	352,481	-	-	352,481
Bank borrowings	-	2,892,444	-	-	2,892,444
Derivative financial instruments	-	917	-	-	917
Other	-	2	-	-	2
Total Liabilities	12,609	3,245,844	-	-	3,258,453
Net assets	42,901	258,153	-	8,729	309,783

2006	Up to 1 month	1 – 3 months	3 – 12 months	Undefined	Total
Cash and cash equivalents	42,808	-	-	-	42,808
Investments held to maturity, net	-	635,624	-	-	635,624
Receivables, net	-	2,651,498	-	-	2,651,498
Prepayments and other assets	-	2,066	-	-	2,066
Derivative financial instruments	-	1,089	-	-	1,089
Other assets	-	-	-	-	-
Non current assets	-	-	-	8,955	8,955
Total Assests	42,808	3,290,277	-	8,955	3,342,040
Accruals and other provisions	10,835	-	-	-	10,835
Income tax payable	12,315	-	-	-	12,315
Accounts payable	-	498,241	-	-	498,241
Bank borrowings	-	2,537,105	-	-	2,537,105
Derivative financial instruments	-	1,089	-	-	1,089
Other	-	142	-	-	142
Total Liabilities	23,150	3,036,577	-	-	3,059,727
Net assets	19,658	253,700	-	8,955	282,313

Market risk: foreign currency risk and interest rate risk

As of 31 December 2007, the monetary assets of the Group are denominated 60% in CZK, 30% in EUR, 5% in USD and 5% in other currencies. As of 31 December 2007, the monetary liabilities of the Group are denominated 60% in CZK, 31% in EUR, 5% in USD and 4% in other currencies.

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.

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

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.

Open positions in foreign currencies are monitored on a day-to-day basis and adjusted accordingly in order to secure an efficient structure of the currency portfolio and avoid potential losses due to changes in foreign currency exchange rates.

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. As both the interest rates charged to clients and interest costs on the Group´s bank borrowings consist of a base rate LIBOR/PRIBOR) and margin potential movements in interest rates are offset.

Impact of changes in foreign currency exchange rate (EUR, USD)

The table below indicates the currencies to which the Company had significant exposure at 31 December 2007 and 2006 on its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement in the currency rate against CZK. A negative amount in the table reflects a potential net reduction in income statement, while a positive amount reflects a net potential increase.

2007 Currency	Change in exchange rate in %	Effect on profit before tax 2007
EUR	-10%	(4,175)
USD	-10%	(882)

2006 Currency	Change in exchange rate in %	Effect on profit before tax 2007
EUR	-10%	(4,020)
USD	-10%	(1,256)

As illustrated by the above sensitivity analysis, the continuous strengthening of the Czech Crown against the major currencies has a negative impact on the Group's result.

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:

	2007			2006		
	Notional principal	Fair values		Notional principal	Fair value	
Foreign exchange contracts		Asset	Liability		Asset	Liability
Forwards	17,369	917	(917)	22,728	1,089	(1,089)

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 2007 and 2006, the Group reported the following off-balance sheet assets and liabilities

	2007	2006
Recourse receivables	5,328,278	4,462,142
Recourse liabilities	(2,094,671)	(1,518,260)

As of 31 December 2007, the Group also holds the promissory notes used as collateral for factoring financing in the total nominal amount of CZK 243,499 thousand (2006: CZK 194,999 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

Zdeněk Kmoníček
Member of the Board

Prague 11 January 2008