Consolidated Financial Statements Prepared in Accordance with International Financial Reporting Standards

Transfinance

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PRICEWATERHOUSECOOPERS

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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") and its subsidiary (together, the "Group"), which comprise the consolidated balance sheet as at 31 December 2008, the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and notes, including a summary of significant accounting policies ("the consolidated financial statements"). Details of the Company are disclosed in note 1 to these consolidated financial statements.

Board of Directors' Responsibility for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated 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 consolidated 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.

PRICEWATERHOUSECOOPERS

Shareholders of TRANSFINANCE a.s.
Independent auditor's report

Auditor's Responsibility (continued)

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 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 Group'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 Group's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2008, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

12 May 2009

PricewaterhouseCoopers Audit, s.r.o.

PricewaterhouseCoopers Audit, s.r.o.

Transfinance

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2008

In thousands of Czech Crowns	Note	2008	2007
NON CURRENT ASSETS			
Intangible assets	3	17 019	4 314
Property and equipment	4	5 111	4 315
Other non-current assets		100	100
Deferred tax asset	21	1 236	1 311
		23 466	10 040
CURRENT ASSETS			
Factoring receivables non-recourse	5	990 384	554 964
Financing of factoring receivables	6	1 772 518	2 945 518
Prepayments and other assets	7	3 966	2 598
Derivative financial instruments	26	-	917
Bank and cash	8	41 130	55 510
		2 807 998	3 559 507
TOTAL ASSETS		**2 831 464**	**3 569 547**
CURRENT LIABILITIES			
Factoring payables non-recourse and other payables	9	356 569	352 481
Bank borrowings	10	2 179 611	2 892 444
Income tax payable		(7 442)	1 638
Accruals and other provisions	11	14 116	16 444
Derivative financial instruments	26	-	917
TOTAL LIABILITIES		2 542 854	3 263 924
SHAREHOLDERS’ EQUITY			
Share capital	12	112 000	112 000
Legal reserve fund	13	17 331	14 547
Retained earnings		159 279	179 076
		288 610	305 623
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY		**2 831 464**	**3 569 547**

The notes on pages 7 to 28 form an integral part of the consolidated financial statements

Transfinance

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

In thousands of Czech Crowns	Note	2008	2007
Factoring revenue	15	107 979	129 962
Interest revenue	14	182 839	167 946
Interest costs	14	(121 788)	(101 266)
Administration expenses	16	(31 785)	(35 451)
Staff costs	17	(26 747)	(30 108)
Depreciation and amortization	3, 4	(1 892)	(2 413)
Allowance for impairment	18	(62 144)	(29 562)
Other operating expenses, net	19	(16 421)	(16 608)
Gains less losses from financial derivatives	20	530	3 869
Foreign exchange gains less losses		5 047	699
PROFIT BEFORE INCOME TAX		35 618	87 068
Income tax expense	21	(24 430)	(31 765)
PROFIT FOR THE YEAR		**11 188**	**55 303**

Signed on behalf of the Board

Jana Němečková
Chairman of the Board

Member of the Board

Prague
12 May 2009

The notes on pages 7 to 28 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 2007 as previously reported	112 000	11 707	158 606	282 313
Impact of corrections (Note 2.3)	-	-	(3 794)	(3 794)
Balance as at 1 January 2007	112 000	11 707	154 812	278 519
Profit for the year	-	-	55 303	55 303
Total recognised income for 2007			**55 303**	**55 303**
Transfer to Legal reserve fund	-	2 840	(2 840)	-
Dividends	-	-	(28 000)	(28 000)
Other allocations	-	-	(199)	(199)
Balance as at 31 December 2007	**112 000**	**14 547**	**179 076**	**305 623**
Impact of corrections (Note 2.3)	-	-	4 160	4 160
Balance as at 31 December 2007 as previously reported	112 000	14 547	183 236	309 783
Balance as at 1 January 2008	112 000	14 547	179 076	305 623
Profit for the year	-	-	11 188	11 188
Total recognised income for 2008			**11 188**	**11 188**
Transfer to Legal reserve fund	-	2 784	(2 784)	-
Dividends	-	-	(28 000)	(28 000)
Other allocations	-	-	(201)	(201)
Balance as at 31 December 2008	**112 000**	**17 331**	**159 279**	**288 610**

The notes on pages 7 to 28 form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2008

In thousands of Czech Crowns	Note	2008	2007
Cash flows from operating activities			
Net income before taxes		35 618	87 068
Adjustments for:			
Depreciation and amortization		1 892	2 413
Allowance for impairment and provisions		62 144	29 562
Gain on disposal of tangible assets		(457)	(370)
Operating profit before working capital changes		99 197	118 673
Decrease/(Increase) in debtors and other assets		680 611	(483 084)
(Decrease)/Increase in creditors and other liabilities		(101)	96 813
Cash generated from (used in) operations		779 707	(267 598)
Income taxes paid		(33 434)	(42 697)
Net cash flows from/(used in) operating activities		746 273	(310 295)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		890	370
Purchase of intangible assets, property, plant and equipment		(13 366)	(4 711)
Net cash used in investing activities		(12 476)	(4 341)
Cash flows from financing activities			
(Decrease)/Increase in short term borrowings		(648 746)	362 413
Dividends paid		(28 000)	(28 000)
Net cash from/(used in) financing activities		(676 746)	334 413
Net cash decrease in cash and cash equivalents		57 051	19 777
Cash and cash equivalents at 1 January		(34 521)	(54 298)
Cash and cash equivalents at 31 December	**8**	**22 530**	**(34 521)**

Supplemental information

Interest income received	182 839	167 946
Interest expense paid	(121 788)	(101 266)

The notes on pages 7 to 28 form an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IN THOUSANDS OF CZECH CROWNS)

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 2008 (41 in 2007).

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 which is the ultimate controlling party of the Company.

The consolidated financial statements include the following subsidiary:

2008 and 2007

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 2008 were authorized for issue by the Company's directors on 11 May 2009.

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 consolidated financial statements of TRANSFINANCE a.s. have been prepared in accordance with International Financial Reporting Standards. The following new and amended IFRS and IFRIC interpretations have been considered:

(a) Interpretations effective in 2008

None

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IN THOUSANDS OF CZECH CROWNS)

(b) Standards and amendments early adopted by the group

None

(c) Interpretations effective in 2008 but not relevant

The following interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but are not relevant to the Group's operations:

IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'.
IFRIC 11, 'IFRS 2 – Group and treasury share transactions'
IFRIC 12, 'Service concession arrangements'; and
IFRIC 13, 'Customer loyalty programmes'

(d) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards and amendments to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2009 or later periods, but the Group has not early adopted them. It is not expected that adoption of these standards in the future will have any significant effect on the financial statements of the Group.

IFRS 8, 'Operating segments', replaces IAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information' (effective from 1 January 2009)
IAS 1 Revised, 'Presentation of financial statements' (effective from 1 January 2009)
IFRS 7 (some minor amendments) 'Financial instruments: Disclosures' (effective from 1 January 2009)
IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009)
IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009)
IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009)
IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009)
IFRS 1 (Amendment) 'First time adoption of IFRS', and IAS 27 'Consolidated and separate financial statements'(effective from 1 January 2009)
IAS 27 (Revised), 'Consolidated and separate financial statements', (effective from 1 July 2009)
IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009)
IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009)
IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009)
IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation', and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009)
IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009)
IAS 38 (Amendment), 'Intangible assets'(effective from 1 January 2009)
IAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009)
IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009)
Embedded Derivatives - Amendments to IFRIC 9 and IAS 39 (effective for annual periods ending on or after 30 June 2009)
IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective from 1 October 2008)
IFRIC 15, Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2009)
IFRIC 17, Distribution of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009)
IFRIC 18, Transfers of Assets from Customers (effective from 1 July 2009)

2.3 RESTATEMENTS AND CORRECTION OF ERRORS FROM PREVIOUS YEARS

In 2007 fair value gains and losses on derivative financial instruments were included in the income statement in "Foreign exchange result". In respect with IFRS 7 in 2008 these are recorded in the income statement in "Gains less losses from financial derivatives". In order to have a comparative view also the figures from 2007 were adjusted – CZK 32,928 thousand was reclassified from foreign exchange gains to fair value gains on financial instruments and CZK 29,059 thousand was reclassified from foreign exchange losses to fair value losses on financial instruments (see Note 20).

In 2008 straight-line time apportionment applied to the on recognition of factoring revenue that consists of commissions charged at the date of purchase of trade receivables whose average maturity is longer than one month. Factoring revenue is charged to customers to cover the cost of factoring services (including debt collection activities). In order to have a comparative view also the figures from 2007 were adjusted and as a result the factoring revenue for 2007 was decreased by CZK 366 thousand. This resulted in an equal decrease of Group´s profit before taxes in 2007 and a decrease of CZK 3,794 thousand in Equity as at 1 January 2007 and a decrease of CZK 4 160 thousand in Equity as at 1 January 2007.

In 2007 the purchased non-recourse receivables were incorrectly disclosed as Investments held to maturity. As they meet the definition of loans and receivables they were disclosed as Factoring receivables non-recourse in these financial statements.

2.4 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:

Impact of the ongoing global financial and economic crisis

The ongoing global financial and economic crisis that emerged out of the severe reduction in global liquidity which commenced in the middle of 2007 (often referred to as the "Credit Crunch") has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector and wider economy, and, at times, higher interbank lending rates and very high volatility in stock and currency markets. The uncertainties in the global financial markets have also led to failures of banks and other corporates, and to bank rescues in the United States of America, Western Europe, Russia and elsewhere. The full extent of the impact of the ongoing global financial and economic crisis is proving to be difficult to anticipate or completely guard against.

Debtors of the Group may be adversely affected by the financial and economic environment which could in turn impact their ability to repay the amounts owed. Deteriorating economic conditions of debtors may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management has properly reflected revised estimates of expected future cash flows in its impairment assessments.

Management is unable to reliably determine the effects on the Group's future financial position of any further deterioration in the Group's operating environment as a result of the ongoing crisis. Management believes it is taking all the necessary measures to support the sustainability and development of the Group's business in the current circumstances.

Allowance for impairment of non-recourse factoring receivables and financing of factoring receivables

The Group regularly reviews its non-recourse factoring receivables and financing of factoring 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 financing of receivables and for the portfolio of non-recourse factoring receivables 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.

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 at the most three years backckwards. As such, significant additional taxes, penalties and interest may be assessed.

Were the actual final outcome (on the judgement areas) to differ management's estimates, the Group would need to increase the current income tax liability by CZK 2,531 thousand.

As at 31 December 2008, management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax position will be sustained.

2.5 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 life of the asset. 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 - 8 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. 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

The assets´ residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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.

Factoring receivables non-recourse and Financing of factoring receivables

'Factoring receivables non-recourse' and 'Financing of factoring 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 nominal amount of factored receivables and are recognized on an accrual basis and are reported as 'Factoring revenue'. Factoring revenue is charged to customers to cover the cost of factoring services (including debt collection activities). 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 'Factoring receivables non-recourse'. They are initially recognized at the fair value of the consideration given and are subsequently 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 'Financing of factoring receivables' and is initially recognized at the fair value of the consideration given and subsequently carried at amortized cost, after provision for impairment.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Provision for impairment

A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation or significant delay in payments are considered as main "loss-indicators" that the receivable is to be impaired. Management treats such receivables individualy according to type of such loss-indicator, type of business and other specific features of the receivable and uses estimates based on historical loss experience to assess the 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. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'Allowance for impairment'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IN THOUSANDS OF CZECH CROWNS)

When a trade receivable is uncollectible, i.e. there is no realistic prospect of future recovery and all collaterals have been realised, it is written off against the allowance account for trade receivables. Such receivable is written off after all the necessary procedures (e.g. filing a lawsuit in order to recover the receivable through demand for payment, filing a distraint or bankruptcy petition, etc.) have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as partial collection of the debt, an improvement in the debtor's financial situation, etc.), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

Also non-financial assets are regularly reviewed by the Group to assess impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Factoring payables non-recourse

'Factoring payables non-recourse' 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. Factoring payables non-recourse are initialy recorded at fair value and subsequently at amortized cost.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and bank overdrafts drawn. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

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 and are subsequently measured at fair value. The fair value of derivative financial instruments is determined by using valuation techniques that are based on market conditions existing at each balance sheet date. 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 'Gains less losses from financial derivatives'. Derivatives are recognized on a trade date basis. The Group does not apply hedge accounting.

Foreign currency translation

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Czech Crowns, which is the companies' functional and Group's 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 in line 'Foreign exchange gains less losses'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IN THOUSANDS OF CZECH CROWNS)

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 share 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 share 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. Revenue is shown net of value-added tax, returns, rebates and discounts. Factoring revenue of the Group consists primarily of commissions. Those are charged for services related to the collection of receivables. They are based on the nominal amount of factored receivables and are recognized on a straight-line basis over the expected factoring period. 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. Interest revenue is recognised on a time-proportion basis using the effective interest method.

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. The Group has no further obligation in respect of the social security and pension benefits once the contributions are paid.

Bank borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowing costs are recognised on a time-proportion basis using the effective interest method.

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 in the Income Statement in Administrative expenses (refer to note 16) as an expense on a straight-line basis over the lease term. All lease contracts are revocable and with a cancellation period of maximum 3 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IN THOUSANDS OF CZECH CROWNS)

Provisions

Provisions for legal claims, tax liabilities and other particular business risks are recognised when the Group has a potential legal or other obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount could be reliably estimated. Provisions are not recognised for future operating losses. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Guarantees

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the ´Group's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the income statement the fee income earned on a straight line basis over the life of the guarantee and the best estimate of the expenditure required to settle any financial obligation arising as at the balance sheet date. These estimates are determined based on experience similar transactions and history of past losses, supplemented by the judgment of management.

3 INTANGIBLE ASSETS

Intangible assets consist of the following:

	2008	2007
Cost:	*Software*	*Software*
At 1 January	23 384	20 635
Additions – externally purchased	12 885	2 898
Disposals	-	(149)
At 31 December	36 269	23 384
Accumulated amortization:		
At 1 January	(19 070)	(18 823)
Amortization charge for the year	(180)	(247)
Disposals	-	-
At 31 December	(19 250)	(19 070)
Net book value:		
At 31 December	17 019	4 314

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IN THOUSANDS OF CZECH CROWNS)

4 PROPERTY AND EQUIPMENT

Property, plant and equipment consists of the following:

	Leasehold improvements	Plant and equipment	Total
Cost:			
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
At 1 January 2008	1 242	18 410	19 652
Additions	981	2 310	3 291
Disposals	(51)	(2 759)	(2 810)
At 31 December 2008	2 172	17 961	20 133
Accumulated depreciation:			
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)
At 1 January 2008	(825)	(14 512)	(15 337)
Depreciation charge for the year	(224)	(1 488)	(1 712)
Disposals	-	2 027	2 027
At 31 December 2008	(1 049)	(13 973)	(15 022)
Net book value:			
At 31 December 2007	417	3 898	4 315
At 31 December 2008	1 123	3 988	5 111

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

5 FACTORING RECEIVABLES NON-RECOURSE

	2008	2007
Purchased trade receivables	997 511	562 213
Allowance for impairment (Note 18)	(7 127)	(7 249)
Purchased trade receivables, net	990 384	554 964

For terms and conditions relating to related party receivables, refer to Note 22.

Original trade receivables are normally of 30 - 90 day terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IN THOUSANDS OF CZECH CROWNS)

6 FINANCING OF FACTORING RECEIVABLES

	2008	2007
Factoring financing	2 034 701	3 150 540
Allowance for impairment (Note 18)	(262 183)	(205 022)
Factoring financing, net	1 772 518	2 945 518

Factoring financing is interest bearing. As at 31 December 2008, the Group holds promissory notes issued by debtors or other third parties used as collateral for factorig financing in the total amount of CZK 170,592 thousand (2007: CZK 243,499 thousand).

7 PREPAYMENTS AND OTHER ASSETS

	2008	2007
Non-financial assets:		
Prepayments	2 188	1 009
Financial assets:		
Other receivables	1 778	1 589
	3 966	2 598

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

8 CASH AND CASH EQUIVALENTS

	2008	2007
Cash in hand	3 886	3 059
Cash at bank	37 244	52 451
Bank and cash	41 130	55 510
Overdrafts (Note 10)	(18 600)	(90 031)
Cash and cash equivalent	22 530	(34 521)

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

9 FACTORING PAYABLES NON-RECOURSE AND OTHER PAYABLES

	2008	2007
Liabilities from purchased non-recourse receivables	343 798	336 506
Other payables	12 771	15 975
	356 569	352 481

For terms and conditions relating to related party receivables, refer to Note 22.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IN THOUSANDS OF CZECH CROWNS)

10 BANK BORROWINGS

Bank borrowings mature within one year of the balance sheet date. Individual borrowings are without security. In 2008, the borrowings bear interest of approximately 3,3 % p.a. (2007: 3,7% p.a.).

Bank borrowings are drawn mostly using revolving credits up to one month. Additionally, the Group is entitled to use an overdraft facility up to the balance of the unused credit limit. Overdrafts drawn (see Note 8) are included within bank borrowings in the following table:

Bank:	Type of borrowing:	Credit limit as of 31 December 2008	Drawn bank borrowings as of 31 December 2008	Drawn bank borrowings as of 31 December 2007
UniCredit Bank Czech Republic, a.s.	One year credit limit, repayable 31 December 2009	1 350 000	927 632	788 954
Raiffeisenbank, a.s.	One year credit limit, repayable 30 June 2008	-	-	205 915
Komerční banka, a.s.	Credit limit unspecified maturity	326 160	88 854	188 575
COMMERZBANK Aktiengesellschaft, pobočka Praha	Credit limit unspecified maturity	1 200 000	437 934	699 382
LBBW Bank CZ a.s.	One year credit limit, repayable 30 June 2009	300 000	54 164	225 507
ING Bank N.V.	Credit limit with unspecified maturity	500 000	686	220 842
HSBC Bank plc - pobočka Praha	One year credit limit, repayable 27 February 2009	750 000	670 341	563 269
Total		**4 426 160**	**2 179 611**	**2 892 444**

As of 31 December 2008, the Group had drawn CZK 437,934 thousand of borrowings from related parties (2007: CZK 699,382 thousand), refer to Note 22.

11 ACCRUALS AND OTHER PROVISIONS

	2008	2007
Financial liabilities:		
Accrued expenses	7 146	8 471
Non-financial liabilities:		
Deferred income	4 470	5 473
Other provisions	2 500	2 500
	14 116	16 444

Accrued expenses are primarily represented by overhead costs that relate to the current accounting period but are payable in the next one.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IN THOUSANDS OF CZECH CROWNS)

12 SHARE CAPITAL AND MANAGEMENT OF 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 2008 and 2007 respectively.

The Group paid out CZK 14 thousand of dividends per share in the total amount of CZK 28,000 thousand and management remuneration in total amount of CZK 201 thousand on 28 May 2008 out of the 2007 profit. In 2007, the Group paid out CZK 14 thousand of dividends per share in the total amount of CZK 28,000 thousand and management remuneration in the total amount of CZK 199 thousand out of the 2006 profit.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital and to cover risks inherent in the business. As a capital is considered equity. The Group monitors capital on the basis of an internal capital adequacy ratio with the aim to stay above the 8 % level. As at 31 December 2008 the ratio was at the value of 11.84 % (9.71 % as at 31 December 2007). This ratio is calculated as a sum of client´s funds in use divided by equity. Funds in use is calculated as total financing provided to clients (financing of factoring receivables plus factoring receivables non-recourse less factoring payables non-recourse as shown in the balance sheet). Equity is shareholders equity as shown in the consolidated balance sheet. There are no official externally imposed capital requirements on the Group.

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.

13 LEGAL RESERVE FUND

	2008	2007
At 1 January	14 547	11 707
Allocation of profit from prior years	2 784	2 840
	17 331	14 547

14 INTEREST REVENUE AND COST

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

	2008	2007
Factoring receivables non-recourse	48 870	37 788
Financing of factoring receivables	133 969	130 158
Total interest income	182 839	167 946
Interest expense	(121 788)	(101 266)
Interest income, net	61 051	66 680

In 2008 interest income on impaired assets amounted to CZK 28,646 thousand (CZK 14,822 thousand in 2007).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IN THOUSANDS OF CZECH CROWNS)

15 FACTORING REVENUE

The table below shows a split of factoring revenues according to type of business.

	2008	2007
Domestic	66 183	79 895
Export	33 188	41 545
Import	8 608	8 522
Total factoring revenue	107 979	129 962

16 ADMINISTRATION EXPENSES

	2008	2007
Materials and energy consumption	2 393	1 744
Services	29 392	33 707
	31 785	35 451

Services include primarily costs for IT and telecommunications, consultancy services, audit and tax advisor services, travel expenses and other overhead costs.

17 STAFF COSTS

	2008	2007
Salaries and wages	20 431	23 146
Social and health insurance	5 153	5 776
Other social costs	623	706
Remuneration of board members	540	480
	26 747	30 108

Included in salaries and wages there is key management remuneration of CZK 6,725 thousand (2007: CZK 7,180 thousand), see Note 22. Members of the Bord of Directors are not employees of the Group. The key management is not entitled to any other benefits such as termination benefits, share-based payments, or similar.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IN THOUSANDS OF CZECH CROWNS)

18 ALLOWANCE FOR IMPAIRMENT

The movements in allowance for impairment were as follows:

	Factoring receivables non-recourse	Financing of factoring receivables	Other non-current assets	Total
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**
Amounts written off	(122)	(18 500)	-	(18 622)
Charge for the year (reversal)	-	80 600	-	80 600
Recoveries	-	-	-	-
FX difference	-	(4 939)	-	(4 939)
31 December 2008	**7 127**	**262 183**	**-**	**269 310**

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

Allowance for impairment – segmentation according to type of business

	Domestic	Export	Import	Total
31 December 2006	**154 437**	**41 860**	**544**	**196 841**
Amounts written off	(10 718)	(159)	-	(10 877)
Charge for the year	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**
Amounts written off	(16 657)	(1 843)	(122)	(18 622)
Charge for the year	80 600	-	-	80 600
Recoveries	-	-	-	-
FX difference	-	(4 939)	-	(4 939)
31 December 2008	**237 224**	**31 664**	**422**	**269 310**

19 OTHER OPERATING EXPENSES, NET

	2008	2007
Other income	8	153
Other taxes and fees	(1 749)	(1 482)
Insurance	(9 112)	(6 805)
Gain on sale of fixed assets	457	524
Bank charges and other fees	(5 153)	(8 355)
Others	(872)	(643)
	(16 421)	(16 608)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IN THOUSANDS OF CZECH CROWNS)

20 GAINS LESS LOSSES FROM FINANCIAL DERIVATIVES

	2008	2007
Fair value loss on derivative financial instruments	(4 065)	(29 059)
Fair value gains on derivative financial instruments	4 595	32 928
Net gains from financial derivatives	530	3 869

21 INCOME TAX EXPENSE

The major components of income tax expense for the years ended 31 December 2008 and 2007 are:

	2008	2007
Current income tax charge	25 105	31 774
Adjustment in respect of current income tax of previous years	(750)	246
Deferred income tax	75	(255)
Total income tax expense	24 430	31 765

A reconciliation between the tax expense and the accounting profit multiplied by the statutory tax rate for the years ended 31 December 2008 and 2007 is as follows:

	2008	2007
Accounting profit before income tax	35 618	87 068
At Czech statutory income tax rate 21% (2007: 24%)	7 480	20 896
Adjustment in respect of current income tax of previous years	(750)	246
Write off of receivable, tax non-deductible provisions	16 955	10 099
Other non-deductible expenses	745	524
Taxation charge	24 430	31 765
Effective tax rate	69%	36%

Write offs of receivables in the Company's portfolio can never be applied for tax purposes in line with Czech tax legislation.

Deferred taxes as of 31 December 2008 and 2007 relates to the following:

	31 December 2006	Recognised in Income Statement	31 December 2007	Recognised in Income Statement	31 December 2008
Difference between revenue recognition for accounting and tax purposes	1 198	115	1 313	(211)	1 102
Difference between NBV of fixed assets for accounting and tax purposes	(142)	140	(2)	136	134
Deferred income tax asset/(liability)	1 056	255	1 311	(75)	1 236

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IN THOUSANDS OF CZECH CROWNS)

22 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 2008 and 2007 and for the years then ended, are presented in the following tables:

					Amounts owed to related parties	
2008	**Factoring revenue**	**Interest costs**	**Services**	**Factoring receivables non-recourse**	**Factoring payables non-recourse**	**Bank Borrowings**
Parent/ultimate parent companies:						
Commerzbank AG	-	28 786	-	-	-	437 934
Intermarket Bank	-	-	2 536	1 040	1 131	-
Other companies in the BRE Bank consolidation group:						
Magyar Factor	137	-	-	-	5 162	-
Transfactor	-	-	-	994	1 979	-
Polfactor	244	-	72	1 956	4 597	-

					Amounts owed to related parties	
2007	**Factoring revenue**	**Interest costs**	**Services**	**Factoring receivables non-recourse**	**Factoring payables non-recourse**	**Bank Borrowings**
Parent/ultimate parent companies:						
Commerzbank AG	-	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	-

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. Management costs for 2008 amounted to CZK 6,555 thousand (2007: CZK 6,820 thousand), refer to Note 17. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2008, the Group has not made any provision for doubtful debts relating to amounts owed by related parties (2007: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IN THOUSANDS OF CZECH CROWNS)

23 COMMITMENTS AND CONTINGENCIES

Capital Commitments

The Group had no capital commitments at 31 December 2008 (2007: 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 2008, the Group had bank guarantees issued for the benefit of other companies totaling CZK 26 million (2007: CZK 26 million). The Group issues these guarantees as part of the provision of normal services to clients as part of its business activities.

24 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.

Financial instruments by category

31 December 2008	**Financial liabilities at amortised cost**	**Liabilities at fair value through the profit and loss**	**Total**
Liabilities as per balance sheet			
Bank borrowings	2 179 611	-	2 179 611
Derivative financial instruments	-	-	-
Factoring payables non-recourse and other payables	356 569	-	356 569
Total	2 536 180	-	2 536 180

31 December 2007	**Financial liabilities at amortised cost**	**Liabilities at fair value through the profit and loss**	**Total**
Liabilities as per balance sheet			
Bank borrowings	2 892 444	-	2 892 444
Derivative financial instruments	-	917	917
Factoring payables non-recourse and other payables	352 481	-	352 481
Total	3 244 925	917	3 245 842

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IN THOUSANDS OF CZECH CROWNS)

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 2.4.

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, regular reviews, credit committees and other procedures leading to decrease of the accepted level of credit risk. This processes are performed on the level both of each individual borrowers and whole portfolio of debtors. When deciding about acceptance of a new exposure, an analysis of counterparty´s cash flow and overall financial situation are the key factors. The decision-making is performed independetly from sales units.

The overall aim of the Group´s credit risk policy is to have an detailed overview about creditworthiness of its counterparties and to have an effective early-warning system that allows the relevant units to adopt adequate measures against potential threats in order to minimize potential impairment losses.

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 non-recourse 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:

	2008	**2007**
Type of business:		
Domestic	2 122 357	2 463 065
Export	461 786	854 971
Import	178 759	182 446
Total (net)	2 762 902	3 500 482

As of 31 December 2008 and 2007, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IN THOUSANDS OF CZECH CROWNS)

Credit quality of financial assets

The credit quality of financial assets is managed by the Group using an internal credit rating system. Cash, cash equivalents and derivatives are not subject to credit risk analysis taking into account their small volumes. The table below shows credit quality by class of financial assets:

2008	**Factoring receivables non-recourse**	**Financing of factoring receivables**	**Total**
High grade	41 895	85 457	127 353
Standard grade	893 271	1 632 561	2 525 833
Substandard grade	62 344	316 682	379 027
Total	**997 511**	**2 034 701**	**3 032 212**

2007	**Factoring receivables non-recourse**	**Financing of factoring receivables**	**Total**
High grade	64 655	362 311	426 966
Standard grade	455 393	2 551 938	3 007 331
Substandard grade	42 166	236 291	278 456
Total	**562 213**	**3 150 540**	**3 712 753**

Credit quality is defined as follows:

High grade - represents non-recourse factoring receivables and financing of factoring receivables towards creditworthy entities with very low probability of default. There are no impairment allowances created for this credit quality grade.

Standard grade – represents non-recourse factoring receivables and financing of factoring receivables with satisfactory risk level where the credit risk inherent in the portfolio is measured and monitored on a regular basis. The Group applies standard internal credit risk check procedures such as debtor portfolio analysis, financial performance analysis, debtors registry monitoring, etc, in order to have a constant overview about creditworthiness of its counterparties. There are no impairment allowances created for this credit quality grade.

Substandard grade - represents non-recourse factoring receivables and financing of factoring receivables that are overdue and with high risk that are covered by individually created allowances for impairment (see Note 18). Such receivables are treated individually with special attention and all necessary procedures are applied in order to avoid and/or minimize potential losses.

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. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IN THOUSANDS OF CZECH CROWNS)

Assets and liabilities according to remaining contractual maturities

2008	**Up to 3 month**	**3 – 12 months**	**Undefined**	**Total**
Bank and cash	41 130	-	-	41 130
Factoring receivables non-recourse	990 384	-	-	990 384
Financing of factoring receivables	1 772 518	-	-	1 772 518
Prepayments and other assets	3 966	-	-	3 966
Total Current Assets	**2 807 998**	-	-	**2 807 998**
Non-financial liabilities:				
Accruals and other provisions	21 461	-	-	21 461
Income tax payable	(7 442)	-	-	(7 442)
Financial liabilities:				
Fact. payables non-rec., other payables	356 569	-	-	356 569
Bank borrowings	2 185 941	-	-	2 185 941
Total Liabilities	**2 556 529**	-	-	**2 556 529**
Net Current Assets	**251 469**	-	-	**251 469**

2007	**Up to 3 month**	**3 – 12 months**	**Undefined**	**Total**
Bank and cash	55 510	-	-	55 510
Factoring receivables non-recourse	554 964	-	-	554 964
Financing of factoring receivables	2 945 518	-	-	2 945 518
Prepayments and other assets	2 598	-	-	2 598
Derivative financial instruments	917	-	-	917
Total Current Assets	**3 559 507**	-	-	**3 559 507**
Non-financial liabilities:				
Accruals and other provisions	16 444	-	-	16 444
Income tax payable	1 638	-	-	1 638
Financial liabilities:				
Fact. payables non-rec., other payables	352 481	-	-	352 481
Bank borrowings	2 901 617	-	-	2 901 617
Derivative financial instruments	917	-	-	917
Total Liabilities	**3 273 097**	-	-	**3 273 097**
Net Current Assets	**286 410**	-	-	**286 410**

Market risk: foreign currency risk and interest rate risk

As of 31 December 2008, the monetary assets of the Group are denominated 62% in CZK, 32% in EUR, 4% in USD and 2% in other currencies. As of 31 December 2006, the monetary liabilities of the Group are denominated 58% in CZK, 36% in EUR, 4% in USD and 2% in other currencies.

As of 31 December 2007, the monetary assets of the Group were 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IN THOUSANDS OF CZECH CROWNS)

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

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. There is no significant sensitivity to changes in interest rates as both the interest rates charged to clients and interest costs on the Group´s bank borrowings consist of a base rate (LIBOR/PRIBOR) plus margin and potential movements in interest rates are therefore offset. This natural hedging strategy makes the cash flow interest rate risk insignificant and therefore no cash flow interest rate risk sensitivity analysis was included in these financial statements.

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 2008 and 2007 on its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement in the currency rate against CZK that had been stated based on the historical volatility of foreign currency rates. As a neutral value the exchange rate from end of December was taken. A negative amount in the table reflects a potential net reduction in income statement, while a positive amount reflects a net potential increase.

2008

Currency	Change in exchange rate in %	Effect on profit before tax 2008
EUR	-10%	(1,205)
USD	-10%	(145)

2007

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

As illustrated by the above sensitivity analysis, potential strengthening of the Czech Crown against the major currencies would have a negative impact on the Group’s result. In case of the opposite movement in the foreign currency exchange rate there will be an equal positive influence on the Group´s result.

25 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IN THOUSANDS OF CZECH CROWNS)

26 DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into derivative financial instruments to secure its currency position in EUR or USD. 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:

	2008			2007		
	Notional	Fair values		Notional	Fair value	
Foreign exchange contracts	principal	Asset	Liability	principal	Asset	Liability
Forwards	0	0	0	17,369	917	(917)

27 EVENTS AFTER BALANCE SHEET DATE

No events which effect the presented consolidated financial statements occurred after the balance sheet date.

Transfinance