Consolidated Financial Statements Prepared in Accordance with International Financial Reporting Standards

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	3
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	5
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	6
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	7
CONSOLIDATED STATEMENT OF CASH FLOWS	8
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	9

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers Audit, s.r.o.
Kateřinská 40/466
120 00 Prague 2
Czech Republic
Telephone +420 251 151 111
Facsimile +420 251 156 111

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 statement of financial position as at 31 December 2009, the consolidated statement of comprehensive income and 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").

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 Audit, s.r.o., registered seat Kateřinská 40/466, 120 00 Prague 2, Czech Republic, Identification Number: 40765521, registered with the Commercial Register kept by the Municipal Court in Prague, Section C, Insert 3637, and in the Register of Audit Companies with the Chamber of Auditors of the Czech Republic under Licence No 021.

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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 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 2009, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

31 March 2010

PricewaterhouseCoopers Audit, s.r.o.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009

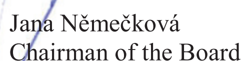
In thousands of Czech Crowns	Note	2009	2008
NON CURRENT ASSETS			
Intangible assets	3	26 480	17 019
Property, plant and equipment	4	3 156	5 111
Deferred tax asset	21	211	1 236
Other non-current assets		-	100
		29 847	23 466
CURRENT ASSETS			
Factoring receivables non-recourse	5	478 416	990 384
Financing of factoring receivables	6	1 621 960	1 772 518
Prepayments and other assets	7	1 034	3 966
Income tax receivable		16 527	7 442
Cash at bank and on hand	8	13 493	41 130
		2 131 431	2 815 440
TOTAL ASSETS		**2 161 277**	**2 838 906**
CURRENT LIABILITIES			
Factoring payables non-recourse and other payables	9	202 786	356 569
Bank borrowings	10	1 654 011	2 179 611
Accruals and other provisions	11	10 246	14 116
TOTAL LIABILITIES		1 867 043	2 550 296
SHAREHOLDERS' EQUITY			
Share capital	12	112 000	112 000
Legal reserve fund	13	17 850	17 331
Retained earnings		164 384	159 279
		294 234	288 610
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2 161 277**	**2 838 906**

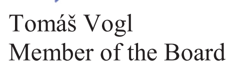
The notes on pages 7 to 32 form an integral part of the consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2009

In thousands of Czech Crowns	Note	2009	2008
Factoring revenue	15	63 690	107 979
Interest income	14	83 440	182 839
Interest expense	14	(42 206)	(121 788)
Net interest income and factoring revenue		104 924	169 030
Allowance for impairment losses and trade receivables written-off	18	(36 816)	(62 144)
Net interest income and factoring revenue after impairments charges		68 108	106 886
Bank charges and other fees		(3 806)	(5 153)
Administration expenses	16	(24 018)	(31 785)
Staff costs	17	(21 104)	(26 747)
Depreciation and amortization	3, 4	(3 808)	(1 892)
Other operating expenses, net	19	(2 131)	(11 268)
Gains less losses from financial derivatives	20	127	530
Foreign exchange result, net		(1 764)	5 047
PROFIT BEFORE INCOME TAX		11 604	35 618
Income tax expense	21	(5 980)	(24 430)
PROFIT FOR THE YEAR		**5 624**	**11 188**
Other comprehensive income for the year, net of tax		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**5 624**	**11 188**

Signed on behalf of the Board





Jana Němečková
Chairman of the Board

Tomáš Vogl
Member of the Board

Prague 31 March 2010

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

Transfinance

Consolidated statement of changes in shareholders' equity

In thousands of Czech Crowns	Note	Share capital	Legal reserve fund	Retained earnings	Total
Balance as at 1 January 2008		**112 000**	**14 547**	**179 076**	**305 623**
Net income		-	-	11 188	11 188
Total recognised income for 2008		**-**	**-**	**11 188**	**11 188**
Transfer to Legal reserve fund	13	-	2 784	(2 784)	-
Dividends	12	-	-	(28 000)	(28 000)
Other allocations	12	-	-	(201)	(201)
Balance as at 31 December 2008		**112 000**	**17 331**	**159 279**	**288 610**
Balance as at 1 January 2009		112 000	17 331	159 279	288 610
Net income		-	-	5 624	-
Total recognised income for 2009		**-**	**-**	**5 624**	**5 624**
Transfer to Legal reserve fund	13	-	519	(519)	-
Balance as at 31 December 2009		**112 000**	**17 850**	**164 384**	**294 234**

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2009

In thousands of Czech Crowns	Note	2009	2008
Cash flows from operating activities			
Net income before taxes		11 604	35 618
Adjustments for:			
Depreciation and amortization	3,4	3 808	1 892
Allowance for impairment and provisions	18	(15 920)	62 144
Gain on disposal of tangible assets	19	(233)	(457)
Operating profit before working capital changes		(740)	99 197
Decrease in debtors and other assets		682 105	680 611
Decrease in creditors and other liabilities		(157 653)	(101)
Cash generated from operations		523 711	779 707
Income taxes paid		(14 596)	(33 434)
Net cash flows from operating activities		509 115	746 273
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		500	890
Purchase of intangible assets, property, plant and equipment	3,4	(11 652)	(13 366)
Net cash used in investing activities		(11 152)	(12 476)
Cash flows from financing activities			
Decrease in short term borrowings		(526 379)	(648 746)
Dividends paid		-	(28 000)
Net cash from financing activities		(526 379)	(676 746)
Net cash (decrease) / increase in cash and cash equivalents		(28 416)	57 051
Cash and cash equivalents at 1 January		22 530	(34 521)
Cash and cash equivalents at 31 December	**8**	**(5 886)**	**22 530**
Supplemental information			
Interest income received		83 440	182 839
Interest expense paid		(42 206)	(121 788)

The notes on pages 7 to 32 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 34 employees in 2009 (38 in 2008).

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:

2009 and 2008

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

In 2009 this subsidiary entered into liquidation which was finished on 31 October 2009 when the liquidation balance of CZK 40 thousand was paid out to TRANSFINANCE a.s..

The consolidated financial statements of TRANSFINANCE a.s. and its subsidiary ("the Group") for the year ended 31 December 2009 were authorized for issue by the Company's directors on 31 March 2010.

2 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 in accordance with those IFRS standards and IFRIC interpretations issued and effective as at the reporting date of these statements (31 December 2009). 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 BASIS OF PREPARATION (continued)

2.1 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) Relevant interpretations effective in 2009

Interpretation	Content	Applicable for financial years beginning on/after
IFRS 7 (Amendment)	Improving disclosures about financial instruments	1 January 2009
IAS 1 (Revised)	Presentation of financial statements	1 January 2009

IAS 1, Presentation of Financial Statements (revised September 2007; effective for annual periods beginning on or after 1 January 2009). The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which will also include all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities will be allowed to present two statements: a separate income statement and a statement of other comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The revised IAS 1 affects the presentation of Company's financial statements but has no impact on the recognition or measurement of specific transactions and balances.

Improving Disclosures about Financial Instruments - Amendment to IFRS 7, Financial Instruments: Disclosures (issued in March 2009; effective for annual periods beginning on or after 1 January 2009). The amendment requires enhanced disclosures about fair value measurements and liquidity risk. The entity will be required to disclose an analysis of financial instruments measured at fair value using a three-level measurement hierarchy. The amendment (a) clarifies that the maturity analysis of liabilities should include issued financial guarantee contracts at the maximum amount of the guarantee in the earliest period in which the guarantee could be called; and (b) requires disclosure of remaining contractual maturities of financial derivatives if the contractual maturities are essential for an understanding of the timing of the cash flows. An entity will further have to disclose a maturity analysis of financial assets it holds for managing liquidity risk, if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk. The amendments will not have material impact on the Company's financial statements.

(b) Standards and amendments early adopted by the group

None

2 BASIS OF PREPARATION (continued)

2.1 CHANGES IN ACCOUNTING POLICIES (continued)

(c) Interpretations effective in 2009 but not relevant

Interpretation	Content	Applicable for financial years beginning on/after
IFRS 1 and IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly controlled entity or associate	1 January 2009
IFRS 2 (Amendment)	Share-based payment – Vesting conditions and cancellations	1 January 2009
IFRS 8	Operating segments (replacement of IAS 14)	1 January 2009
IAS 19 (Amendment)	Employee benefits	1 January 2009
IAS 23 (Amendment)	Borrowing costs	1 January 2009
IAS 28, IAS 32 and IFRS 7 (Amendments)	Investments in associates (and consequential amendments to IAS 32, 'Financial Instruments: Presentation', and IFRS 7, 'Financial instruments: Disclosures')	1 January 2009
IAS 32 and IAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation	1 January 2009
IAS 36 (Amendment)	Impairment of assets	1 January 2009
IAS 38 (Amendment)	Advertising costs	1 January 2009
IAS 39 (Amendment)	Financial instruments: Recognition and measurement	1 January 2009
IAS 39 and IFRIC 9 (Amendments)	Embedded Derivatives	30 June 2009
IAS 40	Accounting of investment properties under construction	1 January 2009
IFRIC 15	Agreements for the Construction of Real Estate	1 January 2009
IFRIC 16	Hedges of a net investment in a foreign operation	1 October 2008

(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 2010 or later periods, but the Group has not early adopted them.

Interpretation	Content	Applicable for financial years beginning on/after
IFRS 1 (Amendment)	First time adoption of IFRS	1 January 2010
IFRS 2 (Amendment)	Group cash-settled share-based payment transactions	1 January 2010
IFRS 3 (Revised)	Business combinations	1 July 2009
IFRS 5 and IFRS 1 (Amendment)	Non-current assets held-for-sale and discontinued operations (and consequential amendment to IFRS 1, 'First-time adoption')	1 July 2009
IFRS 9	Financial instruments part 1: Classification and measurement	1 January 2013
IAS 1	Classification of certain liabilities settled by entity's own equity instruments	1 July 2009
IAS 24	Related Party Disclosures	1 January 2011
IAS 27 (Revised)	Consolidated and separate financial statements	1 July 2009
IAS 32 (Amendment)	Classification of right issues	1 February 2010
IAS 38	Fair value of intangible assets acquired in business combination	1 July 2009
IFRIC 17	Distribution of Non-Cash Assets to Owners	1 July 2009
IFRIC 18	Transfers of Assets from Customers	1 July 2009
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

Unless stated otherwise the new standards and interpretations are not expected to significantly affect the consolidated financial statements.

2 BASIS OF PREPARATION (continued)

2.2 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 reporting 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 backwards. As such, significant additional taxes, penalties and interest may be assessed.

As at 31 December 2009, management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax position will be sustained.

2 BASIS OF PREPARATION (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 line by line 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.

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 recognised in the statement of comprehensive income 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 recognised in the statement of comprehensive income 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 reporting date.

Financial assets

The Group classifies its financial assets as receivables or financial assets at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The accounting policy below describes the specific accounting of factoring receivables.

2 BASIS OF PREPARATION (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Financial assets at fair value through profit or loss are financial derivatives.

Recognition and derecognition of the financial assets and liabilities

The following rules apply for the recognition of the financial assets and liabilities:

The Group shall recognise a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument.

The following rules apply for the derecognition of the financial assets and liabilities:

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Group tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using settlement date accounting.

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 recognised 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 recognised within Interest income.

Purchased non-recourse trade receivables are classified as 'Factoring receivables non-recourse'. They are initially recognised 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 statement of financial position as the risks and rewards are not transferred to the Group. The Group recognises 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 recognised 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.

2 BASIS OF PREPARATION (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the 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 statement of comprehensive income within 'Allowance for impairment'. 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 statement of comprehensive income.

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 recognised 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 with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

2 BASIS OF PREPARATION (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 reporting 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 statement of comprehensive income as ‘Gains less losses from financial derivatives’. Derivatives are recognised 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 reporting date are translated into Czech Crowns using the year-end foreign exchange rates. All exchange differences are recorded in the statement of comprehensive income in the line ‘Foreign exchange gains less losses’.

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.

Dividends

Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting date and before the financial statements are authorised for issue are disclosed in the subsequent events note.

Revenue recognition

Revenue is recognised 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 recognised 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 recognised within Interest revenue. Interest revenue is recognised on a time-proportion basis using the effective interest method.

2 BASIS OF PREPARATION (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation and deferred taxation

The tax expense for the period comprises current and deferred tax. The taxation charge is calculated in accordance with Czech regulations expected or substantively enacted at the reporting date and is based on the profits reported in the Statement of comprehensive income prepared under Czech accounting regulations after adjustments for tax purposes.

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

Current tax, to the extent unpaid, is recognised as a liability if the amount already paid for income tax exceeds the amount due, the excess is recognised as a current asset.

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 statement of comprehensive income 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 statement of comprehensive income 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.

Borrowings are classified as current liabilities unless the Group has an unconditioned right to defer settlement of the liability for at least 12 months after the reporting date.

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 recognised in the statement of comprehensive income in Administrative expenses (refer to note 16) as an expense on a straight-line basis over the lease term.

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.

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

2 BASIS OF PREPARATION (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 statement of comprehensive income 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 reporting date. These estimates are determined based on experience similar transactions and history of past losses, supplemented by the judgment of management.

Subsequent events

Post-year-end events that provide additional information about the Group's position at the reporting date (adjusting events), are reflected in the consolidated financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

3 INTANGIBLE ASSETS

Intangible assets consist of the following:

	2009	2008
Cost:	***Software***	***Software***
At 1 January	36 269	23 384
Additions – externally purchased	11 652	12 885
Disposals	(201)	-
At 31 December	47 720	36 269
Accumulated amortization:		
At 1 January	(19 250)	(19 070)
Amortization charge for the year	(2 121)	(180)
Disposals	131	-
At 31 December	(21 240)	(19 250)
Net book value:		
At 31 December	26 480	17 019

4 PROPERTY AND EQUIPMENT

Property, plant and equipment consists of the following:

	Leasehold improvements	Plant and equipment	Total
Cost:			
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
At 1 January 2009	2 172	17 961	20 133
Additions	-	-	-
Disposals	-	(8 117)	(8 117)
At 31 December 2009	2 172	9 844	12 016
Accumulated depreciation:			
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)
At 1 January 2009	(1 049)	(13 973)	(15 022)
Depreciation charge for the year	(400)	(1 555)	(1 955)
Disposals	-	8 117	8 117
At 31 December 2009	(1 449)	(7 411)	(8 860)
Net book value:			
At 31 December 2008	1 123	3 988	5 111
At 31 December 2009	723	2 433	3 156

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

5 FACTORING RECEIVABLES NON-RECOURSE

	2009	2008
Purchased non-recourse trade receivables	485 543	997 511
Allowance for impairment (Note 18)	(7 127)	(7 127)
Purchased trade receivables, net	478 416	990 384

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

Purchased non-recourse trade receivables were either insured or the Group obtained guarantees from other international factoring companies.

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

	2009	2008
Factoring financing	1 868 223	2 034 701
Allowance for impairment (Note 18)	(246 263)	(262 183)
Factoring financing, net	1 621 960	1 772 518

Factoring financing is interest bearing. As at 31 December 2009, the Group holds promissory notes issued by debtors or other third parties used as collateral for factoring financing in the amount of CZK 115 627 thousand (2008: CZK 170 592 thousand).

7 PREPAYMENTS AND OTHER ASSETS

	2009	2008
Non-financial assets:		
Prepayments	1 033	2 188
Financial assets:		
Other receivables	1	1 778
	1 034	3 966

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

8 CASH AND CASH EQUIVALENTS

	2009	2008
Cash on hand	354	225
Cash at bank (Note 24)	13 139	40 905
Cash at bank and on hand	13 493	41 130
Overdrafts (Note 10)	(19 379)	(18 600)
Cash and cash equivalents	(5 886)	22 530

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

9 FACTORING PAYABLES NON-RECOURSE AND OTHER PAYABLES

	2009	2008
Liabilities from purchased non-recourse receivables	199 207	343 798
Other payables	3 579	12 771
	202 786	356 569

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 reporting date. Individual borrowings are without security. In 2009, the borrowings bear interest of approximately 2.55% p.a. (2008: 3.3% 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 2009	Drawn bank borrowings as of 31 December 2009	Drawn bank borrowings as of 31 December 2008
UniCredit Bank Czech Republic, a.s.	One year credit limit, repayable 31 January 2010	1 350 000	843 023	927 632
Česká exportní banka, a.s.	One year credit limit, repayable 31 December 2010	300 000	100 000	-
Komerční banka, a.s.	Credit limit unspecified maturity	275 520	151 825	88 854
COMMERZBANK Aktiengesellschaft, pobočka Praha	Credit limit unspecified maturity	900 000	557 355	437 934
LBBW Bank CZ a.s.	One year credit limit, repayable 30 June 2010	405 000	462	54 164
ING Bank N.V.	Credit limit with unspecified maturity	500 000	1 346	686
HSBC Bank plc - pobočka Praha	One year credit limit, repayable 27 February 2009	-	-	670 341
Total		**3 730 520**	**1 654 011**	**2 179 611**

As of 31 December 2009, the Group had drawn CZK 557 355 thousand of borrowings from related parties (2008: CZK 437 934 thousand), refer to Note 22.

11 ACCRUALS AND OTHER PROVISIONS

	2009	2008
Accrued expenses	4 743	7 146
Deferred income	3 003	4 470
Other provisions	2 500	2 500
	10 246	14 116

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 2009 and 2008 respectively.

At the General Meeting of Shareholders it had been approved that there will be no dividends paid out of the 2008 profit. In the previous year 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.

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 such capital is considered to be the Group´s 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 2009 the ratio was at the value of 15.51% (11.84% as at 31 December 2008). This ratio is calculated as equity divided by the sum of funds in use. 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 statement of financial position). Equity is shareholders equity as shown in the consolidated statement of financial position. 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

	2009	2008
At 1 January	17 331	14 547
Allocation of profit from prior years	519	2 784
At 31 December	17 850	17 331

14 INTEREST INCOME AND EXPENSE

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

	2009	2008
Interest earned on factoring receivables non-recourse	12 254	48 870
Interest earned from financing of factoring receivables	71 186	133 969
Total interest income	83 440	182 839
Interest expense	(42 206)	(121 788)
Interest income, net	41 234	61 051

In 2009 interest income on impaired assets amounted to CZK 17 065 thousand (2008: CZK 28 646 thousand).

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.

	2009	2008
Domestic	38 608	66 183
Export	21 384	33 188
Import	3 698	8 608
Total factoring revenue	63 690	107 979

16 ADMINISTRATION EXPENSES

	2009	2008
Materials and energy consumption	1 473	2 393
Services	22 545	29 392
	24 018	31 785

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

17 STAFF COSTS

	2009	2008
Salaries and wages	15 903	20 431
Social and health insurance	4 178	5 153
Other social costs	536	623
Remuneration of board members	487	540
	21 104	26 747

Included in salaries and wages there is key management remuneration of CZK 3 898 thousand (2008: CZK 6 725 thousand), see Note 22. Members of the Board 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.

18 ALLOWANCE FOR IMPAIRMENT LOSSES AND TRADE RECEIVABLES WRITTEN-OFF

The movements in allowance for impairment were as follows:

	Factoring receivables non-recourse	Financing of factoring receivables	Other non-current assets	Total
31 December 2007	**7 249**	**205 022**	**-**	**212 271**
Amounts written off	(122)	(18 500)	-	(18 622)
Charge for the year	-	80 600	-	80 600
FX difference	-	(4 939)	-	(4 939)
31 December 2008	**7 127**	**262 183**	**-**	**269 310**
Amounts written off	-	(58 915)	-	(58 915)
Charge for the year	-	40 000	-	40 000
FX difference	-	2 995	-	2 995
31 December 2009	**7 127**	**246 263**	**-**	**253 390**

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 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
FX difference	-	(4 939)	-	(4 939)
31 December 2008	**237 224**	**31 664**	**422**	**269 310**
Amounts written off	(48 102)	(10 813)	-	(58 915)
Charge for the year	40 000	-	-	40 000
FX difference	-	2 995	-	2 995
31 December 2009	**229 122**	**23 846**	**422**	**253 390**

The allowance for impairment and trade receivables written-off in the statement of comprehensive income includes the movements on impairments shown above and write-offs of trade receivables (CZK 55 731 thousand in 2009, CZK 166 thousand in 2008) that became uncollectible with no realistic prospect of future recovery (e.g. by decision of court, end of bankruptcy proceedings, etc.). These written-off receivables had been fully covered by impairment provisions.

19 OTHER OPERATING EXPENSES, NET

	2009	2008
Other income	3 607	8
Other taxes and fees	(160)	(1 749)
Insurance expense	(5 134)	(9 112)
Gain on sale of fixed assets	233	457
Others	(677)	(872)
	(2 131)	(11 268)

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

20 GAINS LESS LOSSES FROM FINANCIAL DERIVATIVES

	2009	2008
Fair value loss on derivative financial instruments	(721)	(4 065)
Fair value gains on financial instruments	848	4 595
Financial expense, net	127	530

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. There were neither outstanding deals with derivative financial instruments as at 31 December 2009 nor 2008.

No derivatives are open at year end.

21 INCOME TAX EXPENSE

The major components of income tax expense for the years ended 31 December 2009 and 2008 are:

	2009	2008
Current income tax expense	5 424	25 105
Adjustment in respect of current income tax of previous years	(469)	(750)
Deferred income tax expense	1 025	75
Total income tax expense	5 980	24 430

A reconciliation between the tax expense and the accounting profit multiplied by the statutory tax rate for the years ended 31 December 2009 and 2008 is as follows:

	2009	2008
Accounting profit before income tax	11 604	35 618
At Czech statutory income tax rate 20% (2008: 21%)	2 321	7 480
Adjustment in respect of current income tax of previous years	(285)	(750)
Write off of receivable, tax non-deductible provisions	3 611	16 955
Other non-deductible expenses	333	745
Taxation charge	5 980	24 430
Effective tax rate	52%	69%

Write offs of receivables in the Company's portfolio can be applied for tax purposes in line with Czech tax legislation only in certain cases and under specified circumstances.

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

21 INCOME TAX EXPENSE (continued)

Deferred taxes as of 31 December 2009 and 2008 relates to the following:

	31 December 2007	Recognised in Statement of comprehensive income	31 December 2008	Recognised in Statement of comprehensive income	31 December 2009
Difference between revenue recognition for accounting and tax purposes	1 313	(211)	1 102	(1 025)	77
Difference between NBV of fixed assets for accounting and tax purposes	(2)	136	134	-	134
Deferred income tax asset and annual movement	1 311	(75)	1 236	(1 025)	211

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 2009 and 2008 and for the years then ended, are presented in the following tables:

					Amounts owed to related parties	
2009	**Factoring revenue**	**Interest expense**	**Cost of services**	**Factoring receivables non-recourse**	**Factoring payables non-recourse**	**Bank Borrowings**
Parent / ultimate parent companies:						
Commerzbank AG	-	15 128	-	-	-	557 355
Intermarket Bank	-	-	1 885	11	-	-
Other companies in the BRE Bank consolidation group:						
Magyar Factor	50	-	4	-	1 986	-
Polfactor	66	-	80	340	1 724	-

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

22 RELATED PARTIES (continued)

2008	Factoring revenue	Interest expense	Cost of services	Factoring receivables non-recourse	Amounts owed to related parties: Factoring payables non-recourse	Amounts owed to related parties: 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	-

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 2009 amounted to CZK 4 385 thousand (2008: CZK 7 265 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 2009, the Group has not made any provision for doubtful debts relating to amounts owed by related parties (2008: nil).

23 COMMITMENTS AND CONTINGENCIES

Capital and operating lease commitments

The Group had no capital commitments at 31 December 2009 (2008: nil).

All lease contracts are revocable and with a cancellation period of maximum 3 months. Maximum operating lease commitments amout to CZK 843 thousand (2008: 1 022 thousand).

Pension commitments

The Group makes contributions only to the basic state pension scheme. Contributions for state pension benefits are charged to the Statement of comprehensive income 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 2009, the Group had bank guarantees issued for the benefit of other companies totaling CZK 21 million (2008: CZK 26 million). The Group issues these guarantees as part of the provision of normal services to clients as part of its business activities.

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

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial assets and liabilities, 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

	Financial liabilities at amortised cost	Liabilities at fair value through the profit and loss	Total
31 December 2009			
Liabilities as per statement of financial position			
Bank borrowings	1 654 011	-	1 654 011
Factoring payables non-recourse and other payables	202 786	-	202 786
Total	1 856 797	-	1 856 797

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

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

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. The table below shows the rating and balance of the major counterparties at the reporting date.

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

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

	2009	2008	Rating (Moody's)
HSBC Bank plc - pobočka Praha	1 406	4 478	AA2
LBBW Bank CZ a.s.	-	45	AAA
ING Bank N.V.	283	3 316	AA3
UniCredit Bank Czech Republic, a. s.	5 706	13 644	AA3
Raiffeisenbank, a.s.	35	6 380	A1
Komerční banka, a.s.	6	2 844	A1
COMMERZBANK Aktiengesellschaft, pobočka Praha	5 703	10 198	AA3
Cash at bank (Note 8)	**13 139**	**40 905**	

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

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 a detailed overview about the 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 the structure of the Group’s financial assets (net of impairment) based on types of the Group’s business:

	2009	2008
Type of business:		
Domestic	1 562 128	2 122 357
Export	463 978	461 786
Import	74 270	178 759
Total business (net)	2 100 376	2 762 902
Other receivables	1	1 778
Total (net)	2 100 377	2 764 680

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

As of 31 December 2009 and 2008, 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 recognised financial assets, is the carrying amount of those assets as indicated in the statement of financial position.

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 (at amortised cost before provision for impairment):

2009	**Factoring receivables non-recourse**	**Financing of factoring receivables**	**Total**
High grade	6 798	26 155	32 953
Standard grade	434 804	1 459 978	1 894 782
Substandard grade	43 942	382 090	426 032
Total	**485 543**	**1 868 223**	**2 353 766**

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**

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.

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims to maintain flexibility in funding by keeping committed credit lines available so that financial liabilities can be settled when they fall due. The Group's short-term bank borrowings mature in 2010.

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 financial asset and liabilities into relevant groups based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table for financial liabilities are the contractual undiscounted cash flows. All financial assets and liabilities fall due within 3 months, and are shown at their carrying values as the discounting impact is not significant.

Financial assets and liabilities according to remaining contractual maturities

2009	**Up to 3 months**	**3 – 12 months**	**Undefined**	**Total**
Cash at bank and cash on hand	13 493	-	-	13 493
Factoring receivables non-recourse	478 416	-	-	478 416
Financing of factoring receivables	1 621 960	-	-	1 621 960
Prepayments and other assets	1	-	-	1
Total Financial Assets	**2 113 870**	**-**	**-**	**2 113 870**
Factoring payables non-recourse and other payables	202 786	-	-	202 786
Bank borrowings	1 654 011	-	-	1 654 011
Total Financial Liabilities	**1 856 797**	**-**	**-**	**1 856 797**
Net Financial Assets	**257 073**	**-**	**-**	**257 073**

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

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

2008	1 – 3 months	3 – 12 m	Undefined	Total
Cash at bank and cash on hand	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	1 778	-	-	1 778
Total Financial Assets	**2 807 998**	**-**	**-**	**2 807 998**
Financial liabilities:				
Factoring payables non-recourse	356 569	-	-	356 569
Bank borrowings	2 179 611	-	-	2 179 611
Total Financial Liabilities	**2 536 180**			**2 536 180**
Net Financial Assets	**271 818**	**-**	**-**	**271 818**

Market risk: foreign currency risk and interest rate risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the EUR. Foreign exchange risk arises from future commercial transactions and recognised monetary assets and liabilities. The Group's interest rate risk arises from short-term borrowings and has no significant interest bearing assets.

Borrowings are issued with variable rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest costs may increase as a result of such changes. They may reduce or create losses in the event that unexpected movements arise.

The Group's borrowings carry variable interest rates and on certain borrowings the Group uses interest rate caps to manage the fair value risk. Due to the fact that using derivatives is not significant for the Group, there is no significant concentration of fair value interest rate risk.

As of 31 December 2009, the monetary assets of the Group are denominated 60% in CZK, 35% in EUR, 3% in USD and 2% in other currencies. As of 31 December 2009, the monetary liabilities of the Group are denominated 53% in CZK, 41% in EUR, 3% in USD and 3% in other currencies.

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.

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 currency risks arising from the Group's operations and its sources of financing.

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

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk: foreign currency risk and interest rate risk (continued)

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 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 2009 and 2008 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 the profit before tax, while a positive amount reflects a net potential increase.

2009

Currency	Change in exchange rate in %	Effect on profit before tax 2009
EUR	-10%	(409)
USD	-10%	(373)

2008

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

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 statement of financial position approximates their fair values.

Fair value estimation

Effective 1 January 2009, the group adopted the amendment to IFRS 7 for financial instruments that are measured in the statement of financial position at fair value (Note 20). This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2).
- Inputs for the asset or liability that are not based on observable market data (level 3).

The group uses level 3 for measurement of most of its financial assets and liabilities.

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

26 EVENTS AFTER REPORTING DATE

The subsidiary Vartimex s.r.o. had been deleted from the Business Register on 8 March 2010. There were no other significant events effecting the year ended 31 December 2009 which occurred between the reporting date and the date of approving these accounts.

Transfinance