

**ISTROKAPITAL SE**  
**REPORT AND FINANCIAL STATEMENTS**  
For the year ended 31 December 2008

# **ISTROKAPITAL SE**

## **REPORT AND FINANCIAL STATEMENTS**

For the year ended 31 December 2008

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**ISTROKAPITAL SE****OFFICERS AND PROFESSIONAL ADVISORS**

Board of Directors	Mario Hoffmann Boris Krehel Josef Salaj Lubos Ac Marek Tarda Daniel Legen Alena Madacova (Resigned on 31/12/2008) Ladislav Timulak (Appointed on 31/12/2008)
Secretary	Cymanco Services Ltd
Independent Auditors	KPMG
Banks	Postova Banka a.s. J&T Banka a.s. Societe Generale Cyprus Ltd Bank of Cyprus Public Company Ltd
Registered office	Klimentos Street 41-43 Klimentos Tower, 1st Floor, Flat 12 1061 Nicosia CYPRUS

## **ISTROKAPITAL SE**

### **REPORT OF THE BOARD OF DIRECTORS**

The Board of Directors of ISTROKAPITAL SE (the "Company") presents to the members their report together with the audited financial statements of the Company for the year ended 31 December 2008.

#### **INCORPORATION**

ISTROKAPITAL SE was incorporated in Cyprus on 01 February 2007 as a European Public Limited Liability Company under the Companies Law, Cap. 113. It was the result of the merger of ISTROKAPITAL a.s. a company registered in Slovak Republic and Kangima Investments Public Company Ltd a company registered in Cyprus.

#### **PRINCIPAL ACTIVITIES**

The principal activities of the Company are the holding of investments in subsidiary companies, acquisition of new ownership interests, as well as financing.

#### **EXAMINATION OF THE DEVELOPMENT, POSITION AND PERFORMANCE OF THE ACTIVITIES OF THE COMPANY**

The current financial position as presented in the financial statements is considered satisfactory. The Board of Directors does not expect major changes in the principal activities of the Company in the foreseeable future.

#### **FINANCIAL RESULTS**

The Company's results for the period are set out on page 6.

#### **DIVIDENDS**

The Board of Directors does not recommend the payment of a dividend and the net profit for the period is retained.

#### **MAIN RISKS AND UNCERTAINTIES**

The most significant risks faced by the Company and the steps taken to manage these risks, are described in note 29 of the financial statements.

#### **FUTURE DEVELOPMENTS**

ISTROKAPITAL SE follows a strategic plan to strengthen its position in Postova Banka a.s. in which it is the major shareholder. ISTROKAPITAL SE considers entering into new acquisitions and projects in banking and financing sectors.

#### **SHARE CAPITAL**

##### **Authorized capital**

The total recognized share capital of the Company at 31 December 2008 amounts to €45.766.577 comprising of €24.087.672 ordinary shares with nominal value of €1,90 each

##### **Issued capital**

The total issued and fully paid share capital of the Company as at 31 December 2008 amounts to €45.766.577 comprising of €24.087.672 ordinary shares with nominal value of €1,90 each.

**ISTROKAPITAL SE****REPORT OF THE BOARD OF DIRECTORS****BRANCHES**

During the year 31 December 2008 the Company did not operate any branches.

**BOARD OF DIRECTORS**

The members of the Board of Directors of the Company as at 31 December 2008 and at the date of this report are shown on page 1. All of them were members of the Board throughout the year ended 31 December 2008, except from Ladislav Timulak who was appointed as member of the Board on 31 December 2008 to replace Alena Madacova who resigned on 31 December 2008.

In accordance with the Company's Articles of Association all directors presently members of the Board continue in office.

**POST BALANCE SHEET EVENTS**

Any significant events that occurred after the end of the period are described in note 33 of the financial statements.

**INDEPENDENT AUDITORS**

The independent Auditors, Messrs KPMG, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be submitted at the Annual General Meeting.

By order of the Board of Directors,



.....  
Director

Larnaca, 25 June 2009.

**KPMG**

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6300 Lamaca  
Cyprus

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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF

**ISTROKAPITAL SE**

**Report on the Financial Statements**

We have audited the financial statements of the parent company ISTROKAPITAL SE (the "Company") on pages 6 to 35, which comprise the balance sheet as at 31 December 2008 and the income statement, statement of recognized income and expense and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

We have reported separately on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2008.

*Board of Directors' Responsibility for the Financial Statements*

The Company's Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap 113. 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.

*Auditors' Responsibility*

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

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

**Board Members**

NG. Simeis  
A.K. Christofides  
E.Z. Hadjiocharis  
P.G. Loizou  
A.M. Gregoriadis  
A.A. Demetriou  
D.S. Vakis  
A.A. Apostolakis  
S.A. Louzides  
M.A. Louzides

S.G. Sotiropoulos  
M.M. Antoniadis  
C.V. Vasiliou  
P.E. Antoniadis  
M.J. Hakis  
M.P. Michael  
P.A. Petros  
G.V. Mavridis  
M.A. Papanicolaou  
K.A. Papanicolaou

A.I. Soteriades  
G.N. Tziortzis  
H.S. Charalambous  
C.P. Anagnostou  
I.P. Ghalanos  
M.G. Gregoriadis  
H.A. Kakoulis  
D.P. Sarvas  
C.A. Kikias  
C.N. Kallis

**Nicosia**

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Telefax: +357 26943062

**Paralimni/Ayia Napa**

P.O. Box 33200, 5311  
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Telefax: +357 23820084

**Polis Chrysochou**

P.O. Box 66014, 8830  
Telephone: +357 26322098  
Telefax: +357 26322722



### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the parent company ISTROKAPITAL SE as of 31 December 2008 and of its financial performance and its cash flows for the year ended 31 December 2008 in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113.

### **Report on Other Legal Requirements**

Pursuant to the requirements of the Companies Law, Cap. 113, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on pages 2 and 3 is consistent with the financial statements.

### **Other Matter**

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 156 of the Companies Law, Cap.113 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

**KPMG Limited**

Chartered Accountants

Larnaca, 25 June 2009

**ISTROKAPITAL SE****INCOME STATEMENT****For the year ended 31 December 2008**

		2008	1/2/2007- 31/12/2007
		€	€
	Note		
<b>Revenue</b>			
Gain from execution of forward contracts		9.150.520	-
Interest receivable		4.273.504	3.617.878
Realized exchange gain		1.605.192	3.349.290
Gain on disposal of financial instruments		-	3.626.000
Gain on disposal of investments available for sale		-	533.050
<b>Gross revenue</b>		<u>15.029.216</u>	<u>11.126.218</u>
Interest payable		(2.384.391)	(1.968.324)
Realized exchange loss		(368.492)	(1.997.063)
<b>Net revenue</b>	4	<u>12.276.333</u>	<u>7.160.831</u>
Other income	6	178.642	11.764.824
Administration expenses		<u>(1.319.274)</u>	<u>(1.235.913)</u>
<b>Operating profit before financing expenses</b>		<u>11.135.701</u>	<u>17.689.742</u>
Finance income		15.870.613	2.728.060
Finance expenses		<u>(9.665.193)</u>	<u>(2.789.562)</u>
<b>Net finance income/(expenses)</b>	8	<u>6.205.420</u>	<u>(61.502)</u>
<b>Profit before tax</b>		17.341.121	17.628.240
Tax	9	<u>(1.113.032)</u>	<u>(237.904)</u>
<b>Profit for the year/period</b>		<u><u>16.228.089</u></u>	<u><u>17.390.336</u></u>

The notes on pages 10 to 35 are an integral part of these financial statements.



**ISTROKAPITAL SE****STATEMENT OF RECOGNISED INCOME AND EXPENSE****For the year ended 31 December 2008**

	Note	2008	1/2/2007- 31/12/2007
		€	€
Net change in fair value of investments in subsidiaries	11	20.562.642	-
Net change in fair value of investments available for sale	18	<u>(97.237)</u>	<u>-</u>
<b>Gains and losses not recognized in the income statement</b>		20.465.405	-
<b>Profit for the year/period</b>		<u>16.228.089</u>	<u>17.390.336</u>
<b>Total recognized income for the year/period</b>		<u>36.693.494</u>	<u>17.390.336</u>

All income and expenses of the Company are recognized through the income statement. There is no income or expenses during the years, except those mentioned above.

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defense at 15% will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defense is payable for the account of the shareholders.

As at the date of this report the shareholders of the Company that are Cyprus tax residents are WEYLIN ENTERPRISES LIMITED and Mr. Daniel Legen, therefore the provisions for the special contribution for defense on dividend and deemed dividends will apply.

## ISTROKAPITAL SE

## BALANCE SHEET

As at 31 December 2008

	Note	2008 €	2007 €
<b>Assets</b>			
Property, plant and equipment	10	23.334	26.133
Investments in subsidiaries	11	117.669.300	87.192.472
Long-term loans receivable from related parties	12	10.095.671	18.984.161
Long-term loans receivable from third parties	13	3.070.302	8.368.532
<b>Total non-current assets</b>		<b>130.858.607</b>	<b>114.571.298</b>
Short-term loans receivable from related parties	14	7.358.214	693.136
Short-term loans receivable from third parties	15	54.239.508	10.033.067
Trade and other receivables	16	1.725.251	14.094.378
Receivables from related parties	17	85.776	186.237
Investments available for sale	18	122.834	197.835
Cash and cash equivalents	19	23.854.826	811.346
<b>Total current assets</b>		<b>87.386.409</b>	<b>26.015.999</b>
<b>Total assets</b>		<b>218.245.016</b>	<b>140.587.297</b>
<b>Equity</b>			
Share capital	20	45.766.577	45.766.577
Reserves	21	57.083.757	20.390.263
<b>Total equity attributable to shareholders of the Company</b>		<b>102.850.334</b>	<b>66.156.840</b>
<b>Liabilities</b>			
Bonds issued	22	19.916.352	17.904.000
Long-term loans payable to related parties	23	49.819.730	45.870.275
<b>Total non-current liabilities</b>		<b>69.736.082</b>	<b>63.774.275</b>
Short-term loans payable to related parties	24	14.771.294	-
Short-term loans payable to third parties	25	28.783.991	47.215
Trade and other payables	26	1.575.413	10.448.747
Tax payable	27	527.902	160.220
<b>Total current liabilities</b>		<b>45.658.600</b>	<b>10.656.182</b>
<b>Total liabilities</b>		<b>115.394.682</b>	<b>74.430.457</b>
<b>Total equity and liabilities</b>		<b>218.245.016</b>	<b>140.587.297</b>

The Board of Directors approved the financial statements on 25 June 2009.


  


The notes on pages 10 to 35 are an integral part of these financial statements.

## ISTROKAPITAL SE

CASH FLOW STATEMENTFor the year ended 31 December 2008

	2008	1/2/2007-
	€	31/12/2007
		€
Note		
<b>Cash flows from operating activities</b>		
Profit for the year/period	16.228.089	17.390.336
Adjustments for:		
Depreciation of property, plant and equipment	6.889	4.532
Unrealised exchange (gain)/loss	(6.218.972)	49.432
Gain on disposal on investments in subsidiaries	-	(11.764.824)
Income tax expense	<u>1.113.032</u>	<u>237.904</u>
<i>Cash flows from operations before working capital changes</i>	11.129.038	5.917.380
Decrease/(Increase) in trade and other receivables	12.369.127	(14.094.378)
Increase in investments available for sale	(22.236)	(197.835)
(Decrease)/Increase in trade and other payables	(8.873.334)	10.448.747
Decrease/(Increase) in amount receivable from related parties	<u>100.461</u>	<u>(186.237)</u>
<b>Cash flows from operations</b>	14.703.056	1.887.677
Tax paid	<u>(585.130)</u>	<u>(77.684)</u>
<b>Net cash from operating activities</b>	<u>14.117.926</u>	<u>1.809.993</u>
<b>Cash flows from investing activities</b>		
Payment for purchase of property, plant and equipment	(4.090)	(30.665)
Payment for purchase of investments in subsidiaries	-	(96.292.690)
Proceeds from disposal of investments in subsidiaries	-	13.089.333
Long-term loans granted	<u>(36.684.799)</u>	<u>(27.352.692)</u>
<b>Net cash used in investing activities</b>	<u>(36.688.889)</u>	<u>(110.586.714)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of share capital	-	45.766.577
Proceeds from borrowings	45.614.443	45.917.490
Proceeds from the issue of bonds	<u>-</u>	<u>17.904.000</u>
<b>Net cash from financing activities</b>	<u>45.614.443</u>	<u>109.588.067</u>
<b>Net increase in cash and cash equivalents</b>	23.043.480	811.346
Cash and cash equivalents at beginning of the year/period	<u>811.346</u>	<u>-</u>
<b>Cash and cash equivalents at the end of the year/period</b>	19 <u><u>23.854.826</u></u>	<u><u>811.346</u></u>

The notes on pages 10 to 35 are an integral part of these financial statements.

**ISTROKAPITAL SE****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2008

**1. INCORPORATION AND PRINCIPAL ACTIVITIES**

ISTROKAPITAL SE was incorporated in Cyprus on 01 February 2007 as a European Public Limited Liability Company under the Companies Law, Cap. 113. It was the result of the merger of ISTROKAPITAL a.s. a company registered in Slovak Republic and Kangima Investments Public Company Ltd a company registered in Cyprus. Its registered office is at Klimentos Street 41-43, Klimentos Tower, 1<sup>st</sup> Floor, Flat 12, 1061 Nicosia, Cyprus.

The principal activities of the Company are the holding of investments in subsidiary companies, acquisition of new ownership interests, as well as financing of the needs of the ISTROKAPITAL Group.

**2. BASIS OF PREPARATION****(a) Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113.

The Company has prepared these parent's separate financial statements for compliance with the requirements of the Cyprus Income Tax Law.

The Company has also prepared consolidated financial statements in accordance with IFRSs for the Company and its subsidiaries (the "Group"). The consolidated financial statements can be obtained from Klimentos Street 41-43, Klimentos Tower, 1<sup>st</sup> Floor, Flat 12, 1061 Nicosia.

Users of these parent's separate financial statements should read them together with the Group's consolidated financial statements as at and for the year ended 31 December 2008 in order to obtain a proper understanding of the financial position, the financial performance and the cash flows of the Company and the Group

**(b) Basis of measurement**

The financial statements have been prepared under the historical cost convention, except in the case of investments and loans, which are shown at their fair value.

**(c) Adoption of new and revised International Financial Reporting Standards**

As from 1 October 2006, the Company adopted all the IFRSs and International Accounting Standards (IAS), which are relevant to its operations. The adoption of these Standards did not have a material effect on the financial statements.

The following Standards, Amendments to Standards and Interpretations had been issued but are not yet effective for the year ended 30 September 2008:

**(i) Standards and Interpretations adopted by the EU**

- IFRS 8: "Operating Segments" (effective for annual periods beginning on or after 1 January 2009). The application of the standard is not expected to have an impact on the financial statements of the Company.
- IFRIC 11: "IFRS 2: Group and Treasury Share Transactions" (effective for annual periods beginning on or after 1 March 2007). The application of the interpretation is not expected to have an impact on the financial statements of the Company.

**ISTROKAPITAL SE****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2008

**2. BASIS OF PREPARATION** (continued)(ii) Standards and Interpretations not adopted by the EU

- IAS 1 (revised): “Presentation of Financial Statements: A Revised Presentation” (effective for annual periods beginning on or after 1 January 2009). The application of the standard is not expected to have an impact on the financial statements of the Company.
- IAS 23 (revised): “Borrowing Costs” (effective for annual periods beginning on or after 1 January 2009). The application of the standard is not expected to have an impact on the financial statements of the Company.
- IFRIC 12: “Service Concession Arrangements” (effective for annual periods beginning on or after 1 January 2008). The application of the interpretation is not expected to have an impact on the financial statements of the Company.
- IFRIC 13: “Customer Loyalty Programmes” (effective for annual periods beginning on or after 1 July 2008). The application of the interpretation is not expected to have an impact on the financial statements of the Company.
- IFRIC 14 IAS 19: “The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction” (effective for annual periods on or after 1 January 2008). The application of the interpretation is not expected to have an impact on the financial statements of the Company.

**(d) Use of estimates and judgments**

The preparation of financial statements in accordance with IFRSs requires from Management the exercise of judgment, to make estimates and assumptions that influence the application of accounting principles and the related amounts of assets and liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are deemed to be reasonable based on knowledge available at that time. Actual results may deviate from such estimates.

The estimates and underlying assumptions are revised on a continuous basis. Revisions in accounting estimates are recognized in the period during which the estimate is revised, if the estimate affects only that period, or in the period of the revision and future periods, if the revision affects the present as well as future periods.

**ISTROKAPITAL SE****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2008

**2. BASIS OF PREPARATION** (continued)

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described below:

- **Income taxes**  
Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognized liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.
- **Fair value of financial assets**  
The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. The fair value of the financial assets available for sale has been estimated based on the fair value of the particular assets held.
- **Impairment of available-for-sale financial assets**  
The Company follows the guidance of IAS 39 on determining when an investment is other-than-temporarily impaired. This determination requires significant judgment. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.
- **Valuation of non-listed investments**  
The Company uses various valuation methods to value non-listed investments. These methods are based on assumptions made by the Board of Directors which are based on market information at the balance sheet date.

**(e) Functional and presentation currency**

The financial statements are presented in Euro (€) which is the functional currency of the Company.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented in these financial statements unless otherwise stated.

**Consolidated financial statements**

The Company has subsidiary undertakings for which section 142(1)(b) of the Companies Law Cap. 113 requires consolidated financial statements to be prepared and laid before the Company at the Annual General Meeting.



**ISTROKAPITAL SE****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2008

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)****Subsidiary companies**

Investments in subsidiary companies are stated at fair value.

**Segment reporting**

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company's primary format for segment reporting is based on business segments, which are the financing activities and the investing activities.

**Revenue recognition**

- **Income from investments in securities**

Profits or losses from the sale of investments in securities represent the difference between the net proceeds and the carrying amount of the investments sold and is transferred to the income statement.

The difference between the fair value of investments at fair value through profit or loss as at 31 December 2008 and the mid cost price represents recognized gains and losses and are included in the income statement in the period in which they arise. Unrealized gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the income statement as fair value gains or losses on investments, taking into account any amounts charged or credited to the income statements in previous periods.

- **Interest income**

Interest income is recognized on a time-proportion basis using the effective interest method.

**Finance income**

Finance income includes unrealized exchange gain.

**Financing expenses**

Finance expenses include bank charges and unrealized exchange loss.

**Foreign currency transactions**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Monetary assets and liabilities denominated in foreign currencies are translated into Euro using the rate of exchange ruling at the balance sheet date. The exchange differences that arise are transferred to the income statement, and are presented separately when considered material.

**ISTROKAPITAL SE**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Dividends

Dividend distribution to the Company's shareholders is recognized in the Company's financial statements in the year in which they are approved by the Company's shareholders.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Depreciation is recognized in the income statement on the straight-line method over the useful lives of each part of an item of property, plant and equipment. The annual depreciation rates used for the current and comparative periods are as follows:

	%
Motor vehicles	20
Furniture, fixtures and office equipment	10
Computer hardware	20

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount.

Expenditure for repairs and maintenance of property, plant and equipment is charged to the income statement of the year in which it is incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company. Major renovations are depreciated over the remaining useful life of the related asset.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are included in the income statement.

**ISTROKAPITAL SE****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2008

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)****Financial instruments**

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

**(i) Loans granted**

Loans originated by the Company by providing money directly to the borrower are recognized as loans and are carried at amortized cost. This is defined as the fair value of cash consideration given to originate those loans as is determined by reference to market prices at origination date. All loans are recognized when cash is advanced to the borrower.

An allowance for loan impairment is established if there is objective evidence that the Company will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans.

**(ii) Investments**

The Company classifies its investments in equity and debt securities in the following categories: financial assets at fair value through income statement, held-to-maturity investments and available for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of investments at initial recognition and re-evaluates this designation at every balance sheet date.

- **Financial assets at fair value through income statement**

This category has two sub-categories: financial assets held for trading and those designated at fair value through income statement at inception. A financial asset is classified in the held for trading category if acquired principally for the purpose of generating a profit from short-term fluctuations in price. Assets in this category are classified as current assets if they are either held for trading or are expected to be recognized within twelve months of the balance sheet date.

- **Held-to-maturity investments**

Investments with fixed or determinable payments and fixed maturity that the management has the positive intent and ability to hold to maturity, other than loan and receivables originated by the Company, are classified as held-to-maturity investments. Such investments are included in non-current assets, except for maturities within twelve months from the balance sheet date, which are classified as current assets.

**ISTROKAPITAL SE****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2008

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)Financial instruments (continued)(ii) Investments (continued)• Available-for-sale financial assets

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; these are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

Regular way purchases and sales of investments are recognized on trade-date which is the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through income statement. Investments are recognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through income statement are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method.

Realized and recognized gains and losses arising from changes in the fair value of financial assets at fair value through income statement are included in the income statement in the period in which they arise. Unrealized gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the income statement.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity specific inputs. Equity investments for which fair values cannot be measured reliably are recognized at cost less impairment.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets the cumulative loss which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in income statement, is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.

**ISTROKAPITAL SE****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2008

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)****Financial instruments (continued)****(iii) Derivatives**

The Company's activities expose it primarily to the financial risks of changes in interest rates. The significant interest rate risk arises from its bank borrowings. The Company's policy is to convert a significant proportion of its floating rate debt to fixed rates through interest rate swaps. The Company designates these as cash flow hedges of interest rate risk.

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognized directly in equity and the ineffective portion is recognized immediately in profit or loss. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognized, the associated gains or losses on the derivative that had been previously recognized in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or liability, amounts deferred in equity are recognized in profit or loss in the same period in which the hedged item affects profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in profit and loss as they arise.

**(iv) Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks.

**(i) Borrowings**

Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any differences between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

**(ii) Trade payables**

Trade payables are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method.

**Impairment of assets**

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

**ISTROKAPITAL SE**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

Share capital

Ordinary shares are classified as equity.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

Non-current liabilities

Non-current liabilities represent amounts that are due more than twelve months from the balance sheet date.

**4. REVENUE**

	2008	1/2/2007- 31/12/2007
	€	€
Gain from execution of forward contracts	9.150.520	-
Net interest received from financing activities	1.889.113	1.649.554
Net realized exchange gain	1.236.700	1.352.227
Gain on disposal of financial instruments	-	3.626.000
Gain on disposal of investments available for sale	-	533.050
	<u>12.276.333</u>	<u>7.160.831</u>



## ISTROKAPITAL SE

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2008**5. SEGMENTAL REPORTING**

<b>31/12/2008</b>	Financing activities €	Investing activities €	Total €
Gain from execution of forward contracts	-	9.150.520	9.150.520
Interest receivable	4.273.504	-	4.273.504
Realized exchange gain	<u>1.605.192</u>	-	<u>1.605.192</u>
<b>Gross revenue</b>	5.878.696	9.150.520	15.029.216
Interest payable	(2.384.391)	-	(2.384.391)
Realized exchange loss	<u>(368.492)</u>	-	<u>(368.492)</u>
<b>Net revenue</b>	3.125.813	9.150.520	12.276.333
Other income	-	178.642	178.642
Administration expenses	<u>(1.319.274)</u>	-	<u>(1.319.274)</u>
<b>Operating profit before financing expenses</b>	<u>1.806.539</u>	<u>9.329.162</u>	<u>11.135.701</u>
Financing income	15.870.613	-	15.870.613
Financing expenses	<u>(9.665.193)</u>	-	<u>(9.665.193)</u>
<b>Net financing expenses</b>	<u>6.205.420</u>	-	<u>6.205.420</u>
<b>Profit before tax</b>	8.011.959	9.329.162	17.341.121
Tax	<u>(180.116)</u>	<u>(932.916)</u>	<u>(1.113.032)</u>
<b>Profit for the year</b>	<u><u>7.831.843</u></u>	<u><u>8.396.246</u></u>	<u><u>16.228.089</u></u>
Assets and liabilities			
Assets	<u>98.727.631</u>	<u>119.517.385</u>	<u>218.245.016</u>
Liabilities	<u>115.394.682</u>	-	<u>115.394.682</u>

## ISTROKAPITAL SE

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2008**5. SEGMENTAL REPORTING (continued)**

<b>31/12/2007</b>	Financing activities €	Investing activities €	Total €
Interest receivable	3.617.878	-	3.617.878
Realized exchange gain	3.349.290	-	3.349.290
Gain on disposal of financial instruments	-	3.626.000	3.626.000
Gain on disposal of investments available for sale	-	<u>533.050</u>	<u>533.050</u>
<b>Gross revenue</b>	<u>6.967.168</u>	<u>4.159.050</u>	<u>11.126.218</u>
Interest payable	(1.968.324)	-	(1.968.324)
Realized exchange loss	<u>(1.997.063)</u>	-	<u>(1.997.063)</u>
<b>Net revenue</b>	<u>3.001.781</u>	<u>4.159.050</u>	<u>7.160.831</u>
Other income	-	11.764.824	11.764.824
Administration expenses	<u>(760.783)</u>	<u>(475.130)</u>	<u>(1.235.913)</u>
<b>Operating profit before financing expenses</b>	<u>2.240.998</u>	<u>15.448.744</u>	<u>17.689.742</u>
Financing income	2.728.060	-	2.728.060
Financing expenses	<u>(2.789.562)</u>	-	<u>(2.789.562)</u>
<b>Net financing expenses</b>	<u>(61.502)</u>	-	<u>(61.502)</u>
<b>Profit before tax</b>	<u>2.179.496</u>	<u>15.448.744</u>	<u>17.628.240</u>
Tax	<u>(237.907)</u>	-	<u>(237.904)</u>
<b>Profit for the period</b>	<u><u>1.941.589</u></u>	<u><u>15.448.744</u></u>	<u><u>17.390.336</u></u>
Assets and liabilities			
Assets	<u>53.183.264</u>	<u>87.404.033</u>	<u>140.587.297</u>
Liabilities	<u>130.487.297</u>	<u>10.100.000</u>	<u>140.587.297</u>

**6. OTHER INCOME**

	2008 €	1/2/2007- 31/12/2007 €
Gain on disposal of development project	178.642	-
Gain on disposal of investments in subsidiaries	-	<u>11.764.824</u>
	<u>178.642</u>	<u>11.764.824</u>

## ISTROKAPITAL SE

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2008**7. STAFF COSTS**

	2008	1/2/2007- 31/12/2007
	€	€
Wages and salaries	<u>77.220</u>	<u>45.836</u>
Total staff costs	<u><u>77.220</u></u>	<u><u>45.836</u></u>

**8. FINANCE INCOME AND EXPENSES**

	2008	1/2/2007- 31/12/2007
	€	€
Unrealized exchange gain	<u>15.870.613</u>	<u>2.728.060</u>
<b>Finance income</b>	<u>15.870.613</u>	<u>2.728.060</u>
Unrealized exchange loss	(9.651.642)	(2.777.492)
Other finance expenses	<u>(13.551)</u>	<u>(12.070)</u>
<b>Finance expenses</b>	<u>(9.665.193)</u>	<u>(2.789.562)</u>
<b>Net finance income/(expenses)</b>	<u><u>6.205.420</u></u>	<u><u>( 61.502)</u></u>

**9. TAXATION**

	2008	1/2/2007- 31/12/2007
	€	€
Corporation tax – current for the period	<u>1.113.032</u>	<u>237.904</u>

Reconciliation of taxation based on the taxable income and taxation based on accounting profits:

	2008	1/2/2007- 31/12/2007
	€	€
Accounting profit before tax	<u>17.341.121</u>	<u>17.628.240</u>
Tax calculated at the applicable tax rates	1.734.112	1.762.824
Tax effect of expenses not deductible for tax purposes	966.190	325.802
Tax effect of allowances and income not subject to tax	(1.587.270)	(1.865.287)
10% additional charge	<u>-</u>	<u>14.565</u>
Tax charge	<u><u>1.113.032</u></u>	<u><u>237.904</u></u>

**ISTROKAPITAL SE****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2008

**9. TAXATION (continued)**

According to the Income tax law that was applied from 1<sup>st</sup> January 2003, the Company is subject to corporation tax at the normal rate of 10% from 1<sup>st</sup> January 2006.

In addition, the Company is subject to a special contribution for defense at the rate of 3% on rental income and of 10% on interest received.

In accordance with the new Defense tax law of 2002 which has been in effect since January 1<sup>st</sup> 2003, Companies are no longer subject to defense tax on taxable profits but companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. A special contribution for defense at 15% will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents.

The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year during the following two years. This special contribution for defense is payable for the account of the shareholders.

In case where any actual dividend is paid after the second year any deemed distribution reduces the actual dividend on to which defense tax is withheld. The deemed distribution is not applicable to profits attributable to shareholders that are not residents in Cyprus.

## ISTROKAPITAL SE

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2008**10. PROPERTY, PLANT AND EQUIPMENT**

	Motor vehicles	Furniture, fixtures and office equipment	Computer hardware	Total
	€	€	€	€
<b>Cost</b>				
Additions	<u>23.997</u>	<u>626</u>	<u>6.042</u>	<u>30.665</u>
Balance at 31 December 2007	<u>23.997</u>	<u>626</u>	<u>6.042</u>	<u>30.665</u>
Balance at 1 January 2008	23.997	626	6.042	30.665
Additions	<u>-</u>	<u>-</u>	<u>4.090</u>	<u>4.090</u>
Balance at 31 December 2008	<u><u>23.997</u></u>	<u><u>626</u></u>	<u><u>10.132</u></u>	<u><u>34.755</u></u>
<b>Depreciation</b>				
Depreciation for the period	<u>3.600</u>	<u>26</u>	<u>906</u>	<u>4.532</u>
Balance at 31 December 2007	<u>3.600</u>	<u>26</u>	<u>906</u>	<u>4.532</u>
Balance at 1 January 2008	3.600	26	906	4.532
Charge for the year	<u>4.800</u>	<u>63</u>	<u>2.026</u>	<u>6.889</u>
Balance at 31 December 2008	<u><u>8.400</u></u>	<u><u>89</u></u>	<u><u>2.932</u></u>	<u><u>11.421</u></u>
<b>Carrying amounts</b>				
Balance at 31 December 2007	<u><u>20.397</u></u>	<u><u>600</u></u>	<u><u>5.136</u></u>	<u><u>26.133</u></u>
Balance at 31 December 2008	<u><u>15.597</u></u>	<u><u>537</u></u>	<u><u>7.200</u></u>	<u><u>23.334</u></u>

**ISTROKAPITAL SE****NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2008**11. INVESTMENTS IN SUBSIDIARIES**

	2008 €	2007 €
Balance at 1 January / 1 February	87.192.472	-
Additions	183.480	88.489.522
Disposals and liquidations	-	(1.297.050)
Net change in fair values	20.562.642	-
Exchange difference	<u>9.730.706</u>	<u>-</u>
Balance at 31 December	<u>117.669.300</u>	<u>87.192.472</u>

The details of the subsidiaries are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>Holding</u>
Postova Banka a.s.	Slovak Republic	Bank	93,81%
ISTROKAPITAL SLOVENSKO a.s.	Slovak Republic	Investment and consulting	100%
ISTROKAPITAL DEVELOPMENT a.s.	Slovak Republic	Real estate development	60%

**12. LONG TERM LOANS RECEIVABLE FROM RELATED PARTIES**

	2008 €	2007 €
Loans to subsidiaries	10.095.671	17.881.219
Loans to other related parties	<u>-</u>	<u>1.102.942</u>
	<u>10.095.671</u>	<u>18.984.161</u>

The fair values of the long-term loans receivable from related parties approximate to their carrying amounts as presented above.

- The loans to subsidiaries represent loans receivable from ISTROKAPITAL DEVELOPMENT a.s. as follows:

Amount €	Interest rate %	Repayment date
8.632.728	10	30 November 2010
1.462.943	15	30 November 2010



## ISTROKAPITAL SE

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2008**13. LONG TERM LOANS RECEIVABLE FROM THIRD PARTIES**

	2008 €	2007 €
ABS SPRINTER LIMITED	3.070.302	-
SUNNYHILL INVESTMENTS LIMITED	-	8.368.532
	<u>3.070.302</u>	<u>8.368.532</u>

The fair values of the loans approximate to their carrying amount as presented above.

The loan to ABS SPRINTER LIMITED bears interest 8% per annum and is receivable as follows:

Amount €	Repayment Date
478.455	13 April 2010
2.591.847	30 June 2010

**14. SHORT-TERM LOANS RECEIVABLE FROM RELATED PARTIES**

	2008 €	2007 €
Loans receivable from subsidiaries	3.041.775	-
Loans receivable from other related parties	4.316.439	693.136
	<u>7.358.214</u>	<u>693.136</u>

The fair values of the loans approximates to their carrying amount as presented above.

- The loans receivable from subsidiaries represent a loan amounting to €2.132.152 receivable from ISTROKAPITAL SLOVENSKO a.s. which is receivable on 29 May 2009 and bears interest at 6% per annum and a loan of €909.623 receivable from ISTROKAPITAL DEVELOPMENT a.s. which is receivable on 31 December 2009 and bears interest 15% per annum.
- The loans receivable from other related parties represent the following:

<u>Company</u>	<u>Amount</u>	<u>Interest rate</u>	<u>Repayment date</u>
WEYLIN ENTERPRISES LIMITED	1.721.096	5%	31 December 2009
BPT Trade a.s.	2.595.343	8%	31 December 2009

## ISTROKAPITAL SE

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2008**15. SHORT-TERM LOANS RECEIVABLE FROM THIRD PARTIES**

	2008	2007
	€	€
J & T Private Equity B.V.	13.988.399	-
BEZ MOTORY LIMITED	3.680.935	-
SUNNYHILL INVESTMENTS LIMITED	35.458.423	-
KARAVELA a.s.	-	3.248.897
SIGMA INVEST a.s.	-	1.858.673
TRAJEKT a.s.	1.111.751	603.340
Fabryka Wagonow Gniewczyna SA	-	4.322.157
	<u>54.239.508</u>	<u>10.033.067</u>

The fair values of the loans approximate to their carrying amounts.

- The loan to J & T Private Equity B.V. is receivable on 15 June 2009 and bears interest at 7,70% per annum.
- The loan to BEZ MOTORY LIMITED bears interest at 3% and has no specific terms of repayment.
- The loan to SUNNYHILL INVESTMENTS LIMITED is receivable on 20 April 2009 and bears interest at 8% per annum.
- The loan to TRAJEKT a.s. represents three loans as follows:

Amount	Interest rate %	Repayment date
693.972	8	28 April 2009
114.137	8	23 June 2009
303.642	6	23 September 2009

**16. TRADE AND OTHER RECEIVABLES**

	2008	2007
	€	€
Trade receivables	-	13.726.000
Other receivables	<u>1.725.251</u>	<u>368.378</u>
	<u>1.725.251</u>	<u>14.094.378</u>

The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above.

## ISTROKAPITAL SE

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2008**17. RECEIVABLES FROM RELATED PARTIES**

	2008	2007
	€	€
SMD a.s.	-	109.283
ISTROKAPITAL SLOVENSKO a.s.	85.604	76.954
BPT Trade a.s.	172	-
	<u>85.776</u>	<u>186.237</u>

**18. INVESTMENTS AVAILABLE FOR SALE**

	2008	2007
	€	€
Balance at 1 January / 1 February	197.835	-
Additions	-	197.835
Net change in fair value	(97.237)	-
Exchange difference	22.236	-
Balance at 31 December	<u>122.834</u>	<u>197.835</u>

**19. CASH AND CASH EQUIVALENTS**

	2008	2007
	€	€
Cash at bank and in hand	1.443.225	20.586
Short-term bank deposit	<u>22.411.601</u>	<u>790.760</u>
	<u>23.854.826</u>	<u>811.346</u>

The interest rate on short-term bank deposit in the amount of 7.634.601 EUR is 1,5% and this deposit has maturity of 5 days. The interest rate of short-term bank deposit in the amount of 14.777.000 EUR is approximately 3,75% and is due within 15 days.

**20. SHARE CAPITAL**

	2008	2008	2007	2007
	Number of shares	€	Number of shares	€
<b>Authorised, issued and fully paid</b>				
Balance at 31 December	<u>24.087.672</u>	<u>45.766.577</u>	<u>24.087.672</u>	<u>45.766.577</u>

Authorised capital

The total authorized share capital of the Company at 31 December 2008 amounts to 45.766.577 comprising of 24.087.672 ordinary shares with nominal value of 1,90 each

Issued capital

The total issued and fully paid share capital of the Company as at 31 December 2008 amounts to 45.766.577 comprising of 24.087.672 ordinary shares with nominal value of 1,90 each.

**ISTROKAPITAL SE**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

**21. RESERVES**

	Revaluation reserve €	Merger reserve €	Retained earnings €	Total €
Result of the merger	-	2.999.927	-	2.999.927
Profit for the year	<u>-</u>	<u>-</u>	<u>17.390.336</u>	<u>17.390.336</u>
Balance at 31 December 2007	<u>-</u>	<u>2.999.927</u>	<u>17.390.336</u>	<u>20.390.263</u>
	€	€	€	€
Balance at 1 January 2008	-	2.999.927	17.390.336	20.390.263
Profit for the year	-	-	16.228.089	16.228.089
Net change in fair value of investments	<u>20.465.405</u>	<u>-</u>	<u>-</u>	<u>20.465.405</u>
Balance at 31 December 2008	<u>20.465.405</u>	<u>2.999.927</u>	<u>33.618.425</u>	<u>57.083.757</u>

The merger reserve was created from the merger of ISTROKAPITAL a.s. and Kangima Investments Public Co. Ltd.

According to the Cyprus Companies Law and the Company's Memorandum of Association there is no restriction in the distribution of the Company's retained earnings.

**22. BONDS ISSUED**

	2008 €	2007 €
Nominal value	<u>19.916.352</u>	<u>17.904.000</u>

- The bonds were issued initially by ISTROKAPITAL a.s. on 6 December 2005 with maturity date on 6 December 2010.
- The bonds are traded in the Bratislava Stock Exchange since 4 July 2006.
- The total amount of bonds issued included 1200 bonds with nominal value SKK500.000 each.
- The interest on bonds is the 12 month BRIBOR plus 3% fixed two working days before the beginning of the interest period.
- For the period from 6 December 2007 to 5 December 2008 the interest rate was 7,46% and for the period from 6 December 2008 to 5 December 2009 the interest rate is 7,10%.

## ISTROKAPITAL SE

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2008**23. LONG TERM LOANS PAYABLE TO RELATED PARTIES**

	2008	2007
	€	€
Loans payable to subsidiaries	-	777.947
Loan payable to Parent Company	<u>49.819.730</u>	<u>45.092.328</u>
	<u>49.819.730</u>	<u>45.870.275</u>

The fair values of the loans payable to related parties approximate to their carrying amounts.

- The loan payable to parent Company WEYLIN INVESTMENTS LLC is repayable on 31 December 2013 and bears interest at 1% per annum. The fair value of this loan if it is adjusted at the Slovak Central Bank interest rate of 2,50% which was applicable as at 31 December 2008 amounts to €1.121.795.

**24. SHORT-TERM LOANS PAYABLE TO RELATED PARTIES**

	2008	2007
	€	€
Loans payable to subsidiaries	<u>14.771.294</u>	<u>-</u>

The loans are payable to Postova Banka a.s. They bear interest at 8% per annum and are payable as following:

Amount €	Payment date
3.319.392	8 March 2009
4.979.088	24 March 2009
6.472.814	25 May 2009

**25. SHORT-TERM LOANS TO THIRD PARTIES**

	2008	2007
	€	€
Promissory note – J & T BANKA a.s.	13.985.362	-
Promissory note – PPF BANKA a.s.	14.798.629	-
J & T Banka a.s.	<u>-</u>	<u>47.215</u>
	<u>28.783.991</u>	<u>47.215</u>

- The Promissory Note payable to J & T BANKA a.s. is payable on 16 June 2009 and bears interest at 7,20% per annum.
- The Promissory Note payable to PPF BANKA a.s. is payable on 23 March 2009 and bears interest at 6,13% per annum.

**ISTROKAPITAL SE****NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2008****26. TRADE AND OTHER PAYABLES**

	2008	2007
	€	€
VAT payable	150.450	-
Trade payables	-	10.100.000
Shareholders' current accounts – credit balances	1.126.715	6.715
Accruals	200.049	252.989
Interest payable on bonds	98.199	89.043
	<u>1.575.413</u>	<u>10.448.747</u>

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

**27. TAX PAYABLE**

	2008	2007
	€	€
Corporation tax for the year	<u>527.902</u>	<u>160.220</u>

Corporation tax is payable within one year.

**28. RELATED PARTY TRANSACTIONS**

**(a) During the year the Company had transactions with the following related parties:**

<b>Name</b>	<b>Relationship</b>	<b>Country</b>
WEYLIN INVESTMENTS LLC	Parent Company	USA
WEYLIN ENTERPRISES Ltd	Shareholder	Cyprus
ISTROKAPITAL DEVELOPMENT a.s.	Subsidiary	Slovak Republic
ISTROKAPITAL SLOVENSKO a.s.	Subsidiary	Slovak Republic
Postova Banka a.s.	Subsidiary	Slovak Republic
BPT Trade a.s.	Common ownership	Slovak Republic
Lubos Ac	Member of the Board	Slovak Republic
Daniel Legen	Member of the Board	Slovak Republic
Alena Madacova	Member of the Board	Slovak Republic

## ISTROKAPITAL SE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

**28. RELATED PARTY TRANSACTIONS (continued)****(b) Type and sum of transactions:**

<b>Name</b>	<b>Interest received €</b>	<b>Interest payable €</b>	<b>Services received €</b>	<b>Salaries paid €</b>
WEYLIN INVESTMENTS LLC	-	499.273	-	-
WEYLIN ENTERPRISES LTD	53.858	-	-	-
ISTROKAPITAL DEVELOPMENT a.s.	2.027.602	-	-	-
ISTROKAPITAL SLOVENSKO a.s.	57.532	10.502	39.995	-
Postova Banka a.s.	116.696	315.270	-	-
BPT Trade a.s.	96.616	-	-	-
Lubos Ac	8.103	-	-	-
Daniel Legen	-	-	-	38.610
Alena Madacova	-	-	-	38.610

**(c) Related party balances:****Loans receivable from:**

€

Non-currentISTROKAPITAL DEVELOPMENT a.s. 10.095.671Current

ISTROKAPITAL DEVELOPMENT a.s. 909.623

ISTROKAPITAL SLOVENSKO a.s. 2.217.755

WEYLIN ENTERPRISES LIMITED 1.721.096

BPT Trade a.s. 2.595.5167.443.990**Loans payable to:**

€

Non-currentWEYLIN INVESTMENTS LLC 49.819.730CurrentPostova Banka a.s. 14.771.294

## ISTROKAPITAL SE

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2008**29. FINANCIAL RISK MANAGEMENT**Financial risk factors

The Company is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market price risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

(i) Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. The Company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables. Cash balances are held with high credit quality financial institutions and the Company has policies to limit the amount of credit exposure to any financial institution.

*Exposure to credit risk*

Except as detailed in the following table, the carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represent the maximum credit exposure without taking account of the value of any collateral obtained:

	2008	2007
	€	€
Investment in subsidiaries	117.669.300	87.192.472
Long-term loans receivable from related parties	10.095.671	18.984.161
Long-term loans receivable from third parties	3.070.302	8.368.532
Short-term loans receivable from related parties	7.358.214	693.136
Short-term loans receivable from third parties	54.239.508	10.033.067
Trade and other receivables	1.725.251	14.094.378
Receivables from related parties	85.776	186.237
Investments available for sale	122.834	197.835
Cash and cash equivalents	23.854.826	811.346
	<u>218.221.682</u>	<u>140.561.164</u>



## ISTROKAPITAL SE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

**29. FINANCIAL RISK MANAGEMENT (continued)**(ii) Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimizing such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following are the contractual maturities of financial liabilities on:

<b>31 December 2007</b>	<b>Carrying amount</b>	<b>Within 6 months</b>	<b>6-12 months</b>	<b>1-2 years</b>	<b>2-5 years</b>	<b>More than 5 years</b>
	€	€	€	€	€	€
Bonds	17.904.000	-	-	-	17.904.000	-
Long-term loans payable to related parties	45.870.275	-	-	777.947	-	45.092.328
Short-term loans payable to third parties	47.215	-	47.215	-	-	-
Trade and other payables	10.448.747	10.100.000	348.747	-	-	-
	<u>74.270.237</u>	<u>10.100.000</u>	<u>395.962</u>	<u>777.947</u>	<u>17.904.000</u>	<u>45.092.328</u>

<b>31 December 2008</b>	<b>Carrying amount</b>	<b>Within 6 months</b>	<b>6-12 months</b>	<b>1-2 years</b>	<b>2-5 years</b>	<b>More than 5 years</b>
	€	€	€	€	€	€
Bonds	19.916.352	-	-	19.916.352	-	-
Long-term loans payable to related parties	49.819.730	-	-	-	49.819.730	-
Short-term loans payable to related parties	14.771.294	14.771.294	-	-	-	-
Short-term loans payable to third parties	28.783.991	28.783.991	-	-	-	-
Trade and other payables	1.575.413	1.477.214	98.199	-	-	-
	<u>114.866.780</u>	<u>45.032.499</u>	<u>98.199</u>	<u>19.916.352</u>	<u>49.819.730</u>	<u>-</u>

## ISTROKAPITAL SE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

**29. FINANCIAL RISK MANAGEMENT (continued)**(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rate and equity prices will affect the Company's income or the value of its holdings of financial instruments.

*Interest rate risk*

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

*Currency risk*

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Czech Kronas (CZK). The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The Company's exposure to foreign currency risk was as follows:

	2008		2007	
	SKK €	CZK €	SKK €	CZK €
<u>Assets</u>				
Other receivables	-	-	226.832	-
Loans receivable	-	13.988.399	36.220.223	1.858.673
<u>Liabilities</u>				
Other payables	-	-	(89.043)	-
Loans payable	-	(13.985.362)	(45.917.490)	-
Total exposure to foreign risk	-	3.037	(9.559.478)	1.858.673

Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged from last year.

**30. FAIR VALUES**

The fair value represents the amount at which an asset can be exchanged or a liability can be settled in an arm's length basis. Most of the assets and liabilities are presented at their estimated fair values.

The Directors believe that the fair values of financial assets and liabilities are not materially different from their carrying values at the balance sheet date.

**ISTROKAPITAL SE****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2008

**31. CONTINGENT LIABILITIES**

- The Company is the guarantor for the Company REBOD s.r.o. in three loans which have been provided by Postova Banka a.s., amounting to EUR5.311.027.
- The Company is the guarantor for the Company ABS PROPERTY LIMITED in loan which has been provided by Disko Leasing GmbH amounting to USD12.723.012 (Euro 9.120.439).
- The Company is the guarantor for the Company ABS BRAVO LIMITED in loan which has been provided by Disko Leasing GmbH amounting to USD3.637.327 (Euro 2.607.403).
- The Company is the guarantor for the company LOGRACO, a.s. in loan which has been provided by Postova Banka, a.s. amounting to EUR6.638.784.

**32. COMMITMENTS**

The Company had no capital or other commitments as at 31 December 2008.

**33. POST BALANCE SHEET EVENTS**

On 27 January 2009 the Company acquired 66.67% of the share capital of ABS SPRINTER LIMITED a company registered in Ireland.