Unicredit Leasing Bulgaria EAD

FINANCIAL STATEMENTS

For the year ended
31 December 2004
with independent
auditor's report thereon

KPMG

REPORT
OF THE INDEPENDENT AUDITOR
TO THE SHAREHOLDERS OF UNICREDIT LEASING BULGARIA EAD

Sofia, 24 February 2005

We have audited the accompanying balance sheet of Unicredit Leasing Bulgaria EAD ("the Company") as of 31 December 2004 and the related statements of income and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2004, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Krassimir Hadjivinev
Registered auditor
Authorised representative
KPMG Bulgaria OOD
37 Fridtjof Nansen Str.
1142 Sofia
Bulgaria

Специализирано одиторско предприятие "КПМГ - България" ООД
София
Рег. №045

Margarita Goleva
Registered auditor

0202 Маргарита Голева
Регистриран одитор

Income statement

For the year ended 31 December 2004

In thousands of BGN	**Note**	**2004**	**2003**
Income from finance lease	3	1,667	520
Impairment recoveries/(allowances)		(175)	-
Administrative expenses	4	(489)	(401)
Other operating income/(expenses), net		98	133
Profit from operations		1,101	252
Net financing costs	5	(607)	(207)
Profit before tax		494	45
Taxation	6	(98)	(11)
Profit after tax		396	34

The income statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 7 to 16.

Plamen Minev
Executive Director

Krassimir Hadjidinev
Registered Auditor
Authorised Representative
KPMG Bulgaria OOD

Margarita Goleva
Registered Auditor

Balance sheet
As at 31 December 2004

In thousands of BGN	**Note**	**2004**	**2003**
Assets			
Property, equipment and intangible assets	7	45	23
Investments	8	5	5
Deferred tax assets	9	1	-
Finance lease receivables	10	21,933	6,534
Total non-current assets		21,984	6,562
Inventories		2,070	25
Trade and other receivables	11	3,202	1,206
Cash and cash equivalents	12	243	310
Total current assets		5,515	1,541
Total assets		27,499	8,103
Liabilities			
Issued share capital	13	50	10
Retained earnings	13	443	47
Total shareholders' equity		493	57
Interest-bearing loans and borrowings	14	-	7,534
Other non-current liabilities		-	29
Total non-current liabilities		-	7,563
Interest-bearing loans and borrowings	14	23,939	79
Trade and other payables	15	2,975	396
Tax liabilities		92	8
Total current liabilities		27,006	483
Total liabilities and shareholders' equity		27,499	8,103

The balance sheet is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 7 to 16.

Plamen Minev
Executive Director

Krassimir Hadjidinev
Registered Auditor
Authorised Representative
KPMG Bulgaria OOD

Margarita Goleva
Registered Auditor

Cash flow statement

For the year ended 31 December 2004 *In thousands of BGN*	**Note**	**2004**	**2003**
Net cash flow from operating activities			
Profit after taxation		396	34
Adjustments for non-cash items			
Increase in impairment allowances		175	-
Depreciation		7	21
Loss from disposal of fixed assets		2	-
Tax expense		99	11
Movement in deferred tax		(1)	-
		678	66
Change in operating assets			
(Increase) in finance lease receivables		(15,574)	(4,914)
(Increase) in other assets		(4,041)	(959)
Change in operating liabilities			
Increase in interest-bearing loans and borrowings		16,326	5,972
Increase of other liabilities		2,535	153
Net cash flow from operating activities		(76)	318
Cash flow from investing activities			
(Acquisition) of property, equipment and intangible assets		(31)	(17)
(Acquisition) of investments		-	(5)
Net cash flow from investing activities		(31)	(22)
Cash flow from equity activities			
Increase in equity shares		40	-
Net cash flow from equity activities		40	-
Net increase/(decrease) in cash and cash equivalents		(67)	296
Cash and cash equivalents at the beginning of period	12	310	14
Cash and cash equivalents at the end of period	12	243	310

The cash flow statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 7 to 16.

Plamen Minev
Executive Director

Krassimir Hadjidinev
Registered Auditor
Authorised Representative
KPMG Bulgaria OOD

Margarita Goleva
Registered Auditor

Statement of changes in equity

For the year ended 31 December 2004

In thousands of BGN	Note	Share capital	Retained earnings	Total
Balance at 1 January 2003	13	10	13	23
Net profit for the year		-	34	34
Balance at 1 January 2004		10	47	57
Increase in equity shares		40	-	40
Net profit for the year		-	396	396
Balance at 31 December 2004	13	50	443	493

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 7 to 16.
The financial statements have been approved by the Executive Director on 24 February 2005.

Plamen Minev
Executive Director

Krassimir Hadjidinev
Registered Auditor
Authorised Representative
KPMG Bulgaria OOD

Margarita Goleva
Registered Auditor

Приложения към финансовите отчети

1. BASIS OF PREPARATION

(a) Statute

Unicredit Leasing Bulgaria EAD (the Company) is incorporated in accordance with the corporate legislation of Republic of Bulgaria in 2002 under the name Unileasing OOD with owners "Finco – consult" EOOD and two individuals. In the beginning of 2004 the Company is acquired by Bulbank AD. The Company has its registered office in the city of Sofia, 8, Aksakov Street.

Its principle activities include finance lease.

(b) Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board ("IASB"), and interpretations issued by the Standing Interpretations Committee of the IASB.

(c) Basis of preparation

The financial statements are presented in new (redenominated) Bulgarian Leva (BGN) rounded to the nearest thousand.

The financial statements are prepared on a fair value basis for derivative financial instruments, financial assets and liabilities held for trading, and available-for-sale assets, except those for which a reliable measure of fair value is not available. Recognised assets and liabilities that are hedged are stated at fair value in respect of the risk that is hedged. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost.

In compliance with Accounting Law since 1 January 2003, financial institutions in Bulgaria prepare financial statements in accordance with IFRS. As in February 2004 Unicredit Leasing Bulgaria EAD is completely acquired by Bulbank AD, in 2004 the Company prepares its financial statements in compliance with IFRS in order to unify its accounting policy for consolidation purposes.

Certain representative reclassifications have been made to the financial statements as of December 31, 2003 in order to provide more clear and precise comparison with figures as of December 31, 2004. The transition to IFRS did not require any adjustments in the opening balance of retained earnings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Interest and lease income recognition

Unearned finance income (interest) is the difference between the gross investment in the lease and the net investment in the lease. The gross investment in the lease is the aggregate of the minimum lease payments receivable and any unguaranteed residual value accruing to the lessor. The finance charge (interest income) is allocated over the lease term on a pattern reflecting a constant periodic return on the lessor's net investment in the finance lease. Lease payments relating to the period are regarded as reduction of the principal and finance charges.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(b) Net financing costs

Net financing costs comprise interest expenses on bank loans, interest income from funds invested, gains and losses from foreign currency transactions, other financing costs.

Interest income is recognised in the income statement as it accrues, using the effective interest rate method.

Interest expenses and other charges, related to loan agreements, are recognised in the income statement as they accrue, being part of net financing costs.

(c) Impairment of assets

Financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement or against the revaluation reserve, when applicable.

(d) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in the income statement.

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the reporting currency at the foreign exchange rates ruling at the dates that the values were determined.

(e) Property, plant and equipment

Property and equipment are stated at cost less accumulated depreciation.

Depreciation is provided on a straight line basis at prescribed rates designed to write-off the cost of the assets over their expected useful lives. The following are approximations of the annual rates used:

Assets	**%**
▪ Buildings	4
▪ Equipment	15
▪ Hardware	50
▪ Fixtures and fittings	15
▪ Vehicles	25

Assets are not depreciated until they are brought into use and transferred from assets in the course of construction into the relevant asset category.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(f) Intangible assets

Intangible assets, which are acquired by the Company, are stated at cost less accumulated amortisation and any impairment losses.

Amortisation is calculated on a straight-line basis over the expected useful life of the asset. The annual rates of amortisation are as follows:

Asset	%
▪ Computer software	50
▪ Other intangible assets	15

(g) Investments

Investments that the Company holds for the purpose of short-term profit taking are classified as trading instruments. Debt investments that the Company has the intent and ability to hold to maturity are classified as held-to-maturity assets. Other investments are classified as available-for-sale assets.

Investments are measured initially at cost, including transaction costs.

Subsequent to initial recognition all trading instruments and all available-for-sale assets are measured at fair value, except any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses.

All financial assets held-to-maturity are measured at amortised cost less impairment losses. Amortised cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

(h) Finance lease receivables

Net investments in the lease are presented as finance lease receivables in the balance sheet of the Company. Lease payments relating to the period are regarded as reduction of the principal and finance charges, payable to the lessor as a compensation for the investment.

Finance lease receivables are presented net of specific and general allowances for uncollectibility. Specific allowances are made against the carrying amount of the receivables that are identified as being impaired based on regular reviews of outstanding balances to reduce these receivables to their recoverable amounts. General allowances are maintained to reduce the carrying amount of portfolios of similar receivables to their estimated recoverable amounts at the balance sheet date. The expected cash flows for portfolios of similar assets are estimated based on previous experience and considering the credit rating of the underlying customers and late payments of interest or penalties. Increases in the allowance account are recognised in the income statement. When a finance lease receivable is known to be uncollectible, all the necessary legal procedures have been completed, and the final loss has been determined, the it is written off directly.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(h) Finance lease receivables, continued

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the write down, the write-down or allowance is reversed through the income statement.

In 2004 the Company undertook a policy of impairment of the finance lease receivables on a portfolio basis. General allowance of 1 % is made against the finance lease portfolio, excluding lease contracts insured against financial risk and balances for which a specific allowance is made.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand, current accounts and call deposits.

(k) Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowing on an effective interest basis.

(l) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Company has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis.

(m) Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(n) Taxation

Tax on the profit for the year comprises current tax and the change in deferred tax. Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted by the balance sheet date, and any adjustment of tax payable for previous years.

Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is calculated on the basis of the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. The effect on deferred tax of any changes in tax rates is charged to the income statement, except to the extent that it relates to items previously charged or credited directly to equity.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3. Income from finance lease

In thousands of BGN	2004	2003
Interest and lease income		
Interest income from finance lease	1,580	511
Fee and commission income	71	-
Other lease income	16	9
Total interest and lease income	1,667	520

4. Administrative expenses

In thousands of BGN	2004	2003
Personnel cost	256	31
Depreciation and amortization	7	21
Administration, marketing and other costs	226	349
Total	489	401

Personnel costs include salaries, social and health security contributions and contributions to the unemployment fund under the provisions of the local legislation.

5. Net financing costs

In thousands of BGN	2004	2003
Interest expense	551	201
Fees and commissions	44	17
Foreign exchange gains/(losses)	12	(11)
Total	607	207

6. Taxation

In thousands of BGN	2004	2003
Current tax	99	11
Deferred tax (income)	(1)	-
Total	98	11

7. Property, equipment and intangible assets

In thousands of BGN	Machines and equipment	Fixtures and fittings	Others	Assets under Construction	Total
Cost					
At 1 January 2004	7	14	12	-	33
Additions	-	6	9	15	30
Disposals	-	(2)	-	-	(2)
At 31 December 2004	7	18	21	15	61
Depreciation					
At 1 January 2004	4	4	2	-	10
Charge for the year	2	3	2	-	7
Disposals	-	(1)	-	-	(1)
At 31 December 2004	6	6	4	-	16
Net book value at 31 December 2004	1	12	17	15	45
Net book value at 31 December 2003	3	10	10	-	23

8. Investments

In 2003 Unicredit Leasing Bulgaria EAD registers the subsidiary company Unicredit Leasing Auto Bulgaria EOOD with 100% share in the capital. The equity investments amount to BGN 5 thousand (2003: BGN 5 thousand) and comprise 5000 shares of the above named subsidiary. The investments classified as equity investments are stated at cost, as they do not have quoted market prices in an active market.

9. Deferred Taxation

Deferred income taxes are calculated on all temporary differences under the liability method using a tax rate of 15% for 2005 (2004: 19.5%).

Deferred income tax balances are attributable to the following items:

In thousands of BGN	**Assets**		**Liabilities**		**Net**	
	2004	**2003**	**2004**	**2003**	**2004**	**2003**
Provisions for unused leave holiday	(1)	-	-	-	(1)	-
Net tax (assets)/liabilities	(1)	-	-	-	(1)	-

Movement in temporary differences during the year arises from:

In thousands of BGN	Balance	Recognised during the year		Balance
	2003	Income statement	Equity	2004
Provisions for unused leave holiday	-	(1)	-	(1)
Net deferred taxes (assets)/liabilities	-	(1)	-	(1)

10. Finance lease receivables

In thousands of BGN	2004	2003
Individuals	375	-
Private companies	21,733	6,534
	22,108	6,534
Less impairment allowances	(175)	-
Total	21,933	6,534

As at 31 December 2004 finance lease receivables are due as follows:

In thousands of BGN	Payments	Principal	Interest
Less than one year	842	790	52
Between one and five years	24,822	21,046	3,776
More than five years	123	97	26
Total	25,787	21,933	3,854

11. Trade and other receivables

In thousands of BGN	2004	2003
Tax receivables	1,768	208
Receivables from clients	1,407	964
Other current receivables	26	1
	1	33
Total	3,202	1,206

12. Cash and cash equivalents

In thousands of BGN	2004	2003
Cash on hand	1	1
Cash with banks	242	309
Total	243	310

13. Capital and reserves

As of 31 December 2004, the share capital of Unicredit Leasing Bulgaria EAD amounts to BGN 50 thousands and is fully paid in. The registered share capital consists of 50 thousands ordinary shares, each one with a nominal value of BGN 1. In 2004 the share capital of the Company was increased by BGN 40 thousands as a result of a decision of its owner Bulbank AD.

The reserves comprise retained earnings and accumulated losses from previous periods.

14. Interest-bearing loans and borrowings

In thousands of BGN	2004	2003
Long-term bank loans	-	7,534
Short-term bank loans	23,939	79
Total	23,939	7,613

As of 31 December 2003 Unicredit Leasing Bulgaria EAD has outstanding liabilities at the amount of BGN 7,613 thousands with regard to an extended bank loan. As of 31 December 2004 the Company's liabilities, related to an overdraft facility, amount to BGN 23,939 thousands (EUR 12,240 thousand).

15. Trade and other payables

In thousands of BGN	2004	2003
Payables to suppliers	1,272	274
Advance payments from clients	1,617	30
Trade loan payables	-	90
Liabilities to personnel	85	1
Social contributions liabilities	1	1
Total	2,975	396

16. Contingent liabilities

Off-balance sheet commitments

As of 31 December 2004 the Company has commitments of BGN 11,605 thousands (2003: BGN 236 thousands) to deliver machines and equipment to customers under the terms of finance lease.

17. Related party transactions

Transactions and balances

Related party	Nature of the related party relationship	Type of transaction	Amount
In thousands of BGN			
Bulbank AD	Share capital owner	Overdraft facility	23,939
		Current accounts	243
		Interest paid	502

The remuneration of the Executive Director of the Company for 2004 amounts to BGN 42 thousands.

18. Subsequent events

As a result of a protocol decision dated 21 January 2005 of the sole owner Bulbank AD, the share capital of Unicredit Leasing Bulgaria EAD is increased by BGN 1,000 thousands.

There are no other events after the balance sheet date of such a nature that would require either adjustments or additional disclosures to the financial statements.

19. Parent company

The parent company of Unicredit Leasing Bulgaria EAD is Bulbank AD. The ultimate parent is UniCredito Italiano, Italy.

As the company is a subsidiary of Bulbank AD, which consolidates the financial statements of both Unicredit Leasing Bulgaria EAD and Unicredit Leasing Auto Bulgaria EOOD, Unicredit Leasing EAD does not prepare consolidated financial statements.

UniCredit
Leasing

Unicredit Leasing Auto Bulgaria EOOD

FINANCIAL STATEMENTS

For the year ended
31 December 2004
with independent
auditor's report thereon

REPORT
OF THE INDEPENDENT AUDITOR
TO THE SHAREHOLDERS OF UNICREDIT LEASING AUTO BULGARIA EOOD

Sofia, 24 February 2005

We have audited the accompanying balance sheet of Unicredit Leasing Auto Bulgaria EOOD ("the Company") as of 31 December 2004 and the related statements of income and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2004, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Krassimir Hadjivinev
Registered auditor
Authorised representative
KPMG Bulgaria OOD
37 Fridtjof Nansen Str.
1142 Sofia
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Специализирано одиторско предприятие
София
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"КПМГ - България" ООД

Margarita Goleva
Registered auditor

0202 Маргарита Голева
Регистриран одитор

Income statement

For the year ended 31 December 2004

In thousands of BGN	**Note**	**2004**	**2003**
Income from finance lease	3	54	-
Impairment recoveries/(allowances)	4	(11)	-
Administrative expenses	5	(5)	(2)
Other operating income/(expenses), net		3	-
Profit/(loss) from operations		41	(2)
Net financing costs	6	(28)	-
Profit/(loss) before tax		13	(2)
Taxation	7	(3)	-
Profit/(loss) after tax		10	(2)

The income statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 7 to 14.

Plamen Minev
Executive Director

Krassimir Hadjidinev
Registered Auditor
Authorized Representative
KPMG Bulgaria OOD

Margarita Goleva
Registered Auditor

Balance sheet

As at 31 December 2004

In thousands of BGN	**Note**	**2004**	**2003**
Assets			
Finance lease receivables	8	1,219	-
Total non-current assets		1,219	-
Trade and other receivables	9	276	-
Cash and cash equivalents	10	18	5
Total current assets		294	5
Total assets		1,513	5
Liabilities			
Issued share capital	11	5	5
Retained earnings	11	8	(2)
Total shareholders' equity		13	3
Interest-bearing loans and borrowings	12	1,499	-
Trade and other payables		1	2
Total current liabilities		1,500	2
Total liabilities and shareholders' equity		1,513	5

The balance sheet is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 7 to 14.

Plamen Minev
Executive Director

Krassimir Hadjidinev
Registered Auditor
Authorized Representative
KPMG Bulgaria OOD

Margarita Goleva
Registered Auditor

Cash flow statement

For the year ended 31 December 2004

In thousands of BGN	Note	2004	2003
Net cash flow from operating activities			
Profit after taxation		10	(2)
Adjustments for non-cash items			
Increase in impairment allowances		11	-
Tax expense		3	-
		24	(2)
Change in operating assets			
(Increase) in finance lease receivables		(1,230)	-
(Increase) in other assets		(276)	-
Change in operating liabilities			
Increase in interest-bearing loans and borrowings		1,499	-
Increase/(decrease) in other liabilities		(4)	2
Net cash flow from operating activities		13	-
Cash flow from equity activities			
Increase in equity shares		-	5
Net cash flow from equity activities		-	5
Net increase in cash and cash equivalents		13	5
Cash and cash equivalents at the beginning of period	10	5	-
Cash and cash equivalents at the end of period	10	18	5

The cash flow statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 7 to 14.

Plamen Minev
Executive Director

Krassimir Hadjidinev
Registered Auditor
Authorized Representative
KPMG Bulgaria OOD

Margarita Goleva
Registered Auditor

Statement of changes in equity

For the year ended 31 December 2004

In thousands of BGN	**Note**	**Share capital**	**Retained earnings**	**Total**
Balance at 1 January 2003		-	-	-
Initial share capital registration		5	-	5
Net profit for the year		-	(2)	(2)
Balance at 1 January 2004		5	(2)	3
Net profit for the year		-	10	10
Balance at 31 December 2004	11	5	8	13

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 7 to 14.

The financial statements have been approved by the Executive Director on 24 February 2005.

Plamen Minev
Executive Director

Krassimir Hadjidinev
Registered Auditor
Authorized Representative
KPMG Bulgaria OOD

Margarita Goleva
Registered Auditor

Notes to the financial statements

1. BASIS OF PREPARATION

(a) Statute

Unicredit Leasing Auto Bulgaria EOOD (the Company) is incorporated in accordance with the corporate legislation of Republic of Bulgaria in 2003. The Company has its registered office in the city of Sofia, 8, Aksakov Street.The parent company of Unicredit Leasing Auto Bulgaria EOOD is Unicredit Leasing Bulgaria EAD.

Its principle activities include finance lease.

(b) Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board ("IASB"), and interpretations issued by the Standing Interpretations Committee of the IASB.

(c) Basis of preparation

The financial statements are presented in new (redenominated) Bulgarian Leva (BGN) rounded to the nearest thousand.

The financial statements are prepared on a fair value basis for derivative financial instruments, financial assets and liabilities held for trading, and available-for-sale assets, except those for which a reliable measure of fair value is not available. Recognised assets and liabilities that are hedged are stated at fair value in respect of the risk that is hedged. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost.

In compliance with Accounting Law since 1 January 2003, financial institutions in Bulgaria prepare financial statements in accordance with IFRS. As in February 2004 Bulbank AD acquired completely Unicredit Leasing Bulgaria EAD, and indirectly – Unicredit Leasing Auto Bulgaria EOOD also, in 2004 the Company prepares its financial statements in compliance with IFRS in order to unify its accounting policy for consolidation purposes.

Certain representative reclassifications have been made to the financial statements as of December 31, 2003 in order to provide more clear and precise comparison with figures as of December 31, 2004. The transition to IFRS did not require any adjustments in the opening balance of retained earnings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Interest and lease income recognition

Unearned finance income (interest) is the difference between the gross investment in the lease and the net investment in the lease. The gross investment in the lease is the aggregate of the minimum lease payments receivable and any unguaranteed residual value accruing to the lessor. The finance charge (interest income) is allocated over the lease term on a pattern reflecting a constant periodic return on the lessor's net investment in the finance lease. Lease payments relating to the period are regarded as reduction of the principal and finance charges.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(b) Net financing costs

Net financing costs comprise interest expenses on bank loans, interest income from funds invested, gains and losses from foreign currency transactions, other financing costs.

Interest income is recognised in the income statement as it accrues, using the effective interest rate method.

Interest expenses and other charges, related to loan agreements, are recognised in the income statement as they accrue, being part of net financing costs.

(c) Impairment of assets

Financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement or against the revaluation reserve, when applicable.

(d) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in the income statement.

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the reporting currency at the foreign exchange rates ruling at the dates that the values were determined.

(e) Property, plant and equipment

Property and equipment are stated at cost less accumulated depreciation.

Depreciation is provided on a straight line basis at prescribed rates designed to write-off the cost of the assets over their expected useful lives. The following are approximations of the annual rates used:

Assets	**%**
▪ Buildings	4
▪ Equipment	15
▪ Hardware	50
▪ Fixtures and fittings	15
▪ Vehicles	25

Assets are not depreciated until they are brought into use and transferred from assets in the course of construction into the relevant asset category.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(f) Intangible assets

Intangible assets, which are acquired by the Company, are stated at cost less accumulated amortisation and any impairment losses.

Amortisation is calculated on a straight-line basis over the expected useful life of the asset. The annual rates of amortisation are as follows:

Asset	%
▪ Computer software	50
▪ Other intangible assets	15

(g) Investments

Investments that the Company holds for the purpose of short-term profit taking are classified as trading instruments. Debt investments that the Company has the intent and ability to hold to maturity are classified as held-to-maturity assets. Other investments are classified as available-for-sale assets.

Investments are measured initially at cost, including transaction costs.

Subsequent to initial recognition all trading instruments and all available-for-sale assets are measured at fair value, except any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses.

All financial assets held-to-maturity are measured at amortised cost less impairment losses. Amortised cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

(h) Finance lease receivables

Net investments in the lease are presented as finance lease receivables in the balance sheet of the Company. Lease payments relating to the period are regarded as reduction of the principal and finance charges, payable to the lessor as a compensation for the investment.

Finance lease receivables are presented net of specific and general allowances for uncollectibility. Specific allowances are made against the carrying amount of the receivables that are identified as being impaired based on regular reviews of outstanding balances to reduce these receivables to their recoverable amounts. General allowances are maintained to reduce the carrying amount of portfolios of similar receivables to their estimated recoverable amounts at the balance sheet date. The expected cash flows for portfolios of similar assets are estimated based on previous experience and considering the credit rating of the underlying customers and late payments of interest or penalties. Increases in the allowance account are recognised in the income statement. When a finance lease receivable is known to be uncollectible, all the necessary legal procedures have been completed, and the final loss has been determined, the it is written off directly.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(h) Finance lease receivables, continued

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the write down, the write-down or allowance is reversed through the income statement.

In 2004 the Company undertook a policy of impairment of the finance lease receivables on a portfolio basis. General allowance of 1 % is made against the finance lease portfolio, excluding lease contracts insured against financial risk and balances for which a specific allowance is made.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand, current accounts and call deposits.

(k) Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowing on an effective interest basis.

(l) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Company has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis.

(m) Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(n) Taxation

Tax on the profit for the year comprises current tax and the change in deferred tax. Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted by the balance sheet date, and any adjustment of tax payable for previous years.

Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is calculated on the basis of the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. The effect on deferred tax of any changes in tax rates is charged to the income statement, except to the extent that it relates to items previously charged or credited directly to equity.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3. Income from finance lease

In thousands of BGN	2004	2003
Interest and lease income		
Interest income from finance lease	51	-
Fee and commission income	3	-
Total interest and lease income	54	-

4. Impairment allowances

In 2004 the Company follows a policy of impairment allowances on portfolio basis. General allowance of 1 % is made against the finance lease portfolio, excluding lease contracts insured against financial risk and balances for which a specific allowance is made. As of 31 December 2004 the impairment losses stand at BGN 11 thousands.

5. Administrative expenses

In thousands of BGN	2004	2003
Personnel cost	-	2
Administration, marketing and other costs	5	-
Total	**5**	**2**

Personnel costs include salaries, social and health security contributions and contributions to the unemployment fund under the provisions of the local legislation.

6. Net financing costs

In thousands of BGN	2004	2003
Interest expense	25	-
Fees and commissions	2	-
Foreign exchange gains (losses)	1	-
Total	28	-

7. Taxation

In thousands of BGN	2004	2003
Current tax	3	-
Total	3	-

8. Finance lease receivables

In thousands of BGN	2004	2003
Individuals	220	-
Private companies	1,010	-
	1,230	-
Less impairment allowances	(11)	-
Total	1,219	-

9. Trade and other receivables

In thousands of BGN	2004	2003
Tax receivables	239	-
Receivables from clients	35	-
Other current receivables	2	-
Total	276	-

10. Cash and cash equivalents

In thousands of BGN	2004	2003
Cash on hand	2	-
Cash with banks	16	5
Total	18	5

11. Capital and reserves

As of 31 December 2004 the registered share capital of Unicredit Leasing Auto Bulgaria EOOD amounts to BGN 5 thousands and is fully paid in. It consists of 5 thousands ordinary shares, each one with a nominal value of BGN 1.

The reserves comprise retained earnings and accumulated losses from previous periods.

12. Interest-bearing loans and borrowings

As of 31 December 2004 the Company's liabilities, related to an overdraft facility, amount to BGN 1,499 thousands (EUR 766 thousand).

13. Contingent liabilities

Off-balance sheet commitments

As of 31 December 2004 the Company has commitments of BGN 267 thousands to deliver vehicles to customers under the terms of finance lease.

14. Related party transactions

Transactions and balances

Related party	Nature of the related party relationship	Type of transaction	Amount
In thousands of BGN			
Bulbank AD	Company from the UniCredito Italiano Group	Overdraft loan	1,499
		Demand accounts	16
		Interest paid	27

15. Subsequent events

There are no events after the balance sheet date of such a nature that would require either adjustments or additional disclosures to the financial statements.

16. Parent company

The parent company of Unicredit Leasing Auto Bulgaria EOOD is Unicredit Leasing Bulgaria EAD. Its ultimate parent is UniCredito Italiano, Italy.