

**EURO-FINANCE LTD.
FINANCIAL STATEMENTS
CONSOLIDATED**

31.12.2009

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**ANNUAL REPORT OF THE BOARD OF DIRECTORS ABOUT
EURO-FINANCE GROUP'S ACTIVITY,
IN 2009**

STRUCTURE OF THE GROUP

**EURO-FINANCE Group comprises of EURO-FINANCE LTD. (parent-company)
and EUROSYS EOOD (subsidiary)
The subsidiary is established in 2004.**

I. CRISIS, RECESSION,...HOPE

Year 2009 will be remembered with the official fall into recession of the EU countries and continuing financial and economic problems. After the shocking start of financial crisis at the end of 2008, the negative trends were gradually accepted and became usual habitude for financial markets. Liquidity problems and general distrust in financial systems are still intact. Central banks implemented a series of coordinated actions towards improvement of common liquidity. Interest levels in Europe were cut from 2.5% to below 1.0%, following the US rates. Governments from around the world spent billions in an attempt to stabilize financial system, but only small part of the appropriated funds reached the real business. Banks fears of long-term lending detained credit resources inside the banking system and redirected significant part of them to short-term investments. The promises about assets sale, restructuring and optimization stayed aside. Regulators ability to require and impose such actions, including financial aid refunding, will be in analysts focus during the next year. The natural desire of society to cushion the negative social aspects of recession (US unemployment exceeded 10.0% in 2009) sustains regulators uncertainty of imposing harder measures.

Bulgarian economy did not stayed aside from the global financial crisis, as some political figures expected in the beginning of 2009. According to the Eurostat forecast, Bulgarian GDP drop is expected to reach 5.9% in the end of the year. GDP change during the first three consecutive quarters of 2009 is negative: -3.5% for Q1, -4.9% for Q2 and -5.4% for Q3. The recorded annual growth of more than 6.0% during five consecutive years faded away. The recession in 2009 is a fact. Only the hope for change during the next year remains, backed by the last NSI revision of the forecasted GDP slump, which is lowered with 0.5%. The high level of openness of the national economy, economic growth dependence on the foreign funds inflow and the fact that a big part of the growth was generated by three sectors – real estate, construction and finance, made Bulgarian economy vulnerable. However, is this completely bad news? Maybe the well-timed correction will prevent the country from an uncontrolled smoothening of economic imbalances affected by the overheating economy. The end of the credit boom led to shrinking trade deficit, restrained inflationary growth and reduction of economic imbalances.

According to the official NSI data as of September 30, 2009, current account deficit might shrink more than four times¹ in the end of the year. The main reason is the more intensive shrinkage of import than the export. The import drop (with almost one third) is a result of the limited, and in fact almost terminated, bank lending in the country. The common restraint in worldwide lending reflected on the slump of direct investments in the country from BGN 6,6 bln. for 2008 to BGN 2,1 bln. as at September 2009. The foreign inflows volatility along with continuing risk revaluation introduce global financial crisis in Bulgaria. Nevertheless, as of September 30, 2009 for the first time direct investments entirely covered the current account gap and are basic mainstay of the balance of payments.

Undoubtedly, the main support of Bulgarian economy is the currency board. Some Eastern European countries chose devaluation of their national currency in an attempt to preserve competitiveness of their economies. However, this step boosted inflation to more than 20% and intensified capital outflows.

On the parliamentary elections held in June GERB party collected the prevailing share of the votes and supported by a few smaller parties formed minority government unlike the former tripartite ruling coalition, which was being rent by insurmountable discrepancies. The new governing officials were given credit by the EU, which influenced on the general mitigation of political risk in the country. GERB's intentions to impose financial discipline and to cut budget expenses led to lower credit risk estimates, represented by CDS (credit default swap). This indicator became very popular in the beginning of the year since it was pointed out as a reason for the interest rates rise. In March 2009 CDS registered a high of 698 points, followed by a considerable drop in

¹ Based on the NSI data as of September 30, 2009

October below 200 points. In spite of the slump, Bulgarian banks credit policy was left unchanged and lending remained limited.

A touch of positivism in the economic landscape was introduced by the last NSI business survey about the general indicator of the business climate in November, which registered a rise of 0.4 points compared to October, chiefly because of the improved business climate in the services sector and manufacturing.

II. EURO-FINANCE IN THE YEAR OF FINANCIAL SERVICES STAGNATION

1. FOREX MARKET

FOREX market trends in 2009 were highly influenced by the extraordinary monetary measures, taken by the leading central banks. The one-year volatility of the main currency pair EUR/USD reached 13.4% in the last year. The first signs of revival of the global economy, interest rate advantage of the Eurozone countries and the rapid deterioration of the US budget deficit were fundamental for US currency devaluation. The common European currency advanced 2.45% on an annual basis against the US dollar. Respectively, Bulgarian lev also firmed against the US dollar with more than 2%. BNB exchange rate ranged between 1,55781 (March 4) and 1,29671 (November 25), mirroring the fluctuations of the euro exchange rate against the US dollar on the global forex markets.

EXCHANGE RATE MOVEMENT EUR/USD AND USD/BGN IN 2009



SOURCE: BLOOMBERG

According to the BNB data, the total turnover on Bulgarian interbank forex market remained relatively flat at around €500 bln. The bigger part of the turnover was generated, as expected, between BNB and the banks. In comparison with 2008, the trading on the clear interbank market (without BNB) shrank as did the turnover from the forex operations between banks and their end clients. The structure of forex trading remains stable and euro transactions are still dominating.

In 2009 in the context of the continuing financial and economic crisis, EURO-FINANCE Group followed its moderate-conservative strategy establishing prudent speculative positions on the forex market. The total turnover from foreign currency operations stabilized at its last year levels. Continuing plunge of the trading volumes with our traditional counter parties was offset by the rise of speculative transactions on own account. The improvement of effectiveness in transactions with counter parties as well as the broadening of profit margin in the exchange rates contracting with clients led to significant rise of the income from foreign exchange transactions.

The table below gives numerical indicators compared to the same for 2008:

	2009	2008	% CHANGE
Amount of foreign currency bought ('000 levs)	211 593	213 961	-1,1%
Exchange difference	52 636	28 146	+87,0%

2. MONEY MARKET, GOVERNMENT SECURITIES AND CORPORATE BONDS MARKET

During the last year broadening of the spread between LEONIA and EONIA, which was typical for the money market in 2008, gave way to another distinctive trend – significant and even increasing margin between liquid risk premiums on the interbank markets in Eurozone and premiums in Bulgaria. In the beginning of the period, the margin between the 1-month SOFIBOR/LEONIA spread and respective 1-month EURIBOR/EONIA was 220 b. p., while as of December 10, 2009 this margin reached 264 b.p. The peak and low were registered on March 31, 2009 (324 b.p.) and on March 13, 2009 (144 b.p.), respectively.

Movement of 1-month SOFIBOR/LEONIA spread and 1-month EURIBOR/EONIA spread for the period 01.01.-10.12.2009



SOURCE: BLOOMBERG

EURO-FINANCE Group was in a very favorable position to take advantage of the situation, which boosted the share of deposits placed in the country to 95.87% of the total deposits in 2009, compared to 77.66% in 2008 and led to a rise of the average BGN deposit term (4.3 days for 2009 compared to 2.2 days in 2008) in the presence of the traditionally large share of the overnight transactions with unsecured term BGN deposits (81,71% for the period January – November 2009 according to the BNB data).

OVERALL DEPOSITS PLACED

	2009		2008	
	Number of deposits	'000	Number of deposits	'000
Total for the period*, incl.:	908	1 513 929	987	2 103 963
BGN	380	961 532	434	1 364 176
EUR	282	180 186	308	284 535
USD	246	146 606	245	134 364

*in BGN based on the fixing rates of BNB as at 31 December 2009

The current fiscal vigilance, low government debt and keeping of the fiscal reserve provided suitable cushions against the fiscal pressure.

Change of the spread between yields of denominated in EUR and BGN Bulgarian global bonds and yields of the respective base bonds for the period 01.01-10.12.2009.



Source: Bloomberg

Relatively high liquidity (compared to liquidity of the government securities and corporate bonds) combined with the acceptable risk level, assigned almost 44% share to Bulgarian Eurobonds transactions of the total debt securities transactions, made by EURO-FINANCE Group.

In 2009 the policy of Ministry of Finance was kept towards diminishing of the government debt issues. Payments on the government securities (interests and principals) exceeded these on the newly issued debt, which led to a positive cash flow to the banking system of more than BGN 300 mln. On the secondary interbank market the total amount of the end transactions made with government securities for the period January – November 2009 melted to BGN 570.5 mln – more than fivefolds lower compared to the first eleven months of the previous year (BNB data). The slump in repo-agreements with government securities is almost 51%. The mild liquidity combined with the lack of adequate compensation as an additional yield, left the government securities market aside of the main activities of the Group. In 2009 almost 88% of the turnover with government securities was generated by repo-agreements. The rest were transaction between EURO-FINANCE Group and clients. For the past year EURO-FINANCE did not completed any final sale of government bonds on the secondary market.

During the last year corporate bonds market froze. Liquidity vanished and the newly issued debt amounted to about BGN 250 mln., distributed in only 18 issues. As a general rule, investors that are neither related to the issuer nor are his creditors, showed no interest in subscription. Risk premium of these securities reached unprecedented high levels. In some BSE deals, yield to maturity exceeded 40% for debt with remaining maturity of less than 2 years. The total municipal and corporate bonds turnover on the BSE-Sofia AD floor during the first eleven months of 2009 was BGN 154.9 mln.

DEBT INSTRUMENT TRANSACTIONS ON THE SECONDARY MARKET, INCL.: REPO-AGREEMENTS

	2009		2008	
	<i>Number of transactions</i>	<i>Par value ('000 in original currency)</i>	<i>Number of transactions</i>	<i>Par value ('000 in original currency)</i>
Government bonds transactions under Ordinance №5, incl.:	116	56 725	153	183 652
TRANSACTIONS WITH BANKS	8	14 040	33	95 020
TRANSACTIONS WITH CLIENTS	108	42 685	120	88 632
Debt securities transactions, incl.:	514	30 388	492	18 192
- ON THE BSE-SOFIA FLOOR	380	11 988	381	13 892
- OTC	134	18 400	111	4 300
Foreign debt securities transactions:	64	9 553	89	96 986

3. CAPITAL MARKET, CONSULTING SERVICES

The negative effect of the crisis on the Bulgarian capital market was noticed in its utmost degree during the first three months of 2009, when share prices reached their historical lows. Traditionally low liquidity led to unbelievable price collapse and shares of the most companies traded below their par values. The outflow of foreign and institutional investors additionally hurt market volumes and sent the number of transactions sharply down. The unfavorable market conditions affected opportunities for fund raising through IPO as well as the number of registered capital hikes with rights. The total number of newly registered issues for trading on the BSE during the year was 51, which was a 49%-drop compared to 2008. After the first three months of the year, when international capital markets slowly began to recover and to return some of the losses accumulated in the previous period, BSE trading kept the low activity and mild volumes. Nevertheless, the prices of the leading companies rose, but not enough to attract plenty of active market players. In the last year stock indices reached their peaks in September – October. In the end of the period the leading stock exchange indicator SOFIX advanced with almost 20%, but stayed below the levels, forecasted by most market analysts.

Movement of SOFIX and BG40 in 2009



SOFIX	28.12.2009	31.12.2008	Change (%)
	427,27	358,66	19,13%

BG40	28.12.2009	31.12.2008	Change (%)
	117,16	107,81	8,67%

BGTR30	28.12.2009	31.12.2008	Change (%)
	334,84	272,82	22,73%

BGREIT	28.12.2009	31.12.2008	Change (%)
	48,01	48,53	-1,07%

Stock exchange capitalization dropped with 5.65%, reaching BGN 11 597,37 mln., which is significantly lower compared to the slump in the end of 2008 of 74% compared to 2007. According to the BNB data, market capitalization in the end of the year represents 17,71% of the GDP. Transactions made during the year were reduced by half compared to 2008 and were almost 2,5 times less than the registered in 2007.

MAIN DATA FOR THE TRADING ON THE BSE-SOFIA

Indicator	2009	2008	Change
Volume (BGN)	871 486 406	2 129 126 882	-59,07%
Transactions	199 318	389 589	-48,84%
Volume lots	324 668 340	490 388 935	-33,79%
Market capitalization (BGN)	11 597 371 518	12 460 802 101	-6,93%

EURO-FINANCE Group ranked ninth in terms of turnover in BGN with 8 163 transactions amounting to BGN 52 557 552.

In June EURO-FINANCE LTD. became the first and for now the only one Bulgarian investment intermediary a full member of Frankfurt Stock Exchange and was granted direct access to wide range of financial instruments. EURO-FINANCE LTD. offers to its clients, as well as to the other investment intermediaries, direct, fast and cheap access to the second largest market of financial instruments in Europe.

Since the beginning of the direct trading on the stock exchange in Frankfurt from the middle of the year, the number of clients' orders for trading on the foreign markets and the number of registered transactions rose four times.

In 2009 many investment projects and consulting services were implemented and delivered in the field of corporate management, investments in securities, company financing and restructuring. The main project in the field of investment banking in 2009 was the preparation of investment memorandum and valuations of all companies from the group of Bulgartabac Holding AD. EURO-FINANCE LTD. was an advisor of the tobacco holding company in accordance with the agreement signed in 2006. In December 2008 we temporary ceased the work on the project after the parliament of the Republic of Bulgaria revoked the "Strategy for privatization of Bulgartabac". According to it companies from the group had to be sold separately. The intensifying financial crisis and the uncertainty about investors' interest to the separate factories were pointed out as reasons for the revocation of the Strategy .

In the beginning of 2009 Privatization Agency was entrusted to organize a tender for preparation of legal analysis, assessment and information memorandum of the whole group Bulgartabac – Holding AD. The tender was once again won by an alliance between EURO-FINANCE Ltd. and Subev&Co. Law Company. That was expected recognition of our work quality in the former privatization procedures.

In short terms were prepared information memorandum and valuation of all companies from Bulgartabac group: Sofia BT AD, Blagoevgrad BT AD, Pleven BT AD, Shumen Tabac AD, Asenovgrad Tabac AD, Yambol Tabac AD, Dulovo Tabac AD, Vidin Tabac AD (in insolvency), Harmanli Tabac AD (in insolvency), Haskovo Tabac AD (in liquidation) as well as Bulgartabac Holding AD.

A part of the efforts in the field of investment banking was oriented towards the enlistment of new issuers of securities. Auto Union Group EAD issued its first bond amounting to EUR 7,5 mln, and EURO-FINANCE LTD. prepared prospectus for admission of securities to trading on a regulated market and listed the issue on the BSE – Sofia AD. In 2009 was prepared a tender offer to the minority shareholders of a public company. In May 2009 STS Invest Holding AD filed a tender offer for the shareholders of Nezavisimost – 40 AD, then it delisted the company from the register of FSC. Over the whole 2009 EURO-FINANCE LTD. assisted the management company SENTINEL ASSET MANAGEMENT AD in the operating activities of the two mutual funds MF Sentinel Principal and MF Sentinel Rapid. For the year 2010 we expect the total deadlock in investment banking to proceed as a direct result of the financial markets stagnation. The lack of any liquidity on the Bulgarian capital market and the increased risk premiums hinder companies, which show interest in capital markets for financing of their projects.

The total financial markets stagnation affected the structure and amount of the revenue from main activity. Unfortunately the only positive fact is that our forecasts from the previous report were fully met: ***"...The spreading recession will have negative impact on net income from financial intermediation. Transactions in financial instruments will most likely be sporadic and with low volume, which will probably result in further decline in revenue from fees and commissions. The average weight of interest income in overall income will continue to grow, but its absolute value will decrease."***

Type of income	2009 (BGN)	2008 (BGN)	2007 (BGN)
Fees and commissions from transactions in financial instruments	311 384	808 302	1 702 617
Interest and similar income	867 104	918 787	530 139
Income/expenses from commercial portfolio	-11 739	-396 460	312 495
Total	1 166 749	1 330 629	2 545 252

III. DISCLOSURE OF INFORMATION RELATED TO THE IMPLEMENTATION OF FSC's ORDINANCE No. 35 ON THE CAPITAL ADEQUACY AND LIQUIDITY OF THE INVESTMENT INTERMEDIARIES

In accordance with the provisions of FSC's Ordinance No. 35 on the capital adequacy and liquidity of the investment intermediaries EURO-FINANCE has disclosed this information as additional at the end of these statements.

IV. DISCLOSURE OF MANDATORY AND ESSENTIAL ADDITIONAL INFORMATION

As at the date of preparation of this statement, the Board of Directors of EURO-FINANCE includes:

Asen Hristov	Chairman of the Board of Directors
Kiril Boshov	Deputy Chairman of the Board of Directors
Simeon Petkov	Chief Executive Officer
Iordan Popov	Executive Officer
Momchil Petkov	Member of the Board of Directors

The members of the Board of Directors do not directly own shares and/or bonds issued by EURO-FINANCE and have not been granted special rights or options for acquiring shares and bonds of the Group. No member of the Board of Directors does not participate in a commercial partnership as a general partner. The total gross remuneration of the Board of Directors in 2009 amounted to BGN 157,931.

Mr. Asen Milkov Hristov holds more than 25% of the capital of the following commercial partnership:

"STARCOM HOLDING" AD - Etropole;
"ALPHA EUROAKTIV" EOOD - Sofia;
"CORPORATE ADVISORS" EOOD - Sofia;
"PROFONIKA" EOOD - Sofia.

Mr. Kiril Ivanov Boshov holds more than 25% of the capital of the following commercial partnerships:

"STARCOM HOLDING" AD - Etropole;
"ALCOMMERCE" EOOD - Sofia.

Mr. Asen Milkov Hristov participates in the management of the following commercial partnerships:

- "AUTOPLAZA" EAD – Sofia;
- "SCANDINAVIA MOTORS" EAD – Sofia;
- "EUROHOLD BULGARIA" AD – Sofia;
- "CORPORATE ADVISORS" EOOD – Sofia;
- "SPORTPROEKT" EAD – Sofia;
- "GEOENERGOPROEKT" AD – Sofia;
- "ALPHA EUROAKTIV" EOOD – Sofia;
- "CORPORATE ADVISORS" EOOD – Sofia;
- "BULSTAR INVESTMENT" AD – Pazardjik;
- "EUROTEST-CONTROL" EAD – Sofia;
- "FORMOPLAST" AD – Kurdjali;
- "AUTO UNION GROUP" EAD – Sofia;
- "EURO POWER" AD – Sofia;
- "EURO-FINANCE" AD – Sofia;
- "ETROPAL" AD – Etropole;
- "EUROINS ROMANIA ASIGURARI REASIGURARI" AD – Bucharest;
- "EUROINS OSIGURUVANJE" AD – Skopje;
- "INTER SIGORTA" AD – Istanbul;
- "PLASTCHIM – T" AD – Tervel;
- "PROFONIKA" EOOD – Sofia;
- "BALKAN INTERNATIONAL BASKETBALL LEAGUE" OOD – Sofia;
- "STARCOM HOLDING" AD – Etropole;
- "STARCOM HOLD" AD – Kostinbrod;
- "BASKETBALL CLUB CHERNO MORE" EAD – Varna;
- "FORMOPLAST 98" AD – Sofia;
- "AUTO UNION" AD - Sofia.

Mr. Kiril Ivanov Boshov participates also in the management of the following commercial partnerships:

- "AUTOPLAZA" EAD – Sofia;
- "ALCOMMERCE" EOOD – Sofia;
- "SCANDINAVIA MOTORS" EAD – Sofia;
- "EUROHOLD BULGARIA" AD – Sofia;
- "SPORTPROEKT" EAD – Sofia;
- "EURO AUTO" OOD – Sofia;
- "CAPITAL 3000" AD – Sofia;
- "EUROLEASE ASSET" EAD – Sofia;
- "EUROLEASE AUTO" EAD – Sofia;
- "EUROHOTELS" AD – Borovetz;
- "EUROINS-HEALTH INSURANCE" EAD – Sofia;
- "GEOENERGOPROEKT" AD – Sofia;
- "EUROINS ROMANIA ASIGURARI REASIGURARI" AD – Bucharest;
- "EUROLEASE AUTO IFN" AD – Bucharest;
- "EUROINS OSIGURUVANJE" AD – Skopje;
- "EUROLEASE AUTO" EAD – Skopje;
- "INTER SIGORTA" AD – Istanbul;
- "EUROINS INSURANCE GROUP" AD – Sofia;
- "EUROMOBIL LEASING" AD – Sofia;
- "NISSAN SOFIA" AD – Sofia;
- "EURO-FINANCE" AD – Sofia;
- "AUTO UNION" AD – Sofia;
- "STARCOM HOLDING" AD – Etropole;
- "STARCOM HOLD" AD – Kostinbrod;
- "IZTOK PLAZA" EAD – Sofia.

Mr. Simeon Petkov participates also in the management of SENTINEL ASSET MANAGEMENT AD – Sofia, CLIFT OOD – Sofia, EUROSYS EOOD – Sofia.

Mr. Jordan Popov participates also in the management of SENTINEL ASSET MANAGEMENT AD – Sofia.

Mr. Momchil Petkov does not participate in the management of other commercial partnerships.

During the reporting period the Board of Directors has not taken resolutions for transactions outside the usual business of the Group. No pending deals are known that might significantly impact the business of the Group as at the preparation of the present report.

In 2010 the main risk on the Bulgarian financial market will be related to the rising number of bond issues with requested for rescheduling interests and principals on the part of the issuers. During the period under review eight different issuers faced problems. If this troubling trend turns into debt crisis the market will be hardly hit, as well as the Bulgarian institutional investors. In this situation the only smart choice for us is to keep the moderate-conservative approach in the investment decisions taking.

In the end of the period under review headquarter of the Group was moved on a new address. So it is possible some of our long-term clients to terminate using the investment and other services offered by us. For sure the number of clients that used to be serviced at our office will drop dramatically. At the same time we believe that in the new modern office we will benefit from the synergy of the Group at higher extend and we will offset the possible income loss from natural persons at the expense of the increase of the number of the serviced companies.

Our efforts will be oriented towards rising of the share of transactions with financial instruments, traded on the foreign markets and maintaining of liquidity. In case of favorable development of the Eurozone economic processes, in the second part of this year we might notice market recovery in Bulgaria to some extend and we will be well-prepared for it.

Sofia,
05 February 2010

BOARD OF DIRECTORS

Financial statements as at 31 December 2009

STATEMENT OF COMPREHENSIVE INCOME

	<u>NOTES</u>	<u>31.12.2009</u> BGN'000	<u>31.12.2008</u> BGN'000
Interest revenue and similar revenue		1 641	1 862
Interest expenses and similar expenses		(774)	(944)
Net interest revenue		867	918
Other operating revenue	3	682	798
Gross operating revenue		1 549	1 716
Operating expenses	4	(1 260)	(1 441)
Net income before taxes and extraordinary items		289	275
Income from extraordinary items		-	-
Net income before taxes		289	275
Tax expense	5	(29)	(23)
Profit (loss)		260	252
Other comprehensive income		-	-
Total comprehensive income		260	252
Net profit (loss) per share (BGN)		0,02	0,02

05.02.2010

Donka Vassileva
Chief Accountant



Simeon Petkov
Chief Executive Officer

Iordan Popov
Executive Officer

Certified by: BDO Bulgaria OOD

Stoyanka Apostolova, Manager
CPA, Registered Auditor



**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009**

	<u>NOTES</u>	<u>31.12.2009</u> BGN'000	<u>31.12.2008</u> BGN'000
ASSETS			
Fixed assets			
Investments in subsidiaries and associates	6	1 838	1 838
Non-current debt securities	7	2 093	40
Fixed non-financial assets	8	54	95
		3 985	1 973
Current assets			
Cash	9	7 129	24 990
Equity securities	10	1 278	549
Debt securities	11	4 665	5 365
Other current assets	12	1 605	28 114
Deferred tax assets		-	7
Other assets	13	8	13
		14 685	59 038
Total assets		18 670	61 011
EQUITY AND LIABILITIES			
Equity and liabilities			
Share capital	14	14 100	14 100
General reserves	15	1 411	1 411
Other reserves	16	73	73
Result from prior period		-	1
Result from current period		260	252
		15 844	15 837
Current liabilities			
Tax payables	17	4	23
Other	18	2 822	45 151
		2 826	45 174
Total equity and liabilities		18 670	61 011

05.02.2010

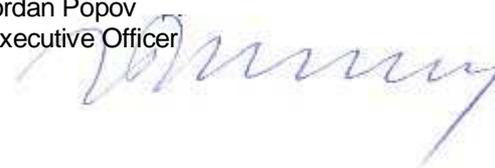
Donka Vassileva
Chief Accountant




Simeon Petkov
Chief Executive Officer

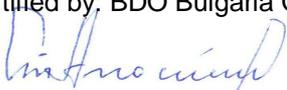


Iordan Popov
Executive Officer



Certified by: BDO Bulgaria OOD

Stoyanka Apostolova, Manager
CPA, Registered Auditor




**STATEMENT OF CASH FLOWS
AS AT 31 DECEMBER 2009**

	<u>31.12.2009</u> BGN'000	<u>31.12.2008</u> BGN'000
Net profit	260	252
Adjusted with:		
Depreciations	42	51
Changes in short-term assets	26 487	(25 353)
Changes in deferred expenses	5	-
Changes in current liabilities and adjustments	(42 348)	26 317
Cash flow from operations	(15 554)	1 267
Cash flows from unspecialized investing activity	(2 054)	(1 748)
Cash flows from finance activity	(253)	(610)
Net cash flows	(17 861)	(1 091)
Cash in the beginning of the year	24 990	26 081
Cash at the end of the year	7 129	24 990

05.02.2010

Donka Vassileva
Chief Accountant




Simeon Petkov
Chief Executive Officer

Iordan Popov
Executive Officer



Certified by: BDO Bulgaria OOD


Stoyanka Apostolova, Manager
CPA, Registered Auditor



**STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2009**

	SHARE CAPITAL BGN'000	GENERAL RESERVES BGN'000	OTHER RESERVES BGN'000	PROFIT (LOSS) BGN'000	TOTAL BGN'000
Balance as at 1 January 2008	14 100	211	273	1 560	16 144
Changes in equity in 2008					
Comprehensive income for the year				252	252
Transfer to reserves		1 000		(1 560)	(560)
<i>Dividends</i>				(551)	(551)
<i>Other income</i>				(9)	(9)
Other changes		200	(200)	1	1
Balance as at 31 December 2008	14 100	1 411	73	253	15 837
Changes in equity for 2008					
Comprehensive income for the period				260	260
Dividends				(253)	(253)
Balance as at 31 December 2009	14 100	1 411	73	260	15 844

05.02.2010

Donka Vassileva
Chief Accountant




Simeon Petkov
Chief Executive Officer



Iordan Popov
Executive Officer



Certified by: BDO Bulgaria OOD

Stoyanka Apostolova, Manager
CPA, Registered Auditor




NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2009

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The International Financial Reporting Standards accepted by the European Union Commission are effective on the territory of the Republic of Bulgaria.

The Management presents its financial statements as at 31 December 2009, prepared in compliance with International Accounting Standards (IAS) adopted by the European Parliament that is in compliance with the National Accounting Legislation .

The financial statements are presented in Bulgarian levs (BGN), as this is the currency of the primary operations are in this currency.

2. ACCOUNTING POLICY

Principle of consolidation of the financial statements

Consolidated financial statements include consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement for changes in equity. These statements comprise parent-company EURO-FINANCE LTD. and its subsidiary EUROSYS EOOD.

The subsidiary is a company consolidated by the parent-company through ownership of 100% of its capital and the ability to control its financial and operating policy in order to obtain economic benefits from its activity. In case of acquisition of subsidiary, its assets and liabilities are reported at their fair value as at the date of acquisition.

All essential intra-group balances and intra-group transactions as well as the following gains and losses are eliminated as a result of consolidation procedures.

The effects of changes in foreign exchange rates

According to the requirements of the Bulgarian Legislation the Group keeps its accounting ledgers in Bulgarian levs (BGN). The Bulgarian lev is pegged to the Euro at EUR 1 = BGN 1.95583. The financial statements are presented in thousands levs.

Foreign currency transactions are initially recorded in BGN at the Bulgarian National Bank's fixed rate of exchange at the date of the transaction.

In the annual and interim financial statements financial statements foreign currency monetary items and non-monetary items are recorded as follows:

foreign currency monetary items are reported using the closing rate, whereas during the course of the year – at the Bulgarian National Bank's fixed rate of exchange as at the date of the financial statements preparation.

non-monetary items carried at fair value in foreign currency are reported at the rate that existed when the fair value is determined.

Exchange differences resulting from changes in foreign exchange rates are recognized on the Statement of comprehensive income.

Recognition of revenue and expenses

Measurements of revenue – Revenue is measured at fair value of the consideration received or receivable in terms of cash or cash equivalents.

Revenue is recognized on an accrual basis for interests, commissions, etc.

Revenue is recognized in the financial result during the period when the services are rendered regardless the period the payment is effected.

Expenses are accrued and recognized in the Statement of comprehensive income encompassing the overall period until the end of the financial period.

Property, plant and equipment

The property, plant and equipment include real estates, plant and equipment, vehicles and fixture and fittings at initial acquisition cost of more than BGN 700 that have an independent identifiable useful life more than one year of exploitation.

Initially property plant and equipment are measured at acquisition cost, which includes the purchase price (including customs duties and nonrefundable taxes) and all direct expenses.

Subsequent costs – with the subsequent expenses related to a separated property, plant and equipment is adjusted with the carrying amount when it is probable future economic benefit to flow to the enterprise beyond this initially estimated standard efficient of the existing asset.

Measurement subsequent to initial recognition – The alternative approach is allowed to be applied for the lands and buildings. Following the initial recognition of an asset, any individual property, plant and equipment is reported at acquisition cost less the depreciation accrued and the revaluations made.

All other property, plant and equipment are carried at a recommended approach - at acquisition cost less depreciation accrued and accumulated impairment loss.

Recoverability of carrying amount – the Group reviews the carrying amount of the property, plant and equipment and determines their recoverable value. The asset is written off when no future economic benefits are expected.

Property, plant and equipment are written off from the statement of the financial position when sale or when the asset is completely withdrawn from use and no future economic benefits are expected from its disposal.

Property, plant and equipment are depreciated following the straight-line method over their useful life of exploitation, their book value or revaluation value is reduced to the amount of their residual value with the following annual depreciation rates:

Buildings	4%
Machines, production equipment, installations	30%
Computers, software and right to use software	50%
Vehicles	25%
Other fixed assets	15%

Intangible assets

Intangible assets include software products and licenses.

Initially the intangible assets are measured at acquisition cost, which includes the purchase price (including customs duties and nonrefundable taxes) and all direct expenses for the asset preparation for its functional use.

Measurement subsequent to initial recognition – the intangible asset is accounted for (cost) less accumulated depreciation and eventually accumulated impairment loss.

Recoverability of carrying amount – the group does not measure recoverable value. When sufficient reliable conditions exist the enterprise reviews the carrying amount of the intangible assets and determines their recoverable vaue.

Intangible assets are written off from the statement of the financial position when sale or when the asset is completely withdrawn from use and no future economic benefits are expected from its disposal.

Intangible assets are depreciated following the straight-line method over their useful life with the following annual depreciation rates:

Software and right to use software	50%
------------------------------------	-----

The accrual of depreciation starts from the month following the month in which the depreciable asset is acquired or entered into exploitation.

The Group uses a software product developed by specialists of the Group. The software product is an exclusive property of EURO-FINANCE LTD.. The software development expenses were presented in the year they have incurred. The right for sale distribution of the software product servicing the operations of financial institutions - investment intermediaries and management companies are presented to a subsidiary company EUROSYS EOOD.

Investments in subsidiaries and associates

Financial assets are initially recorded at acquisition cost including fair price plus any expenses related to the transaction.

Financial assets in subsidiaries and associates are reported at acquisition cost (cost). Due to the fact that the investments in subsidiaries and associates are not actively traded on stock markets, their fair value cannot be determined with reliable degree of certainty including by using alternative procedures.

Financial instruments

Financial instruments are classified as held for trading:

Financial instruments are initially recorded at acquisition - at acquisition cost which includes all transaction costs.

According to management risk rules of EURO-FINANCE, the subsequent valuation of the financial instruments is performed on a daily basis using readily available closing prices, provided by an independent source, including stock exchange prices or prices from market information, quotations from independent dealers with sound reputation. For the purposes of the mark-to-market valuation of financial instruments the more conservative from the rates "bid" and "asked" prices is used unless EURO-FINANCE Ltd. is a market-maker regarding the financial instrument and may close the position at a mid-market price.

When market valuation is not possible, the group uses a valuation model for the positions and its portfolios. The valuation model is each valuation that is compared to values of comparative valuation /benchmark/, extrapolation and calculations different from the market data. The valuation model should meet certain requirements provided for in Ordinance No. 35 on capital adequacy and liquidity of investment intermediaries.

Following the above methodology and considering the extraordinary market conditions, resulting from the deepening financial crisis, EURO-FINANCE performs subsequent valuation of its assets in the commercial portfolio following the procedures:

/1/ for Bulgarian and foreign shares and rights admitted to trading on a regulated market in the Republic of Bulgaria as well as Bulgarian shares and rights admitted to trading on a regulated market in a member countries:

a/ at the last price of a transaction concluded with them announced in the exchange bulletin if the volume of the transactions concluded with them for the day is:
not less than 0.02% of the volume of the respective issue or has reached the valuation volume.

b/ if no price could be determined on the order of item a/, the price of the shares respectively the rights is determined as an average arithmetic of the highest "bid" respectively "asked" price for short positions from the orders that are valid as at the moment regulated market closing on the valuation day and the last price for a concluded transaction with the respective securities for the same day. The price is determined on this order only in case that there are transactions concluded and orders submitted "bid" respectively "asked" price.

c/ in case that there are no deals concluded with securities from the respective issue the subsequent valuation of the shares, respectively the rights, is made by using the average arithmetic of the highest "bid" respectively "asked" price for short positions valid as at the moment of the regulated market closing on the valuation day, and the weighted average cost from the last prices of the transactions concluded with the respective securities and the trading volumes within the last 30 days period. In case that during the last 30 days period there was a capital increase or shares split of the issuer, for the calculation of the weighted average cost the period from the day is taken after which the holders has no right to participate in the capital increase respectively –from the day of the split until the date of the shares valuation.

d/ in case the ways of valuation as per items a-c to be applied, the valuation of rights is calculated using the following formula:

$$Pr=(Pxr - E)*X/Y,$$

where:

Pxr – current share price Ex Rights;

E – issue price of new shares;

Pr – fair value of rights;
X – number of new shares that can be subscribed against one right;
Y – number of rights.

e/ when it is impossible the valuation ways to be applied as per items a-c, as well as regarding shares that are not traded on regulated markets, the subsequent valuation is made on the basis of the net carrying amount of the assets.

/2/ For shares of collective investment schemes not traded on a regulated market, including the cases of temporary suspension of redemption:

a/ at the most recently announced share redemption price.

b/ at the most recently set and announced issue price per share less the amount of the expenses on the issue provided in the rules of the mutual fund and redemption of a share in the cases when the collective investment scheme had not reached the minimum amount of the net value of assets.

/3/ for derivative financial instruments – on the order stated in /1/ and when it is impossible to apply this valuation method – using a suitable valuation model for derivative financial instruments.

/4/ for Bulgarian and foreign bonds admitted to trading on a regulated market in the Republic of Bulgaria, Bulgarian bonds admitted to trading on a regulated market of securities in member countries in the meaning of in the Ordinance No. 35 on capital adequacy and liquidity of investment intermediaries, bonds not traded on a regulated market as well as government securities issued under the provisions of BNB's Ordinance No. 5 are valued using the future discounted cash flow method with a discount factor based on a risk-free rate plus risk premium. The risk-free rate assumed is the YTM of German government securities with remaining term to maturity commensurate with the remaining term to maturity of the valued securities. The risk premium is set at as follows:

- for 200 basis points / 2.00%/ – for government securities issued under the provisions of BNB's Ordinance No. 5;
- for 350 basis points /3.50%/ – for corporate bonds.

/5/ foreign securities admitted to or accepted for trading on internationally recognized and liquidity regulated markets of securities abroad;

a) at the last price of a transaction concluded with them of the respective market on the valuation day;

b) when it is impossible the valuation method to be applied as per item "a" the valuation is made at "bid" respectively "asked" price at the market closing on the valuation day quoted in an automated quotations system about securities valuation information;

c) when it is impossible the valuation method to be applied as per item b/, the valuation is made at the last price of the transaction concluded with them within the most recent 30-day period;

/6/ In the cases when trade is not carried out on a regulated market is closed during working days in the country as well as in the cases when a commercial session is carried out on a regulated due to a holiday in the respective country whereas it is a regular working day in the Republic of Bulgaria, the subsequent valuation of securities admitted to trading on a regulated market, the valuation is accepted valid in the day of the most recent commercial session. Regarding the subsequent valuation of bonds under the first sentence, the accumulated interest is also accounted for the respective days.

/7/ Bank deposits, cash on hand, cash in current accounts and short-term receivables are valued as at the valuation day as follows:

1. Bank deposits – at their par value and the accumulated interest due according to the contract;
2. Cash on hand – at par value;
3. Cash in current accounts – at par value;
4. Short-term receivables without specified interest rate or income – at cost increased with the accumulated interest due according to a contract or income;
5. Short-term receivables with specified interest rate or income – at cost increased with the accrued interest or income according to the contract.

/8/ Foreign currency denominated financial assets are recalculated in BGN by using the Bulgarian National Bank's fixed rate of exchange valid on the day for which the valuation refers to .

Sources of prices are the regulated markets of securities – Bulgarian Stock Exchange AD (BSE) and the foreign regulated markets on which the respective securities are admitted to trading.

Other sources of quotations can be recognized world famous information agencies such as REUTERS, BLOOMBERG, etc.

Taxes

According to the Bulgarian Tax Legislation the companies from the Group are subject to corporate income tax. The corporate income tax rate is 10%.

The Companies are VAT registered and are levied a tax of 20% for the sales carried out.

Risk management

Significant risks may be classified into the following main categories – credit risk, market risk, liquidity risk and currency risk.

Credit risk

Credit risk is risk due to the impossibility of the clients and the counterparties to meet their obligations.

The Group's credit risk is associated mainly with its commercial and financial receivables. The amounts presented in the statement of the financial position are on net basis excluding allowances for doubtful receivables considered by the management as doubtful on the basis of previous experience and current economic conditions.

The credit risk related to liquidity resources and financial instruments is limited since the counterparties are mainly banking institutions with high credit rating.

The Group is characterized with insignificant concentration of the credit risk, the latter being diversified among a large number of counterparties.

Market risk

Market risk is a result of the change in the in the market conditions – a change in market prices of the financial instruments, the currency rates and interest rates.

Liquidity risk

Liquidity risk originates from the timing structure of cash flows of the assets, liabilities and off-balance sheet instruments of the Group.

The management of Euro-Finance has built the necessary framework for managing the risk .

Currency risk

As a result of the Currency Board in the country, the Bulgarian currency is pegged to EUR. Since the Group presents its financial statements in BGN these statements are exposed only to the effect from changes in foreign exchange rates of currencies outside the Eurozone and leva.

Derivatives

Derivatives represent off-balance sheet financial instruments, valued on the basis of interest rates, foreign exchange rates or other market prices. The derivatives are an effective tool for management of the market risk and limitation of the exposure to a given counterparty.

The most commonly used derivatives are:

- currency swap;
- interest swap;
- floors and ceilings;
- forward currency and interest contracts;
- futures;
- options.

Contract terms and conditions are determined in standardized documents.

Regarding the derivatives the same procedures of controlling the market and credit risk are applied like the remaining financial instruments. They are aggregated with the remaining exposures with the purpose of monitoring the overall exposure to a given counterparty and they are managed within the approved limits for a given counterparty.

The derivatives are held both with a purpose of trading and hedging instruments used for managing the interest and currency risk.

The derivatives held for trading are valued at fair value, the gains and losses being referred to the statement of comprehensive income as a result from commercial operations.

The derivatives used as hedging instruments are recognized according to the accounting treatment of the hedging object. Recognition criteria for a hedging derivative is the presence of a documented evidence of the intent to hedge a certain instrument and the hedging instrument should provide reliable basis for eliminating the risk.

When a given hedged position is closed, the hedging instrument is recognized as held for trading at fair value. The gains and losses are immediately recognized in the statement of comprehensive income commensurate with the hedged instrument.

The hedging transactions which are closed prior to the hedged position are measured at fair value, the gains and losses being reported for the period of existence of the hedged position.

Securities of clients

Initially the customers' securities are accounted for at the price of the order. The subsequent measurement is made on the basis of the fair value method of these securities for which the latter can be measured, the differences in the value being accounting for as an increase or a decrease in the securities value as a result in a change of their fair value.

For the purposes of the Financial Supervising Commission the Parent-company prepares report with information regarding clients' securities and cash as well as the payables on them. More detailed information is presented in Section "Additional information for better understanding of the financial statements and operations"

Changes in accounting standards

(i) New accounting standards, amendments to published standards and interpretations effective as of the current financial year, adopted by the Group.

IFRS, Financial Instruments: disclosures and a complementary amendment to IAS 1, Presentation of Financial Statements – capital disclosures (effective for accounting periods beginning on or after 1 January 2007). IFRS 7 introduces new requirements aimed at improving the disclosure of information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. Where those risks are deemed to be material to the Group it requires disclosures based on the information used by key management. It replaces the disclosure requirements in IAS 32 "Financial Instruments: disclosure and presentation". Changes in IFRS 7 were made, disclosed March 2009, effective for accounting periods beginning on or after 1 January 2009. The changes require disclosure of financial instruments valued at fair value at level in fair value hierarchy. The changes in IFRS 7 reflect on the notes to financial statements and have no effect on the financial position or comprehensive income of the Group. It is applicable to all entities that report under IFRS. The amendment to IAS 1 introduces disclosures about the level and management of an entity's capital. The Group has applied IFRS 7 and the amendment to IAS 1 to the accounts for the period beginning on 1 January 2007.

(ii) Standards, amendments and interpretations to published standards effective in the current year but which are not relevant to the Group.

- *IFRS 8 Operating Segments;*
- *IAS 23, Borrowing Costs (revised);*
- *IFRIC 12, Service Concession Arrangements;*
- *IFRIC 13, Customer Loyalty Programmes;*
- *IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction;*
- *Revised IFRS 3, Business Combinations and complementary Amendments to IAS 27 Consolidated and separate financial statements;*
- *Amendment to IFRS 2, Share-based payments: vesting conditions and cancellations;*

3. OTHER OPERATING REVENUE

The structure of other operating revenue is as follows:

	31.12.2009 BGN'000	31.12.2008 BGN'000
Foreign currency exchange gains	2 153	2 602
Foreign currency exchange losses	(2 101)	(2 572)
Net foreign currency exchange gains (losses)	52	30
Income from equity interests	30	71
Revenue from transactions with financial assets and instruments	5 805	6 805
Expenses incurred in operations with financial assets and instruments	(5 814)	(7 198)
Net income (loss) from operations with financial assets and instruments	(9)	(393)
Revenue from other services	382	316
Book value of other services	(84)	-
Net income (loss) from other services	298	316
Revenue from other financial operations	404	947
Expenses incurred in other financial operations	(93)	(173)
Net income (loss) from other financial operations	311	774
	682	798
	682	798

4. OPERATING EXPENSES

	31.12.2009 BGN'000	31.12.2008 BGN'000
Expenses on materials and external services	(410)	(442)
Expenses on remunerations and social security	(722)	(835)
Depreciation expenses	(42)	(51)
Other	(86)	(113)
	(1 260)	(1 441)

5. TAX EXPENSES

	31.12.2009 BGN'000	31.12.2008 BGN'000
Current tax	(22)	(21)
Deferred tax liability	(7)	(2)
	(29)	(23)

	31.12.2009 BGN'000	31.12.2008 BGN'000
Profit before tax	289	275
Corporate income tax – tax rate 10%	(37)	(46)
Tax effect from expenses, unrecognized for tax purposes and tax relieves	15	23
Tax effect from temporary differences and tax losses	-	2
Deferred tax effect	(7)	(2)
Tax expenses	(29)	(23)

6. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

	31.12.2009 BGN'000	31.12.2008 BGN'000
Investments in subsidiaries	125	125
Non-controlling interest	1 713	1 713
	1 838	1 838

Investment in subsidiaries:

	31.12.2009	% of capital	31.12.2008	% of capital
Sentinel Asset Management	125	50	125	50
	125		125	

As the group's long-term financial assets include mainly participations in companies that are not actively traded on stock markets, their fair value cannot be determined with reliable certainty. The Management assumes that there are no conditions for impairment (also refer to page 35).

Sentinel Asset Management AD does not participate in consolidation due to the fact that the parent-company owns 50% of the company's capital and participates equally in its management and control.

Non-controlling interest:

Issuer	Available number	Unit price	Carrying amount BGN'000
Bulgarian Stock Exchange	60 000	0.13	8
Bulland Investments REIT	787 000	1.25	984
Étropol AD	32 525	5.49	179
EUROHOLD BULGARIA AD	80 413	5.09	409
IC Euroins AD	16 066	8.27	133
Total:			1 713

7. NON-CURRENT DEBT SECURITIES

	31.12.2009 BGN'000	31.12.2008 BGN'000
Bonds	2 093	40
	2 093	40

The non-current debt securities include bond issue of Auto Union Group EAD with par value EUR 1,070,000, reported at acquisition cost at 100%.

8. FIXED NON-FINANCIAL ASSETS

The Group of fixed non-financial assets includes:

	31.12.2009 BGN'000	31.12.2008 BGN'000
Property, plant and equipment (PPE)	45	81
Intangible fixed assets (IFA)	9	14
	54	95

The structure of PPE is tangible fixed assets is as follows:

	Plant & equipment	Other PPE	Computer techniques & peripheral devices	Total
Book value				
As at 31.12.2008	51	276	139	466
Acquired	-	-	1	1
Written-off	-	-	-	-
As at 31.12.2009	<u>51</u>	<u>276</u>	<u>140</u>	<u>467</u>
Depreciation				
As at 31.12.2008	(51)	(199)	(135)	(385)
Depreciation for the year	-	(33)	(4)	(37)
Written-off	-	-	-	-
As at 31.12.2009	<u>(51)</u>	<u>(232)</u>	<u>(137)</u>	<u>(422)</u>
Carrying amount				
As at 31.12.2008	<u>-</u>	<u>77</u>	<u>4</u>	<u>81</u>
As at 31.12.2009	<u>-</u>	<u>44</u>	<u>1</u>	<u>45</u>

The structure of IFA is as follows:

	Licenses
Book value	
As at 31.12.2008	30
Acquired	-
Written-off	-
As at 31.12.2009	<u>30</u>
Depreciation	
As at 31.12.2008	(16)
Depreciation for the year	(5)
Written-off	-
As at 31.12.2009	<u>(21)</u>
Carrying amount	
As at 31.12.2008	<u>14</u>
As at 31.12.2009	<u>9</u>

9. CASH

	31.12.2009 BGN'000	31.12.2008 BGN'000
Cash in hand	686	238
Cash on current accounts	5 443	1,004
Other cash	1 000	23 748
	<u>7 129</u>	<u>24 990</u>

Cash is distributed as follows:

	Euro-Finance Ltd	Clients	Total
Cash in hand	686	-	686
Cash on current accounts	4 305	1 138	5 443
Other cash	-	1 000	1 000
	<u>4 991</u>	<u>2 138</u>	<u>7 129</u>

10. EQUITY SECURITIES

	31.12.2009	31.12.2008
	BGN'000	BGN'000
Equity securities (additional information)	1 278	549
	<u>1 278</u>	<u>549</u>

11. DEBT SECURITIES

Debt securities are structured as follows (additional information):

	31.12.2009	% Share	31.12.2008	% Share
	BGN'000		BGN'000	
Government securities	673	15	2 800	52
Corporate bonds	3 927	84	2 426	45
Other	65	1	139	3
	<u>4 665</u>	<u>100</u>	<u>5 365</u>	<u>100</u>

12. OTHER SHORT-TERM FINANCIAL ASSETS

	31.12.2009	31.12.2008
	BGN'000	BGN'000
Receivables from repo-agreements	1 468	27 956
Receivables from clients	7	18
Accounts with administration institutions	3	3
Receivables from sale of securities	18	-
Other	109	137
	<u>1 605</u>	<u>28 114</u>

13. OTHER ASSETS

	31.12.2009	31.12.2008
	BGN'000	BGN'000
Other assets	8	13
	<u>8</u>	<u>13</u>

The other assets are pre-paid expenses for the next period.

14. SHARE CAPITAL

As at 31.12.2009 the share capital structure is as follows:

	31.12.2009	31.12.2008
	BGN'000	BGN'000
Legal entities	14 100	14 100
<i>EUROHOLD BULGARIA AD</i>	13 892	13 892
<i>EURO INS AD</i>	208	208
	<hr/>	<hr/>
	14 100	14 100
	<hr/>	<hr/>

15. GENERAL RESERVES

	31.12.2009	31.12.2008
	BGN'000	BGN'000
General reserves	1 411	1 411
	<hr/>	<hr/>
	1 411	1 411
	<hr/>	<hr/>

General reserves are set aside in compliance with the provisions of the Commercial Act.

16. OTHER RESERVES

	31.12.2009	31.12.2008
	BGN'000	BGN'000
Additional reserves	73	73
	<hr/>	<hr/>
	73	73
	<hr/>	<hr/>

17. TAX LIABILITIES

	31.12.2009	31.12.2008
	BGN'000	BGN'000
Tax payables	4	23
	<hr/>	<hr/>
	4	23
	<hr/>	<hr/>

18. OTHER SHORT-TERM PAYABLES

	31.12.2009	31.12.2008
	BGN'000	BGN'000
Other short-term payables	2 822	45 151
	<hr/>	<hr/>
	2 822	45 151
	<hr/>	<hr/>

As at 31.12.2009 their structure is as follows:

	31.12.2009 BGN'000	31.12.2008 BGN'000
Payables to investors	2 138	18 604
Payables on foreign currency transactions	6	4
Payables on repo-agreements	641	26 477
Payables to staff and social security	15	13
Suppliers	16	12
Other payables	6	41
	<u>2 822</u>	<u>45 151</u>

19. RELATED PARTIES

As at 31.12.2009 the Group has the following receivables and payables to related parties:

Lease-related payables (Note 18)

	31.12.2009 BGN'000	31.12.2008 BGN'000
Eurolease Auto AD	-	22
	<u>-</u>	<u>22</u>

Cash-related payables (Note 18)

	31.12.2009 BGN'000	31.12.2008 BGN'000
Eurohold Bulgaria AD	-	2
Formoplast AD	-	7
NISSAN SOFIA EOOD	-	4
IC Euroins – Health insurance AD	14	9
Euroins Insurance Group EAD	-	12 044
EUROINS AD	1 043	300
EUROINS ROMANIA S.A.	494	-
Etropal AD	-	-
Forum plus EOOD	-	-
	<u>1 551</u>	<u>12 366</u>

Dividend income (Note 3)

	31.12.2009 BGN'000	31.12.2008 BGN'000
Dividend income – Sentinel Asset Management AD	7	10
	<u>7</u>	<u>10</u>

Income from commissions (Note 3)

	31.12.2009 BGN'000	31.12.2008 BGN'000
Eurohold Bulgaria AD	6	6
EUROINSURANCE GROUP EAD	28	6
Etropal AD	-	1
Eurolease Auto AD	1	7
AUTO UNION GROUP EAD	13	-
EUROINS AD	28	14
IC St. Nikolay Chudotvoretz AD	4	15
EUROINS ROMANIA SA	88	6
	<u>168</u>	<u>55</u>

Interest expenses

	31.12.2009 BGN'000	31.12.2008 BGN'000
Eurohold Bulgaria AD	-	93
Etropal AD	-	5
Eurolease Auto AD	34	113
Euroins Insurance Group EAD	575	205
EUROINS AD	28	2
EUROINS ROMANIA SA	2	-
	<u>639</u>	<u>418</u>

20. EFFECT FROM RECLASSIFICATIONS

As at 31.12.2009 in the group of investments in subsidiaries and associates debt securities have been presented amounting to TBGN 40. As at 01.01.2009 a reclassification has been made and the same have been presented in the Group of non-current debt securities with the purpose of better understanding of the information.

The reclassifications refer to:

	31.12.2008 Before reclassification	31.12.2008 After reclassification	31.12.2008 Change
Fixed assets			
Investments in subsidiaries and associates	1 878	1 838	-40
Non-current debt securities		40	40

21. POST BALANCE SHEET EVENTS

No significant events occurred between the reporting date balance sheet date and the date of preparation of this report, which could change the Financial statements as at 31 December 2009.

22. APPROVAL OF THE FINANCIAL STATEMENTS

The Financial statements have been approved by the company's management on 05.02.2010 and signed on behalf of it:

Simeon Petkov

Chief Executive Officer



Jordan Popov

Executive Officer

To
THE STOCKHOLDERS
OF EURO-FINANCE LTD.
SOFIA

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of EURO-FINANCE LTD., including the statement of the financial position as at 31 December 2009, and the statement of the comprehensive income, statements of changes in equity and statement of cash flows for the year ended then, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

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



Opinion

In our opinion, the financial statements give a true and fair view of EURO-FINANCE LTD. as at December 31, 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, adopted by the European Parliament.

Report on other legal and regulatory requirements

We conducted verification of the annual management report of EURO-FINANCE LTD. with regard to the correspondence between the annual management report and the annual financial statements for the same reporting period in accordance with the requirements of the Accountancy Act.

In our opinion, as a result of this verification the annual management report corresponds to the annual financial statements as at December 31, 2009 with regard to the financial information.

Matter of emphasis

Without qualification to our audit opinion, we draw attention to the following:

As at 31 December 2009 the Parent-company manages TBGN 160,213 in assets under custody (TBGN 224,827 as at 31 December 2008).

Sofia, 09 February 2010

BDO Bulgaria OOD

Stoyanka Apostolova, Manager
CPA, Registered Auditor



Securities in EURO-FINANCE LTD. own portfolio

Structure of equity securities

in BGN thousand

Asset	Code	Name	Number of securities 31.12.2009	Number of securities 31.12.2008	Currency	Market value 31.12.2009	Market value 31.12.2008
1	2	3	4	5	6	7	8
Shares	DE0005200000	Beiersdorf AG	200	-	EUR	18	-
Shares	DE0007100000	Daimler AG NA O.N.	300	-	EUR	22	-
Shares	DE0005140008	Deutsche Bank AG	300	-	EUR	29	-
Shares	DE0006048432	Henkel AG+CO.KGAA VZO	200	-	EUR	14	-
Shares	DE0006483001	Linde AG	100	-	EUR	16	-
Shares	US5949181045	Microsoft Corporation	40	40	EUR	2	1
Shares	DE0008430026	Munchener Ruckversicherungs GesellschaftAG	1 500	-	EUR	319	-
Shares	FI0009000681	Nokia Corp.	30	30	EUR	1	1
Shares	US68389X1054	Oracle Corp.	160	160	USD	5	3
Shares	BG11ALBAAT17	Albena AD	-	150	BGN	-	4
Shares	BG1100053070	DEVIN AD	906	906	BGN	3	2
Shares	BG9000002055	MF Sentinel-Principal	668 503	332 729	BGN	675	312
Shares	BG4000035080	IC EuroIns AD	-	16 066	BGN	-	-
Shares	BG1100038048	ERG Capital-1 REIT	21 300	23 790	BGN	60	73
Shares	BG1100030052	ERG Capital-2 REIT	20 000	20 000	BGN	68	72
Shares	BG1100095071	MEKOM AD	30 000	30 000	BGN	23	59
Shares	BG1100075065	Monbat AD	200	200	BGN	1	1
Shares	BG11ORRUAT13	Orgachim AD	200	200	BGN	17	17
Shares	BG1100098059	TB BACB AD	300	300	BGN	5	4
Shares	BG1100046066	Chimimport AD	100	100	BGN	-	-
						1 278	549

Structure of debt securities

Government securities:

in BGN thousand

Asset	Code	Name	Securities par value 31.12.2009	Securities par value 31.12.2008	Currency	Market value 31.12.2009	Market value 31.12.2008
Government securities	BG2009794228	The Republic of Bulgaria, Ministry of Finance	30 347	-	USD	38	-
Government securities	BG2040004215	The Republic of Bulgaria, Ministry of Finance	95 000	-	BGN	99	-
Government securities	BG2040007218	The Republic of Bulgaria, Ministry of Finance	560 000	1 410 000	BGN	536	1 359
Government securities	BG2030107119	The Republic of Bulgaria, Ministry of Finance	-	10 000	BGN	-	10
Government securities	BG2040004215	The Republic of Bulgaria, Ministry of Finance	-	95 000	BGN	-	99
Government securities	BG2040203213	The Republic of Bulgaria, Ministry of Finance	-	335 000	EUR	-	674
Government securities	BG2040403219	The Republic of Bulgaria, Ministry of Finance	-	50 000	EUR	-	106
Government securities	XS0145623624	The Republic of Bulgaria, Ministry of Finance	-	800	USD	-	1
Government securities	XS0145624432	The Republic of Bulgaria, Ministry of Finance	-	263 000	EUR	-	522
Government securities	BG2040006210	The Republic of Bulgaria, Ministry of Finance	-	30 000	BGN	-	28
						673	2 800

Bonds:

in BGN thousand

Asset	Code	Name	Number of securities par value 31.12.2009	Number of securities par value 31.12.2008	Currency	Market value 31.12.2009	Market value 31.12.2008
Government securities	XS0273978592	Bombardier Inc	100 000	100 000	EUR	188	138
Government securities	DE0001115467	Germany	250 000	-	EUR	489	-
Government securities	DE0001135382	Germany	250 000	-	EUR	495	-
Government securities	BG2100013056	AutoBohemia AD	10 000	-	BGN	10	-
Government securities	BG2100008072	Eurolease Auto AD	807 000	346	EUR	1 603	720
Government securities	BG2100025068	Eurolease Auto AD	440 000	178	EUR	433	269
Government securities	BG2100030076	Eurohold Bulgaria AD	509 000	130	EUR	665	265
Government securities	BG2100004063	United Milk Company AD	37 000	-	EUR	36	-
Government securities	BG2100031058	St. St. Constantine and Helena AD	1 000	-	EUR	2	-
Government securities	BG2100041057	St. St. Constantine and Helena AD	3 000	-	EUR	6	-
Government securities	XS0273988393	Bombardier Inc	-	100 000	EUR	-	120
Government securities	DE0003124046	DRESDNER BANK AG NA O.N.	-	270	EUR	-	25
Government securities	XS0225152411	Morgan Stanley	-	50 000	EUR	-	72
Government securities	XS0187584072	Societe Generale	-	111 000	EUR	-	188
Government securities	BG2100008056	Enemona AD	-	4	BGN	-	2
Government securities	BG2100020077	Etropal AD	-	66	EUR	-	138
Government securities	BG2100033070	Sport Depot AD	-	18	EUR	-	36
Government securities	BG2100013049	TB Eurobank AD	-	128	BGN	-	129
Government securities	BG2100036065	TB Raiffeisenbank (Bulgaria) EAD	-	21	BGN	-	22
Government securities	BG2100015044	TB Unionbank AD	-	19	EUR	-	19
Government securities	BG2100006084	Web Media Group AD	-	135	BGN	-	145
Government securities	BG2100022057	Finance Consulting EAD	-	67	EUR	-	139
						3 927	2 426

Securities in Euro-Finance Ltd. Clients` portfolio

Structure

in BGN thousand

Asset	Currency	Number of securities/ par value 31.12.2009	Number of securities /par value 31.12.2008	Market value 31.12.2009		Market value 31.12.2008	
				Total	incl. those held in depository	Total	incl. those held in depository
Shares	BGN	87 683 310	97 231 892	118 041	118 041	166 005	166 005
	EUR	503 956	517 033	1 449	1 449	276	276
	USD	22 292	7 042	659	659	258	258
	GBP	34 790	36 190	1	1	5	5
			88 244 348	97 792 157	120 150	120 150	166 544
Shares in mutual funds	BGN	2 787 612	3 298 501	3 378	3 378	4 090	4 090
Compensatory instruments	BGN	2 396 620	3 836 665	1 127	1 127	2 482	2 482
Non-government bonds and issuers	BGN	2 313 000	664 000	1 880	1 880	4 387	4 387
	EUR	11 930 000	115 276	20 506	20 506	10 365	10 365
	USD		-				
			14 243 000	779 276	22 386	22 386	14 752
Government securities	BGN	7 903 388	7 438 388	7 445	7 445	6 709	6 709
	EUR	2 320 317	12 566 343	4 765	4 765	29 965	29 965
	USD	154 277	206 086	214	214	285	285
			10 377 982	20 210 817	12 424	12 424	36 959
Receivables from securities in the course of settlement	BGN			4	4		
	USD			744	744		
				748	748		
TOTAL		118 049 562	125 917 416	160 213	160 213	224 827	224 827

DISCLOSURE OF INFORMATION RELATED TO THE IMPLEMENTATION OF FSC ORDINANCE No. 35 ON THE CAPITAL ADEQUACY AND LIQUIDITY OF THE INVESTMENT INTERMEDIARIES

In accordance with the provisions of FSC's Ordinance No. 35 on the capital adequacy and liquidity of the investment intermediaries EURO-FINANCE LTD. has adopted and implemented Rules for risk assessment and management, Procedures for making adjustments to current valuations or reserves and Rules on disclosure of information. The investment intermediary's objectives and policy in relation to risk management are initially defined in a decision of the Board of Directors issued on 30 May 2007, according to which the company follows moderate conservative risk management policy in order to achieve a stable and sustained increase in the profit and preservation of the equity value. In accordance with this policy the aggregate investments in equity securities do not exceed 30% of the equity, whereby any individual exposure in such investments at acquisition cost do not exceed 10% of the equity. It is permissible for an individual investment in an SPV for investments in real estate sector at acquisition cost to be up to 15% of the equity. Investments in government treasury debentures and bonds, issued by the Republic of Bulgaria, any other Member-State, the US, Canada, Australia, Japan, South Korea and Mexico, as well as investments in debt instruments issued by financial institutions in the Republic of Bulgaria or in a Member-State, as well as in any of the above mentioned countries (including the cash in account) constitute at least 30% of the amount of the equity at acquisition costs. The maximum net currency position (different from EUR) may not exceed the equivalence of BGN 250,000, and the aggregate position in derivative instruments – the equivalence of BGN 100,000.

The table below shows the structure of EURO-FINANCE LTD. investments as at 31 December 2009 in accordance with the risk management policy followed.

Name	2009		2008	
	Amount in BGN '000	% share of equity	Amount in BGN '000	% share of equity
Cash on current accounts and short-term deposits	4 933	31,13	6 211	39,22
Equity securities (shares, rights and other similar)	3 121	19,70	2 417	15,26
Debt securities (debentures and treasury bonds issued by governments and financial institutions)	3 702	23,37	3 229	20,39
Debt securities of other issuers	2 951	18,63	1 972	12,45
Net receivables from repo-agreements	828	5,23	1 479	9,34
Total	15 535	98,06	15 308	96,66

During the last reporting period, EURO-FINANCE LTD. has performed constant monitoring of the adherence to the requirements of capital adequacy and liquidity as stipulated in art. 21 of the Ordinance and the policy stated above. No deviations have been found. The company's capital base has at all times considerably exceeded the amount of the capital requirements for coverage of all risks resulting from the activity of EURO-FINANCE LTD. We have to mention, however, that investments in equity securities and debt instruments, issued by non-governmental and non-financial enterprises increased, due directly to the purposeful efforts of the investment intermediary to provide liquidity to its clients amid financial crisis and drying the demand for financial instruments.

We pay special attention, that some of the investments in equity securities, shown in the table above, are reported in the company's investment portfolio (refer to note No.6). Important items in the investment portfolio are as follows:

Issuer	Available number	Value per unit	Carrying amount	Market price as at 31.12.2009	Item market value
Bulland Investments REIT	787 000	1.25	983 750.00	0.675	531 225.00
Etropal AD	32 525	5.49	178 594.77	2.418	78 645.45
Eurohold Bulgaria AD	80 413	5.09	409 312.81	1.419	114 106.05
IC EuroIns AD	16 066	8.27	132 936.41	1.488	23 906.21
Total			1 704 593.99		747 882.71

As at the date of these statements preparation under the conditions of extraordinary capital market circumstances in our country, the management of EURO-FINANCE LTD. has considered that it is not possible to measure the fair value of these assets as well as that there are no stable and firm indications for their impairment in view of the fact that the company can hold the abovementioned assets for an indefinite period of time. In the future, in case the revaluation of these assets becomes well grounded to a sufficient degree and respectively imperative, it is possible to result in a significant impairment of the same. Except the instruments, shown in the table above, the company has also referred to its investment portfolio a bond issue of Auto Union Group EAD with a par value EUR 1 050 000, accounted for at acquisition cost amounting to 100%, disclosed in current debt securities. As at 31 December 2009, according to the audited balance sheet statement, the company's equity is amounting to TBGN 15.843 , whereas the capital base is amounting to TBGN 15.123 and is calculated as follows:

Name / Year		2009	2008
A	Initial equity (BGN), including:	15 583 375	15 583 375
1	Issued (registered capital)	14 100 000	14 100 000
2	Statutory reserves	1 410 000	1 410 000
3	Other reserves	73 375	73 375
B	Additional capital	-	-
1	Debt-capital (hybrid instrument)	-	-
C	Total initial and additional capital (A+B)	15 583 375	15 583 375
D	Net income from current year and retained earnings	260 426	253 259
E	Balance sheet equity (C+D)	15 843 802	15 836 634
F	Total decrease in initial and additional capital	460 155	145 682
1	non-current intangible assets	8 409	12 746
2	interests in insurers and reinsurers and insurance holdings	451 746	132 936
	CAPITAL BASE (C-F)	15 123 220	15 437 693

As of 31 December 2009, the capital requirements for risk coverage is amounting to TBGN 1,362. In accordance with the adopted policy for calculation of capital requirements, EURO-FINANCE LTD. applies the standardized approach, except for the operational risk, to which the base indicator approach is applied.

The capital requirements reflecting the nature and the scope of the operations of EURO-FINANCE LTD. are shown in the following table:

Name	Capital requirement in BGN
Credit risk	445 736
Settlement risk	0
Exposition, currency and commodity risk	618 633
Operational risk	297 348
Total capital requirements	1 361 717

The capital requirement for credit risk is calculated on the basis of the following reference information (in BGN) on the Company's receivables as at 31 December 2009. Property, plant and equipment and financial assets are also presented as receivables for the purposes of the calculations.

Name	Balance
Computers, peripherals and software	126 791,32
Machinery, plant and equipment	50 939,28
Vehicles	126 552,90
Fixture and fittings	149 869,28
Long-term investments – non-controlling interest	1 712 603,99
Long-term investments – controlling interest	5 000,00
Long-term investments – significant interest	125 000,00
Non-current debt securities	2 053 621,50
Depreciation of PPE	-409 261,16
Profit tax payables and receivables according to CITA	28 352,60
Receivables by applying exchange rate different on foreign exchange transactions with future value date	13 869,83
Receivables by applying exchange rate different from CFD revaluations	48 042,39
Receivables by applying exchange rate different of Netting revaluations	1 352,94
Accounts with administration institutions	3 320,50
Receivables from active financial operations	9 850,00
Other debtors	7 486,00
Accountable persons	110,71
Receivables from participating interests	91 462,22
Tax expenses according to CITA	0,90
Receivables from interests paid on deposit accounts	3 918,06
TOTAL:	4 148 883,26
Receivables from repo-agreements	1 468 493,17

According to the standardized approach, the receivables are distributed in groups, risk weight being assigned to each one and capital requirement being calculated amounting to 8% of the risk weighted value of the exposure as follows:

Type of receivables (group)	Amount of receivables	% risk weight	Risk-weighted amount of receivable	Capital requirement (8%)
Repo-agreements	1 468 493,17	100	1 468 493,17	117 479,45
Receivables from institutions	30 674,00	20	6 134,80	490,78
Small exposures	84 519,22	75	63 389,42	5 071,15
Other exposures	4 033 690,04	100	4 033 690,04	322 695,20
Total:	5 617 376,43			445 736,58

The capital requirement for exposition, currency and commodity risk amounting to TBGN 619 represents the sum of the requirements of exposition risk of debt instruments, shares currency risk. No commodity risk has occurred in the operations of EURO-FINANCE LTD. during the reporting period. EURO-FINANCE LTD. commercial portfolio has been presented in details in Section Additional information at the end of the statements.

The calculation of the capital requirements for the exposition risk of debt securities is made on the basis of the maturity method, under which the separate positions by currencies are matched depending on their maturity structure and coupons. The capital requirement for the specific risk of debt instruments is calculated separately.

The capital requirement for the exposition risk on shares consists of two components – general risk and specific risk for which the capital requirement is 8% and 4%, respectively. In addition to that, the capital requirement for the positions in collective investment undertakings is amounting to 32% of the respective position.

To determine the capital requirement for currency risk, long respectively short exposures in foreign currency different from EUR have been formed, 8% being calculated from the respective exposures.

The components of the capital requirements for exposition, currency and commodity risk are given in the table below:

Name	Amount of the capital requirement in BGN
Exposition risk of debt instruments	330 358
Exposition risk of shares	288 275
Currency risk	0
Commodity risk	0
Total	618 633

To determine the capital requirements for operational risk following the base indicator method, 15% on the average value of the amount of the net interest income and the net income different from interests on three years period, the result from items sale not being included in the investment portfolio, the extraordinary income, the insurance indemnities received.

The respective values for EURO-FINANCE LTD.. for the preceding three years are as follows:

Year	Amount	Average value	Capital requirement (15%)
2008	1 590 767		
2007	2 774 334		
2006	1 581 869		
		1 982 323	297 348

As at 31 December 2009, EURO-FINANCE LTD. has generated an exposure to the parent-company (EUROHOLD BULGARIA AD) and its subsidiaries amounting to TBGN 5.513, as follows:

Issuer	ISIN	Balance in BGN
IC Euroins AD	BG1100081055	132 936.41
Etropal AD	BG1100001038	178 594.77
EUROHOLD BULGARIA AD	BG1100114062	409 312.81
Auto Union Group EAD	BG2100006092	2 053 621.50
EUROLEASE AUTO AD	BG2100025068	446 313.17
EUROLEASE AUTO AD	BG2100008072	1 622 368.42
EUROHOLD BULGARIA AD	BG2100030076	670 378.43
TOTAL:		5 513 525.51

The equity, which surpassed the amount required by the capital coverage according to art. 21 of Ordinance No. 35, is reduced with the amount of the whole exposition, since the established exposition exceeds the statutory maximum of 20% of the equity. As at 31 December 2009 the capital base of the Group after the reduction exceeds the fixed normative statutory amount with TBGN 8.248.

The rules and procedures for assessment and maintenance of the value, types and allocation of the internal capital, that are necessary for the adequate coverage of the risks, EURO-FINANCE LTD. is exposed to, are an element of the Risk Assessment and Management Rules, their reliability and efficiency being verified by the Board of Directors by January 30th every year.