EURO-FINANCE LTD.

FINANCIAL STATEMENTS

31.12.2008

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ANNUAL REPORT OF THE BOARD OF DIRECTORS OF EURO-FINANCE LTD., FOR THE YEAR ENDING DECEMBER 31ST, 2008

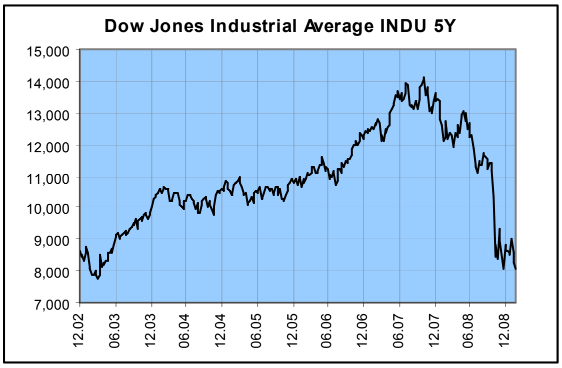
I. THE GLOBAL CRISIS

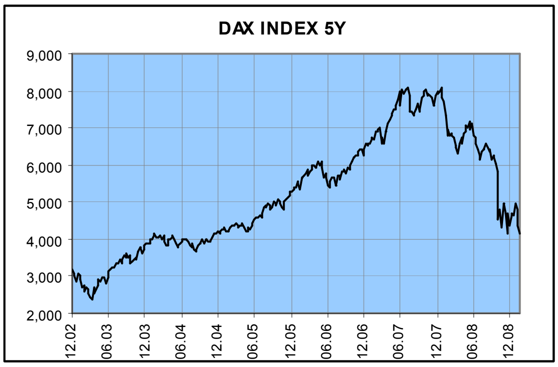
Year 2008 will be remembered as a period of global financial and economic turbulence, remarkable failures of some of the most prominent financial institutions worldwide, and tumbling global stock and commodities markets.

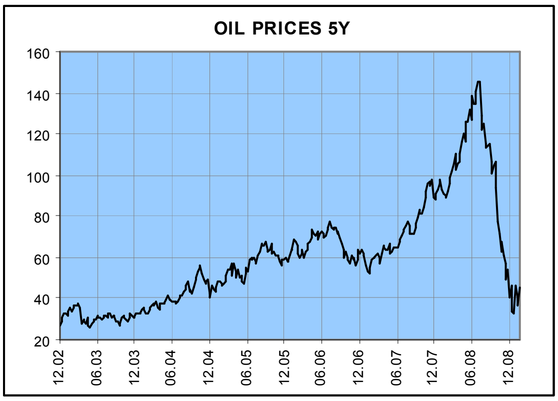
In the beginning of 2008 the Chairman of the US Federal Reserve said he did not expect the US economy to contract and even predicted slight growth. By mid-2008 European leaders were also expressing confidence in the financial system stability, pointing out the positive macroeconomic figures, and forecasting continuation of the recent years' stable growth rate. European bankers asserted that banks were solvent and were not susceptible to the US credit crisis.

The developments that followed in the fall of 2008 completely refuted these assertions. The collapse of the US subprime mortgage sector in late 2007 triggered the global mortgage market crisis, which quickly eroded confidence in financial markets, and developed into a severe liquidity crisis. Some of the most prominent names in the financial industry – Bear Stearns, Lehman Brothers, Merrill Lynch – collapsed. Future remains uncertain for the world's largest insurer AIG, as it is for the mortgage titans Fannie Mae and Freddie Mac, which represent 70% of the US mortgage market. Northern Rock, one of Britain's biggest mortgage lenders, was nationalized. The global economic and financial crisis quickly spread to Central and Eastern Europe.

The liquidity crisis and mass withdrawal of capital from everything from hedge funds to traditional stocks triggered a major stock market panic worldwide. Major global stock market indices lost more than a third of their values in 2008.







Increased volatility in oil prices, which splashed from an all-time high of $147 per barrel in the middle of the year to as low as $32 per barrel in the end of the year, added to the uncertainty of financial expectations and forecasts.

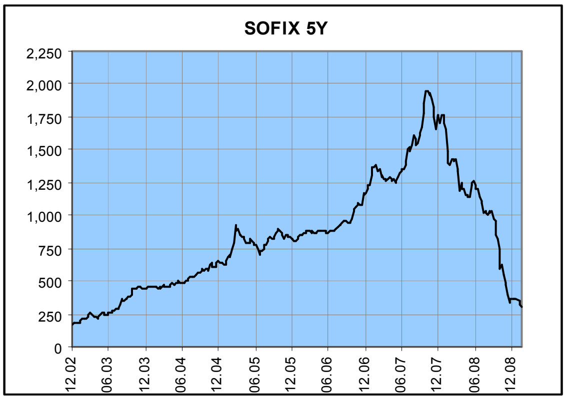
The slump in oil prices of more than 4.5x was an obvious indication of the contraction in global corporate and personal consumption. Industrial production was seriously adversely affected by the decrease in demand. The automobile industry in the US, Europe and Japan fell victim to the global financial crisis. Will other industries follow? Governments all over the world undertook large-scale emergency measures to prevent the global economy from tumbling into what seems to be the most severe recession since the Great Depression. The announced governments' bailout measures exceed $2 trillion as at 31 December 2008. In 2008 the US Fed funds rate was slashed close to zero from 4.25% in order to "unfreeze" the credit market and boost consumption. The European Central Bank followed suit and cut its key refinancing rate from 4.0% to 2.5% during the course of the year. Major central banks undertook series of coordinated interventions in order to boost liquidity, but the effect was short-lived and investors' panic endured.

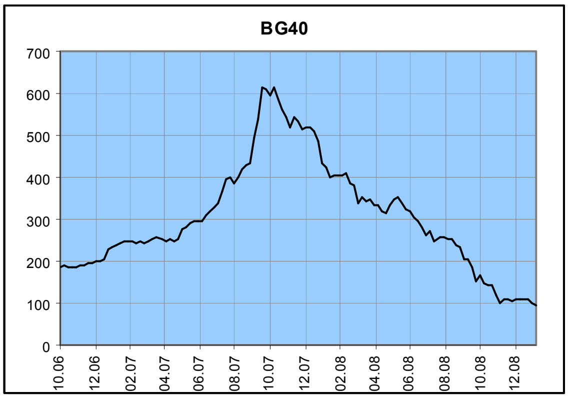
Multi-billion dollars rescue plans were enacted to bail out the troubled financial sector. These stimulus packages are thus far a long way from reviving the economy.

Amid all this, Bulgarian politicians and some economists were obstinately arguing that the Bulgarian government has sufficient tools and financial resources to withstand on its own possible economic shocks. The government is planning to spend over 3 billion levs from the budget surplus to foster aggregate demand. The upper limit of the bank deposit guarantee was increased to 50 thousand euro in an attempt to boost confidence in the banking system. Addressing the supply-side of the problem, the Bulgarian National Bank decreased minimum reserve requirements from 12% to 8% at the first signs of credit market stagnation. Regardless of this measures, commercial banks adopted more conservative credit policies through reconsideration of their credit risk valuation practices. This put an end to the credit boom of the last few years.

The development of the Bulgarian capital market remained far outside the focus of attention of the government. The only significant event on the stock market, in which the government indirectly took part, was the successful sale of “Slunce – Stara Zagora” and “Cigarena Fabrika – Plovdiv” tobacco factories, conducted by our company.

In 2008 the two major Bulgarian stock market indices – SOFIX and BG40 – fell 79.7% and 79.2%, respectively. The most liquid publicly-traded companies lost nearly 90% of their market values. Just for a few months the stock market erased all of its gains accumulated during the previous five years. In certain moments SOFIX was among the worst performing indices in the world.





II. EURO-FINANCE LTD. IN THE CONTEXT OF THE BULGARIAN FINANCIAL SERVICES MARKET CRASH

Moody’s on 25 September 2008 reduced its credit outlook for Bulgaria to stable from positive, noting that amid tight liquidity conditions international banks that finance a growing part of the country’s current account deficit may reduce funding to its subsidiaries, which in turn may lead to an abrupt slowing of the domestic economy. Deteriorating external imbalance makes the domestic economy vulnerable to liquidity shocks, which may suppress economic growth and put pressure on the country’s financial system. In addition, Bulgaria’s failure to join the ERM-2 mechanism is a sign that the EC and the ECB are not sufficiently convinced of the country’s current financial stability in view of the existing macroeconomic imbalances. Yet, Moody’s noted that the accumulated budget surplus and decreasing government debt will provide certain flexibility in a year of budget stress.

The overall market conditions impeded entrance for new players to the Bulgarian capital market. This resulted in a sharp decrease in average daily trading volume on the stock market and withdrawal of bids.

Bulgarian Stock Exchange	2008	2007	% Change
Trading volume (BGN)	2 129 126 882	8 310 800 544	-74.38%
Number of transactions	389 589	475 467	-18.06%
Lots	490 388 935	799 210 380	-38.64%
Market cap (BGN)	12 460 802 101	28 986 859 813	-57.01%

The capitalization of the stock market dropped 57% in 2008, following the peak of 29 billion levs (half of the country's GDP) in 2007.

EURO-FINANCE Ltd. maintained its position as an active player in all segments of the weakened market. EURO-FINANCE Ltd. ranked sixth among non-banking financial institutions in terms of trading volume, which amounts to 145 177 996 levs. Compared to 2007 the number of accepted client orders for execution on a regulated market increased by 2.6% (total number is 28489), of which 82% were placed via the e-trading platform EFOCS (Euro-Finance On-line Customer Service). Orders submitted through EFOCS increased 17% compared to the previous year.

Orders	2008	2007	% Change
Total number	33 777	33 461	0.94%
Orders for execution on a regulated market – BSE	28 489	27 767	2.60%
Orders for execution on a regulated market – foreign exchanges	165	131	25.95%
OTC market	5 123**	5 563*	-7.91%
OTC market – foreign markets	95	92	3.26%
EFOCS	23 383	19 970	17.09%

*- 3561. Buy/sell orders for shares of MF Sentinel–Rapid
**-4227. Buy/sell orders for shares of MF Sentinel–Rapid

Transactions	2008	2007	% Change
Total number	21 856	30 250	-27.75%
Transactions, executed on a regulated market – BSE	16 909	24 983	-32.31%
Transactions, executed on a regulated market – foreign exchanges	170	145	17.24%
OTC market	4 777**	5 122*	-6.73%
OTC market – foreign markets	59	76	-22.36%
EFOCS	10 250	14 422	-28.92%

*- 3511. Transactions with shares of MF Sentinel–Rapid
**-4223. Transactions with shares of MF Sentinel–Rapid

Probably the sole positive effect of the financial crisis on the operating activities of EURO-FINANCE Ltd. was to increase clients' interest towards the company's CFD service, largely due to the phenomenal spike in volatility measured by the CBOE's VIX volatility index (also known as "the fear index", which hit a record high of 89.53 on 24 October 2008, while its average estimate almost doubled in 2008 compared to 2007). The number of CFDs in 2008 increased nearly 28% compared to previous year. Client actions were "fear-dominated" and overall CFD exposure remained low.

In the context of the global economic and financial crisis EURO-FINANCE Ltd. pursued a conservative FX strategy and refrained from taking large speculative positions for its own account as the risk/reward ratio was too high. The overall volume of our foreign exchange operations plunged nearly 70% as a result of the significant decrease in trading volumes of our traditional counterparties. Despite the overall increase in the number of margin transactions (+202%), trading volumes decreased in absolute value. Intense competition in the harsh conditions of the economic crisis led to a decline in operating margins, which combined with the significant drop in trading volumes had an extremely negative impact on net income from foreign exchange transaction.

The overall number of contracted FX transactions (incl. foreign exchange transactions with a single transaction value above 10 000 levs) fell 24% compared to the previous year.

The table below gives general insight into the Company's FX operations:

Index	2008	2007	% Change
Amount of foreign currency bought ('000 levs)	213 961	688 151	-68.9%
Income from foreign exchange transactions	30 114	118 275	-74.5%

As we expect the situation in the foreign exchange market to remain uncertain and quite volitile throughout 2009, we're going to stick to our conservative approach allowing us to achieve an optimal profit from foreign exchange operations and minimize risk exposure.

Three distinctive market tendencies outlined the scope of our money market operations in 2008. The financial crisis, the revaluation of risk and the more costly and less readily available external funding resulted in an overall increase in deposit rates, widening of the spread between LEONIA and EONIA, and Bulgarian banks trying hard to secure long-term funding. As an extremely well-capitalized company, EURO-FINANCE Ltd. was in a good position to take advantage of these tendencies. The increased spread between LEONIA and EONIA tipped the balance in favour of the domestic market, with the relative share of deposits placed with local banks reaching 77.70% of total deposits in 2008, compared to 74.75% in 2007. The average deposit term (2.1 days in 2008 and 1.9 days in 2007) was broadly unchanged, as in accordance with its stringent risk management policy EURO-FINANCE Ltd. maintained a permanent balance between the safety of investments and the higher returns on the longer-term deposits. Considering market uncertainty safety of investments was a top priority, which is reflected in the relatively unchanged deposit volumes despite the higher returns on investments in debt market instruments, as well as in the increased number of repo-transactions with government bonds.

Overall deposits placed

Index	2008		2007	
	Number of deposits	Par value '000	Number of deposits	Par value '000
Total for the period,incl.:	987	2 107 082*	787	2 205 368*
BGN denominated	434	1 364 176	240	993 705
EUR denominated	308	284 535	344	576 335
USD denominated	245	134 364	203	60 873

*values are expressed in BGN based on the fixing rates of BNB as at 31 December 2008

The more conservative bias and the top priority – equity value preservation in a "far from normal" situation – explain why in many circumstances EURO-FINANCE Ltd. preferred the lower-yielding, but safer and collateralized by government bonds, repo-deals to the higher-yielding, but riskier, non-collateralized deposits. The overall government bonds trading volume more than tripled in 2008, mainly due to the increased amount of repo-transactions. In fact, in 2008 EURO-FINANCE Ltd. completed only one final sale of government bonds with a total par value of BGN 300 000 levs, or merely 0.16% of the overall government bonds trading volume. This fact eloquently speaks of the forlorn condition of the local financial markets.

Data summary for debt instrument transactions

Index	2008		2007	
	Number of transactions	Par value '000 in original currency	Number of transactions	Par value '000 in original currency
Government bonds transactions under Ordinance №5, incl.:	152	183 652	196	58 050
transactions with banks	32	95 020	22	28 500
transactions with clients	120	88 632	174	29 550
Debt securities transactions, incl.:	519	20 446	720	42 185
on the BSE	379	13 982	397	10 695
OTC	140	6 464	323	31 490
Foreign debt securities transactions	86	95 880	70	10 554

The high liquidity of Bulgaria's eurobonds (as compared to the liquidity in the domestic government and corporate debt markets), combined with their relative safety and attractive pricing, was reflected in the 9x increase in their traded volume, conditionally designated as "foreign". Transactions in Bulgaria's eurobonds represent 96% of the foreign debt securities transactions.

2008 was relatively successful for our consulting services business. 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 group of investment banking projects was related to the current fulfillment of a contract signed in 2006 for the provision of consultancy services for restructuring and sales of shareholdings in BULGARTABAC-HOLDING AD. In 2008, the consortium between EURO-FINANCE Ltd., Subev&Co. Law Company and Balkan Consulting Company continued its successful work on the privatization of the companies within the group of Bulgartabac-Holding AD. The year started with the sale of stock of KURDJALI TABAC AD. The company was sold through a highly contested public tender. The total value of the deal exceeded 6 million levs. Later, in May–June 2008, EURO-FINANCE Ltd. prepared the information memorandums of the first two cigarette factories SLUNCE STARA ZAGORA – TABAC AD and CIGARENA FABRIKA – PLOVDIV AD, which were made available to investors in the 'virtual information room'. Abiding by the recommendations made by the parties in the consortium the cigarette factories were successfully sold through public offering on the Bulgarian stock exchange (BSE) via XETRA during the continuous trading phase. The selling prices achieved significantly exceeded preliminary expectations of BULGARTABAC-HOLDING AD. The cumulative value of the two deals was pegged at approximately 49 million levs.

Cheered by the successful sale of the two cigarette factories BULGARTABAC-HOLDING AD speeded up the sale of the remaining companies in the group. By the end 2008 EURO-FINANCE Ltd. prepared the information memorandums of the group's leaders – cigarette factories BLAGOEVGRAD–BT AD and SOFIA–BT AD, as well as of PLEVEN–BT AD, which is the most modern tobacco processing company in the group. Deteriorating financial crisis, however, put in doubt the presence of sufficient investor interest in buying segregated companies from the group. In December 2008 Bulgarian Parliament revoked "Bulgartabac's Privatization Strategy", which provided for a segregated approach in selling the companies in the group. The Privatization Agency was entrusted to organize a tender for preparation of legal analysis, assessment and information memorandum of the whole group of companies. The tender was conducted in early 2009 and was once again won by an alliance between EURO-FINANCE Ltd. and Subev&Co. Law Company. This confirmed the reputation of the parties in the alliance as leading consulting companies.

While working on the Bulgartabac project, in late 2008, EURO-FINANCE Ltd. successfully accomplished initial public offering of shares of **EUROINS** – a company from the group of EuroHold Bulgaria, a part of which is EURO-FINANCE Ltd. In November 2008 the Bulgarian FSC approved the prospectus for the public equity offering, which was successfully accomplished in December 2008 – January 2009.

A significant part of the investment banking activity in 2008 was orientated towards the enlistment of new issuers of securities.

WEB MEDIA GROUP AD issued its first bond. During the course of the year EURO-FINANCE Ltd. prepared a prospectus for listing of WEB MEDIA GROUP AD bond issue on the BSE-Sofia.

A similar prospectus was also prepared for the bond issue of SPORT DEPOT AD, issued in 2007.

In 2008, two new companies acknowledged the strategic advantages of publicity and took actions for listing on the stock exchange.

In the beginning of 2008 the equity issue of MART BULGARIA AD in the amount of 1 million levs was registered for trading on the BSE-Sofia. The company operates in the hi-tech sector, with its main activity focused on the sale of mobile communication services.

In April 2008 FSC approved the listing prospectus of BALKAN PROJECTS MANAGEMENT AD's issue of common shares. The company operates in the chemical sector. The company synthesizes detergents that are subsequently used in the manufacture of washing powder and cleaning agents. In May 2008 the company's shares, amounting to a total of 7 million levs, were admitted to trading on the stock exchange.

In November 2008 EURO-FINANCE Ltd. in partnership with Subev&Co. Law Company prepared the information memorandum of a company from the Actavis group.

In August 2008 EURO-FINANCE Ltd. prepared two tender offers for two public companies, the purpose of which was delisting of the companies.

Over the whole year 2008, EURO-FINANCE Ltd. assisted the management company, SENTINEL ASSET MANAGEMENT AD, in the selection of a suitable defensive investment strategy for management of the two mutual funds, MF Sentinel Principal and MF Sentinel Rapid.

The prospects for the investment banking development are limited, especially when contrasted with 2006–2007. Low equity prices and greatly increased risk premiums on corporate bond issues keeps issuers away from the capital market. In 2009 EURO-FINANCE Ltd. will concentrate on its commitments to the Privatization Agency regarding the privatization of Bulgartabac-Holding.

Everything said above is logically reflected in the abrupt change in the structure of operating income and its overall decline.

Type of operating income	**2008 (BGN)**	**2007 (BGN)**
Fees and commissions from transactions in financial instruments	808 302	1 702 617
Interest and similar income	918 787	530 139
Gains/losses from marketable securities	-396 460	312 495
Total	**1 330 629**	**2 545 252**

2008 broke down the upward-sloping trend from the previuos three years, which was tightly interrelated with the development of markets in financial instruments that fell victim to the global economic and financial crisis.

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

In accordance with the provisions of FSC's Ordinance No. 35 on the capital adequacy and liquidity position of 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 shall pursue moderately conservative risk management policy in order to achieve a stable and sustained increase in profit and preservation of equity capital. Last year was actually the first practical test for the benefits of that policy and we managed to attain maximum preservation of the equity capital. In accordance with the policy rules, the aggregate investments in equity securities shall not exceed 30% of the equity capital, whereby any individual exposure in such investments valued at acquisition cost shall not exceed 10% of the equity capital. It is permissible for an individual investment in an SPV for investments in real estate sector valued at acquisition cost to be up to 15% of the equity capital. Investments in government 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 on hands, on bank accounts and deposits), shall constitute at least 30% of the amount of own equity capital valued at acquisition costs. The maximum net currency position (different from the euro) 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.'s investments as of 31 December 2008 in accordance with the pursued risk management policy.

Investment structure	2008		2007	
	Amount in BGN '000	% of equity capital	Amount in BGN '000	% of equity capital
Cash and cash equivalents	6 211	39.22	9 480	58.72
Equity securities (common stock, equity rights, etc.)	2 417	15.26	1 898	11.76
Debt securities (debentures and treasury bonds issued by governments and financial institutions)	3 229	20.39	3 304	20.47
Debt securities of other issuers	1 972	12.45	738	4.57
Net receivables from repo transactions	1 479*	9.34	338	2.09
Total	**15 308**	**96.66**	**15 758**	**97.61**

* by 31 January 2009 net receivables from repo transactions were reduced to BGN 988K.

During the last reporting period, EURO-FINANCE Ltd. has performed constant monitoring of the adherence to the requirements on capital adequacy and liquidity position as stipulated in art. 21 of the Ordinance and 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 related to and resulting from the activity of EURO-FINANCE Ltd.

We have to mention, however, that investments in equity securities and debt instruments, issued by non-government and non-banking organizations increased, due directly to the purposeful efforts of the investment intermediary to provide liquidity to its clients amid financial crisis and drying demand for financial instruments.

We have to note, however, that some of the investments in equity securities, shown in the table above, are reported in the company's investment portfolio (see footnote No.6). Important items in the investment portfolio are stated in the table below:

Issuer	Number of shares	Value per share	Balance Sheet Value
Bulland Investments REIT	787 000	1.25	983 750.00
Etropal	32 525	5.49	178 594.78
EuroHold Bulgaria	80 413	5.09	409 312.78
EuroIns	16 066	8.27	132 936.41
Total			**1 704 593.97**

Our investment position in Bulland Investments REIT (787 000 shares) emerged largely as a result of acquisition in connection with the issuer's capital increase in 2008 and is reported at acquisition cost. The other investments were reclassified from trading to investment securities on the basis of Regulation (EC) 1004/2008 from 15 October 2008, introducing the changes in IAS 39 and IFRS 7, approved by the International Accounting Standards Board. As of the date of this report, and in the light of the extraordinary market conditions, the management of EURO-FINANCE Ltd. considers that it is not possible to assess the fair value of these assets. The management also believes that there is no unconditional evidence of their actual depreciation and confirms that the company can hold the abovementioned assets for an indefinite period of time. In the future, in case there is a reasonable, and therefore imperative, ground for the revaluation of these assets, they may be significantly depreciated.

As of 31 December 2008, according to the audited balance sheet data, the company's equity capital amounts to BGN 15.836 million, whereas the equity capital base amounts to BGN 15.438 million and is calculated as follows:

Equity structure / Year		2008	2007
A	Initial equity (BGN), including:	15 583 375	14 583 375
1	Equity (registered capital)	14 100 000	14 100 000
2	Statutory reserves	1 410 000	210 000
3	Other reserves	73 375	273 375
B	Additional equity capital	-	49 500
1	Debt-capital (hybrid capital instrument)	-	49 500
C	Total initial and additional equity capital (A+B)	15 583 375	14 632 875
D	Net income and retained earnings	253 259	1 560 343
E	Balance sheet equity (A+D)	15 836 634	16 143 718
F	Total decrease in initial and additional capital	145 682	199 241
1	Non-current intangible assets	12 746	16 927
2	Interest in insurance and reinsurance companies and insurance holdings	132 936	182 314
	EQUITY CAPITAL BASE (C-F)	**15 437 693**	**14 433 634**

As of 31 December 2008, the capital requirements for risk coverage amount to BGN 3.163 million. In accordance with the adopted policy for calculation of capital requirements, EURO-FINANCE Ltd. applies the standard approach, except for the operational (business) 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:

Risks	Capital requirement in BGN
Credit risk	2 412 503
Settlement risk	0
Exposition, foreign exchange and commodity risk	472 916
Operational (business) risk	277 870
Total capital requirements	**3 163 289**

The capital requirement for **credit risk** is calculated on the basis of the following reference information on the company's receivables as of 31 December 2008. Fixed tangible and financial assets are also presented as receivables for the purposes of the calculations.

Receivables	Currency	Balance
Changes in deferred taxes	BGN	8 871.74
Computers, peripherals and software	BGN	125 891.52
Machinery, plant and equipment	BGN	50 939.28
Transportation equipment	BGN	126 552.90
Inventory	BGN	149 869.28
Long-term investments – minority interest	BGN	1 712 623.99
Long-term investments – controlling interest	BGN	5 000.00
Long-term investments – significant interest	BGN	125 000.00
Depreciation of fixed tangible assets	BGN	-373 600.73
Receivables from suppliers	BGN	176.03
Income tax payable	BGN	28 674.94
Receivables on exchange differences in respect of forward exchange contracts	BGN	27 642.81
Receivables on exchange differences in respect of CFD revaluations	BGN	39 049.80
Receivables on exchange differences in respect of Netting revaluations	BGN	77.83
Accounts with administration institutions	BGN	2 506.80
Receivables on active financial operations	BGN	13 950.00
Other debtors	BGN	18 451.95
Deferred tax assets	BGN	6 693.99
Receivables from participating interests	BGN	192 934.21
TOTAL:		**2 261 306.34**
Receivables from repo-transactions	**BGN**	**27 956 369.20**

According to the standard approach, receivables are classified in groups, to any of which a risk weight is assigned and the capital requirement is calculated in the amount of 8% of the risk weighted value of the exposure as follows:

Type of receivables (group)	Amount of receivables	% risk weight	Risk-weighted amount of receivables	Capital requirement (8%)
Repo transactions	27 956 369.20	100	27 956 369.20	2 236 509.54
Receivables from institutions	45 747.47	20	9 149.49	731.96
Small exposures	99 172.39	75	74 379.29	5 950.34
Other exposures	2 116 386.48	100	2 116 386.48	169 310.92
Total:	**30 217 675.54**			**2 412 502.76**

The capital requirement for exposition, foreign exchange and commodity risk coverage in the amount of BGN 473 thousand represents the sum of the requirements for coverage of exposition risk of debt instruments and shares, and foreign exchange risk coverage. No commodity risk has occurred in the operations of EURO-FINANCE Ltd. during the reported period. EURO-FINANCE Ltd. trading portfolio is presented in more detail in the section entitled “Notes to the financial statements”.

The calculation of capital coverage requirements for 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 coverage requirement for the specific risk of debt instruments is calculated separately.

The capital coverage 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, the capital coverage requirement for the positions in collective investment undertakings (mutual funds) amounts to 32% of the relevant position.

To determine the capital coverage requirement for foreign exchange risk, 8% is taken on the total long, respectively short, exposure in foreign currency different from the Euro.

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

Risk	Amount of the capital coverage requirement in BGN
Exposition risk of debt instruments	335 184
Exposition risk of shares	137 732
Foreign exchange risk	0
Commodity risk	0
Total	**472 916**

To determine the capital coverage requirements for operational risk under the base indicator method, we calculate 15% on the average value of the sum of net interest income and other non-interest income for the three preceding years. This calculation excludes the result from sale of securities from the investment portfolio, the non-recurring income and indemnities.

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

Year	Amount	Average value	Capital coverage requirement (15%)
2007	2 774 334		
2006	1 581 869		
2005	1 201 192		
		1 852 465	**277 870**

As of 31 December 2008, EURO-FINANCE Ltd. reports as a large exposure to the parent-company (EUROHOLD BULGARIA) and its subsidiaries a sum of BGN 2.143 million, which represents 14% of the capital base. In accordance with the Ordinance, the maximum admissible amount of such exposure is 20% of the capital base.

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, to which EURO-FINANCE Ltd. is exposed, are an element of the Risk Assessment and Management Rules, whose reliability and efficiency is reviewed by the Board of Directors by January 30th of each year.

IV. DISCLOSURE OF MANDATORY AND OTHER RELEVANT INFORMATION

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

Asen Hristov	Chairman of the Board of Directors
Kiril Boshov	Deputy Chairman of the Board of Directors
Simeon Petkov	Chief Executive Officer
Jordan Popov	Executive Officer
Georgi Botzev	Member of the Board of Directors

The members of the Board do not currently own shares and/or bonds issued by EURO-FINANCE Ltd. and have not been granted special rights or any stock or bond options whatsoever. No member of the Board owns stock in an unlimited liability company. The total gross remuneration of the Board of Directors in 2008 amounted to BGN 239,342.

Mr. Asen Milkov Hristov holds more than 25% of the capital of the following companies:
STARCOM HOLDING AD – Etropole; ALPHA EUROAKTIV EOOD – Sofia; CORPORATE ADVISORS EOOD – Sofia; CAPITAL 3000 AD – Sofia.

Mr. Kiril Ivanov Boshov holds more than 25% of the capital of the following companies:
STARCOM HOLDING AD – Etropole; ALCOMMERCE EOOD – Sofia.

Mr. Asen Milkov Hristov participates in the management of the following companies:
SCANDINAVIA MOTORS EAD – Sofia; EUROHOLD BULGARIA AD – Sofia; SPORTPROEKT AD – Sofia; GEOENERGOPROEKT AD – Sofia; ALPHA EUROAKTIV EOOD – Sofia; CORPORATE ADVISORS EOOD – Sofia; BULSTAR INVESTMENT AD – Pazardjik; EUROTEST CONTROL AD – Sofia; FORMOPLAST AD – Kurdjali; EUROHOLD AUTOMOTIV GROUP EAD – Sofia, EURO POWER AD – Sofia, ETROPAL AD – Etropole; EUROINS ROMANIA ASIGURARI REASIGURARI AD – Bucharest, STARCOM HOLDING AD, AUTOPLAZA AD – Sofia and PLASTHIM–T AD – Tervel.

Mr. Kiril Ivanov Boshov participates in the management of the following companies:
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 AD – Sofia; EUROHOTELS AD – Samokov; EUROINS–HEALTH INSURANCE AD – Sofia; GEOENERGOPROEKT AD – Sofia; EUROINS ROMANIA ASIGURARI REASIGURARI AD – Bucharest; EUROLEASE AUTO IFN AD – Bucharest; EUROINS INSURANCE GROUP EAD – Sofia; BRIDGECORP AD – Sofia; EUROMOBILE LEASING AD – Sofia; NISSAN SOFIA EOOD – Sofia, STARCOM HOLDING AD and AUTOPLAZA AD – Sofia.

Mr. Simeon Petkov participates in the management of SENTINEL ASSET MANAGEMENT AD – Sofia, CLIFT OOD – Sofia, EUROSIS EOOD – Sofia, EUROHOLD BULGARIA AD and AUTOTRANS SREDETZ AD – Sofia.

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

During the reported period the Board of Directors has not taken resolutions for transactions outside the usual business of the company. The management of the Company had no knowledge of any pending deals that might significantly impact the business of the Company during the preparation of this report.

During this year our company's business policy will be purely defensive in nature given the ongoing global economic crisis. The spreading recession will have negative impact on net income from financial services. Transactions in financial instruments will most likely be sporadic and with low volume, which will probably result in further decline in revenues from fees and commissions. The average weight of interest income in overall income will continue to grow, but its absolute value will decrease as a result of the attempts to "boost" liquidity in the financial system. Further decline in market values of capital instruments will have limited impact on our company's financial results as negative effects have already been digested to a great extent. Nevertheless, as we pointed out earlier, a possible revaluation of part of the investment portfolio may lead to recognition of significant losses, estimated at approximately BGN 700–900 thousand. The risk of default on some of the corporate debt included in our investment portfolio should not be underestimated, as it could result in additional losses of comparable size. Along with the unfavorable outlook for 2009, however, we should mention that EURO-FINANCE Ltd. is one of the most well-capitalized non-banking financial institutions, which provides us with the necessary resources to withstand the current crisis. The excellent liquidity position of our company, along with the achieved optimal staff structure, creates an opportunity for our company to increase its market share upon the first signs of stabilization and recovery of financial markets.

Sofia,
12 February 2009 BOARD OF DIRECTORS

Financial statements as at 31 December 2008

INCOME STATEMENT

	NOTES	31.12.2008 BGN'000	31.12.2007 BGN'000
Interest revenues and similar revenues		1 862	901
Interest expenses and similar expenses		(944)	(371)
Net interest revenues		**918**	**530**
Other operating revenues	3	672	2 272
Gross operating revenues		**1 590**	**2 802**
Operating expenses	4	(1 336)	(1 117)
Net income before taxes and extraordinary items		**254**	**1 685**
Income from extraordinary items		-	-
Net income before taxes		**254**	**1 685**
Tax expense	5	(2)	(125)
Net income (loss)		**252**	**1 560**

Donka Vassileva
Chief Accountant

Simeon Petkov
Chief Executive Officer

Certified by: BDO AKERO Ltd.

Stoyanka Apostolova, Manager
CPA, registered auditor

BALANCE SHEET
as at 31 December 2008

	NOTES	31.12.2008 BGN'000	31.12.2007 BGN'000
ASSETS			
Fixed assets			
Interest in subsidiaries and associates	6	1 843	138
Fixed non-financial assets	7	92	139
		1 935	**277**
Current assets			
Cash	8	24 815	26 000
Equity securities	9	549	1 898
Debt securities	10	5 365	4 020
Other current assets	11	28 307	2 811
Deferred tax assets		7	9
Deferred expenses	12	13	13
		59 056	**34 751**
Total assets		**60 991**	**35 028**
LIABILITIES AND EQUITY			
Equity			
Share capital	13	14 100	14 100
General reserves	14	1 410	210
Other reserves	15	73	273
Retained earnings		1	-
Earnings		252	1 560
		15 836	**16 143**
Long-term liabilities	16	-	50
		-	**50**
Current liabilities			
Tax payables	17	-	64
Other	18	45 155	18 771
		45 155	**18 835**
Total liabilities and equity		**60 991**	**35 028**

Donka Vassileva
Chief Accountant

Simeon Petkov
Chief Executive Officer

Certified by: BDO AKERO Ltd.

Stoyanka Apostolova, Manager
CPA, registered auditor

CASH FLOW STATEMENT
as at 31 December 2008

	31.12.2008 BGN'000	31.12.2007 BGN'000
Net income	252	1 560
Adjusted with:		
Depreciations	47	45
Changes in current assets	(25 490)	(6 968)
Changes in deferred expenses	-	(11)
Changes in current liabilities and adjustments	26 321	17 306
Cash flow from operations	**1 130**	**12 032**
Cash flow from investment activities	**(1 705)**	**(85)**
Cash flow from financing activities	**(610)**	**(11 977)**
Net cash flow	**(1 185)**	**23 924**
Cash at beginning of the period	26 000	2 076
Cash at end of the period	**24 815**	**26 000**

Donka Vassileva
Chief Accountant

Simeon Petkov
Chief Executive Officer

Certified by: BDO AKERO Ltd.

Stoyanka Apostolova, Manager
CPA, registered auditor

EQUITY STATEMENT
as at 31 December 2008

	SHARE CAPITAL BGN'000	GENERAL RESERVES BGN'000	OTHER RESERVES BGN'000	NET INCOME (LOSS) BGN'000	TOTAL BGN'000
Balance as at 31 December 2007	14 100	210	273	1 560	16 143
Financial result as at 31 Dcember 2008				252	252
Allocation of 2007 net income		1 000		(1 560)	(560)
Incl. dividends				*(551)*	*(551)*
other income				*(9)*	*(9)*
Additional paid-in capital					
Other changes		200	(200)	1	1
Balance as at 31 December 2008	14 100	1 410	73	253	15 836

Donka Vassileva
Chief Accountant

Simeon Petkov
Chief Executive Officer

EURO-FINANCE Ltd. SOFIA 1 ЕВРО-ФИНАНС АД СОФИЯ

Certified by: BDO AKERO Ltd.

Stoyanka Apostolova, Manager
CPA, registered auditor

София Рег. № 16 "БДО АКЕРО" ООД

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2008

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

Executive management presents annual financial statements for 2008, prepared in compliance with International Accounting Standards (IAS) and national accounting legislation.

The financial statements are presented in Bulgarian levs (BGN), as this is the currency of the primary economic environment in which the Company operates.

2. ACCOUNTING POLICY

The effects of changes in foreign exchange rates (IAS 21)

According to the requirements of the Bulgarian legislation the Company presents its financial statements in Bulgarian levs (BGN). The Bulgarian lev is pegged to the euro at 1 EUR = 1.95583 BGN. The financial statements are presented in thousands of levs.

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

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

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

Non-monetary items carried at fair value in foreign currency are reported at the rate that existed when the fair values were determined.

Exchange differences resulting from changes in foreign exchange rates are recognized on the Income statement.

Recognition of revenues and expenses

Measurements of revenues – Revenues are measured at fair value of the consideration receivable in terms of cash and cash equivalents.

Revenues are recognized on an accrual basis for interests, commissions, etc.

Revenues are recognized during the period, in which the services were rendered, regardless of the actual period, in which the payment will be made.

Expenses are recognized on the Income statement, encompassing the overall reported period.

Property, plant and equipment (IAS 16)

The property, plant and equipment include separately identifiable and measurable property, plant, vehicles and equipment with an initial acquisition cost of more than BGN 700 that have a useful life of more than one year.

Fixed tangible assets are initially recorded at cost, which includes their original purchase price (including customs duties and unrecoverable taxes) and any other direct costs.

Subsequent costs – When it is probable that the future economic benefits associated with the asset will continue to flow to the enterprise beyond the asset's initially estimated useful life, its book value is adjusted for the subsequent costs related to the use of the asset.

Measurement subsequent to initial recognition – Land and buildings can be accounted for using the alternative approach. Following the initial recognition, the separately identifiable fixed tangible asset is carried at cost less accumulated depreciation and is adjusted for any revaluations.

All other property, plant and eqipment are carried at cost less accumulated depreciation and impairment.

Recoverability of the carrying amount – the Company tests fixed tangible assets for impairment and determines the recoverable amount of their book value. The asset is removed from the balance sheet when no future economic benefits are expected from its use.

An asset is written off from the balance sheet on disposal or when it is withdrawn from use and no future economic benefits are expected from its disposal.

Property, plant and equipment are depreciated using the straight-line method over their estimated useful lives, whereat their reported or adjusted values are depreciated to the amount of their residual values using the following depreciation rates:

Buildings	4%
Machines, production equipment, installations	30%
Computers, software and software leases	50%
Vehicles	25%
Other fixed tangible assets	15%

Intangible assets (IAS 38)

Intangible assets include software products and licences.

Purchased intangible assets are initially recognized at acquisition cost, which includes the purchasing price (including customs duties and unrecoverable taxes) and any other direct costs necessary to bring the asset to working condition for its intended use.

Measurements subsequent to acquisition – Intangible assets are carried at cost less any amortization and possible impairment losses.

Recoverability of the carrying amount – the Company does not determine recoverable amount for intangible assets. Under certain reliable conditions the Company revaluates the carring amount of the intangible assets and determines their recoverable values.

Intangible asset is written off from the balance sheet on disposal or when it is withdrawn from use and no future economic benefits are expected from its disposal.

Intangible assets are amortized using the straight-line method with the following amortization rates:

Software and right to use software	50%

Amortization of a tangible asset commences in the month following the month, in which the amortized asset was acquired or put into operation.

The Company uses an internally–developed software product. The software product is an exclusive property of EURO-FINANCE Ltd. The software development costs were expensed when incurred. The right to sell and distribute the business software, designed primarily to service the operations of financial institutions (i.e. investment intermediaries and management companies), was transferred to EUROSYS EOOD, a subsidiary company.

Investments in subsidiaries and associates (IAS 27 и IAS 28)

Financial assets are initially recorded at acquisition cost, which includes the asset's fair price plus any costs related to the transaction.

Investments in subsidiaries and associates are reported at cost. As investments in subsidiaries and associates are not actively traded on regulated markets, their fair value cannot be determined with reliable certainty, even through use of alternative methods.

Financial instruments (IAS 32, 39)

Financial instruments are classified as held for trading:

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

According to the Company's Risk management rules, the subsequent valuation of financial instruments is performed on a daily basis using readily available closing prices, provided by an independent vendor, including stock exchange prices or prices from market information services, and quotes from independent dealers with sound reputation. For the purposes of the mark-to-market valuation of financial instruments is used the more conservative of "bid" and "ask" prices, 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 Company uses a valuation model for its open positions and portfolios. The valuation model uses comparative values in relation to a benchmark, extrapolation and calculations different from the market. The valuation model should meet certain requirements provided for in the 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 Ltd. performs subsequent valuation of the assets held for trading using the following procedures:

/1/ Bulgarian and foreign shares and stock rights, admitted to trading on a regulated market in Republic of Bulgaria, and Bulgarian shares and stock rights, admitted to trading on a regulated market in a member country:

a/ are valued at the last price as announced in the exchange bulletin, if their daily trading volume:
is not less than 0.02% of the given shares or stock rights outstanding; or
has reached or exceeded the valuation volume.

b/ if no price could be determined using the criteria in item a/, the price of shares (stock rights, respectively) is determined as an arithmetic average of the highest "bid" ("ask", respectively, for short positions), available at the market closing on the valuation date, and the last price for the given stock for the same date. The price is determined this way only in case that there are deals done during the trading session, as well as available "bid" ("ask", respectively) orders.

c/ in case that there are no deals done in the given stock during the trading session, the subsequent valuation of the shares (stock rights, respectively) is performed using the arithmetic average of the highest "bid" ("ask", respectively, for short positions), available at the market closing on the valuation day, and the weighted average closing price of the given stock for the last 30 days. In case that during the last 30 days there was a capital increase or a stock split, the calculation of the weighted average closing price covers the period from the ex-rights date (ex-split date, respectively) up to the valuation date.

d/ in case that the stock rights cannot be valued under either of the above criteria, the stock rights value 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 stock rights;
X – Number of new shares per stock right;
Y – Number of rights.

e/ if no price can be determined using the criteria in items a/-c/, as well as regarding shares that are not traded on a regulated market, the subsequent valuation is performed on the basis of the net present value of assets.

/2/ Shares of collective investment schemes, not traded on a regulated market, including cases of temporary suspension of redemption, are valued:

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 any issuing and redemption costs, when the collective investment scheme had not reached the minimum amount of the net value of assets.

/3/ for derivative financial instruments – according to the provisions of item /1/, and if impossible to apply this valuation method – using a suitable valuation model for derivative financial instruments.

/4/ Bulgarian and foreign bonds, admitted to trading on a regulated market in Republic of Bulgaria, Bulgarian bonds, admitted to trading on regulated markets 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, and government bonds, issued under the provisions of BNB's Ordinance No. 5 are valued using the 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 bonds with remaining term to maturity commensurate with the remaining term to maturity of the valued bonds. The applied risk premium is set at:

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

/5/ foreign securities, admitted to trading on internationally recognized and liquid regulated stock markets, are valued:

a) At the last price for the security in the given market at the valuation date;

b) If no price could be determined using the criteria in item a/ – at the best "bid" price ("ask" price, respectively) available at the market closing on the valuation date, as quoted in an automated quotations system;

c) If no price could be determined using the criteria in item b/ – at the last traded price during the most recent 30-day period;

/6/ In cases, when the local stock market is closed during working days, and in cases, when foreign regulated markets are closed in observance of a holiday, whereas it is a regular working day in Bulgaria, the subsequent valuation of securities, admitted to trading on a regulated market, is based on the price for the given securities as at the closing of the most recent trading session. Regarding the subsequent valuation of bonds under the previous sentence, the accrued interest is also taken into consideration.

/7/ Bank deposits, cash on hand, cash in bank accounts and current receivables are valued as of the valuation date as follows:

1. Bank deposits – at par value plus accrued interest;

2. Cash on hand – at par value;
3. Cash in bank accounts – at par value;
4. Current receivables without specified interest to income – at cost;
5. Current receivables with specified interest or income – at cost plus accrued interest or income.

/8/ Foreign currency denominated financial assets are recalculated in BGN, using the Bulgarian National Bank's fixed rate of exchange at the valuation date.

For the valuation purposes, reliable sources of market data are the regulated stock markets – Bulgarian stock market (BSE) and the foreign regulated markets – on which the securities are admitted to trading.

Other reliable price sources may be globally-respected financial data providers, such as REUTERS, BLOOMBERG, etc.

Taxes

According to the Bulgarian tax legislation the Company is subject to corporate income tax. The current corporate income tax rate is set at 10%.

The Company is VAT registered and is levied at 20% of sales.

Risk management

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

Credit risk

Credit risk is risk due to uncertainty in a clients' or counterparty's ability to meet its obligations.

The Company's credit risk is associated mainly with its commercial and financial receivables. The net balance sheet amounts exclude allowance for doubtful accounts receivable, considered by the management as doubtful on the basis of previuos experience and current economic conditions.

The credit risk related to liquid accounts and financial instruments is limited, as the Company's counterparties are mainly banking institutions with high-grade ratings.

The Company has no significant concentration of credit risk, as the latter is diversified among a large number of counterparties.

Market risk

Market risk is exposure to the uncertainty in market conditions – changes in market values of financial instruments, changes in currency rates, changes in interest rates.

Liquidity risk

Liquidity risk is stemming from the timing of cash flows associated with the Company's assets, liabilities and off-balance accounts.

The management of the Company has set the framework and guidelines necessary for the adequate management of relevant risks.

Foreign exchange risk

As Bulgaria operates under a currency board regime, the Bulgarian currency is pegged to the euro. The financial statements of the Company are exposed to the risk of adverse changes in foreign exchange rates only in relation to currencies outside the euro area.

Derivatives

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

The most commonly used derivatives are:

- foreign exchange swap;
- interest swap;
- ceilings and floors;
- foreign exchange and interest forwards;
- futures;
- options.

Contract terms and conditions are determined in standardized documents.

The same procedures regarding monitoring of market and credit risk of other financial instruments is applied to derivatives. These are aggregated with other positions for the purpose of monitoring the overall risk exposure to a given counterparty and are managed up to the approved limits for a given counterparty.

Derivatives are held either for trading or as a hedge against interest and foreign exchange risk.

Derivatives held for trading are valued at fair value, with gains and losses being recognized on the income statement as gains (losses) from operations.

Derivatives held as hedging instruments are recognized according to the accounting treatment of the hedged instrument. Recognition criteria for a hedging derivative is the presence of a documented evidence of the intent to hedge against the risk of a given instrument and the hedging instrument should provide reliable basis for the elimination of the risk.

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

Hedging transactions, which are closed prior to closing of the hedged position, are valued at fair value, with gains and losses recognized during the existence period 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 being accounting for as an increase or a decrease in the securities as a result in a change of their fair value.

The Company is required by the Financial Supervising Commission to prepare reports regarding clients' securities and cash on hand, as well as any outstanding liabilities. More detailed information on the issue is presented in section "Additional information for better understanding of the Company's financial statements and results of operation"

Changes in accounting standards

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

- *IFRS 7, 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 Company it requires disclosures based on the information used by key management. It replaces the disclosure requirements in IAS 32 "Financial Instruments: disclosure and presentation". 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 Company has applied IFRS 7 and the amendment to IAS 1 to the accounts for the period beginning on 1 October 2007.

- *IFRIC 10, Interim Financial Reporting and Impairment* (effective for accounting periods beginning on or after 1 November 2006). IFRIC 10 prohibits impairment losses recognised in an interim period on goodwill and investments in equity instruments and on financial assets carried at cost to be reversed at a subsequent balance sheet date. There was no impact on the Company's accounts from its adoption.

(ii) Standards, amendments and interpretations to published standards effective in 2008 but which are not relevant to the Company.

- *IFRIC 11, IFRS 2 – Company and Treasury Share Transactions* (effective for accounting periods beginning on or after 1 March 2007). IFRIC 11 requires share-based payment transaction in which an entity receives services as consideration for its own equity instruments to be accounted for as equity-settled. This applies regardless of whether the entity chooses or is required to buy those equity instruments from another party to satisfy its obligations to its employees under the share-based payment arrangement. It also applies regardless of whether: (a) the employee's rights to the entity's equity instruments were granted by the entity itself or by its shareholder(s); or (b) the share-based payment arrangement was settled by the entity itself or by its shareholder(s). IFRIC 11 is not relevant to the Company due to the absence of such arrangements.

(iii) Standards, amendments and interpretations to published standards is not yet effective

- *IFRS 8, Operating Segments* (effective for accounting periods beginning on or after 1 January 2009). This standard sets out requirements for the disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. It replaces IAS 14, Segmental Reporting. The Company expects to apply this standard in the accounting period beginning on 1 October 2009. As this is a disclosure standard it will not have any impact on the results or net assets of the Company.

- *IAS 23, Borrowing Costs (revised)* (effective for accounting periods beginning on or after 1 January 2009). The revised IAS 23 is still to be endorsed by the EU. The main change from the previous version is the removal of the option of immediately recognising as an expense borrowing costs that relate to qualifying assets, broadly being assets that take a substantial period of time to get ready for use or sale. This will not have any effect on the Company's results as the option is not utilised.

- *IFRIC 12, Service Concession Arrangements (*effective for accounting periods beginning on or after 1 January 2008). IFRIC 12 is still to be endorsed by the EU. IFRIC 12 gives guidance on the accounting by operators for public-to-private service concession arrangements. IFRIC 12 is not relevant to the Company's operations due to absence of such arrangements.

- *IFRIC 13, Customer Loyalty Programmes* (effective for accounting periods beginning on or after 1 July 2008). IFRIC 13 is still to be endorsed by the EU. IFRIC 13 addresses sales transactions in which the entities grant their customers award credits that, subject to meeting any further qualifying conditions, the customers can redeem in future for free or discounted goods or services. IFRIC 13 is not relevant to the Company's operations due to the absence of such arrangement.

- *IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective for accounting periods beginning on or after 1 January 2008). IFRIC 14 is still to be endorsed by the EU. IFRIC 14 clarifies when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19, how a minimum funding requirement might affect the availability of reductions in future contributions and when a minimum funding requirement might give rise to a liability. IFRIC 14 is not relevant to the Company's operations due to the absence of such arrangements.

- *Revised IFRS 3, Business Combinations and complementary Amendments to IAS 27; Consolidated and separate financial statements* (both effective for accounting periods beginning on or after 1 July 2009). This revised standard and amendments to is still to be endorsed by the EU. The revised IFRS 3 and amendments to IAS 27 arise from a joint project with the Financial Accounting Standards Board (FASB), the US standards setter, and result in IFRS being largely converged with the related, recently issued, US requirements. There are certain very significant changes to the requirements of IFRS, and options available, if accounting for business combinations.

- *Amendment to IFRS 2, Share-based payments: vesting conditions and cancellations* (effective for accounting periods beginning on or after 1 January 2009). This amendment is still to be endorsed by the EU. The Amendment to IFRS 2 is of particular relevance to companies that operate employee shares save schemes. This is because it results in an immediate acceleration of the IFRS 2 expense that would otherwise have been recognised in future periods should an employee decide to stop contributing to the savings plan, as well as a potential revision to the fair value of the awards granted to factor in the probability of employees withdrawing from such a plan. The Amendment to IFRS 2 is not relevant to the Company's operations due to the absence of such arrangements.

3. OTHER OPERATING REVENUES

The structure of other operating revenues is as follows:

	31.12.2008 BGN'000	31.12.2007 BGN'000
Foreign currency exchange gains	2 602	1 797
Foreign currency exchange losses	(2 572)	(1 674)
Net foreign currency exchange gains (losses)	30	123
Income from equity participations	264	143
Revenues from transactions with financial assets and instruments	6 802	2 927
Expenses incurred in operations with financial assets and instruments	(7 198)	(2 615)
Net income (loss) from operations with financial assets and instruments	(396)	312
Revenues from sales of property,plant and equipment	-	112
Book value of property,plant and equipment	-	(84)
Gain (loss) from sales of assets	-	28
Revenues from other financial operations	947	1 870
Expenses on other financial operations	(173)	(204)
Net income (loss) from other financial operations	774	1 666
	672	**2 272**

4. OPERATING EXPENSES

	31.12.2008 BGN'000	31.12.2007 BGN'000
Expenses on materials and hired services	(442)	(302)
Expenses on remunerations and social security	(735)	(697)
Depreciation expenses	(47)	(45)
Other	(112)	(73)
	(1 336)	**(1 117)**

5. TAX EXPENSES

	31.12.2008 BGN'000	31.12.2007 BGN'000
Current tax	(2)	(125)
	(2)	**(125)**

	31.12.2008 BGN'000	31.12.2007 BGN'000
Accounting profit	254	1 685
Corporate income tax – tax rate 10%	(25)	(168)
Tax effect from expenses unrecognized for tax purposes and tax relieves	23	34
Tax effect from temporary differences and tax losses	2	9
Deferred income tax effects	(2)	-
Current Tax	**(2)**	**(125)**

6. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

	31.12.2008 BGN'000	31.12.2007 BGN'000
Investments in subsidiaries	130	130
Minority interest	1 713	8
	1 843	**138**

Investments in subsidiaries:

	31.12.2008	% of capital	31.12.2007	% of capital
Eurosys EOOD	5	100	5	100
Sentinel Asset Management	125	50	125	50
	130		**130**	

As the Company's long-term financial assets include mainly investments in subsidiary that are not actively traded on regulated markets, their fair value cannot be determined with reliable certainty. The Management assumes that no impairment write-down is necessary.

Minority interest:

Issuer	Number of shares	Price per share	B/S value BGN'000
Bulgarian Stock Exchange	60 000	0.13	8
Bulland Investments REIT	787 000	1.25	984
Etropal	32 525	5.49	179
EuroHold Bulgaria	80 413	5.09	409
EuroIns	16 066	8.27	133
Total:			**1 713**

7. FIXED NON-FINANCIAL ASSETS

The group of fixed non-financial assets includes:

	31.12.2008 BGN'000	31.12.2007 BGN'000
Property, plant and equipment	79	122
Intangible assets	13	17
	92	**139**

The structure of tangible fixed assets is as follows:

	Plant & equipment	Other tangible fixed assets	Computers & peripherals	Total
Book value				
As at 31.12.2007	51	328	159	538
Acquired	-	9	-	9
Written off	-	(61)	(33)	(94)
As at 31.12.2008	51	276	126	453
Depreciation				
As at 31.12.2007	(51)	(221)	(144)	(416)
Depreciation for the year	-	(33)	(10)	(43)
Written off	-	55	30	85
As at 31.12.2008	(51)	(199)	(124)	(374)
Carring amount				
As at 31.12.2007	-	107	15	122
As at 31.12.2008	-	77	2	79

The structure of intangible assets is as follows:

	Licences
Book value	
As at 31.12.2007	29
Acquired	1
Written off	(1)
As at 31.12.2008	29
Amortization	
As at 31.12.2007	(12)
Amortization for the year	(4)
Written off	-
As at 31.12.2008	(16)
Carring amount	
As at 31.12.2007	17
As at 31.12.2008	13

8. CASH

	31.12.2008 BGN'000	31.12.2007 BGN'000
Cash on hand	238	1 673
Cash in bank accounts	829	1 923
Other cash and cash equivalents	23 748	22 404
	24 815	**26 000**

Cash is distributed as follows:

	Euro-finance Ltd.	Clients	Total
Cash on hand	177	61	238
Cash in bank accounts	280	549	829
Other cash and cash equivalents	5 754	17 994	23 748
	6 211	18 604	24 815

9. EQUITY SECURITIES

	31.12.2008 BGN'000	31.12.2007 BGN'000
Equity securities (additional information)	549	1 898
	549	1 898

10. DEBT SECURITIES

Debt securities are structured as follows (additional information):

	31.12.2008 BGN'000	% Share	31.12.2007 BGN'000	% Share
Government issued bonds	2 800	52	2 297	57
Corporate bonds	2 426	45	1 646	41
Others	139	3	77	2
	5 365	100	4 020	100

11. OTHER CURRENT FINANCIAL ASSETS

	31.12.2008 BGN'000	31.12.2007 BGN'000
Receivables from repo-transactions	27 956	2 375
Receivables from clients	18	125
Accounts with administration institutions	3	2
Receivables from participations	193	109
Receivables from the sale of securities	-	120
Other	137	80
	28 307	2 811

12. DEFERRED EXPENSES

	31.12.2008 BGN'000	31.12.2007 BGN'000
Deferred expenses	13	13
	13	13

Deferred expenses represent prepaid expenses for the next reporting period.

13. SHARE CAPITAL

As at 31.12.2008 the share capital structure is as follows:

	31.12.2008 BGN'000	31.12.2007 BGN'000
Total	14 100	14 100
EUROHOLD BULGARIA AD	*13 892*	*13 892*
EURO INS AD	*208*	*208*
	14 100	14 100

14. GENERAL RESERVES

	31.12.2008 BGN'000	31.12.2007 BGN'000
General reserves	1 410	210
	1 410	210

General reserves as required by the provisions of the Commercial Law.

15. OTHER RESERVES

	31.12.2008 BGN'000	31.12.2007 BGN'000
Additional reserves	73	273
	73	273

16. LONG-TERM LIABILITIES

	31.12.2008 BGN'000	31.12.2007 BGN'000
Other long-term liabilities	-	50
	-	50

17. TAX PAYABLES

	31.12.2008 BGN'000	31.12.2007 BGN'000
Tax payables	-	64
	-	64

18. OTHER CURRENT LIABILITIES

	31.12.2008 BGN'000	31.12.2007 BGN'000
Other current liabilities	45 155	18 771
	45 155	18 771

As at 31.12.2008 the structure of other current liabilities is as follows:

	31.12.2008 BGN'000	31.12.2007 BGN'000
Payables to investors	18 604	16 520
Payables related to foreign currency transactions	4	17
Payables related to repo-transactions	26 477	2 037
Payables to employees and social contributions payables	13	89
Payables to financial institutions	-	47
Payables to suppliers	12	-
Other payables	45	61
	45 155	18 771

19. RELATED PARTIES

As at 31.12.2008 the Company has the following related parties receivables and related parties payables:

Long-term liabilities (Note 16)

	31.12.2008 BGN'000	31.12.2007 BGN'000
Employees	-	50
	-	50

Lease-related payables (Note 18)

	31.12.2008 BGN'000	31.12.2007 BGN'000
Eurolease Auto AD	22	41
	22	41

Cash-related payables (Note 18)

	31.12.2008 BGN'000	31.12.2007 BGN'000
EuroHold Bulgaria AD	2	190
EUROSYS EOOD	4	1
Formoplast AD	7	1
NISSAN SOFIA EOOD	4	-
Eurolease Auto AD	-	6 231
EuroIns – Health insurance AD	9	-
EuroIns Insurance Group EAD	12 044	6 020
EUROINS AD	300	19
Etropal AD	-	1 440
Forum plus EOOD	-	1
	12 370	13 903

Current receivables (Note 11)

	31.12.2008 BGN'000	31.12.2007 BGN'000
Receivables from participations – Eurosys EOOD	193	109
	193	109

Dividend income (Note 3)

	31.12.2008 BGN'000	31.12.2007 BGN'000
Dividend income – Eurosys EOOD	193	109
Dividend income – Sentinel Asset Management AD	10	1
	203	110

Income from commissions (Note 3)

	31.12.2008 BGN'000	31.12.2007 BGN'000
EuroHold Bulgaria AD	6	102
EuroIns Insurance Group EAD	6	-
Etropal AD	1	10
Eurolease Auto AD	7	58
Forum plus EOOD	-	4
EUROINS AD	14	53
EuroIns – Health insurance AD	15	8
ASITRANS S.A./EUROINS ROMANIA SA	6	2
Formoplast AD	-	2
	55	239

Interest expenses

	31.12.2008 BGN'000	31.12.2007 BGN'000
EuroHold Bulgaria AD	93	34
Etropal AD	5	18
Eurolease Auto AD	113	22
EuroIns Insurance Group EAD	205	6
EUROINS AD	2	4
	418	84

20. POST BALANCE SHEET EVENTS

No material events occurred between the balance sheet date and the date of preparation of this report, which would require disclosure or adjustment to the 31 December 2008 Financial statements.

21. APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

These Annual financial statements have been reviewed and approved by the Board of Directors and signed on behalf of the Board by:

Simeon Petkov

Chief 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 balance sheet as of 31 December 2008, and the income statement, statements of changes in equity and cash flows statements for the year ended 31 December 2008, and a summary of significant accounting policies and other explanationary 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 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.

AUDITOR’S OPINION

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We conducted verification of the annual management report 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 of December 31, 2008 with regard to the financial information.

MATTER OF EMPHASIS

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

As of 31 December 2008 the Company manages BGN 224.827 million in assets under custody (BGN 532.936 million as at 31 December 2007).

Sofia, 12 February 2009

BDO AKERO Ltd.

Stoyanka Apostolova, Manager
CPA, registered auditor

София
Рег. № 16
"БДО АКЕРО" ООД

ADDITIONAL INFORMATION FOR BETTER UNDERSTANDING OF THE COMPANY'S FINANCIAL STATEMENTS AND RESULTS OF OPERATION

Securities in the Company's own portfolio
Structure of equity securities **in BGN thousands**

Asset class	ISIN	Name	Number of shares 31.12.2008	Number of shares 31.12.2007	Currency	Market value	Market value
						31.12.2008	31.12.2007
1	2	3	4	5	6	7	8
Shares	BG11ALBAAT17	Albena AD	150	-	BGN	4	-
Shares	US5949181045	Microsoft Corp.	40	40	EUR	1	2
Shares	FI0009000681	Nokia Corp.	30	30	EUR	1	2
Shares	US68389X1054	Oracle Corp.	160	160	USD	3	5
Shares	BG1100095071	MEKOM AD	30 000	-	BGN	59	-
Shares	BG1100053070	Devin AD	906	906	BGN	2	6
Shares	BG1100038048	ERG Capital–1 REIT	23 790	36 000	BGN	73	140
Shares	BG9000002055	MF Sentinel–Prinsipal	332 729	39 234	BGN	312	51
Shares	BG1100001038	Etropal AD	-	31 300	BGN	-	262
Shares	BG110RRUAT13	Orgachim AD	200	-	BGN	17	-
Shares	BG1100081055	EuroIns AD	16 066	10 917	BGN	-	182
Shares	BG1100129052	Corporate Commercial Bank AD	-	77	BGN	-	7
Shares	BG1100067054	Bulland Investments REIT	-	786 000	BGN	-	930
Shares	BG1100030052	ERG Capital–2 REIT	20 000	30 000	BGN	72	125
Shares	BG1100046066	Chimimport AD	100	12 000	BGN	-	186
Shares	BG1100075065	Monbat AD	200	-	BGN	1	-
Shares	BG1100098059	BACB AD	300	-	BGN	4	-
						549	**1 898**

Structure of debt securities

Government securities: **in BGN thousands**

Asset class	ISIN	Issuer	Par value 31.12.2008	Par value 31.12.2007	Currency	Market value 31.12.2008	Market value 31.12.2007
Government securities	BG2030003110	Republic of Bulgaria, Ministry of Finance	-	40 000	BGN	-	40
Government securities	BG2030005115	Republic of Bulgaria, Ministry of Finance	-	33 000	BGN	-	33
Government securities	BG2030105113	Republic of Bulgaria, Ministry of Finance	-	498 096	BGN	-	491
Government securities	BG2030107119	Republic of Bulgaria, Ministry of Finance	10 000	359 753	BGN	10	352
Government securities	BG2040005212	Republic of Bulgaria, Ministry of Finance	-	284 192	BGN	-	270
Government securities	BG2040006210	Republic of Bulgaria, Ministry of Finance	30 000	633 559	BGN	28	568
Government securities	XS0145623624	Republic of Bulgaria, Ministry of Finance	800	800	USD	1	1
Government securities	BG2040007218	Republic of Bulgaria, Ministry of Finance	1 410 000	254 950	BGN	1 359	242
Government securities	BG2040203213	Republic of Bulgaria, Ministry of Finance	335 000	150 000	EUR	674	300
Government securities	BG2040004215	Republic of Bulgaria, Ministry of Finance	95 000	-	BGN	99	-
Government securities	BG2040403219	Republic of Bulgaria, Ministry of Finance	50 000	-	EUR	106	-
Government securities	XS0145624432	Republic of Bulgaria, Ministry of Finance	263 000	-	EUR	522	-
						2 800	**2 297**

Bonds:

in BGN thousands

Asset class	ISIN	Issuer	Par value 31.12.2008	Par value 31.12.2007	Currency	Market value 31.12.2008	Market Value 31.12.2007
Government securities	BG2100013049	Eurobank AD	128	60	BGN	129	60
Government securities	BG2100023055	BM Leasing AD	-	5	EUR	-	10
Government securities	BG2100025068	Eurolease Auto AD	178	15	EUR	269	30
Government securities	BG2100008072	Eurolease Auto AD	346	48	EUR	720	94
Government securities	BG2100020077	Etropal AD	66	21	EUR	138	41
Government securities	BG2100011050	Sopharma AD	-	20	EUR	-	40
Government securities	BG2100030076	EuroHold Bulgaria	130	344	EUR	265	673
Government securities	FR0010171975	France	-	250 000	EUR	-	429
Government securities	XS0232329879	Ukraine	-	100 000	EUR	-	172
Government securities	XS0187584072	Societe generale S.A.	111 000	51 000	EUR	188	97
Government securities	BG2100008056	Enemona AD	4	-	BGN	2	-
Government securities	BG2100033070	Sport Depot AD	18	-	EUR	36	-
Government securities	BG2100036065	Raiffeisenbank BG	21	-	BGN	22	-
Government securities	BG2100022057	Finance Consulting 2002	67	-	EUR	139	-
Government securities	BG2100015044	Unionbank AD	19	-	EUR	18	-
Government securities	BG2100006084	Web Media Group	135	-	BGN	145	-
Government securities	XS0273978592	Bombardier Inc.	100 000	-	EUR	138	-
Government securities	XS0273988393	Bombardier Inc.	100 000	-	EUR	120	-
Government securities	DE0003124046	Dresdner bank AG	270	-	EUR	25	-
Government securities	XS0225152411	Morgan Stanley	50 000	-	EUR	72	-
						2 426	**1 646**

Securities in Clients` portfolio
Structure

Asset class	Currency	Number of shares/par value 31.12.2008	Number of shares/par value 31.12.2007	Market value 31.12.2008		Market value 31.12.2007	
				Total	incl. those held in a depository	Total	incl. those held in a depository
Shares	BGN	97,231,892	80 870 576	166,005	166,005	491 390	491 390
	EUR	517,033	1 234 050	276	276	624	624
	USD	7,042	7 536	258	258	271	271
	GBP	36,190	34 790	5	5	1	1
		97,792,157	**82 146 952**	**166,544**	**166,544**	**492 286**	**492 286**
Shares in mutual funds	BGN	3,298,501	2 725 742	4,090	4,090	3 371	3 371
Compensatory instruments	BGN	3,836,665	2 758 644	2,482	2,482	2 201	2 201
Bonds	BGN	664,000	4 457	4,387	4,387	3 520	3 520
	EUR	8,006	9 616	10,200	10,200	18 585	18 585
	USD	-				-	-
		672,006	**14 073**	**14,587**	**14,587**	**22 105**	**22 105**
Other debt securities/ incl. Government Securities on the Bulgarian market	BGN	7,438,388	7 185 229	6,709	6,709	6 849	6 849
	EUR	7,946,343	1 236 855	23,269	23,269	2 472	2 472
	USD	206,086	222 349	285	285	313	313
		15,590,817	**8 644 433**	**30,263**	**30,263**	**9 634**	**9 634**
Other debt securities of developed capital markets by list confirmed by Deputy Chairman of CFS	EUR	4,727,270	1 405 561	6,861	6,861	3 339	3 339
	USD					-	-
		4,727,270	**1 405 561**	**6,861**	**6,861**	**3 339**	**3 339**
TOTAL		**125,917,416**	**97 695 405**	**224,827**	**224,827**	**532 936**	**532 936**