INTESA LEASING d.o.o. Beograd

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

Ernst & Young
Quality In Everything We Do

CONTENTS

ERNST & YOUNG

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INDEPENDENT AUDITOR'S REPORT

This is an English translation of the Report originally issued in Serbian language (for management purpose only)

TO THE OWNERS OF INTESA LEASING D.O.O. BEOGRAD

We have audited the accompanying financial statements of Intesa Leasing d.o.o. Beograd (hereinafter: the Company), which comprise the balance sheet as of 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with the Law on Accounting and Auditing and other applicable regulations in Republic of Serbia. 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. Except as discussed below, 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 auditors' 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 for 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 audit opinion.

PIB: 101824091 ▸ Matični broj: 17155270 ▸ Upisan i unet osnovni kapital: 15.075,01 EUR
Registarski broj 47839 kod Agencije za privredne registre
Poslovni račun 255-0009930101000-91 kod Privredne Banke Beograd AD

ERNST & YOUNG

Basis for Qualified Opinion

As disclosed in the Notes 15, 17, 18 and 25, long-term finance leases receivables, overdue finance lease receivables, a portion of the long-term finance lease due receivables within one year and advances received as of 31 December 2008 amounted to RSD 3,208,460 thousand, RSD 162,342 thousand, RSD 1,397,626 thousand and RSD 7,542 thousand, respectively.

As disclosed in note 31, the Company performed reconciliation of a position of the financial lease receivables by sending statements of outstanding balances. Based on the independent confirmations received from debtors and creditors, differences were determined in comparison to the balances stated in the Company's records which have not been reconciled up to the date of this report. Furthermore, we have not received responses for a certain number of independent confirmation requests. We were unable to determine possible effects of reconciliation with debtors and creditors on the accompanying financial statements.

The accompanying financial statements do not include deferred income taxes and related disclosures required by IAS 12 "Income taxes", relevant disclosures relating to financial instruments and financial risk management policies required by IFRS 7 "Financial instruments: Disclosures" and disclosures relating to capital management required by IAS 1"Presentation of financial statements".

Qualified Opinion

In our opinion, except for the effects of matters discussed in the preceding paragraphs, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2008 and of its financial performance and cash flows for the year then ended, in accordance with the Law on Accounting and Auditing of the Republic of Serbia and the basis set out in Note 2 to the accompanying financial statements.

Emphasis of matter

Without further qualifying our opinion, we draw attention to the Note 32 where disclosed that the Company reported losses for the years ended 31 December 2008 and 31 December 2007 in the amounts of RSD 143,615 thousand and RSD 136,244 thousand, respectively as well as accumulated loss as of 31 December 2008 in the amount RSD 395,361 thousand, which represents significant deduction to the Company's equity. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

Belgrade, 26 March 2009

Mirjana Perendija Kovačević
Authorised Auditor

1	7	4	9	2	7	1	3		6	5	2	1	0		1	0	3	0	2	3	8	7	5
ID number									Industry code						Tax ID number								

1	2	3	19	20	21	22	23	24	25	26

Name: Intesa Leasing d.o.o.

Head quarters: Beograd, Knez Mihailova 30

INCOME STATEMENT

for the year ended 31 December 2008

- in RSD thousand -

Group of accounts, account	Item	ADP code	Note number	Amount	
				Current year	Prior year
1	2	3	4	5	6
	A. OPERATING INCOME AND EXPENSES				
	I. OPERATING INCOME (202+203+204-205+206)	201		2,079,443	1,875,678
60 and 61	1. Sales income	202		2,070,761	1,875,678
62	2. Revenue from consumption of own products and merchandise	203		874	-
630	3. Increase in value of inventories	204		-	-
631	4. Decrease in value of inventories	205		-	-
64 and 65	5. Other operating income	206		7,808	-
	II. OPERATING EXPENSES (208 - 212)	207		**2,230,559**	**2,052,062**
50	1. Cost of goods sold	208		2,059,905	1,870,558
51	2. Cost of materials	209		3,341	1,450
52	3. Personnel expenses and other employee benefits	210		48,567	30,311
54	4. Depreciation and provisions	211		4,428	4,353
53 and 55	5. Other operating expenses	212		114,318	145,390
	III. OPERATING INCOME (201-207)	213		-	-
	IV. OPERATING LOSS (207 - 201)	214		**151,116**	**176,384**
66	**V. FINANCE INCOME**	215		**2,838,171**	**764,006**
56	**VI. FINANCE EXPENSES**	216		**2,774,027**	**740,201**
67, 68	**VII. OTHER INCOME**	217		**44,555**	**67,312**
57, 58	**VIII. OTHER EXPENSES**	218		**101,198**	**50,977**
	IX. Profit before tax (213-214+215-216+217-218)	219		-	-
	X. Losses before tax (214-213-215+216-217+218)	220		**143,615**	**136,244**
69-59	**XI. NET PROFIT FROM DISCONTINUED OPERATIONS**	221		-	-
59-69	**XII. NET LOSSES FROM DISCONTINUED OPERATIONS**	222		-	-

- in RSD thousand -

Group of accounts, account	Item	ADP code	Note number	Amount	
				Current year	Prior year
1	2	3	4	5	6
	B. PROFIT BEFORE TAX (219-220+221-222)	223		-	-
	C. LOSSES BEFORE TAX (220-219+222-221)	224		143,615	136,244
	D. INCOME TAX			-	-
721	1. Tax loss for the period	225		-	-
722	2. Deffered tax expenses for the period	226		-	-
722	3. Deffered tax income for the period	227		-	-
723	**E. SALARIES PAID TO EMPLOYER**	228		-	-
	F. NET PROFIT (223-224-225-226+227-228)	229		-	-
	G. NET LOSS (224-223+225+226-227+228)	230		143,615	136,244
	H. NET PROFIT BELONGING TO MINORITY SHAREHOLDERS	231		-	-
	I. NET PROFIT BELONGING TO PARENT COMPANY OWNERS	232		-	-
	J. EARNING PER SHARE			-	-
	1. Initial earning per share	233		-	-
	2. Decreased earning per share	234		-	-

Belgrade

26 March 2008

Person responsible for preparing financial statements

Privredno društvo za finansijski lizing „Intesa Leasing" doo • Beograd •
Intesa Leasing
doo Beograd

Legal representative

1	7	4	9	2	7	1	3		6	5	2	1	0		1	0	3	0	2	3	8	7	5
ID number									Industry code							Tax ID number								

1	2	3	19	20	21	22	23	24	25	26

Name: Intesa Leasing d.o.o.

Head quarters: Beograd, Knez Mihailova 30

BALANCE SHEET

as of 31 December 2008

- in RSD thousand -

Group of accounts, account	Item	ADP code	Note number	Amount	
				Current year	Prior year
1	2	3	4	5	6
	ASSETS				
	A. NON CURRENT ASSETS (002+003+004+005+009)	001		3,223,422	2,213,500
00	I. SUBSCRIBED CAPITAL UNPAID	002		-	-
012	II. GOODWILL	003		-	-
01 without 012	III. INTANGIBLE ASSETS	004		2,042	7,128
	IV. PROPERTY, PLANT, EQUIPMENT AND BIOLOGICAL ASSETS (006+007+008)	005		12,920	8,871
020,022,023, 026,027(part), 028 (part), 029	1. Property, plant and equipment	006		12,920	8,871
024, 027(part), 028 (part)	2. Investment properties	007		-	-
021,025,027 (part) i 028 (part)	3. Biological assets	008		-	-
	V. LONG-TERM FINANCIAL PLACEMENTS (010+011)	009		3,208,460	2,197,501
030 to 032, 039 (part)	1. Investment in shares	010		-	-
033 to 038,039 (part) less 037	2. Other long-term financial placements	011		3,208,460	2,197,501
	B. CURRENT ASSETS (013+014+015)	012		**2,568,779**	**1,745,673**
10 to 13, 15	I. INVENTORIES	013		295,671	**142,005**
14	II. NON CURRENT ASSETS INTENDED FOR SALE AND ASSETS FROM DISCONTINUED OPERATIONS	014		-	-
	III. SHORT-TERM RECEIVABLES, PLACEMENTS AND CASH (016+017+018+019+020)	015		2,273,108	1,603,668
20,21 and 22, except 223	1. Receivables	016		162,342	72,235
223	2. Receivables for overpaid income tax	017		-	-
23 less 237	3. Short-term financial placements	018		1,397,626	843,535
24	4. Cash and cash equivalents	019		689,371	646,770
27 and 28 except 288	5. Value added tax and accruals	020		23,769	41,128
288	C. DEFFERED TAX ASSETS	021		-	-
	D. OPERATING ASSETS (001+012+021)	022		**5,792,201**	3,959,173
29	**E. LOSS EXCEEDING CAPITAL**	023		-	-
	F.TOTAL ASSETS (022+023)	024		**5,792,201**	3,959,173
88	**G. OFF-BALANCE SHEET ASSETS**	025		-	-

- in RSD thousand -

Group of accounts, account	Item	ADP code	Note number	Amount	
				Current year	Prior year
1	2	3	4	5	6
	LIABILITIES AND EQUITY				
	A. EQUITY (102+103+104+105+106-107+108-109-110)	101		**25,374**	**168,989**
30	I. INITIAL CAPITAL	102		420,735	420,735
31	II. SUBSCRIBED CAPITAL UNPAID	103		-	-
32	III. RESERVES	104		-	-
330,331	IV. REVALUATION RESERVES	105		-	-
332	V. UNREALIZED GAINS ON SECURITIES AVAILABLE FOR SALE	106		-	-
333	VI. UNREALIZED LOSSES ON SECURITIES AVAILABLE FOR SALE	107		-	-
34	VII. RETAINED EARNINGS	108		-	-
35	VIII. LOSS	109		395,361	251,746
037 and 237	IX. PURCHASED OWN SHARES	110		-	-
	B. LONG-TERM PROVISIONS AND LIABILITIES (112+113+116)	111		**5,766,827**	**3,790,184**
40	I. LONG-TERM PROVISIONS	112		1,539	1,307
41	LONG-TERM LIABILITIES (114+115)	113		4,579,064	2,909,034
414, 415	1. Long-term loans	114		4,579,064	2,909,034
41 without 414 and 415	2. Other long-term liabilities	115		-	-
	III. SHORT-TERM LIABILITIES (117+118+119+120+121+122)	116		1,186,224	879,843
42 except 427	1. Short-term financial liabilities	117		398,141	226,412
427	2. Liabilities in respect of assets intended for sale and assets from discontinued operations	118		-	-
43 and 44	3. Operating liabilities	119		9,560	85,882
45 and 46	4.Other short-term liabilities	120		7,770	3,570
47, 48 except 481 i 49 except 498	5.Liabilities for value added tax and other public income and accruals	121		770,753	563,979
481	6. Liabilities for income tax	122		-	-
498	**C. DEFFERED TAX LIABILITIES**	123		-	-
	D. TOTAL LIABILITIES AND EQUITY (101+111+123)	124		**5,792,201**	**3,959,173**
89	**E.OFF-BALANCE SHEET LIABILITIES**	125		-	-

Belgrade

26 March 2008

Person responsible for preparing financial statements

Legal representative

Intesa Leasing doo Beograd

1	7	4	9	2	7	1	3		6	5	2	1	0		1	0	3	0	2	3	8	7	5
ID number									Industry code						Tax ID number								

1	2	3	19	20	21	22	23	24	25	26

Name: Intesa Leasing d.o.o.

Head quarters: Beograd, Knez Mihailova 30

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 december 2008

~ in RSD thousand ~

No.	DESCRIPTION	ADP	Initial capital (30 except 309)	ADP	Other capital (309)	ADP	Unpaid subscribed share capital (31)	ADP	Premium on issue of shares (320)	ADP	Reserves (321, 322)	ADP	Revaluation reserves (330 and 331)	ADP	Unrealized gains on securities AFS (332)
	1		2		3		4		5		6		7		
1.	Balance at 1 January of the prior year	401	420,735	414	-	427	-	440	-	453	-	466	-	479	-
2.	Adjustment of material errors and changes in accounting policies in the prior year - increase	402	-	415	-	428	-	441	-	454	-	467	-	480	-
3.	Adjustment of material errors and changes in accounting policies in the prior year - decrease	403	-	416	-	429	-	442	-	455	-	468	-	481	-
4.	Adjusted opening balances at 1 January of the prior year	404	420,735	417	-	430	-	443	-	456	-	469	-	482	-
5.	Total increases in previous year	405	-	418	-	431	-	444	-	457	-	470	-	483	-
6.	Total decreases in previous year	406	-	419	-	432	-	445	-	458	-	471	-	484	-
7.	Balance at 31 December of the prior year	407	420,735	420	-	433	-	446	-	459	-	472	-	485	-
8.	Adjustment of material errors and changes in accounting policies in the current year - increase	408	-	421	-	434	-	447	-	460	-	473	-	486	-
9.	Adjustment of material errors and changes in accounting policies in the current year - decrease	409	-	422	-	435	-	448	-	461	-	474	-	487	-
10.	Adjusted openning balances at 1 January of the current year	410	420,735	423	-	436	-	449	-	462	-	475	-	488	-
11.	Total increases in current year	411	-	424	-	437	-	450	-	463	-	476	-	489	-
12.	Total decreases in current year	412	-	425	-	438	-	451	-	464	-	477	-	490	-
13.	Balance at 31 December of the current year	413	**420,735**	426	-	439	-	452	-	465	-	478	-	491	-

~ in RSD thousand ~

No.	DESCRIPTION	ADP	Unrealized losses on securities AFS (333)	ADP	Retained earnings (34)	ADP	Loss up to the level of capital (35)	ADP	Own shares (037,237)	ADP	Total (col. 2 + 3 + 4 + 5 + 6 + 7 + 8 - 9 + 10 - 11 - 12)	ADP	Loss exceeding the capital (29)
	1		9		10		11		12		13		14
1.	Balance at 1 January of the prior year	492	-	505	-	518	115,502	531	-	544	305,233	557	-
2.	Adjustment of material errors and changes in accounting policies in the prior year - increase	493	-	506	-	519	-	532	-	545	-	558	-
3.	Adjustment of material errors and changes in accounting policies in the prior year - decrease	494	-	507	-	520	-	533	-	546	-	559	-
4.	Adjusted opening balances at 1 January of the prior year	495	-	508	-	521	115,502	534	-	547	305,233	560	-
5.	Total increases in previous year	496	-	509	-	522	136,244	535	-	548	-	561	-
6.	Total decreases in previous year	497	-	510	-	523	-	536	-	549	-	562	-
7.	Balance at 31 December of the prior year	498	-	511	-	524	251,746	537	-	550	168,989	563	-
8.	Adjustment of material errors and changes in accounting policies in the current year - increase	499	-	512	-	525	-	538	-	551	-	564	-
9.	Adjustment of material errors and changes in accounting policies in the current year - decrease	500	-	513	-	526	-	539	-	552	-	565	-
10.	Adjusted openning balances at 1 January of the current year	501	-	514	-	527	251,746	540	-	553	168,989	566	-
11.	Total increases in current year	502	-	515	-	528	143,615	541	-	554	-	567	-
12.	Total decreases in current year	503	-	516	-	529	-	542	-	555	-	568	-
13.	Balance at 31 December of the current year	504	-	517	-	530	**395,361**	543	-	556	**25,374**	569	-

Belgrade

26 March 2008

Person responsible for preparing financial statements

1	7	4	9	2	7	1	3		6	5	2	1	0		1	0	3	0	2	3	8	7	5
ID number									Industry code						Tax ID number								

1	2	3		19		20	21	22	23	24	25	26

Name: Intesa Leasing d.o.o.

Head quarters: Beograd, Knez Mihailova 30

CASH FLOW STATEMENT

for the year ended 31 December 2008

- in RSD thousand -

Item	ADP code	Amount	
		Current year	Prior year
1	2	3	4
A. CASH FLOWS FROM OPERATING ACTIVITIES			
I. Cash inflow from operating activities (1 to 3)	301	**2,798,246**	**2,052,808**
1. Sales and advances received	302	2,495,663	1,889,550
2. Interest received from operating activities	303	296,015	163,249
3. Other inflow from ordinary operations	304	6,568	-
II. Cash outflow from operating activities (1 to 5)	305	**3,999,389**	**2,965,515**
1. Payments and prepayments to suppliers	306	3,572,677	2,402,702
2. Salaries, compensations and other employee benefits	307	48,548	29,569
3. Interest paid	308	263,330	113,426
4. Income tax	309	-	-
5. Payments for other public income	310	114,834	419,818
III. Net cash inflow from operating activities (I - II)	311	-	-
IV. Net cash outflow from operating activities (II - I)	312	**1,201,143**	**912,707**
B. CASH FLOWS FROM INVESTING ACTIVITIES			
I. Cash inflow from investing activities (1 to 5)	313	-	-
1. Sales of stocks and shares (net inflows)	314	-	-
2. Sales of intangible assets, property, plant and equipment and biological assets	315	-	-
3. Other financial investments (net inflows)	316	-	-
4. Interest received from investing activities	317	-	-
5. Dividends received	318	-	-
II. Cash outflow from investing activities (1 to 3)	319	**1,014,468**	**620,443**
1. Purchase of stocks and shares (net outflows)	320	-	-
2. Purchase of intangible assets, property, plant and equipment and biological assets	321	3,510	7,990
3. Other financial investments (net outflows)	322	1,010,958	612,453
III. Net cash inflow from investing activities (I - II)	323	-	-
IV. Net cash outflow from investing activities (II - I)	324	**1,014,468**	**620,443**

- in RSD thousand -

Item	ADP code	Amount	
		Current year	Prior year
1	2	3	4
C.CASH FLOWS FROM FINANCING ACTIVITIES			
I. Cash inflows from financing activities (1 to 3)	325	**1,966,149**	**2,111,732**
1. Initial capital increase	326	-	-
2. Long-term and short-term loans (net inflows)	327	**1,966,149**	**2,111,732**
3. Other long-term and short-term liabilities	328	-	-
II. Cash outflows from financing activities (1 to 4)	329	-	-
1. Purchase of own stocks and shares	330	-	-
2. Long-term and short-term loans and other liabilities (net outflows)	331	-	-
3. Financial lease	332	-	-
4. Dividends paid	333	-	-
III.Net cash inflow from financing activities (I - II)	334	**1,966,149**	**2,111,732**
IV. Net cash outflow from financing activities (II - I)	335	-	-
D. TOTAL CAHS INFLOWS (301+313+325)	336	4,764,395	4,164,540
E. TOTAL CASH OUTFLOWS (305+319+329)	337	5,013,857	3,585,958
F. NET CASH INFLOW(336-337)	338	-	**578,582**
G. NET CASH OUTFLOW (337-336)	339	**249,462**	-
H. CASH AT THE BEGINNING OF THE ACCOUNTING PERIOD	340	646,770	28,968
I. FOREIGN CURRENCY GAINS ON TRANSLATION OF CASH	341	292,063	179,817
J. FOREIGN CURRENCY LOSSES ON TRANSLATION OF CASH	342	-	140,597
K. CASH AT THE END OF ACCOUNTING PERIOD (338-339+340+341-342)	343	689,371	646,770

Belgrade

26 March 2008

Person responsible for preparing financial statements

Legal representative

NOTES TO

THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

Intesa Leasing doo Beograd, member of Banca Intesa ad Beograd group,

Knez Mihailova 30, 11000 Beograd;
tel: + 381 (0)11 302 2678;
fax: + 381 (0) 11 302 2682;
Registration number: 82785 APR;
Account number: 160-585-67 Banca Intesa ad Beograd;
Paid and subscribed capital € 5,350,000;
PIB 103023875;
ID number 17492713;
e-mail:ilb@bancaintesabeograd.com
www.intesaleasingbeograd.com

Content:

1. CORPORATE INFORMATION

Intesa Leasing d.o.o., Beograd (hereinafter: the Company) was registered by the Commercial Court Decision on September 3, 2003 (previous name Delta leasing). The Company was reregistered in business register with The Serbian Business Registers Agency on 25 July 2005 based on Decision no. 82785/2005.

The Company's change of the name was registered by the Decision of the Business Register Agency no. 100536/2005 as of 16 December 2005.

According to the abovementioned Decision of Business Register Agency, the initial shareholders' equity was increased so that the total amount of shareholders' equity was EUR 350,000.00 (three hundred fifty thousand euro) at 16 December 2005.

By the decision of Business Register Agency no. 108999/2006 as of 24 February 2006 the Company's headquarters was changed so that the new headquarters of the Company was in Knez Mihailova 30, municipality Stari Grad, Belgrade.

By the Decision no. 112635 of Business Register Agency dated 27 March 2006, the structure of shareholders was changed. Equity investment of Banca Intesa a.d. Beograd is 51%, while equity investment of CIB Leasing LTD is 49%.

By the decision of Business Register Agency no. 254739/2006 as of 29 December 2006, the Company increased share capital. Shareholders' equity increased to the amount of EUR 5,350,000.00, while structure of shareholders remained the same.

Intesa Leasing d.o.o., Beograd is registered for finance lease activities on 24 January 2006, based on the Decision of the National Bank of Serbia. As a result, finance lease activities were complied with Law on Finance Lease.

The Company operates in accordance with requirements of Law on Finance Lease. The Company's industry code set by appropriate authority is 65121.

The Company operates as a subsidiary of Banca Intesa a.d., Beograd so that the majority shareholder is in charge of consolidation of financial statements.

According to the Law on Accounting and Auditing, the Company is categorized as large legal entity.

Headquarters of the Company is in Beograd, Knez Mihailova 30.

Tax ID number of the Company is 103023875.

Identification number of the Company is 17492713.

As of 31 December 2008 the Company has 33 employees.

1. CORPORATE INFORMATION (continued)

1.1. Business and Technical Support Agreement

Business and Technical Support Agreement was signed between Intesa Leasing d.o.o., Beograd and Delta Osiguranje a.d.o. Beograd (Delta Generali Osiguranje a.d.o. Beograd since July 2006) on 8 March 2006.
The subject of the abovementioned agreement is the insurance of new and used vehicles, as well as new and used equipment that are the leased assets in the finance lease agreement signed between the Company and lessees.

Delta Generali Osiguranje a.d.o. is obliged to conclude the agreement on motor third party liability insurance, casco insurance, insurance of equipment, for all leased assets for which the Company provides information directly or through insurance agent.

In addition, Delta Generali Osiguranje a.d.o. is required to provide once a month, based on intermediary's report, insurance policy and premium calculation for all vehicles financed in previous month and reported to the insurance by 5th in current month, as well as for the equipment financed in the previous month and reported to insurance by 5th in current month. Also Delta Generali Osiguranje a.d.o. is required to create invoice once a month, based on the insurance policies with contractual maturity of one year.

Invoices include insurance premium for 12 months for all vehicles financed in previous month for which the insurance policy is issued in the following month, as well as for all equipment insured in previous month.

Intesa Leasing is obliged to provide Delta Generali Osiguranje a.d.o with all significant elements necessary for insurance of leased asset. These elements are specified in Article 9 of the abovementioned agreement, as well as in Amendment no.1.

According to the Agreement, the Company has invoiced insurance premiums of the leased equipment to the clients, in 2006 and 2007. This was not in accordance with the Law on value added tax. Therefore, the Company paid VAT for the entire period since March 2006 up to December 2007 as well as penalty interest up to the moment of payment, in August 2008.

Since January 2008, Delta Generali Osiguranje a.d.o. has invoiced insurance premium directly to the lessees.

In-field control inspector of the Stari Grad Tax Administration examined VAT that was calculated and paid for the entire period since March 2006 up to December 2007, in August 2008.

Based on in-field control, the Belgrade Tax Administration – Branch Stari grad issued the Decision no. 47-00597/2008-0018-010 that specifies the Company's liabilities for VAT as well as penalty interest for the period from March 2006 up to December 2007, on 11 September 2008.

2. BASIS FOR PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

Financial statements have been prepared on the historical cost basis. Financial statements are presented in RSD, being domicile currency of the Company, and all values are rounded to the nearest thousand (RSD ’000) except otherwise indicated.

The Company maintains its records and prepares financial statements in accordance with the Law on accounting and auditing of the Republic of Serbia and other applicable legislation of the Republic of Serbia.

According to Law on accounting and auditing, companies and entrepreneurs in the Republic of Serbia are obliged to prepare and present financial statements in accordance with relevant legislation and professional regulations which comprise applicable framework on financial reporting (’Framework’), International Accounting Standards (’IAS’), International Financial Reporting Standards (’IFRS’) and standing interpretations.

Based on the Decision issued by Ministry of Finance, Republic of Serbia (Decision no. 011-00-738-2003-01 dated 30 December 2003), the Framework and International Accounting Standards applicable as of 31 December 2002, which formed the basis for the previous and the current Law on Accounting and Auditing from 2006, were identified and published.

The changes of IAS as well as new IFRS and interpretations issued by the International Accounting Standards Board and Standing Interpretations Committee were officially approved by the Ministry of Finance of the Republic of Serbia based on the Decision issued by Ministry of Finance on IFRS publishing, no. 401-00-11/2008-16 and were published in Official Gazette of the Republic of Serbia no. 16, on 12 February 2008.

After this date, no changed or new IFRS and Standard Interpretations were officially translated or published, so that such were not applied in preparing of financial statements.

Besides, financial statements presented are prepared in the format that is prescribed by the Rulebook on format and contents of financial statements for companies, cooperatives, other legal entities and entrepreneurs (Official Gazette of the Republic of Serbia no: 114/2006) as well as Rules on changes and amendments to Rulebook on format and contents of financial statements for companies, cooperatives, other legal entities and entrepreneurs (Official Gazette of the Republic of Serbia no: 119/2008). These rulebooks are based on statutory defined complete set of financial statements that differs from the set defined in IAS 1 ’Presentation of financial statements’. Besides, these rulebooks also differ from the presentation of certain balance items defined in the IAS 1.

As a result of these discrepancies, the Company did not specify the explicit and unreserved conclusion on compliance of presented financial statements with all standards and standard interpretations issued by the International Accounting Standards Board representing the part of IFRS.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Assets and liabilities recognition

Asset is recognized in the balance sheet to the extent that it is probable that future economic benefits will flow into the company and when the value of the asset can be reliably measured.

Liability is recognized in the balance sheet to the extent that it is probable that outflow of funds are expected to flow out of the company as a result of current events and when liabilities can be reliably measured.

3.2. Income and expense recognition

Sales revenue as well as cost of sales of the finance lease object are recorded at invoice amount and are recognized in the moment when the leased asset is delivered, that is when all risks related to delivered finance lease object are transferred to the buyer, the lessee.

Interest income and interest expenses are calculated on interest-bearing assets and liabilities on an accrual basis.

Maintenance, repair and replacement costs are recorded in the income statement when they occur.

Other income and expenses are recorded in accordance with the accrual basis.

3.3. Foreign currency translation

The reporting and functional currency of the Company is Dinar (RSD). All transactions denominated in foreign currency are initially recorded in the functional currency at the exchange rate prevailing at the day of transaction. Monetary assets and liabilities denominated in foreign currency are translated into the functional currency by applying the prevailing exchange rate at the balance sheet date. All foreign exchange gains or losses are recognized in the income statement for the period. Non-monetary assets and liabilities in foreign currency, recorded at historical cost principle, are translated into the functional currency using the exchange rate at the day when transaction took place. Non-monetary assets and liabilities in foreign currency, recorded at fair value, will be translated using the exchange rate at the date of the assessment.

The exchange rate set at the inter-bank foreign currency market applied to balance sheet items as of 31 December 2008 and 31 December 2007 transaction for the following currencies is:

Currency	**31 December 2008**	**31 December 2007**
CHF	59.4040	47.8422
EUR	88.6010	79.2362

In accordance with the finance lease agreement, lessee is obliged to pay the fee for the use of the leased object calculated as follows:

- for retail customers – offer foreign exchange rate for notes of Banca Intesa a.d., Beograd,
- for corporate customers – offer foreign exchange rate of Banca Intesa a.d., Beograd.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Exchange rates of Banca Intesa a.d. Beograd:

	Offer rate for cash		**Offer rate for foreign currency**	
Currency	**31 December 2008**	**31 December 2007**	**31December 2008**	**31 December 2007**
CHF	60.5921	48.7990	60.5921	48.7990
EUR	90.3730	80.2663	90.8160	81.2171

Positive and negative effects on translating the fee for the use of the leased asset in foreign currency into functional currency are recorded in the income statement as foreign exchange gain or loss.

3.4. Employee benefits

The Company calculates and pays pension and health insurance contributions as well as unemployment insurance contributions based on stipulated percentages in gross amounts of benefits.

The Company has neither defined benefit pension funds nor share-based payment plans to the employees and related liabilities as of 31 December 2008.

For the purpose of calculation of future upon retirement payments in accordance with the IAS 19, the Company engaged an authorized actuary.

3.5. Taxes and contributions

3.5.1. Current year income tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted by the balance sheet date. Current income tax relating to items recognized directly in equity is also recognized in equity.

In 2008 the Company does not have current year income tax liability even after the increase in tax basis on the expenses not recognized for tax purposes.

3.5.2. Deferred income tax

Deferred tax is provided on temporary differences at the balance sheet date between the tax basis of assets and liabilities and their carrying amounts for financial purposes.

The Company did not calculate deferred tax assets and liabilities.

3.5.3. Taxes and contributions not depending on the financial result

Taxes and contributions not depending on the financial result comprise VAT, withholding tax, contributions on salaries paid by employer as well as other taxes and contributions in accordance with republic, tax and general regulations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6. Intangible assets

Acquired intangible assets are capitalized at cost on the date of transaction. After initial recognition, intangible assets are measured at cost less accumulated amortization and impairment.

An intangible asset of the Company is license for computer software that is not an integral part of hardware, but later acquired.

The Company applies straight-line method of calculating amortization for intangible assets whereas useful life is 5 years. Annual amortization rate of intangible assets is 20%.

Amortization expenses are recognized in the period in which incurred.

Gains or losses on derecognizing of intangible assets, as difference between the net selling price and net carrying amount, are recognized in income statement when they arise.

3.7. Equipment

Equipment is measured at cost less accumulated depreciation and impairment. Cost includes purchase price increased by all costs attributable to bringing the asset to the appropriate condition and location.

Depreciation is calculated by applying the straight-line method during the estimated useful lives which are:

		Useful life (years)	Amortization rate
1	Buildings	40	2,50%
2	Other buildings	10	10%
3	Computer equipment and mobile phones	3,33	30%
4	Passenger vehicles	5	20%
5	Office furniture	8,33	12%
6	Photocopying and calculating machines	6,67	15%
7	Cooling devices, stoves and similar devices, cleaning equipment, TV, radio and video equipment	6,67	15%
8	Telephone exchanges and phones	5	20%
9	Canvas (carpets, curtains and other)	4	25%
10	Illuminating electrical advertisements	3,33	30%
11	Other no mentioned assets	6,67	15%

Carrying amount of equipment is examined in terms of impairment, when events or changes in circumstances indicate that the carrying amount exceeds the recoverable amount.

Fixed asset is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses on sales or write-off of fixed asset (as the difference between the net selling price and net carrying amount) are recognized in the income statement of the corresponding period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8. Impairment of assets

The Company assesses at each reporting date if indications of impairment of assets exist. If any such indications exist, the Company formally assesses the recoverable amount. When the carrying amount of asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Recoverable amount of asset or “unit that generates money”, in case the asset does not generate cash flows, is the higher of an asset’s selling price and its value in use.

3.9. Long-term finance lease placements

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

At initial recognition, the Company recognizes assets held under a finance lease in the balance sheet and presents them as long-term receivables at cost increased by future interest.

Gross investment in the lease is the aggregate of: the minimum lease payments receivable by the lessor under a finance lease, and any unguaranteed residual value accruing to the lessor. Net investment in the lease is the gross investment in the lease less unearned finance income that is calculated using the interest rate defined in the finance lease agreement. Finance income is accrued during the lease term, as accrued liabilities.

Finance lease investments recognized in the balance sheet as long-term receivables are subsequently measured at amortized cost decreased by estimated impairment.

Unearned finance income is calculated based on finance lease conditions and is recognized in the balance sheet within positions long-term financial placements and accrued liabilities.

Finance income (interest income) on finance lease is recognized in a manner that reflects constant periodic yield on residual amount of net finance lease investment.

3.10. Trade and other receivables

Trade receivables are recognized and measured at cost less impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11. Impairment methodology applied in 2008

At the beginning of 2007, Company's employees were informed that certain Company's suppliers were organizers of several frauds as well as that they were not solvent. In such cases, leased assets did not exist or they were resold. Most of the leased assets comprise agricultural mechanization and equipment.

After becoming aware of this, the Company has reacted and started the investigation and return of the equipment. Investigations have been performed since September 2007 until March 2008. During the investigation, several leased assets were repossessed and evidences for submission of criminal charges were collected.

Based on the analysis and information collected in the field, the Company decided to make provisions in the amount of 100% of all receivables from the clients that meet one of following criteria:

- The leased asset is not located with the client (client concealed or never took over the leased asset);
- Client is insolvent (documentation applied for finance lease approval is not in accordance with facts);
- Client's residence is not same as the one presented.

The facts used for estimation are agency's reports as well as written and verbal statements of clients.

During 2008, four leased assets belonging to the agricultural portfolio were repossessed while two clients have started to repay their debts regularly. The Company made a reversal of provisions for these clients in 2008 through income statement due to the fact the provisions for these clients were booked in the amount of 100% of receivables in 2007.

Impairment methodology was changed in respect of risk assessment of lease transactions models during 2008. These models are based on the balance between probability of default, as client risk, and probable gain or loss from the sales of leased assets in case of latter selling, which is the combination of seller's risk and the risk of reselling leased assets. Estimation of impairment is based on several criteria, such as: clients' rating, evaluation of the leased asset, transaction coverage risk and evaluation of the lease transaction.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12. Cash and cash equivalents

Cash and cash equivalents presented in the balance sheet relate to cash on current accounts with Banks.

The Company performs domestic payments via current accounts held with: Banca Intesa a.d. Beograd, Hypo Alpe Adria Bank a.d. Beograd and Piraeus Bank a.d. Beograd. The Company performs foreign currency payments via current account in foreign currency held with Banca Intesa a.d. Beograd.

At the year end, the balance of foreign currency accounts is translated into RSD at the official middle exchange rate of the National Bank of Serbia prevailing on the balance sheet date.

According to the "Decision on the Obligation of Lessors to Maintain Reserve Balance" issued by National Bank of Serbia (Official gazette of RS no. 109/2005 and no. 30/2006), lessors have an obligation to maintain a certain amount of cash on special purpose account held with a bank. This obligatory reserve is calculated as 20% of carrying amount of loans and borrowings granted from abroad, as well as additional cash receipts from abroad, all received since 10 December 2005.

Decision on the Obligation of Lessors to Maintain Reserve Balance (Official gazette of RS no. 109/2005 and no. 30/2006) defines that the amount of reserves is calculated based on the following rates:

1) 20% - up to the base for calculation on carrying amount of liabilities as of 30 September 2008;
2) 0% - on positive difference between carrying amount of liabilities as of last day of the previous month and carrying amount of liabilities as of 30 September 2008.

Lessors are obliged to calculate reserves on loans, borrowings and other receipts from abroad, except shareholder payments from abroad with respect to increase of share capital.

New loans were not granted from abroad in the period for which this Decision is applicable.

3.13. Liabilities on interest-bearing loans and borrowings

All borrowings are initially recognized at cost that presents fair value of the received amount less related transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost, using the effective interest rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14. Long-term provisions

Long-term provisions are recognized when:

a) the Company has a present obligation (legal or constructive) as a result of past event,
b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and
c) a reliable estimate can be made of the amount of the obligation.

If these conditions are not met, no provision shall be recognized.

The Company made provisions according to IAS 19, on the base of retirement severance payment.

Provisions should not be recognized for future operating losses.

3.15. Tax Administration control

After the Company concluded that it must calculate and pay VAT on invoiced reimbursements of insurance expenses for leased assets, calculation of liability was made and Tax Administration was informed.

The invoicing was made in the period March 2006 to December 2007. According to the statements of preceding management, tax is neither calculated nor paid, due to issued and published opinion which states that the insurance services are out of VAT scope.

After consultation with other leasing companies as well as with the Ministry of Finance, it was confirmed that, since the Company is not registered for insurance activities, it is obliged to calculate and pay VAT.

On 5 August 2008 calculation of VAT and penalty interests was completed for the aforementioned period. On the same day, payment of total amount of liabilities was made. For the period from March 2006 to July 2007, the final VAT liability had to be determined through the process of tax control.

Changed tax returns have been submitted to Tax authorities on 6 August 2008, valid for the period from August to December 2008.

Tax authorities control, regional center Belgrade, branch Stari Grad, was performed in Intesa Leasing, Knez Mihailova 30 Street.

Tax inspector had no objections on the additional VAT calculated for insurance services.

On 11 September 2008, Tax authority control, regional center Belgrade, branch Stari Grad issued the Decision no. 47-00587/2008-0018-101 which specifies VAT liabilities and liabilities for calculated penalty interests for the period from March 2006 to July 2007.

Difference in VAT liabilities, presented in the Decision of Tax authority, relates to repudiation of previous tax on two invoices for marketing services, as deductible items.

Total amount of liabilities for VAT on this basis is recorded in 2007 within accrued liabilities. In 2007, penalty interest on the unpaid VAT is recorded by the Company as expense in the amount of RSD 3,380 thousand. In 2008, penalty interest is expensed in current year in the amount of RSD 2,017 thousand.

4. SALES INCOME

(in RSD thousand)	**2008**	**2007**
Income from sales of equipment provided under finance leases	2,035,437	1,870,665
Income from sales of returned leased assets	20,877	-
Lease origination fees	12,361	2,921
Other operating income	2,086	2,092
	2,070,761	**1,875,678**

5. OTHER OPERATING INCOME

Other operating income in the amount RSD 7,808 thousand relates to rental income for Delta Generali Osiguranje a.d.o. Beograd point of sale.

6. COST OF GOODS SOLD

(in RSD thousand)	**2008**	**2007**
Cost of goods sold	2,035,437	1,867,917
Cost of returned leased assets sold	24,468	2,641
	2,059,905	**1,870,558**

7. PERSONNEL EXPENSES AND OTHER EMPLOYEE BENEFITS

(in RSD thousand)	**2008**	**2007**
Gross salaries	40,201	24,836
Payroll taxes and social security contributions	6,904	4,344
Service agreement fees	248	125
Fees on other contracts with individuals	2	-
Other personnel expenses and fees	1,212	1,006
	48,567	**30,311**

8. OTHER OPERATING EXPENSES

(in RSD thousand)	**2008**	**2007**
Insurance premiums	28,148	63,075
Advertising expenses	7,556	19,579
Maintenance expenses	13,027	8,469
Rental expenses	10,473	6,177
Fair expenses	2,780	2,879
Bank's commissions	932	876
Entertainment expenses	1,550	1,815
Youth and student association services expenses	1,585	2,713
Mail and telecommunication expenses	1,842	1,021
Cost of services on collection of receivables	1,991	845
Translation services and similar expenses	26	874
Consulting services	712	2,171
Other services	-	236
Lease agreement registration fees	2,078	2,025
Taxes	30,277	27,184
Audit costs	5,232	2,476
Membership fees	691	358
Media monitoring expenses	192	198
Publication subscription expenses	111	364
Other services	5,115	2,055
	114,318	**145,390**

Major part of insurance premium amounting to RSD 27,913 thousand relates to insurance of leased assets.

Advertising costs predominantly relate to advertisement in newspapers and magazines, in the amount of RSD 3,730 thousand.

Maintenance costs for 2008 are as follows:

	(in RSD thousand)
Advise soft software maintenance costs	6,951
Gemikro software maintenance costs	5,176
Other maintenance costs	900
Total	**13,027**

Gemikro software maintenance costs comprise costs of data migration for the year 2007 in the amount of RSD 4,460 thousand as well as costs of data migration for the year 2008 in the amount of RSD 629 thousand.

Taxes predominantly relate to withholding tax in the amount of RSD 16,528 thousand.

9. FINANCE INCOME

(in RSD thousand)	**2008**	**2007**
Interest income	296,015	163,249
Foreign exchange gains	2,542,156	600,757
	2,838,171	**764,006**

Interest income in 2008 comprises interest income resulting from the lease of new equipment in the amount of RSD 260,976 thousand.

Foreign exchange gains in 2008 comprise foreign exchange gains on finance lease receivables in the amount of RSD 1,826,462 thousand.

10. FINANCE EXPENSES

(in RSD thousand)	**2008**	**2007**
Interest expenses	282,833	133,577
Foreign exchange losses	2,491,194	606,624
	2,774,027	**740,201**

Interest expenses in 2008 comprise interest expense on loans granted from abroad in the amount of RSD 190,231 thousand.

Foreign exchange losses in 2008 comprise foreign exchange losses on finance lease receivables in the amount of RSD 1,336,890 thousand.

11. OTHER INCOME

Other income amounting to RSD 44,555 thousand (2007: RSD 67,312 thousand) in 2008 predominantly relates to income on invoiced reimbursements of insurance expenses in the amount of RSD 24,734 thousand (2007: RSD 54,932 thousand), in accordance with the Business and Technical Support Agreement with Delta Generali Osiguranje a.d.o., Beograd. Income on reversal of allowance on long-term financial placements amounts to RSD 7,472 thousand in 2008.

12. OTHER EXPENSES

Other expenses in 2008 amounting to RSD 101,198 thousand (2007: RSD 50,977 thousand) predominantly relates to impairment of long-term financial placements in the amount of RSD 60,960 thousand and impairment of short-term receivables in the amount of RSD 26,344 thousand.

(in RSD thousand)	**2008**	**2007**
Impairment of long-term finance lease placements	60,960	36,593
Impairment of receivables	26,344	12,805
Impairment of intangible assets	3,318	-
Sponsorships	1,281	-
Other expenses	9,295	1,579
	101,198	**50,977**

13. INTANGIBLE ASSETS

(in RSD thousand)	**Licence and software**
Cost	
Balance as of 1 January and 31 December 2008	**8,841**
Accumulated amortization and impairment losses	
Balance as of 1 January 2008	(1,713)
Amortization charge for the year	(1,768)
Impairment	(3,318)
Balance as of 31 December 2008	**(6,799)**
Net book value	
Balance as of 31 December 2008	**2,042**
Balance as of 1 January 2008	**7,128**

Due to the migration to the new operating software Gemikro, net book value of Advise soft software license was impaired on 31 December 2008 in the amount of RSD 3,318 thousand.

14. PROPERTY, PLANT AND EQUIPMENT

(in RSD thousand)	Vehicles	Furniture	Other equipment	Total
Cost				
Balance as of 1 January 2008	**7,396**	**1,983**	**1,546**	**10,925**
Additions	2,640	437	433	3,510
Disposals and write-offs	-	(2)	(12)	(14)
Balance as of 31 December 2008	**10,036**	**2,418**	**1,967**	**14,421**
Accumulated depreciation and impairment losses				
Balance as of 1 January 2008	**(1,451)**	**(292)**	**(311)**	**(2,054)**
Depreciation charge for the year	(1,774)	(235)	(429)	(2,438)
Disposals and write-offs	-	7	7	14
Balance as of 31 December 2008	**(3,225)**	**(520)**	**(733)**	**(4,478)**
Net book value				
Balance as of 31 December 2008	**6,811**	**1,898**	**1,234**	**9,943**
Balance as of 1 January 2008	**5,945**	**1,790**	**1,135**	**8,871**

During 2008, the Company has purchased two passenger vehicles, IT equipment, furniture and other equipment, indispensable for usual course of business.

At the end of the year 2008, advances for equipment amounting to RSD 2,977 thousand relate to the purchase of a new passenger vehicle.

15. LONG-TERM FINANCIAL PLACEMENTS

(in RSD thousand)	2008	2007
Long-term financial placements	3,272,022	2,260,209
Allowance for impairment of long-term financial placements	(63,562)	(62,708)
Balance as of December 31	**3,208,460**	**2,197,501**

Current portion of long-term financial placements is reclassified and presented within short-term financial placements (Note 18).

The Company reduces the foreign currency risk through foreign currency clause, which is included in finance lease agreements.

The majority of Company's clients are legal entities and farmers.

15. LONG-TERM FINANCIAL PLACEMENTS (continued)

Finance lease agreements

Finance lease agreements are endorsed for the period from two to seven years whereby Law on finance lease ("Official gazette of Republic of Serbia" no. 61/2005) prescribes two years as required minimum.

In accordance with agreements, title passes to the lessee at the end of the lease term. In 2008, average lease approval fee amounted to 1.19% of the cost of leased equipment. Variable interest rates on finance lease agreements range from 5.50% to 11.49% p.a. Average down payment in 2008 amounted to 24.69% of cost of leased equipment.

16. INVENTORIES

(in RSD thousand)	**2008**	**2007**
Used equipment available to be placed under finance lease	-	15,411
Goods in transit	8,466	-
Advances paid	287,205	126,594
Balance as of December 31	**295,671**	**142,005**

Goods in transit amounting to RSD 8,466 thousand as of 31 December 2008, relate to repossessed leased assets and are intended to be realized through new finance lease agreements or through selling.

Advances paid relate to advances for equipment paid to suppliers for lessees, under agreements where leased assets are going to be delivered and taken over by customers in 2009. Advances paid are as follows:

	(in RSD thousand)
Press Publishing Group	256,661
Revaluation of advances paid to Press Publishing Group	26,083
Other suppliers	4,461
Total	**287,205**

Advances paid in the amount of RSD 256,661 thousand to Press Publishing Group relate to three new pre-agreements on finance lease, amounting to EUR 3.2 million. Press publishing group is at the same time the supplier for equipment which will be leased through these agreements. Agreements will be concluded in 2009. On 31 December 2008, the Company revaluated advances paid to Press publishing group, in order to measure foreign exchange gains and losses appropriately.

17. RECEIVABLES

(in RSD thousand)	**2008**	**2007**
Past due finance lease receivables	239,833	80,765
Lease approval fee receivables and other receivables	9,616	3,621
Other receivables	3,715	654
	253,164	**85,040**
Allowance for impairment losses	(90,822)	(12,805)
Balance as of December 31	**162,342**	**72,235**

18. SHORT-TERM FINANCIAL PLACEMENTS

(in RSD thousand)	**2008**	**2007**
Current portion of long-term finance lease placements	1,397,626	843,535
Balance as of December 31	**1,397,626**	**843,535**

19. CASH AND CASH EQUIVALENTS

(in RSD thousand)	**2008**	**2007**
Current accounts in local currency	238	8,007
Current accounts in foreign currency	635	122,571
Obligatory reserve	688,498	516,192
Balance as of December 31	**689,371**	**646,770**

20. VALUE ADDED TAX AND ACCRUALS

Value added tax and accruals amounting to RSD 23,769 thousand as of 31 December 2008 primarily relate to accrued interest income in the amount of RSD 13,361 thousand on advances paid as well as VAT receivables in the amount of RSD 6,876 thousand.

21. EQUITY

Core capital

During the year 2008 there were no changes in core capital:

(in RSD thousand)	**2008**	**2007**
INITIAL CAPITAL		
Banca Intesa a.d. Beograd	214,575	214,575
CIB Leasing Ltd Budapest, Hungary	206,160	206,160
Total initial capital	**420,735**	**420,735**

Loss

Accumulated loss amounts to RSD 395,361 thousand as of 31 December 2008 and comprises prior year accumulated losses in the amount of RSD 251,746 thousand as well as current year accumulated loss in the amount of RSD 143,615 thousand.

22. LONG-TERM PROVISIONS

As of 31 December 2008, the Company has made provisions for long-term retirement benefits in the amount of RSD 232 thousand, in accordance with IAS 19. Total amount of these provisions as of 31 December 2008, including provisions for the year 2007 (RSD 1,307 thousand), is RSD 1,539 thousand.

23. LONG-TERM LOANS

(in RSD thousand)	**2008**	**2007**
Loans from domestic banks	1,123,090	328,322
Loans from foreign banks	3,455,974	2,580,712
Balance as of December 31	**4,579,064**	**2,909,034**

In 2008, long-term loans from domestic banks were granted by Banca Intesa a.d. Beograd, while long-term loans from foreign banks were granted by Intesa Sanpaolo S.p.A. and Banca Intesa (France) S.A.

24. SHORT-TERM FINANCIAL LIABILITIES

(in RSD thousand)	**2008**	**2007**
Short-term overdraft	24,163	95,083
Current portion of long-term loans	373,978	131,329
Balance as of December 31	**398,141**	**226,412**

The total amount of short-term financial liabilities as of 31 December 2008 relates to Banca Intesa a.d. Beograd.

25. OPERATING LIABILITIES

(in RSD thousand)	2008	2007
Advances received	7,542	45,335
Domestic suppliers	1,948	38,070
Foreign suppliers	7	1,498
Other operating liabilities	63	979
Balance as of December 31	**9,560**	**85,882**

26. OTHER SHORT-TERM LIABILITIES

(in RSD thousand)	2008	2007
Interest and financial liabilities	6,618	3,568
Liabilities toward employees	33	2
Other short-term liabilities	1,119	-
Balance as of December 31	**7,770**	**3,570**

27. LIABILITIES FOR VALUE ADDED TAX AND OTHER PUBLIC INCOME AND ACCRUALS

(in RSD thousand)	2008	2007
Accruals	757,737	563,823
Tax liabilities	13,016	156
Balance as of December 31	**770,753**	**563,979**

Total accruals as of 31 December 2008 comprise unearned interest income on finance lease agreements in the amount of RSD 672,015 thousand as well as accrued income on lease approval fees in the amount of RSD 38,631 thousand.

28. CONTINGENCES AND COMMITMENTS

There were no legal proceedings against the Company as of 31 December 2008.

29. RELATED PARTIES' TRANSACTIONS

Banca Intesa a.d. Beograd is majority shareholder of the Company. The Company is a member of Intesa Sanpaolo Group.
The Company's business transactions with Banca Intesa a.d., Beograd, as of 31 December 2008, are as follows:

(in RSD thousand)	**2008**
Cash and cash equivalents	689,133
Long-term finance lease placements	40,121
Total receivables	**729,254**
Liabilities	
Other short-term liabilities (interest liabilities)	6,552
Short-term financial liabilities	398,141
Long-term financial liabilities	1,123,090
Total liabilities	**1,527,783**

Foreign currency account with Banca Intesa a.d. Beograd amounts to RSD 634 thousand as of 31 December 2008. Obligatory reserve held by the Company on the special purpose account in foreign currency amounts to RSD 688,498 thousand.

As of 31 December 2008, the Company's liabilities towards Intesa Sanpaolo S.p.A. and Banca Intesa (France) S.A. are as follows:

(in RSD thousand)	**2008**
Liabilities	
Long-term financial liabilities – Intesa Sanpaolo S.p.A.	2,658,565
Long-term financial liabilities – Banca Intesa (France) S.A.	797,409
Total liabilities	**3,455,974**

Total liabilities towards abovementioned related parties relate to long-term financial loans.

During the year 2008, no payments were made towards members of Board of Directors.

During the year 2008, salaries paid to the Company's management were as follows:

Description	*(in RSD thousand)*
Total gross salary	12,734
Total net salary	9,152

Related parties' transactions are carried out under market conditions and in accordance with the business policy of the Company.

30. FINANCIAL RISK MANAGEMENT POLICIES

Foreign currency risk

Foreign currency risk is the risk that the value of financial instruments and liabilities will fluctuate due to changes in foreign exchange rates. The Company's principle of foreign currency risk management is to reach and maintain assets denominated in foreign currency at least in the amount of liabilities denominated in foreign currency. Moreover, this ratio is adjusted considering maturity of receivables and liabilities denominated in foreign currency.

For the purpose of foreign currency risk management, the Company places investments in finance lease in foreign currency (in EUR and CHF), whereas the installments are paid in RSD at the official offer foreign exchange rate for notes of Banca Intesa a.d. Beograd in case of agreements with individuals, while in case of agreements with legal entities official offer foreign exchange rate of the aforementioned Bank is used.

Credit risk

Credit risk is the risk that the Company will incur a loss because its customers or counterparties failed to discharge their contractual obligations. The Company defines the levels of credit risk by placing limits on the amount of exposure toward a single client as well as toward geographic and industry segments.

The Company's Management approves the credit risk limits. Credit risk is regularly monitored. The Company defines collaterals as a hedging instrument in finance lease agreements.

Liquidity risk

The company's liquidity is the ability to meet payment obligations when they fall due and predominantly depends on maturity matching of assets and liabilities of the Company, meaning inflows and outflows matching.

The Company's Management supervises the maturity of assets and liabilities and projects cash flows from operating activities.

Fair value risk

As of 31 December 2008 (as well as at 31 December 2007) the Company's Management determined that the fair value of financial assets and liabilities approximate their carrying amounts.

31. RECONCILIATION OF RECEIVABLES AND LIABILITIES

The Company has performed reconciliation of receivables and liabilities with its debtors and creditors.

Reconciliation of receivables with debtors will be performed further in usual course of business.

Up to date of this Report, the Company has reconciled 56% of its finance lease receivables in the amount of RSD 2,062,808 thousand.

32. GOING CONCERN

The Company reported losses for years ended 31 December 2008 and 31 December 2007 in the amounts of RSD 143,615 thousand and RSD 136,244 thousand and accumulated loss as of 31 December 2008 in the amount of RSD 395,361 thousand, which represent significant deduction to the Company's equity. These conditions indicate the existence of material uncertainty which may cast doubt about the Company's ability to continue its business as a going concern.

Based on letter of intentions received on 20 February 2009 by Intesa Sanpaolo S.p.A., Banca Intesa a.d. Beograd intends to increase share capital of the Company in the amount of RSD 935 million. The majority shareholder Banca Intesa a.d. Beograd will make a decision on increase of Company's share capital on General Assembly meeting which will be held on 27 March 2009.

Decision on increase of share capital will be made on Company's General Assembly meeting that will be held on 30 March 2009.

33. SUBSEQUENT EVENTS

After the balance sheet date, certain clients experienced significant financial difficulties. Considering this fact, additional allowance for impairment losses of long term financial placements was made and charged to Income statement in 2008.

Besides, the following activities were performed at the beginning of 2009:

- Agreement with Višnja Produkt d.o.o. Novi Sad was canceled on 05 February 2009, due to the fact that the client did not settle liabilities in timely manner in accordance with Finance lease agreement no. 0258/06. The leased asset was repossessed on 6 February 2009. Considering this fact, additional allowance for impairment losses of finance lease receivables was made in the amount of RSD 7,448,560.81 as of 31 December 2008.

- On 10 February 2009, the Company was informed on financial difficulties of its client Eltim d.o.o. Beograd, whose bank accounts were blocked in the amount of RSD 1.77 billion. Finance lease agreement no. 0065/06 with Eltim d.o.o. was canceled on 12 February 2009, and the Company activated promissory note on 13 February 2009, based on the agreement no. 1116/07. The supplier provided buy-back guarantee for the leased asset based on agreement no. 1116/07. Leased asset on finance lease agreement no. 0065/06 is repossessed on 18 February 2009. Additional allowance for impairment losses of finance lease receivables based on this agreement was made in the amount of RSD 2,107,916.14 as of 31 December 2008. Additional allowance for impairment losses of finance lease receivables based on agreement no. 1116/07 was made in the amount of RSD 4,642,692.40.

In February 2009, the Company has signed two long-term loan agreements with Banca Intesa a.d. Beograd in the amounts of EUR 500,000 and EUR 300,000, with interest rate of 3M EURIBOR + 4.5% p.a.

Loans mature on 4 November 2013 and on 15 November 2013, respectively.

Belgrade, 26 March 2009

Head of accounting department
Predrag Topalović

Intesa Leasing doo Beograd

Legal representative
Vlastimir Vuković