06

AAA AUTO Group / Annual Report 2006

AAA AUTO

attractiveness

AAA AUTO has been operating on the Czech market for 14 years.
In 2004, it launched the steady expansion of its network of car centres.
The AAA AUTO Group now offers its services in five European countries
and provides work to more than 3,000 employees.

acceleration

AAA AUTO is the largest used car dealer in Central Europe.
It is constantly enhancing the quality of its sales process,
offering a new concept of sales conditions, a wide range of financial services
and supplementary products.

ambition

AAA AUTO's success is built on customer confidence and satisfaction.
It offers quality, screened vehicles and provides
a lifetime guarantee of vehicle origin.

AAA

AUTO

Selected economic indicators

	unit	2006	2005	2004
turnover	EUR million	348.4	269.9	224.8
turnover from vehicle sales	EUR million	313.3	241.1	198.3
EBITDA	EUR million	14.9	8.5	5.8
profit (loss) after tax	EUR million	7.068	2.369	1.450
number of vehicles sold	number	61,939	50,800	44,240
number of vehicle centres	number	25	20	13

EUR 348,417,000

consolidated turnover in 2006

61,939

group vehicles sold in 2006

Contents

Chairman's Statement

Ladies and Gentlemen,

It is a great honour for me to present our company to you. I would like to start with a brief recapitulation of its history.

AAA AUTO Group was founded in 1992 as a business holding whose core commercial activity was dealing in used cars. Over the years, the Group has steadily expanded its network of branches in the Czech Republic, and now also operates on the markets in Slovakia, Romania, Hungary and Poland. The Group is currently the largest used car dealer not only in the Czech Republic, but also in the whole of Central Europe. This position is underscored by the results achieved in 2006, when the Group reported consolidated turnover of EUR 348.417 million, sold 61,939 new and used vehicles, and provided work for nearly 3,000 employees.

Notwithstanding these accomplishments, last year was comparatively challenging as we tackled changes to national law that fundamentally relaxed vehicle importing conditions. The import restrictions that expired in June 2006, setting the maximum age of cars imported from the European Union at eight years, had had a positive effect on road safety and on the environment in general. Following the dismantling of all these regulations, over the first ten months of the new rules alone 91,000 of the 200,000 used vehicles imported were more than eight years old. As a result, the average age of vehicles in the Czech Republic began to grow older again after several years of rejuvenation. At the same time, an opening became available in the market for private importers and small and medium-sized used car dealers specializing in this vehicle age category.

This was a challenge the Group had to come to grips with. And the key to success? Corporate customers are increasingly keen to purchase quality, better-equipped vehicles that are as good as new, and prefer to do business with a trustworthy dealer offering numerous guarantees. The principal elements of the company strategy are a well-designed purchase and sale system, cost-effective financing, a lifetime guarantee of vehicle origin, and high standards for the full range of services. Last year's warmly received launch of six brand new services, unparalleled on the used car market, also contributed to results. The 33% increase in sales of cars and 40% in total revenues over the first six months of 2007 underlines the fact that AAA AUTO Group's first-class services are gaining steadily broadening currency among customers.

Like any other normal business, AAA AUTO Group must ensure that it remains competitive. One of the main ways we try to do this is by expanding the vehicles on offer to customers and by making further improvements to the quality and scope of the services available. The consolidated accounts show that the Group has made significant headway in cementing its position as the leader in used car dealing; the company's business programme is aimed at keeping the AAA AUTO brand strong as it advances to further phases of its business operations.

In conclusion, I would like to thank the management and all the employees of AAA AUTO Group for a job well done in 2006. I would also like to extend my gratitude to all customers and business partners for their trust in us and for their cooperation.

Anthony James Denny
Chief Executive Officer
and Chairman of the Board of Directors

Milestones in the Establishment and Development of the Group

1992	• Establishment of Auto USA, s.r.o. to import cars from the United States.
1994	• Opening of Prague centre.
1995	• Name change to AAA AUTO Praha s.r.o.
1998	• Launch of Prague call centre.
1998–2001	• Expansion of the network of purchase branches to ten locations throughout the Czech Republic.
2000–2004	• Sales centres opened in a further five cities in the Czech Republic.
2002	• Major expansion in the portfolio of financial, insurance and assistance services. • Website becomes the most visited vehicle-based site in the Czech Republic.
2003	• Establishment of the subsidiary GENERAL AUTOMOBIL, a.s. to sell new cars. • Automobil Group B.V., a limited liability company, is set up in the Netherlands on 12 December.
2004	• Entrance on the Slovak market (in Košice). • AAA AUTO a.s. ranks among the 100 Top Companies in the Czech Republic, in the category of leading non-financial institutions by revenue, in a chart compiled for 2004 by the CZECH TOP 100 association.
2005	• The Group's headcount reaches 2,000. • Group's entrance on the Romanian market (in Bucharest). • Opening of two car centres in the Czech Republic and three in Slovakia.
2006	• Group's entrance on the Hungarian and Polish markets (Budapest and Warsaw). • Launch of new services with value added for customers, the most effective of which prove to be the option of exchanging one car for another within 24 hours and Carlife – insurance of mechanical and electrical faults. • AUTO DISKONT s.r.o. becomes a subsidiary of AAA AUTO a.s. • On 29 December a change to the Company's legal status is approved and AAA Auto Group N.V. is formed as the successor to Automobil Group B.V.
first half 2007	• Group receives the prestigious Superbrands award. • Headcount surpasses 3,200. • Expansion of the overall sales network to 34 branches (20 in the Czech Republic, 7 in Slovakia, 3 in Hungary, 2 in Romania and 2 in Poland).

Key Events of 2006

First quarter
- Launch of the intensive expansion of the call centre to accommodate calls for Hungary and Poland.

Second quarter
- Preparation of the concept of 'baby' branches – fully-fledged, but more compact, branches in smaller towns with up to 100,000 inhabitants.
- Entrance on the Hungarian market (opening of a car centre in Budapest).
- Launch of a package of services and guarantees unique on the Czech market (vehicle replacement within 24 hours, Carlife – insurance of mechanical and electrical faults).
- Acquisition of AUTO DISKONT s.r.o.

Third quarter
- Entrance on the Polish market (opening of a car centre in Warsaw).
- Opening of first 'baby' branch in Teplice.

Fourth quarter
- Opening of further branches in the Czech Republic and Slovakia.
- Launch of work on a new information system interlinking all branches.
- Transformation of the Company structure into an international holding.

Key Events of 2007

(up to the time the Annual Report went to press)

First half
- Prestigious Superbrands award bestowed.
- Opening of further branches in the Czech Republic, Slovakia, Poland, Hungary and Romania.
- AAA AUTO a.s. again figures among the 100 Top Companies in the Czech Republic, in the category of leading non-financial institutions by revenue, in a chart compiled for 2006 by the CZECH TOP 100 association.

AAA AUTO
Group Profile

AAA AUTO Group (also referred to as the "Group") began operating in 1992 when its owner, Anthony James Denny, started importing new cars from the USA to the Czech Republic. As the market potential for sales of new cars was limited at the time, a strategic decision was taken to specialize in used cars. High demand for used automobiles at the beginning of the 1990s triggered rapid growth throughout the sector, resulting in the cultivation of business negotiations, the formulation of clear contractual relations, an improvement in the enforceability of the law, and a proper customer approach. Market structuring was a gradual process; the Group's large-scale expansion from its very inception had a major impact on the conduct of customers and traders in the field of used-car dealing. This was reflected most manifestly in the first half of the 1990s, when the Company started paying cash for all its car purchases.

In 2006, the AAA AUTO Group offered customers a daily average of 5,350 used cars in stock, each with a guarantee of its legal origin. Cooperation with numerous reputable insurance and financing partners has resulted in the availability of further services:

- customer credit,
- leases,
- leaseback,
- motor third-party liability,
- motor damage insurance,
- Carlife – insurance of mechanical faults,
- loans and credit,
- insolvency insurance,
- credit cards,
- assistance services.

AAA AUTO Group realizes that all its success is based on customer trust. In this respect, it places an emphasis on the professionalism of its 3,000 employees, who abide by the Group's code of ethics. The principles set out in this code corroborate the fact that the Company's number-one objective is the long-term satisfaction of its clients.

General Identification Information

Company name: AAA Auto Group N.V.
Registered office: De Boelelaan 7, 1083HJ Amsterdam, the Netherlands
Incorporated at the Amsterdam Chamber of Commerce and Industry under registration number 34199203
Legal form: public limited company (naamloze vennootschap)
Objects of business:

- to incorporate, to participate in any way whatsoever in, to manage, and to supervise businesses and companies,
- to finance businesses and companies,
- to borrow, to lend and to raise funds, including the issue of bonds, promissory notes or other securities or evidence of indebtedness, and to enter into agreements in connection with the aforementioned activities,
- to provide advice and services to intragroup businesses and companies and to third parties,
- to grant guarantees, to bind the company and to pledge its assets for the obligations of intragroup businesses and companies and on behalf of third parties,
- to acquire, transfer, manage and exploit registered property and items of property in general,
- to trade in currencies, securities and items of property in general,
- to develop and trade in patents, trade marks, licences, know-how and other industrial property rights,
- to perform any and all activities of an industrial, financial or commercial nature; and to do all that is connected therewith or may be conducive thereto, all to be interpreted in the broadest sense.

AAA AUTO Group Structure as at 31 December 2006

AAA Auto Group N.V.
A company based in the Netherlands, owning and managing the operations of subsidiaries throughout Europe.

AAA AUTO a.s., AUTOCENTRUM AAA AUTO a.s., AAA AUTO S.A., Autocentrum AAA AUTO Kft., Autocentrum AAA AUTO Sp. z o.o.
The largest network of car centres in Central and Eastern Europe, operating in the Czech Republic, Slovakia, Romania, Hungary and Poland. It specializes in retail sales of all makes of used cars.

GENERAL AUTOMOBIL, a.s.
A company dealing in new Škoda and Opel cars.

AUTO DISKONT s.r.o.
A commercial company operating sales of affordable used cars in the Czech Republic.

MEDIA ACTION s.r.o.
A full-service communication and media agency. Responsible for the production of marketing strategies and public relations.

Group Structure as at 31 December 2006

AAA Auto Group N.V.

AAA GROUP

- **80 %** **MEDIA ACTION s.r.o.** **Czech Republic** Marketing services
- **20 %**
- **100 %** **AAA AUTO a.s.** **Czech Republic** Trading company
  - **100 %** **European Auto Sales s.r.o.** **Czech Republic** dormant
  - **100 %** **AAA AUTO PRAHA s.r.o.** **Czech Republic** dormant
  - **100 %** **Autocentrum AAA AUTO s.r.o.** **Czech Republic** dormant
  - **100 %** **WOTEG GWG-Group, a.s.** **Czech Republic** Property owner
- **100 %** **AUTOCENTRUM AAA AUTO a.s.** **Slovakia** Trading company
- **99.76 %** **AAA AUTO S.A.** **Romania** Trading company

  0.06 % AAA AUTO a.s.
  0.06 % Autocentrum AAA a.s.
  0.06 % Automotive Industries SARL
  0.06 % Anthony James Denny
- **99.947 %** **AAA AUTO Kft.** **Hungary** Holding company
  - **100 %** **Autocentrum AAA AUTO Kft.** **Hungary** Trading company
  - **100 %** **F–23 REALTY Kft.** **Hungary** Property owner
  - **100 %** **F–22 INVEST Kft.** **Hungary** Property owner
- **99.983 %** **AAA AUTO Sp. z o.o.** **Poland** Holding company
  - **100 %** **AUTOCENTRUM AAA AUTO Sp. z o.o. Poland** Trading company
  - **100 %** **ASCORD Sp. z o.o.** **Poland** dormant
- **100 %** **AAA AUTO EOOD.** **Bulgaria** dormant
- **100 %** **AAA AUTO a.d.** **Serbia** dormant

NEW CARS GROUP

- **96.7 %** **European Auto Sales Kft.** **Hungary** 3.3% AAA AUTO a.s.
- **99 %** **EUROPEAN AUTO SALE Sp. z o.o.** **Poland** 1% AAA AUTO a.s.
- **100 %** **GENERAL AUTOMOBIL, a.s.** **Czech Republic** Trading company
  - **100 %** **GENERAL AUTOMOBIL ZLÍN s.r.o.** **Czech Republic** Trading company
  - **95 %** **ASKO, spol. s r.o.** **Czech Republic** dormant

B BRAND GROUP

- **100 %** **KAPITÁL AUTOMOTIVE a.s.** **Czech Republic** Holding company
- **100 %** **AUTO DISKONT s.r.o.** **Czech Republic** Trading company
  - **100 %** **AUTO DISKONT s.r.o.** **Slovakia** dormant
  - **100 %** **AUTOBAZAR VÝHODNÝ s.r.o.** **Czech Republic**

Group Structure as at 2 July 2007

AAA Auto Group N.V.

AAA GROUP

- **80 %** **MEDIA ACTION s.r.o.**
  Czech Republic
  Marketing services
- **100 %** **AAA AUTO a.s.**
  Czech Republic
  Trading company
  - **100 %** **European Auto Sales s.r.o.**
    Czech Republic
    dormant
  - **100 %** **AAA AUTO PRAHA s.r.o.**
    Czech Republic
    dormant
  - **100 %** **Autocentrum AAA AUTO s.r.o.**
    Czech Republic
    dormant
  - **100 %** **WOTEG GWG-Group, a.s.**
    Czech Republic
    Property owner
- **100 %** **AUTOCENTRUM AAA AUTO a.s.**
  Slovakia
  Trading company
- **99.94 %** **AAA AUTO S.A.**
  Romania
  Trading company
  0.06 % AAA AUTO a.s.
- **100 %** **AAA AUTO Kft.**
  Hungary
  Holding company
  - **100 %** **Autocentrum AAA AUTO Kft.**
    Hungary
    Trading company
  - **100 %** **F–23 REALTY Kft.**
    Hungary
    Property owner
  - **100 %** **F–22 INVEST Kft.**
    Hungary
    Property owner
- **99.983 %** **AAA AUTO Sp. z o.o.**
  Poland
  Holding company
  - **100 %** **AUTOCENTRUM**
    AAA AUTO Sp. z o.o. Poland
    Trading company
  - **100 %** **ASCORD Sp. z o.o.**
    Poland
    dormant
- **100 %** **AAA AUTO EOOD.**
  Bulgaria
  dormant
- **100 %** **AAA AUTO a.d.**
  Serbia
  dormant

NEW CARS GROUP

- **100 %** **European Auto Sale Kft.**
  Hungary
  3.3% AAA AUTO a.s.
- **99 %** **GENERAL AUTOMOBILE POLAND Sp. z o.o.**
  Poland
  1% AAA AUTO a.s.
- **100 %** **GENERAL AUTOMOBIL, a.s.**
  Czech Republic
  Trading company
  - **100 %** **GENERAL AUTOMOBIL ZLÍN s.r.o.**
    Czech Republic
    Trading company
  - **95 %** **ASKO, spol. s r.o.**
    Czech Republic
    dormant

B BRAND GROUP

- **100 %** **KAPITÁL AUTOMOTIVE a.s.**
  Czech Republic
  Holding company
- **100 %** **AUTO DISKONT s.r.o.**
  Czech Republic
  Trading company
  - **100 %** **AUTO DISKONT s.r.o.**
    Slovakia
    dormant

AAA AUTO Group Directors and Management

Management Board

The Management Board consists of executive members. Non-executive members have not yet been appointed. The Management Board is entrusted with the management of the Company. The Management Board as a whole is authorized to represent the Company.

Executive Members

The business address of each Executive Member is De Boelelaan 7, 1083HJ Amsterdam, the Netherlands.

Anthony James Denny
Chief Executive Officer and Chairman of the Board of Directors since 29 December 2006

A graduate of the Ryde College of Horticulture, Sydney, Australia. He acquired over twenty years of experience in the used car business in the Australian, European and United States markets. He has been living in the Czech Republic since 1992, where he first imported used cars from the USA. In 1994 he founded a used car sales centre which has expanded into an international trade network of used cars under the name AAA AUTO Group.

Antonius Mattheus Kemp
Executive Officer since 29 December 2006

A graduate of the Erasmus University in Rotterdam, the Netherlands. In 1995 he completed his postgraduate studies in Taxation at Tilburg University in the Netherlands. He has worked as a tax lawyer in various positions in the Netherlands and in Central and Eastern Europe since 1989, from 2001 as a partner at Linklaters, v.o.s. He has advised the AAA AUTO Group on international legal and tax issues as a lawyer since 1997.

Matyáš Kořínek
Executive Officer since 24 May 2007

A graduate of the Faculty of Philosophy and Faculty of Physical Education and Sports of Charles University, Prague. He joined us following a stint of three years at Citibank, where he was responsible for external acquisition and the sales network of dealers. He began his career at a branch of AAA AUTO a.s., with responsibility for insurance sales, customer and credit cards, assistance services, guarantees and other complementary products. Until May 2007 he served as Group Sales Manager at AAA AUTO a.s. and now he is Chief Operations Officer.

Non-Executive Members

The Non-Executive Members are responsible for the supervision of the day-to-day affairs of the Company and the preparation of proposals relating to the policy governing the general affairs of the Company. Non-Executive Members are appointed by the general meeting of shareholders.

No Non-Executive Members have currently been appointed.

Senior Management

The business address of each member of the Senior Management is Dopraváků 723, 184 00 Praha 8 – Čimice. Below is a brief description of the business experience of our Senior Management.

Milena Beránková
Group Company Operational Director since 1 June 2007

A graduate of the High School of Economics, Usti nad Labem. She worked as Senior Assistance Coordinator at the EuroAlarm assistance centre of Evropská cestovní pojišťovna, a.s. She completed several internships abroad and gained further experience at the Dutch company Rossmann. She started out at AAA AUTO a.s. in January 2001 as Operations Manager. She is now the Group Company Operational Director.

Martin Terance Emes
Group Stock Controller since 1 June 2007

A graduate of the University of Wales (Coleg Gwent) and the Royal Institute, London. He has more than 25 years' experience in the automotive industry. He gained his first experience in vehicle sales at Hartwell and VW Audi UK, where his tasks included management of a 'new retail concept' and 'approved used' car programme. He joined AAA AUTO a.s. as Leasing Manager in 1999. In 2005, he set up AUTO DISKONT s.r.o., which became one of the largest used car dealers in the Czech Republic. In 2006, AUTO DISKONT s.r.o. was incorporated into the AAA AUTO Group. He is currently Group Stock Controller.

Vladimíra Jičínská
Group's Chief Legal Officer since 1 June 2007

A graduate of the Faculty of Law of Charles University, Prague. She obtained her Doctorate in 2002 and then took a two-year postgraduate course organized by the University of Cambridge. In 2003, she passed her attorney exams. She started her career in a Czech law office. After five years of practical experience she joined AAA AUTO a.s. as a lawyer. She has held the position of Legal Department Manager since 2004. She has managed the legal department since 2004, and she is now the Chief Legal Officer.

Emmanuel Leonard
Chief Financial Officer since 1 June 2007

Graduate of the Solvay Business School, Brussels, Belgium. Since 1989, he was worked for numerous companies in real estate, media, communications, sales and customer services in Poland, France and the Czech Republic. From 2001 to 2004, he served as Regional Chief Finance Manager of France Antilles. Before joining AAA AUTO a.s., he worked for Orco. He has been employed with AAA AUTO a.s. since November 2006. He currently serves as Chief Financial Officer.

Igor Mandík
Group Development Director since 1 June 2007

A graduate of the University of Economics, Prague. He served as Business and Marketing Director at Autoklub Bohemia Assistance, a.s. He was a member of several boards of directors of real estate funds, where he was mostly responsible for acquisition projects and strategy. He has served as Business Development Director since joining AAA AUTO a.s. Besides being responsible for external financing and relations with financial institutions, he has been managing the Department of Acquisitions and Development Projects. He currently serves as Group Development Director and is also responsible for managing relations with our main business partners.

Karolína Topolová
Chief Operations Officer since 1 June 2007

A graduate of the British TTA with the Oxford curriculum in operative management, focusing on the establishment and training of call centres; she is currently studying andragogy at the University of J.A.Komensky. She began her career as an Assisting Programme Manager at Hilton Diamond Club; later, she became the HDC Programme Manager. In 1998, she established the AAA AUTO a.s. call centre, which has grown from 5 employees to a team of more than 200 people. In autumn 2005, she was appointed Group HR Director. She currently serves as Chief Operations Officer.

Jiří Trnka
Deputy to the CEO since 9 May 2007

A graduate of the Finance and Accounting at the University of Economics, Prague.
He acquired practical knowledge in controlling and accounting as a financial analyst of the international company Continental Teves Czech Republic, s.r.o. Later, he worked for ŠKODA AUTO a.s., where he dealt with the financial aspects of project management. He joined the financial department of AAA AUTO a.s. in the second half of 2004 and his responsibility has been to implement and develop an internal audit system. He was promoted to the position of financial director in 2005. He currently serves as Deputy to the CEO.

Petr Vaněček
Group Buying Director since 1 June 2007

A graduate in Finance and Accounting at the University of Economics, Prague. He joined AAA AUTO a.s. in February 1999, while he was still a student. He initially worked part-time as a supervisor at our call centre. Then he moved to the position of Manager for Mobile Buyers for two years, before returning to our call centre as Senior Supervisor for a certain time. He was Group Buying Manager from December 2003 and in 2006 he moved up to the position of Group Buying Director.

34

branches in five countries as at 2 July 2007

100%

legal guarantee of vehicle origin

14

years on the market

Company Mission, Objectives and Vision

The AAA AUTO Group's mission is to achieve a steady expansion in its network of car centres focusing on sales of quality vehicles of verified origin, customer satisfaction, and the cultivation of constructive market conditions. After practically fifteen years on the market and carving out a leading position in its segment, besides ensuring the growth of key economic indicators the Group is focusing on a general change to the market in used car sales, in particular on a change to the norms and established standards of quality and on a shift in the way the market is viewed by offering a qualitatively new type of service.

The Group's objective is to create and maintain a customer-oriented market environment and to increase customers' options and potential in their decisions regarding the purchase of a new vehicle. Not least, it is striving to enhance the quality of vehicles on roads in the Czech Republic and other countries by the sale of fast-moving inventory.

The focus on quality of service and enhanced customer convenience while maintaining and increasing sales turnover has meant that the Group needs to configure its own rules of business activities independent of the existing used car market and to cultivate its own standards of quality which are more able to encapsulate modern shopping practices and customer expectations related to the sale of new and used cars.

In this respect, on the used car market the Group offers a completely new concept of sales conditions and a setting in which it can provide customers with numerous information and communication channels (the Internet, printed materials, a call centre) as they seek correct information about the car they are looking to buy. This concept entails extended working hours, not only on working days, but also at weekends. Customers are transported from and to their homes, if they so wish. There is also the possibility of transferring a vehicle from one sales centre to another if customers express an interest. In addition, the service portfolio includes an extended sales and after-sales service, trained staff, a wide range of financial services and a number of supplementary products. It is axiomatic that vehicle origin is verified and assurances are made in relation to vehicle origin, with a 100% guarantee of reimbursement if, despite stringent control measures in place for vehicle investigation, problematic cases crop up.

AAA AUTO Group maintains an exceptional approach and runs a completely new sales model, making the purchase of a used car a pleasant, and in particular successful, investment in a quality vehicle.

The Group is eager to keep improving the quality of the sales process and the products and services on offer. It wants to uphold and consolidate its market position and expand business activities into areas where it has not yet operated and where there is demand for the Group's services. The Group aims to achieve all the standards above along with the required market balance at home and on the international stage.

The Group's competitive edges:
- competitive prices;
- a range of high quality used vehicles;
- a broad geographic footprint;
- stocks are controlled with a view to customer requirements and preferences;
- a customer-driven sales process creating a positive customer experience;
- diversified sources of income, especially in the field of financial services;
- a strong brand;
- interactive and effective marketing;
- an efficient in-house call centre;
- trained and motivated management and employees; and
- centralized management with a locally transferable business model.

Besides its business operations, AAA AUTO Group is also dedicated to other related activities and the support thereof throughout the motoring world. One of these projects is assistance in the reduction of the negative impact of serious traffic accidents in the Czech Republic via the foundation DĚTSKÉ DOPRAVNÍ NADACE (CHILDREN'S TRAFFIC FOUNDATION).

Expansion onto new markets

The Czech Republic is a prime example of the successfulness of the AAA AUTO Group's business model and the new vehicle sales concept. When it entered the Czech market, it brought about a fundamental change in this market segment. The Group's new policy of paying cash for cars sidelined the consignment sales which had been prevalent up to then, reduced the average price of a used car and generally revived the used car market. It also gave customers greater guarantees – as the AAA AUTO Group owned all the cars, 100% legal guarantees of vehicle origin could be made. The situation in the Czech Republic shows that this business model and customer approach can be successful building blocks for the development and assumption of a leading market position in other countries in Central and Eastern Europe too.

Since 2004, the Group has geared its plans towards expanding business activities into other countries. The first was Slovakia, where expansion advanced to more or less the same high degree as in the Czech Republic. All major cities now have their own AAA AUTO car centre. In terms of service coverage and number of vehicles sold, AAA AUTO Group is easily the market leader in Slovakia. The Group continues to work on improving quality and becoming more accessible to customers by expanding further into smaller towns and catchment areas.

In Romania, following the opening of the first branch there in 2005, systematic progress was made in attempts to redefine the overall market conditions. The priority was to create financial services that would encourage customers to purchase used cars. Despite the different market conditions, purchasing power and purchasing patterns, this plan is succeeding. In 2007, the Company took another step towards the fulfilment of its expansion plans by opening a second branch in Brasov to complement the existing car centre in Bucharest.

The Group also made a successful entry on the Hungarian market in mid-2006, and since the start of 2007 has been quick to expand the branch network here. In autumn 2006, the Company entered the Polish market. It opened two branches in quick succession with a superb outlook for the penetration of other significant localities outside the capital.

Bearing in mind the stage of development and maturity of these markets – not just in vehicle sales, but also the related financial services, the Group's priority is to grow swiftly, especially in Hungary, where demanding consumer behaviour and the developed market are best suited to the AAA AUTO Group concept.

Besides countries where the AAA AUTO Group has already started operating, the Company has set its sights on numerous other countries and markets which offer immediate or future potential for successful development. Notably, these are markets in Central and Eastern Europe, including beyond the current frontiers of the European Union.

The rapid expansion of the Group, which is considering opening around 20 new branches in 2007, places high demands on securing the ample financial resources required. One of the options that would appear to be a logical step for the Group would be its flotation.

One of the goals for 2007 is to prepare the Group and complete its internal transformation so that, if the plan to go public is given the go-ahead, this can be achieved smoothly and successfully.

Our vision

AAA AUTO Group pursues a clear vision: to offer optimal solutions to customers' essential mobility requirements on the expanding markets of Central and Eastern Europe by means of a wide range of used and new cars with a lifelong guarantee of origin and other benefits. In particular, AAA AUTO Group's rising quality of service will continue to make it stand out from the competition and will represent the cornerstone of further growth in sales and market shares in the markets where the Group operates.

EUR 14.936 million

EBITDA in 2006

EUR 7.068 million

net profit in 2006

21.9%

year-on-year growth in vehicle sales in 2005/2006

Report
on the Group's Business
Activities and Assets

Financial Results

In 2006, the accounts were kept with respect for consolidation procedures under International Financial Reporting Standards (IFRS) for the first time.

In 2006, the AAA AUTO Group reported consolidated earnings before tax (EBITDA) of EUR 14.936 million and a net profit of EUR 7.068 million, with total turnover of EUR 348.417 million. This was a record result that fully reflects previous investments, especially in the Slovak market, the conservation of the long-standing strong position in the Czech Republic, and the stable results returned by the up-and-running Romanian branch. Compared to 2005, turnover was up by 29.1%, EBITDA by 75.1% and the net profit by 198.4%. These figures document the rising quality of the principal financial indicators and underscore the legitimacy of the strategic development plan for expansion implemented by the Group since 2004.

The impact of two new acquisitions ahead of the penetration of the Hungarian and Polish market was also reflected in the financial result. In September 2006, a new office was opened in Budapest, which has reported better-than-expected business results from the outset. This was followed by the opening of the first office in Warsaw, the Polish capital, in October.

Of the Group's total turnover of EUR 348.417 million, the lion's share (89.9%) was generated by sales of used cars, followed by financial services and insurance (8.1%), and supplementary sales (2%). In 2006, 61,939 cars were sold, of which 445 were new.

In terms of used car sales, AAA AUTO maintains a leading position as no other competitive entity has achieved a similar level of development on either the international or local scene.

AAA AUTO has also preserved its leader status thanks to strategic alliances in sales of financial services and insurance, enabling it to take full advantage of existing demand on current and new markets and to rapidly deploy the products and financial innovations it has developed.

For the AAA AUTO Group, 2006 was plainly a key year, in particular because of its well-managed expansion into two other countries, and also due to the restructuring of Group companies and assets, and the configuration of the model for operations and development in forthcoming years.

Group Development in 2006

Last year was a time to consolidate positions on all existing markets and to develop in new areas.

The growth driver, the basis for expansion in other countries, and the stabilizer of all processes continued to be the Czech Republic. A new branch was opened in České Budějovice and at the turn of the year a baby branch opened its doors in Teplice. At existing points of sale modifications were made to the operating system with a view to improving sales efficiency.

In Slovakia, branches in Košice, Žilina and Banská Bystrica were put into full operation. At the end of the year, a purchase agreement was signed for a point of sale in Nitra, the results of which will not be reflected until 2007. Sales capacity was also upgraded in Bratislava, where the Slovak branch is based.

In 2006, a contract was signed with a Romanian development company, which is sure to be an impulse to bolster sales results and will be the first step on the road to expansion in Romania.

Hungary became the fourth country on the AAA AUTO Group's map of operations. A branch set up in the smart location of a shopping centre on the eastern outskirts of Budapest exceeded all expectations. Demand from Hungarian customers, their purchasing patterns, and high awareness of the financial services market form a superb springboard for further successful development. By the end of the year, another acquisition survey was in full swing and will result in the opening of further sales centres in 2007.

In October 2006, a new branch was opened in Poland. The former Chrysler dealership on the southern edge of Warsaw was acquired, and sales of vehicles under the AAA AUTO brand were launched here. Again, in Poland preparations were made at the close of the year for further acquisition projects in the next year.

By the end of the year, another acquisition survey was launched and has resulted in the opening of further sales centres in 2007.

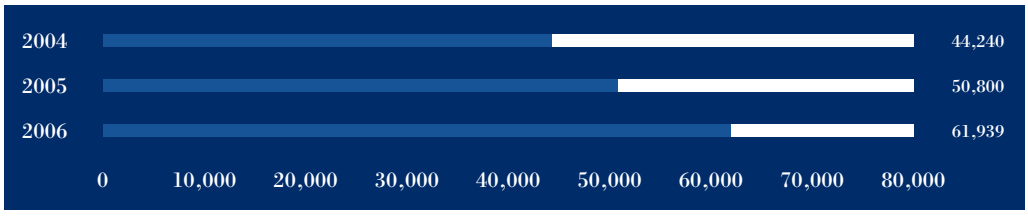
Sales Results

Vehicle sales

The base indicator of the AAA AUTO Group's success is the number of vehicles sold. There was 21.9% year-on-year growth in sales in 2006 to 61,939 vehicles. This growth was fuelled in part by the AAA AUTO Group's dynamic expansion in Central Europe.

Sales of AAA AUTO vehicles on individual markets (number)

Market	2006	2005	2004
Czech Republic	43,460	42,060	43,085
Slovakia	13,617	7,111	–
Romania	3,121	941	–
Hungary	1,455	–	–
Poland	286	–	–
European Auto Sales B.V.	–	688	1,155
Total	**61,939**	**50,800**	**44,240**



Overall area of auto centres and purchase centres in the respective countries (in m²)

	Auto Centres		Purchase Centres	
	Owned	Leased	Owned	Leased
Czech Republic	117,454	62,344	6,895	12,286
Slovakia	44,990	18,998		6,246
Hungary	76,079	13,503		
Poland	35,929	12,907		1,388
Romania		14,718		2,000
Total	**274,452**	**122,470**	**6,895**	**21,920**

As the figures indicate, the main share of sales can be attributed the Czech Republic, which continues to generate the majority of sales. The Slovak sales results reveal significant year-on-year growth. For the first time, Slovakia broke through the threshold of 10,000 vehicles sold. The low levels of sales at the new branches in Poland and Hungary are due to the fact that they did not open until the second half of 2006 and that sales are slow to take off in the first few weeks. We expect the share reported by the Czech Republic and other countries to gradually converge.

Vehicle sales rose by 29.6% year on year to EUR 313,297

Sales of financial services

Besides the number of vehicles sold, another key indicator is sales of financial services, especially leases, consumer credit and insurance. Here, too, the result was outstanding.

An important factor behind the success achieved on the market in sales of financial services is the cultivation of strategic partnerships with the largest suppliers of these products, with whom AAA AUTO Group enjoys international cooperation and can thus take advantage of the efficient management of business relations and, in particular, business conditions. At the same time, links with prominent corporations guarantees marketing support for a joint product and an in-depth knowledge of the cooperating partner's brand. The AAA AUTO Group's largest business partners in financial service sales in 2006 included GE Money Auto, Santander Consumer Finance, ČSOB Leasing, Leasing České spořitelny and sAutoleasing (ERSTE Group).

In the field of insurance, partners are Kooperativa, Generali and Allianz.

Turnover generated by sales of financial services came to EUR 28.355 million, which is a rise of 14.7% on 2005.

Sales of supplementary products

The share of sales of supplementary products in the overall result is steadily rising, mainly thanks to the well-designed sales system and the care devoted to the offer of supplementary products and services.

This area mainly covers sales of assistance services, certificates of vehicle quality and origin, the AAA Gold Loyalty Card, credit cards, vehicle accessories and vehicle security.

Total turnover generated by sales of supplementary products rose year-on-year by 66.2% to EUR 6.765 million.

Overall, 2006 was a very successful year, which can be attributed in particular to major sales growth in established countries and to the excellently handled entrance onto another two important markets – Poland and Hungary. In the next few years, we expect the Hungarian and Polish markets to make a significant contribution to the Group's results.

Sales results in the first half of 2007

In the first half of 2007, AAA AUTO Group sold a total of 38,617 automobiles to external customers in its five markets; this is 33.5% more than in the same period last year.

In the Czech Republic 23,764 vehicles were sold, in Slovakia 8,551. The third most successful country was Hungary, with 3,033 vehicles sold, followed by Poland with 1,986 and Romania with 1,283 cars sold.

As a result, the Group increased its number of clients and confirmed its position as market leader, mainly thanks to its emphasis on the quality of the vehicles sold, the provision of quality services and tailored customer care. The customer-oriented approach spawned higher demand and pushed up the number of clients purchasing newer vehicles or second cars for their family.

Core Business Activities

AAA AUTO Group's principal object of business is the purchase and sale of used vehicles. In 2006 alone, the Group purchased and resold more than 61,000 vehicles, which underwent meticulous maintenance and sometimes minor repair prior to their resale.

In this respect, the Group's related operations include vehicle servicing and repairs, which also take place in the servicing network run by GENERAL AUTOMOBIL, a.s., specializing in the servicing and sales of new Opel and Škoda vehicles.

Another significant business activity is the provision of financial services to customers, in particular credit, leases, motor damage insurance and motor third-party liability insurance. In the provision of these services, the Group cooperates with the majority of local banks and financial companies on the respective foreign markets.

In the provision of these services, the Group cooperates with multinational strategic partners and with the leading local businesses.

Public Relations

Communication

Communication strategy

The aim of the communication strategy is to cultivate a positive image of the Group in the media and, by extension, in the eyes of the public, which will then be reflected in the positive perception of the Group among current and potential clients and, as a result, will become apparent in the Company's business results.

An internal communication system is being purposefully built and developed both vertically and horizontally within the Group.

A whole range of communication tools are used – press releases, interviews, articles in the general and industry press, press conferences, meetings and routine cooperation with journalists, competitions, websites, social events, etc.

Sponsorship

AAA AUTO Group's sponsorship activities, employed as an important means of communication and of strengthening Company prestige, focus on three areas in all the countries where the Group operates. The first, and most visible, area is top-flight sport. The Group cooperates with innumerable ice-hockey and football clubs in all the regions in which AAA AUTO Group operates. In the Czech Republic, it is the official partner of Czech Athletics Association and cooperates on certain motorsport events, such as the Barum Rally. AAA AUTO Group is currently fostering cooperation with junior football at grassroots level.

AAA AUTO Group is eager to be an active participant in events in the region, and a Group that is keen to cultivate customer relations even outside direct business interests.

The second area of sponsorship is the support of family-type non-profit organizations with an educational slant. In keeping with this strategy, partnerships have been formed in the Czech Republic with Prague Zoo, Lešná Zoo and Prague Botanical Garden.

Not least, the AAA AUTO Group strives to provide assistance where it is most needed in the field of charity. Long-term cooperation has been established with the Tereza Maxová Foundation, which helps abandoned children. Our close cooperation with the Children's Traffic Foundation is particularly important. The aim of this organization is to provide financial aid to children who have become orphans as a result of tragic traffic accidents. The AAA AUTO Group donates a fixed amount from the sale of each vehicle to the foundation and its care for orphans.

On foreign markets, AAA AUTO Group primarily sponsors sports activities. As of 2007, it cooperates with several ice-hockey teams in Slovakia, while in Poland it works with football teams in Warsaw and Lodz. In Romania, Hungary and other countries, the AAA AUTO Group continues its active search for suitable partners it can cooperate with.

AAA AUTO Group also supports one-off cultural, social and sports events in the Czech Republic and in other countries where it has branches.

EUR 313,297,000

turnover from vehicle sales in 2006

EUR 28,355,000

turnover from financial services and insurance in 2006

EUR 6,765,000

turnover from sales of supplementary products in 2006

Information Technology

IT services in 2006

Up to 2006, the IT support of business processes came from various applications, mainly from the Microsoft portfolio. For the purposes of expansion, a model of temporary information support for business processes was defined and used. At the same time as this process, changes were made to the IT infrastructure, i.e. to the system interconnecting all components among users, especially server consolidation, data network consolidation, the introduction of IP telephony (calls over the Internet or internal computer network), the construction of a new server centre, the consolidation of IT suppliers, and the consolidation and stock-taking of the Group's IT assets.

In 2006, capacity management (designed to ensure sufficient IT infrastructure) and configuration management (records of the existence and parameters of the IT infrastructure) were introduced for organizational purposes, the process of purchasing new IT infrastructure components, services and applications was consolidated, and change management (of the IT infrastructure and applications) and incident management (handling problems in the use of the IT system) were enhanced.

Strategic development of IT services in 2006

Following the successful description of business processes and the formulation of functional, non-functional and organizational requirements, a tender was held for the implementation of a new ERP information system called Mona Lisa. A decision was reached in April 2006. This information system operates on the basis of the Microsoft NAVISION platform, and is a revolutionary step for the Group in that it centralizes all current sub-systems. In 2006, technical analysis, development, testing and preparation of the pilot implementation took place in Hungary.

Human Resources

In its management processes, the AAA AUTO Group applies uniform standards in all branches and countries. The Group management pays special attention to human resources management, optimization, strategy and performance-focus.

Company policy

The Group draws on the basic criteria of successful activities:

- customer service at the best possible quality,
- a focus on results for the customer, company and employees,
- professionalism and credibility,
- the development of human potential,
- a friendly ambience.

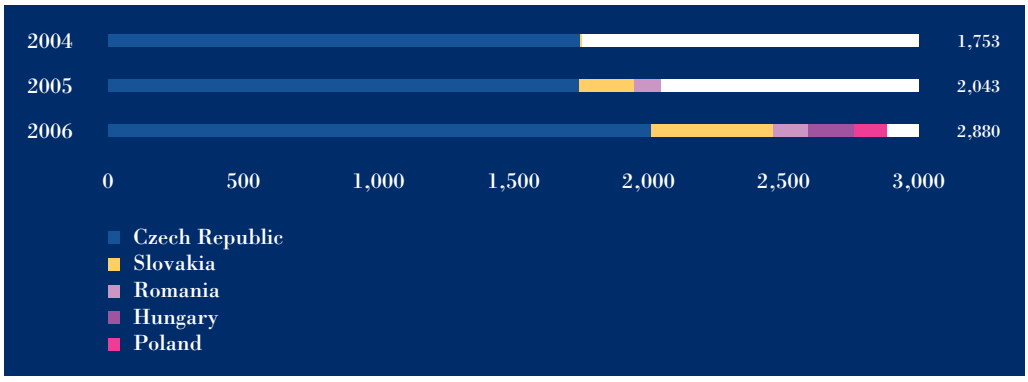
Human resources policy

AAA AUTO Group considers its human resources policy to be a cornerstone of its success. Employees open the door to promotion and higher salaries themselves, through their diligence, application at work, and participation in Company training. All managers have received the necessary training in human resources and therefore they can discover and ensure the development of the hidden potential in all employees. The Group has a well-designed career system based on appraisal interviews.

Number of employees

As at 31 December 2006, AAA AUTO Group had 2,880 employees in five European countries, of whom 1,819 were in the Czech Republic. As a result of its ongoing expansion, the Group broadened the recruitment of new employees to cover the whole of Central and Eastern Europe. At the time the Annual Report went to press, the AAA AUTO Group had a total headcount of 3,189 employees. From the end of 2006 to mid-2007, the number of employees rose by 10%. On the date the Annual Report went to press, the Group was offering up to 700 vacancies.

Number of employees as at 31 December 2006



Employee training and development

The Group makes arrangements for the professional and personal development of employees and managers, supports their career growth, develops the skills required for their work and monitors the practical application of knowledge.

In 2006, the Group set up the Sales and Customer Care Academy (Akademie prodeje a péče o zákazníka), a corporate training establishment dedicated to customer-oriented and managerial positions. The academy's prime objective is to prepare genuine sales and procurement professionals through training and other development activities. In 2006, the training system improved the standard of knowledge among employees in all countries.

Besides honing sales and procurement skills, special attention is paid to lessons in English – currently essential for most employees – as a necessary tool within a multinational corporation. Seminars focusing on emotions, assertiveness and the shaping of the personality are regularly held. Courses on MS Office applications are an important area of training.

A trainee programme for managers is being prepared that will concentrate on developing leadership, managerial and motivational skills.

Number 1

on the used car market in Central Europe

2,832,781

calls handled at the Call Centre in 2006

3,189

group employees on June 30, 2007

Call Centre

Ever since the Group was established, telemarketing has been a key factor making a significant contribution to results. In 2006, the call centre handled 2.8 million calls and covered 54% of the Group's business transactions.

As of 2 July 2007, the call centre had 339 employees, providing information and services in 12 languages.

This department's activities are still growing; over the first five months of 2007, 1.36 million calls were made, of which 343,856 calls were with individual customers.

In 2007, over CZK 7 million will be invested in newer call centre technology, making this facility one of the most modern of its kind in Europe.

Number of calls made

	Calls		Call centre share in total business (cars sold and bought)	Note
	Incoming	Outgoing		
2004	1,172,534	2,593,927	52 %	system without 'non-business related calls' filtering
2005	730,726	1,627,051	53 %	1st quarter system without 'non-business related calls' filtering, then with 'non-business related calls' filtering
2006	631,633	2,201,148	54 %	system with 'non-business related calls' filtering

Environmental Protection

In all its activities, AAA AUTO Group strives to be environmentally friendly. The overwhelming majority of vehicles imported by the Group are less than eight years old and comply with the stringent environmental standards of Euro 3 or above. Each vehicle that makes its way onto the market must comply with the relevant homologation regulations. Therefore, demanding assessment measurements are taken – including the quantity of harmful substances in exhaust gases.

For example, the Euro 3 standard has applied in the Czech Republic since 1 April 2001 as a regulation of the Economic Commission for Europe envisaging the separate evaluation of emissions of nitrogen oxide (NOx) and unburnt hydrocarbons (HC), which were previously assessed together. Euro 4 is a standard which is more stringent by almost 50%; compared to Euro 3, it requires a 50% reduction in the production of particulate matter in diesel motors, which can be achieved only with the use of a particulate matter filter.

The Group makes a significant contribution to the rejuvenation of the average vehicle age and thus to a reduction in traffic emissions.

AAA AUTO Group focuses on the environmental operation of water management. All polluted water at all car centres is channelled via a special drainage system into a petroleum product separator before discharge into the normal sewerage system.

The Group holds a 'Trees for Life' certificate for 125 newly planted trees.

Outlook

Vehicle trading is a highly scrutinized business. There are 900 million road vehicles registered in the world; every year, around 53 million new vehicles are sold, while sales of used cars are many times higher.

The growing need to ensure mobility in Central and Eastern European countries was the kernel of the successful business plan pursued by the founder and CEO of the AAA AUTO Group, Anthony James Denny. From its home country of the Czech Republic, the Company has expanded into Slovakia, Hungary, Romania and Poland. A holding structure has been created which is flexibly developed as opportunities arise for further expansion into the Balkans and the countries of the former Soviet Union.

Geographic location of AAA AUTO Group business operations

The dynamic growth of the Group, which has become the market leader in Central Europe, has resulted in the need to obtain further capital to fuel ongoing expansion. Besides the possibility of allowing a strategic partnership and private equity funds to enter the Group, there is also the opportunity of floating the AAA AUTO Group.

Expansion goes hand in hand with the growing economic and business efficiency of the Group, which is building on its success based on customer satisfaction thanks to the value added of its full range of quality services. The Group's transparency is one of the principal means of consolidating trust among customers and the general public.

Financial Section

"The following financial information do not include the statutory annual financial report as referred to in Section 2 of the Netherlands Civil Code. The readers should be referenced to the statutory annual financial report, dated August, 17 2007, from which the accompanying consolidated financial statements have been derived and which report furthermore includes the Management board report, the Company accounts and the Other Information, as required by the Netherlands Civil Code."

Auditor's Report

To the board of directors and the shareholder of AAA Auto Group N.V.

We have audited the accompanying consolidated financial statements for the year ended December 31, 2006 of AAA Auto Group N.V., Amsterdam, which comprise the consolidated balance sheet as at December 31, 2006, the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated 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 the consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and Dutch law. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements give a true and fair view of the financial position of AAA Auto Group N.V. as at December 31, 2006, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of matter
With respect to the management board report and our legal requirement to report on the consistency with the financial statements, we refer to the statutory annual report for the year ended December 31, 2006 of AAA Auto Group N.V., which contains our unqualified opinion dated August 17, 2007.

Amstelveen, August 17, 2007

BDO CampsObers Audit & Assurance B.V.
for and on behalf of it,

J.A. de Rooij RA

BDO CampsObers
Audit & Assurance B.V.

Consolidated Financial Statement
as at and for the Years Ended 31 December 2006 and 2005 Prepared in Accordance with International Financial Reporting Standards

AAA AUTO GROUP N.V.
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2006 AND 2005 (EUR '000)

ASSETS	Notes	31. 12. 2006	31. 12. 2005
Non-current assets			
Goodwill and other intangible assets	11	1,197	645
Property, plant and equipment	12	38,168	22,732
Other financial assets		324	406
Deferred tax assets	16	129	100
Total non-current assets		39,818	23,883
Current assets			
Inventories	13	38,197	29,376
Trade and other receivables	14	11,812	6,298
Current tax asset		11	18
Other financial assets		5,471	5,015
Cash and cash equivalents		3,136	2,968
Non-current assets classified as held for sale	12	277	394
Total current assets		58,904	44,069
TOTAL ASSETS		**98,722**	**67,952**

EQUITY AND LIABILITIES	Notes	31. 12. 2006	31. 12. 2005
Equity			
Share capital	21	5,000	18
Reserves	22	1,842	630
Retained earnings		10,704	3,722
Equity attributable to equity holders of the parent		**17,546**	**4,370**
Minority interest		4	1,369
Total equity		**17,550**	**5,739**
Non-current liabilities			
Bank and other borrowings	15	36,047	31,300
Deferred tax liabilities	16	705	454
Other liabilities		329	258
Total non-current liabilities		37,081	32,012
Current liabilities			
Trade and other payables	18	13,874	11,132
Current tax liabilities		1,739	606
Bank overdrafts and borrowings		26,966	16,774
Provisions	19	561	429
Other liabilities		951	1,260
Total current liabilities		44,091	30,201
Total liabilities		**81,171**	**62,213**
TOTAL EQUITY AND LIABILITIES		**98,722**	**67,952**

AAA AUTO GROUP N.V.
CONSOLIDATED INCOME STATEMENT
FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005 (EUR '000)

	Notes	2006	2005
Revenue	3	**348,417**	**269,863**
Other income		914	837
Gain on acquisition of subsidiaries		1,281	
Work performed by the Group and capitalized		5,987	4,216
Cost of goods sold		(284,518)	(220,187)
Advertising expenses		(9,618)	(10,461)
Employee benefits expenses	6	(31,118)	(23,032)
Depreciation and amortization expense		(2,382)	(1,952)
Other expenses	5	(16,408)	(12,706)
Finance cost	7	(2,854)	(3,005)
Profit before tax		**9,701**	**3,573**
Income tax expense	8	(2,633)	(1,204)
Profit for the year		**7,068**	**2,369**
Attributable to:			
Equity holders of the parent		6,864	2,512
Minority interest		204	(143)

AAA AUTO GROUP N.V.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005 (EUR '000)

	Share capital	Equity reserve	Foreign currency translation reserve	Retained earnings	Equity attributable to holders of the parent	Minority interest	Total equity
Balance at 1. 1. 2005	**18**	**46**	**240**	**1,210**	**1,514**	**1,122**	**2,636**
Exchange differences arising on translation of foreign operations			345		345	60	405
Net income (expense) recognized directly in equity			345		345	60	405
Profit for the year				2,512	2,512	(143)	2,369
Total recognized income and expense			345	2,511	2,856	(83)	2,774
Increase of share capital and cover of losses of minority interest						329	329
Balance at 31. 12. 2005	**18**	**46**	**585**	**3,721**	**4,370**	**1,369**	**5,739**
Exchange differences arising on translation of foreign operations			1,086		1,086	56	1,142
Net income (expense) recognized directly in equity			1,086		1,086	56	1,142
Profit for the year				6,864	6,864	204	7,068
Total recognized income and expense			1,086	6,864	7,950	260	8,210
Issue of new ordinary shares on transferring the Company to N.V. entity	4,982				4,982		4,982
Business combinations involving entities under common control		402			402	(1,558)	(1,156)
Sale of subsidiary		(157)	(119)	119	(157)	(67)	(224)
Balance at 31. 12. 2006	**5,000**	**291**	**1,551**	**10,704**	**17,546**	**4**	**17,550**

AAA AUTO GROUP N.V.
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005 (EUR '000)

	31. 12. 2006	31. 12. 2005
Cash flows from operating activities		
Profit for the period	7,068	2,369
Adjustments for:		
Income tax expense	2,632	1,204
Depreciation and amortization expense	2,382	1,952
Expense recognized in profit or loss in respect of provisions	583	751
(Gain)/loss on disposal of property, plant and equipment	494	(52)
Interest revenue	(151)	(139)
Interest expense	2,631	2,086
Net foreign exchange (gain)/loss	(203)	681
Gain on acquisition of subsidiaries	(1,296)	
Decrease/(increase) in inventories	(8,081)	(8,771)
Decrease/(increase) in receivables and other assets	(5,439)	(3,647)
Increase/(decrease) in payables and other liabilities	(483)	(1,739)
Interest paid	(1,146)	(1,810)
Interest received	46	11
Income tax paid	(1,455)	(924)
Net cash provided by operating activities	(2,418)	(8,028)
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired	(1,946)	
Payments for property, plant and equipment	(15,092)	(8,569)
Proceeds from disposals of property, plant and equipment	1,636	1,656
Net cash used in investing activities	(15,402)	(6,913)
Cash flows from financing activities		
Proceeds from issue of share capital	4,982	
Proceeds from borrowings	29,386	18,662
Repayment of borrowings	(16,113)	(4,226)
Payment of finance lease liabilities	(309)	(276)
Net cash from financing activities	17,946	14,160
Net increase (decrease) in cash and cash equivalents	**126**	**(781)**
Cash and cash equivalents at beginning of year	**2,968**	**3,645**
Effect of exchange rate changes on the balance of cash held in foreign currencies	42	104
Cash and cash equivalents at end of year	**3,136**	**2,968**

Notes to the Consolidated Financial Statements
for the Year Ended 31 December 2006

Note 1 – GENERAL INFORMATION

AAA Auto Group N.V. (the "Company") was incorporated as a private company with limited liability on 12 December 2003 under the name Automobil Group B.V. On 29 December 2006, Automobil Group B.V. was converted into a public company with limited liability and changed its name to AAA Auto Group N.V. The address of the Company's registered office is De Boelelaan 7, 1083HJ, Amsterdam, the Netherlands.

The sole shareholder of the company is Automotive Industries S.A.R.L. Ave. JR. Kennedy 46a, Luxembourg. The ultimate controlling party is Mr Anthony James Denny.

The main activity of the Company is to act as a holding, finance and services company for its subsidiaries. The principal activity of the Group (including the Company and its subsidiaries) is the sale of used and new cars. The Group also cooperates with third parties in the insurance and financial sectors to provide, on a professional level, a range of related services such as credits, loans, insurance, roadside assistance, leasing etc.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis for preparation

The consolidated financial statements of AAA Auto Group N.V. and all of its subsidiaries (the Group) have been prepared in accordance with International Financial Reporting Standards (IFRS). No consolidated financial statements under other GAAP were prepared previously. The Group has adopted all Standards (IFRS/IAS) and Interpretations (IFRIC/SIC) issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2006.

At the date of authorization of these consolidated financial statements, the following Standards and Interpretation were in issue but not yet effective:

- IAS 23 *Borrowing Costs* (amendment) (effective for annual period beginning on or after 1 January 2009). The revision to IAS 23 removes the option of immediately recognising as an expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. A qualifying asset is one that takes a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalise such borrowing costs as part of the cost of the asset. The Group will apply this amendment to IAS 23 from 1 January 2009, but it is not expected to have any material impact on the Group's financial position and result of its operations.

- IFRS 7 *Financial Instruments: Disclosures and the complementary Amendment to IAS 1 Presentation of Financial Statements – Capital Disclosures* (effective for annual period beginning on or after 1 January 2007). IFRS 7 introduces new and widespread disclosures relating to financial instruments and financial risks. This standard does not have any impact on the classification and valuation of the Group's financial instruments. The Group will apply IFRS 7 from 1 January 2007, but it is not expected to have any material impact on the Group's financial position and result of its operations.

- IFRS 8 *Operating segments* (effective for annual period beginning on or after 1 January 2009). IFRS 8 requires an entity to adopt the 'management approach' to reporting on the financial performance of its operating segments. Generally, the information to be reported would be what management uses internally for evaluating segment performance and deciding how to allocate resources to operating segments. Such information may be different from what is used to prepare the income statement and balance sheet. Therefore, IFRS 8 requires explanations of the basis on which the segment information is prepared and reconciliations to the amounts recognised in the income statement and balance sheet. The Group will apply IFRS 8 from 1 January 2009, but it is not expected to have any impact on the Group's financial position and result of its operations. However, it will result in different segment disclosures.

- IFRIC 7 *Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies* (effective for annual period beginning on or after 1 March 2006). IFRIC 7 provides guidance on how to apply the requirements of IAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. As none of the group entities have a currency of a hyperinflationary economy as its functional currency, IFRIC 7 is not relevant to the Group's operations;

- IFRIC 8 *Scope of IFRS 2* (effective for annual period beginning on or after 1 May 2006). IFRIC 8 requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued – to establish whether or not they fall within the scope of IFRS 2. The Group will apply IFRIC 8 from 1 January 2007, but it is not expected to have any impact on the Group's financial position and result of its operations.

- IFRIC 9 *Reassessment of Embedded Derivatives* (effective for annual period beginning on or after 1 June 2006). IFRIC 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. As the Group does not present any embedded derivatives, IFRIC 9 is not currently relevant to the Group's financial position and result of its operations.

- IFRIC 10 *Interim Financial Reporting and Impairment* (effective for annual period beginning on or after 1 November 2006). IFRIC 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply IFRIC 10 from 1 January 2007, but it is not expected to have any impact on the Group's financial position and result of its operations.

- IFRIC 11 *IFRS 2: Group and Treasury Share Transactions* (effective for annual period beginning on or after 1 March 2007). IFRIC 11 requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity-instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments needed are obtained. IFRIC 11 also provides guidance on whether share-based payment arrangements, in which suppliers of goods or services of an entity are provided with equity instruments of the entity's parent should be accounted for as cash-settled or equity-settled in the entity's financial statements. The Group will apply IFRIC 11 from 1 January 2008, but it is not expected to have any impact on the Group's financial position and result of its operations.

- IFRIC 12 *Service Concession Arrangements* (effective for annual period beginning on or after 1 January 2008). IFRIC 12 relates to the arrangements whereby a government or other public sector entity grants contracts for the supply of public services – such as roads, airports, prisons and energy and water supply and distribution facilities – to private sector operators. Control of the assets remains in public hands but the private sector operator is responsible for construction activities, as well as for operating and maintaining the public sector infrastructure. IFRIC 12 addresses how service concession operators should apply existing IFRS to account for the obligations they undertake and rights they receive in service concession arrangements. As the Group does not provide public services under the concession arrangement, IFRIC 12 is not relevant to the Group's operations.

- IFRIC 13 *Customer Loyalty Programmes* (effective for annual period beginning on or after 1 July 2008). IFRIC 13 provides guidance on how to account for loyalty programmes that are used by entities as incentives for customers to buy their goods or services. If a customer buys goods or services, the entity grants the customer award credits. The customer can redeem the award credits for awards such as free or discounted goods or services. IFRIC 13 requires an entity to account for award credits as a separately identifiable component of the sales transaction(s) in which they are granted. The fair value of the consideration received or receivable in respect of the initial sale shall be allocated between the award credits and the other components of the sale. As the Group does not provide any loyalty programme, IFRIC 13 is not currently relevant to the Group's operations.

- IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective for annual period beginning on or after 1 January 2008). IFRIC 14 contains an additional explanation of how to apply the specific requirements of IAS 19 for defined benefits plan. As the Group does not operate any defined benefits plan, IFRIC 14 is not currently relevant to the Group's operations.

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain non-current assets and financial instruments.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investing entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intragroup transactions, balances, income and expenses are eliminated in full on consolidation.

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

A summary of all subsidiaries consolidated at 31 December 2006 is provided in the note 10.

Business combinations and related goodwill

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognized at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, which are recognized and measured at fair value less costs to sell.

Any excess of the cost of a business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognized as goodwill. If, after reassessment, the Group's interest in the net fair value of the acquirers' identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized directly in profit or loss.

Goodwill initially recognized, at the acquisition date, as an asset at cost is subsequently measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the business combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the corresponding amount of goodwill is included in the determination of the profit or loss on disposal.

The minority interest in the acquiree, when it is not wholly-owned by the Group, is initially, at the acquisition date, measured at the minority's proportion of the net fair value of the acquiree`s identifiable assets, liabilities and contingent liabilities recognized.

Revenue

Revenue is measured at the fair value of consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, value-added tax and provisions for returns and cancellations.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sale of goods – cars and spare parts
The Group primarily operates as a seller of used and new cars. A secondary business activity classified as sale of goods is the sale of spare parts. Sales of goods and spare parts are recognized when a group entity sells a car to the customer and significant risks and rewards of ownership of the goods are transferred to the customer, which usually means delivery of a relevant car to the customer. Car sales are ordinarily in cash.

Rendering of services – car repairs and maintenance
The Group sells car repair and maintenance services to customers who have purchased a car from a group entity. These services are provided on a time and material basis or as a fixed-price contract.

Revenue from fixed-price contracts for rendering repair and maintenance services is generally recognized in the period the services are provided, using a straight-line basis over the term of the contract.

Rendering of services – commission
As a complement to car sales, the Group mediates various financial services such as leasing underwriting, arranging for bank credits, insurance and other services such as road assistance. The Group receives a commission from this activity that is recognized as revenue when a relevant service is rendered.

Interest revenue
Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognized using the original effective interest rate.

Dividend revenue
Dividend revenue from investments is recognized when the Group`s right to receive payment has been established.

Leases

Assets held under finance leases – lease agreements that transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item to lessee – are recognized as assets at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the leassor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter and the ownership is not transferred to lessee by the end of the lease term, over the term of the relevant lease.

Leases where the leassor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

Foreign Currency Translation

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates ('the functional currency'). For the purpose of consolidated financial statements, the results and financial position of each entity are expressed in EUR, which is the functional currency of the Company and the presentation currency for the consolidated financial statements of the Group.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences (gains and losses) arising on the settlement of monetary items and on translating monetary items denominated in foreign currencies are recognized in profit or loss in the period in which they arise.

For the purpose of presenting consolidated financial statements:

- the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing at the balance sheet date,
- income and expense items of the Group's foreign operations are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transaction are used,
- exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Retirement benefit costs

The Group neither operates any pension plan nor contributes to any voluntary contribution retirement benefit plans.

All retirement benefit costs of the Group represent mandatory social security and health insurance premiums paid by subsidiaries on behalf of their employees.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

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

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. The tax bases are determined by reference to the tax returns of each entity in the group. Consolidated tax return has not been filed. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the period when the deferred tax liability is settled or the deferred tax asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Intangible Assets

Intangible assets acquired separately

All acquired intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Cost includes both the purchase price and all directly attributable costs of bringing the asset to working condition for its intended use.

Each intangible asset is assessed by the Group to determine whether its useful life is finite or indefinite and, if finite, the length of that useful life. An intangible asset shall be regarded by the Group as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group.

Intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful lives or the agreement terms. Intangible assets with indefinite useful life are not amortized. However, they are regularly tested for impairment (see note "Impairment of tangible and intangible assets excluding goodwill").

The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis on the Group's financial position and performance presented.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognized separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and any accumulated impairment losses, on the same basis as intangible assets acquired separately.

Property, Plant and Equipment

Property, plant and equipment (PPE) are stated at cost less any accumulated depreciation and, where necessary, any accumulated impairment losses. Cost consists of acquisition cost and all directly attributable costs of bringing the asset to working condition for its intended use.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives using the straight-line method, as follows (except for items mentioned in the first paragraph below the table):

Class of property, plant and equipment	Year
Buildings	10–50
Company cars	3–6
Plant, equipment and furniture	3–12

Property, plant and equipment with a value up to 350 EUR is recognized as expense when the purchase occus. Property, plant and equipment with a cost between 350 EUR and 1400 EUR is depreciated over a period of 18 months. Property, plant and equipment held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis on the Group's financial position and performance presented.

Repair and maintenance expenses that ensure the achievement of the estimated useful life, production capacity and productivity are recognized in the profit or loss of the period in which they are incurred. The purchase costs of significant renewals and improvements of any property, plant and equipment are recognized as an asset when it is probable that a future economic benefit, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revaluated amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revaluated amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories include purchase price, related costs of acquisition (transport, registration fees, etc.) and direct materials and, where applicable, direct labour costs that have been incurred in bringing the inventories to their present location and condition. Net realizable value represents the estimated selling price for inventories, determined by historic experience and detailed analyses of the cars on stock according to their ageing, less all estimated costs of completion and estimated costs necessary to make the sale.

The costs of inventories are primarily assigned by using specific identification of their individual costs (particularly for merchandise – cars). Where the specific identification of costs is inappropriate (e.g. for spare parts), the costs are assigned to inventories held using the first-in, first-out formula.

Financial Instruments

Financial assets and financial liabilities are recognized on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset (liability) and of allocating interest revenue (expense) over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (payments) through the expected life of the financial asset (liability), or, where appropriate, a shorter period.

Interest revenue (expense) is recognized on an effective interest basis for debt instruments other than those financial assets designated as at fair value through profit or loss.

Financial assets

Investments are recognized and derecognized on a trade date when the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. The subsequent measurement (fair value, amortized cost or cost) depends on the classification specified below.

Financial assets are classified into the following specified categories: financial assets designated as 'at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit and loss (FVTPL)

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if the specific conditions of IAS 39 are met.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortized cost using the effective interest method less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Available for sale financial assets
Available for sale financial assets are non-derivative financial assets that are designated as such, or that are not classified in any of the other categories. After initial recognition these assets are measured at fair value with gains or losses being recognized as a separate component of equity (investments revaluation reserve) with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognized directly in profit or loss. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the investments revaluation reserve is included in profit or loss.

Dividends on AFS equity instruments are recognized in profit or loss when the Group's right to receive payments is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that result from a change in amortized cost of the asset is recognized in profit or loss, and other changes are recognized in equity.

Financial assets without fair value
Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any impairment.

Impairment of financial assets
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity as investments revaluation reserve. Furthermore, impairment losses recognized by equity investments that are stated at cost shall not be reversed.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less. For the purpose of the consolidated cash flow statement, bank overdrafts are also included within cash and cash equivalents.

Financial liabilities and equity instruments issued by the Group

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities. The classification is determined at the time of initial recognition.

Financial liabilities at fair value through profit or loss (FVTPL)
Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if the specific conditions of IAS 39 are met.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. Subsequent measurement is based on amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. This classification of liabilities includes liabilities such as:

Bank and corporate borrowings
Bank and corporate borrowings represent interest-bearing liabilities (debt) that are recognized at the proceeds received, net of direct issue costs. Any difference between the initial measurement and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Trade Payables
Trade payables represent, usually current and non-interest bearing, liabilities resulting from business activities of the Group.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in financial statements.

Business combinations under common control

In 2004, the Group acquired several companies from related parties that are controlled by the same entity as the Group. These business combinations are defined in IFRS 3 as business combinations under common control and are not included in the scope of IFRS. Therefore, the management of the Group decided to use the accounting policy where the net assets acquired are measured at the acquiree's carrying amounts (not fair value as IFRS 3 requires) and the difference between the cost and the carrying amount of net assets acquired is recognized directly in equity within the equity reserve. No goodwill is recognized in the Group's consolidated balance sheet. The Group's consolidated income statement is also not affected by the accounting for these business combinations at the date of acquisition.

Consolidation of controlled entities

These consolidated financial statements include accounts of the companies – GENERAL AUTOMOBIL, a.s. and KAPITÁL AUTOMOTIVE a.s. that are not owned by the Group but by the Company. However, the companies are controlled by the Group, mostly through the board of directors. The business activity of the companies lies in acquisitions of new entities for the Group's extension. Therefore, the management's decision to consolidate these companies is in accordance with the IFRS condition of control. At the end of 2006, these two companies were owned by the Company.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment

The Group presents property, plant and equipment, intangible assets and goodwill. These assets are tested for impairment when circumstances indicate there may be a potential impairment. Factors the Group considers important which could trigger an impairment review include the following, significant fall in market values; significant underperformance relative to historical or projected future operating results; significant changes in the use of its assets or the strategy for its overall business, including assets that are decided to be phased out or replaced and assets that are damaged or taken out of use, significant negative industry or economic trends; and significant cost overruns in the development of assets.

Estimating recoverable amounts of assets must in part be based on management evaluations, including estimates of future performance, revenue generating capacity of the assets, assumptions of the future market conditions and the success in marketing new products and services. Changes in circumstances and in management's evaluations and assumptions may give rise to impairment losses in the relevant periods.

Depreciation and amortization

Depreciation and amortization is based on management estimates of the future useful life of property, plant and equipment and intangible assets. Estimates may change due to technological developments, competition, changes in market conditions and other factors and may result in changes in the estimated useful life and in the amortization or depreciation charges. Technological developments are difficult to predict and the Group's views on the trends and pace of development may change over time. Some of the Group's assets and technologies, in which the Group invested in previous years, are still in use and provide the basis for the Group`s new products. The future useful life of property, plant and equipment and intangible assets is reviewed periodically taking into consideration the factors mentioned above and all other important factors. The estimated useful life for similar type of assets may vary between different entities in the Group due to local factors as growth rate, maturity of the market, history and expectations for replacements or transfer of assets, climate, quality of components used, etc. In case of significant changes in the Group's estimated useful lives, depreciation and amortization charges are adjusted prospectively.

The Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. In making its judgement for the remaining useful life of these assets management considered the conclusions from employees responsible for technical maintenance of assets.

In connection with depreciation the Group also reviews the estimated residual value of property, plant and equipment, particularly company cars and buildings. A possible change of residual value leads to an adjustment in depreciation expense.

Provisions

The Group measures provisions at the management's best estimate of the expenditure required to settle the obligation at the balance sheet date. These estimates are made, taking account of information available and different possible outcomes.

During normal course of business tax issues arise which can have a material impact on the financial statements. Such risks lead to possible obligations. The management believes that the Company has satisfactory fulfilled all its tax obligations.

Inventories

At each reporting date, the net realizable value is determined as the expected selling price of cars (goods) in stock less the estimated costs necessary to make the sale. If the estimated net realizable value is under the carrying amount, the write-down is recognized as an expense.

Note 3 – REVENUE

An analysis of the Group's revenue for the year (excluding investment revenue) is as follows:

	2006 EUR '000	2005 EUR '000
Revenue from the sale of goods		
Cars	313,297	241,081
Spare parts	507	324
Total	313,804	241,405
Revenue from the rendering of services		
Commissions revenue (leasing, insurance)	28,355	24,712
Services (car repairs, maintenance, other)	6,258	3,746
Total	34,613	28,458
Total	**348,417**	**269,863**

Note 4 – SEGMENT REPORTING

Business segments

Due to the fact that nearly all of the sales of the Group represent used cars supplied to a similar customer base, the Group has the opinion that it operates within one business segment. The new car sales business that the Group is also engaged in is immaterial in both turnover and profits and services provided by the Group are linked together with the sale of the cars. Therefore, the Group is organized only into one business segment – the sale of cars (including related services). The information relating to this business segment results from the consolidated financial statements as a whole.

Geographical segments – primary reporting format

The Group's main business activity – the sale of cars – is provided through three principal geographical areas – the Czech Republic, Slovakia, and the rest of Europe (including Hungary, Poland, and Romania). Romania, Hungary, or Poland do not constitute a separate reportable segment as their financial results, sales and total assets are not material in comparison to the geographical segments identified.

The inter-segment transfer prices (resulting in inter-segment sales) are based on "cost plus" methodology, consisting of purchase price, transport costs and other directly attributable costs and approximately 1% profit margin.

The Geographical segment information for year 2006 and 2005 is as follows:

2006	Czech Republic	Slovakia	Rest of Europe [1]	Elimination	Consolidated
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Revenue					
External sales	241,554	71,535	35,329		
Inter-segment sales	23,240	228	15	(23,483)	
Total Revenue	264,794	71,763	35,344	(23,483)	348,417
Result					
Segment result	8,175	4,617	(140)	(98)	12,554
Unallocated expenses					(2,854)
Profit before tax					9,701
Income tax expense					(2,632)
Profit for the year					7,068

Note:
[1] Including Hungary, Poland and Romania.

Other information	Czech Republic	Slovakia	Rest of Europe [1]	Unallocated	Eliminations	Group
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Segment assets	59,230	20,030	21,803	39,761	(42,102)	98,722
Segment liabilites	13,528	4,392	6,181	98,799	(41,728)	81,172
Capital expenditure	5,645	5,350	4,294			
Depreciation	1,974	262	161			
Non-cash expenses other than depreciation	3,105	640	1,385			

Note:
[1] Including Hungary, Poland and Romania.

2005	Czech Republic	Slovakia	Rest of Europe [1]	Elimination	Consolidated
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Revenue					
External sales	219,702	36,606	13,555		
Inter-segment sales	20,702	138	2,594	(23,434)	
Total Revenue	240,404	36,744	16,149	(23,434)	269,863
Result					
Segment result	5,054	1,657	(237)	103	6,577
Unallocated expenses					(3,004)
Profit before tax					3,573
Income tax expense					(1,204)
Profit for the year					2,369

Note:
[1] Including Hungary, Poland, the Netherlands and Romania.

Other information	Czech Republic	Slovakia	Rest of Europe [1]	Unallocated	Eliminations	Group
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Segment assets	53,573	9,353	3,272	10,718	(8,964)	67,952
Segment liabilities	12,566	2,580	1,432	54,249	(8,614)	62,213
Capital expenditure	5,838	2,378	270	82		
Depreciation	1,817	89	46			
Non-cash expenses other than depreciation	1,215	347	476			

Note:
[1] Including Hungary, Poland, the Netherlands and Romania.

Note 5 – OTHER EXPENSES

	2006 EUR '000	2005 EUR '000
Material used	2,884	2,064
Energy	763	590
Repairs	149	193
Travel expenses	911	722
Rent	2,976	2,315
Communication expenses	1,655	1,459
Transport services	1,152	901
Consulting services (tax, legal, audit and accounting)	1,049	476
Taxes and fees	542	346
Insurance	454	411
Loss on disposal of property, plant and equipment	565	52
Write down of inventories to NRV	652	760
Other expenses	2,656	2,417
Total other expenses	**16,408**	**12,706**

Note 6 – EMPLOYEE BENEFITS EXPENSE

The Group's employee benefits expense is composed only of short-term employee benefits as follows:

	2006 EUR '000	2005 EUR '000
Wages and salaries	22,895	16,966
Social security costs	8,223	6,067
Total short-term employee benefits expense	31,118	23,033
Less: employee benefits expense capitalized	(5,985)	(4,216)
Total	**25,133**	**18,817**

Employee benefits expense that is directly attributable to the purchase of inventories is capitalized and recognized as a component of the initial measurement of inventories.

Compensation of key management personnel

Key management personnel include members of the Board of Directors, Supervisory Board and Executive Directors of the Group.

In 2006, the key management personnel included 19 persons (in 2005: 22).

The remuneration of the Group's key management personnel comprised only short-term benefits of EUR 1,484,000 (2005: EUR 981,000).

	2006 EUR '000	2005 EUR '000
Wages and salaries	1,023	600
Social security costs	358	210
Other remuneration	103	171
Total	**1,484**	**981**

Note 7 – FINANCE COSTS

	2006 EUR '000	2005 EUR '000
Interest on bank overdrafts and loans	2,608	2,149
Interest on obligations under finance leases	23	32
Less: amounts included in the cost of qualifying assets		(95)
Total interest expenses	**2,631**	**2,086**
Net foreign exchange (gain)/losses	(202)	681
Other (various fees)	425	238
Total financial costs	**2,854**	**3,005**

Borrowing costs included in the cost of qualifying assets during the year arose on funds borrowed specifically for the purpose of obtaining a qualifying asset and therefore are determined as the actual borrowing costs incurred on that borrowing during the period.

In particular, borrowing costs included in the cost of qualifying assets during 2005 relate to the acquisition of the premises in Bratislava, where the Slovakian branch AUTOCENTRUM AAA AUTO a.s. carries out its business.

Information regarding interest rates on borrowings is included in note 15.

Note 8 – INCOME TAX EXPENSE (BENEFIT)

	2006 EUR '000	2005 EUR '000
Current tax expense	2,418	1,026
of which: adjustment in respect of current income tax of previous periods		26
Deferred tax expense	214	178
Total tax expense	**2,632**	**1,204**

Corporation tax in the Czech Republic is calculated at 24% (2005: 26%) of the assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The charge for the year can be reconciled to the profit per the income statement as follows:

	2006 EUR '000	2005 EUR '000
Profit before tax	9,701	3,573
Expected income tax expense	2,447	1,062
Permanent differences and unrecognized tax losses	(29)	(37)
Total income tax expense	2,418	1,025
Effective income tax rate	25%	29%

Expected income tax expense is calculated for each individual subsidiary accordingly to their national jurisdiction.

Note 9 – EARNINGS PER SHARE (EPS)

Basic earnings per share amounts are calculated by dividing the profit for the year attributable to the ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Individual variables used in the calculation are as follows:

	2006	2005
Profit for the year attributable to equity holders of the parent (equals earnings used in the calculation of total basic earnings per share)	6,863,711	N/A
Weighted average number of ordinary shares	50,000,000	N/A
Basic / Diluted earnings per share (EUR/share)	0.137	N/A

For the year ended 31 December 2005, the earnings per share calculation is not applied (N/A) because the form of the company had a closed group of shareholders unlike the new form. The Company was incorporated as a private company with limited liability on 12 December 2003 under the name Automobil Group B.V. On 29 December 2006, Automobil Group B.V. was converted into a public company with limited liability and changed its name AAA Auto Group N.V.

The Company has not issued any instruments that could potentially dilute basic earnings per share. Therefore, the ratio of diluted earnings per share is not calculated separately and it equals the ratio of basic earnings per share.

Note 10 – CONSOLIDATED ENTITIES

Details of the Company's subsidiaries whose financial statements are consolidated and included the consolidated financial statements as at 31 December 2006 are as follows:

Company	Country of registration	Principal activity and incorporation	Proportion of ownership interest (%)
AAA AUTO a.s.	Czech Republic	used car sales	100.0%
AUTOCENTRUM AAA AUTO s.r.o.	Czech Republic	non-active	100.0%
European Auto Sales s.r.o.	Czech Republic	non-active	100.0%
AAA AUTO PRAHA s.r.o.	Czech Republic	non-active	100.0%
WOTEG GWG-Group, a.s.	Czech Republic	real estate owner	100.0%
ASKO, spol. s r.o.	Czech Republic	new car sales	95.0%
AUTO DISKONT s.r.o.	Czech Republic	used car sales	100.0%
AUTOBAZAR VÝHODNÝ s.r.o.	Czech Republic	non-active	100.0%
MEDIA ACTION s.r.o.	Czech Republic	advertising and PR services	100.0%
GENERAL AUTOMOBIL, a.s.	Czech Republic	new car sales	100.0%
GENERAL AUTOMOBIL ZLÍN s.r.o.	Czech Republic	new car sales	100.0%
KAPITÁL AUTOMOTIVE a.s.	Czech Republic	financing company	100.0%
European Auto Sales Kft.	Hungary	non-active	100.0%
AAA AUTO Kft.	Hungary	holding company	100.0%
Autocentrum AAA AUTO Kft.	Hungary	used car sales	100.0%
F–23 REALTY Kft.	Hungary	real estate owner	100.0%
AUTOCENTRUM AAA AUTO a.s.	Slovakia	used car sales	100.0%
AUTO DISKONT s.r.o.	Slovakia	non-active	100.0%
AAA AUTO S.A.	Romania	used car sales	99.8%
AAA AUTO a.d.	Serbia	non-active	100.0%
AAA AUTO EOOD.	Bulgaria	non-active	100,0%
AAA AUTO Sp. z o.o.	Poland	holding company	100.0%
European Auto Sales Sp. z o.o.	Poland	non-active	100.0%
ASCORD Sp. z o.o.	Poland	non-active	100.0%
ASC Warszawa Sp. z o.o.	Poland	used cars sales	100.0%

Furthermore, the Group owns 15% of the shares in the company Global Assistance a.s., a company operating in the road assistance business. The carrying amount of the investment stands at approximately EUR 50,000. The shares of this company are not publicly traded and therefore it is not possible to provide a reliable estimate of its fair value. This equity share is included in the "Other financial assets" line within non-current assets.

The Group consolidated the company Global direct s.r.o. troughout 2006; this company was sold from the Group at the end 2006.

European Auto Sales B.V. was consolidated for the ten first months of the year 2006; after that it was sold from the Group.

Note 11 – GOODWILL AND OTHER INTANGIBLE ASSETS

	12.31.2006 EUR '000	12.31.2005 EUR '000
Goodwill	328	311
Other intangible assets	1,235	452
Amortization	(367)	(118)
Total	**1,196**	**645**

Goodwill

Cost	EUR '000
At 1 January 2005	**297**
Exchange differences	14
At 31 December 2005	**311**
Exchange differences	17
At 31 December 2006	**328**

The useful life of goodwill is an indefinite subject to impairment testing. The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

During the year, goodwill was reviewed for impairment in accordance with IFRS 3. For the purposes of this impairment review goodwill has been valued on the basis of discounted future cash flows arising in the relevant cash-generating unit. The Group prepares cash flow forecasts for the next five years. The Group performed an impairment test using discount rates between 4.73% (average interest rate of the Group's borrowings) to 25% in arriving at the value in use for the respective cash-generating unit. The impairment test showed that the value in use is higher than the accounting value of the net assets (using a discount rate between 4.73% and 25%) and therefore no impairment had to be charged. The calculation of value in use is most sensitive to the principal assumptions of discount rate, growth rates and margins achievable. The management considers the assumptions to be reasonable based on historic performance of the relevant cash generating unit and are realistic in light of economic and industry forecasts.

In 2006 the Group acquired two Polish companies, ASCORD Sp. z o.o. and ASC Warzsawa Sp. z o.o. An excess of the Group's interest in the net fair value of aquiree's identifiable assets, liabilities and contingent liabilities over cost of EUR 1,264,000 was recognized as a gain in the profit and loss statement for 2006 (see next table).

	Book value EUR '000	Fair value adjustments EUR '000	Fair value EUR '000
Tangible assets	2,028	1,257	3,285
Intangible assets	4		4
Other current assets	309	(214)	94
Cash and cash equivalents	5	(1)	4
Loans and finance leases	(510)		(510)
Minority shareholders interest			0
Other creditors	(556)	(20)	(576)
Net assets acquired	1,280	1,022	2,301
Goodwill/Excess of the Group's interest in the net fair value of aquiree's identifiable assets			(1,264)
Total consideration			1,038
Satisfied by:			
Cash			1,038
Deferred consideration			
Net cash outflow arising on acquisition:			**1,038**

Other intangible assets

COST	Software EUR '000	Trade marks EUR '000	Intangible assets in the course of acquisition EUR '000	Total EUR '000
Balance at 1 January 2005	**176**	**81**		**257**
additions	64	1	214	279
additions from internal developments	22			22
disposals			(122)	(122)
net foreign currency exchange differences	10	4	2	16
Balance at 1 January 2006	**272**	**86**	**94**	**452**
additions	687	1	706	1,394
acquisitions through business combination	12	1	1	14
disposals	(41)	(1)	(630)	(675)
net foreign currency exchange differences	35	5	7	49
Balance at 31 December 2006	**965**	**92**	**178**	**1,235**
ACCUMULATED AMORTIZATION and IMPAIRMENT	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**
Balance at 1 January 2005	(51)			(51)
amortization expense	(64)			(64)
net foreign currency exchange differences	(3)			(3)
Balance at 1 January 2006	**(118)**			**(118)**
charge for the year	(292)	(1)		(293)
eliminated on disposals	58			58
net foreign currency exchange differences	(14)			(14)
Balance at 31 December 2006	**(366)**	**(1)**		**(367)**
Carrying amount				
As at 31 December 2005	153	86	95	334
As at 31 December 2006	600	91	178	868

No impairment was charged to intangible assets during the periods presented. The amortization charge is presented in the income statement under the heading depreciation and amortization.

Useful lives of software are generally four years using the straight line method of amortization.

Useful lives of trademarks (as registered in Czech Republic) are indefinite subject to annual impairment testing. The directors consider that trademarks of the Company do not have their useful lives limited which is the main factor determining this treatment in the accounts of the Group.

The Group did not incur any research and development expenses in the periods 2006 and 2005.

The basis on which the unit's recoverable amount has been determined is value in use.

In 2006 and 2005 no intangible assets were pledged as security over payables to financial institutions.

At 31 December 2006, the group had not entered into any contractual commitments for the acquisition of intangible assets.

Intangible assets not recognized as assets

The Group controls valuable intangible assets that are not recognized as assets as they do not meet the criteria set by IAS 38 including unique know how in the field of used car sales, internally developed information systems, brand or effective trade marketing strategy.

(i) Strong brand

The Group owns some of the most recognizable and well-known used vehicle auto centres in the Czech Republic and Slovakia and the public recognition of auto centres in other countries where the Group operates is constantly rising. The brand recognition is due to our market leadership and well-developed marketing strategies.

Recognition of the brand is enhanced by effective global marketing strategy in all markets where we operate using a broad range of media. Our largest advertising medium is print, followed by radio and internet. The Group has the largest marketing budget of all used vehicle retail companies in the CEE.

(ii) "Best in class" operating practices

The Group's operating practises represent unique know-how comprising the ability to determine appropriate store formats, effectively managed pricing and inventory mix, effective trade marketing, customer driven sales process and centralized management with a locally transferable business model.

The centralized management of the Group makes it possible to achieve unified implementation of the unique business model and know-how in different markets and regions where the Group operates. The business model consists of clear guidelines and rules both as to the business processes and management system that we apply in all of our auto centres, with some adjustments to the specific local environment on a case-by-case basis. Central management creates opportunities to build and develop relationships with strategic business partners and to negotiate advantageous conditions of cooperation on an international level. Through centralizing accounting, personnel, financing and other functions we make cost savings.

While our centralized management enables us to achieve unified global decision making on a strategic level as described above, the day-to-day responsibility for auto centres in specific countries rests with the individual country managers to provide market-specific responses to sales, service, marketing and inventory requirements based on local conditions and environment. The great majority of cars are bought and sold within the same country. The local managers follow the business model of the Group while adopting its execution to local conditions.

The entire sale process, including the test drive and financing, can be completed in less than two hours, thanks to the interconnection of a call centre and sales consultants that are able to anticipate customers' needs in advance of their visit to our auto centres and prepare vehicles that correspond to their requirements or expectations. If there are no vehicles at a specific outlet that fit customers' needs, they can check the entire inventory at our "computer kiosks" available at each auto centre. Additionally, customers can check through our website inventory for vehicles that meet their model and feature requirements, as well as price range.

Our consultants use our information system to electronically check whether a specific customer meets the financing eligibility criteria (pre-scoring) and submit financing applications and receive responses from a variety of third-party lenders. Pre-scoring typically takes less than five minutes and the whole process of arranging the financing of the car for the customer usually takes 25 to 30 minutes. Customers are then able to review online the offered financing options and terms from each financing source, including the amount of financed interest rates, terms and monthly payments.

The principal focus of the call centre is to help customers to choose the most suitable car for them, provide information on car financing and arrange a personal meeting at the nearest auto centre. The Group has developed a CRM system providing the operator with a full history of all contacts and calls between the customer and the Group. If the customer is interested in a car that is not in our stock, the system is able to notify our operators automatically when such car is purchased by us and if it meets the customer's requirements. In comparison with out-sourced call centres our in-house call centre can adjust with a higher degree of flexibility to customer's preferences and demands and can support the selling processes of the Group more effectively.

Note 12 – PROPERTY, PLANT AND EQUIPMENT (PPE)

COST	Buildings and land	Company cars	Fixtures and equipment	PPE in the course of construction	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Balance at 1 January 2005	10,478	4,117	3,020	1,712	19,327
additions	5,544	2,837	924	7,341	16,647
disposals	(15)	(58)	(122)	(8,277)	(8,473)
reclassified as held for sale		(2,358)			(2,358)
net foreign currency exchange differences	618	206	158	38	1,020
Balance at 1 January 2006	16,624	4,744	3,980	815	26,163
additions	9,440	3,407	1,581	15,587	30,015
acquisitions through business combination	3,191	71	152	174	3,588
disposals	(448)	(86)	(501)	(15,813)	(16,848)
reclassified as held for sale		(2,559)			(2,559)
net foreign currency exchange differences	1,800	319	288	55	2,462
Balance at 31 December 2006	30,607	5,896	5,500	818	42,822
ACCUMULATED DEPRECIATION and IMPAIRMENT	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Balance at 1 January 2005	(381)	(662)	(941)		(1,985)
depreciation expense	(232)	(734)	(916)		(1,882)
eliminated on disposals	2	13	43		57
eliminated on reclassification as held fore sale		506			506
net foreign currency exchange differences	(24)	(45)	(58)		(127)
Balance at 1 January 2006	(636)	(922)	(1,873)		(3,431)
depreciation expense	(363)	(745)	(1,001)		(2,109)
eliminated on disposals	20	14	360		394
eliminated on reclassification as held fore sale	0	711	0		711
net foreign currency exchange differences	(35)	(60)	(123)		(218)
Balance at 31 December 2006	(1,014)	(1,002)	(2,637)		(4,654)
Carrying amount					
As at 31 December 2005	15,988	3,822	2,107	815	22,732
As at 31 December 2006	29,593	4,894	2,862	818	38,168

Included in the balance of fixtures and equipment are bazaar equipment, computer equipment, furniture, office equipment.

The balance of assets held for sale comprises company cars excluded from use for business purposes. From this moment those cars are not depreciated and are offered for sale for customers. As those assets are measured at the lower of cost and fair value less costs to sell, the Company recognized a loss of EUR 12,000 in 2006 (2005: EUR 10 thousand).

Additions in 2006 and 2005 are connected with the expansion of the Group's business activities and primarily include the buying of new buildings, plants and land situated in the Czech Republic, Slovakia, Hungary and Poland.

In 2005, the company Woteg s.r.o. was purchased and included in the Group. In connection with this acquisition property, plant and equipment was increased primarily by a plot of land in Ostrava. As this company did not own any other assets but the land, this transaction was treated in the consolidation as a purchase of PPE and not as a business combination under IFRS 3.

In 2006, three other acquisitions occurred: the Hungarian company F–23 REALTY Kft. and Polish companies ASCORD Sp. z o.o. and ASC Warszawa Sp. z o.o. were purchased and included in the Group. In connection with these acquisitions property, plant and equipment was increased primarily by buildings and land situated in Warsaw.

The carrying amount of the Group's PPE includes EUR 636,000 (2005: EUR 792,000) in respect of assets held under finance leases.

The Group has pledged land and buildings having a carrying amount of approximately EUR 13 million (2005: EUR 10 million) to secure banking facilities granted to the Group. Property acquired under finance leases are secured by the lessors' charges over the leased assets.

At 31 December 2006, the Group has entered into contractual commitments for the acquisition of property, plant and equipment amounting to EUR 230,000 (2005: EUR 167,000).

Note 13 – INVENTORIES

	31. 12. 2006 EUR '000	31. 12. 2005 EUR '000
Raw materials (spare parts and consumables)	1,050	943
Merchandise (cars and accessories)	37,147	28,434
Total	**38,197**	**29,377**

The cost of inventories recognized as an expense includes EUR 668,000 (2005: EUR 654,000) in respect of write-downs of inventory to net realizable value. No reversals of write-downs recorded in previous periods were carried out.

Inventories of EUR 17,429,000 (2005: EUR 10 241,000) are pledged as security for bank and other corporate borrowings that the Group uses for the financing of stock.

Note 14 – TRADE AND OTHER RECEIVABLES

	31. 12. 2006 EUR '000	31. 12. 2005 EUR '000
Trade receivables	7,000	4,497
Allowances for doubtful debts	(229)	(430)
Trade receivables, net	6,771	4,067
Prepayments	2,227	1,030
Other receivables (Tax, Employees and Accruals)	2,814	1,201
Total	**11,812**	**6,298**

The average credit period on sales of goods is 30 days and no interest is charged on these trade receivables. The Group has provided fully for all receivables over 360 days because historical experience is such that receivables that are more than 360 days overdue are generally not recoverable. Trade receivables between 30 days and 360 days are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience. The ageing method whose limits and rates are revised annually is primarily used by the Group for a calculation of allowances for bad debts. The amount resulted from the calculation is recognized in profit or loss.

The Group's management considers that the carrying amount of trade and other receivables approximates to their fair value.

Note 15 – BANK AND OTHER BORROWINGS

	2006 EUR '000	2005 EUR '000
Bank overdrafts	14,484	10,732
Bank and other loans	37,561	32,682
Stock financing	10,968	4,660
Total	**63,013**	**48,074**
The borrowings are repayable as follows:		
– On demand or within one year	26,966	16,774
– In the second year		190
– In the third to fifth years inclusive	33,867	28,793
– After five years	2,180	2,317
Less: Amount due for settlement within 12 months (current liabilities)	26,966	16,774
Amount due for settlement after 12 months (non-current liabilities)	36,047	31,300

Analysis of loans and borrowings by currency

	2006		2005	
	currency amount	EUR '000	currency amount	EUR '000
CZK	746,987	27,138	1,052,017	36,220
SKK	281,897	8,188	209,312	5,528
EUR	19,601	19,601	5,525	5,525
RON	5,073	1,512	2,943	801
HUF	988,548	3,934		
PLN	10,100	2,640		
Total		**63,013**		**48,074**

Weighted average interest rates	2006	2005
Bank overdrafts	4.16%	3.66%
Bank and other loans	4.93%	4.36%
Stock financing	4.67%	3.56%
Total weighted average interest rate	**4.71%**	**4.12%**

The directors estimate that the fair value of the Group's borrowings equals their net book value.

Bank overdrafts are repayable on demand. Overdrafts of EUR 14,485,000 (2005: EUR 10,733,000) have been secured by a charge over the Group's assets. The average effective interest rate on bank overdrafts approximates 4.16 per cent (2005: 3.66 per cent) per annum.

The Group has the following principal loans:

(i) A loan from Automotive Industries S.A.R.L. totalling EUR 19,6 million originated in 2006. This loan was assigned from Financial Acceptance Corporation B.V. at the end of 2006. The loan is not secured and carries an average interest rate 5.5%.
(ii) A revolving loan from GE Money bank of EUR 3,996,000 (2005: EUR 3 443,000) secured by stock and company cars of the Group. The bank loan carries a floating interest rate at 1M PRIBOR + 2.25% (2005: 1M PRIBOR + 2.25%) per annum.
(iii) An investment loan from VUB a.s. of EUR 4,381,000 (2005: EUR 2 641,000) that was used to construct the site in Bratislava and Žilina, Slovakia. The bank loan carries a floating interest rate at 3M BRIBOR + 1.15% (2005: 3M BRIBOR + 1.15%) per annum.

At 31 December 2006, the Group had EUR 4,958,000 (2005: EUR 4,439,000) of non drawn committed borrowing facilities available in respect of which all conditions precedent had been met.

Financial risk management

The Group's principal financial instruments comprise trade receivables, trade payables, bank and other loans, finance leases, bank overdrafts, cash and short term deposits. The main purpose of these financial instruments, other than trade receivables and trade payables, is to raise finance for the Group's operations.

The key objective of the Group Treasury department is to manage the financial risks of the business and to ensure that sufficient liquidity is available to the Group. All treasury activity operates within a formal control framework. The Board has approved treasury policies and guidelines and periodically reviews treasury activities. Additionally, it is the Group's policy that speculative treasury transactions are expressly forbidden. Currently the Group does not undertake hedging transactions.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term and short-term debt obligations. The objective of the Group's interest rate management policy is to reduce the volatility of the interest charge. Interest rate exposure is managed through an optimum mix of fixed and floating rate debt. At 31 December 2006, approximately 32 per cent (2005: 18 per cent) of the Group's borrowings are at a fixed rate of interest.

Foreign currency risk

Currency exposures arise from trading transactions undertaken by the Group in foreign currencies and on the translation of the operating results and net assets of international subsidiaries. As a result of the Group having significant operations in Czech Republic, Slovakia and Romania, its results can be affected significantly by movements in the local exchange rate vs. EUR. During the year, EUR weakened against Czech koruna, as well as Slovak koruna. The Group does not enter into instruments to hedge the translation exposure of the operating results or net assets of its subsidiaries since these are accounting and not cash exposures. However, to provide a partial hedge, net investment hedges are entered into to match, as far as possible, the currency of borrowings with the currency profile of the operating results and net assets.

Liquidity risk

The Group's objective is to ensure that there are sufficient sources of funding to meet projected requirements. Its operations are financed through a combination of retained earnings and external financing. Financing is raised principally by the local subsidiaries and from Automotive Industrie S.A.R.L. Debt is largely sourced from the bank market.

Note 16 – DEFERRED TAX

	31. 12. 2006 EUR '000	31. 12. 2005 EUR '000
Deferred tax liabilities	705	454
Deferred tax assets	129	100

The following are the major deferred tax liabilities and assets recognized by the Group and movements thereon during the current and prior reporting period:

	2006		2005	
	Asset EUR '000	Liability EUR '000	Asset EUR '000	Liability EUR '000
Accelerated tax depreciation	54	697	2	398
Allowances for doubtful debts	161		21	
Write-down of inventories	19	156	24	53
Payables	15	2		
Other	1			
Unused tax losses carried forward	30		76	
Consolidation adjustments				26
Total gross deferred taxes	280	855	123	477
Set off [1]	(151)	(150)	(23)	(23)
Total net deferred taxes	**129**	**705**	**100**	**454**

Note:
[1] Gross deferred tax assets and liabilities were offset for each individual subsidiary of the group when applicable.

Temporary differences arising in connection with interests in associates are insignificant.

Unused tax losses for which no deferred tax asset is recognized

	31. 12. 2006 EUR '000	31. 12. 2005 EUR '000
Unused tax losses for which no deferred tax asset is recognised	1,671	1,032

At the balance sheet date, the Group has unused tax losses of EUR 2,048,000 (2005: EUR 2,054,000) available for offset against future profits. A deferred tax asset has been recognized in respect of EUR 377,000 (2005: EUR 1,022,000) of such losses. No deferred tax asset has been recognized in respect of the remaining EUR 1 671,000 (2005: EUR 1,032,000) due to the unpredictability of future profit streams. The losses may be carried forward generally over five years.

In 2006 and 2005 there were no benefits arising from previously unrecognized tax losses and other temporary differences which were not considered for deferred tax calculation in previous periods. No write down or reversal of a previous write down of a deferred tax asset was recognized in 2006 and 2005.

Note 17 – OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	31. 12. 2006 EUR '000	31. 12. 2005 EUR '000	31. 12. 2006 EUR '000	31. 12. 2005 EUR '000
not later than 1 year	235	248	220	229
later than 1 year and not later than 5 years	354	274	328	259
	589	522	548	488
Less future finance charges	(41)	(34)	–	–
Present value of minimum lease payments	548	488	548	488

It is the Group's policy to lease most of its company cars, fixtures, equipment, and tow trucks under finance leases. The average lease term is 3–4 years. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Lease obligations are denominated in Czech koruna and in Slovak koruna.

The fair value of the Group's lease obligations approximates their carrying amount.

The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

Note 18 – TRADE AND OTHER PAYABLES

	31. 12. 2006 EUR '000	31. 12. 2005 EUR '000
Trade payables	8,075	6,619
Accrued employee compensation	1,805	1,125
Tax payables and social security	2,411	1,185
Accrued expenses	894	1,146
Other payables	689	1,057
Total	**13,874**	**11,132**

The average credit period on purchases of certain goods or services is 60 days and no interest is charged on these trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

The Group's management considers that the carrying amount of the trade payables approximates to their fair value.

Main items of accrued expenses include not yet invoiced audit services and utilities.

Note 19 – PROVISIONS

	31. 12. 2006 EUR '000	31. 12. 2005 EUR '000
Employee benefits	500	428
Law suits	62	2
Total	**562**	**430**

Movements in each class of provision during 2006 and 2005 were as follows:

	Employee benefits EUR '000	Law suits EUR '000	Total EUR '000
Balance at 1 January 2005	**330**	**2**	**332**
Amounts used	(330)		(330)
Additional provisions recognized	428		428
Balance at 1 December 2006	**428**	**2**	**430**
Amounts used	(428)		(428)
Additional provisions recognized	500	60	560
Balance at 31 December 2006	**500**	**62**	**562**

This note has to be read in relationship with note 24 "contingencies".

The provision for employee benefits represents annual leave accrued. The amount recognized as a provision in each year is utilized when employees use up their paid vacation, or when they leave the Company.

Most of the law suits concern clients who sued the Group because of a car defect after the purchase of the car. Generally, the Group wins this kind of suits and if it loses then the Group buys back the car from the client with a non-material loss (see contingency 24 a). Additionally, the Group is involved in a law suit regarding the use of the trade mark AAA AUTO in Slovakia. There is a risk that the Group cannot use this trade mark in Slovakia any more. But if it happens it will not have a financial impact (see contingency 24 c).

Provisions for law suits include a provision in the amount of EUR 16,000 for a law suit with the Hungarian Competition Office. In June 2007, a Hungarian court decided that the Group's slogan used in Hungary had a misleading nature and levied a penalty of approximately EUR 16,000 (see contingency 24 d).

Note 20 – OPERATING LEASE ARRANGEMENTS

The Group leases under operating leases mainly land, offices, parking places, show-rooms, billboards and flats. The operating lease expense amounted to EUR 2,976,000 (2005: 2,315,000).

The Group has an option to purchase a built up land in Most, Czech Republic after the expiry of the lease in 2012.

The Group did not enter into any non cancellable operating lease commitments.

Note 21 – SHARE CAPITAL

The authorized capital amounts to EUR 25,000,000 divided into 250,000,000 shares with a par value of EUR 0.1 per share of which 50,000,000 shares were issued and fully paid-up. The increase of capital of EUR 4,982,000 from EUR 18,000 to EUR 5 million was paid by a contribution in kind by the settlement of a loan from the shareholder, Automotive Industries S.A.R.L. to the Company.

The only shareholder of the Company is Automotive Industries S.A.R.L. The Company has one class of ordinary shares which carry no right to fixed income.

The reserves arise on translation of financial statements from local currency of the subsidiaries of the Group into the presentation currency.

Note 22 – RESERVES

Equity reserve	2006 EUR '000	2005 EUR '000
Balance at beginning of year	46	46
Acquisition of:		
General Automobil Group	115	
KAPITÁL AUTOMOTIVE Group	287	
Sale of		
Global Direct s.r.o.	(157)	
Balance at end of year	**291**	**46**

The equity reserve arises on business combination involving entities under common control. These business combinations are not within the scope of IFRS 3. Therefore, the Group (as the acquirer) does not recognize the acquiree's identifiable net assets at fair value, but carrying amount. If the acquisition cost does not equal the acquirer's interest in the carrying amount of net assets purchased, the resulting difference (gain or loss) is recognized directly in equity within the equity reserve. No goodwill is recognized in the Group's consolidated balance sheet. The Group's consolidated income statement is also not affected by the accounting for these business combinations at the date of acquisition.

Foreign currency translation reserve	2006 EUR '000	2005 EUR '000
Balance at beginning of year	584	240
Translation of foreign operations	1,086	344
Gain recycled on disposal of foreign subsidiary	(119)	
Balance at end of year	**1,551**	**584**

Exchange differences relating to the translation from the functional currencies of the Group's foreign subsidiaries into EUR are brought to account by entries made directly to the foreign currency translation reserve.

Note 23 – BUSINESS COMBINATIONS

	Date acquired	Voting equity instruments acquired	Cash paid on acquisition net of cash acquired
ASCORD Sp. z o.o.	24 August 2006	100%	EUR 726,707
ASC Warzsawa Sp. z o.o.	24 August 2006	100%	EUR 293,232
AUTO DISKONT Group [1]	30 June 2006	100%	EUR 12,634

Note:
[1] AUTO DISKONT Group consists of AUTO DISKONT s.r.o., AUTOBAZAR VÝHODNÝ s.r.o and AUTO DISKONT s.r.o. Slovakia.

ASC Warzsawa Sp. z o.o., ASCORD Sp. z o.o.

On August 24, 2006, the Group acquired 100% of the issued share capital of ASC Warzsawa Sp. z o.o. and 100% of the issued share capital of ASCORD Sp. z o.o. for cash consideration of EUR 1,016,028.

The reason of this acquisition was to acquire valuable property owned by ASC Warzsawa Sp. z o.o., which is a 100% subsidiary of ASCORD Sp. z o.o. ASCORD Sp. z o.o. has no assets except 100% of the shares in ASC Warzsawa Sp. z o.o.

Therefore for the purposes of consolidation, the acquisition of these two companies is treated as a single transaction.

	Book value (EUR '000)	Fair value adjustments (EUR '000)	Fair value (EUR '000)
Tangible assets	2,028	1,257	3,285
Intangible assets	4		4
Other current assets	308	(214)	94
Cash and cash equivalents	5	(1)	4
Loans and finance leases	(510)		(510)
Other creditors	(556)	(20)	(576)
Net assets acquired	1,280	1,022	2,301
Excess of the Group's interest in the net fair value of acquiree's net assets over cost			(1,264)
Total consideration already satisfied in cash			1,038
Net cash outflow arising on acquisition:			**1,038**

AUTO DISKONT Group

Since 1 July 2006, the Company has controlled entities included in AUTO DISKONT Group:

a) AUTO DISKONT s.r.o. (seated in the Czech Republic and the parent of two following companies)
b) AUTOBAZAR VYHODNY s.r.o. (seated in the Czech Republic)
c) AUTO DISKONT s.r.o. (seated in Slovakia).

The group was wholly acquired by United Pension Fund B.V., which is a related party of the Company and both companies are under common control. The aim of the whole acquisition was divided into two steps.
The first step was the acquisition of AUTO DISKONT Group where the acquirer was United Pension Fund B.V. The next step consisted of a transaction between companies under common control in which the Company acquired AUTO DISKONT Group from United Pension Fund B.V. This transaction was concluded in December 2006, just before the end of the year. So control and ownership is held by the Company at the end of 2006. However, AUTO DISKONT Group has been consolidated since 1 July 2006.

	Book value (EUR '000)	Fair value adjustments (EUR '000)	Fair value (EUR '000)
Tangible assets	293	9	302
Intangible assets	15		15
Other current assets	1,211	10	1,221
Cash and cash equivalents	130		130
Loans and finance leases	(367)		(367)
Other creditors	(1,214)	(38)	(1,252)
Net assets acquired	67	(18)	49
Goodwill/Excess of the Group's interest in the net fair value of acquiree's identifiable assets			(32)
Total consideration already satisfied in cash			13
Net cash outflow arising on acquisition:			**13**

Note 24 – CONTINGENCIES

Contingent liabilities

The Company is involved in several court disputes which may result in a settlement. These disputes relate to the following:

a) Disagreements on a liability of the Company for cars sold with no material impact.
b) Proceedings with leasing companies – the Group is convinced that this case will be won.
c) Proceedings regarding the use of the trade mark AAA AUTO in Slovakia. The potential risk is that the Group will not be allowed to use the trade mark; if it loses this case – the Company will not have any or extra costs.
d) Other proceedings with a maximum financial effect of EUR 82,000.

Contingent assets

The Group is involved as a plaintiff in legal proceedings as follows:

- Breach of a future contract for sale of a land in Ostrava; the estimated financial impact is 70,000 EUR.
- Proceedings over unpaid amounts due from customers for used cars; the estimated financial impact is 95,000 EUR.

Note 25 – RELATED PARTY TRANSACTIONS

The Group is wholly owned and controlled by Automotive Industries S.A.R.L. (incorporated in Luxembourg), which does not produced any consolidate financial statements (including the Company), only separate financial statements. The ultimate controlling party is Mr Anthony James Denny.

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in these notes. Details of transactions between the Group and other related parties are disclosed below.

Trading transactions

During 2006 and 2005 the group entered into the following trading transactions with related parties that are not members of the Group:

Purchases and sales of goods and services

	Sale of goods and services		Purchase of goods and services		Amounts owed by related parties		Amounts owed to related parties	
	2006 EUR '000	2005 EUR '000	2006 EUR '000	2005 EUR '000	31. 12. 2006 EUR '000	31. 12. 2005 EUR '000	31. 12. 2006 EUR '000	31. 12. 2005 EUR '000
AUTOMOBILE GROUP a.s., v likvidaci	4	3				4	283	278
Automotive Industries S.A.R.L.								
CAPITAL INVESTMENTS s.r.o.	1		12	53	1		15	22
Central European Models s.r.o.	5		1		1	2		
CENTRAL INVESTMENTS s.r.o.	21	2,859	2,846	8,341	47	39	90	82
CREDIT INVESTMENTS s.r.o.	1		11	10	1			4
CZECH INVESTMENTS, spol. s r.o. v likvidaci		39	5		1	1	15	15
Česká Miss s.r.o.						2		
European Auto Sales – Utrecht	11		4		22		52	
GLOBAL CAR CHECK s.r.o.	5			1	2	28	10	
GLOBAL CAR RENTAL s.r.o.	17	1	1		2	1		
GLOBAL CAR SERVICE s.r.o.	3				2	5		
GLOBAL DIRECT S.R.L.		1			2	1	2	
GLOBAL DIRECT s.r.o.	78		86		1			
KAPITAL KREDIT s.r.o. v likvidaci	7	436	6	7	3	9	9	5
Miss Marketing s.r.o.	47	181	59	50	247			1
Mr. Gary Mazzotti		17				1		
Mrs. Helena Denny					8	1		
PRIORITY INVESTMENTS s.r.o.	1	3			1	4		
YES CAR CREDIT s.r.o.	3				2			
Total	**204**	**3,540**	**3,035**	**8,462**	**343**	**98**	**476**	**407**

Sales of goods to related parties were made at the Group's purchase prices plus a mark up of up to 5%. Purchases were made at market price discounted to reflect the quantity of goods purchased and the relationships between the parties. Sales and purchases related mainly to sales and purchases of used cars, and property rentals.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given. The company received guarantees from the following related parties: CAPITAL INVESTMENTS s.r.o., CENTRAL INVESTMENTS s.r.o. and from PRIORITY INVESTMENTS s.r.o. in order to secure bank loans. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

In 2006, CAPITAL INVESTMENTS s.r.o. invoiced the Company for guarantees given and the Company invoices the related party for accounting and administrative services. Moreover, in 2005, Capital Investments s.r.o. invoiced the Company for renting a building in Troja (Prague).

In 2005 and in 2006, KAPITAL KREDIT s.r.o. bought new cars which were sold to the Company. Moreover, the Company invoiced KAPITAL KREDIT for accounting and administrative services provided.

During both years, the Company invoiced the related party Miss Marketing s.r.o. for advertising, purchase of equipment and furniture and rental of cars while the related party invoiced the Company for marketing services and rental (only in 2006). Miss Marketing s.r.o. was sold out of the Group in 2007.

During 2005 and 2006, CENTRAL INVESTMENTS s.r.o. invoiced the Company for guarantees given, for sales of cars and for rental of flats in Prague and the Company invoiced the related party for accounting and administrative service and for sales of cars.

The Company owned to the related party AUTOMOBILE GROUP a.s. (in dissolution proceedings) an amount of EUR 283 thousands at end of 2006 (EUR 278 thousand at end of 2005) due to the payment of the shares of AUTOCENTRUM AAA AUTO a.s. by this related party.

Loans to and borrowings from related parties

	Loans to related parties		Borrowings from related parties	
	31. 12. 2006 EUR '000	31. 12. 2005 EUR '000	31. 12. 2006 EUR '000	31. 12. 2005 EUR '000
Automotive Industries S.A.R.L.			19,601	
CAPITAL INVESTMENTS s.r.o.	496	503		
Central European Models s.r.o.		136		
CENTRAL INVESTMENTS s.r.o.	4,755	2,724		
CZECH INVESTMENTS, spol. s r.o. v likvidaci				630
Financial Acceptance Corporation B.V.				17,503
Miss Marketing s.r.o.	18	737		
Total	**5,269**	**4,100**	**19,601**	**18,133**

The conditions of the loans and borrowings were as follows:

	Amounts repayable	Interest rate
Automotive Industries S.A.R.L.	within 1 year	(1)
CAPITAL INVESTMENTS s.r.o.	within 1 year	2.1%
Central European Models s.r.o.	within 1 year	7.2%
CENTRAL INVESTMENTS s.r.o.	within 1 year	1.4%
CZECH INVESTMENTS, spol. s r.o. v likvidaci	1–5 years	1.4%
Miss Marketing s.r.o.	1–5 years	7.2%

Note:
(1) The interest rate on the loans from Automotive Industries s.a.r.l. carried in 2006 partly a fixed interest between 2% and 5% and partly a variable interest rate of PRIBOR+2% or BRIBOR+2.5%.

Other financial assets include loans granted to related parties in the amount of EUR 5.26 million for financing the purchase of real estate in Prague. These properties have been pledged as a security for certain bank loans of the Group. Beginning 2007, these properties were sold with the intention to repay the loans to the Group.

Note 26 – EVENTS AFTER THE BALANCE SHEET DATE

In February 2007, the Company acquired F–22 INVEST Kft. for EUR 846,000. The amount of consideration represents the carrying value of the property. This acquisition was not treated as a business combination as the only asset of F–22 INVEST Kft. is a plot of land. F–22 INVEST Kft. did not carry out any business activity except for the leasing of the land. Consequently this acquisition is out of the scope of IRS 3 Business combination and for consolidation purposes will be treated as a purchase of PPE.

On the 28th of June, 2007 General Meeting of AAA AUTO a.s. and AUTOCENTRUM AAA AUTO a.s. decided about payment of dividend to the Company in the amount of CZK 157.8 million (EUR 5.5 million) from AAA AUTO a.s. and SKK 80.0 million (EUR 2.4 million) from AUTOCENTRUM AAA AUTO a.s. Subsequently General Meeting of the Company decided about payment of dividend to Automotive Industries S.A.R.L. in the amount of EUR 7.9 million.

On the 30th of June, an agreement was concluded between AAA AUTO a.s. and Automotive Industries S.A.R.L. in which the two following receivables were assigned by AAA Auto a.s. to Automotive Industries S.A.R.L.

(i) receivable of AAA AUTO a.s. to the related company CENTRAL INVESTMENTS s.r.o. for an amount of CZK 113.0 million

(ii) receivable of AAA AUTO a.s. to the related company CAPITAL INVESTMENTS s.r.o. for an amount of CZK 12.6 million

On the 30th of June, 2007 an agreement was concluded between the Company, AAA AUTO a.s. and Automotive Industries S.A.R.L. regarding the settlement for a total amount of CZK 125.6 million (EUR 4.4 million) of

- the assignment of receivable of AAA AUTO a.s. to Automotive Industries S.A.R.L.
- the liability from payment of dividend from AAA AUTO a.s. to the Company.
- the liability from payment of dividend from the Company to Automotive Industries S.A.R.L.

The remaining part of dividend payment in the amount of EUR 3.5 million remains as the Company liability against Automotive Industries S.A.R.L. On the 30th of June, 2007 it was agreed between the Company and Automotive Industries S.A.R.L. that the amount of dividend payment from AUTOCENTRUM AAA AUTO a.s. in the amount of EUR 2.40 million shall be converted into a shareholders loan. As of 31 December 2006, shareholders loan to the Company was equal to an amount of EUR 19.65 million and as the result of this agreement the shareholders loan to the Company increased to EUR 22.01 million as of 30 June 2007. The Company intends to use part of the net proceeds from the Offering to partially repay the shareholders loan, including accrued interest, in an aggregate amount of up to approximately EUR 8.5 million.

On 12 July 2007, the Company signed a letter of intent in order to purchase 100% of the shares of the limited liability company H&K Partners s.r.o. The potential amount of the transaction will be approximately CZK 51 million (EUR 1.8 million). This company operates two Opel and Hyundai dealerships (new and used cars) in the Czech Republic (Kladno and Prague 6).

The Company has entered into a contract on a future contract for purchasing a real estate property and for construction works for an auto centre in Poland with expected completion term in spring 2008. The total cost of this project is expected to be EUR 2 million, of which 70% will be covered by a bank loan.

By the date of release of these consolidated financial statements, the Group opened the following new branches:

Czech Republic	Teplice, Tábor, Chomutov, Kolín, Hradec Králové and Most
Slovakia	Nitra, Lučenec, Trenčín
Poland	Lodz
Hungary	Pecs, Budaors
Romania	Brasov

Note 27 – APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements of the Company will be approved by the annual meeting of shareholders and authorized for issue.

Persons Responsible for the Annual Report

RESPONSIBILITY FOR THE ANNUAL REPORT

Affirmation:
The information disclosed in the Annual Report of AAA AUTO Group for 2006 is truthful; no material circumstances which could affect an accurate, correct assessment of AAA AUTO Group have been omitted or misrepresented.

Prague, 17 August 2007

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