

REPORTS AND FINANCIAL STATEMENTS

EMRO Finance Ireland Limited

FOR THE YEAR ENDED 31 DECEMBER 2005

EMRO Finance Ireland Limited
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

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EMRO Finance Ireland Limited

DIRECTORS AND OTHER INFORMATION

DIRECTORS

Robert Burke
Sinead Keaveney
Gian Enrico Venturini (Italian)
Marco Righi Nicli (Italian)
Paolo Zanni (Italian)

**SECRETARY AND
REGISTERED OFFICE**

AIB International Financial Services Limited
AIB International Centre
International Financial Services Centre
Dublin 1.

AUDITORS

Deloitte & Touche
Chartered Accountants
Deloitte & Touche House
Earlsfort Terrace
Dublin 2.

BANKERS

Allied Irish Bank plc
International Financial Services Centre
Dublin 1.

Banca Popolare dell'Emilia Romagna
(Europe) International SA
30 Bld. Royal
L-2449 Luxembourg.

Banca Popolare Dell' Emilia Romagna S.C.
Via Aristotele 195
41110 Modena (MO)
Italy.

SOLICITORS

McCann Fitzgerald
2 Harbourmaster Place
Custom House Dock
Dublin 1.

EMRO Finance Ireland Limited

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

PRINCIPAL ACTIVITY

EMRO Finance Ireland Limited (the "Company") is an international financial services company engaged in the trading of financial instruments and in lending activities. The company is a subsidiary of an Italian banking Group, Banca Popolare dell'Emilia Romagna S.C..

REVIEW OF THE DEVELOPMENT OF THE BUSINESS

The company is part of a group which was required to implement International Financial Reporting Standards (IFRS) with effect from 1 January 2005. The directors decided to implement IFRS in the financial statements of the company for the year ended 31 December 2005. The effects of applying IFRS for the first time are disclosed in the notes to the Financial Statements.

During the year the level of the activity has increased and therefore the performance of the company was in line with market expectation. It is the intention of the directors to continue to develop and increase the current activities of the company.

FINANCIAL RISK MANAGEMENT

With regard to the general accounting policies, further detail are provided in the notes to the financial statements. Considerations related to the financial risks factors and the company policy are provided in Note 17 to the financial statements.

RESULTS FOR THE YEAR AND STATE OF AFFAIRS AS AT 31 DECEMBER 2005

The income statement and balance sheet for the year ended 31 December 2005 are set out on pages 14 and 16 respectively. The company made a profit for the year of €13,373,000 (2004: €8,486,000). Net assets at 31 December 2005 amounted to €159,911,000 (2004: €145,466,000). Total dividends of €5,000,000 (2004: €Nil) were paid during the year.

Adoption of IFRS has resulted inter alia in a decrease of the First Time Adoption reserve by an amount of €9,958,000 and an increase in gross profit by an amount of €1,486,000 arising from the translation at historic rates of component parts of the reserve representing capital contributions received which are denominated in currencies other than euro. These several amounts of capital contribution are denominated respectively in the currencies in which they were received and which match in each case the currency of denomination of the relative asset funded. While the directors take the view that it would be more fitting in terms of measuring true profit to translate each separate currency component of the total capital contribution at closing rates, as occurs in the case of translating the relative asset values, they are nonetheless advised that IFRS requires the capital contribution to be regarded as quasi-equity and that each non-euro component of it must be translated to euro, the presentation currency, at the historic rate of exchange prevailing at the time of original contribution. The directors consider the result of using historic rates to be anomalous and have taken the view that it merited mention in their report.

POST BALANCE SHEET EVENTS

No significant events have occurred since the balance sheet date which would materially affect the financial position of the company as disclosed in the financial statements.

EMRO Finance Ireland Limited

DIRECTORS' REPORT (CONTINUED)

DIRECTORS AND SECRETARY

The directors and secretary of the company are set out on page 2. There was no change to the directors or secretary during the year.

DIRECTORS' AND SECRETARY'S INTERESTS

The directors had the following interests in the share capital of the company, the parent company and fellow subsidiaries at 31 December 2005 and at 31 December 2004:

Shares in Banca Popolare Dell' Emilia Romagna S.C.

	31 December 2004	31 December 2005
Marco Righi Nicli	100	100
Gian Enrico Venturini	66	66

Other than as stated above, none of the directors, the secretary or their families had any interest in the share capital of the company or of any group company at 31 December 2005 or 31 December 2004.

There have been no contracts or arrangements entered into during the year in which a director was materially interested and which were significant in relation to the business of the company.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the financial statements in accordance with applicable Irish law and those International Financial Reporting Standards as adopted by the European Union.

The directors are required to prepare financial statements for each financial year which present fairly the financial position of the company and the financial performance and cash flows of the company. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures in compliance with the specific requirements in IFRS which are sufficient to enable users to understand the impact on particular transactions, other events and conditions on the entity's financial position and financial performance;
- state that the company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper books of accounts which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements are prepared in accordance with the Companies Acts, 1963 to 2005. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

EMRO Finance Ireland Limited
DIRECTORS' REPORT (CONTINUED)

POLITICAL DONATIONS

The Company made no political donations during the period.

AUDITORS

The auditors, Deloitte & Touche, Chartered Accountants, have signified their willingness to continue in office in accordance with Section 160(2) of the Companies Act, 1963.

Signed on behalf of the Board:

Gian Enrico Venturini
Director

Robert Burke
Director

27 March 2006

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EMRO Finance Ireland Limited

We have audited the financial statements of EMRO Finance Ireland Limited (the "Company") for the year ended 31 December 2005 which comprise the Income Statement, the Statement of Recognised Income and Expense, the Balance Sheet, the Cash Flow Statement, the Statement of Accounting Policies and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the company's members, as a body, in accordance with Section 193 the Companies Act 1990. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the financial statements, as set out in the Directors' Report in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union.

Our responsibility, as independent auditors, is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with International Financial Reporting Standards, and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2005. We also report to you whether in our opinion: proper books of account have been kept by the company; whether, at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the company; and whether the information given in the directors' report is consistent with the financial statements. In addition, we state whether we have obtained all information and explanations necessary for the purposes of our audit and whether the company's balance sheet and profit and loss account are in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and directors' transactions is not disclosed and, where practicable, include such information in our report.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the financial statements. The other information comprises only the Director's Report. Our responsibilities do not extend to other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
EMRO Finance Ireland Limited (Continued)**

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with IFRSs, of the state of the affairs of the company as at 31 December 2005 and of the profit for the year then ended; and
- have been properly prepared in accordance with the Companies Acts, 1963 to 2005.

We have obtained all the information and explanations we considered necessary for the purpose of our audit. In our opinion proper books of account have been kept by the company. The company's balance sheet and its income statement are in agreement with the books of account.

In our opinion the information given in the directors' report is consistent with the financial statements.

The net assets of the company, as stated in the balance sheet are more than half the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2005 a financial situation which, under Section 40(1) of the Companies (Amendment) Act, 1983, would require the convening of an extraordinary general meeting of the company.

Deloitte & Touche
Chartered Accountants and Registered Auditors
Dublin

27 March 2006

STATEMENT OF ACCOUNTING POLICIES

The following accounting policies are applied consistently in dealing with items which are considered material in relation to the company's financial statements:

ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The financial statements have, for the first time, been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB. The date of transition to IFRS for the Company and the date of its opening IFRS balance sheet was 1 January 2005. On initial adoption of IFRS, the Company applied the following exemptions from the requirements of IFRS and from their retrospective application as permitted by IFRS 1 "First-time Adoption of International Financial Reporting Standards" (IFRS 1).

Compound financial instruments – the Company has not separated compound instruments between liability and equity components, as required by International Accounting Standard (IAS) 32, where the liability component was not outstanding at 1 January 2004. Irish GAAP does not permit compound instruments to be separated between liability and equity components on issue.

Implementation of IAS 32 and IAS 39 – as allowed by IFRS 1, the Company has not restated its 2004 income statement and balance sheet to comply with IAS 32 and IAS 39.

IFRS 1 prohibits retrospective application of some aspects of IFRS:

Hedge accounting – hedging relationships of a type that does not qualify for hedge accounting under IAS 39 are not reflected in the Company's opening IFRS balance sheet.

The Company has adopted the Amendment to IAS 39 "The Fair Value Option" issued by the IASB in June 2005 with effect from 1 January 2005.

In preparing the Company's income statement and balance sheet 2004, Irish GAAP principles then current have been applied to the financial instruments. The main differences between Irish GAAP and IFRS on financial instruments are summarised in note 20.

BASIS OF PREPARATION

The financial statements have been prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2005 and on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, held for trading financial assets and financial liabilities, financial assets and financial liabilities that are designated as fair value through profit or loss, and available-for-sale financial assets.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION

Interest income on financial assets that are classified as loans and receivables, available-for-sale and interest expense on financial liabilities other than those at fair value through profit or loss, is determined using the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the expected life of the asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount.

Financial assets and financial liabilities held for trading and financial assets and liabilities designated as fair value through profit or loss are recorded at fair value. Changes in fair value are recognised through profit or loss together with dividends and interest receivable and payable.

Commission income receivable on Letters of Credit, Promissory Notes and Bills of Exchange on a contractual basis is recognised as the right to accrues over the life of the contract.

INCOME AND EXPENDITURE

Income and expenditure are included on an accruals basis.

TAXATION

Corporation tax is provided on taxable profits at current rates.

Deferred tax is accounted for in full for all temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the taxable profit will be available against which the deductible temporary difference can be utilised.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

FINANCIAL ASSETS

Financial assets are classified into held-for-trading, designated as fair value through profit or loss, loans and receivables or available-for-sale financial assets:

Held-for-trading – a financial asset is classified as held-for-trading if it is acquired principally for the purpose of selling in the near term, or forms part of a portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking, or it is a derivative (not in a qualifying hedge relationship). Held-for-trading financial assets are recognised at fair value with transaction costs being recognised through profit or loss and are subsequently measured at fair value. Gains and losses on held-for-trading financial assets are recognised through profit or loss as they arise.

Designated at fair value through profit or loss – financial assets that the Company designate on initial recognition as being at fair value through profit or loss are recognised at fair value with transaction costs being recognised in profit or loss and are subsequently measured at fair value. Gains and losses on financial assets that are designated at fair value through profit or loss are recognised through profit or loss as they arise.

Financial assets may be designated as at fair value through profit or loss only if such designation: (a) eliminates or significantly reduces a measurement or recognition inconsistency; or (b) applies to a group of financial assets, financial liabilities or both that the Company manages and evaluates on a fair value basis; or (c) relates to an instrument that contains an embedded derivative which is not evidently closely related to the host contract.

Loans and receivables – non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market are classified as loans and receivables except those that are classified as held for trading or designated as fair value through profit or loss. Loans and receivables are initially recognised at fair value plus directly related transaction costs. These are subsequently measured at adjusted cost using the effective interest method (see Revenue Recognition above) less any impairment losses.

Available-for-sale – financial assets that are not classified as held for trading; designated at fair value through profit and loss; or loans and receivables are classified as available for sale. Financial assets can be designated as available-for-sale on initial recognition. Available-for-sale financial assets are initially recognised at fair value plus directly related transaction costs. They are subsequently measured at fair value. Exchange differences resulting from retranslating the amortised cost of monetary available-for-sale financial assets denominated in a foreign currency are recognised in profit or loss. Other changes in the fair value of available-for-sale financial assets are reported in a separate component of shareholder's equity. Interest using the effective interest rate (see Revenue Recognition above) is recognised in profit or loss.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

IMPAIRMENT OF FINANCIAL ASSETS

The company assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets classified as available-for-sale or loans and receivables is impaired. A financial asset or portfolio of financial assets is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset has adversely affected the amount or timing of future cash flows from the asset.

Financial assets carried at amortised cost – if there is objective evidence that an impairment loss on a financial asset or group of financial assets classified as loans and receivable has been incurred, the company measures the amount of the loss as the difference between the carrying amount of the asset and the estimated future cash flows from the asset. Impairment losses are assessed individually for financial assets that are individually significant and collectively for assets that are not individually significant. In making collective assessment of impairment, financial assets are grouped into portfolios on the basis of similar risk characteristics.

Impairment losses are recognised in profit or loss and the carrying amount of the financial asset or group of financial assets reduced by establishing an allowance for impairment losses. If in a subsequent period the amount of the impairment loss reduces and the reduction can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance.

FINANCIAL LIABILITIES

A financial liability is classified as held-for-trading if it is incurred principally for the purpose of repurchasing or selling out in the near term, or forms part of a portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking, or it is a derivative (not in a qualifying hedge relationship). The Company designates certain financial liabilities on initial recognition as liabilities at fair value through profit or loss. Held-for-trading financial liabilities and financial liabilities designated at fair value through profit or loss are recognised at fair value with transaction costs being recognised in profit or loss. Subsequently they are measured at fair value. Gains and losses are recognised through profit or loss as they arise. All other financial liabilities are measured at amortised cost using the effective interest method (see Revenue Recognition above).

Fair value for a net open position in a financial liability that is quoted in an active market is the current offer price times the number of units of the instrument held or issued. Fair values for financial liabilities not quoted in an active market are determined using appropriate valuation techniques including discounting future cash flows, option pricing models and other methods that are consistent with accepted economic methodologies for pricing financial liabilities.

Financial liabilities may be designated as at fair value through profit or loss only if such designation: (a) eliminates or significantly reduces a measurement or recognition inconsistency; or (b) applies to a group of financial assets, financial liabilities or both that the Company manages and evaluates on a fair value basis; or (c) relates to an instrument that contains an embedded derivative which is not evidently closely related to the host contract.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

SALE AND REPURCHASE TRANSACTIONS

Securities which have been sold with an agreement to repurchase continue to be shown on the balance sheet and the sale proceeds recorded as a deposit where the Company retains substantially all the risks and rewards of ownership of the securities. Securities acquired in reverse sale and repurchase transactions are not recognised on the balance sheet and the purchase price is treated as a loan if the Company is not exposed to the risks and rewards of ownership.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are recognised initially, and subsequently measured at fair value. Derivative fair values are determined from quoted prices in active markets where available. Where there is no active market for an instrument, fair value is derived from prices for the derivative's components using appropriate pricing or valuation models.

A derivative embedded in a contract is accounted for as a stand-alone derivative if its economic characteristics are not closely related to the economic characteristics of the host contract unless the entire contract is carried at fair value through profit or loss.

Gains and losses arising from changes in fair value of a derivative are recognised as they arise in profit or loss unless the derivative is the hedging instrument in a qualifying hedge.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprises cash on hand and demand deposits with banks together with short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The reported results of the Company are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. The Company's principal accounting policies are set out on pages 8 to 13. Irish company law and IFRS requires the Directors, in preparing the Company's financial statements, to select suitable accounting policies, apply them consistently and make judgments and estimates that are reasonable and prudent. Where accounting standards are not specific and management have to choose a policy, IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" requires them to adopt policies that will result in relevant and reliable information in the light of the requirements and guidance in IFRS dealing with similar and related issues and the IASB's Framework for the Preparation and Presentation of Financial Statements.

The judgements and assumptions involved in the Company's accounting policies that are considered to be the most important to the portrayal of its financial condition are discussed below.

EMRO Finance Ireland Limited

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE

Financial instruments classified as held-for-trading or designated as at fair value through profit or loss and financial assets classified as available-for-sale are recognised in the financial statements at fair value. All derivatives are measured at fair value. In the balance sheet, financial assets carried at fair value are included within available-for-sale investments, financial assets designated at fair value through profit and loss, and loans and receivables. Financial liabilities carried at fair value are included within derivative financial instruments. Derivative financial instruments are shown separately on the face of the balance sheet. Gains or losses arising from changes in fair value of financial instruments classified as held-for-trading or designated as at fair value through profit or loss are included in the income statement. Unrealised gains and losses on available-for-sale financial assets are recognised directly in equity unless an impairment loss is recognised.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair values are determined by reference to observable market prices where available and reliable. Where representative market prices for an instrument are not available or are unreliable because of poor liquidity, the fair value is derived from prices for its components using appropriate pricing or valuation models that are based on independently sourced market parameters, including interest rate yield curves, option volatilities and currency rates.

FOREIGN CURRENCIES

Transactions denominated in currencies other than Euro are recorded at the exchange rates ruling at the dates of the transactions. Resulting monetary assets and liabilities denominated in other currencies are translated using the exchange rates prevailing at the balance sheet date. Non-monetary items denominated in foreign currencies that are stated at fair value are translated into Euro at foreign exchange rates ruling at the dates the values were determined. Translation differences arising on non-monetary items measured at fair value are recognised in profit or loss except for differences arising on available-for-sale non-monetary financial assets.

Profits and losses arising from currency translation and on settlement of amounts receivable and payable in other currencies are dealt with in the profit and loss account.

The reserve arising from capital contributions denominated in other currencies which are used to fund assets in those currencies are translated at the rate at which the contribution was received. Under IAS 32, the capital contribution is treated as equity and under IAS 21, it is recorded initially at the exchange rate ruling at the date of receipt and is not retranslated subsequently under IAS 21.

PLANT AND EQUIPMENT

Plant and equipment are recorded at purchase cost less accumulated depreciation and impairment losses.

Depreciation is calculated at the percentage of the cost of the plant and equipment as follows:

Computer equipment	25%
Office equipment	25%
Motor vehicles	20%

EMRO Finance Ireland Limited
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	2005 €'000	2004 (Restated) €'000
Operating income	2	32,580	25,115
Operating expenses	3	(1,180)	(1,161)
OPERATING PROFIT		<u>31,400</u>	<u>23,954</u>
Interest payable and similar charges	4	(16,110)	(14,248)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	<u>15,290</u>	<u>9,706</u>
Taxation on profit on ordinary activities	7	(1,917)	(1,220)
PROFIT FOR THE FINANCIAL YEAR		<u><u>13,373</u></u>	<u><u>8,486</u></u>

The financial statements were approved by the Board of Directors on 27 March 2006 and signed on its behalf by:

Gian Enrico Venturini)	
)	DIRECTORS
Robert Burke)	

EMRO Finance Ireland Limited

STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE YEAR ENDED 31 DECEMBER 2005

		2005	2004
	Notes	€'000	(Restated) €'000
Available-for-sale investments			
Valuation gains/(losses) taken to equity	16	4,288	-
Income before tax on items recognised direct in equity		<u>4,288</u>	<u>-</u>
Tax on items recognised direct in equity	7	(536)	-
Net income recognised direct in equity		<u>3,752</u>	<u>-</u>
Profit for the year	16	13,373	8,486
Total recognised income and expense for the year		<u><u>17,125</u></u>	<u><u>8,486</u></u>

All income arises from continuing operations.

EMRO Finance Ireland Limited

**BALANCE SHEET
AS AT 31 DECEMBER 2005**

	Notes	2005 €'000	2004 (Restated) €'000
ASSETS			
NON-CURRENT ASSETS			
Plant and equipment	8	40	52
Available-for-sale investments	9	586,029	542,873
		586,069	542,925
CURRENT ASSETS			
Trade and other receivables	11	127	300
Financial assets designated at fair value through profit and loss	9	161,912	146,560
Cash and cash equivalents	12	1,571	1,102
Loans and receivables	13	178,866	173,310
		928,545	864,197
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	759,922	710,557
Derivative financial instruments	10	7,382	7,688
Current tax liabilities		463	486
Provision for deferred tax	7	867	-
		768,634	718,731
NET ASSETS		159,911	145,466
CAPITAL AND RESERVES			
Share capital	15	155	155
Capital reserves		128,166	118,208
Reserves	16	31,590	27,103
		159,911	145,466

The financial statements were approved by the Board of Directors on 27 March 2006 and signed on its behalf by:

Gian Enrico Venturini)	
)	DIRECTORS
Robert Burke)	

EMRO Finance Ireland Limited

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005**

	Notes	2005 €'000	2004 €'000
Operating activities			
Operating profit after taxation	16	13,373	8,486
Adjustments for:			
Depreciation	5	19	17
Foreign exchange loss	2	(2,416)	(698)
(Increase)/decrease in operating debtors		(5,383)	26,569
Increase in operating creditors		50,209	5,487
Income tax paid		(1,883)	(765)
Net cash inflow from operating activities		53,919	39,096
Investing activities			
(Increase) in financial assets		(48,443)	(39,707)
Purchase of property and equipment	8	(7)	(38)
Proceeds from sale of property and equipment		-	21
Cash flows from investing activities		(48,450)	(39,724)
Financing activities			
Proceeds from capital contribution		-	16,258
Repayment of capital contribution		-	(16,000)
Dividends paid	16	(5,000)	-
Cash flows from financing activities		(5,000)	258
Increase in cash and cash equivalents		469	(370)
Cash and cash equivalents 1 January		1,102	1,472
Cash and cash equivalents 31 December		1,571	1,102

EMRO Finance Ireland Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

1. OPERATIONS AND OWNERSHIP

The company is principally engaged in the trading of financial instruments.

The company is a wholly owned subsidiary of Banca Popolare dell' Emilia Romagna S.C., a company incorporated in Italy. The consolidated financial statements of the group may be obtained from Banca Popolare dell' Emilia Romagna S.C., Via s. Carlo 8/20, 41100 Modena (MO), Italy.

2. OPERATING INCOME	2005	2004 (Restated)
	€'000	€'000
Interest income and similar revenues	25,629	24,853
Commission received	602	268
Management fees	2,033	1,596
Change in fair value of securities	1,077	525
Specific provisions on financial fixed assets	-	(2,825)
Foreign exchange gain	2,416	698
Dividends received	823	-
	<u>32,580</u>	<u>25,115</u>
	<u><u>32,580</u></u>	<u><u>25,115</u></u>
3. OPERATING EXPENSES	2005	2004 (Restated)
	€'000	€'000
Operating expenses	1,180	1,161
	<u>1,180</u>	<u>1,161</u>
	<u><u>1,180</u></u>	<u><u>1,161</u></u>
4. INTEREST PAYABLE AND SIMILAR CHARGES	2005	2004 (Restated)
	€'000	€'000
On bank loans repayable on demand	10,977	9,041
On repurchase agreements	5,133	5,207
	<u>16,110</u>	<u>14,248</u>
	<u><u>16,110</u></u>	<u><u>14,248</u></u>

EMRO Finance Ireland Limited

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005**

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2005 €'000	2004 (Restated) €'000
Depreciation	19	17
Auditors' remuneration	16	16
Directors' remuneration:		
- fees	18	12
- other emoluments	205	188
Operating lease rentals	73	73
	-----	-----

Emoluments paid to the directors during the year included the remuneration paid to the general manager who also acts as an executive director.

6. STAFF NUMBERS AND COSTS

The average number of persons employed by the company during the year was 4 (2004: 4).

The aggregate payroll costs of these persons were as follows:

	2005 €'000	2004 (Restated) €'000
Wages and salaries	377	355
Social Welfare costs	57	52
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EMRO FINANCE IRELAND LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005**

7.	INCOME TAX EXPENSE	2005
		€'000
	Recognised in the income statement:	
	Current tax expense:	
	Current year	1,914
	Adjustments for prior years	3
		1,917
	Deferred tax expense:	
	Origination and reversal of temporary difference	-
	Reduction in tax rate	-
	Benefit of tax losses recognised	-
		1,917
	Total income tax expense in income statement	1,917
	Reconciliation of effective tax rate	
	Profit before tax	15,290
		1,911
	Income tax at the standard rate of corporation tax (12.5%)	1,911
	Depreciation in excess of capital allowances	1
	Non-deductible expenses	2
	Under provided in prior years	3
		1,917
		1,917
	Deferred tax recognised directly in equity – 2005	
	Relating to equity securities available for sale	(598)
	Relating to financial assets designated at fair value through profit and loss	(269)
		(867)
		(867)

EMRO Finance Ireland Limited

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005**

8. PLANT AND EQUIPMENT

	Computer Equipment €'000	Motor Vehicles €'000	Office Equipment €'000	Total €'000
Cost				
At 31 December 2004	57	35	14	106
Additions during year	7	-	-	7
Disposals during the year	-	-	-	-
At 31 December 2005	64	35	14	113
Accumulated depreciation				
At 31 December 2004	39	7	8	54
Charge for year	9	7	3	19
Released on disposal	-	-	-	-
At 31 December 2005	48	14	11	73
Net book value				
At 31 December 2005	16	21	3	40
At 31 December 2004	18	28	6	52

EMRO Finance Ireland Limited

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005**

9. FINANCIAL ASSETS	2005	2004 (Restated)
	€'000	€'000
Investments:		
Available-for-sale investments		
Fair value	586,029	542,873
	<u> </u>	<u> </u>
Financial assets designated at fair value through profit and loss		
Fair value	161,912	146,560
	<u> </u>	<u> </u>

The investments included above represent investments in quoted and unquoted securities. The fair value of the quoted securities are based on quoted market prices.

The fair value of the unquoted securities are based on the last traded prices.

10. DERIVATIVE FINANCIAL INSTRUMENTS	2005	2004 (Restated)
	€'000	€'000
Interest rate swaps	7,427	7,666
Forward contracts	(52)	16
Credit default swap	7	6
	<u> </u>	<u> </u>
<i>Analysed as:</i>		
Non-current	-	-
Current	7,382	7,688
	<u> </u>	<u> </u>
	<u>7,382</u>	<u>7,688</u>
	<u> </u>	<u> </u>

The group utilises derivative financial instruments to manage its portfolio risk.

11. TRADE AND OTHER RECEIVABLES	2005	2004 (Restated)
	€'000	€'000
Other debtors	127	300
	<u> </u>	<u> </u>

EMRO Finance Ireland Limited

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005**

12. CASH AND CASH EQUIVALENTS	2005 €'000	2004 (Restated) €'000
Cash at bank	1,571	1,102
	1,571	1,102
13. LOANS AND RECEIVABLES	2005 €'000	2004 (Restated) €'000
Loans and receivables	178,866	173,310
	178,866	173,310
Loans and receivables are shown net of any impairment.		
14. TRADE AND OTHER PAYABLES	2005 €'000	2004 (Restated) €'000
Loans from banks:		
- Group companies (a)	183,345	166,555
- Non group companies (b)	274,235	262,440
Repurchase agreements	249,321	229,021
Private placement bond issued	50,000	50,000
Other creditors	41	39
Interest payable	2,980	2,502
	759,922	710,557
(a) The loans from fellow group banking entities are repayable at maturity, unsecured, attract interest at market rates and are denominated in Euro, Sterling, US Dollars and Swedish Krona.		
(b) Third party loans are repayable at maturity, unsecured, attract interest at market rates and are denominated in Euro and US Dollars.		
15. SHARE CAPITAL	2005 €'000	2004 (Restated) €'000
Authorised:		
155 Ordinary shares of €1,000	155	155
	155	155
Allotted, called-up and fully paid:		
155 Ordinary shares of €1,000	155	155
	155	155

EMRO Finance Ireland Limited

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005**

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

RESERVES	2005	2004
	€'000	(Restated) €'000
Available-for-sale reserves		
As previously reported – Irish GAAP	-	-
Implementation of IAS 32 and IAS 39 on 1 January 2005	496	-
At 1 January as restated	<u>496</u>	<u>-</u>
Unrealised gains/(losses) in the year	4,288	-
Deferred tax relates to available-for-sale securities	(598)	-
At 31 December	<u><u>4,186</u></u>	<u><u>-</u></u>
Profit and Loss account		
As previously reported – Irish GAAP	27,103	18,617
Implementation of IAS 32 and IAS 39 on 1 January 2005	(7,803)	-
At 1 January as restated	<u>19,300</u>	<u>18,617</u>
Profit attributable to ordinary shareholders	13,373	8,486
Deferred tax relates to implementation reserve	(269)	-
Ordinary dividends paid	(5,000)	-
At 31 December	<u><u>27,404</u></u>	<u><u>27,103</u></u>
CLOSING SHAREHOLDERS' EQUITY RESERVE	<u><u>31,590</u></u>	<u><u>27,103</u></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005

17. FINANCIAL RISK MANAGEMENT

Financial Risk Factors:

Market Risk

Market Risk is the risk that changes in interest rates, foreign exchange rates, equity prices and other market prices will have an adverse impact on the Company's results. The level of market risk is influenced by the volatility and liquidity in the markets in which financial instruments are traded.

Trading Book

The company's trading books consists of derivative financial instruments (swaps), forward contracts and credit default swaps, debt securities, loans deposits and other debt obligations. The company also carries portfolios of cash and marketable financial instruments. All positions of the company are marked to market and are monitored by management.

Currency Risk

The company's exposure to currency risk is principally determined by a portfolio of non-euro financial assets which form part of the company's investments. All positions of the company are marked to market and are monitored by management.

Interest Rate Risk

The level of market risk is influenced by the volatility and liquidity in the markets in which financial instruments are traded.

Interest rate sensitivity gap analysis

The below table summarises the contractual interest rate sensitivity rate analysis gap for the Company trading and non-trading books as at 31 December 2005. It is not necessarily indicative of the positions at other times. A liability (or negative) gap position exists when liabilities reprice more quickly or in greater proportion than assets during a given period and tends to benefit the net interest income in a declining interest rate environment. An asset (or positive) gap position exists when assets reprice more quickly or in greater proportion than liabilities during a given period and tends to benefit net interest income in a rising interest rate environment.

EMRO Finance Ireland Limited

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005**

17. FINANCIAL RISK MANAGEMENT (CONTINUED)

	0-3 months	3-6 months	6-12 months	1-5 years	Over 5 years	Non- interest bearing	Total
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€'000
<u>Assets</u>							
Cash and balances at bank	1,571	-	-	-	-	-	1,571
Loans and receivables	70,554	56,009	12,353	39,855	95	-	178,866
Financial assets at fair value through profit and loss	7,093	4,117	13,272	67,237	70,193	-	161,912
Available for sale securities	-	15,052	148,750	195,669	226,558	-	586,029
Other assets	-	-	-	-	-	167	167
Total assets	79,218	75,178	174,375	302,761	296,846	167	928,545
<u>Liabilities</u>							
Repurchase agreements	131,512	117,809	-	-	-	-	249,321
Loans from banks	394,135	56,279	7,166	-	-	-	457,580
Bonds in issue	-	50,000	-	-	-	-	50,000
Derivative financial instruments	-	-	-	-	-	7,382	7,382
Other liabilities	-	-	-	-	-	3,965	3,965
Shareholder's Funds	-	-	-	-	-	160,297	160,297
Total liabilities	525,647	224,088	7,166	-	-	171,644	928,545
Interest rate sensitivity gap	(446,429)	(148,910)	167,209	302,761	296,846	(171,477)	-
Cumulative gap	(446,429)	(595,339)	(428,130)	(125,369)	171,477	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005

17. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair Values

The following table shows the fair values where different from the carrying values of financial instruments on the Company's balance sheet:

	2005 Carrying Value	2005 Fair Value	2004 Carrying Value	2004 Fair Value
	€ '000	€ '000	€ '000	€ '000
<u>Treasury and other eligible bills</u>				
Designated as at fair value through profit or loss	161,912	161,912	146,560	151,145
<u>Loans and receivables</u>	178,866	178,866	173,310	173,310
Available-for-sale Securities	586,029	586,029	542,873	543,369
<u>Derivatives at fair value</u>	7,382	7,382	7,688	10,118

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005

18. COMMITMENTS

(a) Service agreement

The company has entered into a managing agency agreement. Under this agreement the managing agency has undertaken to provide management and administration services to the company for an agreed fee. The fee for the current year is included in operating expenses.

(b) Swap agreement

The company has entered into Currency Swap agreements, Interest Rate Swap agreements and Credit Default Swap agreements in respect of nominal amounts totalling €20,000,000 (2004: €30,000,000), €116,893,000 (2004: €130,767,000) and €1,750,000 (2004: €1,515,000) respectively. With the exception of the Credit Default Swap all these off balance sheet instruments have been entered into by the company in order to hedge its exposures in relation to its investment and trade activities.

The company has also entered into option contracts to hedge trading transactions in respect of nominal amounts totalling €1,300,000 (2004: €3,875,000).

(c) Capital commitments

The company has capital commitments, to purchase investments or loan facilities, amounting to €22,876,000 at 31 December 2005 (2004: €10,516,000).

(d) Lease commitments

Operating lease commitments payable during the next twelve months amount to €73,000 (2005: €73,000) and are payable in respect of the company's premises.

19. RELATED PARTY TRANSACTIONS

As a consequence of being a wholly owned subsidiary of Banca Popolare dell' Emilia Romagna S.C. whose consolidated financial statements are publicly available, the company is exempt from the requirement of Financial Reporting Standard No 8 'Related Party Disclosures' to disclose transactions with other group undertakings.

EMRO Finance Ireland Limited

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005**

20. SIGNIFICANT DIFFERENCES BETWEEN IRISH GAAP AND IFRS ACCOUNTING POLICIES

This is the first year that the company has presented its financial statements under IFRS. The following disclosures are required in the year of transition. The last financial statements under Irish GAAP were for the year ended 31st December 2004 and the date of transition to IFRS was therefore 1st January 2005.

Reconciliation of equity at 1st January 2005 (date of transition to IFRS):

	Irish GAAP €'000	Reclassif- ication €'000	IFRS Adjustment €'000	IFRS €'000
NON CURRENT ASSETS				
Tangible fixed assets	52	-	-	52
Financial fixed assets	235,825	(235,825)	-	-
Available for sale securities	-	542,873	496	543,369
	<u>235,877</u>	<u>307,048</u>	<u>496</u>	<u>543,421</u>
CURRENT ASSETS				
Investments	443,273	(443,273)	-	-
Financial asset designated at fair value through Profit and Loss	-	146,560	4,585	151,145
Debtors	88,268	(88,268)	-	-
Loans and receivables	-	173,310	-	173,310
Cash and cash equivalents	92,153	(92,153)	-	-
Cash at bank	-	1,102	-	1,102
	<u>623,694</u>	<u>(302,722)</u>	<u>4,585</u>	<u>325,557</u>
OTHER ASSETS				
Other assets	-	300	-	300
	<u>-</u>	<u>300</u>	<u>-</u>	<u>300</u>
TOTAL ASSETS	859,571	4,626	5,081	869,278
NON-CURRENT LIABILITIES				
CREDITORS: (Amounts falling due within one year)	(714,105)	3,587	-	(710,518)
	<u>(714,105)</u>	<u>3,587</u>	<u>-</u>	<u>(710,518)</u>
CURRENT LIABILITIES				
Trade and other payables	-	(39)	-	(39)
Current tax liabilities	-	(486)	-	(486)
Derivatives Financial Instruments	-	(7,688)	(2,430)	(10,118)
	<u>-</u>	<u>(8,213)</u>	<u>(2,430)</u>	<u>(10,643)</u>
NET CURRENT LIABILITIES	-	(8,213)	(2,430)	(10,643)
	<u>-</u>	<u>(8,213)</u>	<u>(2,430)</u>	<u>(10,643)</u>
TOTAL LIABILITIES	(714,105)	(4,626)	(2,430)	(721,161)
	<u>(714,105)</u>	<u>(4,626)</u>	<u>(2,430)</u>	<u>(721,161)</u>
NET ASSETS	145,466	-	2,651	148,117
	<u>145,466</u>	<u>-</u>	<u>2,651</u>	<u>148,117</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005**

20. SIGNIFICANT DIFFERENCES BETWEEN IRISH GAAP AND IFRS ACCOUNTING POLICIES (CONTINUED)

Reconciliation of equity at 1st January 2005 (date of transition to IFRS) (continued):

	Irish GAAP	Reclassif- ication	IFRS Adjustment	IFRS
	€'000	€'000	€'000	€'000
CAPITAL AND RESERVES				
Called-up share capital	155	-	-	155
Capital contribution reserve	118,208	-	9,958	128,166
Profit and loss account	27,103	-	(7,803)	19,300
Available-for-sale reserve	-	-	496	496
	<hr/>	<hr/>	<hr/>	<hr/>
SHAREHOLDERS' FUNDS AND EQUITY	145,466	-	2,651	148,117
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes to the reconciliation of equity at 1st January 2005

Reclassification changes

The significant reclassification changes are as follows:

(a) Financial Fixed Asset and Current Assets are no longer disclosed in two single lines but have been reported under the various IFRS asset classifications:

- Financial Asset designated at fair value through Profit and Loss;
- Available for sale financial assets;
- Loans and receivables

(b) Bank deposits previously shown together with cash are now reported in the Loans and Receivables portfolio. There is no change to the carrying value of these loans and receivable as a result of implementing IFRS.

(c) The Derivatives Financial Instruments, which include interest rate swaps contract and credit default swap contract, are now shown in a separate line in the Current Assets or Liabilities depending on the positive or negative fair value.

(d) Change in shareholders' fund & equity represents the overall effect on implementation of IAS 32/39 as of 1 January 2005 from previous Irish GAAP.

Reconciliation of profit and loss for the year ended 31st December 2004:

No reconciliation has been made because there was no change in the profit and Loss of the Company for the year ended 2004 under IFRS.