

HITA-SECURITIES

INCORPORATED INVESTMENT FIRM

ZAGREB

Financial Statements as at 31 December 2012
with Independent Auditor's Report

Zagreb, April 2013

HITA-SECURITIES Inc.
ZAGREB

CONTENTS

	Page
STATEMENT OF RESPONSIBILITIES OF THE MANAGEMENT BOARD	1
INDEPENDENT AUDITOR'S REPORT	2-3
FINANCIAL STATEMENTS	
Statement of Financial Position as at 31 December 2012	
Statement of Comprehensive Income for period 1 January 2012 – 31 December 2012	
Cash Flow Statement 2012	
Statement of Changes in Equity	
Notes to the Financial Statements for 2012	

**STATEMENT OF RESPONSIBILITIES
OF THE MANAGEMENT BOARD**

Management Board is responsible for ensuring that financial statements for each financial year are prepared in accordance with International Financial Reporting Standards and accounting regulations applicable for investment companies in Republic of Croatia, so that they give a true and fair view of the financial position, operating results, changes in equity and cash flows of the Company for that period.

The Management Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the financial statements.

In preparing these financial statements, the responsibilities of the Board include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgements and estimates are reasonable and prudent;
- applicable accounting standards are followed, subject to any material departures disclosed and explained in the financial statements; and
- the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company, as well as their compliance with International Financial Reporting Standards and accounting regulations applicable for investment companies in Republic of Croatia.

The Board is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

25 April 2013

Signed on behalf of the Management Board:

Ivan Tadin

President of the Management Board

HITA-SECURITIES Inc.

Palmotićeve 2, 10000 Zagreb

HITA-SECURITIES

Incorporated Investment Firm

Zagreb, Dežmanova 5

INDEPENDENT AUDITOR'S REPORT

To Management Board and Shareholders of HIT A-SECURITIES Inc., Zagreb

We have performed the audit of the accompanying financial statements of HIT A-SECURITIES Inc., Zagreb which comprise Statement of financial position of the investment company as at 31 December 2012, Statement of comprehensive income, Statement of changes in equity and Cash flow statement for the year then ended, and summary of significant accounting policies and notes to the financial statements, prepared in accordance with Bylaw on structure and content of yearly financial statements of investment companies as issued by the Croatian Financial Services Agency (HANFA).

1. Responsibility of the Management Board for the Financial Statements

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

2. Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on the auditor's

assessment of the risks of material misstatement of the financial statements. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements as a basis for designing 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. The audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by Management Board, as well as evaluating the overall financial statement presentation and disclosures.

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

3. Opinion

In our opinion, the financial statements present true and fairly, in all material aspects, the financial position of the Company as at 31 December 2012, the results of its operations, cash flows for the year then ended, in accordance with legal requirements for financial reporting applicable for investment companies in Republic of Croatia.

4. Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 3 of Notes to the financial statements explaining the statutory change – partition with takeover.

RECONSULT d.o.o.
Trg hrvatskih velikana 4/I
10000 ZAGREB

ZAGREB, 27 April 2013

Certified auditor:

Domagoj Bakran, MA

Audit company:

Reconsult d.o.o.

FINANCIAL STATEMENTS

Form: A-ID-2 Assets						
STATEMENT OF FINANCIAL POSITION OF INVESTMENT COMPANY						
ASSETS					in HRK	
	Position number	Position description	AOP	31 December previous year	31 December 2012 pre-partition	31 December 2012 after partition
1		Intangible,tangible assets and long term investment (AOP2 to AOP8)	1	892.433	752.564	752.564
a)	000 +..+ 005	Long term intangible assets	2	859.875	739.475	739.475
b)	010 +..+ 014	Long term tangible assets	3	32.558	13.089	13.089
c)	03	Investment in joint ventures	4	0	0	0
d)	04	Investment in associates	5	0	0	0
e)	05	Investment in related companies	6	0	0	0
f)	061	Investment property	7	0	0	0
g)	other 0	Other assets	8	0	0	0
2		Cash and receivables (AOP10 to AOP15)	9	5.159.429	4.463.334	995.587
a)	100 +..+ 102	Cash	10	27.079	4.593	4.593
b)	120 +..+ 127	Receivables from investment services	11	15.284	22.715	22.715
c)	150+..+153	Loan receivables	12	0	0	0
d)	17	Deferred tax assets	13	2.460	44.727	44.727
e)	190	Prepayments and accrued income	14	4.233	23.019	23.019
f)	other 1	Other receivables	15	5.110.373	4.368.280	900.533
3		Financial assets (AOP17 to AOP19)	16	10.094.671	7.356.889	1.811.405
a)	300 + ..+ 332	Securities and financial instruments at fair value through profit and loss account	17	184.411	174.632	174.632
b)	400 +..+ 421	Securities and financial instruments available for sale	18	9.910.260	7.182.257	1.636.773
c)	500+..+532	Securities and financial instruments held to maturity	19	0	0	0
4		TOTAL ASSETS (AOP1+AOP9+AOP16)	20	16.146.533	12.572.787	3.559.556
		Off balance sheet items (AOP22+AO23)	21	22.022.894	23.003.519	23.003.519
		Client portfolio	22	19.472.894	21.453.519	21.453.519
		Other off balance sheet items	23	2.550.000	1.550.000	1.550.000
	Position number	Position description	AOP	31 December previous year	31 December 2012 pre-partition	31 December 2012 after partition
1		Equity and reserves (AOP25-AOP26+AOP27+AOP28+AOP29-AOP30+ AOP31+AOP32+AOP33)	24	4.913.850	2.214.939	2.055.421
a)	90	Share capital	25	7.400.000	7.400.000	7.250.000
b)	91	Treasury shares	26	0	0	0
c)	92	Profit reserves	27	370.000	370.000	370.000
d)	93	Capital reserves	28	0	0	0
e)	940	Retained earnings	29	102.460	202.460	202.460
f)	941	Transferred loss	30	-1.232.909	-3.541.347	-3.541.347
g)	95	Profit or loss for the period	31	-2.308.437	-2.253.861	-2.253.861
h)	96	Revaluation reserves	32	582.736	37.687	28.169
i)		Minority interest	33			
2		Liabilities (AOP35 to AOP44)	34	11.232.683	10.357.848	1.504.135
a)	200 +..+ 204	Trading liabilities	35	99.326	108.451	108.451
b)	210 +..+ 214	Liabilities from loans and advances	36	9.475.971	8.854.333	3.000
c)	220 +..+ 224	Liabilities from issues financial instruments	37	0	0	0
d)	240 +..+ 241	Trade liabilities	38	1.245.995	1.078.178	1.078.178
e)	250+..+252	Employee liabilities	39	78.730	70.791	70.791
f)	260+..+264	Liabilities for taxes and contributions	40	45.792	35.825	35.825
g)	266	Deferred tax liabilities	41	145.684	51.689	49.309
h)	27	Accruals and deferred income	42	1.598	0	0
i)	28	Provisions	43	0	0	0
j)	other 2	Other liabilities	44	139.587	158.581	158.581
3		TOTAL EQUITY AND LIABILITIES (AOP24+AOP34)	45	16.146.533	12.572.787	3.559.556
		Off balance sheet items (AOP47+AOP48)	46	22.022.894	23.003.519	23.003.519
		Client portfolio	47	19.472.894	21.453.519	21.453.519
		Other off balance sheet items	48	2.550.000	1.550.000	1.550.000

Zagreb, 25 April 2013

Form: SD-ID-4 Statement of comprehensive income

STATEMENT OF COMPREHENSIVE INCOME					in HRK	
	Position number	Position description	AOP	Same period previous year	Current period	
	700+..+717	Fee and commission income from investment services	52	3.967.265	3.185.521	
	661+..+666	Fee and commission expenses from investment services	53	1.731.419	1.574.671	
1		Net fee and commission income/expenses (AOP52-AOP53)	54	2.235.846	1.610.850	
	770	Realised gains of financial assets through profit and loss	55	23.176	1.912	
	630	Realised losses of financial assets through profit and loss	56	425	0	
2		Net realisable gains/losses (AOP55-AOP56)	57	22.751	1.912	
	760	Unrealised gains of financial assets through profit and loss	58	2.859	1.043	
	620	Unrealised losses of financial assets through profit and loss	59	538	0	
3		Net unrealised gains/losses (AOP58-AOP59)	60	2.321	1.043	
	771	Realised gains financial assets available for sale	61	1.627.517	0	
	631	Realised losses financial assets available for sale	62	1.124.100	457.927	
4		Net realised gains/losses financial assets available for sale (AOP61-AOP62)	63	503.417	-457.927	
5	622	Net value adjustment of loans and assets held to maturity	64	0	0	
6	634	Other net provisions and value adjustments	65	0	0	
	72	Interest income	66	439.809	417.006	
	65	Interest expenses	67	875.680	835.954	
7		Net interest income/expenses (AOP66-AOP67)	68	-435.871	-418.948	
	75	Positive foreign exchange differences	69	13.478	4.405	
	64	Negative foreign exchange differences	70	5.067	6.599	
8		Net foreign exchange differences (AOP69-AOP70)	71	8.411	-2.194	
	73	Income from dividends, shares in profit and other securities	72	194.564	67.163	
	ostalo iz 7	Other income	73	10.703	19.857	
9		Total other income (AOP72+AOP73)	74	205.267	87.020	
	610	Depreciation	75	327.250	321.307	
	600	Employee expenses	76	2.087.645	1.430.143	
	ostalo iz 6	Other expenses	77	2.435.684	1.324.168	
10		Total other expenses (AOP75+AOP76+AOP77)	78	4.850.579	3.075.618	
11		Total income	79	6.279.371	3.696.908	
12		Total expenses	80	8.587.808	5.950.769	
	80	Profit or loss before tax (AOP79-AOP80)	81	-2.308.437	-2.253.861	
	81	Income tax	82	0	0	
13		Profit or loss	83	-2.308.437	-2.253.861	
a)		Attributable to equity holders of the parent company	84	0	0	
b)		Attributable to minority interest	85	0	0	
14		Other comprehensive income (AOP87 to AOP92)	86	-26.799	-336.285	
a)		Change revaluation reserves (property, plant, equipment, intangible assets)	87	0	0	
b)		Actuarial gains/losses from defined receipts from pensions plans	88	0	0	
c)		Gains or losses from exchange differences on translating foreign operations	89	0	0	
d)		Unrealised gains/losses of financial assets available for sale	90	-33.499	-420.356	
e)		Gains/losses from hedging instruments	91	0	0	
f)		Income tax on other comprehensive income	92	6.700	84.071	
15		Total comprehensive income (AOP83+AOP86)	93	-2.335.236	-2.590.146	
a)		Attributable to equity holders of the parent company	94	0	0	
b)		Attributable to minority interest	95	0	0	
16		Reclassification adjustments	96	131.457	-172.854	

Note: Items under 13.a., 13.b., 15.a. and 15.b. are filled by consolidated financial statements obligators

Zagreb, 25 April 2013

Form: NT-ID-5b Cash flow statement_indirect method

CASH FLOW STATEMENT				<i>in HRK</i>
	Position description	AOP	Same period previous year	Current period
1	Net cash flows from operating activities	139	-453.496	780.588
	Profit/loss for the year - before tax	140	-3.597.919	-2.253.861
	Depreciation of long term tangible and intangible assets	141	162.445	321.307
	Value adjustment of receivables and other write-offs	142	0	0
	Provisions	143	-300.000	0
	Interest income	144	-449.527	-417.006
	Interest expenses	145	879.093	835.954
	Assets impairment	146	0	0
	Increase/decrease of receivables from trading services	147	-55.575	-7.431
	Increase/decrease other receivables	148	153.073	600.417
	Increase/decrease of financial assets at fair value through profit and loss	149	691.080	9.779
	Increase/decrease of financial assets available for sale	150	1.442.227	2.350.603
	Increase/decrease of financial assets held to maturity	151	0	0
	Increase/decrease of loan and receivables	152	-228.918	50.897
	Interest receipts	153	669.431	386.135
	Interest payments	154	-905.323	-814.895
	Dividends receipts	155	351.291	131.449
	Increase/decrease of other asset items	156	-65.328	-142.167
	Increase/decrease of liabilities for commissions related to trading of financial instruments	157	117.552	9.125
	Increase/decrease of trade liabilities	158	700.537	-167.817
	Increase/decrease of employee liabilities	159	-7.159	-7.939
	Increase/decrease of liabilities for taxes and contributions	160	-10.476	-103.962
	Increase/decrease of other liabilities	161	0	0
	Increase/decrease of other equity and liabilities items	162	0	0
	Paid income tax	163	0	0
2	Net cash flows from investing activities	164	-535.314	-181.437
	Increase/decrease of investment in tangible assets	165	-52.659	-5.887
	Increase/decrease of investment in intangible assets	166	-482.655	-175.550
	Increase/decrease of investment in associates and related companies	167	0	0
	Increase/decrease of other investment items	168	0	0
3	Net cash flows from financing activities	169	831.418	-621.637
	Increase/decrease of liabilities for loans and advances	170	831.418	-621.637
	Increase/decrease of liabilities from issued financial instruments	171	0	0
	Increase/decrease of liabilities for issued subordinated instruments	172	0	0
	Receipts from issuing share capital and other payments from owner of the investment company	173	0	0
	Payment of dividends or shares in profit	174	0	0
	Increase/decrease of other items	175	0	0
4	Net increase/decrease of cash and cash equivalents (AOP139+AOP164+AOP169)	176	-157.392	-22.486
5	Cash and cash equivalents at the beginning of the period	177	383.671	27.079
6	Cash and cash equivalents at the reporting date (AOP176+AOP177)	178	226.279	4.593

Zagreb, 25 April 2013

Form: PK-ID-6 Statement of changes in equity

STATEMENT OF CHANGES IN EQUITY

in HRK

Position description	Attributable to holders of equity							Attributable to minority interest	Total equity and reserves
	Share capital	Capital reserves	Profit reserves	Profit or loss for the year (period)	Retained earnings or transferred loss	Revaluation of financial assets available for sale	Other revaluable reserves		
Balance 1 January previous year	7.400.000		370.000	-3.597.919	2.373.466	264.369	320.000	0	7.129.916
Accounting policies change	0	0	0	0	0	0	0	0	0
Correction of errors from previous periods	0	0	0	0	0	0	0	0	0
Balance 1 January previous year (restated)	7.400.000	0	370.000	-3.597.919	2.373.466	264.369	320.000	0	7.129.916
Profit or loss for the period				-2.308.437	0	0	0		-2.308.437
Unrealised gains or losses from financial assets available for sale				0	0	78.367	0		78.367
Other non-owner changes in equity				3.597.919	-3.503.915		-80.000		14.004
Total non-owner changes in equity (previous period)	0	0	0	1.289.482	-3.503.915	78.367	-80.000	0	-2.216.066
Increase/decrease of share capital									0
Other owner payments									0
Payment of shares in profit/dividends									0
Other transfers to owners									0
Balance at the last day	7.400.000	0	370.000	-2.308.437	-1.130.449	342.736	240.000	0	4.913.850
Balance 1 January current year	7.400.000		370.000	-2.308.437	-1.130.449	342.736	240.000	0	4.913.850
Accounting policies change									0
Correction of errors from previous periods									0
Balance 1 January current year (restated)	7.400.000	0	370.000	-2.308.437	-1.130.449	342.736	240.000	0	4.913.850
Profit or loss for the period				-2.253.861	0	0	0		-2.253.861
Unrealised gains or losses from financial assets available for sale				0	0	-474.567			-474.567
Other non-owner changes in equity				2.308.437	-2.208.438		-80.000		19.999
Total non-owner changes in equity	0	0	0	54.576	-2.208.438	-474.567	-80.000	0	-2.708.429
Increase/decrease of share capital	-150.000								-150.000
Other owner payments									0
Payment of shares in profit/dividends									0
Other transfers to owners									0
Balance at the last day of reporting period	7.250.000	0	370.000	-2.253.861	-3.338.887	-131.831	160.000	0	2.055.421

Zagreb, 25 April 2013

1	Statement of compliance with IFRS
	<p>Financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). Financial statements are approved by the Management Board as at 25 April 2013 for further approval by the General Assembly.</p> <p>Financial statements are compiled for financial instruments, financial assets and liabilities at fair value through profit and loss account, and financial assets available for sale, except those whose fair value cannot be reliably measured. Other financial assets are measured at amortised or historical cost.</p> <p>These financial statements are prepared on going concern assumption.</p> <p>Financial statements are presented in HRK.</p> <p>Significant accounting policies are consistently applied on all periods presented in these financial statements.</p>
2	Summary of significant accounting policies
	<p>Income from commissions and fees</p> <p>Income from commissions and fees consists of fees for mediation services in purchase and sale of securities, portfolio management fees, and consulting services. Expenses from fees and commissions mostly consist of commissions for stock exchange services, securities depository and settlement services. Income and expenses are recognised in profit and loss account when the service is provided.</p> <p>Income and expenses from interest</p> <p>Income and expenses from interest incurred from receivables and liabilities from business transactions calculated until the balance sheet date are recognised in the profit and loss account on accrual basis. Financial income and expenses are recognised in profit and loss account when incurred.</p> <p>Income from dividends</p> <p>Income from dividends from investment in equity securities are recognised in profit and loss account at the date of announcement of rights on dividends.</p> <p>Net loss / profit</p> <p>Net loss / profit include gains and losses from sale of financial assets (realised net loss /gain) and change in fair value of financial assets at fair value through profit and loss (unrealised net loss / gain).</p> <p>Foreign currencies</p> <p>Income and expenses from transaction in foreign currencies are converted into kuna (HRK) at the middle exchange rate ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are converted into HRK at the balance sheet date at the middle exchange rate of CNB. Foreign exchange rate differences arising on translation of foreign currencies are recognised in the profit and loss account.</p> <p>Foreign exchange rate differences from equity instruments in foreign currencies classified as available for sale are stated in equity, with gains and losses from change in fair value, until sold.</p> <p>Taxation</p> <p>The Company calculates and pays taxes according to Croatian tax laws. Income tax consists of currently payable and deferred tax.</p> <p>Currently payable tax represents amount of tax payable on taxable amount of profit using tax rates enacted at the balance sheet date, and all corrections of tax liability amount.</p> <p>Deferred tax is accounted for using the balance sheet liability method, taking into account temporary differences between the book values and amounts used for tax calculation. Amount of deferred tax is based on assumed realisation method or settlement of book value of assets and liabilities. Deferred tax assets are</p>

recognised to the extent that it is probable that taxable profits will be available against which unutilised tax losses can be utilised and deferred tax liability is recognised for all taxable temporary differences.

Property, equipment and intangible assets

Property, equipment and office furniture are initially stated at purchase cost less accumulated depreciation. Cost comprises purchase price and all costs directly attributable to bringing the asset to working condition for its intended use.

Maintenance and repairs, replacement and improvements of minor importance are recognised in the profit and loss when incurred. More significant investment expenses are capitalised.

Gains and losses from disposal of assets are recognised in profit and loss when incurred.

Sections of property and equipment with different useful life are recorded as separate items of assets.

Depreciation is recognised in profit and loss on a straight-line basis so that the depreciation expenses are allocated to residual estimated useful life of property, equipment and intangible assets. Estimated useful life of assets in current period:

furniture4 years

computer equipment.....2 years

Financial instruments

The Company classifies its financial assets and liabilities into following categories: at fair value through profit and loss, assets available for sale, and loans and receivables.

Newly acquired financial instruments are classified according to internal legal acts of the Company.

Financial assets at fair value through profit and loss relates to financial assets held for trading purposes and assets initially elected to classify at fair value through profit and loss. These assets are initially recognised at cost, and subsequently measured at fair value according to internal legal acts of the Company. All related realised and unrealised gains and losses are included in the profit and loss.

Financial assets available for sale are intended for indefinite hold, but can be sold to maintain liquidity or when prices of equity instruments change. These assets are initially recognised at cost increased for transaction expenses, and subsequently stated at fair value based on the quoted prices or amounts derived from cash flow models. Gains and losses arising from changes in fair value of financial assets available for sale are recognised directly in equity until sale or impairment. Foreign exchange rate differences related to equity instruments classified as available for sale are reported in equity, together with fair value gains and losses.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating income from interest or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset to net book value of financial asset or liability. Income is recognised using the effective interest rate method for those instruments that are not classified as at fair value through profit and loss.

The Company derecognises a financial asset only when contractual rights to the cash flows from that asset expire or it transfers the financial asset in accordance with IAS 39. Financial liability is derecognised when contractual liabilities are settled, cancelled or expired.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They also include receivables and deposits to financial institutions.

Operating lease expenses

Operative lease payments are recognised in the profit and loss account using the straight line method during the lease term.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and in hand.

Employee benefits

During regular operations, at salaries payment, the Company on behalf of its employees that are members of mandatory pension funds performs regular payment of contributions according to law. Mandatory pension contributions are stated as part of salary expenses. The Company has no additional pension plan, thus has no other liabilities related to employee pensions. Onward, the Company has no liability to ensure any other employee benefits after their retirement.

The Company recognises severance pay when the employment contract of the employee is terminated before the regular date of retirement or by employee decision to voluntarily terminate employment in exchange for benefits.

The Company recognises liability for jubilee awards evenly during the period in which the award is realised, on account of actual years of employment.

The Company recognises provisions for bonuses when there is contractual liability.

Funds management in name and on behalf of others

The Company manages funds in name and on behalf of legal and natural persons and charges fee for those services. Since those funds do not represent assets of the Company, they are excluded from the balance sheet in financial statements.

Provisions

Provisions for restructuring expenses, guarantees and litigation are recognised if the Company has present legal or constructive obligation as a result of past event, and if it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Share capital and reserves

Share capital is stated in the amount recorded in the Court Register upon foundation, or change in the amount in the register. Equity is stated in financial records as: share capital, reserves (legal, revaluation and other), retained earnings or transferred loss, and profit or loss for the year. Dividends are recognised as liability in period when established or paid from retained earnings.

Liabilities

Trade and other liabilities are recognised based on valid documentation (invoice, contract, calculation), and increased for interest according to signed contract or Company's decision.

Liabilities are classified according to maturity as long term (maturity at least 12 months after the balance sheet date) and short term (maturity within 12 months after the balance sheet date).

Liabilities from loans with interest are initially recognised at fair value, less transaction cost. Subsequent measurement is made by amortised cost and every difference between receipts (decreased by transaction expenses) and amounts paid on maturity is recognised in profit and loss account during the period of repayment using the effective interest rate method.

Judgments and estimates

The Company uses judgments and estimates related to future. Estimates and assumptions bearing significant risk of creating material differences in book value of assets and liabilities in next financial year are as follows:

- fair value of derivative and other financial instruments (not quoted on active market),
- provisions for value adjustment of loans and receivables (proof of un-collectability)
- estimated useful life of property and equipment

Information verifying items stated in the statement of financial position of the investment company, statement of comprehensive income, cash flow statement and statement of changes in equity

Contract has been signed on 23 April 2013 regarding the partition and takeover between HITA-VRIJEDNOSNICE d.d. and Euro jezici d.o.o., which has been delivered to the Court register of Commercial court in Zagreb as at 24 April 2013. In accordance with positive legal regulations company general meetings will be held within 30 days from the delivery of the contract, and it will be enrolled in the Court register of the Commercial court in Zagreb after the general meetings.

In accordance with the Companies act Article 550.b. paragraph 2 point 9 the date of business effects of partition is 31 December 2012, thus the financial statements for 2012 include the mentioned partition.

The following assets are transferred to Euro jezici d.o.o: 5.545.484 HRK financial assets (shares classified as available for sale) and 3.467.747 HRK receivables, total of 9.013.231 HRK transferred from asset items, as well as 159.518 HRK equity and reserves (out of which 150.000 HRK share capital) and 8.853.713 HRK liabilities (out of which 8.851.333 HRK short term loan liabilities), total of 9.013.231 HRK transferred from equity and liabilities items.

Long term tangible and intangible assets

Long term tangible and intangible assets is recorded as follows:

LONG TERM TANGIBLE AND INTANGIBLE ASSETS							
Description	Land	Buildings	Plant and equipment	Tools and inventory	Assets under construction	Intangible assets	Total
COST							
31 December 2011	-	-	620.340	-	0	1.159.673	1.780.013
Direct increase			0		181.437	0	181.437
Transfer from construction			5.888		(181.437)	175.550	1
Sale or disposal			(41.008)		0	0	(41.008)
31 December 2012 after partition	-	-	585.220	-	0	1.335.223	1.920.443
ACCUMULATED DEPRECIATION							
31 December 2011	-	-	587.782	-	-	299.798	887.580
Depreciation for 2012			25.357		-	295.950	321.307
Sale or disposal			(41.008)		-	-	(41.008)
31 December 2012 after partition	-	-	572.131	-	-	595.748	1.167.879
NET BOOK VALUE							
31 December 2012 after partition	-	-	13.089	-	-	739.475	752.564
31 December 2011	-	-	32.558	-	-	859.875	892.433

At the balance sheet date stock taking of long term tangible assets was performed and no differences compared to book value were established. Based on the Management's decision, disposed assets based on historic cost equal to 41.008 HRK.

At the same time, during 2012 mostly computer equipment was purchased, in the amount of 181.437 HRK. Most significant portion of purchased equipment and software relates to further implementation and software development.

Total calculated depreciation in 2012 equals to 321.307 HRK.

The Company used assigned depreciation rates from Income Tax Law, article 12, paragraph 5.

Cash and cash equivalents

(in HRK)		
DESCRIPTION	31 December 2011	31 December 2012
Giro accounts at banks and cash in hand (in HRK)	27.079	4.593

Trade and other receivables

(in HRK)			
DESCRIPTION	31 December 2011	31 December 2012 before partition	31 December 2012 after partition
Receivables from investment and supplementary services	25.685	64.521	64.521
Trade receivables for equity securities	4.427.100	4.004.489	536.742
Receivables for calculated interest and dividends	155.708	119.525	119.525
Receivables for income tax	237.221	0	0
Other	175.176	167.175	209.442
TOTAL	5.020.890	4.355.710	930.230

At the balance sheet date all reported receivables were undue (receivables from investment services, as well as receivables for interest are collected at the beginning of 2013). The most significant part of other receivables relates to receivables from contractual relation (134.340 HRK). Significant decrease of trade receivables for equity securities relates to statutory partition of the company.

Given deposits

(in HRK)		
DESCRIPTION	31 December 2011	31 December 2012
Deposit with CDCC	77.034	34.563
Deposits for operating leases	30.426	0
Deposits for business premises	4.000	0
TOTAL	111.460	34.563

Deposit with CDCC represents deposit in Guarantee Fund.

Share capital

After the statutory change share capital amounts to 7.250.000 HRK and it is paid in whole in cash. The mentioned statutory change has not been enrolled in the Commercial court at the date of issuance of the report.

The only member / founder of the Company is Ivan Tadin, Zagreb.

The key goal of the Company in capital management is the compliance with the legal condition of maintaining the minimum amount of the share capital which is in accordance with the Capital Market Law, which for this investment company equals minimum 1.000.000,00 kuna and to maintain the capital as to be higher than the sum of all capital requirements.

Other goals of the Company regarding capital management are:

- maintain the capability of the Company to continue to do business according to the on-going

- concern basis
- comply with capital requirements
- maintain balance sheet with considerable components of cash and short term assets

Reserves

DESCRIPTION	31 December 2011	(in HRK)	
		31 December 2012 before partition	31 December 2012 after partition
Legal reserves	370.000	370.000	370.000
Fair value reserves	342.736	(122.313)	(131.831)
Revaluation reserves from intangible assets	240.000	160.000	160.000
TOTAL	952.736	407.687	398.169

Legal reserves were formed during 2009 according to Company Act, precisely 5% of the amount of the share capital. Legal reserves are paid in whole from retained earnings.

Fair values reserves include unrealised gains and losses from changes in fair value of financial assets available for sale, decreased for associated tax.

Retained earnings/transferred losses

Retained earnings / transferred losses include accumulated profit from previous periods.

Provisions

There was no need for new provisions based on litigation in 2012.

Trade liabilities

DESCRIPTION	(in HRK)	
	31 December 2011	31 December 2012
Trade receivables	1.245.995	1.078.178
Liabilities connected with the trade with securities	99.326	108.451
Other liabilities	141.185	158.581
TOTAL	1.345.321	1.345.210

Trade receivables are settled upon maturity.

The most significant part of other liabilities relates to interest from received loans (158.581 HRK).

Liabilities toward employees

DESCRIPTION	(in HRK)	
	31 December 2011	31 December 2012
Liabilities for net salaries	76.460	63.621
Liabilities for contributions, taxes and local income tax	44.792	33.730
Other liabilities	2.270	7.170
TOTAL	123.522	104.521

Liabilities towards employees are settled during January 2013.

Received loans

Two short term bank loans were approved (revolving) which are assured with promissory note and with other instruments for collection. Member of the Company is a guarantor for the loan received.

Loans are approved in HRK for the purchase of shares, i.e. working capital. Contracted interest rate equals to 8,80% yearly.

The mentioned liability has been transferred to the company acquirer with the statutory change.

Deferred tax assets / liabilities

Deferred tax assets is recognised based on the deductible temporary differences and unused tax losses in the portion in which sufficient tax basis is expected in future periods, according to tax laws.

At the balance sheet date the Company recorded deferred tax assets in the amount of 44.727 HRK as 20% share of value adjustments of the shares recorded in short term financial assets.

Deferred tax liabilities are recognised on the basis of taxable temporary differences which for a consequence have taxable amounts when taxable profit is determined (taxable loss) in future periods when the book value of the assets will be redeemed or liability settled.

At the balance sheet date the Company recorded deferred tax liability in the amount of 49.309 HRK which represents 20% share of the presented value adjustments of the shares which are recorded as long term financial assets and as revaluation amount of intangible assets.

Income and expenses from fees and commissions

DESCRIPTION	(in HRK)	
	31 December 2011	31 December 2012
Fees and commissions for completion of client's order	3.846.908	3.046.468
Fees and commissions for portfolio management	1.612	0
Other income	118.745	139.053
Expenses for services of organised market	855.068	768.787
Expenses for services of clearing organisation	572.776	522.788
Other expenses	27.387	42.194
NET INCOME / EXPENSES	2.512.034	1.851.752

Net realised gains / losses

DESCRIPTION	(in HRK)	
	31 December 2011	31 December 2012
Realised gains from financial assets through profit and loss	23.176	1.912
Realised losses from financial assets through profit and loss	425	0
Realised gains from financial assets available for sale	1.627.517	0
Realised losses from financial assets available for sale	1.124.100	457.926
NET REALISED GAINS / LOSSES	526.168	(456.014)

Net unrealised gains / losses

DESCRIPTION	(in HRK)	
	31 December 2011	31 December 2012
Unrealised gains from financial assets through profit and loss	2.859	1.043
Unrealised loss from financial assets through profit and loss	538	0
NET UNREALISED GAINS / LOSSES	2.321	1.043

Net income / expenses from interest rates

DESCRIPTION	(in HRK)	
	31 December 2011	31 December 2012
Income from interest rates	439.809	417.006
Expenses from interest rates	875.680	835.954
NET INCOME / EXPENSES FROM INTEREST RATE	(435.871)	(418.948)

Net exchange rate differences

During 2012 the Company realised negative exchange rate difference between positive and negative exchange rate differences (2.194 HRK).

Other income

DESCRIPTION	(in HRK)	
	31 December 2011	31 December 2012
Income from dividends	194.564	67.163
Other	10.703	19.857
OTHER INCOME	205.267	87.020

Other expenses

(in HRK)

DESCRIPTION	31 December 2011	31 December 2012
Depreciation	327.250	321.307
Personnel expenses	2.087.645	1.430.143
Bank services and fees	276.188	240.902
Other	2.435.684	1.324.168
OTHER EXPENSES	5.126.767	3.316.520

Income tax

(in HRK)

DESCRIPTION	31 December 2011	31 December 2012
Accounting profit before tax	(2.308.437)	(2.253.861)
Expenses not approved by Tax Law	139.708	106.985
Non taxable income	(225.773)	(68.851)
TAX LOSS	(2.394.502)	(2.215.728)
Tax loss brought forward from previous periods	(3.996.576)	(6.391.078)

Other comprehensive income

Report on amounts and effects of income tax to all items of other comprehensive income:

Nr	Items of other comprehensive income	2011			2012		
		Pre-tax	Income tax	After tax	Pre-tax	Income tax	After tax
1	Change in revaluation reserves	0	0	0	0	0	0
2	Actuarial gains/losses	0	0	0	0	0	0
3	Profit/loss as a result of foreign currency translation adjustments on foreign subsidiaries	0	0	0	0	0	0
4	Unrealised profit/loss from financial assets available for sale	(33.499)	6.700	(26.799)	(420.356)	84.071	(336.285)
5	Profit/loss from changes in the fair value of a financial instrument in a cash flow hedge		0	0	0	0	0
6	TOTAL	(33.499)	6.700	(26.799)	(420.356)	84.071	(336.285)
7	Reclassification adjustments from gains/losses from subsequent measurement of financial assets available for sale recognised in profit/loss	131.457	(26.291)	105.166	(160.956)	32.191	(128.765)
8	Items for transfer	0	0	0	(11.898)	2.380	(9.518)
9	TOTAL OTHER COMPREHENSIVE INCOME	97.959	(19.592)	78.367	(593.210)	118.642	(474.568)

OFF BALANCE SHEET ITEMS

Off balance sheet items consist of foreign assets of the principal at the accounts for special purposes in banks, which refer to clients' assets.

During 2012 there were no remarks from the part of clients, nor from the part of Agency for performed transactions and their settlement.

The Company is the principal according to the Contract of issuing of guarantee issued by the bank in the amount of 1.500.000,00 HRK for settlement of the amount in cases of incompliance of liabilities towards CDCC based on contracted settlement. The guarantee is issued in the amount of 1.500.000,00 HRK, with maturity on 15 May 2013.

The Company is the principal according to the Contract of issuing of guarantee issued by the bank in the amount of 50.000,00 HRK for settlement of the amount in cases of incompliance of liabilities towards CDCC based on contracted settlement for the custody. The guarantee is issued in the amount of 50.000,00 HRK, with maturity on 31 December 2013.

LITIGATION

The Company within its regular business activity had no significant active litigation.

POTENTIAL LIABILITIES

In financial statements for 2012 the Company stated all liabilities in course of its regular operations. The Company has no indications about potential liabilities that have not been stated in the financial statements.

SUBSEQUENT EVENTS

The Company signed Contract on partition by which significant part of assets and liabilities has been excluded from the Company on 23 April 2013. Considering that the date of business effects is 31 December 2012, financial statements include transactions arising from the partition, although the mentioned statutory change has not been enrolled in the court register until the date of preparation of financial statements.

4 Classification of financial assets and financial liabilities

Financial assets available for sale

The Company as at 31 December 2012 presented the financial assets in the value of:

DESCRIPTION	(in HRK)		
	31 December 2011	31 December 2012 before partition	31 December 2012 after partition
Equity securities – quoted on the market	3.864.603	1.610.052	903.809
Equity securities – not quoted on the market	5.908.064	5.530.664	732.964
Equity securities of the financial institutions	137.593	41.541	0
TOTAL	9.910.260	7.182.257	1.636.773

	Financial assets at fair value through profit and loss		
		(in HRK)	
	DESCRIPTION	31 December 2011	31 December 2012
	Equity securities of the non-financial companies	184.411	174.632
	Equity securities of the financial companies	0	0
	TOTAL	184.411	174.632
5	Credit risk exposure for financial assets and liabilities classified as loans and receivables at fair value through profit and loss		
	Credit risk is the risk of default in liability settlement or potential liability of a counterparty with which the Company made a transaction. Exposure of the Company to credit risk at the balance sheet date, arising from deposits at CDCC, cash and cash equivalents, and other receivables, arises from fair value of instruments whose positive value at the date is stated in the balance sheet. All transactions with quoted securities are settled or paid after delivery through certified brokers. Risk of default is retained to minimum since sold securities are delivered after the appropriate amount is deposited to the account. If either party defaults in its liability, purchase transaction is not completed.		
6	Amount of fair value change attributed to credit risk change		
	There is no fair value change directly attributable to credit risk.		
7	Reclassification of financial instruments in assets which is measured (a) at cost or amortised cost instead at fair value or (b) at fair value instead at cost or amortised cost, the amount reclassified from one category to another category is to be published, as well as the reasons for the reclassification		
	In 2012 there was no reclassification of financial assets.		
8	For the assets which is derecognised, following is to be published: a) nature of the assets (b) nature of the risks and premiums connected to ownership to which the Company stays exposed (c) when recognition for all the asset is continued, book value of the assets and related liabilities, and (d) when recognition of the assets is continued in the terms of its engagement, total book value of original asset, the value of the asset that is continued to recognised and book value of related liabilities		
	In 2012 there was no asset that was derecognised.		
9	Book value of financial asset that is pledged as a security for payment of real or unforeseen liabilities (collateral) is to be published, including the values which are reclassified in accordance with article		
	As at 31 December 2012 all securities are free from pledge.		
10	Collateral (financial or non-financial asset) and it is allowed to sell or pledge again the collateral in the absence or because the owner of the collateral is not paying, obligation to publish is: fair value of the collateral in possession, fair value of the collateral that is sold or pledged again, and the liability of return		
	Fair value of the collateral is equal to book value.		
11	Credit loss impairments instead of directly decreasing book value of the asset, should disclose reconciliation of changes on that account during the period for every class of financial assets.		
	There have been no credit loss impairments in 2012.		
12	If the subject issued the instrument which contains both the component of liabilities and the component of equity and it is about the instrument which has several built-in derivatives which values are interdependent (just like convertible debt securities with the rights of abortive redemption), it is indebted to publish the existence of such characteristic		
	At balance sheet date the Company did not issue that kind of instruments.		

13 For loan liabilities at report date publish: (a) details about eventual non-payment of the principal, interest, gradual repurchase or conditions of repurchase of loan liabilities (b) book value at report date of the loan liabilities which are not paid and (c) if the payment has been made or the conditions of loan instalments were audited before the financial statements were approved

Two short term bank loans were approved (revolving) which are assured with promissory note and other instruments for collection. Member of the Company is a guarantor for the loan received.
Loans are approved in HRK for the purchase of shares, i.e. working capital. Contracted interest rate equals to 8,80% yearly.

The mentioned liability has been transferred to the company acquirer through the statutory change.

14 It is to be published following information for each kind of hedging (i.e. fair value hedging, cash flow hedging and hedging of the net investments in abroad):
(a) description of each kind of hedging
(b) description of financial instruments determined as instruments of hedging and its fair value at report date
(c) the nature of risks towards which the hedging is performed.

The Company did not use hedging transactions.

15 The Subject is for every class of financial assets and financial liabilities indebted to publish fair value of assets and liabilities in a way which enables its comparison with book value.

Financial assets available for sale

As at 31 December 2011 the Company presented the financial assets in the value of:

DESCRIPTION	(in HRK)		
	31 December 2011	31 December 2012 before partition	31 December 2012 after partition
Equity securities – quoted on the market	3.864.603	1.610.052	903.809
Equity securities – not quoted on the market	5.908.064	5.530.664	732.964
Equity securities of the financial institutions	137.593	41.541	0
TOTAL	9.910.260	7.182.257	1.636.773

Financial assets at fair value through profit and loss

DESCRIPTION	(in HRK)	
	31 December 2011	31 December 2012
Equity securities of the non-financial companies	184.411	174.632
Equity securities of the financial companies	0	0
TOTAL	184.411	174.632

Disclose information which enable users of financial statements to evaluate the type and range of risk arising from financial instruments to which the subject is exposed to at the balance sheet date a) credit risk b) market risk c) liquidity risk

This note sets out the details on Company's exposure to risk and methods the Management uses to manage risks. The Company is exposed to risk generally relating to trade and mediation of securities. The Company is exposed to effects of change of conditions on domestic and indirectly on international markets.

The most significant risks to which the Company is exposed to are credit risk, liquidity risk, market risk (foreign exchange rate risk, interest rate risk, price risk) and operating risk.

Credit risk

Credit risk is a risk of default in liability settlement or potential liability of a counterparty with which the Company made a transaction. Exposure of Company to credit risk at the balance sheet date, arising from deposits at CDCC, cash and cash equivalents, and other receivables, arises from fair value of instruments whose positive value at that date is stated in the balance sheet. All transactions with quoted securities are settled or paid after delivery through certified brokers. Risk of default is retained to minimum since sold securities are delivered after the appropriate amount is deposited to the account. If either party defaults in its liability, purchase transaction is not completed.

Liquidity risk

Responsibility for liquidity risk rests on Company's Management, which made an appropriate liquidity risk management framework, short, medium and long term financing and liquidity management requirements.

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserves of borrowed funds, by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets.

Interest rate risk

The Company is subject to risks related to effect of interest rate fluctuations on its financial position and cash flows. Risk is managed by maintaining adequate combination between fixed and variable interest rate on loans. At the moment the Company is not protected from these risks since most financial assets and liabilities (cash, cash equivalents, guarantee deposit at SKDD, and received loans) are interest-bearing.

Foreign exchange rate risk

The Company can invest in financial instruments, and execute transactions denominated in foreign currencies which are not its functional currency. However, the Company for now has no assets (with the exception of cash) and liabilities denominated in foreign currencies. Hence, the Company at the balance sheet date was not exposed to the risk of foreign exchange rate risk because the assets that were denominated in foreign currencies were minor.

Price risk

Price risk is possibility of price fluctuations, which will affect fair value of investment and other instruments whose value is derived from certain investments. Primary exposure to price risk arises from Company's investments in equity instruments available for sale or at fair value through profit and loss. The Company actively trades in equity instruments.

Fair value

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arm's length basis in regular market conditions. Most financial instruments of the Company are stated at fair value at the balance sheet date.

Book value of cash and cash equivalents and loans and receivables is equal to amortised cost of those instruments which is approximately equal to its fair value. The Management Board considers that fair value of financial assets and liabilities is approximately equal to its book value.

17	For assets acquired from ownership of collateral as security instrument disclose: (a) nature and book amount of assets acquired in such manner and (b) if the asset cannot be currently converted to cash, policies which regulate the availability of such assets, or sale of assets or its use in own operations
	At the balance sheet date the Company held no such assets.
18	Disclosure of all transactions with related parties
	<p>The Company is under control of Ivan Tadin from Zagreb. The Company considers that indirectly related party with its owner, Management Board members, and members of narrow family of key management is in accordance with the definition mentioned in IAS 24 <i>Related party disclosures</i>.</p> <p>Total salaries paid in 2012 to related parties amount to 233.730 HRK. Receivables from key management and members of the Supervisory board equal to 379.968 HRK.</p>

Zagreb, 25 April 2013

Legal representative of the Company