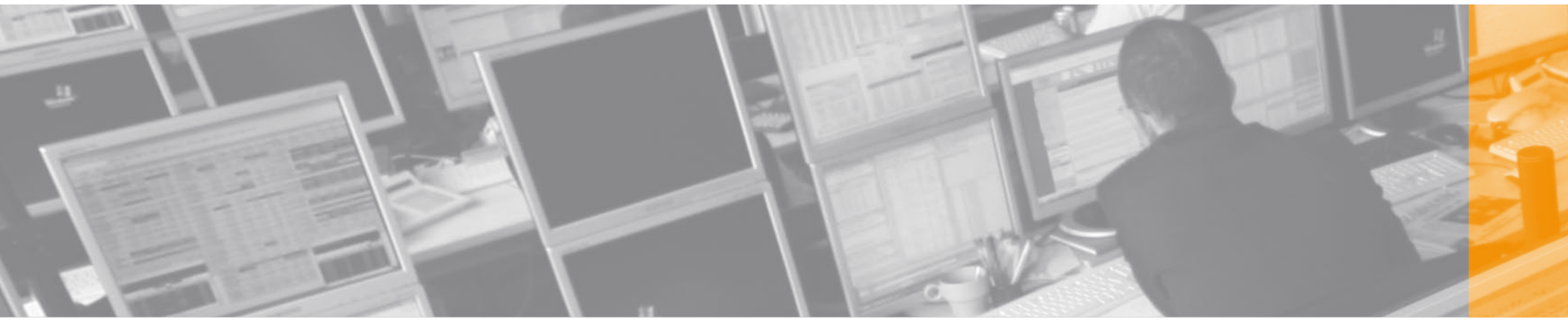
CONCORDE

2007

CONCORDE SECURITIES LTD.

ANNUAL REPORT



2007

CONCORDE SECURITIES LTD.

ANNUAL REPORT


CONCORDE

CONTENTS

COMPANY DESCRIPTION

Concorde Securities Ltd. is Hungary's leading independent investment banking firm, offering integrated financial services in the areas of securities trading, research and analysis, corporate finance, capital market transactions, asset management and investment advice. The firm is run on a partnership basis, with managers – either through shares or stock options – owning one-third of the Company, and with these owner-managers responsible for the day-to-day operation of the Company as well as for strategic decision-making. Concorde is a member of the Budapest Stock Exchange, Frankfurt Stock Exchange, Warsaw Stock Exchange and the Association of Securities Dealers.

Concorde's activities and strategy are based on the following business philosophy: Concorde conducts its business activity within a clearly defined set of financial services, and thus its strategy is influenced by the development and growth of these markets. In line with its profile as an integrated service provider, Concorde's goal is to develop its business as an organic whole, with its various activities complementing and reinforcing one another. By the same token, it avoids entering into areas that do not fit with its core activities, regardless of the potential returns.

In terms of its turnover, Concorde – particularly when compared to traditional industrial, trading or service companies – is a relatively large concern. As such, it needs to have well-designed processes and mechanisms in place to ensure the security, efficiency and profitability of its operation. At the same time, we understand that our customers would prefer not to deal with impersonal corporate processes, but rather with people – and for this reason, we continue to operate as a "small shop" consisting of a modest number of highly skilled and dedicated "artisans".

Besides the Company's managers, Concorde's owners consist of Hungarian financial investors who do not take part in the actual running of the Company. This means that we do not enjoy the support of a multinational, or even a national, financial group. However, on the principle that a solitary sapling will, if properly nurtured, grow into a sturdy oak, we were determined from early on to turn this apparent handicap into a strength. Realising that we had nothing but ourselves to fall back on, we strove from the start to create a company that was self-reliant and strong in its own right – and one that attracts customers and does business with other market participants purely on the strength of its products and services.

We are well aware that to function as a large company without losing touch with one's clients, as well as to succeed as an independent company, present challenges that only an exceptionally motivated and dedicated team can meet. In order to achieve this level of commitment, Concorde is, itself, completely committed to its employees, providing them with every opportunity to develop their skills and knowledge, and thereby to realise their personal ambitions. While maintaining the utmost respect for the freedom of the individual, the ultimate aim is to maximise the performance of the team, since it is not only accomplished soloists that we need, but an orchestra playing in perfect harmony – a whole that is greater than the sum of its parts.

Another indication of Concorde's maturity is the fact that, whereas in the first decade the various social and cultural, welfare and healthcare programs that we regarded as worthy causes were supported not from the company's own money but from the private resources of the owners, in the last few years, in addition to the private support given by the owners, Concorde has also acted as a significant corporate patron and sponsor. Our philosophy is that we should always provide, first and foremost, support to the causes that are most in need of our help, but that we should at the same time establish connections, points of contact between the various programs we sponsor, and consequently we also set considerable store by the emergence of long-term collaborative relationships with the civil organisations operating in the supported areas.

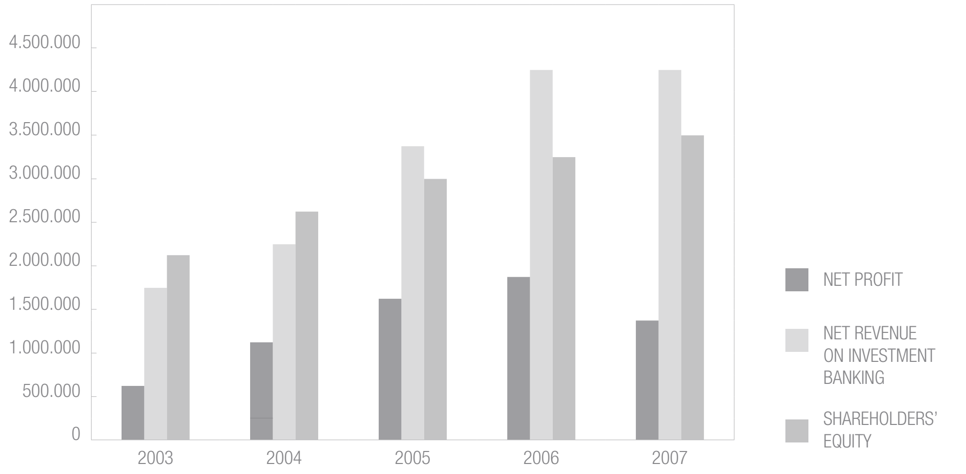
CONDENSED FINANCIAL INFORMATION

CONDENSED FINANCIAL INFORMATION (HUF THOUSAND)

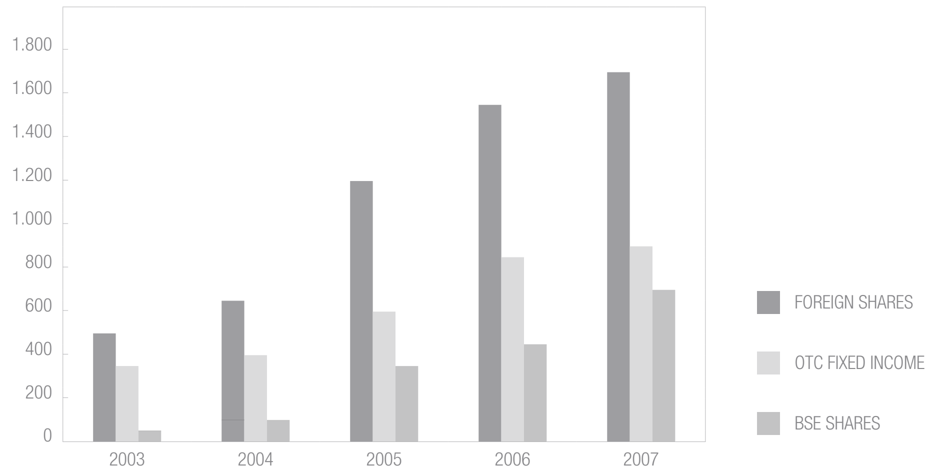
HUF thousand	2003	2004	2005	2006	2007
	IFRS consolidated	IFRS consolidated	IFRS consolidated	IFRS consolidated	IFRS consolidated
Total assets	5 162 307	5 664 653	9 035 290	14 451 075	12 969 743
Shareholders equity	2 875 720	3 058 949	4 553 811	5 616 396	5 476 264
Share capital	1 000 000	1 000 000	1 000 000	1 000 000	1 000 000
Net revenue on invesetment banking services	2 686 561	3 133 446	4 362 938	5 206 518	5 465 185
Net profit	958 519	1 166 327	1 531 149	1 952 385	1 552 845
Turnover (HUF million)	946 134	1 213 423	2 139 214	2 842 093	3 296 025
Number of employees	87	95	109	118	135
Return on equity	50%	41%	50%	43%	28%

Note: IFRS - International Financial Reporting Standards

FINANCIAL FIGURES (HUF THOUSAND)



TURNOVER (HUF BILLION)



MANAGEMENT REPORT

THE FIRST SIGNS OF RECESSION

In 2007, its fourteenth full year of business, Concorde Securities Ltd. achieved total revenue from investment services of HUF 5,465 million (2006: HUF 5,207 million), with a securities trading volume of HUF 3,296 billion (2006: HUF 2,842 billion), which, after deducting costs and expenses, resulted in HUF 1,842 million in pre-tax profit and HUF 1,553 million in after-tax profit (2006: HUF 2,242 million and HUF 1,952 million respectively). The company's equity decreased from HUF 5.397 billion to HUF 5.336 billion before payment of dividends for year 2007.

THE STRAIN BEGINS TO SHOW

After the record profit of 2006, at first glance our business results for last year could be disheartening, with profit down by 24.8%. However, a closer examination of the factors underlying this process – though the future still gives cause for concern – reveals that our performance in 2007 was by no means below par. Firstly, there are very few businesses in the world, and especially in Hungary, that are capable, from a strong market position (in other words, displaying the growth rate characteristic of a mature enterprise as opposed to a startup) of consistently achieving a 25-30% return on revenue and a 50-60% return on equity, as Concorde did on average throughout the 2003-2007 period. This hypothetical company would simply be too good to be true, as we have pointed out in our previous reports, when we cautioned against extrapolating this trend into the future. Indeed, these reports focused on the substantial negative impact that the impending global economic slowdown would have on our business results. Another aspect that should be taken into consideration when evaluating our business performance is the tax implications of the budgetary stabilisation measures marketed as the "Gyurcsány Package", which, if all other factors had remained unchanged, would have lowered our after-tax profit by some HUF 286 million. And finally, although the recession will only arrive this year, its effects were already being felt in the market in 2007, as the usual end-of-cycle enthusiasm displayed by certain of our competitors was coupled with increasingly aggressive efforts by them to gain market share.

In the following we have provided a brief overview of the circumstances in both the global economy and our immediate business environment that explain the above processes. Following the recession of 2001, from 2002 the world economy grew with a healthy and rarely seen dynamism and geographical scope. This latter meant that although the 1990s also brought a period of explosive growth, especially as a result of technological investments and the accelerating pace of globalisation there still wasn't a single year in which a serious financial crisis did not emerge in some region of the world. We have already given a detailed description of these events and of the upswing that continued until last year in our previous reports, and therefore we will refrain from repeating our past analyses of them here. This year's report focuses on a single, key element in the economic growth of recent years, namely the credit expansion that occurred in the US property market, the subsequent crises that were precipitated when this growth came to an abrupt halt last year, and the impact of these on the global economy. The US property, and more specifically the residential property market, underwent unprecedented price inflation and construction-industry output growth between 2002 and 2006, financed by an explosion in lending fuelled by low interest rates. The key factors contributing to this process were as follows:

- Cheap financing opportunities pushed up demand for real estate.
- The rise in demand for properties led to increases in prices, as well as in the output and profits of companies participating in residential property investments.

- Many responded to the higher prices and lower interest rates by refinancing their existing mortgages, borrowing larger sums and using the surplus to boost their consumption (in a process referred to as 'home equity withdrawal').
- The burgeoning consumption led to a substantial growth in imports to the USA from virtually every region in the world, but especially from east Asia, which explains the high levels of economic growth and considerable budget surpluses achieved in this and other parts of the world, as well as the USA's high balance of payments deficit.
- These processes led to price hikes on the commodity and stock exchanges, and a considerable weakening of the US dollar.

Neither trees nor property prices – or even demand for property – can grow indefinitely, however, and thus it was that from 2006 there were more and more signs of an impending slowdown and an emerging real estate market crisis. By summer 2006 the value of shares in home construction firms had fallen substantially, and despite a temporary recovery, inventories continued to grow and residential house prices began to decline in certain areas. As time progressed this process began to pick up in pace, with the symptoms of an acute crisis appearing by summer 2007. Even in the early autumn prominent analysts and media publications were still talking of a temporary glitch, while from as early as the end of the summer Concorde had, in its analyses and communication with its clients, been warning of a serious crisis. Unfortunately, not even we were sufficiently quick and decisive in gauging the extent of these problems, although we were streets ahead of other investment companies in recognising it. Hardest hit, apart from home construction firms and property developers, was the financial sector, which had not only financed the housing bubble, but contributed to it through a series of financial innovations that resulted in some of the world's largest and most respected financial institutions being forced to write off tens of billions of dollars from the fourth quarter of last year, and having to replace their lost capital by collecting money from East-Asian and Middle-Eastern investment funds.

OUR TROOPS DO BATTLE IN AN INCREASINGLY TOUGH BUSINESS ENVIRONMENT

In the last quarter this situation resulted in an extremely difficult environment for us to operate in, as based on the fundamentals we could not recommend that our clients purchase shares, indeed we recommended that they be significantly underweight in equities – but first an autumn mini-rally, and then after the subsequent fall-back in the markets, a situation at the end of last year and at the start of this that appeared to be a good opportunity to jump back in, meant we had to struggle to maintain this conviction. As a result of this, our turnover declined in the last months of the year, in a process that continued into the first months of 2008. Regardless of this, in terms of trading we achieved significant growth last year, with our sales revenue from trading operations rising by 11.13%, though as a result of the factors described above, our profit fell. Our trading volumes on the foreign bourses rose particularly markedly, and this went some way towards offsetting the fall that was beginning to take hold in our turnover on the Budapest Stock Exchange, and has further strengthened our resolve to examine investment opportunities in an increasingly global context, in keeping with the requirements of our clients.

In response to these needs we have merged the two teams providing analyses for retail and institutional investors, and stepped up our foreign research activity. The aim is that by the end of 2008 we should have research reports that are suitable for underpinning global asset-allocation decisions, and for us to be able to give buy or even sell recommendations to our clients based on our own reports with regard to sectors and individual companies that are of interest from an investment perspective.
The last year once again brought a lot of work and a number of interesting assignments for our Corporate Advisory division, but this area of our operation continued to fall short of being truly profitable financially. Although we arranged a num-

ber of successful transactions, due to the absence of any large mandates of the sort we used to receive every year we were again unable to attain the high profits of previous years in this division.
Our asset management division, displaying its usual high rate of growth, increased the volume of customer assets under management to HUF 170 billion by the end of the year, accompanied by corresponding rises in sales revenue and profit. We launched several new funds, which, in line with the "globalisation" that typifies the company as a whole, are taking on an increasingly international character. The returns on our funds and other investment portfolios continue to place our portfolio management team at the forefront of their profession, and the satisfaction of our clients also bears witness to the unabated development of the division.

OTHER EVENTS

HUF 100 MILLION IN SPONSORSHIP

The Concorde group aims to set an example for Hungarian private enterprises not only through the high ratio of its not-for-profit spending to sales revenue, but also through its increasingly purposeful and proactive corporate social responsibility (CSR) initiatives. These are no longer limited to the provision of financial support for select causes, and our commitments that take the form of social and voluntary work, but are increasingly centred on the not-for-profit projects that we ourselves plan and implement. Particularly important among these is our effort to promote cohesion between communities of what are termed "healthy" and what are termed "handicapped" people. A good example of this is the collaboration between the two orchestras that we sponsor, the Budapest Festival Orchestra and the Parafónia Orchestra, who held joint performances four times in the autumn, which proved to be highly successful and moving events. We are also focusing more concertedly than ever on increasing the interconnections between our social, healthcare-related and cultural projects, as we believe that by combining our efforts to promote our world-class cultural values with those aimed at assisting the socially or physically disadvantaged, we can provide both groups with mutual assistance and opportunities for growth.

Our main sponsorship programs in 2007, and the assistance provided:

- Program to assist the social integration, quality of life and therapy of young people with disabilities: HUF 70 million.
- Patronage of culture and the arts: HUF 17 million.
- Support for social causes: HUF 13 million.

BEST INVESTMENT FIRM IN HUNGARY

The excellence of Concorde's work is reflected not just in the company's financial results, but in the considerable acclaim and recognition it has received in the past years. Particularly worthy of note in this regard is that, based on a survey of several hundred international investment institutions, Euromoney named Concorde Best Equity House in Hungary in 1996, 1997, 1998 and 2000, as did the financial journal Emerging Markets Investor in 1997. Perhaps more important than international recognition, however, is the fact that the members of the Budapest Stock Exchange, its own financial community, awarded Concorde the title of Best Brokerage House every year from 1998 through to 2002. This view was supported by the Budapest Business Journal, which, based on an annual survey conducted among its readers, awarded our company the title of Best Equity House in 2003 and again in 2004. After an interval of two years, the professional community of the Budapest Stock Exchange once again awarded us the title of Best Investment Service Provider in 2005.

In recognition of the accuracy of his forecasts, our firm's senior economist and macroeconomic analyst, János Samu, won the title of Best Macroeconomic Analyst in 2005, awarded by the Hungarian financial daily Napi Gazdaság, while the Budapest Stock Exchange awarded the title of Stock Market Best-of-the-Best of 2005 to our analysts Attila Vágó and Mónika Tabányi.
Among the new awards launched by Mastercard in Hungary in 2006, the title of "Investment Fund Manager of the Year 2006" went to Concorde Fund Management based on the votes of a 72-member judging panel.
György Jaksity received the "Ernst & Young Businessperson of the Year 2007" award, which is generally regarded as the ultimate accolade in the business community. The reasons cited for awarding him the title included not only his considerable business and financial achievements, but also the type of responsibility that he has displayed towards his broader economic and social environment. This encompasses his professional work and social initiatives, and efforts to raise the general level of financial awareness among the public in Hungary, as well as the social, healthcare and other projects that have been launched through the various foundations established and funded by him and his business associates.

The fact that for years now we, the three most senior executives of Concorde, have personally undertaken an active role in the work of the stock exchange, as well as in educational, cultural and humanitarian initiatives, gives us at least as much satisfaction as receiving recognition for our management work. Furthermore, while we continue to be motivated by the conviction that our clients make the right decision in choosing the services of Concorde, we never forget that without their continued trust and confidence Concorde would not be able to achieve its own objectives. We would therefore like to take this opportunity to thank those who have contributed hard work and commitment to the fulfilment of these aims.

Gábor Borda   György Jaksity   Norbert Streitmann

REPORTS OF THE DIVISIONS

EQUITY TRADING

In terms of securities trading Concorde Ltd. closed a successful year in 2007. Turnover transacted on the Budapest Stock Exchange rose 11.21%, while volumes transacted on the foreign bourses grew by 59%. Total turnover on the Budapest Stock Exchange was 33% higher than in the previous year, and as a consequence of a fall in market concentration, Concorde, with a 9.80% market share, was the fourth largest market player in terms of trading volumes.

Market share and ranking based on BSE trading volume

	2003	2004	2005	2006	2007
BSE trading volume (HUF million)	3.698.707	5.219.773	9.661.044	13.000.952	17.383.639
Market share (%)	13.13%	12.56%	12.31%	11.79%	9.80%
Ranking	3	3	3	3	4

Alongside an 11% increase in trading volume on the Budapest Stock Exchange, we achieved a rise of just 5% in revenues from commission-based activity. As in previous years, equities accounted for more than 99% of the turnover transacted on the Budapest bourse.

Turnover transacted on the Budapest Stock Exchange (HUF thousand)

	2003	2004	2005	2006	2007
Equities	490 691 320	655 653 868	1 189 111 947	1 532 623 432	1 704 402 627
Government securities	3 199 931	6 365 989	121 395	-	-
Corporate bonds	3 178 842	9 855 597	852 641	7 503 935	1 501 958
Other securities	12 414 000	7 727 128	14 416 943	1 236 091	2 922 615
Total	**509 484 093**	**679 602 582**	**1 204 502 926**	**1 541 363 458**	**1 708 827 201**

A growing proportion of Concorde's commission revenue is generated by commission-based trading on foreign stock exchanges. Similarly to previous years, our foreign securities trading operations posted a significant, 59% growth in turnover in 2007. The commission earned on transactions executed on foreign bourses rose by more than 38% in 2007.

Foreign securities-trading volume (HUF thousand)

	2003	2004	2005	2006	2007
Equities	58 063 200	115 688 638	318 618 480	397 846 340	664 984 281
Government securities	920 438	5 134 076	24 338 039	39 171 906	31 580 669
Other securities	156 423	331 046	546 409	3 371 214	5 061 772
Total	**59 140 061**	**121 153 760**	**343 502 928**	**440 389 461**	**701 626 722**

RETAIL CUSTOMERS

A change of approach is the best way of describing developments in 2007, and is something that is naturally reflected in the composition of the division's sales revenue. This was the first year in the division's history in which the commission revenue earned on foreign share trading exceeded our domestic commission revenue.

Unfortunately we were unable to better our sales revenue figure of 2006, but managed nonetheless to exceed the HUF 2 billion mark.
We were able to significantly increase the volume of assets held in investment funds; by the end of the year, our customers had nearly HUF 30 billion invested in securities of this type.
We also modified the approach of our Concorde Call service. In contrast to our previous aim of providing our customers with as much news and information as possible on a very wide range of companies, we narrowed our focus to a selection of approximately 60 corporations.

FIXED-INCOME AND TREASURY OPERATIONS

Yields in the government securities market were less volatile in 2007 than in previous years. In the first half the central bank maintained the benchmark interest rate at 8.00%, reducing it in the second half first to 7.75%, and then again to 7.5% by the end of the year. Bond yields began to fall gradually, from around 7% at the beginning of the year down to around 6.5% (in the case of the 10-year bond) by mid-year, and then in the second half-year the worsening domestic macroeconomic data and deteriorating international climate brought a rise in yields to more than 7% over the entire length of the curve.

As a non-primary dealer, the main task of our fixed-income division is to serve, at a high standard, the company's - mainly domestic - institutional and retail clients, and to arrange the FX trades related to international securities trading and other capital-market transactions. In the year 2007 we traded a total of HUF 702 billion-worth of fixed-income products, mainly Hungarian government bonds. The volume of our FX trading came to HUF 260 billion.

DERIVATIVE PRODUCTS

As a result of the drop in the contract size in the year before last, a further fall in turnover was observed on the BUX futures market, but despite this, Concorde Securities Ltd. transacted an impressive HUF 313 billion in turnover on the derivatives market. This enabled the company, for the third year running, to achieve high – HUF 100 million - commission revenues. We should also mention that our turnover in FX futures rose by around 40%, and individual equity futures by some 25%. Once again we were the only market participant in the BUX options market.
The expansion in the individual equities market was probably due to the departure of investors from the BUX market, a trend that was already evident in 2006, and to the high volume of trading on the spot market. The growth in our FX turnover was the result of the fluctuation in the forint exchange rate, and the increasing tendency on the part of clients to use FX futures as a means of hedging. The number of customers concluding futures contracts continued to grow, increasing by 20% in 2007.

RESEARCH

Last year, despite an extremely turbulent market environment, Concorde's research team carried out their duties successfully, in virtually all cases predicting quarterly performance data of the various monitored companies more precisely than did the market consensus. Accordingly, foreign investors, too, regard our firm as their leading local partner, and constantly approach us with requests for information and analysis related to Hungarian companies and the sectors in which they operate. Beyond this, in the second half of 2007 we began extending our research coverage to the regional markets: leveraging the professional experience we have gained in the domestic market, we launched the coverage, from a research perspective, of certain large companies in the region, and we expect this work to start producing tangible results in the first quarter of 2008.

Our macroeconomic analysts accurately predicted, well in advance of the market, that the Hungarian budget deficit would improve considerably in 2007. In other words, we are not afraid to swim against the tide of market opinion if our professional convictions and calculations support a different view; and the events that unfolded eventually bore out our expectations. This also shows what sort of added value a local research team can mean for our domestic and international institutional investors.

As a part of our private banking and research service aimed at retail customers, we provide a growing number of our clients with domestic and international strategic analyses, and individual company research reports, placing an emphasis, in accordance with the needs of our clients, on the global perspective and on helping ensure the necessary degree of diversification and risk management. We made further improvements to the Concorde Call integrated news and research service, which is now not only the most important source of business intelligence for our clients, but is also cited on a daily basis by the Hungarian business media, thus cementing our company's reputation as one of the country's most important financial workshops.

In 2008 we will continue to provide research services and supply forecasts to a number of international news agencies and other companies engaged in the compiling and dissemination of market reports. Some of our more notable corporate clients include S&P EMDB, Morgan Stanley Capital International, I/B/E/S, JCF, Multex, Bloomberg and Reuters. Concorde's reports can be downloaded from the subscriber pages of the online publisher Internet Securities, and news agency Reuters.

CONCORDE ASSET MANAGEMENT LTD.

Assets managed by Concorde Asset Management Ltd. rose by almost 26%, from HUF 135 billion at the beginning of the year to HUF 170 billion. The increase was most notable in the private wealth management segment, but the institutional asset management and mutual fund portfolios also displayed significant growth.

The central and eastern European equities and bond market, more or less in line with the international trend, performed well in the first half of the year before closing a weak second half.

Over the year as a whole the managed portfolios made a good showing under the circumstances, continuing to achieve some of the highest returns on the market in 2007. All portfolios were outperforming that followed a benchmark. With this, we further strengthened our position on the independent pension funds market.

The risk exposure of portfolios aiming to achieve an absolute return showed little fluctuation throughout the year, and the returns on these investments matched the yields on short-term government bonds. With regard to private wealth management, over the past fourteen years we have developed a range of services that enjoys an excellent reputation in the wealth management (and private banking) market. Consequently, demand for the service is high, and despite the high entry requirement the number of our clients in this segment is also rising dynamically.

The number of mutual funds that we manage increased again in 2007. We launched an equity fund focusing on global equity markets, and two - one euro and one dollar-denominated money market funds concentrating on short-term investments. With the latter two, Concorde's clients can now choose between funds denominated in three different currencies. In august 2007 we celebrated the tenth anniversary of the Concorde 2000 balanced fund. This fund is a true success story, having increased investors' assets by more than 450%, attaining an average yearly yield of almost 17%. It continues to be among the top performers in the three-year, five-year and now also the ten-year yield categories.

It remains our objective to assure our clients of outstanding returns over the medium and long term, and to be recognised as one of the best performers among the portfolio management firms on the market. In preparation for the next ten years, we have also made additions to the staff of the fund management business, which rose to 21 employees at the end of the year.

CONCORDE CORPORATE FINANCE LTD.

Despite the global upturn in corporate acquisitions and mergers that characterised the greater part of 2007, the Hungarian M&A market remained somewhat isolated from the international trends, which resulted in another challenging year for Concorde's investment banking division. However, while in the present uncertain economic environment we have begun to see a worldwide slowdown in M&A activity, we calculate that these more global trends will have a lesser impact on our own market.
The year 2007 brought a variety of transactions and projects for Concorde Corporate Finance. Besides company sell-offs, which represent our main activity, we also received a number of buy-side mandates, and assisted our corporate clients in several capital-raising projects.
The most prominent transaction of the year was SCD Holding's capital injection related to the Balaton Development Program, in which we assisted as financial advisor. The Balaton Development Program is a large-scale development project focusing on leisure and tourism investments in the Lake Balaton region. In the transaction, which was announced in November but only completed in early 2008, the Irish investment group Quinlan Private pledged to acquire a 50% equity interest in the project company set up to implement the Balaton Development Program, which plans to carry out investments in a value of EUR 450 million over the coming seven years.

Other significant advisory mandates of 2007 were as follows:

- Advising France's Group CECAB in its successful takeover bid for canning-industry concern Globus Konzervipari Nyrt., and the subsequent stock-exchange delisting.
- Sale of property journal 'ReSource' to the Hungarian-owned new media publishing group Net Média, on behalf of New World Publishing, and following this the sale of New World Publishing itself to Absolut Media.
- Acquisition of automotive industry supplier QSCH by the Advalt Tech Group, a leading Swiss auto-industry and technology group.
- Advising the State Motorway Management Company (ÁÁK) and the Ministry of the Economy and Transport with regard t o preparations for the privatisation of ÁÁK.

Following a year that was full of challenging hurdles, but nonetheless satisfactory in terms of deals completed and fee revenues earned, Concorde Corporate Finance has started the new year with a number of highly promising mandates and new business prospects, which together cover the entire spectrum of investment banking advisory services.

CONCORDE FINANCIAL CONSULTING LTD.

In 2007 the value of indirect state aid for film financing granted through the Concorde Film Fund reached HUF 1.3 billion, which represents a growth of around 65% in comparison to the year 2006. This increase stemmed from the fact that in 2007 Concorde Financial Consulting collaborated, as financing partner, in a number of major Hungarian film projects, such as the Robin Hood II TV serial commissioned by the BBC, and the Miramax production "The Boy in the Striped Pyjamas". Thus, the Concorde Film Fund's most important achievement of 2007 was to successfully break into the market for big-budget films, which enjoy the backing of the major international film studios.
In 2007 Concorde Financial Consulting Ltd. cooperated actively with its banking partners in order to offer its film-making partners a number of innovative financing services in a growing proportion of the Hungarian and international film projects in which it assisted.

FINANCIAL STATEMENTS

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Concorde Securities Ltd.

We have audited the accompanying consolidated financial statements of Concorde Securities Ltd. and its subsidiaries, which comprise the consolidated balance sheet as at December 31, 2007, and the related consolidated income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Concorde Securities Ltd. and its subsidiaries as of December 31, 2007, and of its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Budapest, April 8, 2008

Gion Gábor	Nagy Zoltán
Deloitte Auditing and Consulting Ltd.	Registered Auditor
1068 Budapest, Dózsa György út 84/C	005027
000083	

(all amounts in thousands of HUF
unless otherwise stated)

CONSOLIDATED BALANCE SHEET
as of December 31, 2007

	Notes	December 31, 2007	December 31, 2006
Assets			
Current Assets:			
Cash and cash equivalents	3	6,131,211	7,738,256
Settlement with brokers, dealers and customers	4	2,869,375	2,755,053
Financial assets at fair value through statements of operations	5	2,255,931	1,544,061
Other receivable and accruals	6	663,796	1,405,308
Total current assets		11,920,313	13,442,678
Non-current Assets:			
Goodwill on acquisition		70,400	70,400
Equity investments	7	285,084	254,462
Loans to employees		10,000	13,254
Tangible and intangible fixed assets	8	675,561	661,896
Deferred tax assets	17	8,385	8,385
Total non-current assets		1,049,430	1,008,397
Total assets		**12,969,743**	**14,451,075**
Liabilities and Shareholders' Equity			
Current Liabilities:			
Settlement with brokers, dealers and customers	9	5,259,455	8,069,359
Short term borrowings		1,789,142	353,985
Other liabilities	10	444,882	411,335
Deferred tax liability	17	-	-
Total current liabilities		7,493,479	8,834,679
Shareholders' Equity:			
Share capital	11	1,000,000	1,000,000
Statutory reserves		791,870	651,241
Minority interest		139,885	219,700
Retained earnings		3,552,721	3,745,455
Treasury shares	12	(8,212)	-
Total shareholders' equity		5,476,264	5,616,396
Total liabilities and shareholders' equity		**12,969,743**	**14,451,075**

The accompanying notes to consolidated financial statements on pages 8 to 27 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS
for the year ended December 31, 2007

(all amounts in thousands of HUF unless otherwise stated)

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	Notes	December 31, 2007	December 31, 2006
Revenue			
Commission		4,531,313	4,310,983
Securities traded on proprietary account	13	1,754,199	1,218,574
Issuance activities		-	18,054
Corporate finance activities		239,034	259,928
Asset management		901,305	750,394
Interest and dividend		702,127	266,924
Other income		371,502	445,669
Total revenue		**8,449,480**	**7,270,526**
Expenses			
Commission expenses		(653,075)	(565,113)
Securities traded on proprietary account	13	(1,252,929)	(732,678)
Wages and salaries	14	(1,974,379)	(1,516,597)
Brokerage, clearing and exchange fees		(549,408)	(455,269)
Communication		(212,966)	(156,943)
General and administration expenses	15	(1,106,574)	(968,948)
Interest and dividends		(267,237)	(117,185)
Other expenses	16	(640,599)	(515,658)
Total expenses		**(6,657,167)**	**(5,028,391)**
Profit before tax		**1,842,313**	**2,242,135**
Income tax expense	17	(157,032)	(171,022)
Net profit		**1,685,281**	**2,071,113**
Attributable to:			
Equity holders of parents		1,552,845	1,952,385
Minority interest		132,436	118,728
Weighted average number of shares outstanding during they year		998,750	1,000,000
Consolidated earning per share in HUF		**1,687**	**2,071**

The accompanying notes to consolidated financial statements on pages 8 to 27 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
for the year ended December 31, 2007

(all amounts in thousands of HUF unless otherwise stated)

	Share capital	Minority interest	Treasury shares	Retained earnings	Total
January 1, 2006	1,000,000	205,878	-	3,553,811	4,759,689
Net profit	-	118,728	-	1,952,385	2,071,113
Paid dividends	-	(104,906)	-	(1,109,500)	(1,214,406)
December 31, 2006	**1,000,000**	**219,700**	**-**	**4,396,696**	**5,616,396**
Net profit	-	132,436	-	1,552,845	1,685,281
Carrying value of acquired treasury shares	-	-	(8,212)	-	(8,212)
Paid dividends	-	(212,251)	-	(1,604,950)	(1,817,201)
December 31, 2007	**1,000,000**	**139,885**	**(8,212)**	**4,344,591**	**5,476,264**

The accompanying notes to consolidated financial statements on pages 8 to 27 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended December 31, 2007

(all amounts in thousands of HUF unless otherwise stated)

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	Year ended December 31, 2007	Year ended December 31, 2006
Cash flows from operating activities:		
Profit before tax	1,842,313	2,242,135
Adjustments for:		
Depreciation and amortisation	224,282	200,126
Gain on sale of property, plant and equipment	-	(15,415)
Loss/(Gain) on sale of investments	6,215	(43,900)
Interest write back	(2,250)	-
Interest expense	267,237	117,185
Interest income	(702,127)	(266,924)
Operating profit before working capital changes	1,635,670	2,233,207
(Increase)/decrease in securities held for trade	(711,870)	430,730
Increase in accounts receivable from settlement	(114,322)	(1,215,199)
Decrease/increase in accounts receivable and other current assets	771,037	(840,144)
Decrease/(increase) in accounts payable from settlement	(2,809,904)	4,459,456
Increase in accounts payable and accruals	(9,031)	(221,535)
Cash generated from operations	(1,238,420)	4,846,515
Interest paid	(260,981)	(118,313)
Interest received	708,928	266,924
Income taxes paid	(157,032)	(117,231)
Net cash flow provided by operating activities	(947,505)	4,877,895
Cash flows from investing activities:		
Purchase of property, plant and equipment	(260,800)	(283,179)
Purchase of long-term investments	(233,243)	(121,965)
Decrease in Loans granted to employees	3,254	9,817
Proceeds on sale of property, plant and equipment	22,853	35,805
Proceeds on sale of investments	198,656	49,400
Dividends paid to minority interest	(212,255)	(104,906)
Net cash flow used in investing activities	(481,535)	(415,028)
Cash flows from financing activities:		
Net Increase of short term loans	1,435,157	329,896
Dividends paid	(1,604,950)	(1,109,500)
Treasury shares acquired	(8,212)	-
Net cash flow used in financing activities	(178,005)	(779,604)
Increase in cash and cash equivalents	(1,607,045)	3,683,263
Cash and cash equivalents at beginning of year	7,738,256	4,054,993
Cash and cash equivalents at end of year	**6,131,211**	**7,738,256**

The accompanying notes to consolidated financial statements on pages 8 to 27 form an integral part of these consolidated financial statements.

NOTES

1. INTRODUCTION

Concorde Securities Ltd. (the "Company") is a company limited by shares incorporated under the laws of the Republic of Hungary. The Company is primarily engaged in stock-broking, fixed income and derivatives trading, corporate finance, investment and financial advisory services, asset management and private equity business. The registered office of the Company is located in Hungary (H-1123), at Alkotás utca 50, Budapest.
Company and its controlled subsidiaries (Concorde Corporate Finance Ltd. and Concorde Investment management Ltd.) are referred to collectively as the "Group"

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accounting policies followed by the Group in these financial statements conform with International Financial Reporting Standards (IFRS). Some of the accounting principles prescribed for statutory purposes are different from those generally recognized in international financial markets. Certain adjustments have been made to the Group's Hungarian statutory accounts, in order to present the financial position and results of operations of the Group in accordance with all standards and interpretations approved by the International Accounting Standards Board (IASB), which are referred to as International Financial Reporting Standards (IFRS). These standards and interpretations were previously called International Accounting Standards (IAS).

The reporting currency of the Group is the Hungarian Forint ("HUF").

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (the "EU"). IFRS as adopted by the EU do not currently differ from IFRS as issued by the IASB, except for portfolio hedge accounting under IAS 39 which has not been approved by the EU. As the Group does not apply portfolio hedge accounting under IAS 39, there is no impact on these consolidated financial statements, had it been approved by the EU at the balance sheet date.

The Financial Statements were authorised for issue on 8, April 2008.

Adoption of new Standards

In the current year, the Group has adopted IFRS 7 Financial Instruments: Disclosures, which is effective for annual reporting periods beginning on or after 1 January 2007, and the consequential amendments to IAS 1 Presentation of Financial Statements.

The impact of the adoption of IFRS 7 and the changes to IAS 1 implicate the expansion of the disclosures provided in these financial statements regarding the financial instruments of the Group and management of capital.

Four Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are:

- IFRIC 7 Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies;

– IFRIC 8 Scope of IFRS 2;
– IFRIC 9 Reassessment of Embedded Derivatives;
– IFRIC 10 Interim Financial Reporting and Impairment.

The adoption of the above amendments had no significant impact on the 2007 consolidated financial statements.

Changes in Accounting Policies arising from the Adoption of New IFRSs and Amendments to IASs effective 1 January 2007

At the date of authorisation of these financial statements, other than the Standards and Interpretations adopted by the Group, the following Interpretations were in issue but not yet effective:

– IAS 23 (Revised) Borrowing Costs (effective for accounting periods beginning on or after 1 January 2009);
– IFRS 8 Operating Segments (effective for accounting periods beginning on or after 1 January 2009);
– IFRIC 13 Customer Loyalty Programmes (effective for accounting periods beginning on or after 1 July 2008);
– IFRIC 11 IFRS 2: Bank and Treasury Share Transactions (effective 1 March 2007);
– IFRIC 12 Service Concession Arrangements (effective 1 January 2008);
– IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective 1 January 2008).

The directors anticipate that all of the above Interpretations will be adopted in financial statements of the Group for the period commencing 1 January 2008 and that the adoption of those Interpretations will have no material impact on the financial statements of the Bank in the period of initial application.

According to the management the future application of the new and modified standards and interpretations will not have a material impact on the Group's financial statements.

Revenue recognition

Gains and losses on securities trading are recognised on the trade date. Commissions from security trading as an agent are recognised at trade date. Income from fund management and portfolio management are recognised on an accrual basis and when the service is delivered. Revenue from investment lending and deferred payment service is recognised on an effective interest rate basis, while the receivables are measured at amortized cost.

Foreign currency

Transactions arising in foreign currencies are translated into HUF at the rate of exchange prevailing at the date of the transaction. Assets and liabilities denominated in foreign currencies at the balance sheet date are translated into HUF at the year-end rates of exchange. The resulting foreign currency exchange gains and losses are recognised in the statement of income.

Consolidation

The consolidated financial statements comprise the financial statements of Concorde Securities Ltd. Groupand two of its controlled subsidiaries as of December 31, 2007. Control is presumed to exist where the Group holds, directly or indirectly, more than 50% of the registered capital. The effects of all material interGroup balances and transactions are eliminated.

Details of consolidated subsidiary undertakings are provided below. All consolidated companies are incorporated in Hungary.

Group	Group Ownership	Brief description of activities
Concorde Corporate Finance Ltd.	75.00%	Corporate finance
Concorde Investment Management Ltd.	75.00%	Fund management

As of December 31, 2007 three subsidiaries in which the Group holds, directly or indirectly, more than 25% of the registered capital have not been consolidated as the impact on the consolidated financial statements would not be material as the companies had no significant activity during 2007. SMÁK Project Management Ltd. was incorporated on 27 November, 2007.

Group	Group's Ownership	Brief description of activities
Concorde Financial Consulting Ltd.	75.00%	facility management Group
Eclipse Investment Ltd.	100.00%	venture capital Group
SMÁK Project Management Ltd.	50.00%	project management Group

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

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

Tangible and intangible fixed assets

Fixed assets are stated at cost, less accumulated depreciation and amortisation. Depreciation and amortisation is provided using the straight-line method in order to write off the cost of the asset over its expected economic useful life, as follows:

Property rights	6 years
Acquired clients	15 years
Leasehold improvements	33 years
Software	3 years
Machinery and equipment	3-7 years
Vehicles	5 years

Impairment

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated as the higher of net selling price and value in use. For intangible assets that are not yet available for use, the recoverable amount is estimated at least at each balance sheet date.

In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised whenever the carrying amount exceeds the recoverable amount.

For an asset that does not generate cash inflows largely independent of those from other assets the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised whenever the carrying amount of the cash-generating unit exceeds its recoverable amount.

A previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years. For goodwill a recognised impairment loss is not reversed, unless the impairment loss was caused by a specific external event of an exceptional nature that is not expected to recur and the increase relates clearly to the reversal of the effect of that specific event.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, current accounts with original maturities of 90 days or less and cash in transit. Included within cash and current accounts of client funds for which a corresponding liability is shown in “Settlement with brokers, dealers and customers”.

Equity investments

Investments include nonmaterial unconsolidated subsidiaries and associated Group and other investments. Investments are recorded at cost less any provision for impairment.

Leased Assets

Assets held under leasing arrangements that transfer substantially all the risks and rewards of ownership to the Group are capitalised. The present value of the related lease obligations is included in long and short-term liabilities as appropriate. The interest element of the lease obligations is charged to the income statement so as to produce a constant periodic rate of charge.

Assets held under capital leases are carried at the lower of the present value of the lease obligation and a fair value of the leased property and are depreciated over their expected useful lives on the same basis as owned assets, or over the periods of the leases where these are shorter.+

Trading securities

The Group classifies its securities into the following categories: held for trading, held-to-maturity and available-for-sale. Securities that are acquired principally for the purpose of generating profit from short-term fluctuations in price are classified as held for trading investments and included in current assets. Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale.

Trading securities consist of debt securities and other securities. Debt securities include Hungarian Government Bonds, Treasury Bills and Corporate Bonds. Other securities include shares of companies traded on the Budapest Stock Exchange or on the Hungarian OTC market.

The securities traded on the Budapest Stock Exchange (shares, government bonds, treasury bills and corporate bonds) are stated at fair value at the balance sheet date. Government securities are stated at their estimated fair value, which include the accumulated interest at year-end. Any gain or loss resulting from revaluation is recognised in the income statement. The fair value at the balance sheet date is determined on the basis of the average price on the last trading day of the year.

OTC shares are measured at fair values. If the OTC shares do not have a quoted market price in an active market and the fair value cannot be reliably measured, those assets are measured at purchase cost, less an allowance for impairment, if appropriate.

Gains and losses on the sale of trading securities are calculated on a FIFO basis.

Interest income from interest bearing securities and dividends from shares is shown in net revenue on securities traded on proprietary account.

Receivables from settlement with brokers, dealers and customers

Receivables from services provided represents fees charged for investment services and other customer related activities performed on commission.

The amount of receivables arising from own-account (non-commission) spot or closed futures transactions carried out on the exchange and existing at balance sheet date are recorded as receivables from the settlement of Budapest Stock Exchange transactions.

The amount of receivables arising from own-account (non-commission) over-the-counter spot or futures transactions existing at the balance sheet date is recorded as receivables from the settlement of over-the-counter transactions.

Receivables from clearing-house represent cash amounts transferred to clearing-houses and are recorded as receivables from clearing-houses within exchange cash account receivables.

Payables from settlement with brokers, dealers and customers

Payables to customers include funds due to customers on the basis of investment service activities performed on commission and liabilities arising from other business activities, including amounts due to the funds arising from asset management conducted for pension funds.

The amount of liabilities arising from own-account (non-commission) transactions carried out on the exchange and existing at the balance sheet accounting date are recorded as liabilities arising from the settlement of Budapest Stock Exchange transactions.

Payables to clearing house include the amount of funds transferred to the exchange cash account of the investment enterprise by clearing houses under the title of price differences related to futures transactions carried out on the exchange.

Securities sold but not yet purchased

The Group sells securities that it does not currently own and therefore is obligated to purchase such securities at a future date. These purchase obligations are recorded in the financial statements at the fair value of the related securities at year-end.

Futures contracts

The Group trades futures contracts on Budapest Stock Exchange. These futures contracts are executed on the Budapest Stock Exchange and cash settlement is made on a daily basis for market value movements. At year-end open futures are recorded at their fair value based on the year-end market rates.

Treasury shares

Treasury shares are shares which are purchased on the stock exchange and the over-the-counter market by the Group and its subsidiaries and are presented in the Consolidated Balance Sheet at acquisiton cost as a deduction from Consolidated Shareholders' Equity.

Gains and losses on the sale of treasury shares are credited or charged directly to consolidated Retained earnings and reserves.

Trade and settlement date accounting

Own securities transactions are recognised on the trade date. Gains and losses arising from own securities transactions are recorded on a trade date basis. Customers' securities transactions are reported on a settlement date basis with related commission income reported on a trade date basis.

Income taxes

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

Deferred taxation is accounted for using the balance sheet liability method in respect of temporary differences between the tax bases of assets and liabilities and their carrying value for financial reporting purposes, measured at the tax rates that apply to the future period when the asset is expected to be realised or the liability is settled.

Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Impairment of goodwill
Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Impairment of loans to customers
The Group regularly assesses its loan to customers portfolio for possible impairment. Management determines the adequacy of the allowances based upon reviews of individual loans and placements, recent loss experience, current economic conditions, the risk characteristics of the various categories of loans and other pertinent factors. Provisioning involves many uncertainties about the outcome of those risks and requires the management of the Group to make many subjective judgements in estimating the loss amounts.

3. CASH AND CASH EQUIVALENTS

	December 31, 2007	December 31, 2006
Cash	39,319	55,172
Current account	6,091,892	7,683,084
	6,131,211	7,738,256

Included within cash and current accounts is HUF 5,075,680 thousand (2006: HUF 7,393,357 thousand) of client funds for which a corresponding liability is shown in "Settlement with brokers, dealers and customers".

4. SETTLEMENT WITH BROKERS, DEALERS AND CUSTOMERS

	December 31, 2007	December 31, 2006
Receivables from services provided	967,173	766,512
Receivables from clearing house	360,831	590,770
Receivables from trading on the Budapest Stock Exchange	434,519	659,392
Receivables from loans to customers	1,148,570	776,709
	2,911,093	2,793,383
Allowance for doubtful receivables	(41,718)	(38,330)
	2,869,375	2,755,053

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH STATEMENTS OF OPERATIONS

	December 31, 2007	December 31, 2006
Government bonds	985,082	452,063
Treasury Bills	1,078,269	865,289
Mortgage bonds	97,311	124,734
Listed shares	52,957	52,187
Investment funds	10,564	10,000
OTC shares	31,732	39,788
Corporate bonds (unlisted)	16	-
	2,255,931	1,544,061

Interest rates and maturity date on government securities as of December 31, 2007 are as follows:

	2007	Maturity	Coupon rate	
Discounted Treasury Bills	1,004,235	to July, 2008	-	
Discounted Treasury Bills	74,034	to December, 2008	-	
Treasury bonds	670,208	2008	fixed	6.25-7.25%
Treasury bonds	157,910	2009-2011	fixed	6.00-9.50%
Treasury bonds	156,964	2012-	fixed	5.50-8.00%
	2,063,351			

6. OTHER RECEIVABLES AND ACCRUALS

	December 31, 2007	December 31, 2006
Receivables from unconsolidated subsidiary Concorde Financial Consulting Ltd.	1,160	-
Loans advanced to other unconsolidated subsidiaries	98,000	-
Loans to employees	70,040	65,936
Corporate tax receivable	59,171	74,370
Accrued interest on bank deposit	21,857	21,857
Other accrued interest	-	-
Debtors	161,924	155,747
Receivables from banks	-	55,370
Dividends advance	-	899,450
Other	251,644	132,578
	663,796	1,405,308

7. EQUITY INVESTMENTS

	December 31, 2007		December 31, 2006	
	book value	owner-ship %	book value	owner-ship %
Membership in Budapest Stock Exchange	49,234	5.08%	49,234	5.08%
Concorde Financial Consulting Ltd.	2,250	75.00%	-	71.67%
Eclipse Investment Ltd.	232,943	100.00%	198,656	100.00%
Other long term investments	657	-	6,572	-
	285,084		254,462	

Other long term investments include investments in Hungarian Government Bonds and domestic and foreign equities, which were bought for investment purposes.

The Group's unconsolidated subsidiaries at December 31, 2007 are Concorde Financial Consulting Ltd., Eclipse Investment Ltd. and SMÁK Project Management Ltd. (See Note 2 Accounting policy on consolidation). The financial statements of Concorde Financial Consulting Ltd. and Eclipse Investment Ltd. as of and for the year ended December 31, 2007 is set out below. The following condensed informations are based on statutory financial statements and do not include adjustments to present them in accordance with IFRS.

Concorde Financial Consulting Ltd.

	2007 (unaudited)	2006 (unaudited)
Total assets	52,192	34,590
Owners' equity	39,380	28,077
Net income	11,303	24,025

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Eclipse Investment Ltd.

	2007 (unaudited)	2006 (unaudited)
Total assets	244,978	233,262
Owners' equity	244,828	232,790
Net income	12,037	18,929

SMÁK Project Management Ltd.

	2007 (unaudited)	2006 (unaudited)
Total assets	99,330	-
Owners' equity	(1,334)	-
Net income	(1,902)	-

8. TANGIBLE AND INTANGIBLE FIXED ASSETS

	Intangible assets	Furniture, fixtures and equipment	Leasehold improvements	Total
Cost:				
January 1, 2006	622,903	747,526	52,613	1,423,042
Additions	87,297	150,040	45,842	283,179
Disposals	-	(63,069)	-	(63,069)
January 1, 2007	710,200	834,497	98,455	1,643,152
Additions	108,756	149,826	5,243	263,825
Disposals	(3)	(52,160)	-	(52,163)
December 31, 2007	818,953	932,163	103,698	1,854,814
Depreciation:				
January 1, 2006	389,176	431,300	3,341	823,817
Charge for the year	64,069	133,871	2,186	200,126
Disposals	-	(42,687)	-	(42,687)
December 31, 2006	453,245	522,484	5,527	981,256
Acquisition	-	3,025	-	3,025
Charge for the year	85,575	135,723	2,984	224,282
Disposals	-	(29,262)	(48)	(29,310)
December 31, 2007	538,820	631,970	8,463	1,179,253
Net book value:				
December 31, 2006	256,955	312,013	92,928	661,896
December 31, 2007	280,133	300,193	95,235	675,561

9. SETTLEMENT WITH BROKERS, DEALERS AND CUSTOMERS

	December 31, 2007	December 31, 2006
Payables to clients	5,075,680	7,393,357
Payables from trading on the Budapest Stock Exchange	183,775	676,002
	5,259,455	8,069,359

10. OTHER CURRENT LIABILITIES AND ACCRUALS

	December 31, 2007	December 31, 2006
Payables	126,190	98,796
PIT and social contribution	138,143	186,863
Accrued interest of overdraft	-	-
Taxes payable	18,504	47,019
Other	162,045	78,657
	444,882	411,335

11. SHARE CAPITAL AND RESERVES

	December 31, 2007		December 31, 2006	
	Issued capital	Ownership rate	Issued capital	Ownership rate
Blackburn International Ltd.	396,000	39.60 %	396,000	39.60 %
Eurotipp Ltd.	105,600	10.56 %	105,600	10.56 %
Móricz Gábor	149,600	14.96 %	149,600	14.96 %
Tőzsdecápa Ltd.	300,000	30.00 %	300,000	30.00 %
Other	40,588	4.06 %	48,800	4.88 %
Treasury shares	8,212	0.82 %	-	-
Total shareholders' equity	1,000,000	100.00 %	1,000,000	100.00 %

The number of shares issued is 1,000,000 each with a face value of HUF 1 thousand per share.

Reconciliation of the number of shares outstanding at the beginning and end of the year:

	Common shares		Dividend preferred shares	
	Outstanding	Treasury	Outstanding	Treasury
January 1, 2007	670,000	-	330,000	-
December 31, 2007	667,500	2,500	330,000	-

Concorde Securities Ltd's distributa-ble reserves under Hungarian regulations were HUF 2,777,114 thousand and HUF 3,116,407 thousand as of December 31, 2007 and 2006, respectively. Dividends for the year ended December 31, 2007 were declared at the Group's Annual General Meeting on April 8, 2008.

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12. TREASURY SHARES

	December 31, 2007	December 31, 2006
Nominal value (Common Shares)	2,500	-
Carrying value at acquisition cost	8,212	-

13. NET REVENUE ON SECURITIES TRADED ON PROPRIETARY ACCOUNT

	December 31, 2007	December 31, 2006
Revenue on securities traded on proprietary account	1,754,199	1,218,574
Expense on securties traded on propretary account	(1,252,929)	(732,678)
Net revenue on securities traded on proprietary account	501,270	485,896

	December 31, 2007	December 31, 2006
Government and corporate bonds	81,976	98,297
Treasury Bills	152,689	150,154
Shares	315,294	283,400
Futures	(3,773)	25,574
Other	(44,916)	(71,529)
	501,270	485,896

14. WAGES AND SALARIES

	December 31, 2007	December 31, 2006
Salaries	1,381,825	1,043,432
Social insurance contribution	408,338	318,608
Other employee related contribution	94,498	74,266
Other employee related expenses	89,718	80,291
	1,974,379	1,516,597

The number of a full time equivalent staff employed at year-end was 135 (2006: 118 full time equivalent staff were employed).

15. GENERAL AND ADMINISTRATION EXPENSES

	December 31, 2007	December 31, 2006
Bank charges	105,309	74,030
Local tax	154,627	132,008
Travel	69,170	60,198
Insurance fees	8,321	11,997
Rental	123,527	102,035
Professional fees	123,591	138,530
Office supplies	93,452	67,727
Depreciation	245,869	210,348
Marketing	30,598	27,412
Membership fees	8,653	7,646
Training	18,992	9,719
Other	124,465	127,298
	1,106,574	968,948

16. OTHER EXPENSES

	December 31, 2007	December 31, 2006
Film and charity sponsorship	264,184	247,553
Security borrowing	193,719	75,388
Foreign exchange loss	40,190	48,252
Innovation fee	19,530	13,761
Expense on corporate finance activity	19,376	25,113
Expense on asset management activity	35,286	28,510
Expense on fixed asset selling	19,039	17,145
Other expense	49,275	59,936
	640,599	515,658

17. INCOME TAXES

Hungarian Group taxation is calculated at 16% of net profit, adjusted for taxation purposes.
The effective income tax rate varied from the statutory income tax rate due to the following items:

	December 31, 2007	December 31, 2006
Income before tax and minority interest	1,842,313	2,242,135
Tax at statutory rate of 16%	294,770	358,742
Solidarity tax rate of 4%	73,693	89,685
Temporary differences, net	-	16,000
Permanent differences, net	(211,431)	(293,405)
Taxation charge in IFRS financial statements	157,032	171,022

The „solidarity tax” to improve the balance of public finances was introduced in Hungary from 1 September 2006. It amounts to 4%.

Reconciliation of the deferred tax assets and liabilities at the beginning and end of the year:

	December 31, 2007	December 31, 2006
Deferred tax liability at the beginning of the year	8,385	(7,615)
Current year charges	-	16,000
Deferred tax assets (liabilities)	8,385	8,385

	December 31, 2007	December 31, 2006
Deferred tax asset		
Tax effect of difference in carrying value of goodwill	8,385	8,385
Net deferred tax asset / (liability)	8,385	8,385

There is no procedure for final agreement of tax assessments in Hungary. The tax authorities may examine the accounting records and revise assessments for up to five years after the period to which they relate until examinations are finalised. Consequently, the Group and its subsidiaries may be subject to further assessments in the event of an audit by the tax authorities. Management anticipates that no significant tax reassessments will arise from these reviews.

18. OFF BALANCE SHEET ITEMS, COMMITMENTS AND CONTINGENCIES

The balance of client's securities is HUF 81,713 million at face value as of December 31, 2007 (2006: HUF 72,767 million).
At face value HUF 81,200 million from these securities are deposited in custody at the Central Clearing House and Depository Ltd. (KELER Ltd.) (2006: HUF 70,313 million).

19. SIGNIFICANT RELATED PARTY TRANSACTIONS

The following is a summary of significant related party transactions during the year 2007:
The Group provided a HUF 98,000 thousand loan facility to SMÁK Project Management Ltd. in 2007, an unconsolidated subsidiary of the Group.

20. MATURITY ANALYSIS OF ASSETS AND LIABILITIES AND LIQUIDITY RISK

As of December 31, 2007, all monetary assets and liabilities mature within one month of the balance sheet date, with the exception of HUF 5,075,680 thousand client funds included in current accounts for which the corresponding liability is stated as part of Settlement with brokers, dealers and customers.
As of December 31, 2007 the net monetary assets maturing within one month of the balance sheet date were HUF 6,844,631 thousand.

Trading account assets and securities held for trading, which are shown as demand irrespective of their terms of issuance. The realisation of trading securities held for trading is dependent upon financial market conditions. It is possible that significant positions in financial instruments may not be liquidated in a short period of time without adverse price effects.

MATURITY ANALYSIS OF ASSETS AND LIABILITIES AND LIQUIDITY RISK CONTINUED

December 31, 2007	Within 3 month	Within one year and over 3 month	Within 4 years and over one year	Over 4 years	Total
Assets					
Current Assets:					
Cash and cash equivalents	6,131,211	-	-	-	6,131,211
Settlement with brokers, dealers and customers	2,869,375	-	-	-	2,869,375
Financial assets at fair value through statements of operations	615,440	1,199,211	211,144	230,136	2,255,931
Other receivable and accruals	663,796	-	-	-	663,796
Total current assets	10,279,822	1,199,211	211,144	230,136	11,920,313
Non-current Assets:					
Goodwill on acquisition	-	-	-	70,400	70,400
Equity investments	-	-	-	285,084	285,084
Loans to employees	-	-	10,000	-	10,000
Tangible and intangible fixed assets	-	-	675,561	-	675,561
Deferred tax assets	-	8,385	-	-	8,385
Total non-current assets	-	8,385	685,561	355,484	1,049,430
Total assets	**10,279,822**	**1,207,596**	**896,705**	**585,620**	**12,969,743**

Liabilities and Shareholders' Equity					
Current Liabilities:					
Settlement with brokers, dealers and customers	5,259,455	-	-	-	5,259,455
Short term borrowings	1,789,142	-	-	-	1,789,142
Other liabilities	444,882	-	-	-	444,882
Deferred tax liability	-	-	-	-	-
Total current liabilities	7,493,479	-	-	-	7,493,479
Shareholders' Equity:					
Share capital	-	-	-	1,000,000	1,000,000
Statutory reserves	-	-	-	791,870	791,870
Minority interest	-	-	-	139,885	139,885
Retained earnings	-	-	-	3,552,721	3,552,721
Treasury shares	-	-	(8,212)	-	(8,212)
Total shareholders' equity	-	-	(8,212)	5,484,476	5,476,264
Total liabilities and shareholders' equity	**7,493,479**	**-**	**(8,212)**	**5,484,476**	**12,969,743**
Liquidity (deficiency)/excess	**2,786,343**	**1,207,596**	**904,917**	**(4,898,856)**	**-**

MATURITY ANALYSIS OF ASSETS AND LIABILITIES AND LIQUIDITY RISK CONTINUED

07

December 31, 2006	Within 3 month	Within one year and over 3 month	Within 4 years and over one year	Over 4 years	Total
Assets					
Current Assets:					
Cash and cash equivalents	7,738,256	-	-	-	7,738,256
Settlement with brokers, dealers and customers	2,755,053	-	-	-	2,755,053
Financial assets at fair value through statements of operations	765,167	183,743	509,946	85,205	1,544,061
Other receivable and accruals	1,405,308	-	-	-	1,405,308
Total current assets	12,663,784	183,743	509,946	85,205	13,442,678
Non-current Assets:					
Goodwill on acquisition	-	-	-	70,400	70,400
Equity investments	-	-	-	254,462	254,462
Loans to employees	-	-	13,254	-	13,254
Tangible and intangible fixed assets	-	-	661,896	-	661,896
Deferred tax assets	-	8,385	-	-	8,385
Total non-current assets	-	8,385	675,150	324,862	1,008,397
Total assets	**12,663,784**	**192,128**	**1,185,096**	**410,067**	**14,451,075**

Liabilities and Shareholders' Equity					
Current Liabilities:					
Settlement with brokers, dealers and customers	8,069,359	-	-	-	8,069,359
Short term borrowings	353,985	-	-	-	353,985
Other liabilities	411,335	-	-	-	411,335
Deferred tax liability	-	-	-	-	-
Total current liabilities	8,834,679	-	-	-	8,834,679
Shareholders' Equity:					
Share capital	-	-	-	1,000,000	1,000,000
Statutory reserves	-	-	-	651,241	651,241
Minority interest	-	-	-	219,700	219,700
Retained earnings	-	-	-	3,745,455	3,745,455
Treasury shares	-	-	-	-	-
Total shareholders' equity	-	-	-	5,616,396	5,616,396
Total liabilities and shareholders' equity	**8,834,679**	**-**	**-**	**5,616,396**	**14,451,075**
Liquidity (deficiency)/excess	**3,829,105**	**192,128**	**1,185,096**	**(5,206,329)**	**-**

21. RISK MANAGEMENT

Credit risk

Financial assets, which potentially subject the Company to concentrations of credit risk consist principally of cash, short-term investments and accounts receivable. The Company's cash is primarily held with major international banks. Short-term investments are carried at market value and accounts receivable are presented net of an allowance for doubtful receivables. Credit risk with respect to trade receivables is limited due to dispersion across customers. Accordingly, the company has no significant concentrations of credit risk.

Risk Management

The company laid down its risk management policy, in which counterparty limits, the own portfolio ratio and loss limits have been set. Management continuously monitors the limits. The Company introduced a daily VaR based risk monitoring system in 2001.

Sensitivity analyses

Market risk sensitivity analysis

The VaR risk measure estimates the potential loss in pre-taxation profit over a given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognising offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The one-day 99% VaR number used by the Group reflects the 99% probability that the daily loss will not exceed the reported VaR.

The VaR of the trading portfolio can be summarized as follows:

Historical VaR (99%, one-day) by risk type	Average (HUF million)	
	2007	2006
Foreign exchange	14.38	6.48
Interest rate	2.15	2.62
Equity instruments	2.08	12.49
Diversification	(7.68)	(10.19)
Total VaR exposure	10.93	11.40

While VaR captures the Company's daily exposure to foreign currency and interest rate risk, sensitivity analysis evaluates the impact of a reasonably possible change in interest or foreign currency rates over a year. The longer time frame of sensitivity analysis complements VaR and helps the Group to assess its market risk exposures.

Foreign currency sensitivity analysis

The Group is performing foreign currency sensitivity analysis just for its own foreign currency positions. The data in following table show the relative (expressed in percentage) and absolute decrease of HUF value of own foreign currency positions in the case of weakening of EUR and USD prices compared to HUF (ceteris paribus).

		December 31, 2007	December 31, 2006
5% Weakening of EUR	Loss on portfolio (%)	0.42	0.07
	Loss on portfolio (HUF million)	21.33	3.44
5% Weakening of USD	Loss on portfolio (%)	0.29	0.20
	Loss on portfolio (HUF million)	15.07	9.94
Total	Loss on portfolio (%)	0.71	0.27
	Loss on portfolio (HUF million)	36.40	13.38

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. The analysis is prepared assuming the amount of assets and liabilities outstanding at the balance sheet date was outstanding for the whole year. The analysis were prepared by assuming only the adversing interest rate changes. The main assumptions were as follows:
Floating-rate assets and liabilities were repriced to the modeled benchmark yields at the reprincing dates assuming the unchanged marge compared to the last re-pricing.
Fixed-rate assets and liabilities were repriced at the contractual maturity date.
Group measures interest rate sensitivity of asset side on a daily basis. The interest rate sensitivity of assets (so the potential loss in the case of 0,1% shrinkage of average yields on a one-year period) was HUF 2.24 million and HUF 1.53 million as at December 31, 2007 and December 31, 2006, respectively.

Equity price sensitivity analysis

The Company has no significant equity instruments held in 2007 and 2006 therefore not exposed to significant equity price risk.

Interest risk

In order to minimise interest risks, a limit has been set to the proportion of long term government securities in the company's own portfolio. In order to reduce interest rate losses, factors affecting security interest rates (liquidity, volatility, duration) were also considered when the limits were set up, and the Company's portfolio diversification and loss limits per security were set accordingly. Due to this policy the Company's interest risk is considered low.

Counterparty risk

Counterparty limits are determined by the management and are continuously monitored. Private individual customers can initiate securities transactions only when collateral is presented. Limits of institutional investors are determined based on the risk bearing capacity and the reputation of the customer. As a result, counterparty risk is considered low.

22. FAIR VALUES

At December 31, 2007, the carrying amounts of cash, short-term loans and accounts receivable and accounts payable approximated their fair values due to the short-term maturities of these assets and liabilities. The fair value of trading securities has been determined based on the market rates for quoted securities.

MANAGEMENT AND OFFICERS

CONCORDE SECURITIES LTD.

Board of Directors

György Jaksity, chairman
Gábor Borda, director
Norbert Streitmann, director

Supervisory Board

Gábor Móricz, chairman
Enikő Borsy
Krisztián Feyér

CONCORDE ASSET MANAGEMENT LTD.

Board of Directors

László Szabó, chairman
Botond Bilibók
György Jaksity
Norbert Streitmann

CONCORDE CORPORATE FINANCE LTD.

Managing director

Tobias Edmund Mansel-Pleydell

CONCORDE FINANCIAL CONSULTING LTD.

Managing director

András Szombati

AUDITORS

Deloitte Auditing and Consulting Ltd.
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