

**Concorde Securities Ltd.**

*Consolidated Financial Statements  
in accordance with  
International Financial  
Reporting Standards  
Adopted by the European Union*

*for the year ended December 31, 2012*

**Concorde Securities Ltd.  
Consolidated Financial Statements**

**December 31, 2012**

<b>Contents</b>	<b><u>Pages</u></b>
Independent Auditor's Opinion	
Consolidated Statement of Financial Position	4
Consolidated Statement of Comprehensive Income	5
Consolidated Statement of Changes in Shareholders' Equity	6
Consolidated Statement of Cash Flows	7
Notes to the Consolidated Financial Statements	9-40

## ***INDEPENDENT AUDITOR'S REPORT***

To the Shareholders of Concorde Securities Ltd.

We have audited the accompanying consolidated financial statements of Concorde Securities Ltd. (the "Company") for the year 2012, which financial statements comprise the consolidated statement of financial position as at December 31, 2012 - which shows total assets of 19,453,245 thHUF, - the related consolidated statement of comprehensive income – which shows net comprehensive income of 175,197 thHUF -, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated 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, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *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 the Hungarian National Standards on Auditing and effective Hungarian laws and other regulations pertaining to audit. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

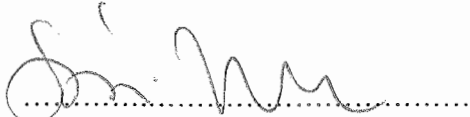
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements,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

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

*Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Concorde Securities Ltd. as at December 31, 2012, and its 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, July 30, 2013

A handwritten signature in black ink, appearing to read 'Zsuzsanna Szépfalvi', is written over a horizontal dotted line.

Zsuzsanna Szépfalvi  
Deloitte Auditing and Consulting Ltd.  
1068 Budapest, Dózsa György út 84/C  
000083

**Concorde Securities Ltd.**  
**Consolidated Statement of Financial Position**  
**as of December 31, 2012**

*(all amounts in thousands of HUF unless otherwise stated)*

	<u>Notes</u>	<u>December 31, 2012</u>	<u>December 31, 2011</u>
<b>Assets</b>			
Current Assets:			
Cash and cash equivalents	4	14,567,420	14,014,417
Receivables from brokers, dealers and customers	5	2,327,437	1,392,496
Financial assets at fair value through profit or loss	6	1,618,629	2,603,047
Other receivables and accruals	7	242,268	395,962
Total current assets		18,755,754	18,405,922
Non-current Assets:			
Goodwill		0	70,400
Equity investments	8	235,193	235,193
Loans to employees		27,896	39,896
Tangible and intangible fixed assets	9	434,397	555,670
Deferred tax assets	19	5	9,410
Total non-current assets		697,491	910,569
<b>Total assets</b>		<b>19,453,245</b>	<b>19,316,491</b>
<b>Liabilities and Shareholders' Equity</b>			
Current Liabilities:			
Liabilities to brokers, dealers and customers	10	14,093,464	13,958,821
Short term borrowings	10	2,060,597	1,154,641
Financial liabilities at fair value through profit or loss	11	369,640	496,630
Other liabilities	12	244,637	461,929
Deferred tax liability	19	16,080	0
Total current liabilities		16,784,418	16,072,021
Shareholders' Equity:			
Share capital	13	1,000,000	925,000
Statutory reserves	13	-	-
Retained earnings		1,707,737	2,313,784
Treasury shares	14	(49,918)	(9,213)
Total shareholders' equity attributable to equity holders		2,657,819	3,229,571
Non-controlling interest		11,008	14,899
<b>Total shareholders' equity</b>		<b>2,668,827</b>	<b>3,244,470</b>
<b>Total liabilities and shareholders' equity</b>		<b>19,453,245</b>	<b>19,316,491</b>

*The accompanying notes to consolidated financial statements on pages 9 to 40 form an integral part of these consolidated financial statements.*

Budapest, July 30, 2013

  
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 Chief Executive Officer

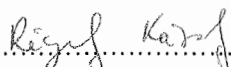
**Concorde Securities Ltd.**  
**Consolidated Statement of Comprehensive Income**  
**for the year ended December 31, 2012**

*(all amounts in thousands of HUF unless otherwise stated)*

	<i>Notes</i>	Year ended December 31, 2012	Year ended December 31, 2011
<i>Revenue</i>			
Commissions		1,825,266	2,824,743
Gains on securities traded on proprietary account	15	1,097,112	998,061
Corporate finance activities		55,807	74,530
Custodianship, safe-keeping and portfolio management activities		9,068	550,904
Interest and dividend income from securities		441,395	364,342
Other income	18	279,579	207,414
<b>Total revenue</b>		<b>3,708,227</b>	<b>5,019,994</b>
<i>Expenses</i>			
Commission expenses		(102,900)	(179,132)
Losses on securities traded on proprietary account	15	(417,061)	(346,399)
Wages and salaries	16	(1,052,158)	(1,139,898)
Brokerage, clearing and exchange fees		(340,361)	(454,191)
Communication costs		(53,886)	(36,161)
General and administration expenses	17	(906,695)	(1,035,519)
Interest paid		(100,864)	(89,695)
Other expenses	18	(562,190)	(491,545)
<b>Total expenses</b>		<b>(3,536,115)</b>	<b>(3,772,540)</b>
<b>Profit before tax</b>		<b>172,112</b>	<b>1,247,454</b>
Income tax expense	19	(806)	(72,873)
<b>Profit for the year</b>		<b>171,306</b>	<b>1,174,581</b>
Attributable to:			
Equity holders of parent		175,197	1,169,852
Non-controlling interest		(3,891)	4,729
		<b>171,306</b>	<b>1,174,581</b>
Weighted average number of shares outstanding during the year		989,434	1,384,768
<b>Consolidated basic and diluted earning per share in thousand of HUF</b>		<b>173</b>	<b>848</b>
<b>NET PROFIT FOR THE YEAR</b>		<b>175,197</b>	<b>1,169,852</b>
<b>NET COMPREHENSIVE INCOME</b>		<b>175,197</b>	<b>1,169,852</b>

*The accompanying notes to consolidated financial statements on pages 9 to 40 form an integral part of these consolidated financial statements.*

Budapest, July 30, 2013

  
 .....  
 Chief Executive Officer

**Concorde Securities Ltd.**  
**Consolidated Statement of Changes in Shareholders' Equity**  
**for the year ended December 31, 2012**  
*(all amounts in thousands of HUF unless otherwise stated)*

	Note	Share Capital	Treasury shares	Statutory reserve	Retained Earnings and Reserves	Total Shareholders' Equity	Non-controlling Interest	Total Shareholders' Equity & Non-controlling interest
<b>Balance as of January 1, 2011</b>		<u>1,000,000</u>	<u>(27,988)</u>	-	<u>4,899,410</u>	<u>5,871,422</u>	<u>421,620</u>	<u>6,293,042</u>
Net comprehensive income for the year		-	-	-	1,169,852	1,169,852	4,729	1,174,581
Dividends paid		-	-	-	(2,284,630)	(2,284,630)	(57,441)	(2,342,071)
Disposal of subsidiary	21	(75,000)	-	-	(1,470,848)	(1,545,848)	(354,009)	(1,899,857)
Treasury share sale		-	18,775	-	-	18,775	-	18,775
<b>Balance as of December 31, 2011</b>		<u>925,000</u>	<u>(9,213)</u>	-	<u>2,313,784</u>	<u>3,229,571</u>	<u>14,899</u>	<u>3,244,470</u>
Profit for the year		-	-	-	175,197	175,197	(3,891)	171,306
Dividends paid		-	-	-	(706,244)	(706,244)	-	(706,244)
Increase of Share Capital		75,000	-	-	(75,000)	-	-	-
Repurchase of Treasury shares		-	(40,705)	-	-	(40,705)	-	(40,705)
<b>Balance as of December 31, 2012</b>		<u>1,000,000</u>	<u>(49,918)</u>	-	<u>1,707,737</u>	<u>2,657,819</u>	<u>11,008</u>	<u>2,668,827</u>

(\* See Note 13)

The accompanying notes to consolidated financial statements on pages 9 to 40 form an integral part of these consolidated financial statements.

Budapest, July 30, 2013

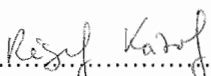
  
 .....  
 Chief Executive Officer

**Concorde Securities Ltd.**  
**Consolidated Statement of Cash Flows**  
**for the year ended December 31, 2012**  
*(all amounts in thousands of HUF unless otherwise stated)*

	Year ended December 31, 2012	Year ended December 31, 2011
<b>Cash flows from operating activities:</b>		
Profit before tax	172,112	1,247,454
Adjustments for:		
Losses on proprietary account	3,139	346,399
Depreciation and amortization	233,602	177,299
Impairment of receivables	616	16,506
Impairment of goodwill	70,400	-
Loss on sale of investments	(772)	-
Interest expense	100,864	89,695
Interest income	(358,171)	(342,677)
Operating profit before working capital changes	221,790	1,534,676
Increase in securities held for trading and derivatives	984,418	(298,843)
(Increase)/Decrease in accounts receivable from settlement	(938,696)	(194,661)
(Increase)/Decrease in accounts receivable and other current assets	187,805	(584,873)
Increase/(Decrease) in accounts payable from settlement	254,320	196,402
-from this: decrease on client accounts	37,949	2,702,863
(Decrease)/Increase in accounts payable and accruals	(325,379)	(176,815)
(Decrease)/Increase in financial liabilities at fair value through profit and loss	(126,990)	174,893
Cash generated from operations	257,268	650,779
Interest paid	(96,371)	(89,695)
Interest received	333,465	342,677
Income taxes paid	(806)	(51,895)
Net cash flow provided by operating activities	493,556	851,866
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment	(127,207)	(243,233)
Increase in loans granted to employees	12,000	11,338
Decrease due to disposal of subsidiary	21	-
Proceeds on sale of property, plant and equipment	15,650	58,292
Proceeds on sale of investments	-	-
Net cash flow used in investing activities	(99,557)	(199,140)
<b>Cash flows from financing activities:</b>		
Net decrease of short term loans	905,956	921,991
Dividends paid to equity holders of parent	(706,244)	(2,284,630)
Dividends paid to non-controlling interest	-	(57,441)
Treasury shares acquired	(40,705)	18,775
Net cash flow used in financing activities	159,007	(1,401,305)

*the accompanying notes to consolidated financial statements on pages 9 to 40 form an integral part of these consolidated financial statements.*

Budapest, July 30, 2013

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Chief Executive Officer



**Concorde Securities Ltd.**  
**Consolidated Statement of Cash Flows**  
**for the year ended December 31, 2012**  
*(all amounts in thousands of HUF unless otherwise stated)*

	Year ended December 31, 2012	Year ended December 31, 2011
Increase in cash and cash equivalents	553,003	(748,580)
Cash and cash equivalents at beginning of year	184,326	932,906
Cash and cash equivalents at end of year	737,329	184,326
Hiba!	Érvénytelen	csatolás.
	Year ended December 31, 2012	Year ended December 31, 2011
Increase in total cash and cash equivalents	553,003	1,979,820
Total Cash and cash equivalents at beginning of year	14,014,417	12,034,597
<b>Total Cash and cash equivalents at end of year</b>	<b>14,567,420</b>	<b>14,014,417</b>
From this		
<i>-Client accounts</i>		
Increase in cash and cash equivalents	37,949	2,702,863
Cash and cash equivalents at beginning of year	13,804,554	11,101,691
<b>Cash and cash equivalents at end of year – client</b>	<b>13,842,503</b>	<b>13,804,554</b>
<i>-Own accounts</i>		
(Decrease)/Increase in cash and cash equivalents	515,054	(723,043)
Cash and cash equivalents at beginning of year	209,863	932,906
<b>Cash and cash equivalents at end of year - own</b>	<b>724,917</b>	<b>209,863</b>

*The accompanying notes to consolidated financial statements on pages 9 to 40 form an integral part of these consolidated financial statements.*

Budapest, July 30, 2013

  
 .....  
 Chief Executive Officer

**Concorde Securities Ltd.**  
**Notes to Consolidated Financial Statements**  
**For the year ended and as of December 31, 2012**  
*(all amounts in thousands of HUF unless otherwise stated)*

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**1. ORGANISATION AND BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS**

**General information**

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, and now the Company and its controlled subsidiaries (Concorde Corporate Finance Ltd. and Concorde Investment Management Ltd.) are referred to collectively as the "Group".

	<i>2012</i>	<i>2011</i>
Domestic and foreign private and institutional investors	98.45%	99.6%
Treasury shares	<u>1.55%</u>	<u>0.4%</u>
<b>Total</b>	<b><u>100%</u></b>	<b><u>100%</u></b>

**Accounting**

The Entities of the Group maintain their accounting records and prepare its statutory accounts in accordance with regulations prevailing in Hungary.

The Group's functional currency is the Hungarian Forint ("HUF").

Certain adjustments have been made to the entities' statutory accounts in order to present the consolidated financial position and results of operations of the Company 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").

The consolidated financial statements have been prepared in accordance with IFRS 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 Financial Instruments: Recognition and Measurement ("IAS 39") which has not been approved by the EU. As the Group does not apply portfolio hedge accounting under IAS 39, there would be no impact on these consolidated financial statements, had it been approved by the EU at the end of the reporting period.

**The effect of adopting new and revised International Financial Reporting Standards effective from 1 January 2012**

The following amendments to the existing standards issued by the International Accounting Standards Board and adopted by the EU are effective for the current period:

- **IFRS 7 (Amendment) "Financial Instruments: Disclosures"** - Transfers of Financial Assets, adopted by the EU on 22 November 2011 (effective for annual periods beginning on or after 1 July 2011).

The adoption of the above presented Amendments and new Standards and Interpretations had no significant impact on the financial statements.

**Amendments to IFRSs effective on or after 1 January 2013, not yet adopted**

At the balance sheet date of these financial statements, the following Standards and Interpretations were issued but not yet effective:

**Concorde Securities Ltd.**  
**Notes to Consolidated Financial Statements**  
**For the year ended and as of December 31, 2012**  
*(all amounts in thousands of HUF unless otherwise stated)*

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- **IFRS 9 “Financial Instruments”** (effective for annual periods beginning on or after 1 January 2015),
- **IFRS 10 “Consolidated Financial Statements”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IFRS 11 “Joint Arrangements”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IFRS 12 “Disclosures of Interests in Other Entities”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IFRS 13 “Fair Value Measurement”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- **IAS 27 (revised in 2011) “Separate Financial Statements”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IAS 28 (revised in 2011) “Investments in Associates and Joint Ventures”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IFRS 1 (Amendment) “First-time Adoption of IFRS”** - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- **IFRS 7 (Amendment) “Financial Instruments: Disclosures”** - Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- **IAS 1 (Amendment) “Presentation of financial statements”** -Presentation of Items of Other Comprehensive Income, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 July 2012),
- **IAS 12 (Amendment) “Income Taxes”** - Deferred Tax: Recovery of Underlying Assets, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- **IAS 19 (Amendment) “Employee Benefits”** - Improvements to the Accounting for Post-employment Benefits, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 January 2013),
- **IAS 32 (Amendment) “Financial instruments: presentation”**- Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013).

The adoption of the above presented Amendments and new Standards and Interpretations would have no significant impact on the financial statements.

**Concorde Securities Ltd.**  
**Notes to Consolidated Financial Statements**  
**For the year ended and as of December 31, 2012**  
*(all amounts in thousands of HUF unless otherwise stated)*

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Significant accounting policies applied in the preparation of the accompanying consolidated financial statements are summarized below:

**Statement of compliance**

The consolidated financial statements have been prepared in accordance with IFRSs.

**Basis of preparation**

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The presentation of Consolidated Financial Statements in conformity with IFRS requires the management of the Group to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Future changes in economic conditions, business strategies, regulatory requirements, accounting rules and other factors could result in a change in estimates that could have a material impact on future financial statements.

The Financial Statements were authorised for issue on July 7, 2013.

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.

**Foreign currencies**

In preparing the financial statements of each individual entity of the Group, transactions in currencies other than the entity's functional currency ("foreign currencies") are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

Considering the fact, that the functional currency is HUF in aspect of all of entities of the Group, 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 end of the reporting period are translated into HUF at the year-end rates of exchange. The resulting foreign currency exchange gains and losses are recognised in the Consolidated Statement of Comprehensive Income.

**Basis of consolidation and business combinations**

Included in these Consolidated Financial Statements are the accounts of those subsidiaries in which the Company holds a controlling interest.

Certain subsidiaries in which the Company holds a controlling interest have not been consolidated because the effect of consolidating such companies is not material to the Consolidated Financial Statements as a whole.

As the ultimate parent, the Company is preparing consolidated financial statement of the Group.

**Concorde Securities Ltd.**  
**Notes to Consolidated Financial Statements**  
**For the year ended and as of December 31, 2012**  
*(all amounts in thousands of HUF unless otherwise stated)*

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]**

Subsidiaries are accounted for purchase method of accounting. Any goodwill arising on acquisition is recognized in the Consolidated Statement of Financial Position and accounted for as indicated below. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

The Group has applied IFRS 3 Business Combinations Standard since 31 March 2004 for acquisitions after that date. Goodwill, which represents the residual cost of the acquisition after recognizing the acquirer's significant influence in the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is held as an intangible asset and recorded at cost less any accumulated impairment losses.

If the Group loses control of a subsidiary, derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost and recognizes any difference as a gain or loss on the sale attributable to the parent in Statement of Comprehensive Income.

Goodwill acquired in a business combination is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired.

The Group calculates the value in use a discounted cash-flow model. The 5 year period explicit cash-flow model serves as a basis for the impairment test by which the Group defines the impairment need on goodwill based on the strategic factors and financial data of its cash-generating units.

Negative goodwill, when the interest of the acquirer in the net fair value of the acquired identifiable net assets exceeds the cost of the business combination, is recognized immediately in the Consolidated Statement of Comprehensive Income as Other Income.

*Entities involved to consolidation*

The Consolidated Financial Statements comprise the financial statements of Concorde Securities Ltd. and two of its controlled subsidiaries as of December 31, 2012 and December 31, 2011. Control is presumed to exist where the Group holds, directly or indirectly, more than 50% of the registered capital. The effects of all material intragroup balances and transactions are eliminated.

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

*As at December 31, 2012*

<i>Group</i>	<i>Group Ownership</i>	<i>Brief description of activities</i>
Concorde Corporate Finance Ltd.	75.00%	Corporate finance

*As at December 31, 2011*

<i>Group</i>	<i>Group Ownership</i>	<i>Brief description of activities</i>
Concorde Corporate Finance Ltd.	75.00%	Corporate finance

On April 16, 2011, the extraordinary general meeting of the Company has approved the demerger of the newly established Concorde Investment and Asset Management Ltd. (Concorde Befektetési és Eszközkezelő Zrt.) from the Company with the aim of restructuring of the investments within the Group. The demerger has been performed based on the statement of financial position of the Company included by the financial statements in accordance with Hungarian Accounting Standards as of and for the year ended December 31, 2010. As a result of the demerger, the investments in Budapest Stock Exchange and Concorde Fund Management Ltd. held by the Company have been transferred to Concorde Investment and Asset Management Ltd. See notes on note 21.

**Concorde Securities Ltd.**  
**Notes to Consolidated Financial Statements**  
**For the year ended and as of December 31, 2012**  
*(all amounts in thousands of HUF unless otherwise stated)*

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]**

*Entities not involved to consolidation*

As of December 31, 2012 and December 31, 2011 there are some subsidiaries in which the Group holds, directly or indirectly, more than 50% 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 2012 and 2011.

*As at December 31, 2012*

<i>Group</i>	<i>Group's Ownership</i>	<i>Brief description of activities</i>
Concorde Financial Consulting Ltd.	75.00%	facility management
Eclipse Investment Ltd.	100.00%	property management

*As at December 31, 2011*

<i>Group</i>	<i>Group's Ownership</i>	<i>Brief description of activities</i>
Concorde Financial Consulting Ltd.	75.00%	facility management
Eclipse Investment Ltd.	100.00%	property management

**Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Specifically, the revenue recognition follows the following rules:

- 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.
- Gains and losses on securities trading are recognised on basis of 'trade date accounting'.
- Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).
- Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

**Taxation**

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the Consolidated Statement of Comprehensive Income because of items of income or expense that are taxable or deductible in other years and 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 end of the reporting period.

**Concorde Securities Ltd.**  
**Notes to Consolidated Financial Statements**  
**For the year ended and as of December 31, 2012**  
*(all amounts in thousands of HUF unless otherwise stated)*

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

Current or deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

**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 of tangible and intangible assets other than goodwill**

The carrying amounts of assets are reviewed at the end of each reporting period 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 the end of each reporting period.

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.

**Concorde Securities Ltd.**  
**Notes to Consolidated Financial Statements**  
**For the year ended and as of December 31, 2012**  
*(all amounts in thousands of HUF unless otherwise stated)*

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]**

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.

**Financial instruments**

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss.

*Financial assets*

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The Group classifies its securities into the following categories: financial assets at fair value through profit or loss, held-to-maturity and available-for-sale. Trading securities that are acquired principally for the purpose of generating profit from short-term fluctuations in price are classified as FVTPL 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, Mortgage Bonds and Corporate Bonds. Other securities include shares of companies traded on the Budapest Stock Exchange or on the Hungarian OTC market.



**Concorde Securities Ltd.**  
**Notes to Consolidated Financial Statements**  
**For the year ended and as of December 31, 2012**  
*(all amounts in thousands of HUF unless otherwise stated)*

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]**

The securities traded on the Budapest Stock Exchange (shares, government bonds, treasury bills and corporate bonds) are stated at market value at the end of the reporting period. Government securities are stated at their estimated fair value, which include the accumulated interest at the end of the reporting period. Any gain or loss resulting from revaluation is recognised in the profit or loss.

The fair value at the end of the reporting period is determined for an asset held or liability to be issued is usually the current bid price and, for an asset to be acquired or liability held, the asking price on the last trading day of the reporting period.

OTC shares are measured at fair value. 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.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Where debt or equity securities are sold under a commitment to repurchase them at a pre-determined price, they remain on Statement of Financial Position and the consideration received is recorded in Other Liabilities. Conversely, debt or equity securities purchased under a commitment to resell are not recognized in the Statement of Financial Position and the consideration paid is recorded in Other receivables and accruals. Interest is accrued evenly over the life of the repurchase agreement.

In the case of security lending transactions the Group does not recognise or derecognise the securities because believes that the transferor retains substantially all the risks and rewards of the ownership of the securities. Only a financial liability or financial receivable is recognised for the consideration amount.

*Financial liabilities*

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the Consolidated Statement of Comprehensive Income.

Other financial liabilities (including borrowings) are subsequently measured at amortised cost using the effective interest method.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

*Derivative financial instruments*

The Group enters into derivative financial instruments, including foreign exchange forward and swap contracts and futures deals.

**Concorde Securities Ltd.**  
**Notes to Consolidated Financial Statements**  
**For the year ended and as of December 31, 2012**  
*(all amounts in thousands of HUF unless otherwise stated)*

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]**

Derivatives are initially recognised at the fair value on the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The Group does not have hedging deals during 2012 and 2011.

**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 insignificant unconsolidated subsidiaries and associated Group. 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.

**Receivables from settlement with brokers, dealers and customers**

Receivables from services provided represent 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.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]**

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 the end of the reporting period.

### **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 Statement of Financial Position at acquisition 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 within Consolidated Share holders' Equity.

### **Interest income and interest expense**

The interest income and expense are recognized in the Consolidated Statement of Recognized Income on an accrual basis based on the IAS 18 Revenue Standard and IAS 39.

### **Fees and Commissions**

Fees and commissions are recognized in the Consolidated Statements of Comprehensive Income on an accrual basis based on IAS 18 Standard and IAS 39. Fees and Commissions are recognized using the effective interest method.

### **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.

### **Consolidated Statement of Cash Flows**

For the purposes of reporting Consolidated Statement of Cash Flows, cash and cash equivalents include cash, due from banks and balances with the National Banks. The unrealized gains and losses from the translation of monetary items to the closing foreign exchange rates are presented net in the statement of cash-flows.

### **Comparative figures**

Where necessary, comparative figures have been reclassified to conform to changes in presentation. In current year, there were no significant changes in structure of presentation.

### **Segment Reporting**

The equity instruments or debt of Concorde Securities Ltd. are not traded in a public market so – according to IFRS 8 – the Company does not prepare segment reports.

### **3. CRITICAL ACCOUNTING JUDGEMENTS 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.

#### **Critical judgments in applying accounting policies**

##### *Valuation of financial instruments*

As described in Note 22, the Group uses valuation techniques at some type of instruments that include inputs for the asset or liability that are not based on observable market data. Note 22 provides detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions.

The management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

#### **Key sources of estimation uncertainty**

##### *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 receivables*

The Group regularly assesses its receivables for possible impairment. Management determines the adequacy of the allowances based upon reviews of individual items of receivables, recent loss experience, current economic conditions, the risk characteristics of the various categories 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 judgments in estimating the loss amounts.

##### *Useful lives of property, plants and equipment*

As described at Note 2 above, the Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. During the current year, the managements determined that the useful lives of property, plant and equipment are not amended.

**Concorde Securities Ltd.**  
**Notes to Consolidated Financial Statements**  
**For the year ended and as of December 31, 2012**  
*(all amounts in thousands of HUF unless otherwise stated)*

**4. CASH AND CASH EQUIVALENTS**

	December 31, 2012	December 31, 2011
Petty Cash	70,883	109,262
<i>From this</i>		
-Client accounts	66,541	89,724
-Own accounts	4,342	19,538
Bank accounts	14,496,537	13,905,155
<i>From this</i>		
-Client accounts	13,775,962	(*)13,714,830
-Own accounts	720,575	(*)190,325
	<u>14,567,420</u>	<u>14,014,417</u>

(\*: corrected data compared to data in audited financial statements for the previous period)

Included within cash and current accounts is HUF 13,842,503 thousand (2011: HUF 13,804,554 thousand) of client funds for which a corresponding liability is shown in "Settlement with brokers, dealers and customers", see Note 10.

**5. RECEIVABLES FROM BROKERS, DEALERS AND CUSTOMERS**

	December 31, 2012	December 31, 2011
Receivables from services provided	1,774,069	829,279
Receivables from clearing house	281,399	431,144
Receivables from the settlement of over-the-counter	73,817	104,430
Receivables from trading on the Budapest Stock Exchange	265,663	92,016
Receivables from loans to customers	-	-
	<u>2,394,948</u>	<u>1,456,869</u>
Allowance for doubtful receivables	<u>(67,511)</u>	<u>(64,373)</u>
	<u>2,327,437</u>	<u>1,392,496</u>
Allowance for doubtful receivables:		
	December 31, 2012	December 31, 2011
Opening Balance (January 1)	(64,373)	(47,867)
Impairment loss recognized	(3,138)	(16,506)
Reversal of impairment loss recognized	-	-
Closing Balance (December 31)	<u>(67,511)</u>	<u>(64,373)</u>

**Concorde Securities Ltd.**  
**Notes to Consolidated Financial Statements**  
**For the year ended and as of December 31, 2012**  
*(all amounts in thousands of HUF unless otherwise stated)*

**6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	December 31, 2012	December 31, 2011
Government bonds	182,288	520,223
Treasury Bills	418,721	860,397
Mortgage bonds	14,161	384,076
Investment funds	42,890	211,294
Listed shares	338,168	117,832
Corporate bonds (unlisted)	281,295	8,514
	<u>1,277,523</u>	<u>2,102,336</u>
Held for trading derivatives	341,106	500,711
	<u>1,618,629</u>	<u>2,603,047</u>

Interest rates and maturity date on government securities as of December 31, 2012 are as follows:

	2012	Maturity	Coupon rate	
Discounted Treasury Bills	320,282	until July, 2013	-	-
Discounted Treasury Bills	98,439	between July, 2013 and December, 2013	-	-
Hungarian Government Bonds	26,996	2013	fixed	4.50%-7.50%
Hungarian Government Bonds	77,018	2014-2016	fixed	2.97%-8.00%
Hungarian Government Bonds	78,274	2017-	fixed	4.375%-7.5%
	<u>601,009</u>			

**7. OTHER RECEIVABLES AND ACCRUALS**

	December 31, 2012	December 31, 2011
Debtors	96,428	96,485
Other tax receivables	20,664	21,276
Corporate tax receivables	53,526	6,458
Loan advances to other unconsolidated subsidiaries	497	3,706
Accrued income	68,972	263,096
Others	2,181	4,941
	<u>242,268</u>	<u>395,962</u>

**Concorde Securities Ltd.**  
**Notes to Consolidated Financial Statements**  
**For the year ended and as of December 31, 2012**  
*(all amounts in thousands of HUF unless otherwise stated)*

**8. EQUITY INVESTMENTS**

	December 31,2012		December 31,2011	
	<i>book value</i>	<i>ownership %</i>	<i>book value</i>	<i>ownership %</i>
Membership in Budapest Stock Exchange	-	-	-	-
Concorde Financial Consulting Ltd.	2,250	75.00%	2,250	75.00%
Eclipse Investment Ltd.	232,943	100.00%	232,943	100.00%
Other long term investments	-	-	-	-
	<u>235,193</u>		<u>235,193</u>	

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, 2012 are Concorde Financial Consulting Ltd., and Eclipse Investment Ltd. Certain financial information as of and for the year ended December 31, 2012 is set out below. The following condensed information is based on statutory financial accounting and does not include adjustments to present them in accordance with IFRS.

**Concorde Financial Consulting Ltd.**

	2012 (unaudited)	2011 (unaudited)
Total assets	50,546	(*)114,365
Shareholders' equity	3,000	3,000
Net income	247	-

**Eclipse Investment Ltd.**

	2012 (unaudited)	2011 (unaudited)
Total assets	363,549	(*)337,800
Shareholders' equity	301,887	(*)301,823
Net income	64	(*)2

**Total of Equity investments**

	2012 (unaudited)	2011 (unaudited)
Total assets	414,095	(*)452,165
Owners' equity	304,887	(*)304,823
Net income	311	(*)2

(\*: corrected data compared to data in audited financial statements for the previous period)

**Concorde Securities Ltd.**  
**Notes to Consolidated Financial Statements**  
**For the year ended and as of December 31, 2012**  
*(all amounts in thousands of HUF unless otherwise stated)*

**9. TANGIBLE AND INTANGIBLE FIXED ASSETS**

	<i>Intangible assets</i>	<i>Furniture, fixtures and equipment</i>	<i>Leasehold improvements</i>	<i>CIP</i>	<i>Total</i>
<b>Cost:</b>					
January 1, 2011	995,677	1,120,752	121,449	-	2,237,878
Additions	65,042	108,631	672	68,888	243,233
Disposals	-	(90,167)	(1,701)	-	(91,868)
Disposal of subsidiary	(12,263)	(76,837)	-	-	(89,100)
December 31, 2011	<u>1,048,456</u>	<u>1,062,379</u>	<u>120,420</u>	<u>68,888</u>	<u>2,300,143</u>
Additions	94,297	43,326	500	122,191	260,314
Disposals	-	(43,811)	-	(191,079)	(234,890)
December 31, 2012	<u>1,142,753</u>	<u>1,061,894</u>	<u>120,920</u>	<u>-</u>	<u>2,325,567</u>
<b>Depreciation and amortisation:</b>					
January 1, 2011	828,764	841,664	19,422	-	1,689,850
Charge for the year	73,868	98,579	4,852	-	177,299
Disposals	-	(69,878)	(1,701)	-	(71,579)
Disposal of subsidiary	(12,009)	(39,088)	-	-	(51,097)
December 31, 2011	<u>890,623</u>	<u>831,277</u>	<u>22,573</u>	<u>-</u>	<u>1,744,473</u>
Charge for the year	75,480	96,516	3,634	-	175,630
Disposals	-	(28,933)	-	-	(28,933)
Disposal of subsidiary	-	-	-	-	-
December 31, 2012	<u>966,103</u>	<u>898,860</u>	<u>26,207</u>	<u>-</u>	<u>1,891,170</u>
<b>Net book value:</b>					
December 31, 2011	<u>157,833</u>	<u>231,102</u>	<u>97,847</u>	<u>68,888</u>	<u>555,670</u>
December 31, 2012	<u>176,650</u>	<u>163,034</u>	<u>94,713</u>	<u>-</u>	<u>434,397</u>



**Concorde Securities Ltd.**  
**Notes to Consolidated Financial Statements**  
**For the year ended and as of December 31, 2012**  
*(all amounts in thousands of HUF unless otherwise stated)*

**10. LIABILITIES WITH BROKERS, DEALERS AND CUSTOMERS AND SHORT TERM BORROWINGS**

	December 31, 2012	December 31, 2011
Payables to clients	13,842,482	13,804,554
Liabilities from security sale	90,173	119,678
Payables from trading on the Budapest Stock Exchange	160,809	34,589
	<u>14,093,464</u>	<u>13,958,821</u>
	December 31, 2012	December 31, 2011
- Overdrafts in HUF	1,172,128	863,394
- Overdrafts in EUR	566,315	255,635
- Overdrafts in USD	322,154	35,599
- Overdrafts in CHF	-	13
	<u>2,060,597</u>	<u>1,154,641</u>

The balances of short term borrowings are composed by overdrafts due to banks.

**11. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS**

	December 31, 2012	December 31, 2011
Held for trading derivatives	324,013	496,630
Short positions - security trading	45,627	-
	<u>369,640</u>	<u>496,630</u>

**12. OTHER LIABILITIES**

	December 31, 2012	December 31, 2011
Accrued expenses	41,819	245,034
Personal income tax and social contribution	99,665	130,845
Payables	58,536	71,346
Taxes payable	6,241	6,274
Other	38,376	8,430
	<u>244,637</u>	<u>461,929</u>

**Concorde Securities Ltd.**  
**Notes to Consolidated Financial Statements**  
**For the year ended and as of December 31, 2012**  
*(all amounts in thousands of HUF unless otherwise stated)*

**13. SHARE CAPITAL AND RESERVES**

The table below sets for the presentation of structure of the ownership:

	December 31, 2012		December 31, 2011	
	<i>Issued capital</i>	<i>Ownership rate</i>	<i>Issued capital</i>	<i>Ownership rate</i>
TC Ltd.	300,000*	30.00%	277,500*	30.00%
Móricz Gábor	149,600	14.96%	138,380	14.96%
Eurotipp Ltd.	105,600	10.56%	97,680	10.56%
Blackburn International Luxembourg Inc.	99,020	9.90%	91,594	9.90%
Blackburn International Ltd.	99,000	9.90%	91,575	9.90%
Zürich Investments Inc.	99,000	9.90%	91,575	9.90%
Kalispera S.A.	99,000	9.90%	91,575	9.90%
Treasury shares	15,500	1.55%	3,700	0.40%
Other	33,280	3.33%	41,421*	4.48%
Total shareholders' equity	1,000,000	100.00%	925,000	100.00%

The number of shares issued is 1,000,000 each with a face value of HUF 925 per share for the year ended December 31, 2011. During the current period, share capital has been increased from retaining earnings by 75,000 thHUF. As a result of that at the end of the current period the number of shares issued is 1,000,000 each with a face value of HUF 1 thousand per share.

\* Dividend preferred shares: TC Ltd. 300,000 and others 30,000.

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

	<i>Common shares</i>		<i>Dividend preferred shares</i>	
	<i>Outstanding</i>	<i>Treasury</i>	<i>Outstanding</i>	<i>Treasury</i>
January 1, 2012	616,050	3,700	305,250	-
December 31, 2012	654,500	15,500	330,000	-

Concorde Securities Ltd's distributable reserves under Hungarian regulations were HUF 1,704,409 thousand and HUF 2,285,439 thousand as of December 31, 2012 and December 31, 2011, respectively. Dividends for the year ended December 31, 2012 were declared at the Group's Annual General Meeting on April 23, 2013.

In 2009, the balance of statutory reserve of HUF 791,870 thousand was reclassified to retained earnings and reserves, according to the regulations and accounting policy to the financial statements in accordance with Hungarian Accounting Standards. (The statutory reserve was formerly accounted for based on requirements of Act CXX of 2001 on Capital Market. However, this requirement has been fallen into abeyance and therefore the statutory reserves unused until January 1, 2009 shall be reversed during 2009 to retained earnings.)

The shareholder, who has a dividend preferred shares get earlier dividend, than the shareholder, who has common shares.

**14. TREASURY SHARES**

	December 31, 2012	December 31, 2011
Nominal value (Common Shares)	15,500	3,700
Carrying value at acquisition cost	49,918	9,213

**Concorde Securities Ltd.**  
**Notes to Consolidated Financial Statements**  
**For the year ended and as of December 31, 2012**  
*(all amounts in thousands of HUF unless otherwise stated)*

**15. NET REVENUE ON SECURITIES TRADED ON PROPRIETARY ACCOUNT**

	Year ended December 31, 2012	Year ended December 31, 2011
Gains on securities traded on proprietary account	1,097,112	998,061
Losses on securities traded on proprietary account	(417,061)	(346,399)
Net revenue on securities traded on proprietary account	<u>680,051</u>	<u>651,662</u>
	Year ended December 31, 2012	Year ended December 31, 2011
Government and corporate bonds	520,610	371,068
Treasury Bills	126,626	170,736
Shares	(15,449)	116,119
Futures	(815)	(1,647)
Other	49,079	(4,614)
	<u>680,051</u>	<u>651,662</u>

**16. WAGES AND SALARIES**

	Year ended December 31, 2012	Year ended, December 31, 2011
Salaries	742,783	783,951
Social insurance contribution	209,348	248,857
Other employee related expenses	72,290	99,382
Other employee related contribution	27,737	7,708
	<u>1,052,158</u>	<u>1,139,898</u>

The number of a full time equivalent staff employed at end of the reporting period was 95 (2011: 95 full time equivalent staff was employed).

**Concorde Securities Ltd.**  
**Notes to Consolidated Financial Statements**  
**For the year ended and as of December 31, 2012**  
*(all amounts in thousands of HUF unless otherwise stated)*

**17. GENERAL AND ADMINISTRATION EXPENSES**

	Year ended December 31, 2012	Year ended December, 31, 2011
Rental and maintenance fees	416,038	350,222
Depreciation and amortisation	175,630	177,299
Bank charges	56,091	100,263
Professional fees	49,535	85,112
Local tax	62,056	80,905
Office supplies	62,964	71,812
Travel	25,216	43,492
Marketing	21,420	27,421
Training	2,749	10,124
Membership fees	2,658	8,222
Insurance fees	5,352	7,345
Other	26,986	73,302
	<u>906,695</u>	<u>1,035,519</u>

**18. OTHER EXPENSES AND OTHER INCOME**

	Year ended December 31, 2012	Year ended December 31, 2011
<i>Other expenses</i>		
Foreign exchange loss	183,643	157,543
Film and charity sponsorship	29,034	117,440
Loss on fixed asset disposal	-	-
Innovation fee	-	-
Impairment losses on fixed assets	57,972	-
Foreign currency conversation differences	-	(6,377)
Banking tax	172,991	172,991
Other	118,550	32,788
	<u>562,190</u>	<u>491,545</u>

Based on the amendment of the act on the banking tax of financial institutions approved on 22 July 2010, a new special financial institution tax was paid by the Group. The total tax amount for the year 2012 and 2011 was HUF 173 million.

Corporate income tax: there is no change in the tax rate of that: HUF 500 million is taxable with 10%, over that the effective tax rate is 19% in 2012.

	Year ended December 31, 2012	Year ended December 31, 2011
<i>Other income</i>		
Foreign exchange gain	91,945	138,342
Gain on fixed asset selling	772	2,385
Other income	186,862	66,687
	<u>279,579</u>	<u>207,414</u>

**Concorde Securities Ltd.**  
**Notes to Consolidated Financial Statements**  
**For the year ended and as of December 31, 2012**  
*(all amounts in thousands of HUF unless otherwise stated)*

**19. INCOME TAXES**

Due to the fact that the Hungarian Government approved a law affected that the income tax rate will be reduced to 10% from 1 January 2013 the deferred tax shall calculated at 10% for those temporary differences that are expected to be resulted in taxable amounts or amounts deductible from the taxable profit after 2012. However, 19% was used for the calculation of the deferred tax for every remaining item.

The effective income tax rate varied from the statutory income tax rate due to the following items:

*Income tax recognised in profit or loss*

	Year ended December 31, 2012	Year ended December 31, 2011
Current tax expense	5,709	51,895
Deferred (tax benefit) / tax expense	(4,903)	20,978
Total income tax expense recognised in the current year	<u>806</u>	<u>72,873</u>

*The income tax expense for the year can be reconciled to the accounting profit as follows:*

	Year ended December 31, 2012	Year ended December 31, 2011
Profit before tax	172,112	1,247,454
Income tax expense calculated (2011 & 2012: 19% & 10%(*); 2010: 19% & 10%(*))	17,211	192,016
Effect of income that is exempt from taxation	(10,437)	(**)(14,112)
Effect of expenses that are not deductible in determining taxable profit	9,752	6,177
Effect of previously unrecognised and unused tax losses and deductible temporary differences now recognised as deferred tax assets	-	-
Loss on disposal of subsidiary	-	(**)(49,390)
Other permanent differences - treasury shares	(922)	(5,318)
	<u>15,605</u>	<u>(**)(129,373)</u>
Adjustments – tax credit on film sponsorship	(14,798)	(56,500)
Income tax expense recognised in profit or loss (relating to continuing operations)	<u>806</u>	<u>(**)(72,873)</u>

(\*HUF 500 million is taxable with 10%, over that the effective tax rate is 19%)

(\*\*: corrected data compared to data in audited financial statements for the previous period)

**Concorde Securities Ltd.**  
**Notes to Consolidated Financial Statements**  
**For the year ended and as of December 31, 2012**  
*(all amounts in thousands of HUF unless otherwise stated)*

**19. INCOME TAXES [CONTINUED]**

*Current tax assets and liabilities*

	December 31, 2012	December 31, 2011
<b>Current tax assets</b>		
Tax refund receivable	53,526	6,458
<b>Current tax liabilities</b>		
Income tax payable	-	6,276

*Deferred tax assets and liabilities*

	December 31, 2012		December 31, 2011	
	Recorded in profit or loss	Recorded in OCI	Recorded in profit or loss	Recorded in in OCI
Other Receivables and Prepayments	16,884	-	6,952	-
Financial liabilities at fair value through profit and loss	36,964	-	94,360	-
Equity Investments	-	-	23,588	-
<b>Deferred tax asset</b>	<b>53,848</b>	<b>-</b>	<b>124,900</b>	<b>-</b>
Settlement with brokers, dealers and customers	(38,157)	-	-	-
Financial assets at fair value through profit and loss	(3,068)	-	(102,114)	-
Other liabilities and accruals	(28,437)	-	-	-
Goodwill on acquisition	-	-	(13,376)	-
Provisions	(261)	-	-	-
Settlement with brokers, dealers and customers	-	-	-	-
<b>Deferred tax liabilities</b>	<b>(69,923)</b>	<b>-</b>	<b>(115,490)</b>	<b>-</b>
<b>Total deferred tax assets / (liabilities)</b>	<b>(16,075)</b>	<b>-</b>	<b>9,410</b>	<b>-</b>

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.

**Concorde Securities Ltd.**  
**Notes to Consolidated Financial Statements**  
**For the year ended and as of December 31, 2012**  
*(all amounts in thousands of HUF unless otherwise stated)*

**20. OFF BALANCE SHEET ITEMS, COMMITMENTS AND CONTINGENCIES**

The balance of client's securities is HUF 196,476 million at face value as of December 31, 2012 (2011: HUF 167,933 million).

At face value HUF 163,246 million from these securities are deposited in custody at the Central Clearing House and Depository Ltd. (KELER Ltd.) (2011: HUF 109,624 million).

Currency	Nominal Value		Face Value (million HUF)	
	2012	2011	2012	2011
GBP	2,233,161	2,191,153	794	813
AUD	376,954	355,104	86	87
CZK	6,063	6,008	0	-
DKK	3,659	659	0	-
EUR	276,052,379	107,221,740	80,411	33,360
HKD	285,509	348,590	8	11
HRK	167,608	167,651	6	7
ILS	-	309,258	-	20
JPY	12,300	16,688	-	-
CAD	1,102,302	1,293,985	245	305
CNY	-	6,600	-	-
PLN	2,006,959	2,309,158	143	163
HUF	96,378,745,838	99,037,527,768	96,379	99,038
NOK	1,231,174	1,015,337	49	41
RON	1,818,400	2,983,746	119	215
CHF	47,324	7,940	11	2
SEK	-	131,305	-	5
TRY	175,496	36,235	22	5
USD	82,391,999	140,700,047	18,203	33,864
			<b>196,476</b>	<b>167,936</b>

Currency	Nominal Value		Face Value (million HUF)	
	2012	2011	2012	2011
GBP	391,113	390,838	139	145
EUR	178,248,015	34,536,748	51,922	10,745
JPY	200	200	0	0
HUF	95,598,710,148	98,679,021,958	95,599	98,679
CHF	42,262	2,262	10	1
USD	70,502,618	222,037	15,576	53
			<b>163,246</b>	<b>109,624</b>

**Derivatives (nominal amount, unless otherwise stated)**

	December 31, 2012	December 31, 2011
Foreign currency contracts		
Off-balance sheet assets	33,925,219	39,942,074
Off-balance sheet liabilities	34,408,572	38,521,368
Net	(483,353)	1,420,706
Fair values of off-balance sheet assets	341,106	500,711
Fair values of off-balance sheet liabilities	324,013	496,630
Net fair values	17,093	4,081

**Concorde Securities Ltd.**  
**Notes to Consolidated Financial Statements**  
**For the year ended and as of December 31, 2012**  
*(all amounts in thousands of HUF unless otherwise stated)*

**20. OFF BALANCE SHEET ITEMS, COMMITMENTS AND CONTINGENCIES  
[CONTINUED]**

**Foreign currency contracts**

Foreign currency contracts are agreements to exchange specific amounts of currencies at a specified rate of exchange, at a spot date (settlement occurs two days after the trade date) or at a forward date (settlement occurs more than two days after the trade date). The notional amount of these contracts does not represent the actual market or credit risk associated with these contracts.

Foreign currency contracts are used by the Group for risk management, trading and liquidity purposes. The risk management foreign currency contracts of the Group were used to hedge against credit institutions foreign currency contracts which are denominated in foreign currency.

**21. EFFECT OF DEMERGER**

On April 16, 2011, the extraordinary general meeting of the Company has approved the demerger of the newly established Concorde Investment and Asset Management Ltd. (Concorde Befektetési és Eszközkezelő Zrt.) from the Company with the aim of restructuring of the investments within the Group. The demerger has been performed based on the statement of financial position of the Company included by the financial statements in accordance with Hungarian Accounting Standards as of and for the year ended December 31, 2010. As a result of the demerger, the investments in Budapest Stock Exchange and Concorde Fund Management Ltd. held by the Company have been transferred to Concorde Investment and Asset Management Ltd.

Management believes, that this demerger is a common control transaction, because the ultimate owners of the Group have not been changed, therefore any gain or loss on the disposal is recognized directly in retained earning. The date of the transaction was May 16, 2011 the profit and loss of Concorde Fund Management Ltd. has presented until this time in the Concorde Securities Ltd. Consolidated FS, (the total profit until May 16, 2011 is 362,088 thHUF, this presented in the Statement of Comprehensive Income in 2011)

<b>Description</b>	<b>Effect of Disposal of subsidiary from IFRS Financial Statements in 2011</b>
Current Assets:	
Cash and cash equivalents	25,537
Receivables from brokers, dealers and customers	174,185
Financial assets at fair value through profit or loss	685,701
Other receivables and accruals	654,641
<b>Total current assets</b>	<b>1,540,064</b>
Non-current Assets:	
Goodwill	-
Equity investments	-
Loans to employees	71,764
Tangible and intangible fixed assets	38,003
Deferred tax assets	-
<b>Total non-current assets</b>	<b>109,767</b>
<b>Total assets</b>	<b>1,649,831</b>
<b>Liabilities and Shareholders' Equity</b>	



**Concorde Securities Ltd.**  
**Notes to Consolidated Financial Statements**  
**For the year ended and as of December 31, 2012**  
*(all amounts in thousands of HUF unless otherwise stated)*

Current Liabilities:	
Liabilities to brokers, dealers and customers	-
Short term borrowings	-
Financial liabilities at fair value through profit or loss	-
Other liabilities	112,062
<b>Total current liabilities</b>	<b>112,062</b>
Shareholders' Equity:	
Share capital	75,000
Statutory reserves	-
Retained earnings	1,108,760
Treasury shares	-
Total shareholders' equity attributable to equity holders	-
Non-controlling interest	354,009
<b>Total shareholders' equity</b>	<b>1,537,769</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,649,831</b>

**22. RELATED PARTY TRANSACTIONS**

The consolidated statements for the year ended and as of December 31, 2012 contain the following amounts from the related party transaction.

Consolidated Statement of Financial Positions as of December 31, 2012:

- Trade receivables of the Company due from Concorde Corporate Finance Ltd. in amount of HUF 497 thousand (2011: HUF 3,229 thousand);

Consolidated Statements of Comprehensive Income for the year ended as of December 31, 2012.

- Intra-group revenue from rental fee re-invoiced by the Company to Concorde Corporate Finance Ltd. in amount of HUF 6,754 thousand (2011: HUF 10,689 thousand);

The amounts from related party transaction were eliminated in the consolidated financial statements.

*Compensation of key management personnel*

The Company's shareholders' equity contains 330,000 dividend preferred shares (see Note 13). These instruments can be held only by the actual members of Board of Directors, the Company, its employees, and those legal entities which are exclusively owned by the members of Board of Directors. In the case of potential transfer of dividend preferred shares, pre-emption rights are granted to the Company and the personnel assigned by the Board of Directors. The transaction price of potential transfer shall be determined based on the data of financial statements of last quarter-year before the potential transaction.

Dividends on the dividend preferred shares for the year ended December 31, 2012 and December 31, 2011 were declared of HUF 121,440 thousand (HUF 368 per share) and of HUF 495,194 thousand (HUF 1,519 per share).

**23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments may result in certain risks to the Group. The most significant risks the Group faces include:

*Credit risk*

Financial assets, which potentially subject the Group to concentrations of credit risks consist principally of cash, short-term investments and accounts receivable. The Group'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.

*Market risk*

The Group takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Group applies a 'value at risk' methodology to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Management Board sets limits on the value of risk that may be accepted, which is monitored on a daily basis.

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.

**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)	
	2012	2011
Foreign exchange	11.40	8.52
Interest rate	2.60	6.51
Equity instruments	10.55	15.67
Diversification	(10.74)	(12.46)
<b>Total VaR exposure</b>	<b>13.81</b>	<b>18.24</b>

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).

**Concorde Securities Ltd.**  
**Notes to Consolidated Financial Statements**  
**For the year ended and as of December 31, 2012**  
*(all amounts in thousands of HUF unless otherwise stated)*

**23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT [CONTINUED]**

		December 31, 2012	December 31, 2011
5% Weakening of EUR	Loss on portfolio (%)	0.71	0.51
	Loss on portfolio (HUF million)	16.52	12.47
5% Weakening of USD	Loss on portfolio (%)	0.27	0.19
	Loss on portfolio (HUF million)	6.26	4.6
Total	Loss on portfolio (%)	0.98	0.7
	Loss on portfolio (HUF million)	22.78	17.07

**Interest rate sensitivity analysis**

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.

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 were outstanding for the whole year. The analyses were prepared by assuming only the adverse interest rate changes. The main assumptions were as follows:

Floating-rate assets and liabilities were repriced to the modeled benchmark yields at the repricing dates assuming the unchanged margin compared to the last repricing.

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 1% shrinkage of average yields on a one-year period) was HUF 6.77 million and HUF 13.62 million as at December 31, 2012 and December 31, 2011, respectively.

**Equity price sensitivity analysis**

The Company has no significant equity instruments held in 2012 and 2011 therefore not exposed to significant equity price risk.

**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.

**Leveraged transactions**

According to the Company's Rules on the Conduct of Business Concorde shall permit its clients with Framework Contracts to make leveraged transactions. The Company shall carry out one single risk management for the client up to the primary and secondary collateral amount of the funds and financial instruments kept on the client's client account.

**Concorde Securities Ltd.**  
**Notes to Consolidated Financial Statements**  
**For the year ended and as of December 31, 2012**  
*(all amounts in thousands of HUF unless otherwise stated)*

**23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT [CONTINUED]**

**Capital management**

The primary objective of the capital management of the Group is to ensure the prudent operation, the entire compliance with the prescriptions of the regulator for a persistent business operation and maximising the shareholder value, accompanied by an optimal financing structure.

The capital management of the Group members includes the management and evaluation of the shareholders' equity and all material risks to be covered by the capital.

The Group members maintain the capital adequacy required by the regulatory bodies and the planned risk taking mainly by means of ensuring and developing their profitability.

**Capital adequacy**

The Group is not subject to the regulations in connection with capital adequacy in accordance with Hungarian laws and regulations. However, the Company shall consider the capital adequacy rules defined by the Act CXXXVIII of 2007 on investment firms and commodity dealers, and on the regulations governing their activities. The capital adequacy of the Company is supervised based on the financial statements data prepared in accordance with Hungarian Accounting Standards ("HAS").

The Company has complied with the regulatory capital requirements in 2012 and in 2011.

(unconsolidated data)

	2012	2011
Core capital	2,450,197	2,490,902
Supplementary capital	-	-
Deductions	(176,496)	(157,445)
<b>Regulatory capital</b>	<b>2,273,701</b>	<b>2,333,457</b>
Credit risk capital requirement	(353,243)	(381,960)
Market risk capital requirement	(457,383)	(574,383)
Operational risk capital requirement	(525,462)	(509,152)
<b>Total eligible regulatory capital</b>	<b>(1,336,089)</b>	<b>(1,465,495)</b>
<b>Surplus capital</b>	<b>937,613</b>	<b>867,962</b>
<b>Capital adequacy ratio</b>	<b>170.18%</b>	<b>159.23%</b>

**Maturity analysis of assets and liabilities and Liquidity risk**

As of December 31, 2012, all monetary assets and liabilities mature within one month of the balance sheet date, with the exception of HUF 13,842,504 thousand client funds included in current accounts for which the corresponding liability is stated as part of Settlement with brokers, dealers and customers.

It is presented under the most prudent consideration of maturity dates where options or repayment schedules allow for early repayment possibilities.

The Group enters into derivative transactions for trading purposes, which ordinary require to have margin deposits to the partners, when there is an unrealized loss on the market-to-market valuation. The possible effect of these transactions to the liquidity status is not material as at December 31, 2012 and December 31, 2011.

**Concorde Securities Ltd.**  
**Notes to Consolidated Financial Statements**  
**For the year ended and as of December 31, 2012**  
*(all amounts in thousands of HUF unless otherwise stated)*

**23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT [CONTINUED]**

<b>December 31, 2012</b>	<b>Within 3 month</b>	<b>Within one year and over 3 month</b>	<b>Within 4 years and over one year</b>	<b>Over 4 years</b>	<b>Without maturity</b>	<b>Total</b>
<b>Assets</b>						
Current Assets:						
Cash and cash equivalents	14,567,420	-	-	-	-	14,567,420
Settlement with brokers, dealers and customers	2,327,437	-	-	-	-	2,327,437
Financial assets at fair value through profit or loss	614,671	192,234	299,488	91,102	421,135	1,618,630
Other receivable and accruals	242,267	-	-	-	-	242,267
<b>Total current assets</b>	<b>17,751,795</b>	<b>192,234</b>	<b>299,488</b>	<b>91,102</b>	<b>421,135</b>	<b>18,755,754</b>
Non-current Assets:						
Goodwill on acquisition	-	-	-	-	-	-
Equity investments	-	-	-	-	235,194	235,194
Loans to employees	-	-	27,896	-	-	27,896
Tangible and intangible fixed assets	-	-	-	434,396	-	434,396
Deferred tax assets	-	5	-	-	-	5
<b>Total non-current assets</b>	<b>-</b>	<b>5</b>	<b>27,896</b>	<b>434,396</b>	<b>235,194</b>	<b>697,491</b>
<b>Total assets</b>	<b>17,751,795</b>	<b>192,239</b>	<b>327,384</b>	<b>525,498</b>	<b>656,329</b>	<b>19,453,245</b>
<b>Liabilities and Shareholders' Equity</b>						
Current Liabilities:						
Settlement with brokers, dealers and customers	14,093,464	-	-	-	-	14,093,464
Short term borrowings	2,060,597	-	-	-	-	2,060,597
Financial liabilities at fair value through profit or loss	318,382	51,258	-	-	-	369,640
Other liabilities	244,638	-	-	-	-	244,638
Deferred tax liability	-	16,080	-	-	-	16,080
<b>Total liabilities</b>	<b>16,717,081</b>	<b>67,338</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,784,419</b>
Shareholders' Equity:						
Share capital	-	-	-	-	1,000,000	1,000,000
Statutory reserves	-	-	-	-	-	-
Minority interest	-	-	-	-	11,008	11,008
Retained earnings	-	-	-	-	1,707,737	1,707,737
Treasury shares	-	-	(49,919)	-	-	(49,919)
<b>Total shareholders' equity</b>	<b>-</b>	<b>-</b>	<b>(49,919)</b>	<b>-</b>	<b>2,718,745</b>	<b>2,668,826</b>
<b>Total liabilities and shareholders' equity</b>	<b>16,717,081</b>	<b>67,338</b>	<b>(49,919)</b>	<b>-</b>	<b>2,718,745</b>	<b>19,453,245</b>
<b>Liquidity excess/(deficiency)</b>	<b>1,034,714</b>	<b>124,901</b>	<b>377,303</b>	<b>525,498</b>	<b>(2,062,416)</b>	<b>-</b>

**Concorde Securities Ltd.**  
**Notes to Consolidated Financial Statements**  
**For the year ended and as of December 31, 2012**  
*(all amounts in thousands of HUF unless otherwise stated)*

**23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT [CONTINUED]**

**December 31, 2011**

	Within 3 month	Within one year and over 3 month	Within 4 years and over one year	Over 4 years	Without maturity	Total
<b>Assets</b>						
Current Assets:						
Cash and cash equivalents	14,014,417	-	-	-	-	14,014,417
Settlement with brokers, dealers and customers	1,392,496	-	-	-	-	1,392,496
Financial assets measured at fair value through profit or loss	867,735	705,306	612,881	87,999	329,126	2,603,047
Other receivable and accruals	395,962	-	-	-	-	395,962
<b>Total current assets</b>	<b>16,670,610</b>	<b>705,306</b>	<b>612,881</b>	<b>87,999</b>	<b>329,126</b>	<b>18,405,922</b>
Non-current Assets:						
Goodwill on acquisition	-	-	-	-	70,400	70,400
Equity investments	-	-	-	-	235,193	235,193
Loans to employees	-	-	39,896	-	-	39,896
Tangible and intangible fixed assets	-	-	56,338	499,332	-	555,670
Deferred tax assets	-	9,410	-	-	-	9,410
<b>Total non-current assets</b>	<b>-</b>	<b>9,410</b>	<b>96,234</b>	<b>499,332</b>	<b>305,593</b>	<b>910,569</b>
<b>Total assets</b>	<b>16,670,610</b>	<b>714,716</b>	<b>709,115</b>	<b>587,331</b>	<b>634,719</b>	<b>19,316,491</b>
<b>Liabilities and Shareholders' Equity</b>						
Current Liabilities:						
Settlement with brokers, dealers and customers	13,958,821	-	-	-	-	13,958,821
Short term borrowings	1,154,641	-	-	-	-	1,154,641
Financial liabilities at fair value through profit or loss	496,630	-	-	-	-	496,630
Other liabilities	461,929	-	-	-	-	461,929
Deferred tax liability	-	-	-	-	-	-
<b>Total current liabilities</b>	<b>16,072,021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,072,021</b>
Shareholders' Equity:						
Share capital	-	-	-	-	925,000	925,000
Statutory reserves	-	-	-	-	-	-
Minority interest	-	-	-	-	14,899	14,899
Retained earnings	-	-	-	-	2,313,784	2,313,784
Treasury shares	-	-	(9,213)	-	-	(9,213)
<b>Total shareholders' equity</b>	<b>-</b>	<b>-</b>	<b>(9,213)</b>	<b>-</b>	<b>3,253,683</b>	<b>3,244,470</b>
<b>Total liabilities and shareholders' equity</b>	<b>16,072,021</b>	<b>-</b>	<b>(9,213)</b>	<b>-</b>	<b>3,253,683</b>	<b>19,316,491</b>
<b>Liquidity excess/(deficiency)</b>	<b>598,589</b>	<b>714,716</b>	<b>718,328</b>	<b>587,331</b>	<b>(2,618,964)</b>	<b>-</b>

**23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT [CONTINUED]**

**Fair value measurement**

At December 31, 2012, 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.

The fair values of financial assets and financial liabilities are determined as follows.

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

**Fair value measurements recognised in the statement of financial position**

Methods and significant assumptions used to determine fair value of the different classes of financial instruments:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1, that are observable for the asset or liability;
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**Concorde Securities Ltd.**  
**Notes to Consolidated Financial Statements**  
**For the year ended and as of December 31, 2012**  
*(all amounts in thousands of HUF unless otherwise stated)*

**23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT [CONTINUED]**

<b>As at 31 December 2012</b>	<b><u>Total</u></b>	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>
Financial assets at fair value through profit or loss	1,618,629	1,277,523	341,106	-
from this: securities held for trading	1,277,523	1,277,523	-	-
from this: positive FVA of derivative financial instruments designated as held for trading	341,106	-	341,106	-
Securities available-for-sale	-	-	-	-
Positive FVA of derivative financial instruments designated as hedge accounting relationship	-	-	-	-
<b>Financial assets measured at fair value total</b>	<b>1,618,629</b>	<b>1,277,523</b>	<b>341,106</b>	<b>-</b>
Short positions - security trading	-	-	-	-
Negative FVA of derivative financial instruments designated as held for trading	45,627	45,627	-	-
Negative FVA of derivative financial instruments designated as hedge accounting relationship	324,013	-	324,013	-
<b>Financial liabilities measured at fair value total</b>	<b>369,640</b>	<b>45,627</b>	<b>324,013</b>	<b>-</b>
<b>As at 31 December 2011</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Financial assets at fair value through profit or loss	2,603,047	2,093,822	500,711	8,514
from this: securities held for trading	2,102,336	2,093,822	-	8,514
from this: positive FVA of derivative financial instruments designated as held for trading	500,711	-	500,711	-
Securities available-for-sale	-	-	-	-
Positive FVA of derivative financial instruments designated as hedge accounting relationship	-	-	-	-
<b>Financial assets measured at fair value total</b>	<b>2,603,047</b>	<b>2,093,822</b>	<b>500,711</b>	<b>8,514</b>
Short positions - security trading	-	-	-	-
Negative FVA of derivative financial instruments designated as held for trading	496,630	-	496,630	-
Negative FVA of derivative financial instruments designated as hedge accounting relationship	-	-	-	-
<b>Financial liabilities measured at fair value total</b>	<b>496,630</b>	<b>-</b>	<b>496,630</b>	<b>-</b>



**Concorde Securities Ltd.**  
**Notes to Consolidated Financial Statements**  
**For the year ended and as of December 31, 2012**  
*(all amounts in thousands of HUF unless otherwise stated)*

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**23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT [CONTINUED]**

**Fair value of financial instruments carried at amortised cost**

The carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

**24. EVENTS AFTER REPORTING PERIOD**

No significant events happened after the reporting period that would require an adjustment to these statements.

**25. EFFECT OF FINANCIAL CRISIS**

The government measures introduced in 2010 had a significant impact on Concorde's business in 2011. The nationalization of mandatory pension funds significantly decreased the asset base of local institutional investors, which led to a reduced order flow and turnover on Budapest Stock Exchange. The reduced liquidity from pension funds had a knock-on effect on other investors (foreign institutions, market-makers) who traded less on the local market as a result.

Since these funds invested a significant part of their assets in foreign markets, our commission-based revenue decreased in that segment too. All in all, approximately 90% of these funds' assets were returned to the state.

Trading in the BSE is mostly concentrated in four stocks, with the biggest being OTP Bank, which is considered a proxy for the whole CEE region. This means that OTP has become the most liquid regional name, traded by institutional investors all over the world, who want to have (or get rid of) exposure to these markets. As a result, trading volumes in OTP could increase dramatically as the EU debt crisis intensified, trading values decreased though because of the falling share price.

The final debt repayment scheme for retail FX mortgage debtors introduced in September led to a significant loss for local banks, which negatively impacted their share prices and our revenues.

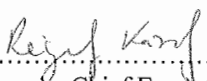
Some positives though: the erratic and quite unpredictable government policies sometimes resulted in days with increased trading volumes, lessening the negative impact mentioned before.

Concorde was also affected by a special tax which was introduced in 2010.

**26. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved by the board of directors and authorised for issue on July 30, 2013.

Budapest, July 30, 2013

  
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Chief Executive Officer