

**Concorde Securities Ltd.**

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

**for the year ended December 31, 2017**

**Concorde Securities Ltd.  
Consolidated Financial Statements**

**December 31, 2017**

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Concorde Securities Ltd.

### *Opinion*

We have audited the consolidated financial statements of Concorde Securities Ltd. and its subsidiaries (the „Group”) for the year 2017 which comprise the consolidated statement of financial position as at December 31, 2017 – which shows a total assets of HUF 46,694,052 thousand –, and the related consolidated statement of comprehensive income – which shows a net comprehensive income for the period of HUF 1,288,855 thousand –, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (the „EU IFRS”), and the consolidated financial statements were prepared in all material respects in accordance with the provisions of the effective Hungarian Act C of 2000 on Accounting (hereinafter: "the Accounting Act") relevant to the entities preparing consolidated financial statements in accordance with EU IFRS.

### *Basis for Opinion*

We conducted our audit in accordance with the Hungarian National Standards on Auditing and the effective Hungarian laws and other regulations on audits. Our responsibilities under these standards are further described in the "*The Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*" section of our report.

We are independent of the Group in compliance with the relevant effective Hungarian regulations and the “Rules of conduct (ethical rules) of the auditor profession and the disciplinary process” of the Chamber of Hungarian Auditors and, in respect of matters not regulated therein, the “Code of Ethics for Professional Accountants” (the IESBA Code) issued by the International Ethics Standards Board for Accountants, and we have fulfilled our other ethical responsibilities in accordance with the same ethical requirements.

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

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	Related audit procedures
<i>Revenue recognition from investment service activities</i>	
<p>There is a risk whether the revenue from investment service activities are recorded in accordance with relevant contractual agreement and/or with the relevant conditions in the public announcements</p> <p>Based on these factors, revenue recognition from investment service activities are considered as key audit matters.</p>	<p>Audit procedures related to revenue recognition from investment service activities are the follows:</p> <ul style="list-style-type: none"> <li>• Test of operating effectiveness of main internal systems (controls) related to determination and recognition of results on transactions (commission of transactions and trailer fees.)</li> <li>• Recalculation of main results on transactions and analysis of those with base data (volume of transactions and stocks, contractual prices of agreements and public announcements)</li> </ul> <p>In addition, we have checked the relevant accounts and related disclosure.</p>

***Other Information: The Consolidated Business Report***

Other information includes the consolidated business report of the Group for 2017. Management is responsible for the preparation of the consolidated business report in accordance with the relevant provisions of the Accounting Act and other regulations. Our opinion on the consolidated financial statements provided in the section of our independent auditor's report entitled „Opinion” does not apply to the consolidated business report.

Our responsibility in connection with our audit of the consolidated financial statements is to read the consolidated business report and, in doing so, consider whether the consolidated business report is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Furthermore, in accordance with the Accounting Act, our responsibilities also include assessing whether the consolidated business report was prepared in accordance with the relevant provisions of the Accounting Act and other regulations, and to express an opinion on the above and on whether the consolidated business report is consistent with the financial statements.

In our opinion, the consolidated business report of the Group for 2017 corresponds to the consolidated financial statements of the Group for 2017 and the relevant provisions of the Accounting Act in all material respects. As the Group is not subject to additional requirements under any other regulation in connection with the consolidated business report, we have not formulated an opinion on this matter.

In addition to the above, based on the information obtained about the Group and its environment, we must report on whether we became aware of any material misstatements in the consolidated business report and, if so, on the nature of such material misstatements. We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Accounting Act, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### ***The Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives during the audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue, on the basis of the above, an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Hungarian National Standards on Auditing and the effective Hungarian laws and other regulations on audits will always detect a material misstatement when it exists. Misstatements can arise from fraud or error, and they are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Hungarian National Standards on Auditing and the effective Hungarian laws and other regulations on audits, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial

statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the Group's internal control that we identify during the audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### ***Report on Other Legal and Regulatory Requirements***

In compliance with Article 10 (2) of Regulation (EU) No. 537/2014 of the European Parliament and the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

#### *Appointment of the Auditor and the Period of Engagement*

We were appointed as the auditors of the Concorde Securities Ltd. by the General Meeting of Shareholders on April 3, 2017 and our uninterrupted engagement has lasted since 16 years.

#### *Consistence with the Additional Report to the Audit Committee*

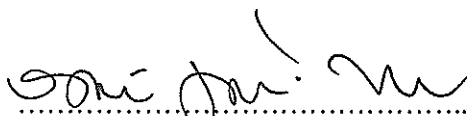
We confirm that our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the Supervisory Board of the Concorde Securities Ltd., which we issued on April 23, 2018 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

#### *Provision of Non-audit Services*

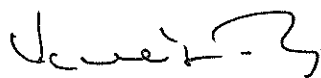
We declare that no prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided by us to the Group. In addition, there are no other non-audit services which were provided by us to the Concorde Securities Ltd. and its controlled undertakings and which have not been disclosed in the consolidated business report.

The engagement partner on the audit resulting in this independent auditor's report is the signatory of the report.

Budapest, January 11, 2019



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



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Horváth Tamás  
statutory registered auditor  
003449

**Concorde Securities Ltd.**  
**Consolidated Statement of Financial Position**  
**as of December 31, 2017**

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

	<u>Notes</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
<b>Assets</b>			
Current Assets:			
Cash and cash equivalents	4	37,396,175	40,422,848
Receivables from brokers, dealers and customers	5	3,291,170	2,115,646
Financial assets at fair value through profit or loss	6	4,638,358	3,236,865
Other receivables and accruals	7	914,685	1,757,861
Total current assets		46,240,388	47,533,220
Non-current Assets:			
Equity investments	8	6,150	247,544
Loans to employees		48,314	64,924
Tangible and intangible fixed assets	9	399,200	462,410
Deferred tax assets	19	0	2
Total non-current assets		453,664	774,880
<b>Total assets</b>		<b>46,694,052</b>	<b>48,308,110</b>
<b>Liabilities and Shareholders' Equity</b>			
Current Liabilities:			
Liabilities to brokers, dealers and customers	10	37,697,986	39,847,537
Short term borrowings	10	1,329,352	402,775
Financial liabilities at fair value through profit or loss	11	2,251,881	1,870,457
Other liabilities	12	498,399	1,487,821
Non-Current Liabilities:			
Deferred tax liability	19	2,291	16,000
<b>Total liabilities</b>		<b>41,779,909</b>	<b>43,624,590</b>
Shareholders' Equity:			
Share capital	13	1,000,000	1,000,000
Retained earnings		3,538,824	3,508,585
Treasury shares	14	-	-
Non-controlling interest		375,319	174,925
<b>Total shareholders' equity</b>		<b>4,914,143</b>	<b>4,683,510</b>
<b>Total liabilities and shareholders' equity</b>		<b>46,694,052</b>	<b>48,308,110</b>

*The accompanying notes to consolidated financial statements on pages 11 to 56 form an integral part of these consolidated financial statements.*

Budapest, November 30, 2018

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Chief Executive Officer

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Chief Accountant

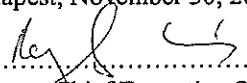


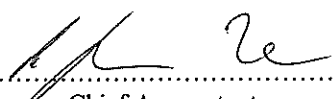
**Concorde Securities Ltd.**  
**Consolidated Statement of Comprehensive Income**  
**for the year ended December 31, 2017**  
*(all amounts in thousands of HUF unless otherwise stated)*

	<i>Notes</i>	Year ended December 31, 2017	Year ended December 31, 2016
<i>Revenue</i>			
Commissions	15	3,810,660	3,731,134
Gains on securities traded on proprietary account	15	840,385	817,110
Corporate finance activities		2,780	195,090
Custodianship, safe-keeping and portfolio management activities		682,668	216,503
Interest and dividend income from securities		500,243	313,705
Other income	18	421,563	709,737
<b>Total revenue</b>		<b>6,258,299</b>	<b>5,983,279</b>
<i>Expenses</i>			
Commission expenses		(893,996)	(878,426)
Losses on securities traded on proprietary account	15	(396,704)	(232,659)
Wages and salaries	16	(1,557,442)	(1,563,340)
Communication costs		(268,661)	(287,955)
General and administration expenses	17	(845,196)	(798,872)
Interest paid		(90,123)	(138,021)
Other expenses	18	(637,362)	(655,001)
<b>Total expenses</b>		<b>(4,689,484)</b>	<b>(4,554,274)</b>
Profit before tax		1,568,815	1,429,005
Income tax expense	19	(54,546)	(84,078)
<b>Profit for the year</b>		<b>1,514,269</b>	<b>1,344,927</b>
Attributable to:			
Equity holders of parent		1,288,855	1,308,767
Non-controlling interest		225,414	36,160
		<b>1,514,269</b>	<b>1,344,927</b>
Weighted average number of shares outstanding during the year			
		1,000,000	1,000,000
<b>Consolidated basic and diluted earnings per share in thousands of HUF</b>			
		<b>1,514</b>	<b>1,345</b>
<b>NET PROFIT FOR THE YEAR</b>		<b>1,288,855</b>	<b>1,308,767</b>
<b>NET COMPREHENSIVE INCOME</b>		<b>1,288,855</b>	<b>1,308,767</b>

*The accompanying notes to consolidated financial statements on pages 11 to 56 form an integral part of these consolidated financial statements.*

Budapest, November 30, 2018

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 Chief Executive Officer

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 Chief Accountant

**Concorde Securities Ltd.**  
**Consolidated Statement of Changes in Shareholders' Equity**  
**for the year ended December 31, 2017**  
*(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, 2016</b>	13	1,000,000	-	-	3,249,502	4,249,502	9,690	4,259,192
Profit for the year		-	-	-	1,308,767	1,308,767	36,160	1,344,927
Acquisition	23	-	-	-	(13,222)	(13,222)	134,192	120,970
Reclassification between earnings and non-controlling interest	13	-	-	-	(650)	(650)	650	-
Dividends paid		-	-	-	(1,038,156)	(1,038,156)	(5,767)	(1,043,923)
Sales of share of subsidiary		-	-	-	2,344	2,344	-	2,344
<b>Balance as of December 31, 2016</b>	13	1,000,000	-	-	3,508,585	4,508,585	174,925	4,683,510
Profit for the year		-	-	-	1,288,855	1,288,855	225,414	1,514,269
Firstly consolidated entities' equity	23	-	-	-	16,827	16,827	93,042	109,869
Reclassification between earnings and non-controlling interest	13	-	-	-	11,766	11,766	(11,766)	-
Dividends paid		-	-	-	(1,287,209)	(1,287,209)	(106,296)	(1,393,505)
<b>Balance as of December 31, 2017</b>	13	1,000,000	-	-	3,538,824	4,538,824	375,319	4,914,143

*The accompanying notes to consolidated financial statements on pages 11 to 56 form an integral part of these consolidated financial statements.*

Budapest, November 30, 2018

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Chief Executive Officer

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Chief Accountant

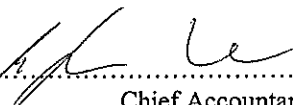
**Concorde Securities Ltd.**  
**Consolidated Statement of Cash Flows**  
**for the year ended December 31, 2017**  
*(all amounts in thousands of HUF unless otherwise stated)*

	Notes	Year ended December 31, 2017	Year ended December 31, 2016
<b>Cash flows from operating activities:</b>			
Profit before tax		1,568,814	1,429,005
Adjustments for:			
Gain on acquisition of subsidiary	23	-	(37,824)
Impairment on proprietary accounts			-
Depreciation and amortization	9	173,013	158,661
Reversal of impairment of receivables	5	(4,596)	(7,462)
Loss on sale of investments		80,304	(655)
Interest expense		88,701	138,021
Interest income		(236,786)	(226,899)
Operating profit before working capital changes		1,665,982	1,452,847
Increase in financial assets at fair value through profit and loss		(1,401,492)	(721,399)
(Increase)/Decrease in accounts receivable from settlement		(1,170,929)	491,190
(Increase)/Decrease in accounts receivable and other current assets		820,859	1,094,236
Increase/(Decrease) in accounts payable from settlement		(2,149,551)	17,380,559
-from this: increase/(decrease) on client accounts		(2,112,000)	17,367,975
-from this: increase/(decrease) on other payables		(37,551)	12,584
Increase/(Decrease) in accounts payable and accruals		(1,004,875)	1,011,153
Increase/(Decrease) in financial liabilities at fair value through profit and loss		381,424	(1,252,461)
Cash generated (used in)/by from operations		(2,858,580)	19,456,125
Interest paid		(86,957)	(133,266)
Interest received		259,104	226,436
Income taxes paid		(54,546)	(84,080)
<b>Net cash flow (used in)/provided by operating activities</b>		<b>(2,740,979)</b>	<b>19,465,215</b>
<b>Cash flows from investing activities:</b>			
Purchase of property, plant and equipment		(108,599)	(123,681)
Decrease in loans granted to employees		16,610	34,285
Net cash (outflow)/inflow on acquisition of subsidiaries	23	(93,042)	123,450
Net cash inflow – firstly consolidated entities		241,394	-
Proceeds on sale of property, plant and equipment		15,000	15,738
<b>Net cash flow provided by/(used in) investing activities</b>		<b>71,363</b>	<b>49,792</b>
<b>Cash flows from financing activities:</b>			
Net (decrease)/increase of short term loans		926,577	(646,988)
Dividends paid to equity holders of parent		(1,283,635)	(1,043,923)
Dividends paid to non-controlling interest		-	-
Treasury shares acquired (+) / sold (-)		-	-
Repurchase of share of subsidiaries		-	2,344
<b>Net cash flow used in financing activities</b>		<b>(357,058)</b>	<b>(1,688,567)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(3,026,673)</b>	<b>17,826,440</b>

*The accompanying notes to consolidated financial statements on pages 11 to 56 form an integral part of these consolidated financial statements.*

Budapest, November 30, 2018

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Chief Executive Officer

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Chief Accountant

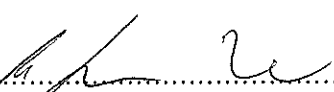
**Concorde Securities Ltd.**  
**Consolidated Statement of Cash Flows**  
**for the year ended December 31, 2017**  
*(all amounts in thousands of HUF unless otherwise stated)*

	<b>Year ended December 31, 2017</b>	<b>Year ended December 31, 2016</b>
(Decrease)/Increase in total cash and cash equivalents	(3,026,673)	17,826,440
Total Cash and cash equivalents at beginning of year	40,422,848	22,596,408
<b>Total Cash and cash equivalents at end of year</b>	<b><u>37,396,175</u></b>	<b><u>40,422,848</u></b>
From this		
<i>-Client accounts</i>		
(Decrease)/Increase in cash and cash equivalents	(3,325,985)	17,367,975
Cash and cash equivalents at beginning of year	39,790,284	22,422,309
<b>Cash and cash equivalents at end of year – client</b>	<b><u>36,464,299</u></b>	<b><u>39,790,284</u></b>
<i>-Own accounts</i>		
(Decrease)/Increase in cash and cash equivalents	299,312	458,465
Cash and cash equivalents at beginning of year	632,564	174,099
<b>Cash and cash equivalents at end of year - own</b>	<b><u>931,876</u></b>	<b><u>632,564</u></b>

*The accompanying notes to consolidated financial statements on pages 11 to 56 form an integral part of these consolidated financial statements.*

Budapest, November 30, 2018

  
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 Chief Executive Officer

  
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 Chief Accountant

**Concorde Securities Ltd.**  
**Notes to Consolidated Financial Statements**  
**For the year ended and as of December 31, 2017**  
*(all amounts in thousands of HUF unless otherwise stated)*

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**1. ORGANIZATION 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 are referred to collectively as the “Group”.

	<i>2017</i>	<i>2016</i>
Domestic and foreign private and	100.00%	100.00%
Treasury shares	<u>0.00%</u>	<u>0.00%</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 2017**

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- Amendments to IAS 7 “Statement of Cash Flows” - Disclosure Initiative – adopted by EU on 6 November 2017 (effective for annual periods beginning on or after 1 January 2017),
- Amendments to IAS 12 “Income Taxes” - Recognition of Deferred Tax Assets for Unrealised Losses – adopted by EU on 6 November 2017 (effective for annual periods beginning on or after 1 January 2017),
- Amendments to IFRS 12 due to “Improvements to IFRSs (cycle 2014-2016)” resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 7 February 2018 (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017).

The adoption of these amendments to the existing standards has not led to any changes in the Group’s accounting policies.

**1. ORGANIZATION AND BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS  
[CONTINUED]**

**The new and revised Standards and Interpretations issued by IASB and adopted by the EU but not yet effective**

At the date of authorisation of these financial statements the following standards, amendments to the existing

standards and interpretations issued by IASB and adopted by the EU were in issue but not yet effective:

- IFRS 9 “Financial Instruments” - adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018),
- IFRS 15 “Revenue from Contracts with Customers” and amendments to IFRS 15 “Effective date of IFRS 15” - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018).
- IFRS 16 “Leases” – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IFRS 4 “Insurance Contracts” - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – adopted by the EU on 3 November 2017 (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 “Financial Instruments” is applied first time),
- Amendments to IFRS 15 “Revenue from Contracts with Customers” - Clarifications to IFRS 15 Revenue from Contracts with Customers – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2018).
- Amendments to IFRS 1 and IAS 28 due to “Improvements to IFRSs (cycle 2014-2016)” resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 7 February 2018 (amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018).

The adoption of the above presented Amendments and new Standards and Interpretations would have no significant impact on the consolidated financial statements in the period of initial application except for IFRS 9 and IFRS 16. See the assessed effects of adaption of new standards and more information in Note 25.

**The standards and Interpretations issued by IASB, but not yet adopted by the EU**

At the date of authorisation of these financial statements the following standards, amendments to the existing standards and interpretations issued by IASB, but not yet adopted by the EU:

- IFRS 14 “Regulatory Deferral Accounts” (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- IFRS 17 “Insurance Contracts” (effective for annual periods beginning on or after 1 January 2021),
- Amendments to IFRS 2 “Share-based Payment” - Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018)
- Amendments to IFRS 9 “Financial Instruments” - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),
- Amendments to IAS 19 “Employee Benefits” - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IAS 28 “Investments in Associates and Joint Ventures” - Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IAS 40 “Investment Property” - Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018),

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**1. ORGANIZATION AND BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS  
[CONTINUED]**

- Amendments to various standards due to “Improvements to IFRSs (cycle 2015-2017)” resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2019)
- IFRIC 22 “Foreign Currency Transactions and Advance Consideration” (effective for annual periods beginning on or after 1 January 2018),
- IFRIC 23 “Uncertainty over Income Tax Treatments” (effective for annual periods beginning on or after 1 January 2019).

The adoption of these new standards and amendments to the existing standards will have no material impact on the consolidated financial statements of the Group in the period of initial application.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated.

According to the Group’s estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to IAS 39: “Financial Instruments: Recognition and Measurement” would not significantly impact the financial statements, if applied as at the end of reporting period.

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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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would consider those characteristics when pricing the asset or liability at the measurement date.

In these consolidated financial statements, fair value for measurement and/or disclosure purposes is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of *IAS 17 Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in *IAS 2 Inventories* or value in use in *IAS 36 Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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.

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.

### **Basis of consolidation and business combinations**

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

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.



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

Income and expenses of subsidiaries acquired or disposed of during the year included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

*Changes in the Group's ownership interests in existing subsidiaries*

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under *IAS 39 Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

*Business combinations*

The Group has applied *IFRS 3 Business Combinations* since 31 March 2004 for acquisitions after that date.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with *IAS 12 Income Taxes* and *IAS 19 Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with *IFRS 2 Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

The initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

*Goodwill*

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

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 recognised immediately in the Consolidated Statement of Comprehensive Income as Other Income.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

*Entities involved to consolidation*

The Consolidated Financial Statements comprise the financial statements of Concorde Securities Ltd. and controlled subsidiaries as of December 31, 2017 and December 31, 2016 (see more information in Note 8). The effects of all material intragroup balances and transactions are eliminated.

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

Details of consolidated subsidiary undertakings are provided below.

*As at December 31, 2017*

<i>Group</i>	<i>Group Ownership</i>	<i>Brief description of activities</i>
Concorde Corporate Finance Ltd.	86.79%	Corporate finance
Accorde Fund Management Ltd.	50.00%	Fund management
Concorde Financial Consulting Ltd.	100.00%	facility management
Eclipse Investment Ltd.	100.00%	property management
Concorde Fiduciary Asset Management Ltd.	100.00%	asset management
Concorde Investment Ireland Ltd.	50.00%	other financial service activities

*As at December 31, 2016*

<i>Group</i>	<i>Group Ownership</i>	<i>Brief description of activities</i>
Concorde Corporate Finance Ltd.	86.79%	Corporate finance
Accorde Fund Management Ltd.	50.00%	Fund management

*Entities not involved to consolidation*

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 of December 31, 2017 and December 31, 2016 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 2017 and 2016.

*As at December 31, 2017*

<i>Group</i>	<i>Group's Ownership</i>	<i>Brief description of activities</i>
Concorde MB Partners Ltd.	45.50%	advisory services

*As at December 31, 2016*

<i>Group</i>	<i>Group's Ownership</i>	<i>Brief description of activities</i>
Concorde Financial Consulting Ltd.	100.00%	facility management
Eclipse Investment Ltd.	100.00%	property management
Concorde Fiduciary Asset Management Ltd.	100.00%	asset management
Concorde MB Partners Ltd.	45.50%	advisory services

See more information on the considerations related to involvement of consolidation in Note 8.

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

### 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 (if 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 payments or receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

### 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 except for

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

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.

### Taxation

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

#### *Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the 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.

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

*Deferred tax*

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 near 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 near 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.

**Property, plant and equipment and intangible assets**

Property, plant and equipment and intangible assets are stated at cost, less accumulated depreciation and amortization. Depreciation and amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method:

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

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

*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.

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.

**Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is highly probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

**Financial instruments**

Financial assets and financial liabilities are recognised when an entity of the Group 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 payments or 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/expenses are recognised on an effective interest basis for financial instruments other than those financial assets/liabilities classified as at fair value through profit or loss.

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

*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 period 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 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.

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.

Interest income from interest bearing securities and dividends from shares is shown in line 'Net Revenue on Securities Traded on Proprietary Account' of the Consolidated Statement of Other comprehensive Income.

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows discounted at the financial asset's original effective interest rate of the investment have been affected.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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.

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

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

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 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 Assets. 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 and equity instruments*

Debt and equity instruments issued by an entity of the Group are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

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.

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 hedge relationships during 2017 and 2016.

**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.



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

**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 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.

Receivables from settlement with brokers, dealers and customers are measured at amortised cost.

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

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

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

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

Payables from settlement with brokers, dealers and customers are measured at amortised cost.

**Derivatives**

The Group sells securities that it does not currently own and therefore is obliged to purchase such securities at a future date. These purchase obligations (as derivatives) are recorded in the financial statements considering 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 futures open as at the end of reporting period are recorded at their fair value based on the market rates actual at that date.

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

### **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* and *IAS 39 Financial Instruments: Recognitions and Measurement*.

### **Fees and Commissions**

Fees and commissions are recognized in the Consolidated Statements of Comprehensive Income on an accrual basis based on *IAS 18 Revenue* and *IAS 39 Financial Instruments: Recognitions and Measurement*. 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, the 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 Segment Reporting* – the Group does not prepare segment reports.

**Concorde Securities Ltd.**  
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### **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. The 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.

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**4. CASH AND CASH EQUIVALENTS**

	December 31, 2017	December 31, 2016
Petty Cash	42,029	51,960
<i>From this</i>		
-Client accounts	38,045	46,859
-Own accounts	3,984	5,101
Bank accounts	37,354,146	40,370,888
<i>From this</i>		
-Client accounts	36,426,254	39,743,425
-Own accounts	927,892	627,463
	<u>37,396,175</u>	<u>40,422,848</u>

Included within cash and current accounts is HUF 36,464,299 thousand (December 31, 2016: HUF 39,790,284 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, 2017	December 31, 2016
Receivables from services provided	359,391	185,845
Receivables from clearing house	2,922,221	1,774,730
Receivables from trading on the Budapest Stock Exchange	19,708	169,818
	<u>3,301,320</u>	<u>2,130,393</u>
Allowance for doubtful receivables	(10,151)	(14,747)
	<u>3,291,170</u>	<u>2,115,646</u>
Allowance for doubtful receivables:		
	December 31, 2017	December 31, 2016
Opening Balance (January 1)	(14,747)	(22,209)
Impairment loss recognized	-	-
Reversal of impairment loss recognized	4,596	7,462
Closing Balance (December 31)	<u>(10,151)</u>	<u>(14,747)</u>

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

	December 31, 2017	December 31, 2016
Government bonds	1,898,206	489,861
Treasury Bills	988,389	897,343
Mortgage bonds	0	150
Investment funds	106,675	-
Listed shares	104,473	192,861
Corporate bonds (unlisted)	29,745	258,271
	<u>3,127,487</u>	<u>1,838,486</u>
Held for trading derivatives	1,510,871	1,398,379
	<u>4,638,358</u>	<u>3,236,865</u>

Interest rates and maturity dates on government securities as of December 31, 2017 are as follows:

	<i>December 31, 2017</i>	<i>Maturity</i>	<i>Coupon rate</i>	
Interest-bearing Treasury Bills	-	until July 2018		
Interest-bearing Treasury Bills	-	between July 2018 and December, 2018		
Discounted Treasury Bills	738,138	until July, 2018	-	-
Discounted Treasury Bills	250,250	between July, 2018 and December, 2018	-	-
Government Bonds	578,230	2019	fixed	4,00%-5,50%
Government Bonds	1,276,801	2020-2021	fixed	4,00%-7,50%
Government Bonds	43,175	2022-	fixed	3,25%-7,00%
	<u>2,886,594</u>			

**7. OTHER RECEIVABLES AND ACCRUALS**

	December 31, 2017	December 31, 2016
Accrued income	552,354	1,334,888
Debtors	268,931	358,385
Other tax receivables	5,944	1
Corporate tax receivables	67,198	64,587
Loan advances to other unconsolidated subsidiaries	20,258	-
	<u>914,685</u>	<u>1,757,861</u>

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**8. EQUITY INVESTMENTS**

Equity investments of the Group as at December 31, 2017

	December 31, 2017	
	<i>book value</i>	<i>ownership %</i>
Concorde MB Partners Ltd.	6,150	45.50%
	6,150	

Certain financial information of Concorde MB Partners Ltd. as of and for the year ended December 31, 2017 are 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.

**Data of unconsolidated financial statements of Concorde MB Partners Ltd.**

	For the year then ended December 31, 2017 (unaudited)
Total assets	106,048
Owners' equity	43,741
Net income	25,010

Equity investments of the Group as at December 31, 2016

	December 31, 2016	
	<i>book value</i>	<i>ownership %</i>
Concorde Financial Consulting Ltd.	3,451	75.00%
Eclipse Investment Ltd.	232,943	100.00%
Concorde Fiduciary Asset Management Ltd.	5,000	100.00%
Concorde MB Partners Ltd.	6,150	45.50%
	247,544	

Certain financial information as of and for the year ended December 31, 2016 are 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.

Name	Concorde Financial Consulting Ltd.	Eclipse Investment Ltd.	Concorde Fiduciary Asset Management Ltd.	Concorde MB Partners Ltd.
Period	For the year ended December 31, 2016; unaudited	For the year ended December 31, 2016; unaudited	For the year ended December 31, 2016; unaudited	For the year ended December 31, 2016; unaudited
Total assets	5,710	305,156	4,891	448,390
Shareholders' equity	5,710	302,224	4,891	414,238
Net income	-11	5,922	-57	75,831

**Concorde Securities Ltd.**  
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**8. EQUITY INVESTMENTS [CONTINUED]**

Investments in Concorde Financial Consulting Ltd., Eclipse Investment Ltd. and Concorde Fiduciary Asset Management Ltd. were not involved into consolidated financial statements for the year then ended December 31, 2016 considering that assessment the management that omission of these entities from the consolidated entities has no significant effect on the consolidated financial statements. On January 1, 2017, the management – unchanged its former assessment to the period ended December 31, 2016 – has reassessed the entities involved to the consolidation and has decided the consolidation of these aforementioned investments from the period beginning on January 1, 2017.

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**9. TANGIBLE AND INTANGIBLE FIXED ASSETS**

	<i>Intangible assets</i>	<i>Furniture, fixtures and equipment</i>	<i>Leasehold improvements</i>	<i>Constructions in progress</i>	<i>Total</i>
<b>Cost:</b>					
January 1, 2016	1,330,011	1,243,771	120,920	34,209	2,728,911
Additions	80,014	48,965	507	118,936	248,422
Disposals	(2,446)	(31,965)	(892)	(118,936)	(154,239)
Aquisition through business combination	18,142	2,014	-	-	20,156
December 31, 2016	1,425,721	1,262,785	120,535	34,209	2,843,250
Additions	63,612	138,228	-	4,566	208,106
Disposals	-	(43,908)	(120,535)	(5,024)	(169,467)
December 31, 2017	1,491,033	1,357,105	-	33,751	2,881,889
<b>Depreciation and amortisation:</b>					
January 1, 2016	1,171,469	1,026,302	34,883	4,640	2,237,294
Charge for the year	81,530	72,451	4,680	-	158,661
Disposals	(2,446)	(14,689)	(892)	-	(18,027)
Aquisition through business combination	1,970	942	-	-	2,912
December 31, 2016	1,252,523	1,085,006	38,671	4,640	2,380,840
Charge for the year	86,443	84,887	-	4,683	176,013
Disposals	-	(34,017)	(38,671)	(1,476)	(74,164)
December 31, 2017	1,338,966	1,135,876	-	3,207	2,482,689
<b>Net book value:</b>					
December 31, 2016	173,198	177,789	81,864	29,569	462,410
December 31, 2017	152,067	221,229	-	30,544	399,200



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

	December 31, 2017	December 31, 2016
Payables to clients	37,678,384	39,790,284
Payables from trading on the Budapest Stock Exchange	19,703	57,253
	<u>37,697,986</u>	<u>39,847,537</u>
	December 31, 2017	December 31, 2016
- Overdrafts in HUF	922,577	1
- Overdrafts in EUR	170,674	188,215
- Overdrafts in USD	230,023	214,559
- Overdrafts in CAD	6,078	-
	<u>1,329,352</u>	<u>402,775</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, 2017	December 31, 2016
Short positions - security trading	784,992	484,521
Held for trading derivatives	1,466,889	1,385,936
	<u>2,251,881</u>	<u>1,870,457</u>

**12. OTHER LIABILITIES**

	December 31, 2017	December 31 2016
Deferred expenses	7,090	3,846
Personal income tax and social contribution	187,105	1,209,569
Payables	194,077	147,912
Taxes payable	109,607	123,233
Other	521	3,261
	<u>498,399</u>	<u>1,487,821</u>

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**13. SHARE CAPITAL AND RESERVES**

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

	December 31, 2017		December 31, 2016	
	<i>Issued capital</i>	<i>Ownership rate</i>	<i>Issued capital</i>	<i>Ownership rate</i>
TC Ltd.	300,000	30.00%	300,000	30.00%
Dr. Móricz Gábor	149,600	14.96%	149,600	14.96%
Eurotipp Ltd.	105,600	10.56%	105,600	10.56%
Blackburn International Luxembourg	99,020	9.90%	99,020	9.90%
Blackburn International Ltd.	99,000	9.90%	99,000	9.90%
Zürich Investments Inc.	99,000	9.90%	99,000	9.90%
Teatime Group Inc.	99,000	9.90%	99,000	9.90%
Régely Károly	23,500	2.35%	19,500	1.95%
Other	25,280	2.53%	29,280	2.93%
Total shareholders' equity	1,000,000	100.00%	1,000,000	100.00%

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, 2017	670,000	0	330,000	0
December 31, 2017	670,000	0	330,000	0

The distributable reserves of Concorde Securities Ltd.'s under Hungarian regulations were HUF 3.259.608 thousand and HUF 3.385.746 thousand as of December 31, 2017 and December 31, 2016, respectively. Dividends for the year ended December 31, 2017 and December 31, 2016 were declared at the Company's Annual General Meeting on April 24, 2018 and April 3, 2017, respectively.

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.)

**14. TREASURY SHARES**

	December 31, 2017	December 31, 2016
Nominal value (Common Shares)	-	-
Carrying value at acquisition cost	-	-

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**15. REVENUE**

*Commissions*

	Year ended December 31, 2017	Year ended December 31, 2016
Commission on customer stock exchange deals	2,029,661	1,957,203
Trading fees of investment units	617,629	284,405
Trail commission fees of investment funds	245,261	309,924
Commissions of derivative deals	143,126	137,352
Other commissions	774,983	1,042,250
	<u>3,810,660</u>	<u>3,731,134</u>

Other commissions shows significant increase in aspect of GFT trade commissions and other stock-based fees.

*Net Revenue on Securities Traded on Proprietary Account*

	Year ended December 31, 2017	Year ended December 31, 2016
Gains on securities traded on proprietary account	840,385	817,110
Losses on securities traded on proprietary account	(396,704)	(232,659)
Net revenue on securities traded on proprietary account	<u>443,681</u>	<u>584,451</u>

	Year ended December 31, 2017	Year ended December 31, 2016
Government and corporate bonds	331,499	435,154
Treasury Bills	16,577	38,176
Shares	99,436	60,914
Other	(3,831)	50,207
	<u>443,681</u>	<u>584,451</u>

**Concorde Securities Ltd.**  
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**15. REVENUE [CONTINUED]**

	Year ended December 31, 2017	Year ended December 31, 2016
Commission Fee Income	3,810,660	3,731,134
Net gains/(losses) on financial assets or financial liabilities at fair value through profit or loss	405,711	486,970
Total interest income on financial assets (calculated using the effective interest rate)	277,245	324,318
	<u>4,493,616</u>	<u>4,542,422</u>
Commission Fee Expenses	893,996	878,426
Total interest expenses on financial liabilities (calculated using the effective interest rate)	90,123	138,021
	<u>984,119</u>	<u>1,016,447</u>

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**16. WAGES AND SALARIES**

	<u>Year ended</u> <u>December 31, 2017</u>	<u>Year ended,</u> <u>December 31, 2016</u>
Salaries	1,153,399	1,096,987
Social insurance contribution	268,459	313,488
Other employee related expenses	45,279	33,672
Other employee related contribution	90,305	119,193
	<u>1,557,442</u>	<u>1,563,340</u>

The number of a full time equivalent staff employed at end of the reporting period was 116 (2016: 105 full time equivalent staff was employed).

**17. GENERAL AND ADMINISTRATION EXPENSES**

	<u>Year ended</u> <u>December 31, 2017</u>	<u>Year ended</u> <u>December, 31, 2016</u>
IT and other general administration expenses	120,131	144,889
Depreciation	176,013	155,669
Local tax	110,460	104,835
Rental and maintenance fees	111,164	107,495
Professional fees	147,694	90,780
Bank charges	24,279	28,266
Office supplies	67,643	70,379
Travel	31,014	49,183
Marketing	40,119	30,495
Training	8,406	6,454
Insurance fees	6,613	8,445
Membership fees	1,660	1,982
	<u>845,196</u>	<u>798,872</u>

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**18. OTHER EXPENSES AND OTHER INCOME**

<i>Other expenses</i>	<u>Year ended December 31, 2017</u>	<u>Year ended December 31, 2016</u>
Film and charity sponsorship	87,118	113,562
Special tax	46,212	172,991
Foreign exchange loss	71,278	91,312
BEVA fee	150,900	169,250
Payment to Kárrendezési Alap	181,099	-
Other	100,755	107,886
	<u>637,362</u>	<u>655,001</u>

Based on the amendment of the act on the of special financial institutions' tax defined by Act LIX of 2006 on the Special Tax and Banker's Contribution Intended to Improve the Balance of Public Finances approved on 22 July 2010, a special financial institution tax was paid by the Group. The total tax amount for the year 2017 HUF 46 million (2016 was HUF 173 million).

In 2017, a Group has become subject to payment to a new Compensation Fund (Kárrendezési Alap) defined and established by Act CCXIV of 2015 on Certain Damage Compensation Measures Taken in Order to Strengthen the Stability of the Capital Market and it has paid to the Fund HUF 181 million (2016: 0).

<i>Other income</i>	<u>Year ended December 31, 2017</u>	<u>Year ended December 31, 2016</u>
Compensations received	0	206,624
Foreign exchange gain	124,794	143,751
Invoiced costs	13,094	12,962
Gain on fixed asset selling	15,000	17,438
Invoiced BEVA fee	140,650	162,905
Other	128,085	166,057
	<u>421,563</u>	<u>709,737</u>

Invoiced BEVA fee consist of intermediated amount of charged BEVA fee.

**Concorde Securities Ltd.**  
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**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.

From 2017, the tax rate will be changed from [10%,19%] to 9% (effective date: 1 January 2017).

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, 2017	Year ended December 31, 2016
Current tax expense	68,252	75,909
Deferred (tax benefit) / tax expense	(13,706)	8,169
Total income tax expense recognised in the current year	54,546	84,078

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

	Year ended December 31, 2017	Year ended December 31, 2016
Profit before tax	1,568,814	1,429,024
Income tax expense calculated	139,503	212,306
Effect of income that is exempt from taxation	(35,706)	(29,722)
Effect of expenses that are not deductible in determining taxable profit	13,553	3,383
Effect of previously recognised and used tax losses	(4,233)	-
Effect on deferred tax balances due to the change in income tax rate	-	(3,294)
	113,116	182,673
Adjustments – tax credit on film & sport sponsorship	(58,570)	(98,595)
Income tax expense recognised in profit or loss (relating to continuing operations)	54,546	84,078

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**19. INCOME TAXES [CONTINUED]**

*Current tax assets and liabilities*

	December 31, 2017	December 31, 2016
Current tax assets		
Tax refund receivable	67,198	64,587
Current tax liabilities		
Income tax payable	-	-

*Deferred tax assets and liabilities*

	December 31, 2017		December 31, 2016	
	Recorded in profit or loss	Recorded in OCI	Recorded in profit or loss	Recorded in OCI
Other Receivables and Prepayments	2,596	-	1,147	-
Financial liabilities at fair value through profit and loss	133,907	-	124,322	-
Deferred tax asset	136,502	-	125,470	-
Settlement with brokers, dealers and customers	(79,602)	-	(37,799)	-
Financial assets at fair value through profit and loss	(59,192)	-	(89,243)	-
Property, plant and equipment	-	-	(5,426)	-
Development Reserve	-	-	(9,000)	-
Deferred tax liabilities	-	-	(141,468)	-
Total deferred tax assets / (liabilities), net	(138,794)	-	(15,998)	-

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

The balance of client's securities is HUF 557,830 million at face value as of December 31, 2017 (2016: (\*)HUF 699,011 million).

Currency	Nominal Value		Face Value (million HUF)	
	2017	2016	2017	2016
GBP	15,305,204	6,109,572	5,349	2,209
AUD	518,417	524,014	105	111
CZK	58,299	5,496	1	0
DKK	31,318	28,242	1	1
EUR	280,956,809	888,982,976	87,136	276,491
HKD	33,922	12,765	1	0
HRK	246,860	244,312	10	10
JPY	2,999	4,150	0	0
CAD	967,000	1,026,652	200	224
PLN	254,797	1,022,707	19	72
HUF	156,907,856,163	154,205,823,391	156,908	154,206
NOK	636,264	530,626	20	18
RUB	305,373,000	101,056,000	1,371	483
RON	10,656,482	8,432,137	709	578
CHF	75,477	53,808	20	16
SEK	1,795,273	358,726	57	12
SGD	140,714	134,667	27	27
TRY	2,379,280	1,918,096	163	160
USD	1,181,254,951	900,243,315	305,733	264,392
			<b>557,830</b>	<b>699,011</b>

At face value HUF 511,423 million from these securities are deposited in custody at the Central Clearing House and Depository Ltd. (KELER Ltd.) (2016: HUF 655,962 million).

Currency	Nominal Value		Face Value (million HUF)	
	2017	2016	2017	2016
GBP	300,042	300,042	105	109
EUR	202,808,602	811,896,148	62,899	252,516
JPY	200	200	0	0
HUF	156,522,835,912	153,856,260,619	156,523	153,856
CHF	41,892	41,892	11	12
USD	1,127,754,217	849,430,419	291,885	249,469
			<b>511,423</b>	<b>655,962</b>

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

<i>Foreign currency contracts</i>	December 31,	December 31,
	2017	2016
Off-balance sheet assets	118,051,287	147,005,415
Off-balance sheet liabilities	118,891,643	145,908,434
Net	(840,356)	1,096,981
Fair values of off-balance sheet assets	1,510,871	1,398,379
Fair values of off-balance sheet liabilities	1,466,889	1,385,936
Net fair values	43,982	12,443

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**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. RELATED PARTY TRANSACTIONS**

The consolidated statements for the year ended and as of December 31, 2017 (and December 31, 2016) contain the following amounts from the related party transaction.

Consolidated Statement of Financial Positions as of December 31, 2017:

- Settlement with brokers, dealers and customers of the Company due from Concorde Corporate Finance Ltd and Accorde Fund Management Ltd and Concorde Financial Consulting Ltd. and Eclipse Investment Ltd. and Concorde Fiduciary Asset Management Ltd. and Concorde Investment Ireland Ltd.: HUF 64,065 thousand (2016: HUF 5.945 thousand)

Consolidated Statements of Comprehensive Income for the year ended as of December 31, 2017.

- Intra-group revenue from re-invoiced fees by the Company to Concorde Corporate Finance Ltd.:
  - Rental fees: HUF 0 thousand (2016: HUF 0 thousand)
  - Office supplies: HUF 0 thousand (2016: HUF 0 thousand)
  - Other general and administration expenses: HUF 0 thousand (2016: HUF 0 thousand)
  - Communication: HUF 0 thousand (2016: HUF 0 thousand)

The amounts from related party transaction were fully 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, 2017 and December 31, 2016 were declared of HUF 633,270 thousand (HUF 1,919 per share) and of HUF 721,380 thousand (HUF 2,186 per share), respectively.

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**22. 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.

To mitigate credit risk, the Group provide investment loans or establish and maintain of position with leverage for customers only in case when required collaterals are available at customers. Accordingly, the Group has no significant concentrations of credit risk. Collaterals can be cash or securities on investment accounts. The Group has established detailed internal regulations to rules of investments, qualification of partners and assets, and recording of provision for impairment losses.

The carrying amounts of financial instruments of the Group best represent the maximum exposure to credit risk. Allowance for doubtful receivables (receivables from customers) are summarized in Note 5.

*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 Group applies an internal model based VaR (1 day, confidence level of 99 %). 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)	
	2017	2016
Foreign exchange rates (aggregated to all FX/HUF exchange rates)*	4,71	7.38
Interest rate	0,47	12.08
Equity instruments	23,97	12.47
Diversification	-5,60	-16.46
<b>Total VaR exposure</b>	<b>23,55</b>	<b>15.47</b>

(\*): the main part of the risk exposure is attributable to HUF/EUR exchange rates, the other foreign currencies has no significant risk exposure. See more details below in 'Foreign currency sensitivity analysis.'

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

The average VaR of the security trading portfolio was HUF 23,55 million; lower than a year before (HUF 15,47 million).

Compared to trading portfolio, Group's equity would not have not significantly affected by changes in the risk variables presented above.

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

**Foreign currency sensitivity analysis**

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

		December 31, 2017	December 31, 2016
5% Weakening of EUR	Loss on portfolio (%)	0,63	1.45
	Loss on portfolio (HUF million)	23,97	37.29
5% Weakening of USD	Loss on portfolio (%)	0,01	0.28
	Loss on portfolio (HUF million)	0,47	7.22
Total	Loss on portfolio (%)	0,64	1.73
	Loss on portfolio (HUF million)	24,44	44.51

**Interest rate sensitivity analysis**

The own security portfolio of the Group shows an exposure to repricing as a result of changes in HUF-denominated and (in partly) in EUR-denominated interbank and security interest rates (especially from Budapest Interbank Offered Rate ('BUBOR') and EUR Inter-Bank Offer Rate ('EURIBOR')). In order to minimise interest risks exposures from changes of market interest rates, 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 end of reporting period were outstanding for the whole year. The analyses were prepared by assuming only the adversing interest rate changes. The main assumptions were as follows:

- Floating-rate assets and liabilities were repriced to the modeled benchmark yields at the repricing dates assuming the unchanged marge 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 20.71 million and HUF 13.74 million as at December 31, 2017 and December 31, 2016, respectively.

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

**Equity instruments sensitivity analysis**

The Company has no significant equity instruments held in 2017 and 2016 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.

**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 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 2017 and in 2016.

	2017	(unconsolidated data) 2016
Core capital	4,259,607	4,385,746
Supplementary capital	0	0
Deductions	(157,810)	(172,736)
<b>Regulatory capital</b>	<b>4,101,797</b>	<b>4,213,010</b>
Credit risk capital requirement	892,955	899,536
Market risk capital requirement	79,812	166,623
Operational risk capital requirement	630,910	581,764
<b>Total eligible regulatory capital</b>	<b>1,603,677</b>	<b>1,647,923</b>
<b>Surplus capital</b>	<b>2,498,120</b>	<b>2,565,087</b>
<b>Capital adequacy ratio</b>	<b>255.77%</b>	<b>255.66%</b>

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

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

As of December 31, 2017, all monetary assets and liabilities mature within one month of the end of reporting period, with the exception of HUF 37,678,284 thousand (December 31, 2016: HUF 39,790,284 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, 2017 and December 31, 2016.

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

December 31, 2017	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	37,396,175	-	-	-	-	37,396,175
Settlement with brokers, dealers and customers	3,291,170	-	-	-	-	3,291,170
Financial assets at fair value through profit or loss	2,144,150	933,339	1,289,120	60,602	211,147	4,638,358
Other receivable and accruals	914,685	-	-	-	-	914,685
<b>Total current assets</b>	<b>43,746,180</b>	<b>933,339</b>	<b>1,289,120</b>	<b>60,602</b>	<b>211,147</b>	<b>46,240,388</b>
Non-current Assets:						
Goodwill on acquisition	-	-	-	-	-	-
Equity investments	-	-	-	-	6,150	6,150
Loans to employees	-	-	48,314	-	-	48,314
Tangible and intangible fixed assets	-	-	-	399,200	-	399,200
Deferred tax assets	-	-	-	-	-	-
<b>Total non-current assets</b>	<b>-</b>	<b>-</b>	<b>48,314</b>	<b>399,200</b>	<b>6,150</b>	<b>453,664</b>
<b>Total assets</b>	<b>43,746,180</b>	<b>933,339</b>	<b>1,337,434</b>	<b>459,802</b>	<b>217,297</b>	<b>46,694,052</b>
<b>Liabilities and Shareholders' Equity</b>						
Current Liabilities:						
Settlement with brokers, dealers and customers	37,697,986	-	-	-	-	37,697,986
Short term borrowings	1,329,352	-	-	-	-	1,329,352
Financial liabilities at fair value through profit or loss	1,407,678	59,210	-	-	784,993	2,251,881
Other liabilities	498,399	-	-	-	-	498,399
Deferred tax liability	-	2,291	-	-	-	2,291
<b>Total liabilities</b>	<b>40,933,415</b>	<b>61,501</b>	<b>-</b>	<b>-</b>	<b>784,993</b>	<b>41,779,909</b>
Shareholders' Equity:						
Share capital	-	-	-	-	1,000,000	1,000,000
Statutory reserves	-	-	-	-	-	-
Minority interest	-	-	-	-	375,319	375,319
Retained earnings	-	-	-	-	3,538,824	3,538,824
Treasury shares	-	-	-	-	-	-
<b>Total shareholders' equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,914,143</b>	<b>4,914,143</b>
<b>Total liabilities and shareholders' equity</b>	<b>40,933,415</b>	<b>61,501</b>	<b>-</b>	<b>-</b>	<b>5,699,135</b>	<b>46,694,052</b>
<b>Liquidity excess/(deficiency)</b>	<b>2,812,764</b>	<b>871,838</b>	<b>1,337,434</b>	<b>459,801</b>	<b>(5,481,838)</b>	<b>-</b>

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

December 31, 2016	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	40,422,848	-	-	-	-	40,422,848
Settlement with brokers, dealers and customers	2,115,646	-	-	-	-	2,115,646
Financial assets at fair value through profit or loss	1,669,567	740,603	394,624	239,210	192,861	3,236,865
Other receivable and accruals	1,757,861	-	-	-	-	1,757,861
<b>Total current assets</b>	<b>45,965,922</b>	<b>740,603</b>	<b>394,624</b>	<b>239,210</b>	<b>192,861</b>	<b>47,533,220</b>
Non-current Assets:						
Goodwill on acquisition	-	-	-	-	-	-
Equity investments	-	-	-	-	247,544	247,544
Loans to employees	-	-	64,924	-	-	64,924
Tangible and intangible fixed assets	-	-	-	462,410	-	462,410
Deferred tax assets	-	2	-	-	-	2
<b>Total non-current assets</b>	<b>-</b>	<b>-</b>	<b>64,924</b>	<b>462,410</b>	<b>247,544</b>	<b>774,880</b>
<b>Total assets</b>	<b>45,965,922</b>	<b>740,605</b>	<b>459,548</b>	<b>701,620</b>	<b>440,405</b>	<b>48,308,100</b>
<b>Liabilities and Shareholders' Equity</b>						
Current Liabilities:						
Settlement with brokers, dealers and customers	39,847,537	-	-	-	-	39,847,537
Short term borrowings	402,775	-	-	-	-	402,775
Financial liabilities at fair value through profit or loss	1,296,800	89,136	-	-	484,521	1,870,457
Other liabilities	1,487,821	-	-	-	-	1,487,821
Deferred tax liability	-	16,000	-	-	-	16,000
<b>Total liabilities</b>	<b>43,034,933</b>	<b>105,136</b>	<b>-</b>	<b>-</b>	<b>484,521</b>	<b>43,624,590</b>
Shareholders' Equity:						
Share capital	-	-	-	-	1,000,000	1,000,000
Statutory reserves	-	-	-	-	-	-
Minority interest	-	-	-	-	174,925	174,925
Retained earnings	-	-	-	-	3,508,585	3,508,585
Treasury shares	-	-	-	-	-	-
<b>Total shareholders' equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,683,510</b>	<b>4,683,510</b>
<b>Total liabilities and shareholders' equity</b>	<b>43,034,933</b>	<b>105,136</b>	<b>-</b>	<b>-</b>	<b>5,168,031</b>	<b>48,308,100</b>
<b>Liquidity excess/(deficiency)</b>	<b>2,931,008</b>	<b>635,467</b>	<b>459,548</b>	<b>701,620</b>	<b>(4,727,626)</b>	<b>-</b>



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

	December 31, 2017	December 31, 2016
Financial assets at fair value through profit or loss	4,638,358	3,236,866
-designated as such upon initial recognition	-	-
-classified as held for trading	4,638,358	3,236,866
Held-to-maturity investments	-	-
Loans and receivables	3,608,415	2,538,955
-Settlement with brokers, dealers and customers	3,291,170	2,115,646
-Debtors	268,931	358,385
-Loans to employees	48,314	64,924
Available-for-sale financial assets	-	-
Cash and cash equivalents	37,396,175	40,422,848
<b>Total of financial assets</b>	<b><u>45,642,947</u></b>	<b><u>46,198,669</u></b>
Financial liabilities at fair value through profit or loss	2,251,881	1,870,456
-designated as such upon initial recognition	-	-
-classified as held for trading	2,251,881	1,870,456
Financial liabilities measured at amortised cost	39,221,415	40,398,225
-Settlement with brokers, dealers and customers	37,697,986	39,847,537
-Short term borrowings	1,329,352	402,775
-Payables	194,077	147,912
<b>Total of financial liabilities</b>	<b><u>41,473,295</u></b>	<b><u>42,268,681</u></b>

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

**Fair value measurement**

This note provides information about how the Group determines fair values of various financial assets and financial liabilities

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used

Instruments		Fair Value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
		31-Dec-2017	31-Dec-2016				
1) Foreign currency swap and forward contracts (see notes 6, 11 and 22)	Assets	1,489,115	1,388,181	Level 2	Discounted cash flow model: Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
	Liabilities	1,466,889	1,382,756				
2) Futures contracts (see notes 6, 11, and 22)	Assets	21,056	10,198	Level 1	Quoted bid and ask prices in an active market	N/A	N/A
	Liabilities	-	3,180				
3) Held-for-trading non-derivative financial assets (see note 6 and 22) - listed debt securities	Assets	2,916,339	1,645,625	Level 1	Quoted bid prices in an active market.	N/A	N/A
3) Held-for-trading non-derivative financial assets (see note 6 and 22) - listed equity securities and investment units	Assets	211,147	192,861	Level 1	Quoted bid and ask prices in an active market	N/A	N/A
	Liabilities (short positions)	784,992	484,521	Level 1			
<b>Total</b>	<b>Assets</b>	<b>4,638,358</b>	<b>3,236,865</b>				
	<b>Liabilities</b>	<b>2,251,881</b>	<b>1,870,457</b>				

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

Briefly summarized, 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 determined based on quoted prices, or, 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 and swap contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

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

*Fair Value hierarchy of assets and liabilities measured at fair value through profit or loss*

<b>As at 31 December 2017</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	4,638,358	3,148,543	1,489,815	-
-from this: securities held for trading	3,127,487	3,127,487	-	-
-from this: positive FVA of derivative financial instruments designated as held for trading	1,510,871	21,056	1,489,815	-
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>4,638,358</b>	<b>3,148,543</b>	<b>1,489,815</b>	<b>-</b>
Short positions - security trading	784,992	784,992	-	-
Negative FVA of derivative financial instruments designated as held for trading	1,466,889	-	1,466,889	-
Negative FVA of derivative financial instruments designated as hedge accounting relationship	-	-	-	-
<b>Financial liabilities measured at fair value total</b>	<b>2,251,881</b>	<b>784,992</b>	<b>1,466,889</b>	<b>-</b>
<b>As at 31 December 2017</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	3,236,865	1,848,684	1,388,181	-
-from this: securities held for trading	1,838,486	1,838,486	-	-
-from this: positive FVA of derivative financial instruments designated as held for trading	1,398,379	10,198	1,388,181	-
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>3,236,865</b>	<b>1,848,684</b>	<b>1,388,181</b>	<b>-</b>
Short positions - security trading	484,521	484,521	-	-
Negative FVA of derivative financial instruments designated as held for trading	1,385,936	3,180	1,382,756	-
Negative FVA of derivative financial instruments designated as hedge accounting relationship	-	-	-	-
<b>Financial liabilities measured at fair value total</b>	<b>1,870,457</b>	<b>487,701</b>	<b>1,382,756</b>	<b>-</b>

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**22. 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.

At December 31, 2017 and December 31, 2016, 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.

**23. BUSINESS COMBINATIONS**

**23.1 Subsidiaries acquired**

Year	Date of acquisition	Subsidiary	Principal activity	Proportion of owned equity interest acquired	Consideration transferred
2017	June 19, 2017	Concorde Investment Ireland	Investment Services	50%	93,042

Concorde Investment Ireland Ltd was registration date June 19, 2017 in Dublin.

**23.2 Consideration transferred Concorde Investment Ireland Ltd**

	December 31, 2017
Cash	93,042
Contingent Consideration	0
Acquisition Cost	0
<b>Total Consideration</b>	<b>93,042</b>

**23.2 Non-Controlling interest**

The non-controlling interest (50% ownership in Concorde Investment Ireland Ltd.) recognised at acquisition date at fair value.

	December 31, 2017
Equity on acquisition date	186,084
<b>Non-controlling interest</b>	<b>93,032</b>

**24. EVENTS AFTER REPORTING PERIOD**

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

## **25. CHANGES IN ACCOUNTING POLICIES, EXPECTED EFFECTS OF NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED, EARLY ADOPTIONS**

The potential impact of revised IFRSs and IFRICs becoming effective after the reporting date on the Group's financial statements are described below in detail. The potential impact of ongoing amendments to IFRSs and IFRICs at the reporting date is not examined in detail as they do not have a significant impact on the financial statement and disregarding them will not affect the decisions of the users of the financial statements.

The following standards and interpretations (including amendments thereto) will become effective in the period beginning on January 1, 2018 or later.

### IFRS 9 Financial Instruments

IFRS 9 Financial Instruments will replace the current IAS 39 Financial Instruments: Recognition and Measurement standard. According to the 2014 amendments, the application of this standard is mandatory as of 1 January 2018.

#### *Classification and Measurement*

The Group has assessed the effects of introduction of new standard to all of financial instruments in its portfolio.

- Financial assets and liabilities measured at fair value through profit or loss:

The Group has certain financial instruments (which are generally (but not excluding) debts instruments) that are measured at fair value and classified as financial instruments measured at fair value through profit or loss ('FVTPL'). The Group has performed cash flow characteristic tests and the it has established the business model in accordance with IFRS 9 Financial Instruments. Considering the fact that relevant investment and other policies related to these instruments are unchanged and in accordance with applied business model, the instruments are intended to be classified unchanged as FVTPL in accordance with new standard, the Group has concluded that in case of these financial instruments no significant change is expected to happen in terms of classification and measurement.

- Other financial instruments:

The Group has performed the aforementioned tests and assessments to the financial instruments other than classified as FVTPL. The Group concluded that in case of these financial instruments no significant change is expected to happen in terms of classification and measurement. These instruments are going to be classified as financial instruments at amortized cost.

#### *Impairment*

IFRS 9 also reconsidered the impairment of financial instruments, introducing the expected loss model. Instead of incurred (actual) losses, the basis of accounting will be the expected loss. The expected loss model requires for an earlier recognition of impairment losses. The approved model contains a simplified method allowing entities to use simplified rules instead of the complex ones for certain financial assets (e.g. trade receivables and similar instruments). This solution is expected to be very similar to the approach which is already adopted by the Group in respect of such instruments. Since these items represent by far the largest share in the Group's financial instruments, adoption is not likely to have any significant numeric impact, although the calculation of such an impact is still in progress.

IFRS 9 has exhaustive requirements on the recognition of expected credit losses ('ECL'). Both of the above stated instruments are going to require an allowance for their calculated ECL. At the date of transition to IFRS 9 (i.e. January 1, 2018.) the Group will determine which stage the assets do belong to. The Group's assessment has been concluded that all the financial instruments measured at fair value through profit or loss (treasury bills, government bonds, etc.) and other financial instruments are going to be considered to be 'Stage 1' instruments, therefore a 12 months expected credit loss allowance will be established by debiting the retained earnings.

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**25. CHANGES IN ACCOUNTING POLICIES, EXPECTED EFFECTS OF NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED, EARLY ADOPTIONS [CONTINUED]**

The table below summarizes the estimations to ECL.

	Financial assets measured at fair value through profit or loss	Loans and receivables	Cash and cash equivalents	Total
Carrying amount as per IAS 39	4,638,538	3,608,415	37,396,175	45,642,947
Reversal of impairment losses recorded in accordance with IAS 39	-	10,151	-	10,151
Expected credit loss (ECL) allowance	(464)	(361)	(3,740)	(4,564)
<b>Opening book value per IFRS 9</b>	<b>4,638,074</b>	<b>3,618,205</b>	<b>37,392,435</b>	<b>45,648,534</b>
<i>Total difference in opening equity</i>	<i>(464)</i>	<i>9,790</i>	<i>(3,740)</i>	<i>5,587</i>

**Assumptions and background information**

- Financial assets measured at fair value through profit or loss: More than 50% of the exposure in "financial assets measured at fair value through profit or loss" consists of risk-free government bonds. For this reason, the risk is basically low and there has been no example for any harmful losses in this category yet.
- Loans and receivables: 90% of this exposure originates from receivables from clearing houses which approximately equals to the amount of our obligations. In most of the cases our clients are compliant with the payment schedule, delays are extremely rare and exceptional, there is no example for significant losses in this balance.
- Cash and cash equivalents: This balance consists of cash and cash equivalents that are low-risk items according to public awareness.

The above stated numbers are current estimations. The IFRS 9 transition is still in progress. The management does not expect to have significant changes in the above disclosed figures.

*Hedge Accounting*

IFRS 9 also contains new regulations regarding hedge accounting which provide that a much wider range of relationships (economic events) will qualify for hedge accounting and the previously applicable compliance criteria (hedge effectiveness and evidence for the existence of effectiveness) will be less strict. However, the Group does not apply currently hedge accounting, which means that this change cannot have any impact on the financial statements.

IFRS 9 has been endorsed by the EU and the Group will not early apply IFRS 9.

IFRS 15 Revenue from Contracts with Customers

This standard contains conceptual changes regarding the methodology for recognising revenue. The mandatory effective date of the standard is 1 January 2018. A range of standards and interpretations are no longer effective as a result of the amendment:

- IAS 18 Revenue
- IAS 11 Construction Contracts
- IFRIC 13 Customer Loyalty Programmes
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 18 Transfers of Assets from Customers
- SIC 31 Barter Transactions Involving Advertising Services

IFRS 15 provides a single model for revenues derived from contracts. The standard uses a 'single five-step model' to determine the amount and timing of revenue recognition. This standard contains explicit requirements for situations where multiple items are transferred to a customer at once. IFRS 15 provides two methods for the timing of recognising revenue: recognition at a point in time or over

**25. CHANGES IN ACCOUNTING POLICIES, EXPECTED EFFECTS OF NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED, EARLY ADOPTIONS [CONTINUED]**

time. IFRS 15 also introduces guidance on the treatment of costs associated with the acquisition of contracts and their provision (not elsewhere classified).

The Group performed calculations during the previous year, and concluded that there will be no expected difference between the revenue recognized under the old standards and IFRS 15. The reason for this is that all the services provided by the Group shall be accounted for on a similar manner.

Since the Group preliminary concluded that there will be no difference between the methodology of revenue recognition under IFRS 15 the Group plans to apply IFRS 15 in accordance with the fully retrospective transitional approach without using the practical expedients for completed contracts in IFRS 15.C5(a), and (b), or for modified contracts in IFRS 15.C5(c) but using the expedient in IFRS 15.C5(d) allowing both non-disclosure of the amount of the transaction price allocated to the remaining performance obligations, and an explanation of when it expects to recognize that amount as revenue for all reporting periods presented before the date of initial application, i.e. 1 January 2017.

IFRS 16 Leases

This standard fundamentally changes the accounting treatment of leases: as a general rule, all leased items are recognised by the lessee as an asset in its statement of financial position, along with the related lease liability. Operating leases as a category will be effectively abolished. The accounting treatment on the lessor's side is not subject to change, but the classification of leases will be. In addition to the fundamental changes, the new standard also amends measurement rules and allows a wider range of variable items to be included in the calculation of lease fees. Furthermore, the definition of lease is also subject to change and certain capacity usage contracts will no longer qualify as leases. The application of the standard will be mandatory from the period beginning on or after January, 2019. The Group is currently examining the other potential changes in its financial statements that the standard may cause. This standard has been endorsed by the EU.

Equity method in separate financial statements (amendments to IAS 27)

IAS 27 has been amended already in 2016 in such a way that, in addition to fair value measurement and measurement at cost, amounts derived using the equity method will also be accepted as a basis for measurement subsequent to initial recognition.

The Group does not currently prepare separate financial statements under IFRS and, therefore, this amendment does not have any direct impact on these financial statements at the moment.

Contribution of assets between an investor and its associate or joint venture

IFRS 10, IFRS 12 and IAS 28 have been amended so as to clarify the treatment of such events.

Any gain or loss on assets sold to an associate must be recognised by the investor in profit or loss in proportion to the share that the remaining members of the associate possess in that associate (provided that the assets contributed do not constitute a business under IFRS 3).

If the assets do constitute a business, the investor should recognise the entire amount of profit or loss. Similarly, if an entity contributes a former associate which does not qualify as a business to one of the entity's associates or joint ventures, the resulting gain or loss will be recognised in proportion to the share of the remaining members.

Based on Group's assessment, this amendment is not expected to have any impact on the Group's financial statements.

IFRS 2 Share based payments

The standard clarified that if in case of certain equity settled share based payments even if the grantor is required to retain certain amount of the share based payment promised to the employees (similar) in cash in order to meet taxation requirement, will not change the classification of this of the share based payment.

The modification also addresses the fact that if the equity settled share based payment will be



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**25. CHANGES IN ACCOUNTING POLICIES, EXPECTED EFFECTS OF NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED, EARLY ADOPTIONS [CONTINUED]**

converted into cash settled, the liability shall be recognized, the so far fulfilled part of the payment will be recognized in equity, measuring it using the fair values applicable on the day of the change. All difference arising will be taken to the Consolidated Statement of Comprehensive Income. This amendment will not have any effect on the financial statements, since there are no share based payments currently outstanding.

Other standards and interpretations

The effect of all other changes to IFRSs not yet adopted (aforementioned in Note 1) is not expected to be material (if any).

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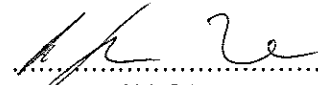
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**26. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved by the board of directors and authorised for issue on November 30, 2018.

Budapest, November 30, 2018

  
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Chief Executive Officer

  
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Chief Accountant