

# **ZAGREB STOCK EXCHANGE D.D.**

Financial statements for the year ended 31 December  
2012  
together with independent auditors' report

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**Responsibility for the financial statements**

Pursuant to the Croatian Accounting Law, the Management Board is responsible for ensuring that the financial statements are prepared for each financial year in accordance with International Financial Reporting Standards ("IFRS"), which give a true and fair view of the state of affairs and results of Zagreb Stock Exchange d.d. (the "Company") for that year.

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

The Management Board is responsible that:

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

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company, and must also ensure that the financial statements comply with the Croatian Accounting Law in force. The Management Board is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the Management Board:

Ivana Gažić

President of the Management Board

Tomislav Gračan

Member of the Management Board

Zagreb, 18 March 2013

  
**ZAGREBAČKA BURZA d.d.**  
Zagreb

## Independent auditors' report

To the shareholders of Zagreb Stock Exchange d.d.

We have audited the accompanying financial statements ("the financial statements") of Zagreb Stock Exchange d.d. ("the Company"), which comprise the statement of financial position as at 31 December 2012, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information (as set out on pages 3 to 33).

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

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

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

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

### Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.



Ernst & Young d.o.o.

Zagreb, 18 March 2013

**Statement of financial position**  
*as at 31 December 2012*

|   | Notes | 2012<br>HRK'000 | 2011<br>HRK'000 |
|---|-------|-----------------|-----------------|
| <b>Assets</b>   |       |                 |                 |
| <b><i>Non-current assets</i></b>                      |       |                 |                 |
| Equipment and motor vehicles                          | 4     | 436             | 539             |
| Intangible assets                                     | 5     | 6,765           | 9,009           |
| Financial assets available for sale                   | 6a    | 237             | 237             |
| Guarantee deposits                                    |       | 295             | 370             |
| <b>Total non-current assets</b>                       |       | <b>7,733</b>    | <b>10,155</b>   |
| <b><i>Current assets</i></b>                          |       |                 |                 |
| Trade receivables and other assets                    | 7     | 1,801           | 2,241           |
| Prepaid expenses                                      | 8     | 2,317           | 3,211           |
| Income tax prepayment                                 |       | 4               | 306             |
| Financial assets at fair value through profit or loss | 6b    | 15,974          | 8,941           |
| Short term deposits                                   |       | 6,237           | -               |
| Cash and cash equivalents                             | 20    | 9,946           | 22,564          |
| <b>Total current assets</b>                           |       | <b>36,279</b>   | <b>37,263</b>   |
| <b>Total assets</b>                                   |       | <b>44,012</b>   | <b>47,418</b>   |
| <b>Equity and liabilities</b>                         |       |                 |                 |
| <b><i>Equity</i></b>                                  |       |                 |                 |
| Issued share capital                                  | 9     | 40,408          | 40,408          |
| Share premium   |       | 4,937           | 4,937           |
| Legal reserves  |       | 141             | 141             |
| Retained (loss)                                       |       | (8,693)         | (5,219)         |
| <b>Total equity</b>                                   |       | <b>36,793</b>   | <b>40,267</b>   |
| <b><i>Non-current liabilities</i></b>                 |       |                 |                 |
| Non-current provisions                                | 10    | 120             | 120             |
| <b>Total non-current liabilities</b>                  |       | <b>120</b>      | <b>120</b>      |
| <b><i>Current liabilities</i></b>                     |       |                 |                 |
| Trade payables and other liabilities                  | 11    | 4,378           | 4,787           |
| Deferred income and accrued expenses                  | 12    | 2,721           | 2,244           |
| <b>Total current liabilities</b>                      |       | <b>7,099</b>    | <b>7,031</b>    |
| <b>Total equity and liabilities</b>                   |       | <b>44,012</b>   | <b>47,418</b>   |

The accounting policies and other notes form an integral part of these financial statements.

**Statement of comprehensive income**  
**for the year ended 31 December 2012**

|  | <i>Notes</i> | <b>2012</b><br><b>HRK'000</b> | <b>2011</b><br><b>HRK'000</b> |
|--|--------------|-------------------------------|-------------------------------|
| Revenue  | 13           | 9,707                         | 12,232                        |
| Other operating income                             | 14           | 4,467                         | 5,518                         |
| Staff costs  | 15           | (5,713)                       | (5,931)                       |
| Severance costs                                    | 15           | -                             | (112)                         |
| Depreciation and amortisation                      | 4,5          | (2,870)                       | (3,615)                       |
| Other operating expenses                           | 16           | (10,124)                      | (9,691)                       |
| Financial income                                   | 17a          | 1,095                         | 944                           |
| Financial expense                                  | 17b          | (35)                          | (18)                          |
| <b>(Loss) before tax</b>                           |              | <b>(3,473)</b>                | <b>(673)</b>                  |
| Income tax expense                                 | 18a          | -                             | -                             |
| <b>(Loss) for the year</b>                         |              | <b>(3,473)</b>                | <b>(673)</b>                  |
| <br><b>Other comprehensive income, net of tax</b>  |              | <br>-                         | <br>-                         |
| <br><b>Total comprehensive (loss) for the year</b> |              | <br><b>(3,473)</b>            | <br><b>(673)</b>              |

The accounting policies and other notes set form an integral part of these financial statements.

**Statement of changes in equity**  
*for the year ended 31 December 2012*

|  | <b>Issued<br/>share<br/>capital<br/>HRK'000</b> | <b>Share<br/>premium<br/>HRK'000</b> | <b>Legal<br/>reserves<br/>HRK'000</b> | <b>Retained<br/>earnings<br/>HRK'000</b> | <b>Total<br/>HRK'000</b> |
|--|---|--------------------------------------|---------------------------------------|--|--------------------------|
| As at 1 January 2011                       | 40,408  | 4,937                                | 141                                   | (4,547)                                  | 40,939                   |
| Total comprehensive<br>(loss) for the year | -   | -                                    | -                                     | (673)                                    | (673)                    |
| <b>As at 31 December 2011</b>              | <b>40,408</b>                                   | <b>4,937</b>                         | <b>141</b>                            | <b>(5,220)</b>                           | <b>40,266</b>            |
| As at 1 January 2012                       | 40,408  | 4,937                                | 141                                   | (5,220)                                  | 40,266                   |
| Total comprehensive<br>(loss) for the year | -   | -                                    | -                                     | (3,473)                                  | (3,473)                  |
| <b>As at 31 December 2012</b>              | <b>40,408</b>                                   | <b>4,937</b>                         | <b>141</b>                            | <b>(8,693)</b>                           | <b>36,793</b>            |

The accounting policies and other notes form an integral part of these financial statements.



**Cash flow statement**  
*for the year ended 31 December 2012*

|   | <i>Notes</i> | <b>2012<br/>HRK'000</b>    | <b>2011<br/>HRK'000</b>     |
|---|--------------|----------------------------|-----------------------------|
| <b>Net inflows from operating activities before tax</b>         | <b>19</b>    | <b>873</b>                 | <b>2,439</b>                |
| Decrease of income tax prepayments                              |              | <b>302</b>                 | <b>-</b>                    |
| <b>Net cash from operating activities</b>                       |              | <u><b>1,175</b></u>        | <u><b>2,439</b></u>         |
| <br><b>Investing activities</b>                                 |              |                            |                             |
| Net (purchases)/disposals of units in open investment funds     |              | <b>(7,778)</b>             | <b>14,898</b>               |
| Purchase of equipment and intangible assets                     |              | <b>(523)</b>               | <b>(602)</b>                |
| Dividend received   | <i>17a</i>   | <b>-</b>                   | <b>165</b>                  |
| Interest received from deposits                                 | <i>17a</i>   | <b>745</b>                 | <b>295</b>                  |
| Investment in short term deposits                               |              | <b>(6,237)</b>             | <b>-</b>                    |
| <b>Net cash (outflows)/inflows from Investment activities</b>   |              | <u><b>(13,793)</b></u>     | <u><b>14,756</b></u>        |
| <br><b>Financing activities</b>                                 |              |                            |                             |
| <b>Net cash inflows/(outflows) from financing activities</b>    |              | <u><b>-</b></u>            | <u><b>-</b></u>             |
| <br><b>Net (decrease)/increase in cash and cash equivalents</b> |              | <b>(12,618)</b>            | <b>17,195</b>               |
| Cash and cash equivalents at the beginning of the year          |              | <b>22,564</b>              | <b>5,369</b>                |
| <b>Cash and cash equivalents at the end of the year</b>         | <b>20</b>    | <u><u><b>9,946</b></u></u> | <u><u><b>22,564</b></u></u> |

The accounting policies and other notes form an integral part of these financial statements.



## **Notes to the financial statements**

### **1 Reporting entity**

Zagreb Stock Exchange d.d. ("the Company") is a company domiciled in Republic of Croatia and was registered at the Commercial Court in Zagreb on 5 July 1991. The address of the Company's registered office is Eurotower, 22nd floor, Ivana Lučića 2a/22, Zagreb, Croatia.

The business activities of the Company include: management of the regulated market; collection, processing and publishing of trading data; management of Multilateral Trading Facility; development, maintenance and disposition of computer software used for management of the regulated market and for collection, processing and publishing of the data on securities trading; organising and providing professional trainings for participants of capital markets.

At the year end the Company was owned by 51 shareholders (2011: 49). The Company does not have an ultimate parent company.

The activities of the Company are regulated by Croatian Agency for Supervision of Financial Services ("HANFA").

### **2 Basis of preparation**

#### **a) Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

#### **b) Basis of measurement**

Financial statements are prepared on a historical cost basis, unless requested or permitted otherwise, in accordance with Croatian Accounting Law and International Financial Reporting Standards.

#### **c) Functional and presentation currency**

The financial statements are presented in the local currency, Croatian kuna ("HRK"), which is the currency of the primary economic environment in which the Company operates ("the functional currency"). All financial information presented in kuna has been rounded to the nearest thousand.

#### **d) Use of estimates and judgements**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, and given the information available at the date of preparation of the financial statements, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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 and in future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have a significant effect on the amounts disclosed in the financial statements are described in Note 23.

## **Notes to the financial statements (continued)**

### **2 Basis of preparation (continued)**

#### **e) Foreign currency translations**

Transactions in foreign currencies are translated into functional currency using the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency using the foreign exchange rate ruling at that date.

Financial statements are presented in HRK which is the functional and reporting currency.

In addition to HRK, the most significant currency in which the Company has assets and liabilities is Euro. The exchange rate used for translation on 31 December 2012 was EUR 1= HRK 7.545624 (31 December 2011: EUR 1= HRK 7.530420). Income and expenses arising from transactions in foreign currencies are translated to HRK using the official exchange rates on the transaction date. Assets and liabilities denominated in foreign currencies are translated to HRK at the exchange rate ruling at the date of the statement of financial position. Gains and losses resulting from the foreign currency translation are included in the income statement for the year.

### **3 Significant accounting policies**

#### **a) Equipment and intangible assets**

Equipment mainly comprises computer and office equipment, furniture and telephone equipment. Intangible assets comprise purchased computer software licences capitalised in the amount which is equal to the costs incurred to purchase and bring the software item to use.

##### *Recognition and measurement*

Equipment and intangible assets are stated at cost net of accumulated depreciation, amortization and impairment losses. Costs include expenditure that is directly attributable to the acquisition of these assets.

##### *Subsequent costs*

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and can be measured reliably. All other repairs and maintenance represent the cost of the financial period in which they incurred.

##### *Depreciation and amortisation*

Depreciation is recognised in income statement on a straight-line basis over the estimated useful lives of each part of an item of equipment. Assets acquired but not put into use are not depreciated.

The estimated useful economic lives are as follows:

|                                | <b>2012</b>     | <b>2011</b>     |
|--------------------------------|-----------------|-----------------|
| Computer and office            | 2-10 years      | 2-10 years      |
| Office furniture and equipment | 5 years         | 5 years         |
| Telephone lines                | 2 years         | 2 years         |
| Computer software              | 2-5 years       | 2-5 years       |
| Trading system software        | 7 years         | 7 years         |
| Motor vehicles                 | 5 years         | 5 years         |
| Leasehold improvements         | period of lease | period of lease |

The depreciation and amortization method and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount, and are included in income statement.

**Notes to the financial statements (continued)**

**3 Specific accounting policies (continued)**

***b) Financial instruments***

***Classification and recognition***

The Company classifies financial assets in the following categories: financial assets and liabilities at fair value through profit or loss; loans and receivables; and financial assets available for sale. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition and re-evaluates this designation at every reporting date.

***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss are financial assets and liabilities which are classified as held for trading or, on initial recognition, designated by the Company as at fair value through profit or loss. The Company does not apply hedge accounting.

Trading assets and liabilities are those assets and liabilities that the Company acquires or incurs principally for the purpose of sale or repurchase in the near term, or holds as a part of a portfolio which is managed for the purpose of making profit in the short term.

Financial assets at fair value through profit or loss include investments in open-ended investment funds.

***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables in the Statement of financial position of the Company which comprise guarantee deposits with banks classified as "cash and cash equivalents" and "trade receivables and other assets".

***Available-for-sale financial assets***

Available-for-sale assets in the statement of financial position relate to equity securities. Available-for-sale financial assets are initially recognised at fair value plus directly related transaction costs. They are subsequently measured at fair value, unless there is no reliable measure to be used as fair value.

**Notes to the financial statements (continued)**

**3 Specific accounting policies (continued)**

***b) Financial instruments (continued)***

*Recognition and de-recognition*

Purchases and sales of financial assets at fair value through profit or loss and available-for-sale financial assets are recognised on the settlement date. Loans and receivables and other financial liabilities carried at amortised cost are recognised when financial assets are placed with borrowers or received from lenders.

The Company derecognises financial assets when the contractual rights to receive cash flows from the financial asset have expired or when it loses control over the contractual rights on those financial assets. This occurs when the Company transfers substantially all the risks and rewards of ownership to another entity or when the rights are realised, surrendered or have been expired.

Financial assets at fair value through profit or loss and financial assets available-for-sale cease to be recognised at the settlement date. Loans and receivables are derecognised on the date of the transfer of funds by the Company.

Financial liabilities are derecognised when the financial liability ceases to exist, i.e. when obligations per liability have been fulfilled, cancelled or the liability has expired. If the terms of a financial liability change, the Company will cease recognising the liability and will immediately recognise a new financial liability, with new terms and conditions.

*Initial and subsequent measurement*

Financial assets and liabilities are initially recognised at fair value plus, in the case of a financial asset and liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuing of the financial asset or financial liability.

After initial recognition, the Company measures financial instruments at fair value through profit or loss and financial assets available for sale at their fair value, without any deduction for selling costs. Equity securities classified as available-for-sale that are not quoted on an active market and whose fair value cannot be reliably determined are stated at cost less impairment.

Loans and receivables are measured at amortised cost less impairment losses. Financial liabilities other than those at fair value through profit or loss are measured at amortised cost. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and they are amortised using the effective interest rate of the instrument.

Gains and losses from a change in the fair value of financial assets at fair value through profit or loss are recognised in income statement.



**Notes to the financial statements (continued)**

**3 Specific accounting policies (continued)**

***b) Financial instruments (continued)***

***Gains and losses from initial and subsequent measurement***

Gains and losses from a change in the fair value of available-for-sale financial assets are recognised in other comprehensive income. For monetary assets which are available for sale, impairment losses, foreign exchange rate gains and losses, interest income and amortisation of premium or discount using the effective interest method are recognised in Income statement.

Gains or losses arising from financial assets and financial liabilities carried at amortised cost are included in profit or loss over the period of amortisation, using the effective interest rate method. Gains or losses may also be recognised in profit or loss when the financial instrument is derecognised or when its value is impaired.

***Fair value measurement principles***

The fair value of financial assets at fair value through profit or loss is quoted bid market price at the reporting date, without any deduction for selling costs. The Company takes into consideration every financial instrument separately in order to determine whether financial instrument quotes in an active market.

***Fair value levels***

The Company uses following levels for determining the fair value of financial instruments:

1. Level 1: quoted (unadjusted) prices in active markets
2. Level 2: other techniques for which all inputs which have significant effect on the recorded fair value are observable, either directly or indirectly.
3. Level 3: techniques which use inputs which have a significant effect on the determination of fair value and which are not based on observable market data.

***Impairment of financial assets***

At each reporting date the Company assesses whether there is objective evidence that the financial assets which are not classified as financial assets at fair value through profit or loss have been impaired. Financial assets are impaired when objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an adverse impact on estimated future cash flows.

The Company considers evidence of impairment on an asset-by-asset basis.

**Notes to the financial statements (continued)**

**3 Specific accounting policies (continued)**

**b) Financial instruments (continued)**

Objective evidence that financial assets are impaired include default or delinquency of a borrower, restructuring of a loan, or an advance received by the Company under the terms which the Company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets, such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group of the similar assets.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in profit or loss and recorded in an allowance account against loans and advances. Interest income on the impaired asset continues to be recognised as unwinding of the discount. When a subsequent event causes the decrease of the amount of impairment loss, the loss is reversed in income statement.

For of equity investments classified as assets available for sale, a significant or prolonged decline in the fair value of the investment below its cost is considered in determining whether the assets are impaired. If any such indication exists for available-for-sale equity investments, the cumulative loss, measured as the difference between the acquisition cost and the current fair value on that financial asset is removed from other comprehensive income and recognised in income statement.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in income statement, the impairment loss is reversed through income statement. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, not in income statement.

*Trade receivables, other assets and deposits with banks*

Trade receivables, other assets and deposits with banks are initially recognized at fair value plus transaction costs, and subsequently carried at amortised cost less any impairment losses.

*Investments in funds*

Investments in open and close ended funds are classified as financial assets at fair value through profit or loss and are carried at fair value.

*Trade payables and other liabilities*

Trade and other payables are initially recognised at fair value, and subsequently measured at amortised cost.

**Notes to the financial statements (continued)**

**3 Specific accounting policies (continued)**

***c) Impairment of non-financial assets***

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is re-estimated.

The recoverable amount is estimated at each reporting date for intangible assets that have an indefinite useful life (at the reporting date the Company did not have such assets) and intangible assets that are not yet available for use.

Assets that are subject to amortisation or depreciation are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in income statement.

The recoverable amount of equipment and intangible assets is the higher of the asset's fair value less costs to sell and value in use. For the purpose of assessing the amount of impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows available (cash-generating units). In assessing value in use, the estimated 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 or cash-generating unit. Non-financial assets that have been impaired are reviewed for reversals of the impairment at each reporting date. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and to the extent that the carrying amount of the assets does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

***d) Leases***

At the reporting date the Company does not have any finance leases.

All other leases are operating leases, and assets leased by the Company as lessee are not recorded in the Company's statement of financial position. Payments made under operating leases are recognised in income statement on a straight-line basis over the term of the lease.

***e) Cash and cash equivalents***

Cash and cash equivalents for the purpose of preparation of cash flow statements and the statement of financial position comprise giro accounts, cash in hand and short term deposits with banks with maturity up to three months.

***f) Employee benefits***

***Defined contribution pension plans***

Obligations for contributions to defined contribution pension plans are recognised as an expense in income statement of the period in which they have been incurred.



**Notes to the financial statements (continued)**

**3 Specific accounting policies (continued)**

***g) Taxation***

Income tax charge is based on taxable profit for the year and comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items in other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using the tax rates enacted or substantially enacted at the reporting date, and considering the adjustments to tax payable in respect of positions from previous years.

Deferred taxes are calculated using the balance sheet method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable profit in the years in which those temporary differences are expected to be realised, or settled, based on tax rates enacted or substantially in force at the reporting date.

Deferred tax assets and liabilities are not discounted and are classified as non-current assets and/or liabilities in the statement of financial position. Deferred tax assets are recognised when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilised.

The Company provides for tax liabilities in accordance with Croatian law. The current income tax rate is 20% (2011: 20%).

***h) Provisions***

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation which can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting of the expected future cash flows at a pre-tax rate that reflects current assessment of the time value of money and the risks specific to the liability.

***Restructuring***

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided by the Company.

***i) Issued share capital, share premium and reserves***

Share capital represents the nominal value of paid-in shares classified as equity and it is denominated in HRK. Share premium represents the excess of the paid-in amount (net of transaction costs) and nominal value of the issued shares upon initial issue of shares. Any profit for the year after appropriations is transferred to retained earnings.

A legal reserve has been created in accordance with Croatian law, which requires 5% of the profit for the year to be transferred to the reserve until the total of legal reserves and capital reserves reaches 5% of issued share capital. The legal reserve can be used for covering current and prior period losses in the amount of up to 5% of issued share capital.

Dividends on ordinary share capital are recognised as a liability after they are declared.

**Notes to the financial statements (continued)**

**3 Specific accounting policies (continued)**

***j) Revenue***

Revenue comprises the fair value of the consideration received or receivable for the sale of the services in the ordinary course of the Company's activities, as follows: trading commissions, membership fees, fees for the maintenance of quotations and other fees.

Income from commissions is recognised when the service is provided. Income from fees is deferred over the relevant period to which the fees relate.

Income from maintenance of quotations, subscriptions for information and subscriptions for the real time monitoring of trade is deferred for recognition over the period of the duration of the relevant quotation or subscription.

***Finance income***

Interest income is recognised in income statements in the corresponding time period for all interest-bearing financial instruments measured at amortised cost using the effective interest rate method.

Financial income also includes net positive foreign exchange differences resulting from translation of monetary assets and liabilities using the relevant exchange rate at the reporting date.

***k) Adoption of new and amended International Financial Reporting Standards***

The accounting policies adopted are consistent with those of the previous financial year. The Company adopted new and amended IFRS and IFRIC Interpretations. Adoption of new and amended IFRS and IFRIC interpretations did not require additional disclosures in financial statements and did not have impact on performance of the Company. The effect of the adoption of these standards and Interpretations is presented below:

***IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2012)***

The amendment of IAS 12 clarifies the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The amendment is effective for annual periods beginning on or after 1 January 2012 and there has been no effect on the Company's financial position, performance or its disclosures.

***IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters***

The IASB provided guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to hyperinflation. The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment had no impact to the Company.

**Notes to the financial statements (continued)**

**3 Specific accounting policies (continued)**

***k) Adoption of new and amended International Financial Reporting Standards (continued)***

***IFRS 7 Financial Instruments: Disclosures — Enhanced De-recognition Disclosure Requirements***

The amendment requires additional disclosure about financial assets that have been transferred but not de-recognised to enable the user of the Company's financial statements to understand the relationship with those assets that have not been de-recognised and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in de-recognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 1 July 2011. The Company does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

***l) Improvements to IFRSs***

The adoption of the below listed amendments resulting from Improvements to IFRSs did not have any impact on the accounting policies, financial position or performance of the Company:

***IFRS 1 First-time Adoption of International Financial Reporting Standards***

This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.

***IAS 1 Presentation of Financial Statements***

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

***IAS 16 Property Plant and Equipment***

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

***IAS 32 Financial Instruments, Presentation***

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

***IAS 34 Interim Financial Reporting***

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

These improvements are effective for annual periods beginning on or after 1 January 2013.



**Notes to the financial statements (continued)**

**3 Specific accounting policies (continued)**

***m) Standards issued but not yet effective***

The following IFRS standards, IAS/IFRS amendments and interpretations to existing standards have been issued, but are not yet effective up to the date of issuance of the Company financial statements. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosure, financial position or performance when applied at a future date.

***IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1***

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Company's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012, and will therefore be applied in the Company's first annual report after becoming effective.

***IAS 19 Employee Benefits (Amendments)***

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment becomes effective for annual periods beginning on or after 1 January 2013. The Company does not expect that the amendment will have an impact on its financial position or results.

***IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32***

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Company's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

***IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7***

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Company's financial position or performance and become effective for annual periods beginning on or after 1 January 2013. The amendment will have impact on disclosures in financial statements, but will not impact the Company's financial position or performance.

**Notes to the financial statements (continued)**

**3 Specific accounting policies (continued)**

***m) Standards issued but not yet effective (continued)***

***IFRS 9 Financial Instruments: Classification and Measurement***

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to *IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures*, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address impairment of financial assets and hedge accounting. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued. The Company plans to adopt this new standard on its effective date.

***IFRS 13 Fair Value Measurement***

IFRS 13 establishes a single source of guidance for fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Company is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analyses, no material impact is expected. This standard becomes effective for annual periods beginning on or after 1 January 2013.

**Notes to the financial statements (continued)**

**4 Equipment and motor vehicles**

|                                 | <b>Computers</b> | <b>Motor vehicles</b> | <b>Furniture and other equipment</b> | <b>Total</b>   |
|---------------------------------|------------------|-----------------------|--------------------------------------|----------------|
|                                 | <b>HRK'000</b>   | <b>HRK'000</b>        | <b>HRK'000</b>                       | <b>HRK'000</b> |
| <b>Cost</b>                     |                  |                       |                                      |                |
| At 1 January 2011               | 5,498            | -                     | 2,327                                | 7,825          |
| Additions                       | 96               | -                     | -                                    | 96             |
| Disposals                       | (17)             | -                     | (51)                                 | (68)           |
| <b>At 31 December 2011</b>      | <b>5,577</b>     | <b>-</b>              | <b>2,276</b>                         | <b>7,853</b>   |
| <b>At 1 January 2012</b>        | <b>5,577</b>     | <b>-</b>              | <b>2,276</b>                         | <b>7,853</b>   |
| Additions                       | 110              | 23                    | -                                    | 133            |
| <b>At 31 December 2012</b>      | <b>5,687</b>     | <b>23</b>             | <b>2,276</b>                         | <b>7,986</b>   |
| <b>Accumulated depreciation</b> |                  |                       |                                      |                |
| At 1 January 2011               | (4,885)          | -                     | (1,575)                              | (6,460)        |
| Charge for the period           | (491)            | -                     | (419)                                | (910)          |
| Disposals                       | 17               | -                     | 39                                   | 56             |
| <b>At 31 December 2011</b>      | <b>(5,359)</b>   | <b>-</b>              | <b>(1,955)</b>                       | <b>(7,314)</b> |
| <b>At 1 January 2012</b>        | <b>(5,359)</b>   | <b>-</b>              | <b>(1,955)</b>                       | <b>(7,314)</b> |
| Charge for the period           | (72)             | -                     | (164)                                | (236)          |
| <b>At 31 December 2012</b>      | <b>(5,431)</b>   | <b>-</b>              | <b>(2,119)</b>                       | <b>(7,550)</b> |
| <b>Carrying amount</b>          |                  |                       |                                      |                |
| At 1 January 2011               | 613              | -                     | 752                                  | 1,365          |
| At 31 December 2011             | 218              | -                     | 321                                  | 539            |
| <b>At 31 December 2012</b>      | <b>256</b>       | <b>23</b>             | <b>157</b>                           | <b>436</b>     |

**Notes to the financial statements (continued)**

**5 Intangible assets**

|                                 | <b>Software</b> | <b>Leasehold<br/>improvements</b> | <b>Total</b>    |
|---------------------------------|-----------------|-----------------------------------|-----------------|
|                                 | <b>HRK'000</b>  | <b>HRK'000</b>                    | <b>HRK'000</b>  |
| <b>Cost</b>                     |                 |                                   |                 |
| At 1 January 2011               | 17,392          | 1,059                             | 18,451          |
| Additions                       | 493             | 13                                | 506             |
| <b>At 31 December 2011</b>      | <b>17,885</b>   | <b>1,072</b>                      | <b>18,957</b>   |
| <b>At 1 January 2012</b>        | <b>17,885</b>   | <b>1,072</b>                      | <b>18,957</b>   |
| Additions                       | 352             | 38                                | 390             |
| <b>At 31 December 2012</b>      | <b>18,237</b>   | <b>1,110</b>                      | <b>19,347</b>   |
| <b>Accumulated amortisation</b> |                 |                                   |                 |
| At 1 January 2011               | (6,629)         | (615)                             | (7,244)         |
| Charge for the period           | (2,497)         | (208)                             | (2,705)         |
| <b>At 31 December 2011</b>      | <b>(9,126)</b>  | <b>(823)</b>                      | <b>(9,949)</b>  |
| <b>At 1 January 2012</b>        | <b>(9,126)</b>  | <b>(823)</b>                      | <b>(9,949)</b>  |
| Charge for the period           | (2,523)         | (110)                             | (2,633)         |
| <b>At 31 December 2012</b>      | <b>(11,649)</b> | <b>(933)</b>                      | <b>(12,582)</b> |
| <b>Carrying amount</b>          |                 |                                   |                 |
| At 1 January 2011               | 10,763          | 444                               | 11,207          |
| At 31 December 2011             | 8,760           | 249                               | 9,009           |
| <b>At 31 December 2012</b>      | <b>6,588</b>    | <b>177</b>                        | <b>6,765</b>    |



**Notes to the financial statements (continued)**

**6 Investments**

|   | <b>31 December<br/>2012<br/>HRK'000</b> | <b>31 December<br/>2011<br/>HRK'000</b> |
|---|---|---|
| <b>a) Financial assets available for sale</b>                                   |   |   |
| Shareholding in the Central Depository and Clearing Company<br>(2.03% of share) | <b>237</b>                              | <b>237</b>                              |
|   | <u>          </u>                       | <u>          </u>                       |

The investment in the Central Depository and Clearing Company is carried at cost.

|   | <b>31 December<br/>2012<br/>HRK'000</b> | <b>31 December<br/>2011<br/>HRK'000</b> |
|---|---|---|
| <b>b) Financial assets at fair value through profit or loss</b> |   |   |
| <i>Shares in open-ended investment funds</i>                    |   |   |
| Raiffeisen Invest   | <b>2,579</b>                            | <b>3,044</b>                            |
| PBZ Invest  | <b>1,020</b>                            | <b>1,713</b>                            |
| Erste Money   | <b>5,757</b>                            | <b>1,626</b>                            |
| Allianz Cash  | <b>6,618</b>                            | <b>1,543</b>                            |
| ZB Plus   | <b>-</b>                                | <b>1,015</b>                            |
|   | <u><b>15,974</b></u>                    | <u><b>8,941</b></u>                     |

Shares in open-ended investment funds are classified as fair value level 2 as at 31 December 2012 and 31 December 2011.

**Notes to the financial statements (continued)**

**7 Trade receivables and other assets**

|                      | <b>31 December<br/>2012<br/>HRK'000</b> | <b>31 December<br/>2011<br/>HRK'000</b> |
|----------------------|---|---|
| Trade receivables    | <b>2,275</b>                            | 2,685                                   |
| Advances placed      | <b>3</b>                                | 3                                       |
| Other assets         | <b>197</b>                              | 293                                     |
| Impairment allowance | <b>(674)</b>                            | (740)                                   |
|                      | <u><b>1,801</b></u>                     | <u><b>2,241</b></u>                     |

**Movement in impairment allowance for trade receivables**

|   | <b>2012<br/>HRK'000</b> | <b>2011<br/>HRK'000</b> |
|---|-------------------------|-------------------------|
| Balance at 1 January                          | <b>(740)</b>            | (452)                   |
| Impairment loss                               | <b>(774)</b>            | (317)                   |
| Write off                                     | <b>796</b>              | 18                      |
| Collection of previously impaired receivables | <b>44</b>               | 11                      |
| <b>Balance at 31 December</b>                 | <u><b>(674)</b></u>     | <u><b>(740)</b></u>     |

Overdue receivables which are not impaired amount to HRK 625 thousand as at 31 December 2012 (as at 31 December 2011: HRK 880 thousand). The Management holds these receivables to be fully recoverable.

**Overdue unimpaired receivables as at 31.12.2012 ('000 HRK):**

| <b>&lt; 90 days</b> | <b>91-120 days</b> | <b>121-180 days</b> | <b>&gt;180 days</b> |
|---------------------|--------------------|---------------------|---------------------|
| 375                 | 18                 | 135                 | 97                  |

**Overdue unimpaired receivables as at 31.12.2011 ('000 HRK):**

| <b>&lt; 90 days</b> | <b>91-120 days</b> | <b>121-180 days</b> | <b>&gt;180 days</b> |
|---------------------|--------------------|---------------------|---------------------|
| 395                 | 71                 | 170                 | 244                 |

**Notes to the financial statements (continued)**

**8 Prepaid expenses**

|                                  | <b>31 December<br/>2012<br/>HRK'000</b> | <b>31 December<br/>2011<br/>HRK'000</b> |
|----------------------------------|---|---|
| Expenses related to future years | <b>2,306</b>                            | <b>3,194</b>                            |
| Other prepaid expenses           | <b>11</b>                               | <b>17</b>                               |
|                                  | <u><b>2,317</b></u>                     | <u><b>3,211</b></u>                     |

**9 Issued share capital and reserves**

**Issued share capital**

|  | <b>31 December<br/>2012<br/>HRK'000</b> | <b>31 December<br/>2011<br/>HRK'000</b> |
|--|---|---|
| Authorised, issued and fully paid in 40,408 (2011: 40,408)<br>ordinary shares at HRK 1,000 par value | <b>40,408</b>                           | <b>40,408</b>                           |
|  | <u><b>40,408</b></u>                    | <u><b>40,408</b></u>                    |

As at 31 December 2012 the Company had 51 shareholders (2011: 49) with ownership interests in the Company ranging from between 0.01% and 16.3%.

**10 Long-term provision for litigation losses**

|  | <b>2012<br/>'000 HRK</b> | <b>2011<br/>'000 HRK</b> |
|--|--------------------------|--------------------------|
| Provision at the beginning of the period | <b>120</b>               | <b>120</b>               |
| Change of provision during the period    | <b>-</b>                 | <b>-</b>                 |
|  | <u><b>120</b></u>        | <u><b>120</b></u>        |
| Provision at the end of the period       | <u><b>120</b></u>        | <u><b>120</b></u>        |

**Notes to the financial statements (continued)**

**11 Trade payables and other payables**

|                           | <b>31 December<br/>2012<br/>HRK'000</b> | <b>31 December<br/>2011<br/>HRK'000</b> |
|---------------------------|---|---|
| Trade payables            | <b>3,339</b>                            | <b>3,490</b>                            |
| VAT liability             | <b>425</b>                              | <b>656</b>                              |
| Other short-term payables | <b>614</b>                              | <b>641</b>                              |
|                           | <u><b>4,378</b></u>                     | <u><b>4,787</b></u>                     |

**12 Deferred income and accrued expenses**

|  | <b>31 December<br/>2012<br/>HRK'000</b> | <b>31 December<br/>2011<br/>HRK'000</b> |
|--|---|---|
| Deferred income from quotation maintaining | <b>2,515</b>                            | <b>2,004</b>                            |
| Other deferred income                      | <b>206</b>                              | <b>240</b>                              |
|  | <u><b>2,721</b></u>                     | <u><b>2,244</b></u>                     |

**Notes to the financial statements (continued)**

**13 Revenue**

|                                   | <b>2012</b>         | <b>2011</b>          |
|-----------------------------------|---------------------|----------------------|
|                                   | <b>HRK'000</b>      | <b>HRK'000</b>       |
| Commissions and membership fees   | <b>4,938</b>        | 7,668                |
| Income from quotation maintaining | <b>3,945</b>        | 3,711                |
| Income from quotation fee         | <b>794</b>          | 768                  |
| Income from auctions              | <b>30</b>           | 68                   |
| Income from membership fees       | <b>-</b>            | 17                   |
|                                   | <b><u>9,707</u></b> | <b><u>12,232</u></b> |

Commissions are charged from members based on value of realised transactions at the time of execution of the transaction.

Membership fees include one-time admission fee payable for acquiring the status of Exchange Member, as well as fees charged to existing members on a quarterly basis.

Income from quotation maintaining represents annual commission for the continuation of inclusion of the securities in the Official and Regular Market quotations.

Quotation fees are collected from issuers of securities for quotation on the Official and Regular Market.

MTP (Multilateral Trading Platform) fees are collected from submitter of request (issuers or members).

Income from sale of membership fees represents revenues arising from sale of member seat to new members.

**14 Other operating income**

|   | <b>2012</b>         | <b>2011</b>         |
|---|---------------------|---------------------|
|   | <b>HRK'000</b>      | <b>HRK'000</b>      |
| Income from API services                      | <b>1,466</b>        | 2,241               |
| Income from the supply of information         | <b>1,128</b>        | 1,295               |
| Sale and lease of equipment                   | <b>577</b>          | 654                 |
| Income from seminars                          | <b>409</b>          | 673                 |
| Income from penalties charged                 | <b>60</b>           | 120                 |
| Collection of previously Impaired receivables | <b>58</b>           | 37                  |
| Income from sponsorship                       | <b>-</b>            | 52                  |
| Other income                                  | <b>769</b>          | 446                 |
|   | <b><u>4,467</u></b> | <b><u>5,518</u></b> |

**Notes to the financial statements (continued)**

**15 Staff costs**

|                                      | <b>2012</b><br><b>HRK'000</b> | <b>2011</b><br><b>HRK'000</b> |
|--------------------------------------|-------------------------------|-------------------------------|
| <b>Salaries</b>                      |                               |                               |
| Net salaries                         | <b>2,829</b>                  | 2,935                         |
| Payroll deductions and contributions | <b>2,707</b>                  | 2,817                         |
|                                      | <hr/> <b>5,536</b>            | <hr/> <b>5,752</b>            |
| <b>Severance payments</b>            |                               |                               |
| Net severance payments               | -                             | 112                           |
| Payroll deductions and contributions | -                             | -                             |
|                                      | <hr/> <b>-</b>                | <hr/> <b>112</b>              |
| <b>Other staff costs</b>             | <b>177</b>                    | 179                           |
|                                      | <hr/> <b>5,713</b> <hr/>      | <hr/> <b>6,043</b> <hr/>      |

The number of employees at the end of 2012 was 22 (2011: 23). Staff costs include HRK 918 thousand (2011: HRK 939 thousand) of defined pension contributions paid into obligatory pension funds. Contributions are calculated as a percentage of employees' gross salaries. In 2012 there were no bonus payments (2011: 0 HRK).

**Notes to the financial statements (continued)**

**16 Other operating expenses**

|  | <b>2012</b>          | <b>2011</b>         |
|--|----------------------|---------------------|
|  | <b>HRK'000</b>       | <b>HRK'000</b>      |
| Maintenance of software                                      | 4,062                | 4,109               |
| Rent of premises   | 1,193                | 1,129               |
| Post and telephone services                                  | 829                  | 886                 |
| Professional services  | 633                  | 803                 |
| Utility expenses   | 670                  | 711                 |
| Value adjustment of trade receivables                        | 774                  | 417                 |
| Fees paid to Croatian Financial Services Supervisory Agency  | 690                  | 374                 |
| Maintenance of phone lines, equipment and leasehold premises | 210                  | 213                 |
| Disposals and write offs of assets                           | 182                  | 10                  |
| Entertainment  | 86                   | 243                 |
| Business travel  | 71                   | 44                  |
| Marketing  | 54                   | 159                 |
| Professional education                                       | 68                   | 19                  |
| Gifts and donations  | 30                   | 17                  |
| Insurance  | 23                   | 33                  |
| Design, photocopying and graphic services                    | 7                    | -                   |
| Other expenses   | 542                  | 524                 |
|  | <u><b>10,124</b></u> | <u><b>9,691</b></u> |



**Notes to the financial statements (continued)**

**17 Finance income and expense**

|  | <b>2012</b><br><b>HRK'000</b> | <b>2011</b><br><b>HRK'000</b> |
|--|-------------------------------|-------------------------------|
| <b>a) Financial income</b>   |                               |                               |
| Net gains from financial assets at fair value through profit or loss | <b>350</b>                    | <b>484</b>                    |
| Interest income  | <b>745</b>                    | <b>295</b>                    |
| Dividend income  | <b>-</b>                      | <b>165</b>                    |
| Total financial income   | <u><b>1,095</b></u>           | <u><b>944</b></u>             |
| <b>b) Financial expense</b>  |                               |                               |
| Net foreign exchange losses  | <b>(15)</b>                   | <b>(18)</b>                   |
| Other  | <b>(20)</b>                   | <b>-</b>                      |
| Total financial expense  | <u><b>(35)</b></u>            | <u><b>(18)</b></u>            |
| <b>c) Net financial result</b>                                       | <u><u><b>1,060</b></u></u>    | <u><u><b>926</b></u></u>      |

**18 Income tax expense**

**a) Income tax expense**

|                             | <b>2012</b><br><b>HRK'000</b> | <b>2011</b><br><b>HRK'000</b> |
|-----------------------------|-------------------------------|-------------------------------|
| Current income tax expense  | <b>-</b>                      | <b>-</b>                      |
| Deferred income tax expense | <b>-</b>                      | <b>-</b>                      |
| Total income tax expense    | <u><u><b>-</b></u></u>        | <u><u><b>-</b></u></u>        |

**Notes to the financial statements (continued)**

**18 Income tax expense (continued)**

**b) Reconciliation of accounting profit and current income tax**

|                           | 2012<br>HRK'000 | 2011<br>HRK'000 |
|---------------------------|-----------------|-----------------|
| Profit before tax         | (3,473)         | (673)           |
| Tax calculated at 20%     | <u>-</u>        | <u>-</u>        |
| Non-deductible expenses   | 169             | 271             |
| Non-taxable income        | (60)            | (167)           |
| Income tax expense        | <u>-</u>        | <u>-</u>        |
| Effective income tax rate | <u>n/a</u>      | <u>n/a</u>      |

**c) Tax losses carried forward**

Gross tax losses amounting to HRK 8,693 thousand are available for offset against the future taxable profits of the Company at the end of 2012. A tax loss may be carried forward by the Company for five years subsequent to the year in which it arose, subject to review by the Ministry of Finance. At the end of 2011 the Company had HRK 5,219 thousand of tax loss available to be carried forward to subsequent years. At both reporting dates the Company did not recognise deferred tax assets in respect of tax losses carried forward, as it is uncertain when sufficient taxable profits will be available against which the deferred tax assets can be utilised.

At 31 December 2012 the Company did not recognize deferred tax assets in respect of temporary differences (unused vacation days) and carried forward tax losses, as it is uncertain if taxable profits will be available against which the deferred tax assets can be utilised.

For the next reporting date, the Company will re-evaluate assumptions for the recognition of deferred tax assets.

**Notes to the financial statements (continued)**

**19 Reconciliation of profit before tax to net cash inflow from operating activities before taxation**

|   | 2012<br>HRK'000 | 2011<br>HRK'000 |
|---|-----------------|-----------------|
| <b>(Loss) before tax</b>  | <b>(3,473)</b>  | <b>(673)</b>    |
| Depreciation and amortisation   | 2,868           | 3,614           |
| Net financial (Income)  | (1,060)         | (927)           |
| Unused vacation days, net   | 18              | -               |
| Impairment loss on trade receivables  | 951             | 418             |
| <b>(Loss)/profit from operating activities before working capital changes</b> | <b>(696)</b>    | <b>2,432</b>    |
| Decrease in trade receivables and other assets                                | 607             | 635             |
| Decrease in deferred expenses   | 894             | 174             |
| Increase/(decrease) in accrued expenses and deferred income                   | 477             | (443)           |
| (Decrease) in trade and other payables  | (409)           | (359)           |
| <b>Net cash inflow from operating activities before taxation</b>              | <b>873</b>      | <b>2,439</b>    |

**20 Cash and cash equivalents**

|                                       | 31 December<br>2012<br>HRK'000 | 31 December<br>2011<br>HRK'000 |
|---------------------------------------|--------------------------------|--------------------------------|
| Short term deposits at domestic banks | 9,000                          | 21,909                         |
| Gyro account in domestic currency     | 651                            | 528                            |
| Interest receivables                  | 50                             | 121                            |
| Gyro account in foreign currency      | 241                            | 5                              |
| Cash in hand                          | 4                              | 1                              |
|                                       | <b>9,946</b>                   | <b>22,564</b>                  |

The Company placed short term deposits with domestic banks with fixed interest rates.

**Notes to the financial statements (continued)**

**21 Financial Instruments – risk exposures**

*Interest rate risk*

The Company does not have significant amount of variable Interest-bearing assets. The most significant Interest-earning assets are short term deposits in banks. The company does not have Interest-bearing liabilities. The impact of changes in market interest rates on Income statement is therefore assessed as not significant. Remaining maturity of deposits with fixed interest rate is less than 3 months and Management of the Company believes that fair values of these deposits is the close to their book values.

*Foreign currency risk*

Except for HRK 241 thousand (2011: HRK 5 thousand) of the funds on the gyro account denominated in foreign currency, there are no other financial assets and liabilities denominated in foreign currency. Thus the Company is not significantly exposed to foreign currency risk.

*Credit risk*

The maximum exposure to credit risk equals the nominal value of the Company's investments and trade receivables and other assets.

| <b>Total credit risk exposure</b>                     | <b>31 December<br/>2012<br/>HRK'000</b> | <b>31 December<br/>2011<br/>HRK'000</b> |
|---|---|---|
| Cash and cash equivalents (excluding cash in hand)    | 9,942                                   | 22,563                                  |
| Short term deposits                                   | 6,237                                   | -                                       |
| Financial assets at fair value through profit or loss | 15,974                                  | 8,941                                   |
| Trade receivables and other assets                    | 1,801                                   | 2,241                                   |
| Guarantee deposits                                    | 295                                     | 370                                     |
| Income tax prepayments                                | 4                                       | 306                                     |
| Financial assets available-for-sale                   | 237                                     | 237                                     |
|   | <b>34,490</b>                           | <b>34,658</b>                           |

**Notes to the financial statements (continued)**

**21 Financial Instruments – risk exposures**

The Company generally does not take collateral due to the nature of its business.

The Company did not have significant concentration of credit risk at the reporting date (except credit risk related to deposits in domestic banks, as stated in Note 20).

Concentration of credit risk in relation to trade receivables:

|                                     | <b>31 December 2012</b> |            | <b>31 December 2011</b> |            |
|-------------------------------------|-------------------------|------------|-------------------------|------------|
|                                     | <b>HRK'000</b>          | <b>%</b>   | <b>HRK'000</b>          | <b>%</b>   |
| Institutional investors and brokers | <b>885</b>              | <b>49</b>  | 991                     | 46         |
| Corporate                           | <b>719</b>              | <b>40</b>  | 959                     | 44         |
| State                               | <b>197</b>              | <b>11</b>  | 291                     | 10         |
|                                     | <b>1,801</b>            | <b>100</b> | <b>2,241</b>            | <b>100</b> |

*Price risk*

Price risk is the risk that the value of financial instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer, or by factors affecting all instruments traded in the market. The Company's investment in open-ended investment funds are carried at fair value with fair value changes recognised in income statement. Accordingly, such changes in market conditions will directly affect gains or losses on financial instruments recognised in income statement.

Price risk is mitigated by the Company through diversification of its portfolio of investments in open-ended investment funds to various types of funds, managed by different investment companies, and investing in cash funds. Assuming all other variables remained unchanged, a decrease/increase in the market price of units in investment funds by +/-1% at the reporting date would result in decrease/increase of profit before tax by HRK 160 thousand (2011: HRK 89 thousand).

*Liquidity risk*

The Company does not have interest-bearing borrowings. Cash and cash equivalents at the reporting date significantly exceed liabilities. The Company maintained a satisfactory liquidity position throughout the year.

**22 Related parties**

Remuneration to Management Board members was HRK 1,507 thousand (2011: HRK 1,541 thousand). The total remuneration of Supervisory Board members amounted to HRK 152 thousand (2011: HRK 143 thousand).

As significant amounts of transactions of the Company are carried out under controlled and regulated conditions which are equal for owners of the Company as well as for other participants on the market, further related party disclosures are not practical to identify and disclose.

**Notes to the financial statements (continued)**

**23 Key accounting estimates and assumptions**

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*Impairment of trade receivables*

Trade receivables are estimated at each reporting date and are impaired according to the estimate of value of the cash flows that are expected to be received. Each customer is evaluated individually based on the expected date of collection of the amount due, collateral and estimated probability of collection of the outstanding amount. The management holds that trade receivables are stated at their recoverable amount at the reporting date.

*Income tax*

The Company provides for tax liabilities in accordance with the tax laws of the Republic of Croatia. Tax returns are subject to the approval of the tax authorities who are entitled to carry out subsequent inspections of taxpayers' records. Since there are different possible interpretations of tax laws, amounts in the financial statements may be changed subsequently depending on the decision of the tax authorities.