

**ILIRIKA BORZNO POSREDNIŠKA HIŠA D. D.  
(ILIRIKA BROKERAGE PLC)**

**ANNUAL REPORT  
2007**



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# I. BUSINESS REPORT

## I.1. GENERAL INFORMATION ABOUT THE COMPANY

### I.1.1. Presentation

**Name:** ILIRIKA borzno posredniška hiša d.d., Ljubljana

**Address:** Slovenska 54a, 1000 Ljubljana

**Date of establishment:** April 15, 1993

**Identification number:** 5831652

**Tax number:** SI95168222

**Share equity:** EUR 2,086,463.03

**Chairman of the Management Board:** Igor Štemberger

**Internet:** [www.ILIRIKA.si](http://www.ILIRIKA.si)

**E-mail:** [info@ILIRIKA.si](mailto:info@ILIRIKA.si)

#### OBJECTIVE

Long-term operations in Slovenia, on the Balkan markets, where we are already present via our affiliated companies. Our aim is to enter the selected East European markets.

#### VISION

Complete adjustment to the client and promotion of ILIRIKA trademark as the standard of quality in Slovenia and on other markets. We will strive to become a highly professional financial company, which completes the expectations of clients who expect personal, qualified, fast and complete service.

#### VALUES

Honesty, safety, diligence, flexibility, knowledge.

#### MILESTONES

ILIRIKA borzno posredniška hiša d. d., Ljubljana (hereinafter: ILIRIKA d. d.) was established on April 15, 1993 as a company for financial consulting and other services (Podjetje za finančno svetovanje in druge storitve d. d., Ilirska Bistrica). In accordance with the planned business activities, on February 23, 1994 the company changed to ILIRIKA borzno posredniška hiša d.d. and also modified its activities to the field of securities only. At the end of 1994, ILIRIKA d.d. also obtained a temporary and on February 25, 1995 a regular permission for executing services in connection to securities and initiated the activities of a stock broking house.

#### SERVICES

ILIRIKA d.d. is one of the leading brokerage companies in Slovenia, which offers quality stock broking and asset management services. In 2007, both services achieved an exceptional number of investors and very successful results. Our services also include managerial buy-outs and executions of takeovers or in general corporate finance. Many renown companies from Slovenia have trusted us to implement several takeover projects.

Our company offers individual approach to the clients. We are certain that long-term success can only be assured by listening to clients' wishes and providing them with the best possible solutions. We also aim to achieve the best quality of our services which are being expanded from year to year. We continue expanding our range of services for clients also by our presence on the most important foreign markets. We are also aiming to gain an important part in the foreign capital markets, especially the markets of former Yugoslavia. We offer our clients an overall set of services that have unified standards.

Trading in Croatia, Serbia and Macedonia is executed via affiliated brokerage companies. As the first Slovenian financial broker we established a stock broking company in Croatia in December 1999. Our affiliate company, ILIRIKA Vrijednosni papiri d.o.o. successfully operated in the field of stock broking and asset management in

2007. ILIRIKA d.d. also has an affiliate in Serbia. ILIRIKA Investments a.d. Belgrade, our affiliate company on the Serbian market continued with successful operations on Serbian financial market. In 2005, we also opened a new branch ILIRIKA Investments a.d. Skopje, which was established with the aim to operate on the south-east markets for local and foreign investors and expand ILIRIKA's operations.

### SOCIAL RESPONSIBILITY

In accordance with the business policy of ILIRIKA d.d. and our own beliefs we have decided to give a part of the profit from our business success for humanitarian intentions. Parallel to the humanitarian action of collecting funds for the purchase of incubators in the Maternity Hospital in Ljubljana, we registered a charitable institution ILIRIKA Fundacija at the end of 1999. The institution's core intention is to provide scholarships and enable means for studies at births of abandoned or indirectly after the births of orphaned children, who are born in the maternity hospital of the General Hospital in Ljubljana. Since September 2000 ILIRIKA Fundacija has been helping four youngsters that strive for a better tomorrow.

### FUTURE PLANS

In the future, we will follow our strategy and improve or position among the competition by searching for new market niches. Since we are a flexible company, we do not have to search our opportunities in services that already abound in Slovenia. Instead, we are looking for new opportunities with our innovation. We will be innovative in searching new market ways, approaching the client, improving the quality of services, developing new products, IT solutions, use of knowledge and searching new investment opportunities in different countries. However, we will always take safety and diligence into great consideration.

## I.1.2. Management

ILIRIKA d.d. is a privately owned company which has a solid ownership structure and offers a permanent improvement of business relationships with our clients. The Chairman of the Management Board is Mr Igor Štemberger who is also in charge of strategic management and finding market opportunities. The member of the Management Board, Mrs Katja Drobež is in charge of financial operations of the company. She was appointed member on 8 June 2007 and replaced the former member Mr Zlatko Jenko. Her authorisation was registered on 13 July 2007. The Chairman of the Supervisory Board is Mrs Jelka Štemberger, other members are Mrs Pavlina Štemberger and Mrs Sandra Štemberger.

## I.1.3. Organisation structure

In average, ILIRIKA d. d. regularly employed 32 employees in 2007. On July 1, 2007, there were 27 regularly employed people, on December 31, 2007 there were 36 regularly employed people. The majority of employees have university education. On December 31, 2007, one employee had primary education (cleaner), 10 of them had high school education, 22 university education, three persons had masters' degrees or passed state exam after the concluded university education. Functionally, the company's work is organised in five sectors, which have specifically determined business tasks and organisational relations.

The company's management manages the company and includes two members. It is the managing body for all other departments:

- **Trading sector:** stock broking, asset management for clients, analyses, investment consulting for clients;
- **Asset management sector:** asset management for clients and asset management for the company;
- **Financial sector:** back office, payment transactions, archives, accountancy and risk management;
- **Legal and business sector:** legal office and human resources, implementation of services in connection to takeovers and expert support to all other sectors as well as to the company's management;
- **IT & organisation sector:** IT solutions for business processes, IT maintenance, new technologies, security policy and information protection policy;
- Special organisational unit is the **foreign operations sector** which is directly subordinated to the company's management, however, it is not considered as an independent sector within the company.

A large part of work is done in **project groups** that include various employees from different departments. **Internal audit**, which controls the company's operations, is implemented on three levels: via managers of individual sectors, the management and supervisory board.

**Accountancy services** are implemented on the basis of a contract between ILIRIKA d. d. and ILIRIKA FINTRADE d. o. o., Ljubljana, which is an external book keeping company.

#### **I.1.4. Licence for executing services in connection to securities**

In accordance with Securities Market Act (OG RS 51/06 – ZTVP-1-UPB2), ILIRIKA d. d. holds the license for executing services in connection with securities on the basis of the provisions of the Securities Market Agency No. 21-1/13/AG-02 adopted on September 18, 2002, No. 21/69/AG-04-(689) adopted on October 27, 2004 and No. 21/97/AG-05-(85) adopted on February 16, 2005:

1. Accepting and mediating orders in connection to one or several financial instruments;
2. Implementation of orders for clients' accounts;
3. Implementation of orders for own account;
4. Asset management;
5. Investment consulting;
6. Special services in connection to financial instruments:
  - IPOs without mandatory buyout,
  - IPOs with mandatory buyout,
  - Services in connection to including securities in public trading.
7. Supplementary services in connection to securities:
  - Managing accounts of financial instruments for clients' accounts, including
    - i. Custodian and similar services (management of cash and other types of insurance)
    - ii. Dematerialised securities accounts management
  - Services in connection to takeovers and consulting services in connection to mergers.

According to standard classification of activities, the company's activities include:

- Stock broking with securities (J/67.120)
- Other financial mediation (J/65.230)
- Supplementary activities, connected to financial mediation (J/67.130).

In 2007, AJ PES (Agency of the Republic of Slovenia for Public Legal Records and Related Services) required from us to determine a new code and name of our main activity according to the new Regulation on Standard Classification of Activities (Official Gazette of RS, No. 69/2007). Our main activity is:

- 66.120 security and commodity contracts dealing activities

New data on our main activity will be registered in Slovenia's Business Register on January 1, 2008.

#### **I.1.5. Shareholders**

The only shareholder is Mr Igor Štemberger, resident at Ruska 5 in Ljubljana, who owns all 250,000 shares of the company.

#### **I.1.6. Securities**

Share capital is structured from ordinary nominal shares of one class with the label IBHR. ISIN code of shares is SI 002110788 1, the issuer's code is IBH. The share capital is composed of 250,000 ordinary nominal shares of one class, which are not determined in face value. Book value of one share on December 31, 2006 amounted to SIT 5,042.21 (EUR 21.04), on December 31, 2007 it amounted to EUR 32.26.

## I.1.7. Operating ratios

(in 000 EUR)

|  |                  |                 |                             | 2003    | 2004    | 2005    | 2006    | 2007    |
|--|------------------|-----------------|-----------------------------|---------|---------|---------|---------|---------|
| Value of securities  |                  |                 |                             | 219,900 | 312,457 | 346,601 | 414,987 | 688,325 |
|  | Brokerage        |                 |                             | 4,117   | 3,988   | 3,229   | 3,134   | 6,481   |
|  |                  | Local market    |                             | 4,104   | 3,975   | 3,001   | 2,824   | 4,110   |
|  |                  |                 | <i>Stock market</i>         | 1,813   | 1,457   | 1,604   | 1,359   | 1,915   |
|  |                  |                 | <i>OTC market</i>           | 899     | 1,431   | 332     | 78      | 33      |
|  |                  |                 | <i>Non-organised market</i> | 1,393   | 1,087   | 1,065   | 1,387   | 2,162   |
|  |                  | Foreign markets |                             | 13      | 13      | 228     | 310     | 2,371   |
|  | Clients' account |                 |                             | 215,783 | 308,470 | 343,372 | 411,853 | 681,844 |
|  |                  | Local market    |                             | 215,783 | 306,224 | 325,193 | 381,599 | 636,938 |
|  |                  |                 | <i>Stock market</i>         | 76,304  | 109,069 | 98,286  | 172,822 | 293,870 |
|  |                  |                 | <i>OTC market</i>           | 64,131  | 75,697  | 62,876  | 47,492  | 61,680  |
|  |                  |                 | <i>Non-organised market</i> | 75,348  | 121,458 | 164,030 | 161,285 | 281,388 |
|  |                  | Foreign markets |                             | 0       | 2,246   | 18,179  | 30,254  | 44,906  |
| Turnover with securities   |                  |                 |                             | 169,727 | 253,498 | 259,251 | 549,266 | 564,359 |
|  | Brokerage        |                 |                             | 13,221  | 12,911  | 12,529  | 61,380  | 24,759  |
|  |                  | Local market    |                             | 13,221  | 12,911  | 8,288   | 13,517  | 20,443  |
|  |                  |                 | <i>Stock market</i>         | 6,046   | 6,703   | 5,307   | 4,717   | 3,323   |
|  |                  |                 | <i>OTC market</i>           | 7,175   | 6,207   | 2,981   | 8,800   | 17,120  |
|  |                  | Foreign markets |                             | 0       | 0       | 4,241   | 47,862  | 4,316   |
|  | Clients' account |                 |                             | 156,505 | 240,587 | 246,721 | 487,886 | 539,600 |
|  |                  | Local market    |                             | 155,454 | 235,203 | 221,763 | 249,783 | 321,487 |
|  |                  | Local market    | <i>Stock market + OTC</i>   | 148,212 | 228,552 | 215,825 | 249,208 | 275,446 |
|  |                  |                 | <i>Non-organised market</i> | 7,242   | 6,651   | 5,938   | 575     | 46,041  |
|  |                  | Foreign markets |                             | 1,051   | 5,384   | 24,959  | 238,103 | 218,113 |
|  |                  |                 | <i>EU</i>                   | 876     | 407     | 6,642   | 52,037  | 96,371  |
|  |                  |                 | <i>USA</i>                  | 175     | 99      | 3,411   | 87,512  | 42,991  |
|  |                  |                 | <i>Japan</i>                | 0       | 23      | 2,117   | 18,061  | 9,020   |
|  |                  |                 | <i>Croatia</i>              | 0       | 2,752   | 9,760   | 27,705  | 26,127  |
|  |                  |                 | <i>Serbia</i>               | 0       | 2,103   | 2,277   | 4,634   | 16,157  |
|  |                  |                 | <i>Macedonia</i>            | 0       | 0       | 649     | 2,820   | 9,168   |
|  |                  |                 | <i>Other</i>                | 0       | 0       | 104     | 45,334  | 18,279  |
| Number of clients, for which the brokerage concluded trades on the basis of the contract for executing stock broking services    |                  |                 |                             | 14,510  | 38,630  | 9,405   | 9,845   | 10,579  |
| Number of clients, for which the brokerage concluded trades on the basis of the contract for executing asset management services |                  |                 |                             | 30      | 67      | 180     | 214     | 388     |
| Number of branches (own/contractual)   |                  |                 |                             | 1/47    | 1/52    | 1/32    | 1/32    | 1/26    |
| Number of shareholders/owners of stakes  |                  |                 |                             | 1       | 1       | 1       | 1       | 1       |
| Average number of regularly employed people  |                  |                 |                             | 24      | 26      | 34      | 24      | 32      |
| Balance sheet total (on Dec 31)  |                  |                 |                             | 5,402   | 6,596   | 10,196  | 9,333   | 12,275  |
| Off balance total (on Dec 31)  |                  |                 |                             | 216,793 | 309,412 | 343,640 | 412,293 | 681,856 |
| Capital (on Dec 31)  |                  |                 |                             | 2,321   | 3,033   | 4,028   | 5,260   | 8,064   |

Please find more information about operations results in the second chapter, which includes the financial report, where all financial statements, explanations and disclosures are presented.

### I.1.8. Exposures to risks and risk management

Risks, which ILIRIKA d. d. considers as the most important, are managed by internal control in the company and other measures that are described in continuation, namely in the financial part of the annual report under II.7.

**Credit risk** is a risk, where the debtor will not be able or will not want to pay interests and (or) return the loan.

Main **market risks**, defined by ILIRIKA::

- **Position risk** arises from the ownership of financial instruments;
- **Settlement risk** is a risk, where the price of the instrument will change during the time, when the counterparty will not make the payment and this difference is then considered on the account of stock broking company,
- **Counterparty risk** is a risk that there will be a time mismatch between the payment made by the stock broking company or counterparty.
- **Currency risk** is presented as the influence of changes of currencies on profit, cash flows and market value of the company,
- **Interest risk**.

**Liquidity risk** is a risk that the stock broking company will not be able to settle its liabilities from current inflows or the risk that short-term assets do not suffice for covering short-term liabilities sources.

**Business risk** refers to company's operations and depends on applicability of internal processes, operations of people, applicable and accurate operations of systems. The main factors of operative risk, defined by ILIRIKA, are: internal audit quality, internal control quality, IT system quality, scope of operations, number of transactions and number of faults.

## I.2. MANAGEMENT BOARD REPORT

The year 2007 was very successful in many ways. If, one year ago, we were proud of the year 2006, then we can say from 2007, that our plans have been surpassed. The year 2007 was an exceptional year. This result was a combination of various factors. At ILIRIKA d. d. we improved our sales activities and the quality of services in all fields of operations, successful management of our own assets and costs management at all levels also contributed to this great results. External factors, namely, positive situation on capital markets, also favoured our business.

### Brokerage company operations in 2007

Balance sheet total in 2007 increased by EUR 2.9mn or by 31% in comparison to 2006. Short-term assets, namely short-term financial investments increased by EUR 2.3mn or by 56%. The increase of short-term financial investments arises from the increase of value of investments in shares and stakes and is a consequence of good investment decisions in past years, which was also presented in the increase of their prices. Capital increased by EUR 2.8mn or by 53%. Short-term financial liabilities to banks increased minimally, namely by EUR 0.2mn or 9%.

Net sales revenues increased by EUR 1.8mn or 70%. Revenues from stock broking services increased by 51%, asset management services revenues increased by 103%. The increased turnover on Ljubljana Stock Exchange was also followed by the increase of revenues from commissions, which base on trades with securities. There was also an increased number of commissions made for trades with securities on foreign markets. With the help of affiliated companies, which are members of the Belgrade, Zagreb and Skopje stock exchanges, we approached our clients with a quality services, and did the same with the help of our partner AK Jensen, thus enabling the possibility of trading on foreign markets via the internet. Great efforts were also invested in asset management for clients, which is becoming a more and more important service. Higher level of revenues is also a consequence of

trends on the capital markets as well as a consequence of a larger scope of assets, trusted to us by our clients. In the past years, ILIRIKA d.d. was the leading company in the field of takeovers in Slovenia. The dynamics of these services weakened; however, this is mostly a consequence of market situation, which was not very favourable to this kind of service. ILIRIKA d.d. also accomplished great results on the basis of own assets management. General positive trends on financial markets in Slovenia and in the Balkans, where the major part of assets was invested, favoured the increase in revenues from financing by 48%.

Costs of goods, material and services increased by EUR 0.4mn or by 32%. The largest increase was connected to the increase of variable costs, connected to increased scope of turnover with securities (costs of stock exchange, clearing corporations and telecommunications), maintenance costs also increased, since the company moved to its own premises in 2006, advertising costs also increased. In order to promote ILIRIKA d.d. trademark, we will continue with our marketing activities. We are well aware of the fact that active presence in the media is necessary for such a company, since we can build and promote our trademark and increase the interest for services as well as the loyalty of existing clients only in this way. Labour costs increased by EUR 0.3mn or 27%. This increase was a consequence of increased number of employees, which were required due to increased scope of work, which emerged from enhanced scope of transactions with securities. Net profit in 2007 amounted to EUR 2.90mn or EUR 1.2mn (67%) more than in 2006.

### **Affiliated companies operations in 2007**

ILIRIKA Vrijednosni papiri d.o.o. from Zagreb achieved total turnover with securities in the amount of KN 1,113.27mn or 69.2% more than in 2006, thus ranking 18<sup>th</sup> according to total turnover. Total revenues from stock broking services and asset management services amount to KN 6.48mn. Last year, the company presented two new services, namely trading abroad and internet trading. In 2007, the company also noted a high increase in the number of clients – natural entities, which we relate mostly to the IPO of Croatian Telekom.

According to Belgrade Stock Exchange data for 2007, ILIRIKA Investments a.d. Belgrade ranked 18<sup>th</sup> in trading with bonds, and 25<sup>th</sup> in trading with securities. Operating revenues of the company increased by 65%. Among other projects, we should mention the takeover of Veolia Transport Litas company for Connex Morava as Czech Republic.

Among the competition of twenty-two brokerage companies ILIRIKA Investments a.d. Skopje ranked 4<sup>th</sup> on the Macedonian Stock Exchange. Total turnover of the company amounted to MKD 6,882mn, there was also great effort put in promoting and strengthening ILIRIKA trademark on the Macedonian market. Great turnover and record financial results can be ascribed to the increase in the number of clients, increase in the number of transactions and successfully implemented takeover project of Pozavarovalnica Vardar AD Skopje, which was taken over by Zavarovalnica Triglav d.d., Ljubljana.

### **1.2.1. Main factors that influenced the company's operations**

In 2007, Slovenia enter the Euro zone. From the macro-economic point of view, the change of payment unit positively affected the economy and financial markets, since Euro currency decreases the currency risk in investing cash as well as in operating with important trading partners.

Macro-economic stability is also accompanied by an enhanced activity of investors. One of the main reasons for high turnover on Ljubljana Stock Exchange as well as for the increase of values of shares can be attributed to the privatisation of local companies. In accordance with the privatisation programme, the government decided to sell the stakes of individual companies, however, this caused several expectations in investors, which reflected directly on the values of shares and turnover. All stock indices, with the exception of bond index, reached their record values. However, public sale of the second largest Slovenia bank was in the spot light. At the end of the year, the state offered the shares of Nova KBM to local and foreign investors, which was the first such event in Slovenia so far.

One of the factors, which changed the rules of operations and which had an important effect on operations, was the adoption of the new Financial Instruments Market Act, which was the consequence of the introduction of

European directives in the field of financial markets, which all European countries had to introduce in their local legislations by November 1, 2007.

## **I.2.2. Factors that will influence the company's operations in the future and plans**

Slovenian capital market is entering its mature phase and is becoming a subject to trends on international markets. Despite higher inflation, Slovenia's macro-economic picture is still stable, the adoption of EUR contributed to simplified flow of capital in and from Slovenia as well as to the decrease of currency risk. At the same time, state risk also decreased, better credibility attracted local and foreign investors, and however, their purchases are still limited to portfolio investments. In accordance with market development, we can expect that the presence of foreign investors will increase, their investments will keep their strategic character..

Slovenian companies are still relatively small in comparison to European and world companies. Therefore, several links to foreign partners will still emerge. At the same time, there will be horizontal and vertical cooperation between local companies, which will greatly depend on the government's economic policy. Slovenia as a state still owns many stakes on local companies, its withdrawals from economy influence the market trends in the future. ILIRIKA d.d. presents a link in the acquisitions of local companies.

We also expect that cash savings of local entities will flow on the capital market. Due to decreases of prices on local and foreign markets at the end of 2007, credit crisis and increased inflation, the intensity of growth in the first half of 2008 could weaken; however, we can expect an increase in stake of local investments on capital markets due to relatively low bank interest rates.

One of investment forms will also be trading with derivative financial instruments. Slovenian investors started with trading with derivative financial instruments in 2006. The reason for this were investment certificates, issued by some foreign banks, their value, however, depends on the prices of shares of Slovenian companies or the SBI20 index value. They are mostly traded on Stuttgart or Vienna Stock Exchanges. Trading with derivative financial instruments will expand in the future, which will mostly be the consequence of good tax position, which is offered to investors by these instruments.

ILIRIKA d.d.'s strategy is also oriented in the Balkans. This geographical area provides numerous activities in connection to privatisation and initiation of market economy. We estimate that international investors are mostly interested in these countries mostly due to higher yields and long-term potential.

## **I.3. REPORT ON OPERATIONS**

### **I.3.1. Presentation of the company's business position**

#### **I.3.1.1. Stock broking**

The main activity of ILIRIKA d.d. is mediation in purchases and sales of ownership and debt securities as well as other financial instruments. Stock broking services include the acceptance of orders for the purchase and sale of financial instruments and implementation of these orders on the organized and non organized market (including fees). With the permit, provided by the Securities Market Agency, ILIRIKA d.d. also trades for its own account.

The largest increase in revenues from stock broking in 2007 was made in trading for clients' accounts on the local market. This was related mostly to the development of trading on Ljubljana Stock Exchange, since the value of turnover and market capitalisation increased with above average rate in comparison to previous years. Turnover increased by 51%. An important stake of revenues from stock broking was made also in trading on foreign markets, where turnover remained on the level of 2006.

ILIRIKA d.d. also offers clients internet solutions trading. ILIRIKA-on.net enables direct access to Ljubljana Stock Exchange. Development trend goes hand in hand with the development of local capital market, therefore in 2007, there was an increased number of transactions and scope of turnover, made via this media. Considering the fact that online solutions are more and more simplified and user friendly, we also developed a global trading station named ILIRIKA-on-svet. This media, which bases on online technology, enables trading with foreign shares and other financial instruments. The service was initiated in November.

### I.3.1.2. Financial instruments management in Slovenia and abroad

Financial Instruments Market Act defines financial instruments management as management of portfolios, which also includes financial instruments in accordance with clients' authorisations on the basis of individual judgement for each client. Contract on management of financial instruments has to determine the amount of cash assets, which will be provided for management, investment policy and fee amount, as well as the type of basic rate calculation. Brokerage company has to manage the assets in accordance with the chosen investment policy, determined in the contract by providing the client the most appropriate conditions regarding the value of its portfolio of financial instruments and the most appropriate conditions considering investment risks, related to the client's portfolio. Brokerage company may acquire derived financial instruments for the client's account only on the basis of explicit consensus, provided by the client. The client is obliged to pay management fee, brokerage company is obliged to manage the client's portfolio with great diligence.

Financial instruments management is a service that has been gaining on importance mostly due to decreases of interest rates and numerous investment opportunities on stock markets. Asset manager actively monitors the events on the market; s/he is responsible for all investment decisions and tries to make the best possible profit. Therefore, clients do not have to be involved in investments; they determine the basic investment policy including risks and liquidity. The fact that the manager directly monitors market events, enables achieving better results than with trading, where the investor monitors only daily trends. Minimum starting input for clients is EUR 50,000, the company offers two possibilities for fee calculation – solely the distribution of profit or profit distribution and payment of management fee. ILIRIKA d.d. regularly notifies clients on every purchase and sale of financial instruments, once a month, it sends the clients their portfolio balances, every three months it also sends them all modifications for the past period.

Asset management is one of ILIRIKA d.d.'s key services. In 2007, the company invested a great amount of funds and effort in the future development of the service. A very important step was made in the field of human resources. Asset managers also intensively worked with IT and organisation sector, namely with the intention to improve the operations in the department. A management module for faster access to data and more effective processing of data was also prepared. We also made the first steps to the introduction of a new IT system, which will be implemented in 2008.

Great results in 2007 are mostly the consequence of the right investment decisions, increased scope of managed assets and increased number of clients, using the service. The number of these clients increased from 214 at the end of 2006 to 388 at the end of 2007.

### I.3.4.3. SUPPLEMENTARY INVESTMENT SERVICES

Supplementary services, mostly used by clients with specific requirements, complete our offer. These services include: safekeeping and management of financial instruments (custodian and similar services including cash and other types of insurance management, dematerialised securities account management), consulting on business strategies, mergers and purchases of companies, takeovers, investing research and financial analyses and other forms of general recommendation in connection to trades with financial instruments and services in connection to IPOs or further sales of financial instruments with mandatory buyout.

In 2007, we executed a successful takeover of Alpos d.d. company for Arcelor Mittal Ostrava A.S. company. We increased revenues from consulting services in relation to capital structure formation, especially in the field of exclusion of minor shareholders and takeovers of companies abroad.

Our marketing and advertising strategy successfully gained new clients. One of our advertising campaigns included free opening of trading accounts and free account management at transfer of shares, acquired during the public sale of Nova KBM. With this campaign we acquired 900 new clients.

In 2007, we increased revenues made in transfers of securities and third party rights registrations. In cooperation with renown Slovenian company we registered pre-emptive rights for shares of shareholders who adopted the shareholders agreement and successfully contributed to the formation of the company's aimed capital structure that was.

The Financial Instruments Market Act provided us with the possibility of executing custodian and similar services. In accordance with the act, ILIRIKA d.d. adopted the rules, applying to sub-deposits, which present an important novelty for the clients, since they enable the registration of third party's rights for financial instruments of foreign issuers.

## I.3.2. Economic environment of the company

### I.3.2.1. Securities market in Slovenia

All stock indices, except bond index, reached their record values. The SBI20 gained 78.1 percent, on August 31, it reached its highest value, namely 12,242.01 index points. The SBI TOP, which includes all significant and solvent companies, gained 71 percent and reached its highest value on August 31, namely 2,647.69 index points. The major part of the turnover was made with the following shares: Krka (EUR 509mn), Petrol (EUR 258mn), Telekom Slovenije (EUR 228mn), Luka Koper (EUR 124mn) and Gorenje (EUR 123mn). The most traded bonds in 2006 were: Slovenska odškodninska družba 2. izdaje (EUR 61mn). Due to takeovers, there were 4 shares withdrawn from the market, most notorious event on the market was the public sale of the second largest Slovenian bank.

### I.3.2.2. Macroeconomic environment

**Slovenian** GDP in 2007 increased by 6.1 percent. This presents the highest economic growth after 1991. Export of goods and services remains the most important factor of economic growth. In 2007, export increased by 13.0 percent which contributed 8.8 percentage points to economic growth. Import increased slightly more, therefore the balance in foreign exchange had a negative effect on economic growth. Among outflow categories, investments in fixed assets increased significantly, since they were by 17.2 percent higher than in 2006. Expenses for final consumption increased by 2.7 percent or less than in 2006. Added value increased in construction branch. High levels of growth were also noted in financial mediation (12.1 percent), trade (7.6 percent) and transport (6.2 percent). Good economic situation also influenced employment. According to calculations made on the national level, total employment rate included 95,960 persons or 2.7 percent more than in 2006.

**Croatian** economy continued with stable growth, therefore the GDP increased by 5.1 percent in the third quarter of the year. In 2006, Croatian GDP increased by 4.8 percent. Inflation grew in December and amounted to 5.8 percent on a yearly level, the reason for this was mostly the increase in prices of food and energy. Croatian kuna currency in comparison to Euro was by 0.3 percent higher than at the end of 2006. The official unemployment rate at the end of November 2007 amounted to 14.5 percent or 2 percentage points lower than in the same period in 2006.

The year 2007 was also the year of economic growth in **Serbia**. GDP increased by 7.6 percent in the first nine months, which is more than in 2006, when the growth was 6.7 percent. Inflation in December amounted to 10.1 percent on a yearly level. In 2008, Serbia will have to conclude the second phase of transition, which will also have a significant effect on future economic development. The state will have to make several extensive institutional and structural reforms. For this reason we can expect reforms in the public sector which will include the improvement of financial discipline and increase in productivity in this sector, restructuring and privatisation of the largest public companies.

Economic growth projections in **Macedonia** predict 6 percent growth of GDP in 2007. In the first quarter of the year, the GDP increased by 7 percent, while the growth in the second quarter amounted only to 4 percent. The fall in industrial manufacture in the second half of the year endangered the goal growth for 2007. The National Bank leads a policy of stable currency in comparison to Euro, which amounted in average to MKD 61.18 for EUR 1. The price dynamics were relatively stable, inflation pressured mostly in the second half of the year, prices in 2007 were by 2.3 percent higher than in 2006.

**World economic growth** in 2007 amounted to 4.9 percent, the predictions for 2008 anticipate that GDP will stabilise at 4.1 percent. The main cause for the stagnation of world economic growth is America. Problems on world financial markets, which arise from the American mortgage loans market and great losses of banks, are aggravating and problems on world stock exchanges show that the uncertainty is increasing. American financial crisis, which is now occurring in other developed countries, is also endangering countries in development. The main risk lies in the fact that if these problems will continue, the demand in developed countries will drop, and this will have a great effect on countries in development. One of the factors, which influenced the year 2007, was also increased inflation, mostly caused by increased material and food prices.

### **I.3.3. Influences of economic environment on the company's operations**

#### **Currency rates**

When Slovenia entered the Euro zone, the Euro became the official currency in Slovenia, namely on January 1, 2007. This change decreased the currency risks, ILIRIKA d.d. is therefore exposed to greater risks only in trading in other world currencies. Due to decreased scope of such trades, changes in currency relations did not have a significant effect on company's operations.

#### **Competition**

At the end of the year there were 24 financial brokerage companies present on Slovenian capital market, namely 12 banks and 12 stock broking companies. Despite the reduction in the number of stock brokers on the local market the competition remains strong, however, the strongest competition is presented by banks, which offer additional services to clients and therefore currently rank on the leading positions on Ljubljana Stock Exchange.

#### **Substitutes and new services**

Investing in mutual funds still presents one of the main substitutes for direct investments on financial instruments markets and asset management, which present the main source of income for the company. Since financial industry has evolved, the offer of mutual funds increased significantly due to a large number of service providers and competition. Strong competition is also reflected in aggressive promotion campaigns and discounts at subscription fees, which have a negative effect on company's operations.

Investors' interests in investing abroad are also expanding. Direct presence of foreign, especially low-price trading and internet platform providers restricted local stock brokers the possibilities to earn money. On the other hand, simplified access to foreign markets and products which are not traded on the local market provided brokers a possibility to offer additional services. Additional products on foreign markets offer new opportunities to local brokerage companies, however, trading with these products is still limited solely to well-informed investors.

#### **Legislation**

Several laws that apply to brokerage companies were adopted or amended in 2007. Financial Instruments Market Act and Prevention of Money Laundering and Terrorism Financing Act are especially significant for the brokerage companies sector.

## **I.4. PRESENTATION OF COMPANY'S PLANS FOR DEVELOPMENT**

### **I.4.1. Market share**

ILIRIKA d.d. is one of the largest Slovenian privately owned brokerage companies. Disregarding block, our company ranked fifth among all participants on the stock market, our market share amounted to 6.4 percent, which is slightly more than in 2006. If we take only brokerage houses into consideration (disregarding banks), ILIRIKA d.d. ranked second.

### **I.4.2. Company's presence on the markets of former Yugoslavia and other foreign markets**

Estimations of business environment and business opportunities in the countries of former Yugoslavia brought us to the decision to establish our own brokerage houses in Croatia, Serbia and Macedonia. On all mentioned markets we built a solid basis, which is already producing positive effects, however, we plan to develop the potentials also in the future. We will adopt our range of services to the legislation and demand on local markets, at the same time we plan to expand in other foreign countries, especially in East and South-East Europe. The view in the future therefore reveals changes and opportunities, which we will try to use in the interest of our clients.

In the past few years we expanded our operations also on developed international markets. We are the only Slovenian brokerage company, which is a full member of Frankfurt Stock Exchange, our cooperation with a foreign investment bank also produced results in internet trading with various financial instruments on international markets. We also cooperate with other partners with the objective to offer the best possible service.

### **I.4.3. Expansion of our range of services**

In 2007, ILIRIKA d.d. increased its market share in the field of stock broking, at the same time, our company enhanced the presence in the field of financial instruments management.

The plans in developing stock broking service are connected mostly to improving the quality of services. The development of quality will base on the basis of knowledge and standard consolidation, all affiliated companies will be included in this process. At the same time, we also anticipate to develop an effective analyst department that will merge ideas from various markets and contribute to a complete offer. Due to a strong presence of ILIRIKA d.d. in the Balkans, opportunities are also arising in the field of corporate finance, especially in the field of takeovers, where ILIRIKA d.d. will hold the leading market share. Considering the unstable trend of these activities, which depend on various factors, great effort will be invested in searching ideas and opportunities and on active marketing of these opportunities on the local market as well as in foreign countries.

### **I.4.5. Trademark recognition**

In 2007, ILIRIKA strengthened its position and reputation in the eyes of its clients. Clients' loyalty is mostly the consequence of marketing activities. Besides top quality services and individual approach to clients, we emphasised the importance of building systematic relations with clients via our regular informing system, as well as via our training system and permanent service provision. We continued to build our trademark via our complete marketing communication system and public relations.

ILIRIKA trademark strengthened its position as a safe, trustworthy and top quality financial institution with its market strategy, corporate communication and top quality provision of services.

### **I.4.6. Company's activities in the field of research and development**

Our company constantly strives to search for new, potentially interesting markets; we are also constantly undergoing processes of developing new ways of offering services on traditional markets and implementing new

products mostly connected to structuring new marketing strategies. The markets, on which we have been present only for a short time, demand more activities in the field of research. The operations system, investment possibilities and forms of service products have to be researched.

For the needs of various capital markets, ILIRIKA d.d. is constantly developing and completing individual products that are up-to-date and acceptable for our clients. We adjust to many needs and develop as well as form the necessary information support.

#### **I.4.7. Companies in group**

In foreign countries, ILIRIKA operates via its affiliated companies:

- ILIRIKA INVESTMENTS A.D., Knez Mihajlova 11-15/V, 11000 Belgrade, Serbia
- ILIRIKA Vrijednosni papiri d.o.o., Radnička cesta 39, 10000 Zagreb, Croatia
- ILIRIKA INVESTMENTS A.D. Skopje, Belasica 2, 1000 Skopje, Macedonia.

#### **I.4.8. Important business events after the conclusion of the business year**

In January 2008, ILIRIKA d.d. concluded a contract with the new back office application supplier, Evolve d.o.o., In 2008, the company will substitute the existing application Borza Win with Shark application. With this new application the company will reorganise and update some processes and their automation. We will put greater emphasis on internal control automation and reducing the risks of human factor errors.

In January 2008, ILIRIKA d.d. also started updating risk management system. We are updating the entire process of risk management and adjusting it to new legislative requirements.

On January 21, 2007 the second chapter of Prevention of Money Laundering and Terrorism Financing Act (Official Gazette RS, No. 60/2007) – ZPPDFT) entered into force. Therefore, we adjusted our internal acts to the mentioned act, so that they are in accordance with the provisions of valid legislation.

After January 1, 2008 we witnessed a great fall of prices on Ljubljana Stock Exchange. The value of ILIRIKA's own portfolio also fell. Balance sheet total on 29 February 2008 amounted to EUR 12,003,175.

## II. FINANCIAL REPORT

### II.1. GENERAL DISCLOSURES

#### II.1.1. Head office

ILIRIKA borzno posredniška hiša d.d., Slovenska cesta 54 A, 1000 Ljubljana, Slovenia.

#### II.1.2. Activities

Sales and purchase of securities for its own account and stock broking for foreign accounts.

#### II.1.3. Affiliated companies and entities

ILIRIKA Vrijednosni papiri d.o.o., Radnička 39, Zagreb (Croatia) – co-established, 85% share, 99,87% stake in capital

ILIRIKA Investments a.d., Knez Mihajlova 11-15/V, Belgrade (Serbia) ZRJ) – co-established, 51% share

ILIRIKA Fundacija, ustanova, Trdinova 3, Ljubljana – establisher

ILIRIKA Investments a.d., Skopje, Belasica 2, Skopje (Macedonia) – co-establisher, 61% share

Consolidated annual report for ILIRIKA Group, which includes ILIRIKA Vrijednosni papiri d.o.o., ILIRIKA Investments a.d. and ILIRIKA Investments a.d., can be obtained at the head office of ILIRIKA borzno posredniška hiša, d.d., Slovenska cesta 54A, 1000 Ljubljana.

#### II.1.4. Employees

On December 31, 2007, the company had 36 regularly employed people. The average number of employees in 2007, amounts to 32 (on the basis of working hours). Educational structure is as follows: 1 person – primary education, 10 persons – secondary education, 22 persons - university education, 3 persons – Masters Degree.

All receivables and liabilities to foreigners are calculated according to the Bank of Slovenia middle exchange rate on the ex-date of the balance sheet. The company also calculated all business revenues which were originally stated in foreign currency according to the Bank of Slovenia middle exchange date. Revenues and expenses are recognized as revenues and expenses of financing due to exchange differences.

Company's revenues refer to stock broking with securities, clients' orders for foreign securities, asset management, special services – IPOs with or without mandatory buyout, other supplementary services as presented in chapter II.9.1.1.

The business year of the company equals the calendar year – from January 1, 2007 until December 31, 2007.

**II.2. BALANCE SHEET AS ON 31 DECEMBER 2007**

| (in EUR)   | Explanation | December 31,<br>2007 | December 31,<br>2006 |
|--|-------------|----------------------|----------------------|
| <b>ASSETS</b>  |             |                      |                      |
| <b>Fixed assets</b>  |             |                      |                      |
| Intangible long-term fixed assets and<br>Deferred costs and accrued revenues | II.8.1.     | 86,801               | 54,391               |
| Tangible fixed assets  | II.8.2.     | 3,858,224            | 3,609,917            |
| Investment real-estate   |             | -                    | -                    |
| Long-term financial investments  | II.8.3.1.   | 546,016              | 493,164              |
| Long-term operating receivables  | II.8.4.1.   | 195,062              | 118,853              |
| Deferred receivables for tax   | II.8.4.2.   | 100,578              | 12,770               |
|  |             | <b>4,786,681</b>     | <b>4,289,095</b>     |
| <b>Short-term assets</b>   |             |                      |                      |
| Assets for sale  |             | -                    | -                    |
| Inventories  |             | -                    | -                    |
| Short-term financial investments   | II.8.3.2.   | 6,412,999            | 4,110,826            |
| Short-term operating receivables   | II.8.4.3.   | 910,911              | 854,691              |
| Cash   | II.8.5.     | 57,594               | 52,843               |
|  |             | <b>7,381,504</b>     | <b>5,018,360</b>     |
| <b>Short-term deferred costs and accrued revenues</b>                        | II.8.10.    | <b>106,440</b>       | <b>25,159</b>        |
| <b>TOTAL ASSETS</b>  |             | <b>12,274,625</b>    | <b>9,332,614</b>     |
| <b>Off-balance assets</b>  | II.8.11.    | <b>681,855,841</b>   | <b>412,292,750</b>   |

| (in EUR)  | Explanation | December 31,<br>2007 | December 31,<br>2006 |
|---|-------------|----------------------|----------------------|
| <b>LIABILITIES</b>  |             |                      |                      |
| <b>Capital</b>  |             |                      |                      |
|   | II.5.       |                      |                      |
| Called-in capital   |             | 2,086,463            | 2,086,463            |
| Capital reserves  |             | -                    | -                    |
| Reserves from profit  |             | 208,647              | 146,722              |
| Revaluation surplus   |             | 351,418              | 445,474              |
| Retained net profit   |             | 2,583,999            | 937,089              |
| Net profit or loss from operating year                              |             | 2,833,576            | 1,644,440            |
|   |             | <b>8,064,103</b>     | <b>5,260,188</b>     |
| <b>Provisions and long-term accrued costs and deferred revenues</b> |             |                      |                      |
|   | II.8.7.     | <b>618,000</b>       | -                    |
| <b>Long-term liabilities</b>  |             |                      |                      |
| Long-term financial liabilities                                     |             | -                    | 83,458               |
| Long-term operating liabilities                                     |             | -                    | -                    |
| Deferred liabilities for tax  | II.8.9.     | 113,321              | 163,941              |
|   |             | <b>113,321</b>       | <b>247,399</b>       |
| <b>Short-term liabilities</b>                                       |             |                      |                      |
| Liabilities, included in the disposal assets group                  |             | -                    | -                    |
| Short-term financial liabilities                                    | II.8.8.1.   | 2,697,000            | 2,471,354            |
| Short-term operating liabilities                                    | II.8.8.2.   | 761,278              | 1,327,592            |
|   |             | <b>3,458,278</b>     | <b>3,798,946</b>     |
| <b>Short-term accrued costs and deferred revenues</b>               | II.8.10.    | <b>20,923</b>        | <b>26,081</b>        |
| <b>TOTAL LIABILITIES</b>  |             | <b>12,274,625</b>    | <b>9,332,614</b>     |
| <b>Off-balance liabilities</b>                                      | II.8.11.    | 681,855,841          | 412,292,750          |

**II.2.1. Settlement operations**

| (v EUR)   | December 31, 2007     | December 31, 2006 |
|---|-----------------------|-------------------|
| <b>Short-term receivables</b>                       |                       |                   |
| Short-term receivables to invoice 627               | 916                   | -                 |
| Short-term receivables to stock broking invoice 748 | -                     | -                 |
| Net short-term receivables to CSCC                  | 580,391               | -                 |
|   | <u>581,307</u>        | -                 |
| <b>Cash</b>   | -                     | -                 |
|   | <u>-</u>              | -                 |
| <b>TOTAL ASSETS</b>                                 | <b>581,307</b>        | -                 |
|   | <u><u>581,307</u></u> | -                 |
| <b>Short-term liabilities</b>                       |                       |                   |
| Short-term liabilities to invoice 627               | -                     | -                 |
| Short-term liabilities to stock broking invoice 748 | 581,307               | -                 |
| Net short-term liabilities to CSCC                  | -                     | -                 |
|   | <u>-</u>              | -                 |
| <b>TOTAL LIABILITIES</b>                            | <b>581,307</b>        | -                 |
|   | <u><u>581,307</u></u> | -                 |

**II.2.2. Stock broking operations**

| (in EUR)  | December 31, 2007        | December 31, 2006       |
|---|--------------------------|-------------------------|
| <b>Short-term receivables</b>                               |                          |                         |
| Short-term receivables to clients                           | 469,136                  | 185,428                 |
| Short-term receivables to affiliated clients                | 169                      | 18                      |
| Short-term receivables to other clients                     | 468,967                  | 185,410                 |
| Short-term receivables to clearance invoice 531             | 581,307                  | 1,232                   |
| Short-term receivables to other entities                    | 195,219                  | 704                     |
|   | <u>1,245,662</u>         | <u>187,364</u>          |
| <b>Cash</b>   |                          |                         |
| Cash in cashbox   | -                        | -                       |
| Cash on stock broking account open at Bank of Slovenia      | 2,718,854                | 920,843                 |
| Cash on special foreign currency account of excluded assets | 6,675,861                | 4,091,691               |
|   | <u>9,394,715</u>         | <u>5,012,534</u>        |
| <b>TOTAL ASSETS</b>   | <b>10,640,377</b>        | <b>5,199,898</b>        |
|   | <u><u>10,640,377</u></u> | <u><u>5,199,898</u></u> |
| <b>Short-term liabilities</b>                               |                          |                         |
| Short-term liabilities to clients                           | 9,954,950                | 4,699,330               |
| Short-term liabilities to affiliated clients                | 16,198                   | 12,523                  |
| Short-term liabilities to other clients                     | 9,938,752                | 4,686,807               |
| Short-term liabilities to clearance invoice 531             | -                        | -                       |
| Short-term liabilities to invoice 627                       | 528,584                  | 434,935                 |
| Short-term liabilities to other local entities              | -                        | -                       |
| Short-term liabilities to other foreign entities            | 156,843                  | 65,633                  |
|   | <u>156,843</u>           | <u>65,633</u>           |
| <b>TOTAL LIABILITIES</b>                                    | <b>10,640,377</b>        | <b>5,199,898</b>        |
|   | <u><u>10,640,377</u></u> | <u><u>5,199,898</u></u> |

### II.3. PROFIT AND LOSS ACCOUNT FOR BUSINESS YEAR, CONCLUDED ON 31 DECEMBER 2007

| (in EUR)  | Explanation | 2007             | 2006             |
|---|-------------|------------------|------------------|
| Net sales revenues                                    | II.9.1.1.   | 4,340,779        | 2,559,597        |
| Change of value of inventories and pending production |             | -                | -                |
| Capitalised own products and services                 |             | -                | -                |
| Other operating revenues                              | II.9.1.2.   | 72,579           | 60,677           |
| Costs of goods, material and services                 | II.9.2.1.   | (1,759,918)      | (1,334,406)      |
| Labour costs  | II.9.2.1.1. | (1,447,211)      | (1,134,872)      |
| Value write-offs                                      | II.9.2.1.2. | (353,785)        | (229,916)        |
| Other operating expenses                              | II.9.2.1.3. | (651,010)        | (16,801)         |
| <b>Profit or loss from operations</b>                 |             | <b>201,434</b>   | <b>(95,721)</b>  |
| Financial revenues from stakes                        | II.9.1.3.   | 3,867,777        | 2,632,435        |
| Financial revenues from loans                         | II.9.1.3.   | 51,742           | 15,511           |
| Financial revenues from operating receivables         | II.9.1.3.   | 13,857           | 5,826            |
| Financial expenses from investments                   | II.9.2.2.   | (237,988)        | (170,632)        |
| Financial expenses from financial liabilities         |             | (160,434)        | (222,541)        |
| Financial expenses from operating liabilities         |             | (10,595)         | (13,825)         |
| <b>Profit or loss from financing</b>                  |             | <b>3,524,359</b> | <b>2,246,774</b> |
| Other revenues  | II.9.1.4.   | 8,191            | 180,993          |
| Other expenses  |             | (7,220)          | (1,507)          |
| Tax on profit   |             | (933,274)        | (564,742)        |
| Deferred taxes  | II.9.1.5.   | 102,011          | (34,817)         |
| <b>Net profit or loss in the period</b>               |             | <b>2,895,501</b> | <b>1,730,980</b> |

**II.3.1. Annex to profit and loss account (operations with clients)**

| (in EUR)   | 2007             | 2006             |
|--|------------------|------------------|
| <b>Brokerage company revenues from licensed operations</b> |                  |                  |
| Stock broking  | 2,168,623        | 1,240,083        |
| Asset management   | 1,744,359        | 859,311          |
| Special services in connection to securities               |                  |                  |
| IPOs without mandatory buyout                              | -                | -                |
| IPOs with mandatory buyout                                 | -                | -                |
| Supplementary services in connection to securities         | 264,483          | 458,921          |
| Investment consultation                                    | 184,483          | 281,644          |
| Dematerialised securities account management               | -                | 31,335           |
| Securities safe-keeping                                    | -                | -                |
| Services in connection to takeovers                        | 80,000           | 145,942          |
|  | <u>4,177,465</u> | <u>2,558,315</u> |
| <b>Brokerage company expenses from licensed operations</b> |                  |                  |
| Central Securities Clearing Corporation                    | 215,672          | 152,918          |
| Stock exchange   | 226,441          | 161,763          |
| Financial instruments exchange                             | -                | -                |
| Legal entity, executing payment transactions               | 179,043          | 75,317           |
|  | <u>621,156</u>   | <u>389,998</u>   |

**II.4. CASH FLOW STATEMENT (2<sup>ND</sup> VERSION)**

| (in EUR)   | 2007         | 2006        |
|--|--------------|-------------|
| <b>Cash flows in operating activities</b>  |              |             |
| Profit and loss account items  |              |             |
| Operating inflows (except for revaluation) and financial inflows from operating receivables                          | 4,369,535    | 2,806,773   |
| Operating expenses excluding amortisation (except for revaluation) and financial expenses from operating liabilities | (3,910,889)  | (2,525,447) |
| Tax on profit and other taxes, not included in operating expenses  | (831,263)    | (599,562)   |
| Modifications of net current assets (and accruals, provisions and deferred receivables and liabilities for tax)      |              |             |
| Operating items of balance sheet   |              |             |
| Opening less closing operating receivables   | (66,558)     | 91,062      |
| Opening less closing deferred costs and accrued revenues   | (81,280)     | (8,108)     |
| Opening less closing deferred receivables for tax  | (87,808)     | 34,819      |
| Opening less closing assets for sale   | -            | -           |
| Opening less closing inventories   | -            | -           |
| Closing less opening operating debts   | (566,315)    | 198,214     |
| Closing less opening accrued costs and deferred revenues and provisions  | 612,842      | (30,504)    |
| Closing less opening deferred liabilities for tax  | (14,203)     | 4           |
| Surplus of inflows in operations or surplus of outflows in operations  | (575,939)    | (32,749)    |
| <b>Cash flows in financial activities</b>  |              |             |
| Inflows from investing   |              |             |
| Inflows from interests and stakes in profits, which refer to investing   | 139,561      | 42,902      |
| Inflows from disposal of intangible assets   | -            | -           |
| Inflows from disposal of tangible assets   | -            | 321         |
| Inflows from disposal of investment real-estate  | -            | -           |
| Inflows from disposal of long-term financial investments   | 117,670      | 404,432     |
| Inflows from disposal of short-term financial investments  | 21,426,961   | 13,102,412  |
| Outflows from investing  |              |             |
| Outflows for acquisition of intangible assets  | (32,410)     | (23,594)    |
| Outflows for acquisition of tangible assets  | (567,157)    | (579,073)   |
| Outflows for acquisition of investment real-estate   | -            | -           |
| Outflows for acquisition of long-term financial investments  | -            | -           |
| Outflows for acquisition of short-term financial investments   | (20,485,779) | (9,824,975) |
| Surplus of inflows in operations or surplus of outflows in investing   | 598,846      | 3,122,425   |

| (in EUR)  | 2007          | 2006          |
|---|---------------|---------------|
| <b>Cash flows in financing</b>  |               |               |
| Inflows from financing  |               |               |
| Inflows from paid-in capital  | -             | -             |
| Inflows from increase of long-term financial liabilities              | -             | -             |
| Inflows from increase of short-term financial liabilities             | 30,653,718    | 10,131,702    |
| Outflows from financing   |               |               |
| Outflows for interest, referring to financing                         | (160,434)     | (211,167)     |
| Outflows for capital return payments                                  | -             | -             |
| Outflows for pay-offs of long-term financial liabilities              | (83,458)      | (37,986)      |
| Outflows for pay-offs of short-term financial liabilities             | (30,428,072)  | (12,921,940)  |
| Outflows for payments of dividends and other stakes in profit         | -             | -             |
| Surplus of inflows from financing or surplus of outflows in financing | (18,246)      | (3,039,391)   |
| <b>Final balance of cash and equivalents</b>                          | <b>57,504</b> | <b>52,843</b> |
| Cash-flow in period   | 4,661         | 50,285        |
| Opening balance of cash and equivalents                               | 52,843        | 2,558         |

## II.5. CAPITAL FLOW STATEMENT

### II.5.1. Capital flow statement for the YEAR, CONCLUDED ON 31 DECEMBER 2006

| (in EUR)   | Share capital | Statutory reserves | Surplus from revaluation | Retained net Profit or loss | Net profit or loss | Total     |
|--|---------------|--------------------|--------------------------|-----------------------------|--------------------|-----------|
| <b>Opening balance as on December 31, 2005</b>   | 2,086,463     | 60,174             | 1,059,084                | 500,184                     | 322,050            | 4,027,955 |
| Adjustments  | -             | -                  | (838,495)                | 117,801                     | -                  | (720,694) |
| <b>Opening balance as on January 1, 2006</b>   | 2,086,463     | 60,174             | 220,589                  | 617,985                     | 322,050            | 3,307,261 |
| <b>Movements to capital</b>  |               |                    |                          |                             |                    |           |
| Registration of net profit or loss from business year  | -             | -                  | -                        | -                           | 1,730,988          | 1,730,988 |
| Registration of special revaluation capital adjustments  | -             | -                  | 495,764                  | -                           | -                  | 495,764   |
| <b>Movements in capital</b>  |               |                    |                          |                             |                    |           |
| Distribution of net profit according to management and supervisory board decision                | -             | -                  | -                        | 322,050                     | (322,050)          | -         |
| Distribution of net profit for the formation of additional reserves upon the assembly's decision | -             | 86,548             | -                        | -                           | (86,548)           | -         |
|  | -             | 86,548             | -                        | 322,050                     | (408,598)          | -         |
| <b>Movements from capital</b>  |               |                    |                          |                             |                    |           |
| Transfer of surplus from revaluation to revenues   | -             | -                  | (270,879)                | -                           | -                  | (270,879) |
| Other movements from capital   | -             | -                  | -                        | (2,946)                     | -                  | (2,946)   |
| <b>Closing balance on December 31, 2006</b>  | 2,086,463     | 146,722            | 445,474                  | 937,089                     | 1,644,440          | 5,260,188 |

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**II.5.2. Capital flow statement for the YEAR, CONCLUDED ON 31 DECEMBER 2007**

| (in EUR)   | Share capital | Statutory reserves | Surplus from revaluation | Retained net Profit or loss | Net profit or loss | Total     |
|--|---------------|--------------------|--------------------------|-----------------------------|--------------------|-----------|
| <b>Opening balance as on December 31, 2006</b>   | 2,086,463     | 146,722            | 445,474                  | 937,089                     | 1,644,440          | 5,260,188 |
| Adjustments  | -             | -                  | -                        | -                           | -                  | -         |
| <b>Opening balance as on January 1, 2007</b>   | 2,086,463     | 146,722            | 445,474                  | 937,089                     | 1,644,440          | 5,260,188 |
| <b>Movements to capital</b>  |               |                    |                          |                             |                    |           |
| Registration of net profit or loss from business year  | -             | -                  | -                        | 2,470                       | 2,895,501          | 2,897,971 |
| Registration of special revaluation capital adjustments  | -             | -                  | 209,161                  | -                           | -                  | 209,161   |
|  | -             | -                  | 209,161                  | 2,470                       | 2,895,501          | 3,107,132 |
| <b>Movements in capital</b>  |               |                    |                          |                             |                    |           |
| Distribution of net profit according to management and supervisory board decision                | -             | -                  | -                        | 1,644,440                   | (1,644,440)        | -         |
| Distribution of net profit for the formation of additional reserves upon the assembly's decision | -             | 61,925             | -                        | -                           | (61,925)           | -         |
|  | -             | 61,925             | -                        | 1,644,440                   | (1,706,365)        | -         |
| <b>Movements from capital</b>  |               |                    |                          |                             |                    |           |
| Transfer of surplus from revaluation to revenues   | -             | -                  | (303,217)                | -                           | -                  | (303,217) |
|  | -             | -                  | (303,217)                | -                           | -                  | (303,217) |
| <b>Closing balance on December 31, 2007</b>  | 2,086,463     | 208,647            | 351,418                  | 2,583,999                   | 2,833,576          | 8,064,103 |

**II.5.3. Distributable profit**

| (in EUR)                        | <b>December 31, 2007</b> | <b>December 31, 2006</b> |
|---------------------------------|--------------------------|--------------------------|
| <b>Distributable profit</b>     |                          |                          |
| Net profit in operating year    | 2,895,501                | 1,730,988                |
| Retained net profit             | 2,583,999                | 937,089                  |
| Formation of statutory reserves | (61,925)                 | (86,548)                 |
| Total                           | <u>5,417,575</u>         | <u>2,581,529</u>         |

## MANAGEMENT BOARD STATEMENT

The management board confirms financial report for the business year, ended on December 31, 2007, as presented on pages 19 to 28, as well as used accountancy directions, explanations and annexes and disclosures, as presented on pages 30 to 52.

The management confirms that financial reports were prepared in accordance with applicable accountancy directions and that accountancy estimations were made with great diligence. Annual report presents a real and fair image of the company's financial position and results of its operations for the year 2007.

The management is also responsible for accountancy management, adoption of applicable measures for insuring its property and other assets, and it confirms that financial reports together with explanations were made on the basis of the presumption on future company's operations and in accordance with legislation and Slovenian accountancy standards.

Ljubljana, April 18, 2008

Management Board:

Igor Štemberger

Katja Drobež

## II.6. BASIS FOR FINANCIAL STATEMENTS

Financial reports included in the present annual report are calculated on the basis of Slovenian Accountancy Standards 2006, issued by the Slovenian Auditing Institute. These standards consider two basic accountancy principles:

- Consideration of emerging business events,
- Time illimitability of operations.

Quality characteristics of financial reports and entire accountancy are mostly based on comprehensibility, applicability, reliance and comparison.

The basis for the reports includes also the regulations and provisions of the Securities Market Agency.

Financial reports are presented in Euros.

### **Modifications of accountancy criteria**

The company strives to use the same accountancy standards for all its annual reports. In 2007, the company did not modify its accountancy standards.

### **Modifications of accountancy calculations**

In the business year 2007, the company did not change accountancy calculations, which would significantly affect the current and future periods.

### **Adjustments of errors**

In the business year 2007, the company did not discover or adjust errors in financial reports, which would significantly affect the current and past periods.

All receivables and liabilities to foreigners are calculated according to the Bank of Slovenia middle exchange rate on the ex-date of the balance sheet. The company also calculated all business revenues which were originally stated in foreign currency according to the Bank of Slovenia middle exchange date. Revenues and expenses are recognized as revenues and expenses of financing due to exchange differences.

## II.7. EXPOSURE TO RISKS AND RISK MANAGEMENT

Risks, which ILIRIKA d. d. considers as the most important, are managed by internal control in the company and other measures that are described in continuation. Regular monitoring of ratios, exposure and liquidity ratios is implemented with the following decisions of the Securities Market Agency: Decision on capital adequacy of the stock broking company, Decision on the manner of calculating liquidity ratios and the lowest liquidity balance that a stock broking company must ensure and Decision on the calculation of exposure of the stock broking company (Uradni list RS no. 6/2000 and 117/2002).

### **II.7.1. Market risks (price modification risk, interest risk)**

With regards to general securities price modifications risks the accountancy considers applicable factors for securities, receivables and liabilities in connection to trading for ILIRIKA d.d.'s own account when calculating capital adequacy. Trading sector regularly informs the management on the trends of prices of securities that are included in ILIRIKA d.d.'s portfolio and also of other securities. The management makes the main decisions for the purchase and sale of securities on the basis of technical and basic analysis of a certain security (analyses of trading, issuer, ownership, macroeconomic position, investment risks estimation) that is prepared by the company's analyst department. ILIRIKA d.d.'s investments in debt securities present a low share of all investments in securities, therefore the interest risk does not present an important risk for the company.

### **II.7.2. Opposite party liability risk**

ILIRIKA d.d. manages sources and investments in such a way, so that it can meet all mature liabilities. For this reason, the company forms and implements regular liquidity management policy which includes: planning of expected known and possible cash outflows and sufficient cash inflows for them, regular liquidity monitoring, adopting applicable measures for the prevention or elimination of reasons of non-liquidity.

### **II.7.3. Default risk**

ILIRIKA d.d.'s investments in debt securities present a low stake of all investments in securities and as such they do not present a significant default risk for the company. The company insures itself from default risk, which originates from lent funds, by verifying the debtor's financial position and with applicable contractual provisions for insuring the provided loans. The company also insures itself from default risk in connection to providing loans for clients' purchases by implementing the right of registering the pledge right on securities that are managed on the client's trading account or with the right that according to a preliminary written call the company pays its receivables from clients from the funds, held on the client's account. Default risk does almost not exist in purchases and sales of securities on organised markets. When concluding important trades for its own account, which are made outside the organised market, the company tries to diminish the default risk via preliminary check-up of the client's ownership of securities in the issuer's shareholder register.

### **II.7.4. Currency risk**

ILIRIKA d.d. faces currency risks in implementing its activities on foreign markets. These include mostly purchases and sales of securities. From a long-term point of view, ILIRIKA d.d. minimises this risk by dispersing investments on different markets. Considering the scope of investments in foreign securities and local securities, ILIRIKA d.d. estimates that the exposure to currency risk is moderate.

### **II.7.5. Long-term insolvency risk**

This risk involves the incapability to cover the losses, caused with all other types of risks, with available capital. Long-term solvency is the final result of available capital and of all other kinds of risks: default, interest, liquidity and market risk.

The care for successful operations, effective asset management, permanent capability of creating cash flows from operations, conservative capital structure present the main criteria for ILIRIKA d.d. to manage long-term insolvency risks.

## II.8. DISCLOSURE OF ITEMS IN BALANCE SHEET

### II.8.1. Intangible long-term fixed assets flow chart

Fixed asset, which completes conditions for recognition, is valued at initial recognition at purchase value. The company uses the purchase value model for evaluation of fixed assets. Fixed assets are therefore presented at their purchase values, reduced by amortisation adjustment of value and possible loss due to impairment.

| (in EUR)                             | Material rights | Long-term deferred costs | Other intangible assets | Intangible assets in acquisition | Advance payments | Total    |
|--------------------------------------|-----------------|--------------------------|-------------------------|----------------------------------|------------------|----------|
| <b>Purchase value</b>                |                 |                          |                         |                                  |                  |          |
| December 31, 2006                    | 210,819         | 5,110                    | 14,780                  | -                                | 9,120            | 239,829  |
| Acquisitions                         | -               | -                        | -                       | 64,942                           | -                | 64,942   |
| Transfer from investments in process | 64,942          | -                        | -                       | (64,942)                         | -                | -        |
| Disposals                            | (16,203)        | -                        | -                       | -                                | -                | (16,203) |
| December 31, 2007                    | 259,558         | 5,110                    | 14,780                  | -                                | 9,120            | 288,568  |
| <b>Accumulated value adjustment</b>  |                 |                          |                         |                                  |                  |          |
| December 31, 2006                    | 170,506         | 1,192                    | 13,740                  | -                                | -                | 185,438  |
| Amortisation in year                 | 30,990          | 1,022                    | 520                     | -                                | -                | 32,532   |
| Disposals                            | (16,203)        | -                        | -                       | -                                | -                | (16,203) |
| December 31, 2007                    | 185,293         | 2,214                    | 14,260                  | -                                | -                | 201,767  |
| <b>Non written-off value</b>         |                 |                          |                         |                                  |                  |          |
| December 31, 2006                    | 40,313          | 3,918                    | 1,040                   | -                                | 9,120            | 54,391   |
| December 31, 2007                    | 74,265          | 2,896                    | 520                     | -                                | 9,120            | 86,801   |

## II.8.2. Tangible fixed assets flow chart

Tangible fixed assets include buildings, stationery and small inventories as well as current investments.

| (in EUR)                                | Buildings        | Other<br>Devices and<br>equipment | Stationery    | Fixed<br>Assets in<br>acquisition | Total            |
|---|------------------|-----------------------------------|---------------|-----------------------------------|------------------|
| <b>Purchase value</b>                   |                  |                                   |               |                                   |                  |
| December 31, 2006                       | 3,197,232        | 912,267                           | 23,715        | 2,400                             | 4,135,614        |
| Acquisitions                            | -                | -                                 | -             | 534,417                           | 534,417          |
| Transfer of investments in<br>process   | 325,000          | 177,902                           | 5,867         | (508,769)                         | -                |
| Disposals                               | -                | (58,376)                          | (1,103)       | -                                 | (59,479)         |
| December 31, 2007                       | 3,522,232        | 1,031,793                         | 28,479        | 28,048                            | 4,610,552        |
| <b>Accumulated value<br/>adjustment</b> |                  |                                   |               |                                   |                  |
| December 31, 2006                       | 118,617          | 389,978                           | 17,102        | -                                 | 525,697          |
| Amortisation in year                    | 142,653          | 131,486                           | 2,081         | -                                 | 276,220          |
| Disposals                               | -                | (48,698)                          | (891)         | -                                 | (49,589)         |
| December 31, 2007                       | 261,270          | 472,766                           | 18,292        | -                                 | 752,328          |
| <b>Non written-off value</b>            |                  |                                   |               |                                   |                  |
| <b>December 31, 2006</b>                | <b>3,078,615</b> | <b>522,289</b>                    | <b>6,613</b>  | <b>2,400</b>                      | <b>3,609,917</b> |
| <b>December 31, 2007</b>                | <b>3,260,962</b> | <b>559,027</b>                    | <b>10,187</b> | <b>28,048</b>                     | <b>3,858,224</b> |

## II.8.3. Financial investments

In accordance with SRS 2006, the company divided long-term and short-term financial investments into 4 groups:

- 1<sup>st</sup> group: financial investments according to fair value in the profit and loss account
- 2<sup>nd</sup> group: financial investments owned until due
- 3<sup>rd</sup> group: loans and receivables
- 4<sup>th</sup> group: financial investments available for sale

The company includes long-term financial investments in stakes or shares of companies in group and strategic investments under **financial investments, available for sale**. Strategic investments are investments, which guarantee the payments of loans. Bonds of the Republic of Slovenia are included under **financial investments owned until due**. Other financial investments are distributed among **financial assets, measured at fair value** in the profit and loss account. The date of acquisition refers to the trading date.

## Evaluation

When acquired, the financial investment is evaluated **at fair value**. If this is a financial asset that is not included under financial assets, estimated at fair value in the profit and loss account, the initial value must be increased by the costs of trade, which originate directly from the purchase or issue of financial asset.

**Valuation** of investment depends on the fact, into which group an individual financial investment is included:

- Financial investments, included in the 1<sup>st</sup> and 4<sup>th</sup> groups are valued at fair value. Fair value is marketable value (stock index, published daily value of mutual fund unit, bond index). Change of fair value for financial investments in the 1<sup>st</sup> group is recognized in the profit and loss account as financial revenue or expense. Change of fair value for financial investments in the 4<sup>th</sup> group is presented in capital as the surplus from revaluation. Financial revenue as the consequence of elimination of surplus for financial investments in the 4<sup>th</sup> group is presented at the sale of financial investment or when this investment is presented.
- Revaluation of financial investments is implemented on the last day of every year.
- Financial investments, distributed in the 2<sup>nd</sup> and 3<sup>rd</sup> groups, are valued at pay-off value. Pay-off value of an asset is the amount, at which the financial asset is estimated at initial presentation, reduced (according to effective interest method) by the accumulated payment of the difference between the initial and due amount and reduced (directly or according to calculation on the value adjustment account) due to weakness and inability to be cashed in.
- Financial investments in non-marketable securities, which are distributed in the 4<sup>th</sup> group, are valued at purchase value.
- Financial investments in capital of affiliated are valued at purchase value and are in principle long-term.

## Impairments

On the date of the report the company estimates whether impartial evidence exists on possible impairments of financial investment. Loss, which is the consequence of revaluation due to impairment, and cannot be settled with the surplus from revaluation, is presented as financial expense in the profit and loss account.

The loss due to impairment in financial investments, which are owned until due, and loans as well as receivables, which are presented according to pay-off value, is terminated, if the increase of the alternative value of asset can be impartially connected to the event, which emerged after the presentation of impairment. The loss is terminated via the profit and loss account. The loss amount is calculated as the difference between the book value of the asset and current value of expected future cash flows, discounted at current market yield for similar financial assets.

Losses due to impairments, which are presented as the financial investment in capital instrument, distributed as disposable for sale, cannot be invalidated via the profit and loss account. If the fair value of debt instrument, distributed as disposable for sale, is increased and this increase can be impartially connected to an event, which emerged after the presentation of the loss due to impairments in the profit in loss account, it is necessary to invalidate via the profit and loss account as the financial inflow. Loss amount can be estimated as the difference between purchase value and fair value, decreased by the loss due to impairment of such financial asset, which was presented in the profit and loss account.

Financial investments, estimated at fair value, are revaluated on the final day of the year.

### Impairments of long-term assets, excluding financial investments

On the day of reporting the company estimates, whether there is any sign that the asset is impaired. If there is such a sign, the company must estimate the alternative value of the asset.

Alternative value is fair value, reduced by sales costs or value at use, depending on which is higher. Estimation of value includes estimation of receipts and expenses, which will arise from further use of the asset or its final disposal, and the use of discount rate at future cash flows. The value at use is established for a unit, namely the

lowest determinable group of assets, the use of which is a source of cash receipts, mostly independent from cash receipts from other assets or groups of assets. Only if the alternative value of the asset is lower than its book value, then the book value is decreased to its alternative value. Such decrease is considered as loss due to impairment. Loss due to impairment of the asset, which is estimated according to the purchase value model, is recognised in the profit and loss account. Loss due to impairment of asset, estimated according to the revaluation mode, burdens directly each surplus from revaluation, before such difference is recognised in the profit and loss account.

Losses due to impairments, recognised in assets in previous periods, should be annulled, if the estimation, used for establishing the alternative value of the asset, modifies after the final loss due to impairment was recognised. In such case the book value of the asset needs to be increased to its alternative value. Such increase annuls the loss due to impairment. In case of nullification of loss due to impairment of the asset the increased book value should not exceed the book value, which would have been established (after the deduction of amortisation value adjustment), if in the previous years loss due to impairment would not have been recognised or if such increase is the consequence of revaluation. Nullification of loss due to impairment of asset, which is measured according to purchase value model, is recognised in the profit and loss account. The nullification of loss due to impairment of asset, measured according to revaluation model, should be ascribed directly to the surplus from revaluation. If the loss due to impairment of the same revaluation asset was recognised in the profit and loss account, the nullification of such loss due to impairment of the asset should be recognised in the profit and loss account.

### II.8.3.1. Long-term financial investments in affiliated companies

Investments in affiliated companies include:

| (in EUR)                                   | Share in equity    | December 31,<br>2007 | December 31,<br>2006 |
|--|--------------------|----------------------|----------------------|
| <b>Stakes in companies in group:</b>       | %                  |                      |                      |
| Abroad:                                    |                    |                      |                      |
| ILIRIKA Investments a.d., Belgrade         | 51.00              | 58,155               | 58,155               |
| ILIRIKA Vrijednostni papiri d.o.o., Zagreb | 99.87 (85 % stake) | 79,992               | 79,992               |
| ILIRIKA investments a.d., Skopje           | 61.00              | 45,855               | 45,855               |
| Total                                      |                    | 184,002              | 184,002              |

Long-term financial investments in capital of the above mentioned companies are included in consolidated financial reports.

### II.8.3.1. Long-term financial investments

| (in EUR)  | December 31, 2007 | December 31, 2006 |
|---|-------------------|-------------------|
| <b>Long-term financial investments:</b>           |                   |                   |
| Long-term financial investments, excluding loans: |                   |                   |
| Shares and stakes in companies in group           | 184,002           | 184,002           |
| Shares and stakes in affiliated companies         | -                 | -                 |
| Other shares and stakes                           | 52,763            | 93,873            |
| Other long-term financial investments             | 189,669           | 138,036           |
| Long-term loans                                   |                   |                   |
| Long-term loans to companies in group             | -                 | -                 |
| Long-term loans to affiliated companies           | -                 | -                 |
| Long-term loans to others                         | 119,582           | 77,253            |
| Long-term non paid called-up capital              | -                 | -                 |
| Total   | 546,016           | 493,164           |

| (in EUR)  | December 31, 2007 | December 31, 2006 |
|---|-------------------|-------------------|
| <b>Long-term financial investments:</b>                         |                   |                   |
| Financial investments at fair value via profit and loss account | -                 | -                 |
| Financial investments in possession until due                   | 119,582           | 77,253            |
| Loans   | -                 | -                 |
| Financial investments available for sale                        | 426,434           | 415,911           |
| <b>Total</b>  | <b>546,016</b>    | <b>493,164</b>    |

### II.8.3.1.1. Long-term financial investments flow in 2007

| (in EUR)                      | Financial investments in possession until due | Financial investments available for sale | Total    |
|-------------------------------|---|--|----------|
| <b>Gross value</b>            |   |  |          |
| As on December 31, 2006       | 77,253  | 419,928                                  | 497,181  |
| Increases                     |   |  |          |
| Purchases                     | 38,237  | -  | 38,237   |
| Interests                     | 4,092   | -  | 4,092    |
| Revaluation to fair value     | -   | 51,632                                   | 51,632   |
| Decreases                     |   |  |          |
| Sales                         | -   | (45,126)                                 | (45,126) |
| As on December 31, 2007       | 119,582                                       | 426,434                                  | 546,016  |
| <b>Value adjustment</b>       |   |  |          |
| As on December 31, 2006       | -   | 4,017                                    | 4,017    |
| Increases                     |   |  |          |
| Value adjustments during year | -   | -  | -        |
| Decreases                     |   |  |          |
| Disposal at sale              | -   | (4,017)                                  | (4,017)  |
| As on December 31, 2007       | -   | -  | -        |
| Net value December 31, 2006   | 77,253  | 415,911                                  | 493,164  |
| Net value December 31, 2007   | 119,582                                       | 426,434                                  | 546,016  |

### II.8.3.1.2. Capital and profit/loss of affiliated companies in 2007

| (in EUR)                                   | Stake in capital           | Amount of capital December 31, 2007 | Net profit or loss in 2007 |
|--|----------------------------|-------------------------------------|----------------------------|
| <b>Stakes in companies in group:</b>       |                            |                                     |                            |
| Abroad:                                    |                            |                                     |                            |
| ILIRIKA Investments a.d., Belgrade         | 51.00                      | 1,186,616                           | 98,980                     |
| ILIRIKA Vrijednostni papiri d.o.o., Zagreb | 99.87 (85% business stake) | 1,103,875                           | 388,587                    |
| ILIRIKA Investments a.d., Skopje           | 61.00                      | 258,112                             | 153,577                    |

**II.8.3.2. Short-term financial investments**

| (in EUR)  | December 31, 2007 | December 31, 2006 |
|---|-------------------|-------------------|
| <b>Short-term financial investments:</b>          |                   |                   |
| Short-term financial investments, excluding loans |                   |                   |
| Shares and stakes in companies in group           | -                 | -                 |
| Shares and stakes in affiliated companies         | -                 | -                 |
| Other shares and stakes                           | 6,026,131         | 3,758,028         |
| Other short-term financial investments            | -                 | -                 |
| Short-term loans                                  |                   |                   |
| Short-term loans to companies in group            | 150,000           | 12,222            |
| Short-term loans to affiliated companies          | -                 | -                 |
| Short-term loans to others                        | 236,868           | 340,576           |
| Short-term non paid called-up capital             | -                 | -                 |
| Total   | 6,412,999         | 4,110,826         |

| (in EUR)   | December 31, 2007 | December 31, 2006 |
|--|-------------------|-------------------|
| <b>Short-term financial investments:</b>                           |                   |                   |
| Financial investments at fair value via<br>profit and loss account | 2,358,648         | 1,418,544         |
| Financial investments in possession until due                      | -                 | -                 |
| Loans  | 386,868           | 352,798           |
| Financial investments available for sale                           | 3,667,483         | 2,339,484         |
| Total  | 6,412,999         | 4,110,826         |

**II.8.3.2.1. Short-term financial investments flow in 2007**

| (in EUR)                           | Financial<br>investments<br>at fair value | Loans       | Financial<br>investments<br>available<br>for sale | Total        |
|------------------------------------|---|-------------|---|--------------|
| <b>Gross value</b>                 |   |             |   |              |
| As on December 31, 2006            | 1,418,544                                 | 352,798     | 2,566,083   | 4,337,425    |
| Increases                          |   |             |   |              |
| New loans, purchases               | 2,185,629                                 | 3,852,000   | 14,448,150  | 20,485,779   |
| Revaluation – currency differences | (21,252)                                  | -           | -   | (21,252)     |
| Revaluation to fair value          | 348,047                                   | -           | 319,793   | 667,840      |
| Decreases                          |   |             |   |              |
| Pay-offs, sales                    | (1,572,320)                               | (3,814,366) | (13,286,438)                                      | (18,673,124) |
| Revaluation to fair value          | -   | -           | (105,629)   | (105,629)    |
| As on December 31, 2007            | 2,358,648                                 | 390,432     | 3,941,959   | 6,691,039    |
| <b>Value adjustment</b>            |   |             |   |              |
| As on December 31, 2006            | -   | -           | 226,599   | 226,599      |
| Increases                          |   |             |   |              |
| Value adjustments during year      | -   | 3,564       | 91,398  | 94,962       |
| Decreases                          |   |             |   |              |
| Final investments write-off        | -   | -           | (43,521)  | (43,521)     |
| As on December 31, 2007            | -   | 3,564       | 274,476   | 278,040      |
| Net value December 31, 2006        | 1,418,544                                 | 352,798     | 2,339,484   | 4,110,826    |
| Net value December 31, 2007        | 2,358,648                                 | 386,868     | 3,667,483   | 6,412,999    |

**II.8.4. Operating receivables****II.8.4.1. Long-term operating receivables**

| (in EUR)                   | December 31, 2007 | December 31, 2006 |
|----------------------------|-------------------|-------------------|
| Long-term advance payments | 195,062           | 118,853           |
| Total                      | 195,062           | 118,853           |

The balance of long-term operating receivables entirely refers to payments in the pledge fund held at the Central Securities Clearing Corporation.

### II.8.4.2. Deferred receivables for tax

Deferred receivable for tax is recognised for all temporary differences, non-used tax credit notes and tax losses in the amount, for which there is a possibility, that it will be available for future taxable profit, in the credit of which it will be possible to use the deferred receivable, except:

- if differences emerge from initially recognised assets or liabilities or liabilities in the business event, which in the time of emergence does not effect neither the financial profit nor the taxable profit, except if there is a case of receivables, arising from business merger, distribution, exchange of capital stake or transfer of activities;
- if differences emerge from financial investments in affiliated companies, subsidiaries or stakes in common establishments, or if there is no possibility that temporary differences will be eliminated in the foreseeable future.

When drafting the balance sheet the company estimates receivables, previously not recognised, for deferred tax and are recognised, if there is a possibility that the future taxable profit will enable the use of receivables for deferred tax. The company decreased book value of receivables fro deferred tax, if there is no possibility that enough taxable profit will be available. Each reduction is eliminated in the case of possibility that a sufficient taxable profit will be available.

| (in EUR)   | December 31,<br>2006 | Deferred taxes via<br>profit and loss<br>account | December 31,<br>2007 |
|--|----------------------|--|----------------------|
| Revaluation or impairment of financial investments | 6,882                | 17,824   | 24,706               |
| Impairments of operating receivables               | 5,888                | 2,004  | 7,892                |
| Provisions for costs and expenses                  | -                    | 67,980   | 67,980               |
|  | 12,770               | 87,808   | 100,578              |

### II.8.4.3. Short-term operating receivables

Receivables are evaluated according to their payment value on the basis of the effective interest rate method.

| (in EUR)  | December 31, 2007 | December 31, 2006 |
|---|-------------------|-------------------|
| Short-term operating receivables to buyers:                         |                   |                   |
| In Slovenia   | 122,446           | 361,267           |
| On foreign markets  | 48,420            | 26,481            |
| Short-term operating receivables to companies in group              | 13,784            | 6,364             |
| Short-term advance payments for current assets                      | 5,821             | 4,995             |
| Receivables to stock broking account for funds intended for trading | 544,218           | 438,829           |
| Short-term receivables, related to financial revenues               | 6,450             | 24,216            |
| Other short-term receivables  | 51,975            | 50,864            |
| Short-term receivables from sales of shares                         | 160,000           | -                 |
| Impairments   | (42,203)          | (58,325)          |
|   | 910,911           | 854,691           |

**II.8.4.3.1. Maturity of short-term operating receivables**

| (in EUR)        | December 31, 2007 | December 31, 2006 |
|-----------------|-------------------|-------------------|
| Not due         | 138,225           | 309,172           |
| Due until:      |                   |                   |
| - 30 days       | 2,195             | -                 |
| - 60 days       | 1,137             | 30,270            |
| - 90 days       | 6,457             | -                 |
| - 180 days      | 3,594             | -                 |
| - 360 days      | 9,046             | 10,220            |
| - over 360 days | 23,996            | 44,450            |
|                 | <u>184,650</u>    | <u>394,112</u>    |

**II.8.4.3.2. Short-term operating receivables value adjustment movement**

| (in EUR)                                      | December 31, 2007    |
|---|----------------------|
| January 1                                     | 58,325               |
| Increases                                     |                      |
| Adjustments of value during year              | 28,151               |
| Currency differences                          | -                    |
| Transfer from long-term operating receivables | -                    |
| Decreases                                     |                      |
| Recovered written-off receivables             | (43,131)             |
| Final write-off of receivables                | (1,142)              |
| Currency differences                          | -                    |
| <b>December 31</b>                            | <u><u>42,203</u></u> |

Receivables from buyers, for which there is an assumption that they will not be settled or were not settled within the given date or entirely, are considered as doubtful. If there was court proceedings initiated due to such receivables, they are called as contestable receivables. For such receivables the company forms applicable value adjustments. Business receivables are not insured with material pledge of debtor.

**II.8.5. Cash**

Cash includes cash and cash in the books. Cash is money the hand in the form of bank notes and coins. Cash in the books is money on the accounts at banks with paying capacities in Slovenia and abroad and at the Bank of Slovenia account. Book value of cash assets equals their face value until there is a need for revaluation. On the date of the balance sheet, we transformed all foreign cash assets according to the Bank of Slovenia middle exchange rate. Negative balances on bank accounts are presented as short-term financial liability.

| (in EUR)                             | December 31, 2007 | December 31, 2006 |
|--------------------------------------|-------------------|-------------------|
| Cash in cashbox in local currency    | 521               | 262               |
| Cash in cashbox in foreign currency  | 179               | 10                |
| Cash on accounts in local currency   | 56,432            | 44,980            |
| Cash on accounts in foreign currency | 462               | 7,591             |
| Total                                | <u>57,594</u>     | <u>52,843</u>     |

ILIRIKA d.d. can use the common limit in the amount of EUR 209,000 at NLB bank until 30 May, 2008, however, this limit was not used until 31 Dec, 2007. Interest rate for this limit amounts to 6.15%.

## II.8.6. Capital

Acquired treasury shares or business stakes are deducted from capital. In profit and loss account, profit or loss is not recognised at sale, purchase, issue or withdrawal, however all differences are calculated with capital.

Dividends are recognised as liabilities in the period, during which the assembly adopts a decision on their distribution.

Share capital consists of ordinary shares of one class, labelled IBHR. The ISIN code of the shares is SI 0021107881, issuer's code is IBH. The share capital consists of 250,000 shares, not determined in face value. Shares are paid in.

Weighed average number of ordinary shares in the calculation period is 250,000.

Net profit per share equals net profit in business year / weighed number of shares and amounts to EUR 11.58. Net profit per share in 2006 amounted to EUR 6.92. Comparing to the year 2006, during 2007 net profit per share increased by 67.3%-

Book value of ILIRIKA d.d. share on 31 December, 2006 amounted to EUR 21.04, on 31 December 2007, the value was EUR 32.26.

In 2007, ILIRIKA d.d. formed statutory reserves in the amount of EUR 61,925.

### II.8.6.1. Surplus from revaluation movement chart

| (in EUR)  | Long-term<br>financial<br>investments | Short-term<br>financial<br>investments | Deferred<br>Taxes | Total          |
|---|---------------------------------------|--|-------------------|----------------|
| <b>Opening balance on December 31, 2006</b>               | 79,438                                | 499,100                                | (133,064)         | 445,474        |
| Adjustments with fair value                               | 51,632                                | 214,154                                | (56,625)          | 209,161        |
| Disposal on the account of liabilities for deferred taxes | -                                     | -                                      | -                 | -              |
| Disposal on the account of revenues                       | -                                     | (393,788)                              | 90,571            | (303,217)      |
| <b>Closing balance on December 31, 2007</b>               | <b>131,070</b>                        | <b>319,466</b>                         | <b>(99,118)</b>   | <b>351,418</b> |

## II.8.7. Provisions and long-term accrued costs and deferred revenues

In the balance sheet, the company recognises provisions, if due to a past event, it has a legal or indirect obligation or if there is a possibility that outflow of factors that enable economic interests will be necessary for settling the obligation. Since the time effect of money value is significant, the amount of provision is determined by discounting the expected future cash flows according to interest rate before taxation. This reflects the existing estimations of time value of money and if necessary, also risks that are typical for the obligation. The effect from discounting is presented as financial expense or revenue.

Provisions are reduced directly for costs or expenses, for which they were formed, which means, that they are not presented in the profit and loss account except in the case of provisions for critical contracts and long-term deferred revenues, the use of which is transferred among operating revenues.

| (in EUR)                            | Legal<br>disputes | Total   |
|-------------------------------------|-------------------|---------|
| <b>Balance on December 31, 2006</b> | -                 | -       |
| Modifications during year:          |                   |         |
| Formation                           | 618,000           | 618,000 |
| <b>Balance on December 31, 2007</b> | 618,000           | 618,000 |

## II.8.8. Long-term and short-term debts

Debts are evaluated according to their payment value and effective interest method. If significant debts amounts do not carry interests, they are presented at discounted value, where the average interest rate is considered. If the actual or agreed interest rate does not significantly differ from effective interest rate, then debts are recognised in the balance sheet at their initial value, reduced for payments.

### II.8.8.1. Short-term financial liabilities

| (in EUR)   | December 31, 2007 | December 31, 2006 |
|--|-------------------|-------------------|
| Short-term loans, received from banks and companies in state | 2,697,000         | 2,417,731         |
| Short-term loans, received from natural entities             | -                 | 53,623            |
| Total  | 2,697,000         | 2,471,354         |

#### II.8.8.1.1. Insurance of short-term received loans as on 31 December 2007

| (in EUR)                     | Granted<br>loan | Insurance   | Debt<br>principal<br>December<br>31, 2007 |
|------------------------------|-----------------|---|---|
| <b>Lender</b>                |                 |   |   |
| Banks in Slovenia            |                 |   |   |
| NLB d.d.                     | 500,000         | 10 blank drafts + 500 ZVTG+ 95.397 NF1N<br>11 blank drafts + 1800 ZVTG+ 6190 points Triglav | 300,000                                   |
| NLB d.d.                     | 626,000         | steber 1  | 521,000                                   |
| NLB d.d.                     | 834,585         | 10 blank drafts + pledge of real estate   | 300,000                                   |
| NLB d.d.                     | 834,500         | 10 blank drafts + pledge of real estate   | -   |
| NLB d.d.                     | 507,000         | 10 blank drafts + pledge of real estate   | -   |
| Hypo Alpe Adria Bank d.d.    | 1,500,000       | 10 blank drafts + 5323 ZVTG   | 1,500,000                                 |
| Hypo Alpe Adria Bank d.d.    | 1,500,000       | 10 blank drafts + 1580 KRKG   | -   |
| Deželna banka Slovenije d.d. | 530,000         | 5 blank drafts + 5 blank signed payment orders  | -   |
| Deželna banka Slovenije d.d. | 400,000         | 5 blank drafts + 5 blank signed payment orders  | -   |
| Deželna banka Slovenije d.d. | 1,000,000       | 5 blank drafts + 5 blank signed payment orders  | -   |
| <b>Total</b>                 |                 |   | <b>2,621,000</b>                          |
| Other lenders                |                 |   |   |
| ILIRIKA finance d.o.o.       | 876,000         |   | 76,000                                    |
| <b>Total other lenders</b>   |                 |   | <b>76,000</b>                             |
| <b>Total loans</b>           |                 |   | <b>2,697,000</b>                          |

Loans, provided by NLB d.d. bank, are insured by a pledge of real estate at Slovenska 54A.

### II.8.8.2. Short-term operating liabilities

| (in EUR)   | December 31, 2007 | December 31, 2006 |
|--|-------------------|-------------------|
| Short-term liabilities to companies in group           | -                 | -                 |
| Short-term liabilities to suppliers                    |                   |                   |
| In Slovenia  | 128,948           | 518,887           |
| On foreign markets                                     | 1,635             | 5,959             |
| Short-term liabilities to employees                    | 168,395           | 79,749            |
| Short-term liabilities to state and other institutions | 444,461           | 706,531           |
| Short-term liabilities to financiers                   | 16,106            | -                 |
| Other short-term operating liabilities                 | 1,733             | 16,466            |
| Total  | 761,278           | 1,327,592         |

### II.8.9 Liabilities for deferred tax

Deferred liability for tax is recognised for all temporary differences, except:

- Good name, if the case does not include taxable expense;
- Initial recognition of assets or liabilities in business event, which does not include consolidation, partition, exchange of capital stakes or transfer of activity, and does not affect the financial nor taxable profit;
- Differences in connection to investments in affiliated companies, subsidiaries or associated companies or stakes in common establishments in the same amount, for which there is a probability that it will not be eliminated in the anticipated future.

| (in EUR)  | December 31, 2006 | Deferred taxes via profit and loss account | Deferred taxes via capital | Other adjustments | December 31, 2007 |
|---|-------------------|--|----------------------------|-------------------|-------------------|
| Revaluation of financial investments to fair value  | 133,064           |  | (33,947)                   | -                 | 99,117            |
| Transfer of tax liabilities to Future years due to transition to Slovenian Accountancy standards 2006 | 30,877            | (14,203)                                   |                            | (2,470)           | 14,204            |
|   | 163,941           | (14,203)                                   | (33,947)                   | (2,470)           | 113,321           |

### II.8.10. Short-term accrued and deferred items

Deferred costs and accrued revenues include short-term deferred costs and short-term non calculated revenues.

| (in EUR)                              | December 31, 2007 | December 31, 2006 |
|---------------------------------------|-------------------|-------------------|
| Short-term deferred costs or expenses | 21,553            | 14,350            |
| Short-term non-charged revenues       | 84,887            | 9,974             |

|            |         |        |
|------------|---------|--------|
| Securities | -       | 835    |
| Total      | 106,440 | 25,159 |

**Deferred revenues and accrued costs** include costs and short-term deferred revenues.

| (in EUR)                                | December 31, 2007 | December 31, 2006 |
|---|-------------------|-------------------|
| Costs or expenses calculated in advance | 20,923            | 26,081            |
| Total                                   | 20,923            | 26,081            |

### II.8.11. Off-balance records

| (in EUR)                                   | December 31, 2007 | December 31, 2006 |
|--|-------------------|-------------------|
| Securities in stock broking for clients    | 646,553,514       | 387,030,450       |
| Securities in asset management for clients | 35,302,327        | 24,822,843        |
| Pledges of securities                      | -                 | 439,457           |
| Total                                      | 681,855,841       | 412,292,750       |

## II.9. DISCLOSURE OF ITEMS IN PROFIT AND LOSS ACCOUNT

Profit and loss statement is the basic financial report, which presents the amount of revenues, which the company created in one year, what was the amount of expenses and what kind of profit and loss account is applicable for such operations. For the implementation of the profit and loss account we chose the 1<sup>st</sup> version, which defines the profit and loss by levels. Costs are presented according to natural types.

### II.9.1. Revenues

Revenues are recognised if the increase in economic benefits in the account period, relates to the asset increase or debt decrease. Revenues influence the capital amount.

Revenues are distributed to operating revenues, financial revenues and other revenues.

Revenues from executed services are recognised in the profit and loss account regarding the stage of completeness of trade on the date of the balance sheet. The stage of completeness is estimated by reviewing the implemented work. Revenues are not recognised, if there is uncertainty regarding the compensation and related costs.

Revenues from interests are recognised in the profit and loss account when they emerge, namely on the basis of the effective interest rate method. Revenues from dividends are recognised on the day when the shareholder's right to payment is enforced. Positive currency differences, profits from instruments for protection against risks and other revenues, arising from financial investments are also recognised as financial revenues.

**II.9.1.1. Net sales revenues**

| (in EUR)  | 2007      | 2006      |
|---|-----------|-----------|
| Sales revenues from stock broking - Slovenia                        | 2,127,871 | 1,103,472 |
| Revenues from sales of stock broking services - foreign markets     | 40,313    | 136,616   |
| Revenues from sales of asset management services                    | 1,744,359 | 859,310   |
| Revenues from services in connection to takeovers - Slovenia        | -         | 19,396    |
| Revenues from services in connection to takeovers – foreign markets | 80,000    | 126,544   |
| Revenues from investment consulting services - Slovenia             | 184,483   | 141,671   |
| Revenues from investment consulting services – foreign markets      | -         | 139,971   |
| Other services, executed in Slovenia                                | 101,213   | 32,617    |
| Other services, executed abroad                                     | 62,540    | -         |
| Total   | 4,340,779 | 2,559,597 |

Revenues from executed services, except from service that lead to financial revenues, are presented on the basis of the calculated sales.

**II.9.1.2. Other operating revenues**

Other operating revenues in the amount of EUR 72,579 refer to:

- Recovered written off receivables in the amount of EUR 43,131
- Profit at sales of fixed assets in the amount of EUR 6,708
- Final assessments of deductible VAT in the amount of EUR 21,840
- Write-off of liabilities in the amount of EUR 900.

**II.9.1.3. Financial revenues**

| (in EUR)   | 2007      | 2006      |
|--|-----------|-----------|
| Financial revenues from stakes   |           |           |
| Revenues from stakes in profit or received dividends                     | 82,917    | 128,852   |
| Revenues from sale of stakes in local companies                          | 2,173,738 | 886,459   |
| Revenues from sale of stakes in foreign companies                        | 748,835   | 723,723   |
| Revenues from sale of stakes in group                                    | -         | 350,088   |
| Revenues from revaluation of investments, calculated at fair value       | 419,023   | 325,426   |
| Revenues from elimination of surplus from revaluation to revenues        | 393,797   | 213,858   |
| Revenues from elimination of impairment at sale of financial investments | 43,521    | -         |
| Revenues from sale of other investments                                  | 5,946     | 4,031     |
| Financial revenues from loans  |           |           |
| Financial revenues from loans, granted to companies to group             | 8,219     | 1,606     |
| Financial revenues from loans, granted to others                         | 43,523    | 13,913    |
| Financial revenues from operating receivables                            |           |           |
| Financial revenues from operating receivables to others                  | 13,857    | 5,825     |
| Total  | 3,933,376 | 2,653,781 |

Revenues from sale of securities are calculated according to the average purchase prices method. For differences that emerge in sales, the company presents financial revenues and expenses.

#### II.9.1.4. Other revenues

Other revenues in the amount of EUR 8,191 refer entirely to received indemnification payments.

### II.9.2. Expenses

Expenses are categorised into business expenses, financial expenses and other expenses.

Revaluated business expenses emerge due to impairment of fixed and current assets and also due to the loss at sales of intangible assets and tangible fixed assets in comparison to their book value.

Financial expenses consist of interests from loans, which are calculated according to the effective interest rate method, negative currency differences, losses from instruments for protection against risks and other expenses, emerging from financial investments.

#### II.9.2.1. Operating expenses

| (in EUR)   | 2007      | 2006      |
|--|-----------|-----------|
| Costs of goods, material and services                        |           |           |
| Purchase value of sold goods and material                    | -         | -         |
| Costs of used material                                       | 94,720    | 91,750    |
| Costs of services  | 1,665,198 | 1,242,656 |
| Labour costs   |           |           |
| Costs of salaries  | 1,098,141 | 851,106   |
| Costs of social security                                     | 83,555    | 63,633    |
| - pension insurance  | 98,303    | 75,320    |
| Costs of additional pension insurance                        | -         | -         |
| Other labour costs   | 167,212   | 144,813   |
| Value write-offs   |           |           |
| Amortisation   | 308,752   | 197,498   |
| Revaluation expenses in intangible and tangible fixed assets | 10,098    | 10,579    |
| Revaluation operating expenses in current assets             | 34,935    | 21,839    |
| Other operating expenses                                     | 651,010   | 16,801    |
| Total  | 4,211,924 | 2,715,995 |

Costs of annual report audit for the year 2007 amounted to EUR 11,900.

##### II.9.2.1.1. Labour costs

The company calculates the costs of labour according to the general collective contract for economy.

##### II.9.2.1.2. Value write-offs

Value write-offs in the amount of EUR 353,785 refer to:

- Amortisation of intangible assets in the amount of EUR 32,532

- Amortisation of tangible fixed assets in the amount of EUR 276,220
- Revaluated business expenses in fixed assets in the amount of EUR 10,098
- Revaluated business expenses in current assets (receivables) in the amount of EUR 34,935.

The company uses the method of proportionate time amortisation. The amortisation of fixed assets is calculated according to equal time amortisation method, considering the usefulness period of each individual asset. Land is not amortised. Amortisation of fixed assets is calculated when the asset is available for use. The applicability of the used period and method of amortisation is reviewed at least at the end of each business year. Possible necessary adjustments are considered as the change of financial estimation. Estimated periods of usefulness are:

|  |       |
|--|-------|
| Buildings                              | 3%-5% |
| Office equipment and small inventories | 25%   |
| Interior equipment                     | 12.5% |
| Hardware and software                  | 50%   |
| Investments in foreign assets          | 20%   |

### II.9.2.1.3. Other operating expenses

Other operating expenses in the amount of EUR 651,010 refer to:

- Recognised long-term provision for legal action, taken against ILIRIKA d.d. in the amount of EUR 618,000.
- Compensation for the use of land in the amount of EUR 6,601.
- Contribution for encouraging employment of the disabled in the amount of EUR 5,479.
- Donations in the amount of EUR 13,387.
- Other costs in the amount of 7,543.

### II.9.2.2. Financial expenses

| (in EUR)  | 2007    | 2006    |
|---|---------|---------|
| Financial expenses from financial investments                       | 237,988 | 170,632 |
| Financial expenses from financial liabilities                       |         |         |
| Financial expenses from loans, received from companies in group     | -       | -       |
| Financial expenses from loans, received from banks                  | 145,532 | 197,432 |
| Financial expenses from issued bonds                                | -       | -       |
| Financial expenses from other financial liabilities                 | 14,902  | 25,109  |
| Financial expenses from operating liabilities                       |         |         |
| Financial expenses from operating liabilities to companies in group | -       | -       |
| Financial expenses from liabilities to suppliers                    | 1,579   | 618     |
| Financial expenses from other operating liabilities                 | 9,016   | 13,207  |
| Total   | 409,017 | 406,998 |

### II.9.2.3. Breakdown of expenditure

Distribution of costs according to functional groups

| (in EUR)                        | 2007      | 2006      |
|---------------------------------|-----------|-----------|
| Value of sold operating effects | -         | -         |
| Costs of sales                  | 3,073,900 | 1,916,404 |
| Costs of general activities     | 1,092,992 | 767,172   |
| Total                           | 4,166,892 | 2,683,576 |

### II.9.2.4. Additional disclosures of net profit and loss account

For the operating year 2007 the company established net profit in the amount of EUR 2,895,501. If the company would revalue the capital at the consumer goods price increase rate (5.6%), net profit would amount to EUR 2,597,126 not considering the effect on the calculation of legal entities income tax.

The management board proposes to the company's assembly that the established undistributed net profit of the current year on the date of the balance sheet remains undistributed.

### II.9.2.5. Tax on profit

Tax on profit or loss includes levied or deferred tax. Levied tax will be deducted from taxable profit for business year with the use of tax rates in force on the date of the balance sheet, considering possible adjustment of tax obligations in connection to previous business years. When presenting deferred tax, the balance sheet obligation method is used, where temporary differences between the book value and tax value of assets or liabilities are considered.

Tax on profit is presented in the profit and loss account, except in the part, where it refers directly to items, presented in capital and is therefore presented among capital.

| (in EUR)   | 2007        | 2006        |
|--|-------------|-------------|
| Profit or tax before taxation                              | 3,726,764   | 2,330,539   |
| Tax after calculation of legal entities income tax         | 933,274     | 564,742     |
| Deferred taxes   | (102,011)   | 34,817      |
| Effective taxation level after calculation of tax          | 25%         | 24%         |
| Effective taxation level after expenses for tax            | 22%         | 26%         |
| (in EUR)   | 2007        | 2006        |
| Revenues, established according to accountancy regulations | 8,354,925   | 5,455,039   |
| Expenses, established according to accountancy regulations | (4,628,161) | (3,124,500) |
| Profit or loss   | 3,726,764   | 2,330,539   |
| Decrease of tax basis and benefits                         | (201,134)   | (162,621)   |
| Increase of tax basis                                      | 532,083     | 91,050      |
| Tax basis  | 4,057,713   | 2,258,968   |
| Legal entities income tax 23% (2006: 25%)                  | 933,274     | 564,742     |

## II.10. OTHER DISCLOSURES

### II.10.1. Payments to the management board

President, member of the management board (until 13 July 2007) and member of the management board (since 8 June 2007) are regularly employed in the company and received gross salaries and other costs in connection to labour in the total amount of EUR 142,625. There were no other rewards or participations in profit paid to the mentioned employees.

Employees, employed on the basis of contracts, for which the tariff part of the collective contract does not apply, received gross personal income and other labour costs in the amount of EUR 66,447.

### II.10.2. Trades made with affiliated companies and entities

#### SALE to affiliated companies and entities

| (in EUR)                                  | 2007   | 2006  |
|---|--------|-------|
| ILIRIKA Vrijednostni papiri d.o.o. Zagreb | 966    | 3,179 |
| ILIRIKA Investments a.d. Skopje           | 62,163 | -     |
| Total                                     | 63,129 | 3,179 |

#### PURCHASE at affiliated companies and entities

| (in EUR)                                  | 2007 | 2006  |
|---|------|-------|
| ILIRIKA Vrijednostni papiri d.o.o. Zagreb | 131  | 2,239 |
| ILIRIKA Investments a.d. Skopje           | 296  | -     |
| Total                                     | 427  | 2,239 |

#### RECEIVABLES FROM OPERATIONS from affiliated companies and entities

| (in EUR)                                  | December 31, 2007 | December 31, 2006 |
|---|-------------------|-------------------|
| ILIRIKA Vrijednostni papiri d.o.o. Zagreb | 1,933             | 2,174             |
| ŠTEMBERGER Jelka                          |                   | 7                 |
| ŠTEMBERGER Pavlina                        | 7                 | 7                 |
| ŠTEMBERGER Igor                           | 29                | -                 |
| Total                                     | 1,969             | 2,188             |

**LIABILITIES IN OPERATIONS to affiliated companies and entities**

| (in EUR)  | December 31, 2007 | December 31, 2006 |
|---|-------------------|-------------------|
| <b>Liabilities in operations to affiliated companies and entities</b> |                   |                   |
| Affiliated companies:   |                   |                   |
| ŠTEMBERGER Igor   | 100               | -                 |
| ILIRIKA Vrijednostni papiri d.o.o. Zagreb                             | -                 | 240               |
| Total   | 100               | 240               |

**LOANS granted to affiliated companies and entities**

| (in EUR)                          | Interest rate          | Maturity | December 31, 2007 | December 31, 2006 |
|-----------------------------------|------------------------|----------|-------------------|-------------------|
| ŠTEMBERGER Igor                   | 4.771%                 | Dec 08   | 100,000           | -                 |
| ILIRIKA Investments a.d. Belgrade | 6-months<br>EURIBOR+2% | Sept 08  | 150,000           | -                 |
| Total                             |                        |          | 250,000           | -                 |

**II.11. RATIOS**

|  | 2007 | 2006 |
|--|------|------|
| Capital to liabilities ratio                 | -    | -    |
| Long-term financing ratio                    | 0.72 | 0.59 |
| Fixed operating assets to total assets ratio | 0.32 | 0.39 |
| Long-term assets to total assets ratio       | 0.39 | 0.46 |
| Capital to fixed operating assets ratio      | 2.04 | 1.44 |
| Immediate solvency ratio                     | -    | -    |
| Quick ratio                                  | 0.28 | 0.24 |
| Current ratio                                | 2.15 | 1.32 |
| Operating efficiency ratio                   | 1.05 | 0.96 |
| Net return in share equity ratio             | 0.56 | 0.50 |
| Dividend to equity ratio                     | -    | -    |