ADRIATIC ZAGREB FACTORING d.o.o.

ANNUAL FINANCIAL STATEMENTS
AND THE INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR 2013

CONTENTS

RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Management Board of the Company **Adriatic Zagreb Factoring d.o.o.**, Zagreb, Josipa Marohnića 1 ("the Company") is responsible for ensuring that the annual financial statements of the Company for the year 2013 are prepared in accordance with the Accounting Act (Official gazette No 109/07, 54/13) and the International Financial Reporting Standards effective in the European union, to give a truthful and objective review of the financial position, the results of business operations, the changes in equity and the cash flows of the Company for that period.

On the basis of the review, the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Board has drawn up financial statements under the assumption that the Company is a going concern.

In preparing these financial statements, the Board is responsible for:

- selecting and consistently applying suitable accounting policies;
- giving reasonable and prudent judgments and evaluations;
- applying valid financial reporting standards, and releasing and explaining in the financial statements any material departures; and
- drawing up the financial statements on the going concern basis unless such an assumption is not appropriate.

The Board is responsible for keeping proper accounting records, which shall reflect with reasonable accuracy at any time the financial position and the results of operations of the Company and their compliance with the Accounting Act (Official gazette No 109/07, 54/13) and the International Financial Reporting Standards. The Board is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the Board:

Mate Marić	Hedviga Novak
President of the Management Board	Member of the Management Board

ADRIATIC ZAGREB FACTORING d.o.o.
Josipa Marohnića 1, Zagreb
Zagreb, 17 March 2014

Adriatic Zagreb Factoring d.o.o. ZAGREB 2

Tel: 385 1 2395-741
Fax: 385 1 2303-691
E-mail: bdo-croatia@bdo.hr

BDO Croatia d.o.o.
10000 ZAGREB
Trg J. F. Kennedya 6b

INDEPENDENT AUDITOR'S REPORT

To the members of the company ADRIATIC ZAGREB FACTORING d.o.o., Zagreb

1 We have audited the accompanying annual financial statements of the Company ADRIATIC ZAGREB FACTORING d.o.o., Zagreb (hereinafter: "the Company") for the year ended 31 December 2013, which comprise the Balance Sheet/Statement of Financial Position as of that date, the Comprehensive Income Statement; the Statement of Changes in Equity; the Cash Flow Statements for the year then ended; and the accompanying Notes to the financial statements which concisely set out the principal accounting policies and other explanations.

Responsibility of the Company's Management

2 The Company's Management is responsible for the preparation and fair presentation of the enclosed financial statements according to the International Financial Reporting Standards effective in the European union and also those internal controls which are determined by the Company's Management as necessary to enable the preparation of the financial statements free of material misstatements whether due to fraud or error.

Responsibility of the Auditor

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

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

We believe that auditing proof and evidence collected by us are sufficient and suitable as the basis for expressing our opinion.

Opinion

4 In our opinion, the enclosed financial statements, in all material respects, truthfully and fairly present the financial position of the Company as at 31 December 2013, the results of operations and the cash flows of the Company for 2013, according to the Accounting Act and the international Financial Reporting Standards effective In the European union.

Statement on adjustment to other legal and regulatory requirements

5 The Company's Management is responsible for the preparation of the annual financial statements of the Company for the year ended 31 December 2013 in the prescribed form on the basis of the Regulation on the structure and content of annual financial statements and in accordance with the other regulations which prescribe business operations of the Company (Official gazette No 38/8, 12/9,130/10 (''Standard annual financial statements'') is responsibility of the Company's Management. The financial information set out in the standard annual financial statements are in accordance with the information stated in the annual financial information of the Company shown on pages 4 to 28 which are the subject of our opinion as set out in the section Opinion, above.

Statement on adjustment with the Annual report

6 The Company's Management is responsible for the preparation of the Annual statement of the Company. As a result of the provisions of article 17 of the Accountancy Act, we are obliged to express an opinion on adjustment of the Annual statement of the Company with the annual financial statements of the Company. In our opinion, on the basis of the performed audit of the annual financial statements of the Company and the comparison with the Annual statement of the Company for the year which ended 31 December 2013, the financial information set out in the Annual statement of the Company, approved for their issuance by the Company's Management on 14 March 2014, are in accordance with the financial information set out in the annual financial statements of the Company set out on pages 4 to 28 which were the object of our opinion, as set out in section Opinion, above.

In Zagreb, 17 March 2014

BDO Croatia d.o.o.
Trg J. F. Kennedy 6b
10000 Zagreb

Ines Rožić, certified auditor

Zdenko Balen, President of the Management Board

BDO
BDO Croatia d.o.o.
za pružanje revizorskih,konzalting
i računovodstvenih usluga
Zagreb, J.F. Kennedy 6/b

ADRIATIC ZAGREB FACTORING d.o.o.
COMPREHENSIVE INCOME STATEMENT
for the year ended 31 December 2013

POSITION	Note	2013 *HRK'000*	2012 *HRK'000*
Interest income	*4*	59,517	39,396
Interest expense	*5*	(46,123)	(33,587)
Net interest income		**13,394**	**5,809**
Income from fees and commissions	*6*	19,106	17,280
Expense from fees and commissions	*7*	(3,905)	(3,598)
Net income from fees and commissions		**15,201**	**13,682**
Foreign exchange differences	*8*	7,335	4,651
Other income	*9*	1,437	1,536
Other income		**8,772**	**6,187**
Material costs	*10*	(3,490)	(3,416)
Staff costs	*11*	(3,959)	(2,637)
Depreciation		(482)	(342)
Value adjustment of property	*12*	(5,150)	(326)
Other costs	*13*	(5,231)	(4,482)
Other expenses		**(18,312)**	**(11,203)**
PROFIT BEFORE TAXATION		**19,055**	**14,475**
Profit tax	*14*	**(4,279)**	**(2,976)**
PROFIT FOR THE CURRENT YEAR		**14,776**	**11,499**
Other comprehensive income		**0**	**0**
TOTAL COMPREHENSIVE INCOME		**14,776**	**11,499**

The notes on the pages from 8 to 28 form an inseparable part of these financial statements.

ADRIATIC ZAGREB FACTORING d.o.o.
STATEMENT OF FINANCIAL POSITION
as at 31 December 2013

POSITION	Note	At 31 Dec 2013	At 31 Dec 2012	At 31 Dec 2011.
		HRK'000	HRK'000	HRK'000
ASSETS				
Intangible assets	15	432	383	119
Real estate, plant and equipment	16	867	875	204
Investments in real estate	17	473	0	0
Given loans and deposits	18	1,623	96	240
Deferred tax property	19	19	49	1,627
Long-term assets		**3,414**	**1,403**	**2,190**
Inventories	20	0	580	580
Trade receivables	21	7,796	8,204	5,343
Receivables from related entrepreneurs	22	3,339	4,697	3,421
Other receivables	23	1,013	4,226	6,245
Receivables on factoring	24	116,251	190,740	199,598
Discounted bills of exchange	25	646,348	386,841	146,900
Other financial assets	26	3,486	1,903	1,180
Cash at bank and in cashier	27	30,753	28,264	53,886
Short-term assets		**808,986**	**625,455**	**417,153**
Prepaid expenses of the future period and accrued income	28	**4,561**	**4,399**	**3,326**
Total assets		**816,961**	**631,257**	**422,669**
CAPITAL AND LIABILITIES				
CAPITAL	29			
Subscribed capital		10,000	10,000	10,000
Retained earnings		22,485	10,986	4,794
Profit for the current year		14,776	11,499	9,192
Total capital		**47,261**	**32,485**	**23,986**
Liabilities for borrowings	30	760,581	592,896	379,794
Accounts payable	31	116	158	769
Liabilities due to employees	32	155	133	102
Liabilities for taxes and contributions	33	2,450	508	1,378
Liabilities on factoring	34	5,925	4,354	15,127
Other liabilities	35	45	723	1,513
Total short-term liabilities		**769,272**	**598,772**	**398,683**
Accrued expenses	36	**428**	**0**	**0**
Total capital and liabilities		**816,961**	**631,257**	**422,669**

The notes on the pages from 8 to 28 form an inseparable part of these financial statements.

ADRIATIC ZAGREB FACTORING d.o.o.
STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2013

Description	Subscribed capital	Retained earnings	Profit for the current year	TOTAL
Balance at 1 January 2012	**10,000**	**4,794**	**9,192**	**23,986**
Allocation of profit for 2011	0	9,192	(9,192)	**0**
Payment of profit	0	(3,000)	0	**(3,000)**
Comprehensive income of the current year	0	0	11,499	**11,499**
Balance at 31 December2012	**10,000**	**10,986**	**11,499**	**32,485**
Allocation of profit for 2012	0	11,499	(11,499)	**0**
Comprehensive income of the current year	0	0	14,776	**14,776**
Balance at 31 December2013	**10,000**	**22,485**	**14,776**	**47,261**

The notes on the pages from 8 to 28 form an inseparable part of these financial statements.

ADRIATIC ZAGREB FACTORING d.o.o.
CASH FLOWS STATEMENT - INDIRECT METHOD
for the year ended 31 December 2013

POSITION	2013	2012
	HRK'000	HRK'000
Cash flow from operating activities		
Profit / (Loss) before tax	19,055	14,476
Depreciation	482	342
Interest income	(59,517)	(39,395)
Interest expense	46,123	33,587
Expenses from the value impairment of property	3,781	326
Write-off of uncollectible receivables	1,369	0
Write-off of liabilities	(180)	(250)
Inventories	580	0
Trade receivables for factoring	(4,134)	(2,942)
Receivables from related entrepreneurs	1,358	(1,276)
Other receivables	3,213	2,018
Receivables on factoring	74,489	8,858
Discounted bills of exchange	(259,508)	(239,940)
Other financial property	(2,095)	(968)
Prepaid expenses of the future period and accrued income	(162)	(1,074)
Trade payables	138	(361)
Liabilities to employees	22	31
Liabilities for taxes and contributions	1,943	(870)
Liabilities on factoring	1,571	(10,773)
Other liabilities	(679)	(789)
Accrued expenses	428	0
Interest paid	(46,123)	(33,587)
Collected interest	59,517	39,395
Income tax paid	**(4,249)**	**(1,398)**
Net cash flow from operating activities	***(162,578)***	***(234,590)***
Cash flow from investing activities		
Receipts from the return of loans	0	145
Cash outflows for purchase of long-term intangible and tangible assets	(1,091)	(1,277)
Cash outflows for given loans	(1,528)	0
Net cash receipts from investing activities	***(2,619)***	***(1,132)***
Cash flow from financing activities		
Cash receipts from loans	167,686	213,100
Payments from the participation in profit (dividends)	0	(3,000)
Net cash flow from financing activities	***167,686***	***210,100***
NET CASH FLOW	2,489	(25,622)
CASH AND CASH EQUIVALENTS At 1 JANUARY	28,264	53,886
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	30,753	28,264

The notes on the pages from 8 to 28 form an inseparable part of these financial statements.

I GENERAL INFORMATION

1.1. Activities

ADRIATIC ZAGREB FACTORING d.o.o. Zagreb ("the Company") is recorded in the register of the Trade court as the company with limited responsibility in 1995 under the registration number of the subject 080063769. The seat of the Company is Josipa Marohnića 1, Zagreb, the Republic of Croatia.

The activity of the Company is the performing of factoring business for legal entities and individuals, financing, including the consumer loans, hypothecary loans and the financing of commercial operations (including forfeiting operations).

As of 31 December 2013 the Company had 15 employees (At 31 December 2012: 17 employees).

1.2. Company Bodies

As at 31 December 2013 members of the Management Board were:
Ivica Božan - president
Tomislav Baković - vice president and
Iva Marić - member

On 4 January 2013 has come to the change in the Supervisory Board. The new president of the Supervisory Board is Ivica Božan, PIN: 46995139411, Omiš, Fra Stjepana Vrlića 8. New vice president of the Supervisory Board is Tomislav Baković, PIN: 25706289282, Zagreb, Sokolgradska 73. At the same date Janko Gogolja, Zagreb, Ibrišimovićeva 2 stopped working as the president of the Supervisory Board. At the same date the vice president and the member of the Supervisory Board Ivan Marić, PIN: 01788838687, Sinj, Bana Jelačića 8 stopped working.

Members of the Management Board which performed their duties during the year were:
Mate Marić - president
Hedviga Novak - member

On 15 May 2013 has come to the change of members of the Management Board of the Company. A new member of the Company's Management is: Hedviga Novak, PIN: 60499367030, Zagreb, Lukšićki vijenac 13. At the same date, as the member of the Management Željan Horvat, PIN: 92860229971, Split, Istarska 24 stopped work.

III SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Basis of preparation:

Preparation of the financial statements requires from the Management Board bringing the estimates, assessments and the presumptions which have inflow to the application of policies and also to the stated amounts of assets and liabilities and the disclosure of potential liabilities at the Balance Sheet date as well as to the amounts of income and revenues for the period. Estimates and the related presumptions are based on the historical experience and the other different elements which are believed to be realistic in the existing circumstances and the information accessible at the date of preparation of the financial statements, whose result represents the basis for the assessment of the accounting value of assets and liabilities which is not directly visible from other sources. The real results may differ from these assessments.

Assessments and the basic assumptions regularly are reviewed. The changes in accounting estimates are recognized in the period when arisen if have the inflow exclusively to this period and in a period when they were arisen, respectively and in future periods if have the inflow to the present and future period.

3.2. Adoption of the International Financial Reporting Standards ("IFRS") as the basis for the preparation of the financial statements

The financial statements are prepared in accordance with legal accountancy regulations for trade companies in the Republic of Croatia. According to the modifications of the Accounting Act promulgated in the Official gazette 54 in 2013,was supplemented the provision of the article 3, item 5 in the way that also the legal entities performing the activity of factoring are considered to be the large entrepreneurs. Consequently, the Company becomes a person under obligation for the application of the International Financial Reporting Standards when preparing the financial statements.

The financial statements for 2013 are prepared by the application of the IFRS, as well as the issued comparative figures. According to the stated, the date of the transition to IFRS is 1 January 2013, which is the date of the preparation of the first promulgated balance.

Transfer to the IFRS did not have the effect to the amount of the Company's capital, respectively to the amount of retained profit of the previous period as it was established on the basis of the previous generally accepted accounting standards (CFRS).

The financial statements of the Company are prepared in accordance with International Financial Reporting Standards (IFRS) on the basis of historical cost.

3.3. Adoption of new and revised International Financial Reporting Standards

The following amendments and supplements to the existing standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee, adopted in the Republic of Croatia, are effective for the current period:

- **IFRS 13 „Fair Value Measurement"**, published on May 2011 (effective for annual periods beginning on or after 1 January 2013)

- **Alterations and amendments to IFRS 1 " First -time Adoption of IFRS"** - proclaimed in March 2012, which deal with the state loans count at interest rates lower than market during the traversing to IFRS (effective for annual periods beginning on or after 1 January 2013),
- **Alterations and amendments and to IFRS 7 "Financial Instruments - Disclosures"** - proclaimed in December 2011, by which is prescribed the disclosure of extended information on the set-off of financial assets and financial liabilities (effective for annual periods beginning on or after 1 January 2013),
- **Alterations and amendment to IAS 1 "Presentation of Financial Statements"** - revising the way of presentation of the other comprehensive income (effective for annual periods beginning on or after 1 July 2012).

- **Alterations and amendments to IAS 19 "Employee Benefits"** - finishing of the procedure for the count of employees' benefits after the cessation of job (applies to annual periods beginning on or after 1 January 2013)

- **IFRIC 20 ''Stripping costs in the production phase of a surface mine"**(applies to annual periods beginning on or after 1 January 2013),

- **Alterations and amendments of various standards and interpretations under the name "Annual improvements in the period 2009 - 2011"** which were published in May 2012 and which relate to the disclosed alterations and amendments since 2009 till 2011 and primarily have influence to five standards (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34), with the consequent alterations and amendments and the supplements of various of other standards (applied to annual periods beginning on or after 1 January 2013),

Adoption of IFRS 13 "Fair Value Measurement" has influenced to publishing more detailed information in the financial statements.
Adoption of other stated alterations and amendments of the existing standards and interpretations has not brought to more significant alterations in accounting policies of the Company.

Standards and Interpretations in issue not yet adopted

On the date of issuance of these financial statements were promulgated, but not yet effective the following standards, alterations and interpretations:

- **IFRS 10 „Consolidated financial statements"** published in May 2011 and amended in 2012, supersedes the previous version of IAS 27 (2008) "Consolidated and Separate Financial Statements", (effective for annual periods beginning on or after 1 January 2014)

- **IFRS 11 „Joint Arrangements"**, published in May 2011 and amended in 2012, superseded IAS 31 "Interests in Joint Ventures" (effective for annual periods beginning on or after 1 January 2014)

- **IFRS 12 „Disclosure of Interests in Other Entities "**, published in May 2011 and amended in 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IFRS 9 „Financial instruments"** (applies to annual periods beginning on or after 1 January 2015)

- **Alterations and amendments to IFRS 9 „Financial instruments - Classification and Measurement"** - proclaimed in December 2011, by which is prescribed the disclosure of information on the first application of IFRS 9 (effective for annual periods beginning on or after 1 January 2015),

- **Alterations and amendments to IFRS 1 " First -time Adoption of IFRS"** - proclaimed in March 2012, which prescribe the exemption of the request of reclassification of information demanded by IFRS 9 (starts with application in the same time when the IFRS 9)

- **Alterations and amendments to IFRS 10 "Consolidated Financial Statements"** published in October 2012, by which is permitted the exemption of the preparation of the consolidated financial statements for subjects which comply with the definition of investment subjects (effective for annual periods beginning on or after 1 January 2014)

- **IAS 27 "Separate Financial Statements"** (as altered and amended in 2011), consolidation requirements previously described in part of IAS 27 (2008) have been revised and are now contained in IFRS 10 "Consolidated Financial Statements", (effective date of IAS 27 (as altered and amended in 2011)applied for annual periods beginning on or after 1 January 2014),

- **IAS 28 "Investments in Associates and Joint Ventures"** (as altered and amended in 2011). This version supersedes IAS 28 (2003) "Investments in Associates" (effective date of IAS 28 (as altered and amended in 2011) applied for annual periods beginning on or after 1 January 2014).

IFRS 9 Financial Instruments which supersedes a part of IFRS 39 Financial Instruments: Recognition and measurement. IFRS 9 is obligatory for the financial statements for the periods beginning since 1 January 2015 together with the permitted earlier application. The standard brings significant alterations in respect of classification and the measurement of the financial assets. The Company still did not determine the date of the first application of IFRS 9 "Financial Instruments-Classification and Measurement".

3.4. Foreign currencies

a) Functional and reporting currency

Items included in the financial statements of the Company are stated in currency of the primary economic surrounding where the Company operates (functional currency).The financial statements are shown in the Croatian kuna, which represents the functional and reporting currency of the Company.

b) Foreign currency transactions

Transactions in currencies other than Croatian kuna are translated into functional currency so that the amounts in foreign currency means are calculated at the rates of exchange on the dates of the transactions. Gains and losses from foreign currency differences, which arise during the settlement of these transactions and the conversion of monetary assets and liabilities stated in foreign currency means at the rate of currency at the year end, are recognized in the Income Statement.

3.5. Financial instruments

Recognition and derecognition

Purchases of financial assets regularly are recognised on the settlement date and respectively the date when the property is delivered to the Company.

Loans and receivables and financial liabilities at depreciated cost are recognized when money assets are given to debtors or received from creditors.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it loses control over contractual rights of this financial instrument. This arises in the case when the Company transfers all the risks and rewards of ownership of the asset to another entity or when this right is realized, cancelled or expired.

The Company derecognises financial liabilities only when those financial liabilities are discharged, cancelled or expired.

Fair value of financial instrument

Fair value is defined as the price which would be realized in sale of certain item of property or to be paid for the transfer of certain liability in a correct transaction between the market participants on the date of measurement, so called exit price. The fair value of financial instruments which are quoted at active market is based on their present offered price. For the other financial instruments, whose price is not accessible from active market, the fair value is determined through the estimate models which are based on available information from active market.

The financial instruments which are held for trading and the financial instruments which are quoted, but are categorized as the available for sale group are assessed at fair value.

Loans and receivables

Receivables from clients, receivables on loans and other receivables with fixed or determinable payments, which do not quote at active market, are measured at depreciated cost minus impairment losses.

Losses from the value decrease of loans, receivables and other financial assets

The Company continuously attends the credit ability of its clients. The Company assesses if there is an objective proof for the value decrease especially for property which is individually important. However, property assessed separately as not decreased in value is then included into the group of property with similar credit risk and is assessed for the decreases on the group basis.

The Company assesses losses from the value decrease in cases when estimates that the available information shows the probability of the measurable decrease of the future estimated cash flows of property or the group of property. As a proof is taken the irregularity of the repayment or the other indications of financial difficulties of the debtor as well as the unacceptable changes in economic conditions in which the borrowers operate.

The Company also makes efforts to recognize the impairment losses which are known at the Balance Sheet date, but which are not individually identified. Thus, the Company utilizes the own data from experience.

3.6. *Cash and cash equivalents*

Cash and cash equivalents include cash, the Company accounts with other banks.

3.7. Corporate income tax

Corporate income tax is based on taxable profit for the year and comprises current and deferred tax. Income tax is recognized in the Income Statement, except for items that are recognized directly in equity and reserves where the tax is also recognized in equity and reserves. Current tax represents the expected amount of tax payable on the taxable income for the year, in accordance with the tax rates prevailing at the Balance Sheet, and any corrections' amount of tax due for the proceeding period.

Deferred tax is calculated using the liability method, whilst taking into account the temporary differences between the carrying amounts of assets and liabilities that are used for the financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured at the tax rate that is expected to be applied to taxable income in the period in which the liability is settled or the asset realised, based on tax rates that have been enacted by the Balance Sheet date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the net carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are not discounted and are classified as long-term assets and / or long-term liabilities in the Balance Sheet. Deferred tax assets are recognized only in the amount which is likely to be available as a tax relief. At each Balance Sheet date, Company reassesses unrecognized potential deferred tax assets and the carrying value of recognized deferred tax assets.

3.8. Property, facilities and equipment

Property, facilities and equipment are stated at historical cost minus accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated by a straight-line method as to allocate the cost of assets up to the residual values over their estimated useful life. Land and assets under construction are not amortized.

The estimated useful lives, residual values and depreciation method are reviewed at each Balance Sheet date, and adjusted if appropriate. Net carrying value of assets is immediately impaired to its recoverable amount if the carrying value of an asset exceeds its recoverable amount. Gains and losses from the sale are determined as the difference between the amount collected and the net carrying value, and are included in the Income Statement.

Property	Useful lives
Buildings	-
Computers	2 years
Furniture and equipment	4 years
Motor vehicles	5 years

3.9. Intangible assets

Intangible assets are stated at purchase cost minus accumulated depreciation and impairment. Depreciation is calculated on a straight-line basis over the estimated useful lives of intangible assets.

Estimated useful life of intangible assets is:

Property	Useful lives
Intangible assets - software	4 years
Intangible assets (others)	5 years

3.10. Impairment of non-financial assets

The recoverable amount of property, facilities and equipment and intangible assets is the higher of fair value minus costs to sell and value in use. For the purposes of determining impairment, assets are grouped at the smallest unit whose cash flows can be separately identified ("cash generating units"). In assessing value in use, the present value of estimated future cash flows is calculated using a discount rate before tax that reflects the assessment of the time value of money in the market and the risks specific to the asset or cash-generating unit. Impaired non-financial assets are reviewed at each Balance Sheet date to determine the possibility to reduce the impairment loss. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, but up to the amount of the carrying value of assets that do not exceeds the carrying amount that would have been determined, taking into account the depreciation, if the assets wouldn't be impaired.

3.11. Provisions

Provisions are recognized and are measured at the level which the Company's Management deems as sufficient for the settlement of liabilities which maturity or the amount is not definite in the moment of the preparation of the financial statements. Management Board determines the adequacy of provisions made on the basis of a review into individual items, present economic circumstances, characteristics of risks of different categories of transactions as well as the other relevant elements.

3.12. Liabilities

Loan liabilities to banks

Liabilities upon loans of banks and overdrafts initially are measured at the level of the amounts received. Financial expenses, including premiums which are paid by settlement or the repurchase, are booked at the accounting basis and are credited to the carrying amount of the instrument in a certain degree they are unsettled in the period when they arise.

Liabilities to suppliers

Liabilities to suppliers are recognized in the nominal amount.

3.13. Income

Interest income

Interest income and expenses are recognized in the Income Statement for all interest bearing financial instruments on an accrual basis, including those which are measured at amortized cost and those available for sale, by the application of the effective interest rate method. Such income and expenses are stated as interest or similar income or interest expenses or similar expenses in the Income Statement. Income and interest expense also includes the amortization of premiums or discounts and other differences between the initial carrying value of the interest bearing instrument and its value at the maturity date, recognized by the effective interest rate method.

When the loan repayment becomes doubtful, principal amount is decreased to its recoverable amount, and interest income is thereafter recognised based on the originally determined effective interest rate.

Fee and commission income and expenses

Fees and commission income mainly comprises of the client's fees for the factoring operations, bills of exchange discount and the other services rendered by the Company. Fees are recognized as income in the moment of signing the contract, except for the fees which are included in the depreciated cost measurement and are recognized as income on the basis as a part of the effective interest rate.

Fees and commissions expenses comprise fees to authorized banks paid for the foreign payment transactions and for the services of the Financial Agency ("FINA") for domestic payment transactions. Fees to banks upon indebtednesses are included into the measurement of financial liabilities for the liabilities which are measured at depreciation cost.

3.14. Subsequent events

Events which occur after the date of the Balance Sheet that provide additional information about the position on the date of the Balance Sheet are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to the financial statements.

NOTES TO THE STATEMENT OF INCOME

4. Interest income

DESCRIPTION	2013 HRK'000	2012 HRK'000
Bills of exchange	49,263	20,277
Factoring	7,723	15,079
Reversed factoring	1,686	2,554
Other	845	1,486
Total	**59,517**	**39,396**

5. Interest expense

DESCRIPTION	2013 HRK'000	2012 HRK'000
Loans of banks	42,363	29,220
Bills of exchange and other securities	2,502	2,820
Purchase of receivables	688	1,237
Penalty interest	388	163
Individuals	182	147
Total	**46,123**	**33,587**

6. Income from fees and commissions

DESCRIPTION	2013 HRK'000	2012 HRK'000
Bills of exchange	15,077	9,304
Factoring	3,235	5,323
Reversed factoring	775	2,653
Other	19	0
Total	**19,106**	**17,280**

7. Expenses from fees and commissions

DESCRIPTION	2013 HRK	2012 HRK
Loan work out costs	3,156	3,052
Costs of discount by sale of receivables	71	0
Costs of fees/discount by sale of securities	517	361
Fee by the sale of receivables	161	185
Total	**3,905**	**3,598**

8. Net foreign exchange differences

DESCRIPTION	2013 HRK'000	2012 HRK'000
Currency clause application	9,199	5,020
Credit relations	2,462	2,379
Other foreign exchange gains	2,093	31
Total foreign exchange gains	13,754	7,430
Credit relations	(6,299)	(1,669)
Claims	0	(442)
Other foreign exchange differences	(120)	(668)
Total foreign exchange differences	(6,419)	(2,779)
Total	**7,335**	**4,651**

9. Other income

DESCRIPTION	2013 HRK'000	2012 HRK'000
Subsequently established income	0	486
Insurance premiums for loan risk	759	312
Transactions (working out of loan request)	256	301
Write-off of liabilities to suppliers	180	250
Other	242	187
Total	**1,437**	**1,536**

10. Material costs

DESCRIPTION	2013 HRK'000	2012 HRK'000
Consultation services, auditing, lawyer services, etc.	1,298	1,361
Mediation services	466	487
Rental and lease costs	704	374
Telephone cost, postal services and transport	237	307
Maintenance (services)	282	236
Energy	184	213
Other	319	438
Total	**3,490**	**3,416**

Stipulated fee for audit of the current year amount to HRK 90,000