# OTP Invest za upravljanje fondovima d.o.o., Zagreb

Financial Statement Accompanied by the Independent Auditor's Report for the Year ended on December 31, 2017

## Contents

## Annual Report of OTP Invest d.o.o., an investment fund management company, for 2017

OTP invest d.o.o, an investment fund management company, 2017, generated a profit, with which it has continued a positive performance trend from prior years. The profit amounted to HRK 213,348, improving the already high liquidity of the Company. The improved performance is based on an increased volume of assets under management and higher income of the Company. As of December 31, 2017 the net asset value of the investment funds managed by the Company amounted to HRK 946 million.
In 2018 the Management Board of the Company expects the positive performance to continue, accompanied by the likely continuing positive developments in the Republic of Croatia. The biggest difficulty in the Company's business is an extremely low level of interest rates in the Republic of Croatia and the revenues in the low-risk funds (cash funds) are close to zero. In order to maintain a somewhat positive return on low risk funds, the Management Board has repeatedly reduced management fees, resulting in decrease in income collected from funds management fees. Certain shareholders payments were recorded in risky funds, but they were of very low intensity. In 2017, the entire domestic equity market was significantly affected by the financial and operational restructuring of the Agrokor Group, and the negative sentiment was also transmitted to the perception of risky funds, but also to the returns they generated (negative impact on the following funds under management: OTP Index fund and OTP Balanced Fund).

**Significant events after the end of the business year**

There have been no notable events subsequent to the end of the year that would affect the business result of the Company for the year 2017.

**Future development of the Company – development plan**

The future development of the Company is focused on increasing the portfolio of managed assets as well as optimising the processes within the Company. The Management Board considers that a significant step towards achieving this goal will be achieved after the merger of Splitska bank with OTP bank in the Republic of Croatia. The Company places a particular emphasis on the professional development of its employees in order to maintain and enhance its competitiveness on the funds market in the Republic of Croatia.

In 2016 the Company established its first fund (OTP Absolute), which implements quantitative methods to identify the share of individual asset portfolios in the fund, and it is worth to mention that the Fund records material payments in 2017. The company expects that this trend will continue in 2018. Two new funds were launched during the year 2017: OTP Short Term and OTP Multi USD.

In the course of 2018, the Company should take over the management of the closed real estate Alternative Investment Fund (AIF) Proprius. Although the management of this fund will bring some complexity into the company's structure, the Management expects that the revenues from the fund management will compensate for the part of the revenue to be decreased from the expected further decrease in fees in low-risk funds.

## Annual Report of OTP Invest d.o.o., an investment fund management company, for 2017 (continued)

### Research and development activities

In 2017 the Company did not undertake any significant research and development activities, although it continued its cooperation with Faculty of Electrical Engineering and Computing, University of Zagreb on the development of quantitative investment strategies (such as OTP Absolute Fund).

### Purchases of own shares

There were no purchases of own shares, since the Company does not own any shares.

### Subsidiaries of the Company

The Company has no subsidiaries

### Risk exposure and management

In the course of its business activities, the Company pays due attention – among other things – to risk management The most significant financial risks to which the Company is exposed include credit risk, liquidity risk and market risk. Market risk includes foreign exchange risk, interest rate risk and price risk.

### PRICE RISK, CREDIT RISK, LIQUIDITY RISK AND CASH FLOW RISK

Price risk includes three types of the risk: currency risk, interest rate risk and
price risk.

### Currency risk

Currency risk is the risk that the market value of a foreign currency may decrease or increase in the future. The Company may invest in financial instruments and enter into transactions denominated in currencies other than its functional currency. Consequently, the Company is exposed to the risk that the exchange rate of its functional currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of the portion of the Company's assets and liabilities denominated in a particular foreign currency.
At the reporting date, the Company's exposure to the currency risk was not significant.

### Interest rate risk

Except for cash held with OTP banka d.d., the Company does not hold any interest-bearing financial assets. Due to the short-term nature of the financial liabilities as well as the fact that they have been approved within the OTP Banka d.d. Group, the Company's reporting-date exposure to the interest rate risk was not significant.

## Annual Report of OTP Invest d.o.o., an investment fund management company, for 2017 (continued)

**Price risk**

Price risk is the risk of losses due to changes in the price of financial instruments.

**Credit risk**

A credit risk is the risk of default on a debt that may arise from a borrower failing to make required payments. The Company's exposure to credit risk at the reporting date arises from instruments reported in the statement of financial position at positive fair value at the reporting date. The risk of default, which exists with individual counter parties in transactions with financial instruments at fair value through profit or loss, is monitored continuously. In monitoring credit risk, trading instruments with positive fair value and the volatility of their fair value are taken into account.

At the reporting date the Company's credit risk arises from its exposure to OTP banka d.d., its majority owner, with respect to the cash on its transaction accounts with the bank and to a lesser extent with respect to cash on accounts with other banks.

**Liquidity and cash flow risk**

Liquidity risk is the risk that the Company will have difficulties in finding funds for the settlement of its obligations as they fall due.

At the reporting date, the Company's current assets exceeded its current liabilities, and the Company considers that there is no risk of it not being able to settle its short-term liabilities.

**Corporate governance**

Corporate governance is carried out by the governing bodies of OTP Invest d.o.o., specifically its General Assembly, Supervisory Board and Management Board.

The Assembly of the Company comprises the following:

OTP BANKA HRVATSKA, a joint-stock company with official seat in Zadar, Ulica Domovinskog rata 3, Croatia

OTP FUND MANAGEMENT Private Company Limited by shares, with official seat in Budapest 1134, Vaci ulica 33, Hungary

The Supervisory Board consists of five members, each elected by decision made by the General Assembly of the Company. The Supervisory Board is in charge of overseeing the management of the Company's affairs and controlling the correctness of its financial operations, adopting the business policy and business plans of the Company and overseeing the Company's compliance with applicable laws, general acts and decisions adopted by the Assembly.

The affairs of the Company, which include defining and implementing the overall Company's business policy, managing its overall operations and representing it in dealings with third parties, are managed by the Company's Management Board comprising maximum two members appointed by the Supervisory Board.

## Responsibilities of the Management and Supervisory Board for the preparation and approval of annual financial statements

Pursuant to the Accounting Act of the Republic of Croatia, the Management Board is responsible for ensuring that financial statements are prepared for each financial year in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, which give a true and fair view of the financial position and results of operations of OTP Invest d.o.o., Zagreb (the "Company") for that period.

The Management Board expects that the Company will have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the financial statements. In preparing those financial statements, the responsibilities of the Company's Management Board include the following:

- Selection and consistent implementation of suitable accounting policies;
- provision of reasonable and prudent judgements and estimates;
- adherence to the applicable accounting standards, subject to any material discrepancies disclosed and explained in the financial statements; and
- preparation of financial statements on the going concern basis, unless it is inappropriate to assume that the Company will continue as a going concern.

The Management Board of the Company is responsible for keeping proper accounting records, which disclose the financial position of the Company with reasonable accuracy at any time and undertakes to also ensure the compliance of financial statements with the Accounting Act. The Management 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.

The Management Board of the Company is also responsible for the Corporate Governance Report and the Appendices to the Company's Financial Statements in accordance with the By-Laws on the Structure and Content of Financial Statements and Other Statements of UCITS Fund Management Companies and in accordance with the Ordinance on the Structure and Content of Annual and Semi-annual Financial Statements and Other Statements of the Companies for Alternative Investment Funds Management .

Signed on behalf of the Company on March 09, 2018 by:

**Darko Brborović**
**Chairman of the Management Board**

otp invest d.o.o.
Zagreb

**Mladen Miler**
**Member of the Management Board**

Deloitte.

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# INDEPENDENT AUDITOR'S REPORT

To the owners of OTP Invest za upravljanje fondovima d.o.o., Zagreb

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of OTP Invest za upravljanje fondovima d.o.o., Zagreb, which comprise the statement of financial position as at December 31, 2017, and the statement of comprehensive income, statement of changes in shareholder's equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs).

### Basis for Opinion

We conducted our audit in accordance with the Audit Act and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matter

Key audit matter is that matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current period. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

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## INDEPENDENT AUDITOR'S REPORT (continued)

### Report on the Audit of the Financial Statements (continued)

**Key Audit Matter (continued)**

**Management fee**

**Please see note 2 on page 13 of the financial statements for accounting policies, and note 3.1. on page 22 for additional information**

The Company realizes revenue by managing investment funds in accordance with each fund's prospectus, and the rate of management fee is determined by the prospectus for each fund.

Management fee income is important for the purpose of assessing the Management Company's performance. It is crucial that the management fee is equal to the amount actually earned and that the calculation of the management fee is correct. Management fee is calculated by multiplying the management fee rates for each fund with its modified net assets.

Given a high degree of reliance on the IT systems and the potential impact to financial statements in case of incorrect revenue calculation, we have concluded that the accuracy of the management fee income is a key audit matter to be focused on during the audit.

**Description of audit procedures performed and their results**

Our substantive audit procedures included the test of the design and the operating effectiveness of internal controls at the Company, as well as substantive analytical procedures as to ensure that the revenue are correctly accounted for. The key internal control the Management Company relies on in determining the correct calculation and recognition of revenue is the daily reconciliation of the net asset value of each investment fund under management by the Management Company with the Depository Bank.

Testing of internal control

We have tested the design and operating effectiveness of the key internal controls surrounding the management fee process. Our procedures included testing:

- The operating effectiveness of the daily internal control between the Management Company and the Depository Bank, from which the Management Company gains assurance that the net asset of each investment fund under management is correct.

While performing substantive analytical procedures, we have recalculated the management fee income incurred across all investment funds under the Management Company's management. The calculation was made by multiplying the base for calculating the management fee (modified net asset value of each fund) with the management fee calculation rate compliant with the prospectus of each fund. With regard to the conducted tests we consider that the calculation and recognition of the management fee is appropriate.

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# INDEPENDENT AUDITOR'S REPORT (continued)

## Report on the Audit of the Financial Statements (continued)

### Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. With respect to the Management Report, which is included in the Annual Report, we have also performed the procedures prescribed by the Accounting Act. These procedures include examination of whether the Management Report includes required disclosures as set out in the Article 21, of the Accounting Act.

Based on the procedures performed during our audit, to the extent we are able to assess it, we report that:

1) Information included in the other information is, in all material respects, consistent with the attached financial statements.

2) Management Report has been prepared, in all material respects, in accordance with the Article 21 of the Accounting Act.

Based on the knowledge and understanding of the Company and its environment, which we gained during our audit of the financial statements, we have not identified material misstatements in the other information.

### Responsibilities of Management and the Supervisory Board for the Financial Statements

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

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

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

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## INDEPENDENT AUDITOR'S REPORT (continued)

### Report on the Audit of the Financial Statements (continued)

#### Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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# INDEPENDENT AUDITOR'S REPORT (continued)

## Report on the Audit of the Financial Statements (continued)

### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

### Report on Other Legal and Regulatory Requirements

Pursuant to the Rulebook of the Croatian Financial Services Supervisory Agency on the structure and contents of financial statements and other statements of UCITS investment fund management companies issued on 13 April 2017 (Croatian Official Gazette 41/17; hereinafter: "OG") and the Rulebook of the Croatian Financial Services Supervisory Agency on the structure and contents of annual and semi-annual financial statements and other reports of alternative investment fund management companies, issued on 21 April 2016 (OG 40/16), the Management of the Company has prepared the reporting forms, set out on pages 38 to 41 ("the Reporting Forms"), which provide alternative presentations of the statement of financial position at 31 December 2017, the statement of comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for the year 2017 under the regulatory reporting requirements, as well as reconciliation schedules, presented on pages 42 to 45 (hereinafter: "Reconciliation Schedules"), providing a reconciliation between the Reporting Forms and the IFRS annual financial statements set out on pages 7 to 37. The Reporting Forms and the Reconciliation Schedules are the responsibility of the Company's Management. The financial information in the Reporting Forms has been derived from the financial statements of the Company set out on pages 7 to 37 on which we have expressed an unqualified opinion, as set out above.

### Other reporting obligations as required by Regulation (EU) No. 537/2014 of the European Parliament and the Council

In accordance with Article 10 (2) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council, we provide the following information in our report of the Independent Auditor, which is an additional requirement in addition to the requirements of the International Auditing Standards:

#### Appointment of auditor and period of engagement

The Company has re-appointed us for an authorized auditor of the Company on September 4, 2017. Our uninterrupted engagement takes a total of two years.

#### Consistency with the Additional Report to the Audit Committee

We hereby certify that our audit opinion on the accompanying financial statements has been consistently communicated to the Audit Board of the Company in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council.

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## INDEPENDENT AUDITOR'S REPORT (continued)

### Provision of non audit services

We declare that no auditing of the non-audit services referred to in Article 5 (1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council. In addition to the services provided by the Annual Report, we did not provide services to the Company other than the services provided by the statutory audit.

**Branislav Vrtačnik**
President of the Management Board

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10 000 Zagreb
MB 0700851

**Sanja Petračić**
Certified auditor

Deloitte d.o.o.

Zagreb, 9 March 2018

Radnička cesta 80,

10 000 Zagreb,

Croatia

Report on comprehensive income
for the year ended on December 31
*(All amounts are expressed in thousands of HRK)*

| | Note | 2017 | 2016 |
|---|---|---|---|
| Management fee | 3.1 | 6,767 | 7,304 |
| Exit fee | 3.2 | 187 | 35 |
| Entry fee | 3.3 | - | 6 |
| Other income | | 255 | 10 |
| **Total operating income** | | **7,209** | **7,355** |
| Fund management expenditure | 4 | (223) | (212) |
| Staff expenses | 5 | (3,949) | (4,012) |
| Operating expenses | 6 | (2,628) | (2,423) |
| **Total operating expenses** | | **(6,800)** | **(6,647)** |
| **Profit from regular course of business** | | **409** | **708** |
| Financial expenditures, net | 7 | (38) | (16) |
| **Financial result** | | **(38)** | **(16)** |
| **Profit before tax** | | **371** | **692** |
| Income tax | 8 | (158) | (136) |
| **Profit for the year** | | **213** | **556** |
| **Other comprehensive income** | | **-** | **-** |
| **Total comprehensive income for the year** | | **213** | **556** |

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

Statement on Financial Position

as of December 31

*(All amounts are expressed in thousands of HRK)*

| | Note | 2017 | 2016 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Vehicles and equipment | 9 | 92 | 425 |
| Intangible assets | 10 | 43 | 39 |
| **Total non-current assets** | | **135** | **464** |
| **Current assets** | | | |
| Financial assets at fair value through profit or loss | 12 | 1,039 | 2,028 |
| Receivables | 11 | 664 | 713 |
| Cash and cash equivalents | 13 | 3,140 | 1,405 |
| **Total current assets** | | **4,843** | **4,146** |
| **Total assets** | | **4,978** | **4,610** |
| **EQUITY, RESERVES AND LIABILITIES** | | | |
| **EQUITY AND RESERVES** | | | |
| Share capital | 14 | 12,980 | 12,980 |
| Loss brought forward | 14 | (9,521) | (9,734) |
| **Total equity** | | **3,459** | **3,246** |
| **LIABILITIES** | | | |
| Financial lease obligations | 15 | - | 28 |
| Payables to suppliers | | 783 | 502 |
| Liabilities to employees | 16 | 305 | 304 |
| Other liabilities | 17 | 431 | 530 |
| **Total liabilities** | | **1,519** | **1,364** |
| **Total equity and liabilities** | | **4,978** | **4,610** |

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

## Statement of changes in shareholder's equity for the year ended on December 31, 2017

*(All amounts are expressed in thousands of HRK)*

| | Share capital | Loss brought forward | Total |
|---|---|---|---|
| **Balance at January 01, 2016** | **12,980** | **(10,290)** | **2,690** |
| Profit for the current year | | 556 | 556 |
| Other comprehensive income | - | - | - |
| **Balance as of December 31, 2016** | **12,980** | **(9,734)** | **3,246** |
| **Balance as of January 01, 2017** | **12,980** | **(9,734)** | **3,246** |
| Profit for the current year | - | 213 | 213 |
| Other comprehensive income | - | - | - |
| **Balance as of December 31, 2017** | **12,980** | **(9,521)** | **3,459** |

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

## Cash flow statement

## for the year ended on December 31

*(All amounts are expressed in thousands of HRK)*

| | Note | 2017 | 2016 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit for the year | | 213 | 556 |
| *Adjustments to profit for net cash generated from operating activities* | | | |
| Depreciation | 6 | 186 | 181 |
| Net interest income | 7 | (2) | (1) |
| Interest based expense | 7 | 1 | 4 |
| Net positive/(negative) exchange rate differences | 7 | (13) | 5 |
| Net unrealized losses from investments | | 44 | 8 |
| | | *429* | *753* |
| *Changes in working capital:* | | | |
| Decrease/(increase) in current receivables | | 49 | (160) |
| Increase in liabilities (payables) | | 182 | 317 |
| Increase of other payables | | 2 | - |
| Decrease in financial assets | | 958 | - |
| ***Net cash generated from operating activities*** | | **1,620** | **910** |
| **Investments** | | | |
| Expenditures for purchases of financial assets | | - | (6) |
| Interest income | | 2 | 1 |
| Interest expense | | (1) | (4) |
| Expenditures for equipment purchase | 9 | (34) | (305) |
| Expenditures for purchases of intangible assets | 10 | (22) | (15) |
| Cash income from the sale of non-current assets | | 198 | - |
| **Net cash generated/ (used) in investing activities** | | **143** | **(329)** |
| **Financing activities** | | | |
| Expenditures for repayment of financial leases | 15 | (28) | (41) |
| **Net cash used in financing activities** | | **(28)** | **(41)** |
| **Net increase in cash and cash equivalents** | | **1,735** | **540** |
| **Cash and cash equivalents at the beginning of the year** | 13 | **1,405** | **865** |
| **Cash and cash equivalents at the end of the year** | 13 | **3,140** | **1,405** |

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

## 1 GENERAL INFORMATION

**Primary business activities**

OTP invest d.o.o. za upravljanje fondovima, Zagreb ("the Company") was founded on December 17, 1997 as a limited liability company and is regulated by the Croatian Financial Services Supervisory Agency ("the Agency"). The Company's headquarters are in Zagreb, Petrovaradinska 1, and the Company's purpose is to manage investment funds in Croatia.

The ultimate parent company is OTP Bank Nyrt. registered in Hungary. On December 02, 1997, the Croatian Securities Commission granted to the Company the license to conduct business.

On December 15, 2005, the Croatian Securities Commission granted to the Company the license to operate and manage open investment funds OTP Balanced Fund, OTP Money Fund and OTP Euro Bond Fund. On December 20, 2007, the Croatian Securities Commission granted to the Company the license to operate and manage open investment fund OTP Index Fund.

On April 03, 2008 the Croatian Securities Commission granted to the Company the license to operate and manage open investment fund OTP Meridian 20 Fund.

On January 22, 2009, the Croatian Securities Commission granted to the Company the license to operate and manage open investment fund OTP Europa Plus Fund.

On August 09, 2013, funds OTP Europa Plus and OTP Euro Bond Fund were merged with OTP Balanced Fund.

On January 17, 2013, HANFA issued the decision for the establishment and operation of an open-end investment fund with a public offering OTP Euro Money Fund.

On May 30, 2014, the Croatian Financial Services Supervisory Agency ('the CFSSA') issued the approval for the establishment and operation of OTP FAVORIT Fund, an open-end alternative investment fund with a public offering.

On May 15, 2014, the CFSSA issued the approval for the establishment and operation of OTP OPTIMUM Fund, an open-end alternative investment fund with a public offering.

On October 16, 2015, the CFSSA issued the approval for the establishment and operation of OTP MULTI Fund, an open-end investment fund with a public offering.

On August 12, 2016, the CFSSA issued the approval for the establishment and operation of OTP MULTI 2 Fund, an open-end investment fund with a public offering.

On September 30, 2016, the CFSSA issued the approval for the establishment and operation of OTP ABSOLUTE Fund, an open-end investment fund with a public offering.

On April 14, 2017, the CFSSA issued the approval for the establishment and operation of OTP Short Term Fund, an open-end investment fund with a public offering.

On November 08, 2017, the CFSSA issued the approval for the establishment and operation of OTP MULTI 2 USD Fund, an open-end investment fund with a public offering.

As of December 31, 2017 the Company was managing the following open-end investment funds with a public offering under its management: OTP Balanced Fund, OTP Money Fund, OTP Index Fund, OTP Euro Money Fund, OTP Meridian 20, OTP Multi, OTP Multi 2, OTP Absolute, OTP Short Term, OTP Multi USD and alternative investment funds OTP Favorit and OTP Optimum.

## 1 GENERAL INFORMATION (CONTINUED)

During 2016 and 2017, the members of the Company's Management and Supervisory Boards were as follows:

**Management Board:**

Darko Brborović – Chairman

Marinko-Šanto Miletić – Member of the Management Board until July 01, 2017

Mladen Miler – Member of the Management Board since July 01, 2017

During 2016 and 2017, the members of the Supervisory Board were as follows:

**Supervisory Board:**

Slaven Celić – Chairman of the Supervisory Board
Peter Janos Simon – Member of the Supervisory Board
Zorislav Vidović – Member of the Supervisory Board
Sàndor Tamàs – Member of the Supervisory Board
Marko Orešković – Member of the Supervisory Board

(All amounts are expressed in thousands of HRK)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Statement of compliance**

The financial statements of the Company are prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union.

The financial statements were authorised for issue by the Management Board on March 096, 2018 and submitted for approval to the Supervisory Board.

**Basis of presentation**

The financial statements have been prepared on the historical cost basis, except for certain financial instruments that are carried at fair value.

**Functional and presentation currency**

The functional and reporting currency of the Company is Croatian Kuna (HRK), since this is the currency in which the majority of the Company's transactions are denominated. The financial statements of the Company are prepared in HRK. As of December 31, 2017, the official exchange rate of HRK against EUR 1 was 7.513648 (as of December 31, 2016: 1 EUR was 7,557787).

**Recognition of income and expenses from investment funds management**

The Company recognises management fee as income on a daily basis during the profit period. Incomes from exit and entrance fees are recognised as a percentage of the value of the sold shares at the moment the shares were sold.

Expenses from investment funds management are recognised through profit or loss as incurred. Certain investment funds management and operational expenses incurred by the investment funds are borne by the Company, pursuant to the Act on Open-End Investment Funds With Public Offering (the Act) and the regulations disclosed by the Agency.

The Company charges management fees to OTP investment funds as a percentage of the funds' total assets decreased by the liabilities on transactions with the funds' securities. The breakdown of fees charged by the Company to the OTP investment funds is as follows:

| | Management fee | Exit fee | Entry fee |
|---|---|---|---|
| | % | % | % |
| OTP Index Fund | 0.85 | 0 - 2 | 0 - 1 |
| OTP Euro Money Fund | 0.95 | 0 -1.5 | 0 - 1 |
| OTP Money Fund | 1 | - | - |
| OTP Meridian 20 Fund | 2 | 0 - 2 | 0 - 1 |
| OTP Balanced Fund | 2 | 0 - 1 | 0 - 1 |
| OTP Favorit | 0.65 | 7 | 7 |
| OTP Multi | 1.4 | 5 | 5 |
| OTP Optimum | 0.65 | 5 | 5 |
| OTP Multi 2 | 1 | 3 | 3 |
| OTP Absolute | 1.1 | 1 | 1 |
| OTP Short-term | 0.95 | 0-1 | - |
| OTP Multi USD | 1.10 | 3 | 3 |

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Recognition of income and expenses from investment funds management (continued)

*Entrance and exit fee*

The Company is entitled to entrance and exit fees in the range from 0% to 7% of the value of an investor's purchases and sales of units in investment funds, as prescribed by the Statute and the Prospectus of an individual fund. The exit fee is charged based on the duration of the investment period.

### Employee benefits

*Pension contributions*

The Company pays contributions to obligatory pension funds on a mandatory, contractual basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense in profit or loss as they accrue.

### Leases

Leases are classified as finance leases whenever most of the risks and rewards associated with ownership over the asset are transferred to the Lessee during the lease term. All other leases are classified as operating leases. Liabilities which are incurred from operating leases are charged to comprehensive income on a straight-line basis over the term of the relevant lease. Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals are recognised as expenditure in the period in which they arise.

### Conversion of foreign currencies

Assets and liabilities denominated in foreign currencies are converted to Croatian Kuna by applying the mean exchange rate of the Croatian National Bank in effect at the reporting date. Income and expenditure in foreign currencies are converted at rates effective on the transaction date. Realized gains and losses on conversion of foreign currency balance sheet items at the exchange rate rulings of the Croatian National Bank are included in the statement of comprehensive income. The conversion differences on securities at fair value are recognised in comprehensive income as part of realised and unrealised gains/losses.

### Income tax

The Company calculates and pays taxes pursuant to the provisions under the Croatian Income Tax Act. Income tax expense, which is calculated based on the profit for the year, comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using the tax rates enacted at the reporting date, and any adjustments to tax payable in respect of previous years. Deferred tax is calculated by applying the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The measurement of deferred tax assets and liabilities is based on the assumed manner of realisation or settlement of the carrying amount of its assets and liabilities, based on tax rates enacted at the reporting date. Deferred tax assets are recognised when

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Income tax (continued)**

it is probable that future taxable profits will be sufficient to allow the utilisation of the related benefit. Deferred tax assets and carrying values of deferred tax assets are reviewed at each reporting date. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the enterprise expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

**Equipment and vehicles**

The equipment is stated at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful life of an asset ranging from 2 to 5years.

Gains and losses on the disposal or retirement of a fixed asset are measured as the difference between sales proceeds and the carrying amount of the asset, and are recognised in the statement of comprehensive income.

**Intangible assets**

Intangible assets are stated at cost less accumulated amortisation. Amortisation is provided on a straight-line basis over the estimated useful life of an asset, which ranges from three to ten years.

Gains and losses on the disposal or retirement of an asset are measured as the difference between sales proceeds and the carrying amount of the asset, and are recognised in the statement of comprehensive income.

**Impairment of equipment, vehicles and intangible assets**

At each reporting date the Company reviews the carrying amounts of its current tangible and intangible assets to determine whether there is any indication that the assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be lower than the asset's carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Impairment of equipment and intangible assets (continued)**

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount to the extent that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately as the income.

**Cash and cash equivalents**

Cash and cash equivalents comprise current accounts with banks.

**Payables to suppliers and other liabilities**

Payables to suppliers and other liabilities are recognised at amortized cost using the effective interest method.

**Share capital and reserves**

The share capital is denominated in HRK and stated at the nominal amount. Profit for the year is transferred to retained earnings.

**Receivables**

Receivables are stated at their nominal value, as reduced by appropriate allowances for estimated irrecoverable amounts.

**Securities**

**Financial instruments in portfolio at fair value through profit or loss**

Financial instruments are measured initially at fair value, plus transaction costs for financial assets not measured at fair value through profit or loss.

Financial instruments are classified into different portfolios depending on the intent of the Company at the time of their acquisition. The Company recognizes all financial instruments at trade date.

On initial recognition, the Company measures its financial instruments at fair value. After initial recognition, these instruments are calculated and stated at fair value which is the price quoted on recognised stock markets or determined using acceptable valuation techniques. The Company recognises realised and unrealised losses in total comprehensive income within realised and unrealised gains and losses from investments in securities.

*Trade-date accounting*

The regular way of buying and selling a financial asset is calculated on the trading date, i.e., on the date the company buys or sells the property. Trade-date accounting applies to (a) an asset to be received and the liability to be paid, which are recognised on the trade date; and (b) an asset that is sold and the payment receivable from the buyer, which are derecognised on the trade date.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Provisions**

Provisions are recognized when the Company has a present obligation (legal or derived) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.
Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of discounting is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation, determined using the estimated risk free interest rate as the discount rate. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

- **Amendments to IAS 7 "Statement of Cash Flows"** – Disclosure Initiative, adopted in the European Union on December 18, 2015 (effective for annual periods beginning on or after January 01, 2017),

- **Amendments to IAS 12 "Income Taxes"**
  – Recognition of deferred tax assets on the basis of the unrealised losses, adopted in the European Union on November 06, 2017 (effective for annual periods beginning on or after January 01, 2017),

- **Amendments to the various standards entitled "Changes and Amendments to the IFRS from 2014 to 2016"** arising from the annual adjustment of the IFRSs (IFRS 1, IFRS 12 and IAS 28), primarily to eliminate discrepancies and clarify the text, adopted in the European Union on February 08, 2018 (the amendments to IFRS 12 apply to annual periods beginning on or after January 01, 2017, while the amendments to IFRS 1 and IAS 28 apply to annual periods beginning on or after January 01, 2017).

The adoption of these amendments to the existing standards has not resulted in material changes to the financial statements of the Company.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

***Amendments to the existing standards disclosed by IASB and adopted in the EU but not yet effective***

**At the date on which the financial statements were approved, the following new standards published by the IASB were adopted but still not effective in the European Union:**

- **IFRS 9 "Financial Instruments"**, adopted in the European Union on November 22, 2016 (effective for annual periods beginning on or after January 01, 2018),
- **IFRS 15 "Revenue from Contracts with Customers"** and amendments to IFRS 15 "Effective date of IFRS 15", adopted in the European Union on September 22, 2016 (effective for annual periods beginning on or after January 01 2018),
- **IFRS 16 "Leases"**, adopted in the European Union on October 31, 2017 (effective for annual periods beginning on or after January 01, 2019),
- **Amendments to IFRS 4 "Insurance Contracts"** – "Implementation of IFRS 9 "Financial Instruments" in conjunction with IFRS 4 "Contracts and Insurance", adopted in the European Union on November 03, 2017 (effective for annual periods beginning on or after January 01, 2018 or those in which IFRS 9 "Financial Instruments" is implemented for the first time),
- **Amendments to IFRS 15 "Revenue from Contracts with Customers"** – clarification of the IFRS 15 "Revenue from Contracts with Customers", adopted in the European Union on October 31, 2017 (effective for annual periods beginning on or after January 01, 2018).
- **Amendments to the various standards entitled "Changes and Amendments to the IFRS from 2014 to 2016"** arising from the annual adjustment of the IFRSs (IFRS 1, IFRS 12 and IAS 28), primarily to eliminate discrepancies and clarify the text, adopted in the European Union on February 08, 2018 (the amendments to IFRS 12 apply to annual periods beginning on or after January 01, 2017, while the amendments to IFRS 1 and IAS 28 apply to annual periods beginning on or after January 01, 2017).

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective (continued)***

**At the date on which the financial statements were approved, the following new standards published by the IASB were adopted but still not effective in the European Union (continued)**

The Company decided not to adopt these new standards and amendments to the existing standards prior to their entry into force. The Company foresees that the adoption of these standards and the amendments to the existing standards shall not have material impact on the Company's financial statements during the initial period of implementation.

***New standards and amendments to the existing standards issued by IASB but not yet adopted in the EU***

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards, amendments to the existing standards and new interpretation, which were not endorsed for use in the European Union as of January 27, 2017 (the effective dates stated below is for IFRS in full):

- **IFRS 14 "Regulatory Deferral Accounts**, (effective for annual periods beginning on or after January 01, 2016), - The European Commission has decided to postpone the transposition of this transitional standard until the disclosure of its final version,

- **IFRS 17 "Insurance Contracts" (effective for annual periods beginning on or after January 01, 2021),**

- **Amendments to IFRS 2 „Share-based Payment"** – "Classification and measurement of share-based payment transactions" (effective for annual periods beginning on or after January 01, 2018),

- **Amendments to IFRS 9 "Financial Instruments"** – "Prepayment Features with Negative Compensation" (effective for annual periods beginning on or after January 01, 2019),

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** – "Sale or Investments of Assets between Investors and Associates or Joint Ventures" and subsequent amendments (initially determined date of entry into force was postponed until the completion of the research project regarding the implementation of the equity method),
- **Amendments to IAS 19 „Employee Benefits"** entitled "Amendments, suppression of rights or payments under the payment plans" (effective for annual periods beginning on or after January 01, 2019),
- **Amendments to IAS 28 „Investments in Associates and Joint Ventures"** – "Long-term investments in associates and joint ventures" (effective for annual periods beginning on or after January 01 2019),

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

***New standards and amendments to the existing standards issued by IASB but not yet adopted in the EU (continued)***

- **Amendments to IAS 40 "Investment Property"** – "Transfers of Investment Property" (effective for annual periods beginning on or after January 01, 2018),

- **Amendments to the various standards entitled "Changes and Amendments to the IFRS from 2015 to 2017"** arising from the annual adjustment of the IFRSs (IFRS 3, IFRS 11, IAS 12 and IAS 23), primarily to eliminate discrepancies and clarify the text, (effective for annual periods beginning on or after January 01, 2019),

***New standards and amendments to the existing standards issued by IASB but not yet adopted in the EU***

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards, amendments to the existing standards and new interpretation, which were not endorsed for use in the European Union as of March 09, 2018 (the effective dates stated below is for IFRS in full):

- **Interpretation of IFRIC No. 22 "Foreign Currency Transactions and Advance Consideration"** (effective for annual periods beginning on or after January 01, 2018),

- **Interpretation of IFRIC No. 23 „Uncertainty over Income Tax Treatments"** (effective for annual periods beginning on or after January 01, 2019),

The Company foresees that the adoption of IFRS 9, IFRS 16 and IFRS 15 shall not have material impact on the Company's financial statements during the initial period of implementation.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Accounting judgements and estimates**

In applying the accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on past experience and other factors that are considered to be relevant. Actual results may differ from those estimates. The estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

*Income tax*

The Company is subject to corporate income tax in the Republic of Croatia. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. These calculations that support the tax return may be subject to review and approval by the local tax authorities.

*Impairment of shares*

The Company measures shares in open-end investment funds at fair value through profit or loss, the fair value being the last unit price quoted at the measurement date. The shares are re-measured at each reporting date to identify any indications of impairment resulting from a decrease in the unit price. Impairment represents a negative difference between the price at which units are acquired and the last quoted price at the measurement date. Impairment losses on shares resulting from a decrease in the unit price are included in profit or loss within realised and unrealised gains from investments in securities.

*Useful life of vehicles and equipment*

The Company reassesses the estimated lifetime of equipment and vehicles at the end of each reporting period. The determination of the useful life of the property is based on historical experience with similar assets, as well as the foreseen changes in the economic environment and the factors related to the industry in which the Company operates. The suitability of the estimated useful life is considered annually, or whenever there are indications of significant changes in assumptions.

*Deferred tax assets*

Deferred tax assets arising from deductible temporary differences and overdue losses are reported only to the extent of the probable amount of taxable profit that will allow the use of relief on the basis of deductible temporary differences and if their reversal is expected in the foreseeable future. The Company has no temporary differences on the basis of which it would post a deferred tax asset, as the tax losses brought forward expired in the early years.

(All amounts are expressed in thousands of HRK)

## 3 FUNDS MANAGEMENT INCOME

### 3.1 Management fee

| | 2017 | 2016 |
|---|---|---|
| OTP Money Fund | 2,952 | 3,835 |
| OTP Index Fund | 1,103 | 974 |
| OTP Balanced Fund | 971 | 827 |
| OTP Euro Money | 473 | 875 |
| OTP Meridian 20 Fund | 327 | 221 |
| OTP Multi | 290 | 220 |
| OTP Absolute | 191 | 12 |
| OTP Optimum | 143 | 141 |
| OTP Multi 2 | 122 | 12 |
| OTP Short-term | 117 | - |
| OTP Favorit | 77 | 187 |
| OTP Multi 2 | 1 | - |
| | **6,767** | **7,304** |

### 3.2 Exit fee

| | 2017 | 2016 |
|---|---|---|
| OTP Multi | 79 | - |
| OTP Index Fund | 68 | - |
| OTP Euro Money | 17 | 8 |
| OTP Balanced Fund | 8 | 2 |
| OTP Meridian 20 Fund | 8 | 1 |
| OTP Favorit | 4 | 12 |
| OTP Optimum | 2 | 12 |
| OTP Multi 2 | 1 | - |
| | **187** | **35** |

### 3.3 Entry fee

| | 2017 | 2016 |
|---|---|---|
| OTP Index Fund | - | 6 |
| | **-** | **6** |

(All amounts are expressed in thousands of HRK)

## 4 FUNDS MANAGEMENT EXPENSES

| | 2017 | 2016 |
|---|---|---|
| Acquisition fees | 223 | 212 |
| | **223** | **212** |

In accordance with the contract concluded between the Company and OTP banka d.d., OTP banka d.d. is entitled to charge an intermediation fee for the shares sold through its sales network. The fee is calculated as a contractually determined percentage of the management fee for individual funds.

In accordance with the contract concluded between the Company and Moneta Prima d.o.o. (founders of the financial news portal „hrportfolio.hr), Moneta Prima d.o.o. can charge an intermediation fee for the shares sold through the financial portal. The fee is calculated as a contractually determined percentage of the management fee for individual funds.

## 5 STAFF COSTS

| | 2017 | 2016 |
|---|---|---|
| Net salaries | 1,916 | 1,810 |
| Payroll taxes and contributions | 1,733 | 1,812 |
| Bonuses to employees | 300 | 390 |
| | **3,949** | **4,012** |

As of December 31, 2017, the Company had 15 employees (as of December 31, 2016: 14 employees). In 2017, bonuses in the total amount of HRK 300 thousand for two Management Board members and department heads were accrued as well as a total reward in the amount of HRK 10 thousand for the Management Board members. In 2017, a total bonus in the amount of HRK 97 thousand was paid in respect of 2016 to two members of the Management Board and rewards in the total amount of HRK 10 thousand were accrued and paid to the Management Board members (two members) for 2017 (2 Management Board members).

In 2016, bonuses in the total amount of HRK 390 thousand for two Management Board members and department heads were accrued as well as a total reward in the amount of HRK 7 thousand for the Management Board members. In 2016, a total bonus in the amount of HRK 218 thousand was paid in respect of 2015 to two members of the Management Board and rewards in the total amount of HRK 7 thousand were accrued and paid to the Management Board members (two members) for 2016 (2 Management Board members).

(All amounts are expressed in thousands of HRK)

## 6 OPERATING EXPENSE

| | 2017 | 2016 |
|---|---|---|
| Service costs | 1,078 | 952 |
| Other staff costs | 330 | 288 |
| Marketing costs | 289 | 190 |
| Rental costs | 195 | 249 |
| Depreciation | 186 | 181 |
| Vehicle costs | 156 | 167 |
| Material costs | 42 | 49 |
| Other operating expenses | 352 | 347 |
| | **2,628** | **2,423** |

## 7 FINANCIAL EXPENSE, NET

| | 2017 | 2016 |
|---|---|---|
| Interest income on term and a-vista deposits with banks | 2 | 1 |
| Net positive/(negative) exchange rate differences | 12 | (5) |
| Net unrealised losses | (53) | (8) |
| Income/(expense) from interest and loan fees | 1 | (4) |
| | **(38)** | **(16)** |

(All amounts are expressed in thousands of HRK)

## 8 INCOME TAX

In 2017, the corporate income tax in the Republic of Croatia was calculated by applying the rate of 18% to the taxable income for the current year (2016: 20 %)

**Reconciliation between accounting profit and income tax:**

| | 2017 | 2016 |
|---|---|---|
| Accounting profit before tax | 371 | 692 |
| Income tax at the rate of 18% (2016: 20 %) | 67 | 138 |
| Effect of non-taxable income | (4) | (9) |
| Effect of tax non-deductible expenses | 95 | 7 |
| **Income tax** | **158** | **136** |

(All amounts are expressed in thousands of HRK)

## 9 EQUIPMENT AND VEHICLES

| | Vehicles | Office equipment | Total tangible assets |
|---|---|---|---|
| **Purchase value** | | | |
| Balance at January 01, 2016 | 869 | 549 | 1,418 |
| Additions | 252 | 53 | 305 |
| Balance as of January 01, 2016 | **1,121** | **602** | **1,723** |
| Balance as of January 01, 2017 | 1,121 | 602 | 1,723 |
| Additions | - | 34 | 34 |
| Decreases | (253) | - | (253) |
| **Balance as of December 31, 2017** | **868** | **636** | **1,504** |
| **Accumulated depreciation** | | | |
| Balance as of January 01, 2016 | 659 | 474 | 1,133 |
| Charge for the year | 109 | 56 | 165 |
| Balance as of January 01, 2016 | **768** | **530** | **1,298** |
| Balance as of January 01, 2017 | 768 | 530 | 1,298 |
| Charge for the year | 106 | 63 | 169 |
| Disposals | (55) | - | (55) |
| **Balance as of December 31, 2017** | **819** | **593** | **1,412** |
| Net carrying amount as of January 01, 2016 | 210 | 75 | 285 |
| **Net carrying amount as of December 31, 2016** | **353** | **72** | **425** |
| **Net carrying amount as of December 31, 2017** | **49** | **43** | **92** |

(All amounts are expressed in thousands of HRK)

## 10 INTANGIBLE ASSETS

| | Leasehold improvements | Software | Other intangible assets | Total |
|---|---|---|---|---|
| **Purchase value** | | | | |
| Balance as of January 01, 2016 | 14 | 749 | 146 | 909 |
| Additions | - | 15 | - | 15 |
| **Balance as of December 31, 2016** | 14 | 764 | 146 | 924 |
| Balance as of January 01, 2017 | 14 | 764 | 146 | 924 |
| Additions | - | 22 | - | 22 |
| **Balance as of December 31, 2017** | 14 | 786 | 146 | 946 |
| **Accumulated depreciation** | | | | |
| Balance as of January 01, 2016 | - | 723 | 146 | 869 |
| Charge for the year | 1 | 14 | - | 15 |
| **Balance as of December 31, 2016** | 1 | 737 | 146 | 884 |
| Balance as of January 01, 2017 | 1 | 737 | 146 | 884 |
| Charge for the year | 2 | 17 | - | 19 |
| **Balance as of December 31, 2017** | 3 | 754 | 146 | 903 |
| Net carrying amount as of January 01, 2016 | 14 | 26 | - | 40 |
| **Net carrying amount as of December 31, 2016** | 13 | 26 | - | 39 |
| **Net carrying amount as of December 31, 2017** | 11 | 32 | - | 43 |

(All amounts are expressed in thousands of HRK)

## 11 RECEIVABLES

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Receivables for management fees | 621 | 688 |
| Exit fee receivables | 4 | 1 |
| Other assets | 39 | 24 |
| | **664** | **713** |

The receivables are less than 30 days past due. The Management Board has assessed all receivables, and identified no impairment.

## 12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As of December 2017, the Company held units in open-end investment funds PBZ Novčani and Alfa MultiCash in the amount of HRK 1,039 thousand (2016: HRK 2,028 thousand). All the investments are classified as Level 1 investments. The fair value of the units in open-end investment funds was determined based on the last available price of the units.

In 2017:

| UNITS IN INVESTMENT FUNDS | Number of units | Total acquisiti on cost | Value at the reporting date | Share in the net assets of the Fund (in %) | Manageme nt fee |
|---|---|---|---|---|---|
| PBZ Novčani | 4,266.9647 | 605 | 612 | 0.02 | 0.90% |
| NETA Multicash | 4,000.2920 | 400 | 427 | 6.22 | 1.10% |
| **Units and shares in investment funds** | | **1,005** | **1,039** | **6.24** | |

In 2016:

| UNITS IN INVESTMENT FUNDS | Number of units | Total acquisiti on cost | Value at the reporting date | Share in the net assets of the Fund (in %) | Manageme nt fee |
|---|---|---|---|---|---|
| PBZ Novčani | 4,266.9647 | 605 | 612 | 0.03 | 0.90% |
| PBZ Euro Novčani | 935.9324 | 961 | 986 | 0.16 | 1.00% |
| NETA MultiCash | 4,000.2920 | 400 | 430 | 6.31 | 1.10% |
| **Units in investment funds** | | **1,966** | **2,028** | **6.50** | |

(All amounts are expressed in thousands of HRK)

## 13 Cash and cash equivalents

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| *Balance on domestic currency (HRK) giro account* | | |
| OTP banka d.d. | 2,326 | 1,396 |
| Zagrebačka banka d.d. | - | 1 |
| OTP banka d.d. | 6 | 6 |
| | **2,332** | **1,403** |
| *Balance on foreign currency giro account* | | |
| OTP banka d.d. | 808 | 2 |
| **Total cash and cash equivalents** | **3,140** | **1,405** |

## 14 SHARE CAPITAL AND LOSS BROUGHT FORWARD

As of December 31, 2017, equity consisted of subscribed and paid up capital in the amount of HRK 12,980 thousand (2016: HRK 12,980 thousand), losses brought forward amounted to HRK 9,521 thousand (including net profit for the current financial year) (2016: HRK 9,734 thousand) and the profit for the year amounted to HRK 213 thousand (2016: HRK 556 thousand).

The ownership structure is as follows:

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| OTP banka d.d., Croatia | 74.33% | 74.33% |
| OTP Alapkezelő Zrt., Hungary | 25.67% | 25.67% |
| | **100.00%** | **100.00%** |

There were no increases in the share capital in 2017.

*Capital management*

The Company manages the level of its capital actively and maintains it at the level appropriate to cover the operations. Capital management is also subject to supervisory regulation of the Croatian Financial Services Supervisory Agency, which requires the capital of a management company to be always equal to, or higher than the higher of the following: (a) HRK 1,000 thousand (the minimum capital requirement under the Act on Investment Funds with a Public Offering and the Act on Alternative Investment Funds); and (b) HRK 1,571 thousand (one-fourth of the general prior-year expenses). The amount of the Company's capital, including the profit for the year and excluding accumulated prior-year losses, amounts to HRK 3,459 thousand (2016: HRK 3,246 thousand).

(All amounts are expressed in thousands of HRK)

## 15 FINANCIAL LEASE PAYABLES

| | Minimum lease payments | | Current value of minimum lease payments | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| Within one year | - | 25 | - | 28 |
| In the second to inclusive the fifth year | - | - | - | - |
| **Current value of minimum lease payables** | **-** | **25** | **-** | **28** |
| Less: future finance charges | - | (3) | - | - |
| | **-** | **22** | **-** | **28** |

## 16 PAYABLES TO EMPLOYEES

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Liabilities to employees | 163 | 171 |
| Taxes and contributions payables | 142 | 133 |
| | **305** | **304** |

## 17 OTHER LIABILITIES

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Liabilities for managerial bonuses | 337 | 390 |
| Other liabilities | 94 | 140 |
| | **431** | **530** |

During 2017, bonuses amounting to HRK 52 thousand were paid to the heads of departments under the reward system for the year 2016, and rewards were paid to other employees for 2017 (14 employees) in the total amount of HRK 45 thousand (in 2016: HRK 32 thousand).

## 18 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

This note provides details of the Company's exposure to risks and describes the methods implemented by the Management Board to manage those risks. The most significant financial risks to which the Company is exposed include credit risk, liquidity risk and market risk. Market risk includes foreign exchange risk, interest rate risk and price risk.

### Credit risk

A credit risk is the risk of default on a debt that may arise from a borrower failing to make required payments. At the end of the reporting period, the Company's exposure to credit risk arises from deposits with banks, instruments reported in the statement of financial position at positive fair value at the reporting date. The risk of default, which exists with individual counter parties in transactions with financial instruments at fair value through profit or loss, is monitored continuously. In monitoring credit risk, trading instruments with positive fair value and the volatility of their fair value are considered.

At the reporting date the Company's credit risk arises from its exposure to OTP banka d.d., the parent of the Company, and to OTP Funds managed by the Company as well as to Zagrebačka banka d.d. and Privredna banka Zagreb d.d. with respect to the cash on its transaction accounts with those banks.

At the reporting date, the maximum exposure to credit risk arises from financial assets at fair value through profit or loss in the amount of HRK 1,039 thousand (2016: HRK 2,028 thousand), receivables in the amount of 664 thousand Kuna (2016: HRK 713 thousand), receivables in the amount of 3,140 thousand Kuna (2016: HRK 1,405 thousand).

### Liquidity risk

Liquidity risk is the risk that the Company will have difficulties in finding funds for the settlement of its obligations as they fall due. At the reporting date, the current assets of the Company exceed its current liabilities. The Company maintains the level of liquid assets partly by holding funds on its giro accounts with OTP banka, Zagrebačka banka and Privredna banka Zagreb and by investing in cash funds.

(All amounts are expressed in thousands of HRK)

## 18 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### Liquidity risk

The remaining maturity periods of the Company's assets are as follows:

| | Due | Up to 1 month | 1-3 months | 3-12 months | 1 to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|
| **December 31, 2017** | | | | | | | |
| Receivables for management and exit fees | - | 625 | - | - | - | - | **625** |
| Other assets | - | 39 | - | - | - | - | **39** |
| | - | 664 | - | - | - | - | **664** |
| **December 31, 2016** | | | | | | | |
| Receivables from management and exit fees | - | 689 | - | - | - | - | **689** |
| Other assets | 10 | 14 | - | - | - | - | **24** |
| | 10 | 703 | - | - | - | - | **713** |

Cash, non-current tangible and intangible assets and units in open-end investment funds belong to assets with no maturity date.

(All amounts are expressed in thousands of HRK)

## 18 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Remaining maturity of liabilities of the Company is shown below:

| | Due | Up to 1 month | 1-3 months | 3-12 months | 1 to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|
| **December 31, 2017** | | | | | | | |
| Trade payables | 700 | 83 | - | - | - | - | **783** |
| Other payables | - | 94 | - | 337 | - | - | **431** |
| Payables to employees | - | 305 | - | - | - | - | **305** |
| **Total payables** | 700 | 482 | - | 337 | - | - | **1,519** |
| **December 31, 2016** | | | | | | | |
| Trade payables | 415 | 87 | - | - | - | - | **502** |
| Other payables | - | 133 | 35 | 390 | - | - | **558** |
| Payables to employees | - | 304 | - | - | - | - | **304** |
| **Total payables** | 415 | 524 | 35 | 390 | - | - | **1,364** |

**Interest rate risk**

Interest rate risk is the risk that the values of financial instruments will change due to adverse market interest rate changes in relation to the interest rate applied on financial instruments.

Except for cash held with OTP banka d.d., the Company does not hold any interest-bearing financial assets. The Company has a relatively low level of liabilities that accrue interest. The Management Board considers the exposure to interest costs to be insignificant.

(All amounts are expressed in thousands of HRK)

## 18 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### Foreign exchange risk

The Company may invest in financial instruments and enter into transactions denominated in currencies other than its functional currency. Consequently, the Company is exposed to the risk that the exchange rate of its functional currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of the portion of the Company's assets and liabilities denominated in a particular foreign currency.

EUR/HRK exchange rate of +/- 1% for assets denominated in EUR affects the increase/decrease in financial result in the amount of HRK 8 thousand.

| | 2017 | 2016 |
|---|---|---|
| **Assets** | | |
| HRK | 4,170 | 3,622 |
| EUR | 808 | 986 |
| USD | - | 2 |
| **Total assets** | **4,978** | **4,610** |
| **Equity, reserves and payables** | | |
| HRK | 4,978 | 4,582 |
| EUR | - | 28 |
| **Total equity, reserves and payables** | **4,978** | **4,610** |

### Price risk

Price risk is the risk that the value of an instrument would change due to changes in market prices, either caused by the factors specific to a particular investment, its issuer or factors affecting all instruments traded in the market.

The Company is exposed to price risk by investing in units of investment funds with public offering.

Changes in the price of the company's investment (in the Funds) – if their price changes +/- 1% – will affect the increase/decrease in the financial result in the amount of HRK 10 thousand.

## 18 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

**Fair value**

Fair value is the price that would have been realized by selling an item of property or paid for transferring an obligation in a fair transaction between the market participants at the measurement date, irrespective of whether it was directly visible or evaluated by applying another valuation technique. The carrying amounts of trade receivables, payables to suppliers and deposits with banks approximate their fair values due to the short-term nature of those financial instruments. The carrying amounts of cash and cash equivalents, borrowings and receivables are equivalent to their amortised cost. The fair value of financial assets and financial liabilities with standard terms and conditions that are traded on active liquid markets is determined by reference to quoted market prices.

The Company uses the following fair-value measurement hierarchy that reflects the significance of inputs used in measuring the fair value:

*Level 1*: Fair value of financial assets and liabilities is based on their quoted prices in active, liquid markets.

*Level 2*: Fair value of financial assets and liabilities is estimated using valuation techniques based on observable inputs. This category includes technique where the fair value can be determined by reference to similar instruments traded in active markets, the discounted cash flow technique or any other technique providing a reliable price estimate from actual prices achieved in market transactions.

*Level 3*: Fair value of financial assets and liabilities is estimated using estimation techniques which are not based on measurable and observable inputs.

(All amounts are expressed in thousands of HRK)

## 19 TRANSACTIONS WITH AFFILIATED COMPANIES

The Company is owned by OTP banka d.d., the parent company of the OTP Group in Croatia, and the ultimate parent company is OTP Bank Nyrt. registered in Hungary. The Company considers to be immediately related with its owner and the investment funds under its management, the Supervisory and Management Board members (jointly referred to as: "key management personnel"), close family members of its key management personnel, entities jointly controlled or significantly influenced by the members of the Management Board and their close family members, in accordance with the definition from International Accounting Standard 24 "Related Party Disclosures" ("IAS 24"). The Company has entered into transactions with: OTP banka d.d. Croatia and other members of the OTP Group. Transactions between the funds managed by the Company are presented in the individual financial statements of the funds. The key management personnel includes the Chairman and the member of the Management Board. Remuneration of the key management personnel comprises the total gross remuneration, including short-term and long-term benefits, such as basic pay and bonuses, pension contributions, Christmas bonuses and transportation allowances, as presented below.

| | Assets | | Payables | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| OTP banka d.d. | 3,134 | 1,398 | 556 | 259 |
| OTP leasing d.o.o. | - | - | - | 28 |
| OTP Balanced Fund | 82 | 76 | - | - |
| OTP Money Fund | 260 | 334 | - | - |
| OTP Euro Money | 41 | 75 | - | - |
| OTP Index Fund | 102 | 94 | - | - |
| OTP Meridian 20 Fund | 34 | 21 | - | - |
| OTP Favorit | - | 16 | - | - |
| OTP Multi | 37 | 38 | - | - |
| OTP Multi 2 | 18 | 14 | - | - |
| OTP Absolute | 22 | 9 | - | - |
| OTP Short-term | 15 | - | - | - |
| OTP Multi USD | 1 | - | - | - |
| OTP banka d.d. | - | - | - | - |
| OTP Optimum | 12 | 13 | - | - |
| | **3,758** | **2,088** | **556** | **287** |

(All amounts are expressed in thousands of HRK)

## 19 TRANSACTIONS WITH AFFILIATED COMPANIES (CONTINUED)

| | Income | | Expenses | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| OTP banka d.d. | 17 | 1 | 465 | 519 |
| OTP leasing d.o.o. | 6 | - | 1 | 5 |
| OTP Nekretnine | - | - | 12 | 13 |
| OTP Balanced Fund | 980 | 829 | - | - |
| OTP Money Fund | 2,952 | 3,835 | - | - |
| OTP Euro Money | 490 | 884 | - | - |
| OTP Index Fund | 1,171 | 980 | - | - |
| OTP Meridian 20 Fund | 335 | 222 | - | - |
| OTP Favorit | 81 | 198 | - | - |
| OTP Multi | 369 | 220 | - | - |
| OTP Multi 2 | 123 | 12 | - | - |
| OTP Absolute | 191 | 12 | - | - |
| OTP Multi USD | 1 | - | - | |
| OTP Short-term | 117 | - | - | |
| OTP banka d.d. | - | - | 1 | |
| OTP Optimum | 144 | 153 | - | - |
| | **6,977** | **7,346** | **479** | **537** |

The Company considers its Management and Supervisory Board as the key management. Management remuneration is included in the gross salary, pension contribution and bonus expenses. The total remuneration paid to all the Management Board members in 2017 amounts to HRK 1,551 thousand (2016: HRK 1,387 thousand).

## 20 EVENTS AFTER THE REPORTING DATE

There were no events after the reporting date that would affect the financial position of the Company.

Appendix to the financial statements (continued)

Report on comprehensive income

for the year ended on December 31

*(All amounts are expressed in HRK)*

| | EDP | 31.12.2016 | 31.12.2017 |
|---|---|---|---|
| 1.I Financial assets (∑ EDP2 to EDP 6) | 01 | 3,432,847.24 | 4,178,688.12 |
| 2 1. Cash | 02 | 1,405,215.71 | 3,140,311.44 |
| 3 2. Financial assets at FVPTL | 03 | 2,027,631.53 | 1,038,376.68 |
| 4 3. Financial assets available for sale | 04 | 0.00 | 0.00 |
| 5 4. Loans and receivables | 05 | 0.00 | 0.00 |
| 6 5. Financial assets held to maturity | 06 | 0.00 | 0.00 |
| 7 II. Receivables (EDP8+EDP9) | 07 | 713,431.84 | 664,274.87 |
| 8 1. Liabilities in respect of fund and portfolio management | 08 | 589,112.18 | 624,934.02 |
| 9 2. Other receivables | 09 | 24,319.66 | 39,340.85 |
| 10 III. Prepaid expenses and accrued income | 10 | 0.00 | 0.00 |
| 11 IV. Deferred tax assets | 11 | 0.00 | 0.00 |
| 12 V. Property, plant and equipment | 12 | 425,062.30 | 92,581.76 |
| 13 IV. Investment property | 13 | 0.00 | 0.00 |
| 14 VII. Intangible assets | 14 | 38,595.37 | 42,820.97 |
| 15 VII. Other assets | 15 | 0.00 | 0.00 |
| 16 Total assets (EDP1+EDP7+EDP10+EDP11+EDP12+ EDP13+EDP14+EDP15) | 16 | 4,609,936.75 | 4,978,365.72 |
| 17 OFF-BALANCE SHEET ITEMS | 17 | 0.00 | 0.00 |
| 18 A. Capital and reserves (EDP19+EDP20+EDP21+EDP26+EDP30+ AEDP31) | 18 | 3,246,037.66 | 3,459,385.90 |
| 19 I. Subscribed capital | 19 | 12,979,900.000 | 12,979,900.000 |
| 20 II. Capital reserves | 20 | 0.00 | 0.00 |
| 21 III. Reserves (∑EDP22 to EDP25) | 21 | 0.00 | 0.00 |
| 22 1. Legal reserves | 22 | 0.00 | 0.00 |
| 23 2. Statutory reserves | 23 | 0.00 | 0.00 |
| 24 3. Reserves for own shares | 24 | 0.00 | 0.00 |
| 25 4. Other reserves | 25 | 0.00 | 0.00 |
| 26 IV. Revaluation reserve (∑ EDP27 to EDP29) | 26 | 0.00 | 0.00 |
| 27 1. Revaluation of financial assets available for sale | 27 | 0.00 | 0.00 |
| 28 2. Revaluation reserve on hedging instruments | 28 | 0.00 | 0.00 |
| 29 3. Other revaluation reserves | 29 | 0.00 | 0.00 |
| 30 V. Retained profit or accumulated loss | 30 | -10,289,447.31 | -9,733,862.34 |
| 31 IV. Profit or loss for the year | 31 | 555,584.97 | 213,348.24 |
| 32 B. Liabilities (∑ EDP33 to EDP38) | 32 | 1,359,377.09 | 1,512,932.82 |
| 33 1. Liabilities in respect of fund and portfolio management | 33 | 0.00 | 0.00 |
| 34 2. Loans and borrowings payable | 34 | 28,390.30 | 0.00 |
| 35 3. Other liabilities under financial instruments | 35 | 0.00 | 0.00 |
| 36 4. Liabilities to suppliers | 36 | 501,526.79 | 782,735.09 |
| 37 5. Dividends (profit) payable | 37 | 0.00 | 0.00 |
| 38 6. Other liabilities | 38 | 829,460.00 | 730,197.73 |
| 39 C. Provisions | 39 | 4,522.00 | 6,047.00 |
| 40 D. Accrued expenses and deferred income | 40 | 0.00 | 0.00 |
| 41 E. Deferred tax liabilities | 41 | 0.00 | 0.00 |
| 42 Total equity and liabilities (EDP18+EDP32+EDP39+EDP40+EDP41) | 42 | 4,609,936.75 | 4,978,365.72 |
| 43 OFF-BALANCE SHEET ITEMS | 43 | 0.00 | 0.00 |

## Appendix to the financial statements (continued)

## Report on comprehensive income

## for the year ended on December 31

*(All amounts are expressed in HRK)*

| | EDP | 31.12.2018 | 31.12.2017 |
|---|---|---|---|
| 44 1. Management fee EDP45+EDP46+EDP47) | 44 | 7,302,966.82 | 6,767,807.34 |
| 45 1.1.UCITS fund management | 45 | 6,987,952.04 | 6,548,434.96 |
| 46 1.2. Alternative investment fund management | 46 | 315,014.78 | 219,372.38 |
| 47 1.3. Voluntary pension fund management | 47 | 0.00 | 0.00 |
| 48 2. Entrance fee income (EDP49+EDP50+EDP51) | 48 | 6,167.65 | 270.00 |
| 49 2.1. UCITS fund | 49 | 6,167.65 | 270.00 |
| 50 2.2. Alternative investment fund | 50 | 0.00 | 0.00 |
| 51 2.3. Voluntary pension fund | 51 | 0.00 | 0.00 |
| 52 3. Exit fee income (EDP53+EDP54+EDP55) | 52 | 35,377.27 | 187,115.70 |
| 53 3.1. UCITS fund | 53 | 11,582.59 | 181,120.22 |
| 54 3.2. Alternative investment fund | 54 | 23,794.68 | 5,995.48 |
| 55 3.3. Voluntary pension fund | 55 | 0.00 | 0.00 |
| 56 4. Other income | 56 | 0.00 | 0.00 |
| 57 I. Management fee income (EDP44+EDP48+EDP52+EDP56) | 57 | 7,344,511.74 | 6,955,193.14 |
| 58 1. Costs of unit sales charges (brokers) | 58 | -211,719.72 | -223,298.52 |
| 59 2. Other expenses | 59 | 0.00 | 0.00 |
| 60 II. Fund management expenses (EDP58+EDP59) | 60 | -211,719.72 | -223,298.52 |
| 61 Net investment fund management fee result | 61 | 7,132,792.02 | 6,731,894.72 |
| 62 III. Net portfolio management income | 62 | 0.00 | 0.00 |
| 63 IV. Investment advisory service income | 63 | 0.00 | 0.00 |
| 64 V. Financial income and expenses (∑ EDP65 to EDP70) | 64 | -16,162.06 | -38,778.08 |
| 65 1. Net interest income | 65 | -2,664.72 | 789.32 |
| 66 2. Net exchange differences | 66 | -4,853.58 | 12,904.53 |
| 67 3. Net unrealised and realised gains on financial assets at FVTPL | 67 | -8,643.76 | -52,471.93 |
| 68 4. Net realised gains on assets available for sale | 68 | 0.00 | 0.00 |
| 69 5. Other operating income and expenses on financial instruments | 68 | 0.00 | 0.00 |
| 70 6. Impairment of financial assets | 70 | 0.00 | 0.00 |
| 71 IV. General and administrative expenses | 71 | -6,249,654.68 | -6,385,040.59 |
| 72 VII. Depreciation/amortisation and value adjustment of other assets | 72 | -180,898.09 | -186,150.03 |
| 73 VII. Provisions | 73 | -4,522.00 | -6,047.00 |
| 74 IX. Other operating income and expenses | 74 | 10,399.24 | 255,221.97 |
| 75 Total income | 75 | 7,618,176.89 | 7,514,486.16 |
| 76 Total expenses | 76 | -6,926,222.36 | -7,143,385.17 |
| 77 X. Profit or loss before taxation (EDP61+EDP62+EDP63+EDP64+EDP71+ EDP72+EDP73+EDP74) | 77 | 691,954.53 | 371,100.39 |
| 78 IX. Profit tax | 78 | 136,369.56 | 157,752.75 |
| 79 XII. Profit or loss (EDP77 – EDP78) | 79 | 555,584.97 | 213,348.24 |
| 80 1. Reversal of revaluation reserves (Property, plant, equipment and intangible assets) | 80 | 0.00 | 0.00 |
| 81 2. Actuarial gains/(losses) defined retirement benefit plans | 81 | 0.00 | 0.00 |
| 82 3. Unrealised gains / (losses) Financial assets available | 82 | 0.00 | 0.00 |
| 83 4. Gains/(losses) on cash flow hedging instruments | 83 | 0.00 | 0.00 |
| 84 XII. Other comprehensive income (∑ od EDP80 to EDP83) | 84 | 0.00 | 0.00 |
| 85 XIV. Total comprehensive income (EDP79+EDP84) | 85 | 555,584.97 | 213,348.24 |
| 86 XV. Reclassification adjustments | 86 | 0.00 | 0.00 |

Appendix to the financial statements (continued)

Cash flow statement (indirect method)

for the year ended on December 31, 2017

*(All amounts are expressed in HRK)*

| | EDP | 31.12.2016 | 31.12.2017 |
|---|---|---|---|
| 127 Profit/(loss) before taxation for the current year (period) | 127 | 691,954.53 | 371,100.99 |
| 128 Depreciation and amortisation | 128 | 180,898.09 | 186,150.03 |
| 129 Impairment allowance on receivables and similar allowances | 129 | 0.00 | 0.00 |
| 130 Provisions | 130 | 0.00 | 0.00 |
| 131 Interest income | 131 | -1,230.92 | -2,001.05 |
| 132 Interest expense | 132 | 3,895.64 | 610.17 |
| 133 Increase/decrease of receivables from fund and portfolio management | 133 | -146,212.52 | 64,178.16 |
| 134 Increase/decrease of other receivables | 134 | -13,956.43 | -15,021.19 |
| 135 Increase/decrease of financial assets at FVTPL | 135 | 8,643.76 | 989,254.85 |
| 136 Interest received | 136 | 1,230.92 | 2,001.05 |
| 137 Interest paid | 137 | -3,895.64 | -610.17 |
| 138 Dividends received | 138 | 0.00 | 0.00 |
| 139 Increase/decrease in other asset items | 139 | 0.00 | 0.00 |
| 140 Increase/decrease in fund and portfolio management | 140 | 0.00 | 0.00 |
| 141 Increase/decrease of liabilities to suppliers | 141 | 135,079.30 | 281,208.30 |
| 142 Increase/decrease of other payables | 142 | 53,258.82 | -185,008.21 |
| 143 Increase/decrease of other equity and liability items | 143 | -4,130.00 | 1,525.00 |
| 144 Profit tax paid | 144 | -3,820.92 | -72,006.82 |
| 145 I. Net cash from operating activities (Σ EDP127 to EDP144) | 145 | 501,714.63 | 1,621,381.11 |
| 146 Proceeds from the sale of financial assets available for sale | 146 | 0.00 | 0.00 |
| 147 Payments for purchases of financial assets available for sale | 147 | 0.00 | 0.00 |
| 148 Receipts from loans and receivables | 148 | 0.00 | 0.00 |
| 149 Issue of loans and receivables | 149 | -41,313.81 | -28,390.30 |
| 150 Receipts from financial assets held to maturity | 150 | 0.00 | 0.00 |
| 151 Payments on investments in financial assets held to maturity | 151 | 0.00 | 0.00 |
| 152 Payments for purchases of property, equipment and intangible assets | 152 | -320,186.50 | -55,921.75 |
| 153 Proceeds from the sale of property, equipment and intangible assets | 153 | 0.00 | 198,026.67 |
| 154 Other cash received from investing activities | 154 | 0.00 | 0.00 |
| 155 Other cash paid in investing | 155 | 0.00 | 0.00 |
| 156 II. Net cash from investing activities (Σ EDP146 to EDP155) | 156 | -361,500.31 | 113,714.62 |
| 157 Payments by the owner | 157 | 0.00 | 0.00 |
| 158 Payments for purchases of own shares | 158 | 0.00 | 0.00 |
| 159 Dividends paid | 159 | 0.00 | 0.00 |
| 160 Interest received | 160 | 0.00 | 0.00 |
| 161 Repayments of loans and borrowings | 161 | 0.00 | 0.00 |
| 162 Proceeds from the issue of financial instruments | 162 | 0.00 | 0.00 |
| 163 Payments on the issue of financial instruments | 163 | 0.00 | 0.00 |
| 164 Other cash received from financing activities | 164 | 0.00 | 0.00 |
| 165 Other payments under financing activities | 165 | 0.00 | 0.00 |
| 166 III. Net cash from financing activities (Σ EDP 157 to EDP165) | 166 | 0.00 | 0.00 |
| 167 IV. Net increase/decrease in cash and cash equivalents | 167 | 540,214.32 | 1,735,095.73 |
| 168 V. Cash and cash equivalents at beginning of period | 168 | 865,001.39 | 1,405,215.71 |
| 169 IV. Cash and cash equivalents at end of period (EDP167+EDP168) | 169 | 1,405,215.71 | 3,140,311.44 |

## Appendix to the financial statements (continued)

Statement of changes in shareholder's equity

For the year ended on December 31, 2017

*(All amounts are expressed in kunas)*

| | Attributable to the equity holders of the parent | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Subscribed capital | Capital reserves | Profit reserves | Revaluation of financial assets available for sale | Other revaluation reserves | Retained profit or accumulated losses | Profit or loss for the year (period) | Attributable to the owners of non-controlling interest | Total equity |
| Prior-year opening balance | 12,979,900.00 | 0.00 | 0.00 | 0.00 | 0.00 | -10,788,820.13 | 499,372.82 | 0.00 | 2,690,452.00 |
| Changes in accounting policies | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Correction of prior-period error | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Prior-year opening balance (as restated) | 12,979,900.00 | 0.00 | 0.00 | 0.00 | 0.00 | -10,788,820.13 | 499,372.82 | 0.00 | 2,690,452.00 |
| Profit or loss for the period | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 555,584.97 | 0.00 | 555,584.97 |
| Unrealised gains / (losses) on financial on assets available for sale | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Changes in equity other than owner related | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total prior-year (period) income and expenses recognised directly in profit for the year | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 555,584.97 | 0.00 | 555,584.97 |
| Increase/decrease in subscribed capital | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other payments made by the owners | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Dividends (profit) paid | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other distributions to owners | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -499,372.82 | 0.00 | 0.00 |
| Reporting period closing balance for the prior year | 12,979,900.00 | 0.00 | 0.00 | 0.00 | 0.00 | 499,372.82 | 555,584.97 | 0.00 | 3,246,037.66 |
| Current-year opening balance | 12,979,900.00 | 0.00 | 0.00 | 0.00 | 0.00 | -10,289,447.31 | 0.0 | 0.00 | 3,246,037.66 |
| Changes in accounting policies | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -9,733,862.34 | 0.00 | 0.00 | 0.00 |
| Correction of prior-period error | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Balance at the opening date of the current business year (as restated) | 12,979,900.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.0 | 0.00 | 2,690,452.69 |
| Profit or loss for the period | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -9,733,862.34 | 213,348.24 | 0.00 | 213,348.24 |
| Unrealised gains / (losses) on financial on assets available for sale | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Changes in equity other than owner related | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total income and expenses for the current year (period) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 213,348.24 | 0.00 | 213,348.24 |
| Increase/decrease in subscribed capital | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other payments made by the owners | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Dividends (profit) paid | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other distributions to owners | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.0 | 0.00 | 0.00 |
| Balance at the closing date of the current business year | 12,979,900.00 | 0.00 | 0.00 | 0.00 | 0.00 | -9,733,862.34 | 213,348.24 | 0.00 | 3,459,385.90 |

## Appendix to the financial statements (continued)

## Reconciliation between the regulatory framework and International Financial Reporting Standards adopted by the European Union as of December 31, 2017

*(All amounts are expressed in thousands of kunas)*

| IFRS financial statements | | | Financial statements under the Rulebook on the structure and contents of the financial statements of investment fund management companies | | | Difference | Note |
|---|---|---|---|---|---|---|---|
| Statement on Financial Position | Notes | December 31, 2017 HRK '000 | Statement on Financial Position | EDP | December 31, 2017 HRK '000 | | |
| Property, plant and equipment | 9 | 92 | Property, plant and equipment | 12 | 92 | - | |
| Intangible assets | 10 | 43 | Intangible assets | 14 | 43 | - | |
| | | | | | | | |
| **Total non-current assets** | | | **TOTAL EDP 12 and 14** | | | | |
| Loans and receivables | | - | Loans and receivables | 5 | - | - | |
| Receivables | 11 | 664 | Receivables based on funds management<br>Other receivables | 8<br>9 | 625<br>39 | - | |
| Financial assets at fair value through pr loss | 12 | 1,039 | Financial assets at fair value through profit and los account | 3 | 1,038 | 1 | Rounding |
| Cash and cash equivalents | 13 | 3,140 | Cash | 2 | 3,140 | - | |
| **Total current assets** | | | **TOTAL EDP 2.3, 8 and 9** | | | | |
| **Total assets** | | **4,978** | **Total assets** | 16 | **4,978** | - | |
| Share capital<br>Loss brought forward | 14<br>14 | 12,980<br>(9,521) | Subscribed capital<br>Profit withheld or loss brought forward<br>Profit or loss for the current year | 19<br>30<br>31 | 12,980<br>(9,734)<br>213 | (213)<br>213 | Note 1<br>Note 2 |
| **Total equity** | | | **Equity and reserves** | 18 | | | |
| Financial lease obligations<br>Trade payables<br>Income tax payables<br>Liabilities to employees<br>Other liabilities | 15<br><br><br>16<br>17 | -<br>783<br>-<br>305<br>431 | Provisions<br>Loans and credits payables<br>Trade payables<br><br>Accrued expenses and deferred income<br>Other liabilities | 39<br>34<br>36<br><br>40<br>38 | 6<br>-<br>783<br><br>-<br>730 | 6 | Note 3 |
| **Total liabilities** | | **1,519** | **TOTAL EDP 34, 36,38, and 39** | | | | Note 4 |
| **Total equity, reserves and payables** | | **4,978** | **Total payables** | | **4,978** | - | |

Appendix to the financial statements (continued)

Reconciliation between the regulatory framework and International Financial Reporting Standards adopted by the European Union for the year ended on December 31, 2017

*(All amounts are expressed in thousands of kunas)*

- Notes 1 and 2: Losses carried forward determined under IFRS are already reduced by the current year's profit.
- Note 3: Provisions for unused vacation days, determined in accordance with IFRS (HRK 6 thousand), are included in payables to employees.
- Note 4: Other liabilities decreased by the amount of provisions in the statements according to the local regulation include liabilities to employees and other liabilities under IFRS.

| IFRS financial statements | | | Financial statements under the Rulebook on the structure and contents of the financial statements of investment fund management companies | | | Difference | Note |
|---|---|---|---|---|---|---|---|
| **Report on comprehensive income** | Notes | 2017 | **Report on comprehensive income** | EDP | 2017 | | |
| **Management fee (NAV-based)**<br>**Exit fee income**<br>**Entrance fee income** | 3.1<br>3.2<br>3.3 | 6,767<br>187<br>- | Management fee (NAV-based)<br>Exit fee income<br>Entrance fee income | 44<br>52<br>48 | 6,767<br>187<br>- | | |
| | | | **Management fee income** | 45 | 6,955 | - | |
| **Other income** | | 255 | | | | 255 | Note 1 |
| | | | Costs of unit sales charges (brokers) | 58 | (223) | | |
| | | | Other expense | 59 | | | |
| **Fund management expenditure** | **4** | **(223)** | **Investment fund management expenses** | 60 | (223) | - | |
| | | | Net interest income | 65 | 1 | 1 | Note 2 |
| | | | Net exchange differences | 66 | 12 | 12 | Note 2 |
| | | | Net unrealised and realised gains on fin. assets at fair va | 67 | (52) | (52) | Note 2 |
| | | | Net unrealised and realised gains on financial assets | 68 | - | | |
| | | | **Net financial income** | 64 | **(38)** | | Note 2 |
| | | | **General and administrative expenses** | 71 | (6,385) | (6,385) | Note 3 |
| **Staff expenses** | 5 | (3,949) | | | | | Note 3 |
| **Operating expenses** | 6 | (2,628) | | | | | Note 3 |
| | | | **Depreciation and value adjustment of other assets** | 72 | (186) | (186) | Note 4 |
| **Financial income/(expense), net** | | **(38)** | **Provisions** | 73 | (7) | | Note 5 |
| | | | **Other operating income and expenses** | 74 | 255 | 255 | Note 1 |
| **Profit before tax** | | 371 | **Profit or loss before taxation** | 77 | 371 | - | |
| Income tax | 8 | (158) | Income tax | 78 | (158) | - | |
| **Total comprehensive income** | | 213 | **Profit or loss after tax** | 79 | 213 | - | |

Note 1: Other income according to IFRS includes income from provisions for unused holidays, unused bonuses and additional grants from suppliers, while in the statements according to the local regulation this amount is included in other operating income and expenses (EDP 74).

Note 2: According to local regulation, the net financial income/(expense) consists of the following: net interest income, net foreign exchange differences and net unrealized and realized gains from financial assets at fair value through profit or loss.

Note 3: Staff expenses in the IFRS financial statements are included in the general and administrative expenses in the statements according to the local regulation.

Note 4: Depreciation and amortisation included in the statements according to the local regulation are included in the operating expenses according to IFRS.

Note 5: Provisions in the statements according to the local regulation are included in the staff expenses according to IFRS.

**Cash flow statement**

The presentation of the cash flow statement according to the Rulebook of the Croatian Financial Services Supervisory Agency on the structure and contents of financial statements and other statements of UCITS investment fund management companies dated 21 April 2016 (Official Gazette 39/16) and the Rulebook of the Croatian Financial Services Supervisory Agency on the structure and contents of annual and semi-annual financial statements and other reports of alternative investment fund management companies, dated 21 April 2016 (Official Gazette 40/16) differs significantly from the IFRS Statement of cash flows.

The differences between the IFRS statement of cash flows and the cash flow statement under the local regulation on items presenting increases or decreases in assets and liabilities arise from the differences in the asset and liability items considered, but presented differently in the IFRS financial statements and under the local regulatory requirements.