OTP Invest d.o.o., ZAGREB

Financial statements

and Independent auditors' report

for the year ended

31 December 2014

Contents

Responsibility for the financial statements

Pursuant to the Croatian Accounting Law, the Management Board is responsible for ensuring that financial statements are prepared for each financial year in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"), which give a true and fair view of the state of affairs and results of OTP Invest d.o.o. ("Company") for that period.

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

In preparing those financial statements, the responsibilities of the Management Board include ensuring that:

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

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and must also ensure that the financial statements comply with the Croatian Accounting Law (Official Gazette no. 109/07, 54/13, 121/14). The Management Board is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the Management Board on 25 February 2015:

Darko Brborović

President of the Management Board

Marinko Šanto-Miletić

Member of the Management Board

otp Invest d.o.o.
Zagreb

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Independent Auditors' Report

To the Owners of OTP Invest d.o.o., Zagreb:

We have audited the accompanying financial statements of OTP Invest d.o.o., Zagreb ("Company") which comprise the statement of financial position as at 31 December 2014, the statement of comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European union, 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.

Auditor's Responsibility

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

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

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

Društvo upisano u sudski registar Trgovačkog suda u Zagrebu: MBS 030022053; uplaćen temeljni kapital: 44.900,00 kuna; članovi uprave: Eric Daniel Olcott and Branislav Vrtačnik; poslovna banka: Zagrebačka banka d.d., Paromlinska 2, 10 000 Zagreb, ž. račun/bank account no. 2360000-1101896313; SWIFT Code: ZABAHR2X IBAN: HR27 2360 0001 1018 9631 3; Privredna banka Zagreb d.d., Račkoga 6, 10 000 Zagreb, ž. račun/bank account no. 2340009–1110098294; SWIFT Code: PBZGHR2X IBAN: HR38 2340 0091 1100 9829 4; Raiffeisenbank Austria d.d., Petrinjska 59, 10 000 Zagreb, ž. račun/bank account no. 2484008–1100240905; SWIFT Code: RZBHHR2X IBAN: HR10 2484 0081 1002 4090 5

Independent Auditors' Report (continued)

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the OTP Invest d.o.o., Zagreb as at 31 December 2014, 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.

Reporting under other legal and regulatory requirements

Pursuant to the Rules on the Structure and Contents of Financial Statements and Other Reports of Companies Managing UCITS Funds (OG no 100/13), issued by the Croatian Financial Services Supervisory Agency on 26 July 2013, the Rules on the Structure and Contents of Financial Statements and Other Reports of Companies Managing Alternative Investment Funds (OG no 142/13), issued by the Croatian Financial Services Supervisory Agency on 22 November 2013, and the Rules amending the Rules on the Structure and Contents of Financial Statements and Other Reports of Companies Managing Alternative Investment Funds (OG no 81/14),) issued by the Croatian Financial Services Supervisory Agency on 27 June 2014, the Management Board of the Company prepared the reporting schedules set out on pages 34 to 41 ('the Schedules'), providing an alternative presentation of the statement of financial position at 31 December 2014, and of the statement of comprehensive and the statement of changes in equity for the year then ended, as well as a reconciliation ('the Reconciliation') between the Schedules set out on pages 34 to 41 and the financial statements set out on pages 5 to 33. The Management Board of the Company is responsible for the Schedules and the Reconciliation. The financial information provided in those forms has been derived from the financial statements of the Company presented on pages 5 to 33 on which we have expressed unqualified opinion as indicated above.

Branislav Vrtačnik
President of the Management Board, Certified Auditor

Deloitte d.o.o.
Zagreb, 25 February 2015

Statement of comprehensive income

for the year ended 31 December 2014

(all amounts are expressed in thousands of Kuna)

	Notes	2014	2013
Management fee	4.1.	6,037	5,986
Redemption fee	4.2.	106	25
Entrance fee	4.3.	5	6
Other revenue		15	2
Financial income / (expenses), net	5	7	13
Fund management expenses	6	(154)	(160)
Staff expenses	7	(3,687)	(3,358)
Operating expenses	8	(2,228)	(2,062)
Other extraordinary income		105	-
Profit before tax		**205**	**452**
Income tax expense	9	-	-
Profit for the year		**205**	**452**
Other comprehensive income		-	-
Total comprehensive income		**205**	**452**

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

Signed on behalf of the Company on 25 February 2015:

Darko Brborović

President of the Management Board

Marinko Šanto-Miletić

Member of the Management Board

otp Invest d.o.o. Zagreb

Statement of financial position

as at 31 December 2014

(all amounts are expressed in thousands of Kuna)

	Notes	2014	2013
ASSETS			
Non-current assets			
Property, plant and equipment	10	352	200
Intangible assets	11	91	125
Total non-current assets		**443**	**325**
Current assets			
Investments at fair value through profit or loss	13	1,521	1,778
Receivables	12	566	513
Cash and cash equivalents	14	510	400
Total current assets		**2,597**	**2,691**
Total assets		**3,040**	**3,016**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	15	12,980	12,980
Accumulated loss	15	(10,789)	(10,994)
Total equity		**2,191**	**1,986**
CURRENT LIABILITIES			
Financial lease liability	16	110	154
Trade payables		254	261
Employee liabilities	17	287	306
Other payables and provisions	18	198	309
Total liabilities		**849**	**1,030**
Total equity and liabilities		**3,040**	**3,016**

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

Signed on behalf of the Company on 25 February 2015:

Darko Brborović	**Marinko Šanto-Miletić**
President of the Management Board	**Member of the Management Board**

otp Invest d.o.o.

Statements of changes in shareholders' equity
for the year ended 31 December 2014

(all amounts are expressed in thousands of Kuna)

	Share capital	Accumulated loss	Total
Balance as at 31 December 2012	**12,980**	**(11,446)**	**1,534**
Total comprehensive income	-	452	452
Balance as at 31 December 2013	**12,980**	**(10,994)**	**1,986**
Total comprehensive income	-	205	205
Balance as at 31 December 2014	**12,980**	**(10,789)**	**2,191**

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

Signed on behalf of the Company on 25 February 2015:

Darko Brborović
President of the Management Board

Marinko Šanto-Miletić
Member of the Management Board

otp Invest d.o.o.
Zagreb

(all amounts are expressed in thousands of Kuna)

	Note	2014	2013
Cash flow from operating activities			
Profit for the year		205	452
Adjustments to reconcile gain to net cash (used in)/generated from operating activities:			
Depreciation and amortization		169	180
Interest income		(1)	(2)
Interest expense		10	15
Increase of FVTP		(15)	-
Net realized gain		10	-
Net unrealized gain		(14)	(25)
		364	*620*
Movements in working capital			
(Increase)/ decrease in current receivables		(53)	5
Increase/ (decrease) in payables		(137)	241
Net Cash from operating activities		**174**	**866**
Cash flow from investing activities			
Payments to acquire financial assets		-	(1,162)
Proceeds on sale of financial assets		276	276
Interest received		1	2
Interest paid		(10)	(15)
Purchases of property, plant and equipment		(278)	(25)
Purchases of intangible assets		(9)	(13)
Net cash from investing activities		**(20)**	**(937)**
Cash flow from financing activities			
Repayment of borrowings and financial lease liabilities		(44)	(77)
Net cash generated from financing activities		**(44)**	**(77)**
Net decrease in cash and cash equivalents		**110**	**148**
Cash and cash equivalents at beginning of year	14	**400**	**548**
Cash and cash equivalents at end of year	14	**510**	**400**

The accompanying notes form an inseparable part of these financial statements.

Signed on behalf of the Company on 25 February 2015:

Darko Brborović
President of the Management Board

Marinko Šanto-Miletić
Member of the Management Board

otp invest d.o.o. Zagreb

1. GENERAL

Activity

OTP invest d.o.o., (the "Company") was founded on 17 December 1997 as a limited liability Company regulated by the Croatian Agency for Supervision of financial services (the "HANFA"). The Company's headquarters is in Zagreb, Zelinska 2, and its exclusive activity is the management of investment funds in Croatia.

The ultimate parent company is OTP Bank Nyrt. registered in Hungary. Consolidated financial statements are published on www.otpbank.hu.

The Croatian Securities Exchange Commission issued the operating license to the Company on 2 December 1997.

On 15 December 2005, the Croatian Securities Exchange Commission issued an approval to the Company to establish and manage the open-ended investment funds OTP uravnoteženi fond, OTP novčani fond and OTP euroobveznički fond.

On 20 December 2007, the Croatian Securities Exchange Commission issued an approval to the Company to establish and manage the open-end investment fund OTP Indeksni fond.

On 3 April 2008, the Croatian Securities Exchange Commission issued an approval to the Company to establish and manage the open-end investment fund OTP Meridian 20 fond.

On 22 January 2009, the Croatian Securities Exchange Commission issued an approval to the Company to establish and manage the open-end investment fund OTP europa plus.

On 9 August 2013, OTP Europa plus fund and OTP Euroobveznički fund has been merged to OTP uravnoteženi fund.

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

At 31 December 2014 the Company had the following open ended funds under its management: OTP Uravnoteženi fond, OTP Novčani fond, OTP Indeksni fond, OTP Euronovčani, OTP Meridian 20 and alternative investment fund OTP Favorit.

Management Board:

Darko Brborović – President of the Management Board
Marinko-Šanto Miletić – Member of the Management Board

Supervisory Board

Slaven Celić – President 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
Attila Takacs - Member of the Supervisory Board

(all amounts are expressed in thousands of Kuna)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European union ("the IFRS").

Basis of presentation

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments and certain non-current assets.

Reporting currency

The principal currency of the Company is Kuna as most of the Company transactions are done in Kuna.
The financial statements of the Fund have been prepared in Croatian kuna. The official exchange rate for as at 31 December 2014 was 1 EUR = 7,661471 (31 December 2013: 1 EUR = 7,637643).

Revenue recognition

The Company recognizes management fee as revenue on a daily basis over the period earned. The exit fee revenues are recognized when units are sold as percentage of sold unit value. The Company charges a management fee to the OTP investment funds on the total fund assets decreased for the value of liabilities from securities transactions. The breakdown of the fees charged by the Company to OTP open end investment funds is presented below:

OTP open end Investment funds	**Management fee**	**Redemption fee**	**Entrance fee**
	%	%	%
			-
OTP Indeksni	0.85	0 - 2	0 - 1
OTP Euro novčani	0.95	0 -1.5	0 - 1
OTP Novčani	1	-	-
OTP Meridijan 20	2	0 - 2	-
OTP Uravnoteženi	2	0 - 1	0 – 1
OTP Favorit	7	7	-

Entrance and exit fees

The Company is entitled to entrance and redemption fees in the amount of 0% -7% of the value of investors purchases and redemptions of units of the investment funds in accordance with the Prospectus and Statute of each investment fund. Redemption fee is charged depending on investment period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to 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 arising under operating leases are recognised as an expense in the period in which they are incurred.

Foreign currency translation

Monetary assets and liabilities in foreign currencies are translated to Croatian kuna by applying the mid exchange rate of the Croatian National Bank effective on the reporting date. Income and expenditure in foreign currencies are translated at rates effective on the transaction date. Realised gains and losses on translation of foreign currency reporting date items are included in the profit or loss. Foreign currency gains and losses related to securities at fair value through profit and loss are included in the profit or loss as part of realised and unrealised gains / losses.

Income tax

The Company provides for taxes in accordance with Croatian law. Income tax charged on the results for the year comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred taxes are calculated by using 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 income tax purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

Deferred tax assets are recognised when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilised. At each reporting date, the Company reassesses unrecognised deferred tax assets and the carrying amount of deferred tax assets.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (the "PPE")

PPE assets are stated at cost less accumulated depreciation. Depreciation is provided under the straight-line method over the estimated useful life from two to ten years.
The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in Statement of comprehensive income.

Intangible assets

Intangible assets consist of software and are stated at cost less accumulated amortization.
Amortization is provided under the straight-line method over the estimated useful life of three to ten years.
The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in Statement of comprehensive income.

Impairment of PPE and intangible assets

At each reporting date, the Company reviews the carrying amounts of its PPE and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. 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 less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalue amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalue amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

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

Securities

Securities held by the Company are categorized into portfolios in accordance with the Company's intent on the acquisition of the securities. The Company has classified all of its securities as securities at fair value through profit and loss (the "FVTPL"). All securities held by the Company are recognized using trade date accounting.

The Company recognises securities initially at fair value, plus, for securities other than those designated at fair value through profit or loss, transaction costs directly attributable to the acquisition of a security. Fair values of actively traded transferable securities and money-market instruments are determined using the last trading price quoted on those markets.

Where the last trading price of actively traded transferable securities and money-market instruments quoted by primary valuation price used as a valuation input, the fair value of those securities and instruments is determined by reference to the last trading price since the previous valuation date. Unrealised gains and losses are included in unrealised gains and losses on securities.

Financial assets

Financial assets are classified into the following specified categories: financial assets valued at 'at fair value through profit or loss' ("FVTPL"), 'held-to-maturity' investments, 'available-for-sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(a) Financial assets valued at fair value through profit or loss

This category has a sub-category: financial assets held for trading. A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the Statement of financial position date. Financial assets held for trading consist of debt and equity instruments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.
Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within line item 'results of trading assets – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss are included in the income statement within 'other operating income' when the right to receive payments is established.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:
(a) those that the entity intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
(b) those that the entity upon initial recognition designates as available for sale; or
(c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including directly relating transaction costs – and measured subsequently at amortised cost using the effective interest rate method. Loans and receivables are reported in the statement of financial position as loans and advances to banks or customers. Interest on loans is included in the income statement and is reported as 'Interest and similar income'. In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the income statement as 'Loan impairment charges'.

(c) Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity other than:
(a) those that the Bank upon initial recognition designates as at fair value through profit or loss;
(b) those that the Bank designates as available for sale; and
(c) those that meet the definition of loans and receivables.
These are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method. Interest on held-to-maturity investments is included in the income statement and reported as 'Interest and similar income'. In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the investment and recognised in the income statement as 'net gains/(losses) on investment securities'.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

(d) Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are initially recognised at fair value, which is the cash consideration including directly related transaction costs, and subsequently valued by amortising the initially recognized discount by applying the effective yield method based on effective residual term to maturity. The resulting discounted amount is recognized as a component part of interest income in the income statement. At the same time, the fair value of financial assets is calculated by applying the alternative model and unrealised gains/losses derived from the reconciliation with fair value are recognized in the other comprehensive income, while recently realised effects are included in the in the income statement, with gains and losses being recognised in the statement of other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognised in the statement of other comprehensive income is recognised in the income statement. However, interest is calculated using the effective interest method, and foreign currency gains and losses on monetary assets classified as available for sale are recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement in 'Dividend income' when the Bank's right to receive payment is established.

(e) Recognition

The Bank uses trade date accounting for regular way contracts when recording financial asset transactions.

2.4.2 Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. The Bank's holding in financial liabilities is recorded at amortised cost. There are no financial liabilities at fair value through profit and loss. Financial liabilities are derecognised when extinguished.

(a) Liabilities measured at amortised cost

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortised cost. Financial liabilities measured at amortised cost are deposits and from banks or customers, borrowings and hybrid financial instruments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company 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 balance sheet 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 balance sheet 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.

Estimates and judgments

The presentation of financial statements requires from the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates and judgments (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Fair value of financial instruments
When the fair value of financial assets and liabilities cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not possible, a degree of judgment is required in establishing fair values.

	Level 1	Level 2	Level 3
Definicija ulaznih podataka:	fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities	fair value measurements are those derived from inputs other than quoted prices included within that are observable for the asset or liability, either directly or indirectly	fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data

Impairment of financial instruments
Company considers that financial assets to be impaired when there exists significant or long-term decrease of fair value below the cost.

Uncertainty of estimates

Future events and their effects cannot be perceived with certainty. Accordingly, the accounting estimates made require the exercise of judgment and those used in the preparation of the financial statements will change as new events occur, as more experience is acquired, as additional information is obtained and as the Fund's operating environment changes. Actual results may differ from those estimates.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION (the "IFRS")

Standards and Interpretations effective in the current period

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

- **IFRS 10 "Consolidated Financial Statements"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IFRS 11 "Joint Arrangements"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IFRS 12 "Disclosures of Interests in Other Entities"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IAS 27 (revised in 2011) "Separate Financial Statements"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosures of Interests in Other Entities"** – Transition Guidance, adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 27 (revised in 2011) "Separate Financial Statements"** – Investment Entities, adopted by the EU on 20 November 2013 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IAS 32 "Financial instruments: presentation"** – Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IAS 36 "Impairment of assets"** - Recoverable Amount Disclosures for Non-Financial Assets, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IAS 39 "Financial Instruments: Recognition and Measurement"** – Novation of Derivatives and Continuation of Hedge Accounting, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014).

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

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION (the "IFRS") (CONTINUED)

Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

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

- **Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)"** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 17 December 2014 (amendments are to be applied for annual periods beginning on or after 1 February 2015),
- **Amendments to various standards "Improvements to IFRSs (cycle 2011-2013)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 18 December 2014 (amendments are to be applied for annual periods beginning on or after 1 January 2015),
- **Amendments to IAS 19 "Employee Benefits"** - Defined Benefit Plans: Employee Contributions - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),
- **IFRIC 21 "Levies**" adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

Standards and Interpretations issued by IASB but not yet adopted by 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 from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use in EU as at 30 January 2015 (the effective dates stated below is for IFRS in full):

- **IFRS 9 "Financial Instruments"** (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016),
- **IFRS 15 "Revenue from Contracts with Customers"** (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016),

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION (the "IFRS") (CONTINUED)

Standards and Interpretations issued by IASB but not yet adopted by the EU (continued)

- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures"** - Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IFRS 11 "Joint Arrangements"** – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 1 "Presentation of Financial Statements"** - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets"** - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture"** - Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 27 "Separate Financial Statements"** - Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)"** resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 January 2016).

The Entity anticipates that the adoption of these standards, amendments to the existing standards and interpretations will have no material impact on the financial statements of the Entity in the period of initial application.

(all amounts are expressed in thousands of Kuna)

4. OPERATING INCOME

4.1. Management fee

	2014	2013
OTP Novčani fund	3,305	3,745
OTP Indeksni fund	956	1,000
OTP Uravnoteženi fund	908	664
OTP Euro novčani fund	548	221
OTP Meridijan 20 fund	229	198
OTP Euro obveznički fund	-	88
OTP Europa Plus fund	-	70
OTP Favorit	91	-
	6,037	**5,986**

4.2. Redemption fee

	2014	2013
OTP Indeksni fund	89	4
OTP Euro Novčani fund	12	13
OTP Uravnoteženi fund	5	3
OTP Meridijan 20 fund	-	-
OTP Euro obveznički fund	-	5
OTP Europa Plus fund	-	-
	106	**25**

4.3. Entrance fee

	2014	2013
OTP indeksni fond	1	4
OTP Meridian 20 fond	4	1
OTP Europa Plus fond	-	1
	5	**6**

(all amounts are expressed in thousands of Kuna)

5. FINANCIAL INCOME/ (EXPENSES), NET

	2014	2013
Interest income on deposits	1	2
Net realised gain	10	6
Foreign exchange differences, net	(8)	(5)
Net unrealised gains/ (losses)	14	25
Interest and fee expense	(10)	(15)
	7	**13**

6. FUND MANAGEMENT EXPENSES

	2014	2013
Return of paid management fees	2	6
Acquisition fees	152	154
	154	**160**

Based on agreement with the Company, acquisition fees are payable to OTP banka d.d. Fees are calculated as a percentage of management fee charged to clients who invest into investment funds and who were acquired through distribution channels of OTP banka d.d., Zadar.

Based on agreement with the Company, acquisition fees are payable to Moneta Prima d.o.o. (founders of financial web site "hrportfolio.hr"). Fees are calculated as a percentage of management fee charged to clients who invest into investment funds and who were acquired through distribution channels of "hrportfolio.hr".

According to the statutes and the prospectuses of the investment funds, at its discretion the Company has the option to eliminate fees charged to investors, partially or completely, who meet certain investment criteria in the funds under management.

(all amounts are expressed in thousands of Kuna)

7. STAFF EXPENSES

	2014	2013
Net salaries	1,714	1,502
Taxes and contributions from and on salaries	1,838	1,656
Bonuses for employees	135	200
	3,687	**3,358**

The number of staff employed by the Company as at 31 December 2014 was 13 (13 as at 31 December 2013). In 2014 variable bonuses and performance incentive bonuses for 2013 were paid to the members of the Management Board (2 members) in the total amount of HRK 200 thousand (2013: HRK 133 thousand paid in respect of 2012); bonuses of HRK 7 thousand were paid to the Management Board members (2013: HRK 5 thousand), and expenses were accrued for the two Management Board members in the total amount of HRK 142 thousand (2013: HRK 205 thousand).

In 2014 variable bonuses and performance incentive bonuses paid to other employees (12) amount in total to HRK 29 thousand (2013: HRK 26 thousand) and expenses were accrued for 13 employees in the total amount of HRK 29 thousand (2013: HRK 26 thousand).

8. OPERATING EXPENSES

	2014	2013
Services	907	873
Depreciation and amortisation	169	180
Rent	145	144
Other staff expenses	259	231
Marketing	168	198
Car expenses	145	141
Material	42	76
Audit	20	20
Other operating expenses	373	199
	2,228	**2,062**

(all amounts are expressed in thousands of Kuna)

9. INCOME TAX EXPENSE

Income tax in Republic of Croatia has been calculated on 20% tax rate in 2013 and 2014.

Reconciliation of income tax at statutory rate to actual income tax expense:

	2014	**2013**
Accounting profit before tax	205	452
Income tax expense calculated at 20%	41	90
Effect of income that is exempt from taxation	(11)	(3)
Effect of expenses that are not deductible in determining taxable profit	7	21
Effect of tax losses carried forward from prior years not previously recognized	(37)	(108)
Actual Income tax expense	-	-

Benefit of tax effects to be expired in future periods:

	2014	**2013**
No more than 1 year	332	578
No more than 2 years	-	332
No more than 3 years	-	-
	332	**910**

Tax benefits that were not used and have expired in 2014 are in amount of HRK 578 thousand (2013: HRK 386 thousand).

The Company has not recognized the deferred tax assets on losses carried forward as it is not probable that it will be able to utilize losses in the future accounting periods.

(all amounts are expressed in thousands of Kuna)

10. PROPERTY, PLANT AND EQUIPMENT

	Vehicles	Office furniture	Total
Cost			
As at 1 January 2013	**862**	**602**	**1,464**
Additions	-	25	25
Disposals	-	(219)	(219)
As at 31 December 2013	**862**	**408**	**1,270**
Additions	208	67	278
Disposals	(201)	-	(201)
As at 31 December 2014	**869**	**475**	**1,347**
Accumulated depreciation			
As at 1 January 2013	**641**	**543**	**1,185**
Charge for the year	50	52	102
Disposals	-	(219)	(219)
As at 31 December 2013	**692**	**376**	**1,067**
Charge for the year	81	45	126
Disposal	(201)	-	(201)
As at 31 December 2014	**571**	**421**	**992**
Net book value			
As at 31 December 2014	**298**	**54**	**352**
As at 31 December 2013	**171**	**32**	**200**

All vehicles are under financial lease

(all amounts are expressed in thousands of Kuna)

11. INTANGIBLE ASSETS

	Lease hold improvements	Software	Other intangible assets	Total
Cost				
As at 1 January 2013	**112**	**757**	**146**	**1,015**
Additions	-	12	-	12
Disposals	-	(49)	-	(49)
As at 31 December 2013	**112**	**720**	**146**	**979**
Addition	-	9	-	9
Disposals	-	-	-	-
As at 31 December 2014	**112**	**731**	**146**	**989**
Accumulated depreciation				
As at 1 January 2013	**21**	**668**	**138**	**827**
Charge for the year	11	61	5	77
Disposal	-	(49)	-	(49)
As at 31 December 2013	**32**	**680**	**143**	**855**
Charge for the year	11	29	3	43
Disposal	-	-	-	-
As at 31 December 2014	**43**	**709**	**146**	**898**
Net book value				
As at 31 December 2014	**69**	**22**	**-**	**91**
As at 31 December 2013	**80**	**40**	**3**	**125**

(all amounts are expressed in thousands of Kuna)

12. RECEIVABLES

	2014	2013
Receivables for management fees	557	494
Receivables for exit fees	2	2
Receivables for entrance fees	-	1
Receivables for given advances	-	12
Receivables for sick leave fees - HZZO	-	4
Other asset	7	-
	566	**513**

Receivables are not older than 30 days. The management board assessed all of it receivables and have not estimated any impairment.

13. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 December 2014, Company had units in PBZ Novčani, PBZ Euro Novčani and NFD Aureus MultiCash, open end investment funds in amount of HRK 1,521 thousand, (2013: 1,778 thousand). All investments are classified as Level 1. The fair value of units in open end funds is determined based on the closing price of the units.

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

1. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
2. Level 2 fair value measurements are those derived from inputs other than quoted prices included within that are observable for the asset or liability, either directly or indirectly
3. Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The Management Company considers the carrying amounts of financial assets at fair value through profit or loss to be equal to their fair values at the reporting date.

(all amounts are expressed in thousands of Kuna)

13. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

In 2014:

UNITS IN INVESTMENT FUNDS	Number of units	Total acquisition cost	Value at the reporting date	Share in the net assets of the Fund (in %)	Management fee
PBZ Novčani	4,266.9647	605	607	0.04	1.25%
PBZ Euro Novčani	459.1649	461	487	0.09	2.50%
NFS Aureus MultiCash	4,000.2920	400	427	4.24	0.85%
Units in investment funds		**1,466**	**1,521**	**4.37**	

In 2013:

UNITS IN INVESTMENT FUNDS	Number of units	Total acquisition cost	Value at the reporting date	Share in the net assets of the Fund (in %)	Management fee
PBZ Novčani	4,486.3517	630	634	0.03	1.25%
PBZ Euro Novčani	697.9747	705	726	0.08	2.50%
NFS Aureus MultiCash	4,000.2920	400	418	3.98	0.85%
Units in investment funds		**1,735**	**1,778**	**4.09**	

14. CASH AND CASH EQUIVALENTS

	2014	**2013**
Giro account balance- domestic currency		
OTP banka d.d.	498	395
Zagrebačka banka d.d	1	1
Privredna banka d.d.	7	-
	506	**396**
Giro account balance- foreign currency		
OTP banka d.d.	4	4
	510	**400**

(all amounts are expressed in thousands of Kuna)

15. SHARE CAPITAL

At 31 December 2014, equity consists of subscribed and paid up capital in the amount of HRK 12,980 thousand (2013: HRK 12,980 thousand), accumulated losses in the amount of HRK 10,789 thousand (2013: HRK 10,995 thousand) and profit for the year in the amount of HRK 204 thousand (2013: HRK 452 thousand).

Ownership structure is as follows:

	2014	2013
OTP banka d.d.,Zadar	74.33%	74.33%
OTP Alapkezelő Nyrt., Hungary	25.67%	25.67%
	100.00%	**100.00%**

There was no increase in share capital in 2014.

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 2,000 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 1,405 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 2,191 thousand (2013: 1,986 thousand).

(all amounts are expressed in thousands of Kuna)

16. FINANCIAL LEASE LIABILITY

	Minimum lease payments		Present value of minimum lease payments	
	2014	**2013**	**2014**	**2013**
Within one year	38	39	27	36
In the second to fifth year inclusive	69	126	83	118
Present value of lease obligations	**107**	**165**	**110**	**154**
Less: future finance charges:	(12)	(11)	-	-
	95	**154**	**110**	**154**

Financial lease liability refers to business car. Effective interest rate is 7.21%

17. EMPLOYEE LIABILITIES

	2014	**2013**
Salary liabilities	152	152
Payables for tax and contributions	134	154
	287	**306**

18. OTHER PAYABLES AND PROVISIONS

	2014	**2013**
Accrued expenses for bonuses and unused holidays	135	200
Calculated audit expenses	40	80
Other payables	23	29
	198	**309**

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

This section provides details of the Company's exposure to risk and describes the methods used by the management to control risk. The most important types of financial risk to which the Company is exposed are credit risk, liquidity risk and market risk. Market risk includes currency risk, interest rate risk and price risk.

Credit risk

Credit risk is the risk that counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Company's credit exposure from financial assets at fair value through profit or loss and deposits with banks is represented by the fair value of instruments with a positive fair value at that date, as recorded on the Statement of financial position. The risk that counterparties to financial instruments with fair value through profit and loss might default on their obligations is monitored on an ongoing basis. In monitoring credit risk exposure, consideration is given to trading instruments with a positive fair value and to the volatility of the fair value of trading instruments.

At the reporting date the Company's credit risk arises from its exposures to OTP banka d.d., Zadar the majority owner of the Company, and OTP Funds managed by the Company.

Liquidity risk

The Company is not exposed to significant liquidity risks. Short term assets, as at reporting date, exceeds short term liabilities, and, according to the Company's assessment, there is no risk that the Company might default on their short term obligations.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Interest rate risk

Except for the cash accounts balances with OTP banka d.d., Zadar the Company has no other interest bearing assets. However, significant part of financial liabilities is interest bearing. Although financial liabilities bear variable interest rates, due to their short term nature and the fact that they have been obtained from OTP banka d.d., Zadar the Company was not exposed to significant interest rate risk as at Statement of financial position date.

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 risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Company's assets or liabilities denominated in currencies other than HRK.

At the Statement of financial position date the Company was not exposed to significant foreign exchange risk.

Fair value

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The carrying amounts of the trade receivables, trade payables and deposits with banks with fixed interest approximate fair value due to the immediate or short-term nature of these financial instruments. Carrying value of cash and cash equivalents and loans and receivables is equal to the amortization cost of those instruments. The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

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

Level 1: The fair value of financial instruments is based on their quoted market price available in an active market.

Level 2: The fair value of financial instruments is estimated using valuation techniques based on observable inputs. This category includes instruments valued using reference to the fair value of another instrument that is substantially the same, discounted cash flow techniques, or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Level 3: The fair value of financial instruments is estimated using valuation techniques based on unobservable inputs.

(all amounts are expressed in thousands of Kuna)

20. RELATED PARTIES TRANSACTIONS

The Company is majority owned by OTP banka d.d. Zadar, parent company of OTP Group which is owned by OTP Bank Nyrt. registered in Hungary. The Company considers that it has an immediate related party relationship with its key shareholders and the investment funds under its management, the Supervisory and Management Board members and other executive management (together "key management personnel"); close family members of key management personnel; and entities controlled, jointly controlled or significantly influenced by key management personnel and their close family members, in accordance with the definitions contained in International Accounting Standard 24 "Related Party Disclosures" ("IAS 24").

The Company has entered into a number of transactions with OTP bank d.d., Zadar and other members of OTP Group.

Transactions between funds under shared management of the Company are represented in financial statements of these funds.

Included in key management personnel are president of Management Board and member of Management Board. Remuneration of key management personnel comprises the total gross amount of their compensation including short-term and long-term benefits, such as basic pay and bonuses, benefits in kind, obligatory pension benefits and contributions.

	Assets		**Liabilities**	
	2014	**2013**	**2014**	**2013**
OTP Banka d.d.	503	400	58	39
OTP leasing d.o.o.	-	-	110	154
OTP europa plus fond	-	-	-	-
OTP uravnoteženi fond	75	77	-	-
OTP novčani fond	287	291	-	-
OTP euronovčani fond	80	29	-	-
OTP euroobveznički fond	-	-	-	-
OTP indeksni fond	81	82	-	-
OTP meridian 20 fond	19	18	-	-
OTP Favorit	16	-	-	-
	1,061	**897**	**168**	**193**

(all amounts are expressed in thousands of Kuna)

20. RELATED PARTIES TRANSACTIONS (CONTINUED)

	Revenue		Expenses	
	2014	**2013**	**2014**	**2013**
OTP Banka d.d.	1	3	311	300
OTP leasing d.o.o.	2	6	12	19
OTP Uravnoteženi fond	913	673	-	-
OTP Novčani fond	3,305	3,744	-	-
OTP Euroobveznički fond	-	90	-	-
OTP Euronovčani fon	560	233	-	-
OTP Indeksni fond	1,046	1,007	-	-
OTP Meridian 20 fond	233	198	-	-
OTP Europa Plus fond	-	69	-	-
OTP Favorit	91	-	-	-
	6,151	**6,023**	**323**	**319**

The Company believes that member of Management board represent key management of the Company. Total expenses for the members of Management board, that refer to gross salaries, contribution expenses and bonuses, for the year ended 31 December 2014 was HRK 1,317 thousand (2013: HRK 1,245 thousand).

21. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements are signed and authorized for issue on 25 February 2015.

Darko Brborović	**Marinko-Šanto Miletić**
President of the Management Board	**Member of the Management Board**

otp invest d.o.o.
Zagreb

Appendix to the financial statements

Statement of comprehensive income

for the year ended 31 December 2014

(all amounts are expressed in Kunas)

	EDP	31 Dec 2013	31 Dec 2014
44 1. Management fee (EDP45+EDP46+EDP47)	44	5.985.845	6.037.098
45 1.1.UCITS fund management	45	5.985.845	5.946.204
46 1.2. Alternative investment fund management	46	-	90.894
47 1.3. Voluntary pension fund management	47	-	-
48 2. Income from entrance charges (EDP49+EDP50+EDP51)	48	6.068	4.565
49 2.1. UCITS fund	49	6.068	4.565
50 2.2. Alternative investment fund management	50	-	-
51 2.3. Voluntary pension fund management	51	-	-
52 3. Income from exit charges (EDP53+EDP54+EDP55)	52	25.420	106.177
53 3.1. UCITS fund	53	25.420	106.177
54 3.2. Alternative investment fund management	54	-	-
55 3.3. Voluntary pension fund management	55	-	-
56 4. Other income	56	-	-
57 I. Management fee income (EDP44+EDP48+EDP52+EDP56)	57	6.017.334	6.147.840
58 1. Costs of unit sales charges (brokers)	58	- 154.429	- 152.285
59 2. Other expenses	59	- 5.626	- 2.275
60 II. Fund management expenses (EDP58+EDP59)	60	- 160.055	- 154.560
61 Net investment fund management result (EDP57+EDP60)	61	5.857.279	5.993.280
62 III. Net portfolio management income	62	-	-
63 IV. Investment advisory service income	63	-	-
64 V. Financial income and expenses (∑ EDP65 to EDP70)	64	12.697	6.795
65 1. Net interest income	65	- 12.538	- 8.787
66 2. Net exchange differences	66	- 5.037	- 8.130
67 3. Net unrealised and realised gains on financial assets at FVTPL	67	30.271	23.713
68 4. Net realised losses on financial assets available for sale	68	-	-
69 5. Other income and expenses from financial instruments	69	-	-
70 6. Impairment of financial assets	70	-	-
71 VI. General and administrative expenses	71	- 5.225.405	- 5.739.287
72 VII. Depreciation and value adjustment of other assets	72	- 179.637	- 169.564
73 VIII. Provisions	73	- 14.346	- 5.119
74 IX. Other operating income and expenses	74	1.586	118.554
75 Total income	75	-	-
76 Total expenses	76	-	-
77 X. Profit / Loss before taxation (EDP61+EDP62+EDP63+EDP64+EDP71+EDP72+EDP73+ EDP74)	77	452.173	204.659
78 XI. Income tax	78	-	-
79 XII. Profit / Loss (EDP68 – EDP69)	79	452.173	204.659
80 1. Change in revaluation reserves (in respect of property, plant and equipment, and intangible assets)	80	-	-
81 2. Actuarial gains/losses on defined retirement benefit plans	81	-	-
82 3. Unrealised gains/losses on financial assets available for sale	82	-	-
83 4. Gains/losses on cash flow hedge instruments	83	-	-
84 XIII. Other comprehensive income (∑ EDP80 to EDP83)	84	-	-
85 XIV. Total comprehensive income (EDP79+EDP84)	85	452.173	204.659
86 XV. Reclassification adjustments	86	-	-

Appendix to the financial statements

Statement of financial position

As at 31 December 2014

(all amounts are expressed in Kunas)

	EDP	31 Dec 2013	31 Dec 2014
1 I. Financial assets (∑ EDP2 to EDP6)	01	2.177.045	2.031.473
2 1. Cash	02	399.544	510.260
3 2. Financial assets at FVTPL	03	1.777.500	1.521.213
4 3. Financial assets available for sale	04	-	-
5 4. Loans and receivables	05	-	-
6 5. Financial assets held to maturity	06	-	-
7 II. Receivables (EDP8+EDP9)	07	513.471	565.466
8 1. Receivables in respect of fund and portfolio management	08	497.214	558.568
9 2. Other receivables	09	16.257	6.897
10 III. Prepaid expenses and accrued income	10	-	-
11 IV. Deferred tax assets	11	-	-
12 V. Property, plant and equipment	12	202.389	351.362
13 VI. Investment property	13	-	-
14 VII. Intangible assets	14	124.007	91.305
15 VIII. Other assets	15	-	-
16 Total assets (EDP1+EDP7+EDP10+EDP11+EDP12+EDP13+EDP14+EDP15)	16	3.016.912	3.039.605
17 OFF-BALANCE SHEET ITEMS	17	-	-
18 A. Equity (EDP19+EDP20+EDP21+EDP26+EDP30+EDP31)	18	1.986.421	2.191.080
19 I. Subscribed capital	19	12.979.900	12.979.900
20 II. Capital reserves	20	-	-
21 III. Reserves (∑ EDP22 to EDP26)	21	-	-
22 1. Legal reserves	22	-	-
23 2. Statutory reserves	23	-	-
24 3. Reserves for own shares	24	-	-
25 4. Other reserves	25	-	-
26 IV. Revaluation reserves (∑ EDP28 to EDP30)	26	-	-
27 1. Revaluation of financial assets available for sale	27	-	-
28 2. Revaluation reserve - hedging instruments	28	-	-
29 3. Other revaluation reserves	29	-	-
30 V. Retained profit or accumulated losses	30	- 11.445.652	- 10.993.479
31 VI. Profit or loss for the year	31	452.173	204.659
32 B. Liabilities (∑ EDP33 to EDP38)	32	1.016.145	843.406
33 1. Liabilities in respect of fund and portfolio management	33	-	-
34 2. Loans and borrowings payable	34	153.793	110.329
35 3. Other liabilities under financial instruments	35	-	-
36 4. Trade payables	36	260.872	253.678
37 5. Dividends (profit) payable	37	-	-
38 6. Other liabilities	38	601.480	479.399
39 C. Provisions	39	14.346	5.119
40 D. Accrued expenses and deferred income	40	-	-
41 E. Deferred tax liabilities	41	-	-
42 Total equity and liabilities (EDP18+EDP32+EDP39+EDP40+EDP41)	42	3.016.912	3.039.605
43 OFF-BALANCE SHEET ITEMS	43	-	-

	EDP	31 Dec 2013	31 Dec 2014
127 Profit/Loss for the current year (period) before taxation	127	452.173	204.659
128 Depreciation and amortisation	128	179.637	169.564
129 Value adjustment of receivables and similar write-offs and write-downs	129	-	-
130 Provisions	130	-	-
131 Interest income	131	- 2.296	- 648
132 Interest expense	132	14.834	9.434
133 Increase/Decrease of receivables arising from fund and portfolio management	133	7.338	- 61.355
134 Increase/Decrease in other receivables	134	- 3.308	9.360
135 Increase/Decrease in financial assets at FVTPL	135	-910.271	256.287
136 Interest received	136	2.296	648
137 Interest paid	137	- 14.834	- 9.435
138 Dividends received	138	-	-
139 Increase/Decrease in other asset items	139	-	-
140 Increase/Decrease of liabilities arising from fund and portfolio management	140	-	-
141 Increase/Decrease in trade payables	141	- 63	- 7.194
142 Increase/Decrease in other liabilities	142	227.862	-122.081
143 Increase/Decrease in other liability items	143	12.760	- 9.227
144 Income tax paid	144	-	-
145 I. Net cash from operating activities (∑EDP127 to EDP144)	145	- 33.873	440.014
146 Proceeds from sale of financial assets available for sale	146	-	-
147 Payments for purchases of financial assets available for sale	147	-	-
148 Proceeds from loans and receivables	148	-	-
149 Issued loans and receivables	149	- 76.874	- 43.464
150 Proceeds from investments in financial assets held to maturity	150	-	-
151 Payments for purchases of financial assets held to maturity	151	-	-
152 Payments for purchases of property, plant and equipment, and intangible assets	152	- 37.375	-285.834
153 Proceeds from the sale of property, plant and equipment, and intangible assets	153	-	-
154 Other cash received from investing activities	154	-	-
155 Other cash paid in investing activities	155	-	-
156 II. Net cash from investing activities (∑EDP146 to EDP155)	156	-114.249	-329.299
157 Payments made by the owner of the management company	157	-	-
158 Payments for purchases/redemption of own shares	158	-	-
159 Dividends (profit) paid	159	-	-
160 Proceeds from received loans	160	-	-
161 Payments of received loans	161	-	-
162 Proceeds from issued financial instruments	162	-	-
163 Payments in respect of issued financial instruments	163	-	-
164 Other cash received from financing activities	164	-	-
165 Other cash paid in financing activities	165	-	-
166 III. Net cash from financing activities (∑EDP157 to EDP165)	166	-	-
167 IV. Net increase/decrease in cash and cash equivalents (EDP145+EDP156+EDP166)	167	-148.122	110.716
168 V. Cash and cash equivalents at beginning of period	168	547.666	399.544
169 VI. Cash and cash equivalents at end of period (∑EDP167+EDP168)	169	399.544	510.260

Appendix to the financial statements (continued)

Statement of changes in shareholders' equity

for the year ended 31 December 2014

(all amounts are expressed in Kunas)

	Attributable to the equity holders of the parent								
	Subscribed capital	Capital reserves	Reserves out of profit	Revaluation of financial assets available for sale	Other revaluation reserves	Retained profit or accumulated losses	Profit or loss for the year (period)	Non-controlling interest	Total equity
Prior-year opening balance	12.979.900	-	-	-	-	- 11.486.723	41.071	-	1.534.248
Changes in accounting policies	-	-	-	-	-	-	-	-	-
Correction of prior-period error	-	-	-	-	-	-	-	-	-
Prior-year opening balance (as restated)	12.979.900	-	-	-	-	- 11.486.723	41.071	-	1.534.248
Profit / Loss for the period	-	-	-	-	-	-	-	-	-
Unrealised gains/losses on financial assets available for sale	-	-	-	-	-	-	-	-	-
Other changes in equity not attributable to the equity holders in their capacity as owners	-	-	-	-	-	-	-	-	-
Total directly recognised prior-year (period) income and expenses	-	-	-	-	-	-	-	-	-
Increase/Decrease in subscribed capital	-	-	-	-	-	-	-	-	-
Other payments made by the owners	-	-	-	-	-	-	-	-	-
Dividends (profit) paid	-	-	-	-	-	-	-	-	-
Other distributions to owners	-	-	-	-	-	-	-	-	-
Prior-year closing balance	12.979.900	-	-	-	-	- 11.486.723	41.071	-	1.534.248
Current-year opening balance	12.979.900	-	-	-	-	- 11.445.652	452.173	-	1.986.421
Changes in accounting policies	-	-	-	-	-	-	-	-	-
Correction of prior-period error	-	-	-	-	-	-	-	-	-
Current-year opening balance (as restated)	12.979.900	-	-	-	-	- 11.445.652	452.173	-	1.986.421
Profit or loss for the period	-	-	-	-	-	-	204.659	-	204.659
Unrealised gains/losses on financial assets available for sale	-	-	-	-	-	-	-	-	-
Other changes in equity not attributable to the equity holders in their capacity as owners	-	-	-	-	-	-	-	-	-
Total directly recognised income and expenses of the current year (period)	-	-	-	-	-	-	204.659	-	204.659
Increase/Decrease in subscribed capital	-	-	-	-	-	-	-	-	-
Other payments made by the owners	-	-	-	-	-	-	-	-	-
Dividends (profit) paid	-	-	-	-	-	-	-	-	-
Other distributions to owners	-	-	-	-	-	-	-	-	-
Current-year closing balance	12.979.900	-	-	-	-	- 11.445.652	656.832	-	2.191.080

Reconciliation of financial statements International financial reporting standards as adopted by the European Union and Regulatory framework

for the year ended 31 December 2014

(all amounts are expressed in Kunas)

Financial statements in accordance with IFRS			Financial statements per regulatory framework			Difference	Remark
Statement of financial position	Note	December 31 2014 HRK '000	Statement of financial position	AOP	December 31 2014 HRK '000		
Equipment	10	352	Property, plant and equipment	12	352		
Intangible assets	11	91	Intangible assets	14	91	-	
Loans and receivables							
Deferred tax assets			Deferred tax assets	11			
Total long-term Assets			**Total AOP 2, 4 and 15**				
Loans and receivables			Loans and receivables	5			
Receivables from customers and other receivables Other assets	12	566	Receivables related to investments funds management Other receivables Prepaid expenses and accrued income	8 9 10	559 7	-	
Financial assets at fair value through profit and loss	13	1,521	Financial assets at fair value through profit and loss	3	1,521	-	
			Total AOP 11, 12 and 14				
Current account at banks	14	510	Cash and cash equivalents	2	510	-	
Total short-term Assets			**Total AOP 8, 11, 12, 14 and 13**				
Total Assets		**3,040**	**Total Assets**	16	3,040	-	
Subscribed capital Retained earnings/loss carried forward	15 15	12,980 (10,789)	Subscribed capital Retained earnings/loss carried forward Profit/loss of the current year	19 30 31	12,980 (10,993) 205	- 205 205	Comment 1 Comment 2
Total capital and reserves		**2,191**	**Capital and reserves**	18			
			Provisions	39	5	5	Comment 3
			Total AOP 40				
Liabilities for financial lease Liabilities to suppliers Liabilities for income tax Liabilities to employees Other liabilities	16 16 17 18	110 254 - 287 198	Liabilities for received loans Liabilities to suppliers Other liabilities Accrued expenses and deferred income Other liabilities	34 36 38 40 38	110 254 - - 479	- - 281	Comment 4
Total liabilities		**849**	**Total AOP 34, 37, 39 and 41**				
			Total AOP 34. 37, 39, 40 and 41				
Total capital, reserves and liabilities		**3,040**	**Total liabilities**		**3,040**	-	

Reconciliation of financial statements International financial reporting standards as adopted by the European Union and Regulatory framework

for the year ended 31 December 2014

(all amounts are expressed in Kunas)

- Comment 1 and 2: Loss carried forward already reduced for the profit of current year under IFRS
- Comment 3: Provision for unused vacation is included in liabilities to employees under IFRS
- Comment 4: Other liabilities reduced for provisions according to the statement on Regulations include obligations to employees and other obligations under IFRS

Financial statements in accordance with IFRS			Financial statements per regulatory framework			Difference	Remark
Statement of financial position	Note	December 31 2014 HRK '000	Statement of financial position	AOP	December 31 2014 HRK '000		
Management fee (NAV) **Income from entrance fees** **Income from exit fees**	4.1. 4.3. 4.2.	6,037 5 106	Management fee (NAV) Income from entrance fees Income from exit fees	44 48 52	6,037 5 106	- - -	
			Income from management fees	45			
Other income		15	**Other income**		0	119	Comment 1
Other extraordinary income		104	Expenses arising from intermediation in sale of shares	60	(152)		
			Other expenses	59	(2)		
Expenses related to fund management	**6**	**(154)**	**Expenses arising from fund management**	60	(154)	-	Comment 2
			Net interest income	65	(9)	(9)	Comment 3
			Net foreign exchange differences	66	(8)	(8)	Comment 3
			Net unrealized gains and losses from financial Assets through profit and loss	67	24	24	Comment 3
			Net realized gains and losses from financial assets	68	-		
Financial income/expense (net)	5	7	**Net financial income**	64	7	-	Comment 3
			General and administrative expenses	71	(-5,739)		
Staff expenses	7	(3,687)				(3.687)	Comment 4
Operating expenses	8	(2,228)					
			Depreciation and other assets value adjustment	72	(170)	(170)	Comment 5
			Provisions	73	(5)	(5)	Comment 6
			Other operating income and expenses	74	119		Comment 1
Profit before tax		205	**Profit or loss before tax**	77	205		
Income tax	9	-	Income tax	78	-		
Total comprehensive income		205	**Profit or loss after tax**	79	205		

Comment 1: Other income under IFRS include income arising from provision for unused vacation, while in the report according to Ordinance this amount is included in other operating income and expenses

Comment 2: Expenses arising from intermediation in sales of shares from the report according to Ordinance are included in expenses related to fund management under IFRS

Comment 3: Financial income/expenses (net) under IFRS consist of the following positions in the report according to Ordinance: net interest income, net foreign exchange differences and net unrealized and realized gains from financial assets at fair value through profit and loss

Comment 4: Staff expenses under IFRS are included in general and administrative expenses in the report according to Ordinance

Comment 5: Depreciation expense in the report according to Ordinance is included in operating expenses under IFRS

Comment 6: Provisions in the report according to the Ordinance are included in Staff expenses under IFRS

Cash flow statement

Cash flow statement prepared in accordance with the Rules on the Structure and Contents of Financial Statements and Other Reports of Companies Managing UCITS Funds (OG no 100/13), issued by the Croatian Financial Services Supervisory Agency on 26 July 2013, the Rules on the Structure and Contents of Financial Statements and Other Reports of Companies Managing Alternative Investment Funds (OG no 142/13), issued by the Croatian Financial Services Supervisory Agency on 22 November 2013, and the Rules amending the Rules on the Structure and Contents of Financial Statements and Other Reports of Companies Managing Alternative Investment Funds (OG no 81/14),) issued by the Croatian Financial Services Supervisory Agency on 27 June 2014, differs significantly from the Cash flow statement prepared in accordance with IFRS.

Differences in positions of increase and decrease of assets and liabilities in NT IFRS and HANFA NT arise due to differences in the positions of assets and liabilities for which the difference is taken into account, due to different display of these items in the financial statements in accordance with IFRS compared to the requirements of the Ordinance.