HITA-SECURITIES

incorporated investment firm

ZAGREB

Financial Statements as at 31 December 2015 with Independent Auditor's Report and Annual Report

Zagreb, April 2016

HITA- SECURITIES Inc.
ZAGREB

CONTENT

Pursuant to Article 250a of the Companies Act (Official Gazette No. 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11, 152 / 11, 111/12, 68/13 and 110/15) the Management Board of investment company HITA-Securities Inc., Zagreb, Palmotićeva 2, OIB 32998446701 (hereinafter the Company) submits Assembly

ANNUAL REPORT
of the Company for period 01 January 2015 to 31 December 2015

INTRODUCTION

The instability in the capital markets with the still unfavorable economic conditions have affected the operating results of the Company. The operating results of the Company are particularly affected following the economic difficulties: recessionary environment, the state of high insolvency, low turnover on the stock exchange, as well as high maintenance costs of compliance with applicable legislation.

I. Ownership structure

The only shareholder of the Company is Ivan Tadin, Zagreb, Božidara Adžije 22/1, OIB: 68476242538.

Share capital amounts to 7.250.000 HRK and it is divided into 37.000 shares without nominal value. The Company’s book of shares is maintained by the Central Depository and Clearing Company Inc. Zagreb, under the mark HITA-R-A. Issued quantity is 37.000 shares, without nominal value.

II. Statutory changes

There have been no statutory changes.

a) Management Board

Management Board of the Company comprised 2 members as at 31 December 2015:

1. Ivan Tadin, president of the Management Board, representing the Company solely and individually,
2. Denis Cvitanović, member of the Management Board, representing the Company solely and individually.Branch offices

b) Branch offices

The Company also works through branch offices
The company worked through 3 branch offices as at 31 December 2014, namely:

1. Branch office DUBROVNIK, Vukovarska 26/IV
2. Branch office OSIJEK, Trg Lava Mirskog 2,

3. Branch office SPLIT, Velebitska 27,

Branch offices are subordinated to Management Board of the Company, and are authorised to provide investment services of reception and transmission of orders in relation to one or more financial instruments.

c) Work licence

By the Decision from HANFA (CFSSA), class: UP/I-451-04/09-02/29, Nr.: 326-111/10-10 from 27 August 2009 the Company has been granted an operating licence to provide investment services and perform investment activities and related ancillary services as referred to in Article 5, paragraph 1, points 1 to 7 and paragraph 2, points 1 to 7 of the Capital Market Act, for indefinite period of time.
By the Decision from HANFA (CFSSA), class: UP/I-451-04/11-02/15, Nr.: 326-111-11-03, from 15 December 2011, licence of the Company to provide investment services and engage in investment activities referred to in Article 5, paragraph 1, points 3 and 6 of the Capital Market Act ceased to be valid.
Based on the mentioned the Company is licenced to provide and perform the following investment services and activities:

- reception and transmission of orders in relation to one or more financial instruments,
- execution of orders on behalf of clients,
- portfolio management,
- investment advice,
- services of placing financial instruments without a firm commitment basis,
- safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management,
- granting credits or loans to an investor to allow him to carry out a transaction in one or more financial instruments, where the firm granting the credit or loan is involved in the transaction,
- advice to undertakings on capital structure, industrial strategy and related matters and advice and services relating to mergers and the purchase of undertakings,
- foreign exchange services where these are connected to the provision of investment services,
- investment research and financial analysis or other forms of general recommendation relating to transactions in financial instruments,
- investment services and activities as well as ancillary services related to the underlying of the derivatives where these investment services and activities are connected to the provision of investment or ancillary services.

Previously mentioned licence to provide investment services and perform investment activities or ancillary services relate to all financial instruments from Art. 3 par. 1 point 2 of the Capital Market Act, namely other negotiable instruments, money market instruments, units in collective investment undertakings and derivatives. The Company is allowed to hold clients' funds or securities.

III. Employee holding a power of attorney

The Company has no employees holding a power of attorney.

IV. Employees

The company had 14 employees as at 31 December 2015. The Company regularly settles all employee liabilities in accordance with regulations, especially liabilities related to payment of wages, calculation and payment of taxes, surtaxes, contributions and other benefits related to employee pay.
The company had 9 certified brokers as at 31 December 2015, out of which 3 had valid licences to perform investment advisory services. All Company employees perform services for which they have been highly skilled, in accordance with regulations and internal acts of the Company.

V. Organization chart

During 2015 the Company continued to provide services in accordance with the following organisation structure:

1. INVESTMENT SERVICES SECTOR
    - Brokerage directorate
    - Custody directorate
    - Corporate finance and ancillary services

2. MONITORING AND RISKS SECTOR
    - Monitoring compliance directorate (Compliance officer)
    - prevention of money laundering and terrorist financing

3. OPERATIONAL SUPPORT SECTOR
    - Accounting and finance directorate
    - Legal and administration directorate
    - IT and telecommunications directorate

4. BUSINESS NETWORK
    - Branch offices
    - Tied agent

VI. Tied agents

The following tied agents performed activities of tied agents on behalf of the Company as at 31 December 2015:

- Slaven Maretić
- Adria ulaganja d.o.o, Vrsar
- Omicron d.o.o., Šibenik
- N vesting d.o.o.
- Argus savjetovanje d.o.o.
- Zvonko Petrović

VII. Developmetnt and company results during 2015

During 2015 the Company directed its business operations to maintaining and increase of service quality, aimed at long term increase of capital market share in Republic of Croatia.
The Company made significant step forward in 2015 regarding providing advice to undertakings on capital structure, industrial strategy and related matters and advice and services relating to mergers and the purchase of undertakings.
Furthermore the Company continued to develop information system based on advanced technologies.

Total income of the company in 2015 amounted to 3.949.287 HKR, with total expenses in the amount of 3.639.665 HRK. Income are mostly realised from commissions and fees for performed investment services on behalf of clients, while expenses mostly relate to employee expenses, rent and marketing and other services.
Profit after tax amounted to 309.622 HRK.
The company neither acquired treasury shares in 2015, nor does it have them accumulated in the treasury.
Company trade volume of shares at the Zagreb Stock Exchange amounted to 1.081.897.464 HRK in 2013, 688.121.542 HRK in 2014 and 542.479.874 HRK in 2015.

Market share of the Company in total share turnover at the Zagreb Stock Exchange has been 17,67% in 2013, 11,14% in 2014, in 2015 market share has been decreased to 9,20%. Mentioned decrease in trade volume is related to increase of average commission, considering the Management Board stance that low commission lead to drain of Company resources and in long term lead to inability to invest in new technologies required for further development of the Company.

The Company is the third largest investment company by share trade volume in 2015 with market share of 9,20%, eighth largest investment company by bonds trade volume with market share of 1,95%. According to total trade volume the Company is fourth largest with market share of 8,24%. The Company is still second largest by number of transactions (69.243 in 2014 and 56.505 in 2015) realised at the Zagreb Stock Exchange with market share of 14,89%.

VIII. Significant subsequent business events

There have been no significant business events that would have significant effect on Company operations.

IX. Risk management

The Company introduced risk management system in 2009, and for that purpose the Company enacted Risk Management Strategy which has been upgraded in 2014, and defined the principles and procedures of risk management. The strategy set out the policies and procedures of risk management for risks the Company can be exposed to in its operations. It set out risk appetite, defined clear lines of responsibility and accountability, method for determining and measurement estimated risk the Company is exposed to or could be exposed to, and also defined other matters significant for risk management.

Market risk

Market risk is risk of negative effects on the financial result and equity of the investment company due to change of value of financial instruments portfolio.

Risks arising from market risks, to which the Company has been exposed to during 2015 are: position risk.

The Company has not been exposed to: settlement risk and other contractual party risk, currency risk nor to risk of exceeding allowed exposures.

Position risk is risk of loss arising from unfavourable price movement of shares owned by the investment company, and can be conditioned by wrong investment decision or general unfavourable movement in capital market.

Credit risk

Credit risk is risk of loss arising from client's default of cash liability towards the investment company. Credit risk also includes the risk of decrease in value of receivables due to change in credit worthiness of the client, as well as risk of inability to collect receivables.

Accounting and finance directorate monitors all Company receivables and its due dates and term exceeding. If some term exceeding exist, Accounting and finance directorate reports it to the Management Board member and Risk management function executive.

The Company strived to minimise credit risk exposure in its operations during 2015 and has created receivables portfolio as diversified as possible in line with Company operations, taking into account the type, position and client rating.

Operational risk

Operational risk is risk of losses arising from errors, disruptions or damages caused by inadequate internal processes, people, systems or external events, including risk of change in legal framework.

Operational risk includes fraud risk from relevant people or clients, risk of error from relevant people or clients, IT system risk.

During 2015 the Company did not incur any adverse events with significant damage arising from operational risk, nor did any crisis situation or unforeseen event occur that would influence daily operations of the Company.

Liquidity risk

Liquidity risk is risk that investment company comes to a position of inability to settle financial liabilities at due date.

The Company manages liquidity risk in accordance with Liquidity risk management strategy and Bylaw on liquidity of investment companies.

By using the liquidity risk strategy management the Company strives to define tolerable exposure to liquidity risk, maintain optimal level of liquid assets, define system of planning, tracking and reporting on liquidity risk.

Aiming to adequately manage liquidity risk, the Company appointed person responsible for maintaining liquidity risk, who is authorised for tracking and calculation of liquidity ratios of the Company. Responsible person is obliged to permanently monitor, suggest reconciliation and manage cash flow with aim of decreasing liquidity risk. Responsible person daily calculates liquidity of the Company.

Management Board member regularly checks the state of the liquidity of the Company.

The Company has been liquid throughout the year.

X. Expected develepoment of the Company in the future

The company continues its technological growthwhich is necessary to maintain its competitive position, visible through development of the information system for Clients. Expanding of the business network is to be expected throughout representatives and increase of income from providing counselling on capital structure, business strategies and relevant matters, as well as counselling and services connected to merger and aquisition of shares in companies.

XI. CONCLUSION

During 2015 the Copmany operated in accordance with legal regulation. The Company ended 2015 as the third largest investment company in Republic of Croatia, by total trade volume as well as share trade volume.

Management Board of the Company thinks that in the business conditions which marked business year 2015, namely low stock exchange turnover, unfair competition and significant expenses for compliance with legal regulations very good results have been achieved.

In Zagrebu, 25 April 2016

Ivan Tadin

President of the Managenent Board

STATEMENT OF RESPONSIBILITIES OF THE MANAGEMENT BOARD

Management Board is responsible for ensuring that financial statements for 2015 are prepared in accordance with Accounting Act and International Financial Reporting Standards applicable in European Union, so that they give fair view of the financial position, operating results, changes in equity and cash flows of the Company for that period.

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 these financial statements, the responsibilities of the 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 and operating results of the Company, as well as their compliance with Accounting Act and International Financial Reporting Standards applicable in European Union.

The Board is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Zagreb, 25 April 2016

HITA-SECURITIES Inc.

President of the management board

Ivan Tadin

INDEPENDENT AUDITOR'S REPORT

To Management Board and Shareholders of HITA-SECURITIES Inc., Zagreb

We have performed the audit of the accompanying financial statements of HITA-SECURITIES Inc., Zagreb (further: Company), which comprise Statement of financial position of the investment company as at 31 December 2015, Statement of comprehensive income, Cash flow statement and Statement of changes in equity for the year then ended, and Notes to the financial statements that contain summary of significant accounting policies and other explanatory information (as shown on page 10-26).

Responsibility of the Management Board for the Financial Statements

Management Board of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the given circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. The audit was conducted 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 audit procedures selected depend on the auditor's assessment of the risks of material misstatement of the financial statements. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by Management Board, as well as evaluating the overall financial statement presentation and disclosures and their compliance with Annual Report.

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

Opinion

In our opinion, the financial statements present fairly, in all material aspects, the financial position of the Company as at 31 December 2015, the results of its operations, cash flows for the year then ended, in accordance with Accounting Act and International Financial Reporting Standards applicable in European Union.

Report on other legal and regulatory requirements

Information contained in Annual Report for 2015 are in compliance with the Accounting Act requirements and with financial information presented in financial statements of the Company for that year.

The accompanying standard financial statements of the Company for 2015 are in compliance with the information presented in financial statements of the Company on which we have expressed our Opinion.

RECONSULT d.o.o.
Trg hrvatskih velikana 4/I
10000 ZAGREB

ZAGREB, 27 April 2016

Certified auditor: Audit company:

Dina Rogić Reconsult d.o.o.

Statement of Comprehensive Income

	Note	2015 HRK	2014 HRK
Fee and commission income from investment services		3.515.663	3.572.709
Fee and commission expenses from investment services		1.393.197	1.313.433
Net fee and commission income/expenses	**3.10.**	**2.122.466**	**2.259.276**
Realised gains of financial assets through profit and loss		-	661
Realised losses of financial assets through profit and loss		379	-
Net realisable gains/(losses)		**(379)**	**661**
Net unrealised gains/(losses)		**-**	**-**
Net realised gains/(losses) financial assets available for sale		**-**	**-**
Net value adjustment of loans and assets held to maturity		**-**	**-**
Other net provisions and value adjustments		**-**	**-**
Interest income		328.900	465.229
Interest expenses		28	1.326
Net interest income/(expenses)	**3.11.**	**328.872**	**463.903**
Positive foreign exchange differencies			24
Negative foreign exchange differencies		19	24
Net foreign exchange differencies		**(19)**	**-**
Income from dividends, shares in profit and other securities		75.443	43.883
Other income		29.281	13.276
Total other income	**3.12.**	**104.724**	**57.159**
Depreciation		184.448	372.124
Employee expenses		1.135.481	970.756
Other expenses		926.113	954.163
Total other expenses	**3.13.**	**2.246.042**	**2.297.043**
Total income		**3.949.287**	**4.095.782**
Total expenses		**3.639.665**	**3.611.826**
Profit or (loss) before tax		**309.622**	**483.956**
Income tax	**3.14.**	**-**	**-**
Profit or loss		**309.622**	**483.956**
Other comprehensive income	**3.15.**	**108.480**	**-**
Change revaluation reserves (property, plant, equipment,intangible assets)		-	-
Actuarial gains/losses from defined receipts from pensions plans		-	-
Gains or losses from exchange differences on translating foreign operations		-	-
Unrealised gains/losses of financial assets available for sale		135.600	-
Gains/losses from hedging instruments		-	-
Income tax on other comprehensive income		(27.120)	-
Total comprehensive income		**418.102**	**483.956**
Reclassification adjustments		-	-

Notes are component of Statement of Comprehensive Income

Statement of Financial Position of the Investment Company

	Note	31 December 2015 HRK	31 December 2014 HRK
ASSETS			
Long term intangible assets		248.376	326.443
Long term tangible assets		17.881	8.307
(IN)TANGIBLE ASSETS AND LONG TERM INVESTMENT	**3.1.**	**266.257**	**334.750**
Cash	**3.2.**	11.512	120.053
Receivables from investment services	**3.3.**	60.063	23.819
Loan and receivables	**3.3.**	60.000	495.539
Prepayments and accrued income	**3.3.**	-	352
Other receivables	**3.3.**	322.701	1.044.541
CASH AND RECEIVABLES		**454.276**	**1.684.304**
Securities and financial instruments at fair value through profit and loss account		-	-
Securities and financial instruments available for sale		3.458.901	1.727.676
FINANCIAL ASSETS	**3.4.; 4.**	**3.458.901**	**1.727.676**
TOTAL ASSETS		**4.179.434**	**3.746.730**
OFF BALANCE SHEET ITEMS		**21.866.468**	**28.706.152**
EQUITY AND LIABILITIES			
Share capital	**3.5.**	7.250.000	7.250.000
Treasury shares		-	-
Profit reserves	**3.6.**	370.000	370.000
Capital reserves		-	-
Retained earnings	**3.7.**	-	400.000
Transferred loss	**3.7.**	4.466.974	5.350.930
Profit or loss for the period		309.622	483.956
Revaluation reserves	**3.6.**	145.716	37.236
EQUITY AND RESERVES		**3.608.364**	**3.190.262**
Liabilities connected with the trade with securities		118.335	124.111
Liabilities for received loans and advances		-	-
Trading liabilities		299.563	323.735
Employee liabilities		67.573	53.756
Liabilities for taxes and contributions		38.528	42.282
Deferred tax liabilities		36.429	9.309
Accruals and deferred income		8.230	-
Provisions	**3.8.**	-	-
Other liabilities		2.412	3.275
LIABILITIES	**3.9.**	**571.070**	**556.468**
TOTAL EQUITY AND LIABILITIES		**4.179.434**	**3.746.730**
OFF BALANCE SHEET ITEMS	**3.16.**	**21.866.468**	**28.706.152**

Notes are component of Statement of Financial Position of the Investment Company

Cash Flow Statement

	Note	2015 HRK	2014 HRK
Net cash flows from operating activities		**7.414**	**199.184**
Profit/loss before tax		309.622	483.956
Depreciation of long term tangible and intangible assets		184.448	372.124
Value adjustment of receivables and other write-offs		-	-
Provisions		-	-
Interest income		(328.900)	(465.229)
Interest expenses		28	1.326
Assets impairment		-	-
Increase/decrease of receivables from trading services		(36.244)	32.889
Increase/decrease other receivables		721.840	(159.555)
Increase/decrease of financial assets at fair value through profit and loss		-	3.942
Increase/decrease of financial assets available for sale		(1.731.225)	-
Increase/decrease of loans and receivables		435.539	(495.539)
Interest receipts		271.764	563.352
Interest payments		-	-
Dividends receipts		96.646	43.882
Increase/decrease of other asset items		69.294	(87.449)
Increase/decrease of liabilities for commissions related to trading of financial instruments		(5.776)	(10.019)
Increase/decrease of trade liabilities		(24.172)	(75.393)
Increase/decrease of employee liabilities		13.817	5.654
Increase/decrease of liabilities for taxes and contributions		(3.754)	(7.271)
Increase/decrease of other liabilities		34.487	(7.486)
Increase/decrease of other equity and liabilities items		-	-
Paid income tax		-	-
Net cash flows from investing activities		**(115.955)**	**(94.349)**
Increase/decrease of investment in tangible assets		(23.600)	(7.219)
Increase/decrease of investment in intangible assets		(92.355)	(87.130)
Increase/decrease of investment in associates and related companies		-	-
Increase/decrease of other investment items		-	-
Net cash flows from financing activities		**-**	**-**
Increase/decrease of liabilities for loans and advances		-	-
Increase/decrease of liabilites from issued financial instruments		-	-
Increase/decrease of other items		-	-
Net increase/decrease of cash and cash equivalents		**(108.541)**	**104.835**
Cash and cash equivalents at the beginning of the period		120.053	15.218
Cash and cash equivalents at the reporting date	**3.2.**	**11.512**	**120.053**

Notes are component of Cash Flow Statement

Statement of Changes in Equity

Amount in HRK

	Share capital	Capital reserves	Profit reserves	Profit or loss for the year (period)	Retained earnings or transferred loss	Revaluation of financial assets available for sale	Other revaluation reserves	Total equity and reserves
Balance 1 January 2014	**7.250.000**	**-**	**370.000**	**444.279**	**(5.495.208)**	**37.236**	**80.000**	**2.686.307**
Accounting policies change	-	-	-	-	-	-	-	**-**
Correction of errors from previous periods	-	-	-	-	-	-	-	**-**
Balance 1 January 2014 (corrected)	**7.250.000**	**-**	**370.000**	**444.279**	**(5.495.208)**	**37.236**	**80.000**	**2.686.307**
Profit or loss for the period	-	-	-	483.956	-	-	-	**483.956**
Unrealised gains or losses from financial assets available for sale	-	-	-	-	-	-	-	**-**
Other non-owner changes in equity	-	-	-	(444.279)	544.278	-	(80.000)	**19.999**
Total non-owner changes in equity (previous period)	**-**	**-**	**-**	**39.677**	**544.278**	**-**	**(80.000)**	**503.955**
Increase/decrease of share capital	-	-	-	-	-	-	-	**-**
Other owner payments	-	-	-	-	-	-	-	**-**
Payment of shares in profit/dividends	-	-	-	-	-	-	-	**-**
Other transfers to owners	-	-	-	-	-	-	-	**-**
Balance at the last day of reporting period	**7.250.000**	**-**	**370.000**	**483.956**	**(4.950.930)**	**37.236**	**-**	**3.190.262**
Balance 1 January 2015	**7.250.000**	**-**	**370.000**	**483.956**	**(4.950.930)**	**37.236**	**-**	**3.190.262**
Accounting policies change	-	-	-	-	-	-	-	-
Correction of errors from previous periods	-	-	-	-	-	-	-	-
Balance 1 January 2015 (corrected)	**7.250.000**	**-**	**370.000**	**483.956**	**(4.950.930)**	**37.236**	**-**	**3.190.262**
Profit or loss for the period	-	-	-	309.622	-	-	-	**309.622**
Unrealised gains or losses from financial assets available for sale	-	-	-	-	-	108.480	-	**108.480**
Other non-owner changes in equity	-	-	-	(483.956)	483.956	-	-	**-**
Total non-owner changes in equity	**-**	**-**	**-**	**(174.334)**	**483.956**	**108.480**	**-**	**418.102**
Increase/decrease of share capital	-	-	-	-	-	-	-	**-**
Other owner payments	-	-	-	-	-	-	-	**-**
Payment of shares in profit/dividends	-	-	-	-	-	-	-	**-**
Other transfers to owners	-	-	-	-	-	-	-	-
Balance at the last day of reporting period	**7.250.000**	**-**	**370.000**	**309.622**	**(4.466.974)**	**145.716**	**-**	**3.608.364**

Notes are component of Statement of Changes in Equity

1	**Statement of compliance with IFRS**
	Financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). Financial statements are approved by the Management Board as at 25 April 2016 for further approval by the General Assembly. Financial statements are compiled for financial instruments, financial assets and liabilities at fair value through profit and loss account, and financial assets available for sale, except those whose fair value cannot be reliably measured. Other financial assets are measured at amortised or historical cost. These financial statements are prepared on going concern assumption. Financial statements are presented in HRK. Significant accounting policies are consistently applied on all periods presented in these financial statements.

2	**Summary of significant accounting policies**
	Income from commissions and fees Income from commissions and fees consists of fees for mediation services in purchase and sale of securities, portfolio management fees, and consulting services. Expenses from fees and commissions mostly consist of commissions for stock exchange services, securities depository and settlement services. Income and expenses are recognised in profit and loss account when the service is provided. **Income and expenses from interest** Income and expenses from interest incurred from receivables and liabilities from business transactions calculated until the balance sheet date are recognised in the profit and loss account on accrual basis. Financial income and expenses are recognised in profit and loss account when incurred. **Income from dividends** Income from dividends from investment in equity securities are recognised in profit and loss account at the date of announcement of rights on dividends. **Net loss / profit** Net loss / profit include gains and losses from sale of financial assets (realised net loss /gain) and change in fair value of financial assets at fair value through profit and loss (unrealised net loss / gain). **Foreign currencies** Income and expenses from transaction in foreign currencies are converted into kuna (HRK) at the middle exchange rate ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are converted into HRK at the balance sheet date at the middle exchange rate of CNB. Foreign exchange rate differences arising on translation of foreign currencies are recognised in the profit and loss account. Foreign exchange rate differences from equity instruments in foreign currencies classified as available for sale are stated in equity, with gains and losses from change in fair value, until sold. **Taxation** The Company calculates and pays taxes according to Croatian tax laws. Income tax consists of currently payable and deferred tax. Currently payable tax represents amount of tax payable on taxable amount of profit using tax rates enacted at the balance sheet date, and all corrections of tax liability amount.

Deferred tax is accounted for using the balance sheet liability method, taking into account temporary differences between the book values and amounts used for tax calculation. Amount of deferred tax is based on assumed realisation method or settlement of book value of assets and liabilities. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which unutilised tax losses can be utilised and deferred tax liability is recognised for all taxable temporary differences.

Property, equipment and intangible assets

Property, equipment and office furniture are initially stated at purchase cost less accumulated depreciation. Cost comprises purchase price and all costs directly attributable to bringing the asset to working condition for its intended use.
Maintenance and repairs, replacement and improvements of minor importance are recognised in the profit and loss when incurred. More significant investment expenses are capitalised.
Gains and losses from disposal of assets are recognised in profit and loss when incurred.
Sections of property and equipment with different useful life are recorded as separate items of assets.
Depreciation is recognised in profit and loss on a straight-line basis so that the depreciation expenses are allocated to residual estimated useful life of property, equipment and intangible assets. Estimated useful life of assets in current period:

furniture ....4 years
computer equipment ....2 years

Financial instruments

The Company classifies its financial assets and liabilities into following categories: at fair value through profit and loss, assets available for sale, and loans and receivables.
Newly acquired financial instruments are classified according to internal legal acts of the Company.

Financial assets at fair value through profit and loss relates to financial assets held for trading purposes and assets initially elected to classify at fair value through profit and loss. These assets are initially recognised at cost, and subsequently measured at fair value according to internal legal acts of the Company. All related realised and unrealised gains and losses are included in the profit and loss.

Financial assets available for sale are intended for indefinite hold, but can be sold to maintain liquidity or when prices of equity instruments change. These assets are initially recognised at cost increased for transaction expenses, and subsequently stated at fair value based on the quoted prices or amounts derived from cash flow models. Gains and losses arising from changes in fair value of financial assets available for sale are recognised directly in equity until sale or impairment. Foreign exchange rate differences related to equity instruments classified as available for sale are reported in equity, together with fair value gains and losses.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating income from interest or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset to net book value of financial asset or liability. Income is recognised using the effective interest rate method for those instruments that are not classified as at fair value through profit and loss.

The Company derecognises a financial asset only when contractual rights to the cash flows from that asset expire or it transfers the financial asset in accordance with IAS 39. Financial liability is derecognised when contractual liabilities are settled, cancelled or expired.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They also include receivables and deposits to financial institutions.

Operating lease expenses

Operative lease payments are recognised in the profit and loss account using the straight line method during the lease term.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and in hand.

Employee benefits

During regular operations, at salaries payment, the Company on behalf of its employees that are members of mandatory pension funds performs regular payment of contributions according to law. Mandatory pension contributions are stated as part of salary expenses. The Company has no additional pension plan, thus has no other liabilities related to employee pensions. Onward, the Company has no liability to ensure any other employee benefits after their retirement.
The Company recognises severance pay when the employment contract of the employee is terminated before the regular date of retirement or by employee decision to voluntarily terminate employment in exchange for benefits.
The Company recognises liability for jubilee awards evenly during the period in which the award is realised, on account of actual years of employment.

The Company recognises provisions for bonuses when there is contractual liability.

Funds management in name and on behalf of others

The Company manages funds in name and on behalf of legal and natural persons and charges fee for those services. Since those funds do not represent assets of the Company, they are excluded from the balance sheet in financial statements.

Provisions

Provisions for restructuring expenses, guarantees and litigation are recognised if the Company has present legal or constructive obligation as a result of past event, and if it is probable 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.

Share capital and reserves

Share capital is stated in the amount recorded in the Court Register upon foundation, or change in the amount in the register. Equity is stated in financial records as: share capital, reserves (legal, revaluation and other), retained earnings or transferred loss, and profit or loss for the year. Dividends are recognised as liability in period when established or paid from retained earnings.

Liabilities

Trade and other liabilities are recognised based on valid documentation (invoice, contract, calculation), and increased for interest according to signed contract or Company’s decision.
Liabilities are classified according to maturity as long term (maturity at least 12 months after the balance sheet date) and short term (maturity within 12 months after the balance sheet date).

Liabilities from loans with interest are initially recognised at fair value, less transaction cost. Subsequent measurement is made by amortised cost and every difference between receipts (decreased by transaction expenses) and amounts paid on maturity is recognised in profit and loss account during the period of repayment using the effective interest rate method.

Judgments and estimates

The Company uses judgments and estimates related to future. Estimates and assumptions bearing significant risk of creating material differences in book value of assets and liabilities in next financial year are as follows:

- fair value of derivative and other financial instruments (not quoted on active market),
- provisions for value adjustment of loans and receivables (proof of un-collectability)
- estimated useful life of property and equipment.

3 Information verifying items stated in the statement of financial position of the investment company, statement of comprehensive income, cash flow statement and statement of changes in equity

3.1. Long term tangible and intangible assets

Long term tangible and intangible assets is recorded as follows:

(amounts in HRK)

Description	Office equipment	Other tangible assets	Intangible assets	Total
PURCHASE VALUE				
31 December 2013	**518.222**	**-**	**1.584.998**	**2.103.220**
Direct increase	-	7.219	87.130	**94.349**
Trasfer from preparation	7.219	(7.219)	-	-
Sale or disposal	(55.965)	-	-	**(55.965)**
31 December 2014	**469.476**	**-**	**1.672.128**	**2.141.604**
Direct increase	-	115.955	-	**115.955**
Trasfer from preparation	23.600	(115.955)	92.355	-
Sale or disposal	(37.021)	-	-	**(37.021)**
31 December 2015	**456.055**	**-**	**1.764.483**	**2.220.538**
ACCUMULATED DEPRECIATION				
31 December 2013	**510.967**	**-**	**979.727**	**1.490.694**
Depreciation for 2014	6.167	-	365.958	**372.124**
Sale or disposal	(55.965)	-	-	**(55.965)**
31 December 2014.	**461.169**	**-**	**1.345.685**	**1.806.854**
Depreciation for 2015	14.026	-	170.422	**184.448**
Sale or disposal	(37.021)	-	-	**(37.021)**
31 December 2015	**438.174**	**-**	**1.516.107**	**1.954.281**
NET BOOK VALUE				
31 December 2015	**17.881**	**-**	**248.376**	**266.257**
31 December 2014	**8.307**	**-**	**326.443**	**334.750**

At the balance sheet date stock taking of long term tangible assets was performed and no differences compared to book value were established. Based on the Management's decision, disposed assets based on historic cost equal to 37.021 HRK, with present value of 0 HRK.

At the same time, during 2015 mostly equipment and programs have been purchased, in the amount of 115.955 HRK. Most significant portion of purchased equipment and software relates to further implementation and software development.

Total calculated depreciation in 2015 amounted to 184.448 HRK.
The Company used assigned depreciation rates from Income Tax Law, article 12, paragraph 5.

3.2. Cash and cash equivalents

DESCRIPTION	31 December 2015 HRK	31 December 2014 HRK
Giro accounts at banks and cash in hand	**11.512**	**120.053**

3.3. Receivables

DESCRIPTION	31 December 2015 HRK	31 December 2014 HRK
Receivables from investment and supplementary services	60.063	23.819
Receivables from support services	86.093	162.196
Receivables for calculated interest and dividends	67.806	10.671
Trade receivables for equity securities	-	559.826
Loan receivables and deposits	60.000	495.539
Advances, Guarantee Fund	71.176	70.119
Prepayments and accrued income	-	352
Other receivables	97.626	241.730
TOTAL	**442.764**	**1.564.252**

At the balance sheet date all reported receivables were undue (receivables from investment services, as well as receivables for interest are collected at the beginning of 2016). The most significant part of other receivables relates to receivables from contractual relation.
During the 2015, Company has executed the offsetting of receivables with gained financial instruments.

3.4. Financial assets

DESCRIPTION	31 December 2015 HRK	31 December 2014 HRK
Financial instruments at fair value through profit and loss account	-	-
Financial instruments available for sale	3.458.901	1.727.676
TOTAL	**3.458.901**	**1.727.676**

3.5. Share capital

Share capital amounts to 7.250.000 HRK and it is paid wholly in cash.

The only member / founder of the Company is Ivan Tadin, Zagreb.

The key goal of the Company in capital management is the compliance with the legal condition of maintaining the minimum amount of the share capital which is in accordance with the Capital Market Law, which for this investment company equals minimum 1.000.000 HRK and to maintain the capital as to be higher than the sum of all capital requirements.

Other goals of the Company regarding capital management are:

- maintain the capability of the Company to continue to do business according to the going concern basis
- comply with capital requirements
- maintain balance sheet with considerable components of cash and short term assets

The amount of share capital has no changes in 2015.

3.6. Reserves

DESCRIPTION	31 December 2015 HRK	31 December 2014 HRK
Legal reserves	370.000	370.000
Revaluation reserves	145.716	37.236
UKUPNO	**515.716**	**407.236**

Legal reserves were formed during 2009 according to Company Act, precisely 5,1% of the amount of the share capital. Legal reserves are paid in whole from retained earnings.
The increase in revaluation reserves is the result of changes in fair value of financial assets available for sale during the 2015.

3.7. Retained earnings/transferred losses

Retained earnings / transferred losses include accumulated profit from previous periods.
Retained earnings as at 31 December 2015 amounts to 0 HRK:

3.8. Provisions

There was no need for new provisions based on litigation in 2015.

3.9. Liabilities

DESCRIPTION	31 December 2015 HRK	31 December 2014 HRK
Trade liabilities	299.563	323.735
Liabilities connected with the trade with securities	118.335	124.111
Liabilities toward employees	67.573	53.756
Liabilities for contributions, taxes and local income tax	38.528	42.282
Other liabilities (note 3.9.2.)	47.071	12.584
TOTAL	**571.070**	**556.468**

Trade liabilities are paid in maturity. Liabilities connected with the trade with securities are paid within the legal deadline.
Liabilities towards employees are settled during January 2016.

3.9.1. Deferred tax assets

Deferred tax assets is recognised based on the deductible temporary differences and unused tax losses in the portion in which sufficient tax basis is expected in future periods, according to tax laws. During the 2015 Company has not recorded deferred tax assets.

3.9.2. Deferred tax liabilities

Deferred tax liabilities are recognised on the basis of taxable temporary differences which for a consequence have taxable amounts when taxable profit is determined (taxable loss) in future periods when the book value of the assets will be redeemed or liability settled.
At the balance sheet date the Company recorded deferred tax liability in the amount of 36.429 HRK which represents 20% share of the presented value adjustments of the shares which are recorded as long term financial assets.

3.10. Income and expenses from fees and commissions

DESCRIPTION	2015 HRK	2014 HRK
Fees and commissions for completion of client’s order	2.785.118	3.112.750
Fees and commissions for portfolio management	6.023	14
Fees and commissions from services without redeem obligation	272.000	84.998
Other income	452.522	374.947
Expenses for services of organised market	649.714	686.853
Expenses for services of clearing organisation	387.915	437.438
Other expenses	355.568	189.142
NET INCOME / EXPENSES	**2.122.466**	**2.259.276**

3.11. Net income / expenses from interest

DESCRIPTION	2015	2014
	HRK	HRK
Interest income	328.900	465.229
Interest expenses	28	1.326
NET INTEREST INCOME / EXPENSES	**328.872**	**463.903**

3.12. Other income

DESCRIPTION	2015	2014
	HRK	HRK
Dividends income	75.443	43.883
Other	29.281	13.276
OTHER INCOME	**104.724**	**57.159**

3.13. Other expenses

DESCRIPTION	2015	2014
	HRK	HRK
Depreciation	184.448	372.124
Personnel expenses	1.135.481	970.756
Other	926.113	954.163
OTHER EXPENSES	**2.246.042**	**2.297.043**

3.14. Income tax

DESCRIPTION	31 December 2015	31 December 2014
	HRK	HRK
Accounting profit before tax	309.622	483.956
Expenses not approved by Tax Law	5.009	103.167
Non taxable income	(75.443)	(43.895)
TAX PROFIT/LOSS	239.188	543.228
Tax loss brought forward	(7.298.563)	(7.537.750)

3.15. Other comprehensive income

Other comprehensive income amounts to 108.480 HRK and it is result of increase in fair value of financial assets available for sale. The presented comprehensive income is decreased for associated income tax at currently applicable income tax rate.

3.16. Off balance sheet items

Off balance sheet items consist of foreign assets of the principal at the accounts for special purposes in banks, which refer to clients' assets.
During 2015 there were no remarks from the part of clients, nor from the part of Agency for performed transactions and their settlement.
The Company is the principal according to the Contract of issuing of guarantee issued by the bank in the amount of 300.000 HRK for settlement of the amount in cases of incompliance of liabilities towards CDCC based on contracted settlement.
The Company is the principal according to the Contract of issuing of guarantee issued by the bank in the amount of 50.000 HRK for settlement of the amount in cases of incompliance of liabilities towards CDCC based on contracted settlement for the custody.

3.17. Contingent liabilities

The Management board of the Company, according to its best estimate, has no indications about contingent liabilities that may lead to an outflow of resources and significantly affect the fair presentation of financial statements.

3.18. Subsequent events

There have been no events after the balance sheet date that should have been published in financial statements for 2015.

3.19. Litigation

Pursuant to statements by the Company's lawyer, Company does not expect negative outcomes from passive litigations.

4 Classification of financial assets and financial liabilities

4.1. Financial assets available for sale

The Company as at 31 December 2015 presented the financial assets in the value of:

DESCRIPTION	31 December 2015 HRK	31 December 2014 HRK
Equity securities – quoted on the market	406.800	271.200
Equity securities – not quoted on the market	3.052.101	1.456.476
TOTAL	**3.458.901**	**1.727.676**

	4.2. Financial assets at fair value through profit and loss Company does not recorded financial assets at fair value through profit and loss.
5	**Credit risk exposure for financial assets and liabilities classified as loans and receivables at fair value through profit and loss**
	Credit risk is the risk of default in liability settlement or potential liability of a counterparty with which the Company made a transaction. Exposure of the Company to credit risk at the balance sheet date, arising from deposits at CDCC, cash and cash equivalents, and other receivables, arises from fair value of instruments whose positive value at the date is stated in the balance sheet. All transactions with quoted securities are settled or paid after delivery through certified brokers. Risk of default is retained to minimum since sold securities are delivered after the appropriate amount is deposited to the account. If either party defaults in its liability, purchase transaction is not completed.
6	**Amount of fair value change attributed to credit risk change**
	There is no fair value change directly attributable to credit risk.
7	**Reclassification of financial instruments in assets which is measured** **(a) at cost or amortised cost instead at fair value or** **(b) at fair value instead at cost or amortised cost,** **the amount reclassified from one category to another category is to be published, as well as the reasons for the reclassification**
	In 2015 there was no reclassification of financial assets.
8	**For the assets which is derecognised, following is to be published: a) nature of the assets** **(b) nature of the risks and premiums connected to ownership to which the Company stays exposed** **(c) when recognition for all the asset is continued, book value of the assets and related liabilities and** **(d) when recognition of the assets is continued in the terms of its engagement, total book value of original asset, the value of the asset that is continued to recognised and book value of related liabilities**
	In 2015 there was no asset that was derecognized.
9	**Book value of financial asset that is pledged as a security for payment of real or unforeseen liabilities (collateral) is to be published, including the values which are reclassified in accordance with article**
	As at 31 December 2015 all securities are free from pledge.
10	**Collateral (financial or non-financial asset) and it is allowed to sell or pledge again the collateral in the absence or because the owner of the collateral is not paying, obligation to publish is: fair value of the collateral in possession, fair value of the collateral that is sold or pledged again, and the liability of return**
	Fair value of the collateral is equal to book value.

11	**Credit loss impairments instead of directly decreasing book value of the asset, should disclose reconciliation of changes on that account during the period for every class of financial assets.**
	There have been no credit loss impairments in 2015.
12	**If the subject issued the instrument which contains both the component of liabilities and the component of equity and it is about the instrument which has several built-in derivatives which values are interdependent (just like convertible debt securities with the rights of abortive redemption), it is indebted to publish the existence of such characteristic**
	At balance sheet date the Company did not issue that kind of instruments..
13	**For loan liabilities at report date publish: (a) details about eventual non-payment of the principal, interest, gradual repurchase or conditions of repurchase of loan liabilities (b) book value at report date of the loan liabilities which are not paid and (c) if the payment has been made or the conditions of loan instalments were audited before the financial statements were approved**
	The Company has no loan liabilities as at 31 December 2015.
14	**It is to be published following information for each kind of hedging (i.e. fair value hedging, cash flow hedging and hedging of the net investments in abroad):** **(a) description of each kind of hedging** **(b) description of financial instruments determined as instruments of hedging and its fair value at report date** **(c) the nature of risks towards which the hedging is performed.**
	The Company has not used hedging transactions in 2015.
15	**The Subject is obligated publish fair value of assets and liabilities for every class of financial assets and financial liabilities in a way which enables its comparison with book value.**

Financial assets available for sale

The Company as at 31 December 2015 presented the financial assets in the value of:

DESCRIPTION	31 December 2015 HRK	31 December 2014 HRK
Equity securities – quoted on the market	406.800	271.200
Equity securities – not quoted on the market	3.052.101	1.456.476
TOTAL	**3.458.901**	**1.727.676**

Financial assets at fair value through profit and loss

Company does not recorded financial assets at fair value through profit and loss.

16	**Total amount of fees collected for the financial year by the independent auditor or audit company for legally stipulated audit of yearly financial statements, total amount of fees for other review services, total amount of fees for tax consulting services and total amount of fees for other services apart from audit.**
	The Company has signed a contract for statutory audit of financial statements for 2015 for a fee in the amount of 32.000 + VAT.
17	**Disclose information which enable users of financial statements to evaluate the type and range of risk arising from financial instruments to which the subject is exposed to at the balance sheet date a) credit risk b) market risk c) liquidity risk**

This note sets out the details on Company's exposure to risk and methods the Management uses to manage risks. The Company is exposed to risk generally relating to trade and mediation of securities. The Company is exposed to effects of change of conditions on domestic and indirectly on international markets.
The most significant risks to which the Company is exposed to are credit risk, liquidity risk, market risk (foreign exchange rate risk, interest rate risk, price risk) and operating risk.

Credit risk

Credit risk is a risk of default in liability settlement or potential liability of a counterparty with which the Company made a transaction. Exposure of Company to credit risk at the balance sheet date, arising from deposits at CDCC, cash and cash equivalents, and other receivables, arises from fair value of instruments whose positive value at that date is stated in the balance sheet. All transactions with quoted securities are settled or paid after delivery through certified brokers. Risk of default is retained to minimum since sold securities are delivered after the appropriate amount is deposited to the account. If either party defaults in its liability, purchase transaction is not completed.

Liquidity risk

Responsibility for liquidity risk rests on Company's Management, which made an appropriate liquidity risk management framework, short, medium and long term financing and liquidity management requirements.
The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserves of borrowed funds, by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets.

Interest rate risk

The Company is subject to risks related to effect of interest rate fluctuations on its financial position and cash flows. Risk is managed by maintaining adequate combination between fixed and variable interest rate on loans. At the moment the Company is not protected from these risks since most financial assets and liabilities (cash, cash equivalents, guarantee deposit at SKDD, and received loans) are interest-bearing.

Foreign exchange rate risk

The Company can invest in financial instruments, and execute transactions denominated in foreign currencies which are not its functional currency. However, the Company for now has no assets (with the exception of cash) and liabilities denominated in foreign currencies. Hence, the Company at the balance sheet date was not exposed to the risk of foreign exchange rate risk because the assets that were denominated in foreign currencies were minor.

	Price risk Price risk is possibility of price fluctuations, which will affect fair value of investment and other instruments whose value is derived from certain investments. Primary exposure to price risk arises from Company's investments in equity instruments available for sale or at fair value through profit and loss. The Company actively trades in equity instruments. **Fair value** Fair value represents the amount at which an asset could be exchanged or a liability settled on an arm`s length basis in regular market conditions. Most financial instruments of the Company are stated at fair value at the balance sheet date. Book value of cash and cash equivalents and loans and receivables is equal to amortised cost of those instruments which is approximately equal to its fair value. The Management Board considers that fair value of financial assets and liabilities is approximately equal to its book value.
18	**For assets acquired from ownership of collateral as security instrument disclose: (a) nature and book amount of assets acquired in such manner and (b) if the asset cannot be currently converted to cash, policies which regulate the availability of such assets, or sale of assets or its use in own operations**
	At the balance sheet date the Company held no such assets.
19	**Disclosure of all transactions with related parties**
	The Company is under control of Ivan Tadin from Zagreb. The Company considers related parties all persons or entities in accordance with definition set out in IAS 24 Related party disclosures. Total salaries paid to related parties in 2015 amount to 298 THRK. Income from key officers and related parties amount to 60 THRK.

Zagreb, 25 April 2016

Ivan Tadin
The President of Management Board