ERSTE ASSET MANAGEMENT Ltd., ZAGREB

Annual Report and Financial statements

as at 31 December 2017

1. BUSINESS AND DEVELOPMENT ACTIVITIES OF THE COMPANY

Company activities

Erste asset management d.o.o., Zagreb, Ivana Lučića 2a (the „Company") is registered for the activities:

- management of the open-ended funds
- management of alternative investment funds
- portfolio management
- investment advisory.

The Company currently manages:

- nine UCITS funds: Erste Money, Erste Euro-Money, Erste Adriatic Bond, Erste Adriatic Equity, You Invest Solid, You Invest Balanced, You invest Active, Erste Local Short Term Bond and Erste Adriatic Short Term Bond
- two alternative funds: Erste PB1, Erste Exclusive
- larger number of discretionary managed portfolios of the clients.

The Company`s business results in year 2017

Assets under management grew in 2017, compared to the previous year, in all business segments. Total asset under management of the Company at the year-end was HRK 5,219 million from which HRK 4,359 million refers to UCITS funds, HRK 616 million refers to discretionary portfolio management and HRK 245 million to alternative investment funds.

Company's market share in the total assets of UCITS and alternative investment funds at the end of 2017 was 23.71%. Company took the lead position in the market of investment funds. During year 2017 the Company had an increase of asset under management in amount of HRK 392 million. In open ended fund segment HRK 284 million, in discretionary portfolio segment HRK 108 million while in alternative investment funds segment wasn`t any significant changes.

If we consider the total value of open-end investment funds assets with a public offering on the whole market it is noticeable only small increase by 0.3% since the end of 2016 when total UCITS fund market was 18.44 billion HRK and the market share of the Company was 22.10%. At the end of 2017 total UCITS market was 18.49 billion HRK and the market share of the Company was 23.56%. In the segment of alternative investment funds there was a total market growth of 82%, while the market share of the Company in this segment was 26.54%

If we look at macroeconomic data, we cannot dispute the fact that Croatia has had one of the best years. The mini tax reform system yielded expected results in terms of redistribution of income and increased consumption of citizens, which remains the main contributor to GDP growth. Croatia's main trading partners are also in the economic swing, reflecting the positive growth of Croatian exports. The public debt consolidation trend was finally reversed and at the end of the second quarter it was at (somewhat tolerant) level of 82% of GDP, which is by 4.5% less than at the end of the first quarter.

Officials' estimates are that we will end this year at approximately 80% of GDP, and a further 2.5% reduction is forecast annually, i.e. the baseline scenario is for public debt level to fall below 75% by 2020. In May, all these positive trends were rewarded by the European Commission by removing Croatia from the excessive deficit procedure, with recommendations mainly related to public finances, taxation, pensions and public administration. In June, Croatia was visited by IMF representatives and rating agencies to keep Croatia's long-term credit rating at BB at the end of September, while at the same time raising its prospects from stable to positive, emphasizing a stronger economy that will help consolidate public finances. The same step was made later on by other rating agencies, so at the end of November, the Croatian debt is at BB level with positive prospects, and the next step and confirmation that we are on the right track could be an increase in ratings that would put Croatia (only) one notch away from the investment grade level.

GDP growth in the third quarter was 3.3%, and GDP growth for 2016 was revised upwards from 2.9% to 3%. The structure of the GDP growth component remains economically healthy in the sense of a strong positive trend in domestic consumption and another major tourist season contributing to strong exports. Somewhat worrying could be investment category trend that slowed down quarterly growth from 5.4% in the first quarter to 3.4% in the third quarter, and is likely to depend on developments in the domestic retail scene and forced economic and legal uncertainty.

Inflation-wise, Croatia follows the EU. It is expected that 2017. inflation will end at 1.2%, and in 2018 will grow to an average 1.6%, due to rising energy prices. The CNB continues to implement the expansionary monetary policy, and last year intervened in the FX market and prevented the strengthening of the kuna by buying 947 million euros from banks at an average exchange rate of 7.47 EUR / HRK, thus increasing the liquidity of the system by over 7 billion kuna. With such liquidity in the system, interest rates on the market cannot but fall further, so the Finance Ministry is expected to borrow cheaper than the quarter before. On the last auction of kuna treasury bills, a one-year yield of 0.20% was achieved. In the fourth quarter, the Ministry of Finance successfully approached the external bond market by issuing eurobonds due in 2030, which will refinance part of the company's long-term debt and a historically low yield of 2.95% or a coupon of 2.75% will further reduce government interest expense.

Looking at the funds that the Company has under management we can state that this year was very successful for our investors as well. Positive yields in the environment of low interest rates kept the existing and attracted new customers.
Our cash funds (Erste Money and Erste Euro-Money) have achieved competitive results in line with the prevailing conditions in the money market, although yields are significantly lower than last year, in line with the current environment of exceptionally high liquidity and exceptionally low interest rates.
The Adriatic Bond fund grew 2.55% is still outstanding in its category, and is still the largest bond fund on the FI market with over HRK 1.9 billion under management. New products, short-term bond funds rose by 1.02% (Erste Adriatic Short Term Bond) and 0.42% (Erste Lcoal Short Term Bond), despite the fact that those funds are still not in the focus of the investors which will hopefully change during the upcoming year.
After the brilliant 2016, the equity fund Erste Adriatic Equity ended the year with a minus 22.19%, which is largely the result of the write-off of assets related to the holding company (currently under state administration) as well as the decline in assets due to the client outflows. The fact remains that the controlled restructuring of the domestic group Agrokor ruled on the domestic capital market in terms of illiquidity, uncertainty, deterioration in the investment climate and ultimately bankruptcy of some creditors. The common denominator this year remains - illiquidity. Crobex

has lost 7.6% of the value since the beginning of the year, and the end of the illiquidity trend on the domestic capital market remains implausible.

Portfolio management services also recorded a significant client interest as it offers individualized approach to clients' needs.
In these circumstances we expect continued growth in assets under management with evenly distributed asset among the various asset classes with accent to bond and balanced funds.

In the structure of investors in Company`s open ended investment funds with a public offering, institutional and corporate investors prevail with a 59% in the assets under management over 41% in assets under management of individual investors.

Expected development of the Company

The Company will continue to be dedicated to provide high quality asset management through a variety of products in order to achieve growth in the value of the assets under management. The Company shall continue with dedicated work on organizational measures of improving the business, on professional personnel trainings, on technological improvements of operational processes, on development of new products in order to ensure business growth and development.

Human resources

Human resources (employees) are, alongside the assets, the Company's most valuable resource. On 31st December 2017 the Company has 18 full-time employees (31st December 2016: 19).

2. CORPORATE MANAGEMENT

The Company develops and operates in accordance with good corporate governance practice.
Responsible corporate management is a prerequisite to create an added value and is an essential element of a stable and safe business. The Company`s business strategy, business policy, and various internal procedures and business practices are create to contribute the efficiency of the business and good relations with the business environment in which it operates.

Corporate management is established through the Company`s organs, the Assembly, the Supervisory Board and the Management Board.

In accordance with the deed of establishment, Assembly consists of only one member and founder of the Company, Erste Asset Management GmbH, Vienna. The Supervisory Board consists of three members elected by the Assembly of the Company. The Supervisory Board gives consent to the Management Board to determine the Company's business policy, the financial plan of the Company, to the organization of internal control systems of the Company and the risk management system, the annual plan of the Company and other.
Management board of the Company carries out the activities of the Company, defining and implementing business policies, management of the business operations and representing the Company towards the third parties. The Management consists of three (3) members of whom one (1) is appointed as the President. Members of the Board

shall conduct the business of the Company using their best effort and in the best interests of the Company, shareholders, customers, employees, and generally the whole community. The Company's Management board is responsible to the Assembly.

Management board members shall not make any decisions based on their personal interests and the interests of the persons with whom they have a close relationship, which is regulated by internal procedures and regulations. The Company has adopted an internal policy on the prevention of conflicts of interest relating not only to the Management board members, but also to all employees. In order to protect the assets of the Company an internal control system has been established. In this way the Company controls the efficiency of operations, reliability of financial reporting and compliance with laws and regulations. Through the system of internal controls the Company monitors and detects operational risks to which the Company is exposed.

3. RISKS EXPOSURE

For financial reporting purposes risks that may affect the Company's operations are allocated to two groups:

1) The risks affecting the regular operations of the Company
   - The risk of reduction in assets under management as a result of the withdrawal of funds by clients
   - The risk of reduction in assets under management as a result of decreased asset value
   - Operational risk

Management fee is the most important part of the total revenue that the Company achieves. Due to unpredictable (unfavorable) market trends, the withdrawal of assets from the funds and portfolios and / or decrease of asset value, certain risk of reduction in the Company's revenue are present. The company is facing these risks in its daily operations, and adapts to the new situation by introducing new products or modifying existing ones, including adaptation in the area of costs of business.

The Company is exposed to operational risk through its regular operations. Operational risk is the risk of the occurrence of a situation that results or could have result of a financial loss, gain or missed earnings for the Company caused by inadequate or inappropriate internal processes, people and systems errors and external influences. This definition also includes legal risk, but strategic and reputational risk is not included. Operational risk management involves identifying, assessing, monitoring and control of operational risk.The Company manages operational risk through quarterly reports to the Management board of the Company about events that are classified as operational risk for the Company. Basic method of operational risk management is the base of losses due to operational risk in which all the losses and possible losses due to operational risk are monitored according to guidelines and terminology of the Basel Committee and the CNB regarding classification of events in the database.

2) The risks that are affecting the financial management of the Company
   - Interest rate risk
   - Foreign exchange rate risk
   - Credit risk
   - Risk of price changes of the securities
   - Risk of "The other contracting party” in trading

Certain portion of the profit is realized by the Company through investments in financial assets. In accordance with legal limits and with internally agreed strategy, the Company invested financial assets solely in low-risk instruments such as government bonds, deposits at domestic banks, money market funds, and the REPO operations, agreed with domestic financial institutions. The Company actively monitors all these risks, and according to all of these risks defines its investment policy.

4. FINANCIAL RESULTS OF THE COMPANY

Statement of comprehensive income

The Company had HRK 1.86 million of net profit in 2017.

Total revenues of the Company are HRK 46.28 million. The total revenue from the management fee in the amount of HRK 45.33 million primarily from the bond funds 50%, followed by money market funds 22%, from individual portfolio management service 14% and the rest is distributed through other products. Income from financial activities amounted HRK 0.46 million, entrance and exit fee and other income amounted HRK 0.49 million.

Total expenses of the Company are HRK 43.97 million out of which HRK 29.65 million are the costs for distribution channels while other expenses are related to asset management and administrative costs.

Report on financial position on 31th December 2017

The Company's assets at the end of 2017 amounted HRK 26.15 million, and consists of a HRK 0.47 million of fixed intangible and tangible assets, HRK 10.75 million of long-term financial asset and HRK 14.91 million of current assets. Current assets consist of placements at banks and short-term receivables.

The Company's capital at the end of 2017 consists of the registered capital in the amount of HRK 5 million, undistributed profit in the amount of HRK 10.96 million and profit in 2017 of HRK 1.86 million.

The Company's liability in the amount of HRK 8.33 million are related to short-term liabilities for distributions fees, accounts payable, employee benefit liabilities and other liabilities.

There are no significant long-term liabilities other than agreed operating leases in the amount of HRK 0.54 million spread through the next five years.

5. OTHER INFORMATIONS

There were no business events that significantly influenced the operations of the Company after year end.

Josip Glavaš	**Snježana Šalković Dasović**	**Miroslav Jurišić**
President of the Management board	**Management board member**	**Management board member**
	Šalković	

Pursuant to the Croatian Accounting Law, the Management Board is responsible for ensuring that the financial statements are prepared for each financial year in accordance with International Financial Reporting Standards as adopted in the EU ("the IFRS"), which give a true and fair view of the financial position and results of Erste Asset Management Ltd., Zagreb (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 of the Company continues to adopt the going concern basis in preparing the financial statements.

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

- suitable accounting policies are selected and then applied consistently;
- judgments 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 of the Company 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 IFRS. 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:

Josip Glavaš	**Snježana Šalković Dasović**	**Miroslav Jurišić**
President of the Management board	**Management board member**	**Management board member**

Erste Asset Management Ltd.
Ivana Lučića 2a
10000 Zagreb
Republic of Croatia

29 January 2018

Independent Auditor's Report

To the Owners and Management Board of Erste Asset management d.o.o.:

Our opinion

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

Our opinion is consistent with our additional report to the Audit Committee.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014, and furthermore, we have not provided any non-audit services to the Company in the period from 1 January 2017 through 31 December 2017.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Recognition of fee revenue *See note 4 to the financial statements under heading Funds management fee and note 2 under heading Summary of significant accounting policies for further information* The Company has recognised total revenue of HRK 40.08 million for the period ended 31 December 2017, including revenue from funds management (HRK 33.51 million) and portfolio management (HRK 6.57 million). Although the transactions within the revenue streams are unified and revenue recognition is not complex, we focused on this area due to the significance of these items to the Company's financial statements.	Our audit approach to revenue was based on substantive audit testing of transactions as described below. For the total population of transactions each day, we recalculated the funds management fee by multiplying each fund's net asset value ("NAV") with the management fee percentage at a given date. We compared the management fee percentage used in the calculation for each fund with the fund's prospectus. We also traced the revenue transactions to the bank statements to confirm the fees were paid by the funds. We found no material differences arising from our work. We tested portfolio management fees on a sample basis by recalculating monthly fees the Company charges its clients. We compared the management fee percentage for individual investors with their respective contracts with the Company. We also traced the selected sample of revenue transactions to the bank statements to confirmed the fees were paid. We found no material differences arising from our work.

Other information

Management is responsible for the other information. The other information comprises the Annual Report of the Company, which includes the Management Report, but does not include the financial statements and our independent auditor's report thereon.

Our opinion on the financial statements does not cover the other information, including the Management Report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Management Report, we also performed procedures required by the Accounting Act in Croatia. Those procedures include considering whether the Management Report includes the disclosures required by Article 21 of the Accounting Act.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the financial statements are prepared is consistent, in all material respects, with the financial statements; and
- the Management Report has been prepared in accordance with the requirements of Article 21 of the Accounting Act.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are also required to report if we have identified material misstatements in the Management Report. We have nothing to report in this respect.

Responsibilities of management and those charged with governance for the financial statements

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

Report on other legal and regulatory requirements

Pursuant to Bylaw on structure and contents of financial statements and other reports of companies managing UCITS funds (Official Gazette: 41/2017) and Bylaw on structure and contents of annual and semi-annual financial statements and other reports of companies managing alternative investment funds (Official Gazette: 40/2016; further "Bylaws"), the Company's Management Board prepared statements shown on pages 34 to 38 under headings Statement of financial position, Statement of comprehensive income, Statement of changes in equity and Statement of cash flows for the year ended 31 December 2017. Preparation of these statements is responsibility of the Company's Management Board and the statements are not integral part of these financial statements, but contain information in accordance to Bylaws. Financial information in the statements are derived from the financial statements of the Company prepared in accordance with International Financial Reporting Standards as adopted in European Union presented on pages 7 to 33 and adjusted in accordance with the Bylaws.

Appointment

We were first appointed as auditors of the Company on 18 May 2017. Our engagement appointment for 2017 is our first year as the auditors of the Company.

The certified auditor engaged as partner on the audit resulting in this independent auditor's report is Siniša Dušić.

PricewaterhouseCoopers d.o.o.

PricewaterhouseCoopers d.o.o.
Heinzelova 70, Zagreb
29 January 2018

Siniša Dušić
Member of the Board

PricewaterhouseCoopers d.o.o.[4]
za reviziju i konzalting
Zagreb, Heinzelova 70

Ivan Čović
Certified auditor

This version of our report is a translation from the original, which was prepared in Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017
(all amounts are expressed in thousands of Kuna)

	Notes	2017.	2016.
Management fee for funds	4	33,512	29,552
Portfolio management fee		6,570	5,109
Other financial income		455	316
Entrance and Exit fee		133	12
Other operating income		7	31
Service expenses	5	(27,130)	(21,398)
Staff expenses	6	(9,149)	(8,633)
Other operating expenses	7	(1,771)	(1,928)
Depreciation	9	(207)	(218)
Cost of materials		(110)	(83)
Impairment of intangible assets	9	(0)	(51)
Profit before tax		**2,310**	**2,709**
Income tax	8	(453)	(565)
Profit for the year		**1,857**	**2,144**
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**1,857**	**2,144**

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

Signed on behalf of the Company on 29 January 2018:

Josip Glavaš	**Snježana Šalković Dasović**	**Miroslav Jurišić**
President of the Management board	**Management board member**	**Management board member**

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

(all amounts are expressed in thousands of Kuna)

	Notes	31 December 2017	31 December 2016
ASSETS			
Non-current assets			
Equipment		66	79
Intangible assets	9	421	307
Financial asset held to maturity	10	10,752	10,776
Total non-current assets		**11,239**	**11,162**
Current assets			
Receivables	11	4,725	4,316
Cash and bank balances	12	10,189	9,293
Total current assets		**14,914**	**13,609**
Total assets		**26,153**	**24,771**
EQUITY AND LIABILITIES			
Equity	13	5,000	5,000
Issued capital	13	1,857	2,144
Retained earnings	13	10,963	10,963
Total equity		**17,820**	**18,107**
Liabilities			
Accrued expenses	14	3,092	2,596
Other current liabilities	15	5,241	4,068
Total liabilities		**8,333**	**6,664**
Total equity and liabilities		**26,153**	**24,771**

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

Signed on behalf of the Company on 29 January 2018:

Josip Glavaš	**Snježana Šalković Dasović**	**Miroslav Jurišić**
President of the Management board	**Management board member**	**Management board member**

(all amounts are expressed in thousands of Kuna)

	Issued capital	Retained earnings	Total
Balance as at 31 December 2015	**5,000**	**12,946**	**17,946**
Total comprehensive income	-	2,144	2,144
Profit distribution to the equity holder	-	(1,982)	(1,982)
Balance as at 31 December 2016	**5,000**	**13,107**	**18,107**
Total comprehensive income	-	1,857	1,857
Profit distribution to the equity holder	-	(2,144)	(2,144)
Balance as at 31 December 2017	**5,000**	**12,820**	**17,820**

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

Signed on behalf of the Company on 29 January 2018:

Josip Glavaš	**Snježana Šalković Dasović**	**Miroslav Jurišić**
President of the Management board	**Management board member**	**Management board member**

Šalković

(all amounts are expressed in thousands of Kuna)

	2017.	2016.
Cash flows from operating activities		
Profit for the year	1,857	2,144
Adjustments for:		
Income tax expense	453	565
Interest income	(402)	(315)
Depreciation	207	218
Impairment of intangible assets	-	51
Realized gains on sale of securities	-	-
	2,115	*2,663*
Movements in working capital		
(Increase)/ Decrease in other receivables	(409)	(1,016)
Increase/(Decrease) in current liabilities	1,328	949
Increase/(Decrease) in accrued expenses	504	655
Income tax paid	(618)	(558)
Net cash used by operating activities	**2,920**	**2,693**
Cash flows from investing activities		
Interest received	402	315
Payments for equipment	(26)	(16)
Receipts/(Payments) for investments in placement with banks	-	934
Payments/(Receipts) for investments in Government bonds	24	(6,925)
Payments for intangible assets	(280)	(74)
Net cash receipts from sale of securities	-	-
Net cash (used) in investing activities	**120**	**(5,766)**
Cash flows from financing activities		
Profit distribution to the owners	(2,144)	(1,982)
Net cash used in financial activities	**(2,144)**	**(1,982)**
Net (decrease)/increase in cash and bank balances	**896**	**(5,055)**
Cash and bank balances at beginning of the year	**9,293**	**14,348**
Cash and bank balances at end of the year	**10,189**	**9,293**

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

Signed on behalf of the Company on 29 January 2018:

Josip Glavaš	**Snježana Šalković Dasović**	**Miroslav Jurišić**
President of the Management board	**Management board member**	**Management board member**

1. GENERAL

Activity

Erste Asset Management Ltd., registered in Zagreb, Ivana Lučića 2a (the "Company"), is an investment fund management company. The Company was registered at the Commercial Court in Zagreb on 31 July 1998. The Croatian Securities Exchange Commission issued the operating license to the Company on 19 October 2000.

The Croatian Securities Exchange Commission issued an approval to the Company to establish and manage the open-end investment fund; Erste International on 18 January 2001. The Croatian Financial Services Supervisory Agency approved a change in name from Erste International to Erste Balanced on 24 March 2006.

The Croatian Securities Exchange Commission issued an approval to the Company to establish and manage the open-end investment funds; Erste Money and Erste Bond on 10 April 2003.

The Company was designated as the management company of the Croatian Homeland War Veterans Fund and their Family Members by decision of the Steering Committee of the Croatian Homeland War Veterans Fund and their Family Members on 14 December 2004. The Fund started to operate 12 April 2005.

The Croatian Securities Exchange Commission issued an approval to the Company to establish and manage the open-end investment fund Erste Adriatic Equity on 8 September 2005.

The Croatian Financial Services Supervisory Agency issued an approval to the Company to establish and manage the open-end investment fund Erste Total East on 20 September 2007.

The Croatian Financial Services Supervisory Agency issued an approval to the Company to establish and manage the open-end investment fund with private placement Erste Elite and Erste Exclusive on 19 June 2008.

On 13 September 2007, the Croatian Financial Services Supervision Agency passed a decision permitting the establishment and management of the investment fund Erste Conservative, which started up on 22 September 2009. Pursuant to the decision of the Croatian Financial Services Supervision Agency of 1 October 2009, the Fund changed its strategic orientation from a bond to a cash fund, as well as its name to Erste Euro-Money.

On 28 January 2010, the Croatian Financial Services Supervision Agency passed a decision granting to Erste-invest the authorization to perform the activities specified in Article 5 Paragraphs 1.4 and 1.5 of the Capital Market Act concerning the provision of investment services:

- portfolio management:
- investment advisory services.

Thus, the Company is licensed to perform the above-mentioned investment services involving the financial instruments referred to in Article 3 Paragraph 1.2 of the Capital Market Act

1. GENERAL (CONTINUED)

Activity (continued)

On 28 December 2012 the Croatian Financial Services Supervisory Agency issued a decision approving the merger of open-end investment funds with public offer Erste Total East and Erste Balanced with open-end investment fund with public offer Erste Adriatic Equity. According to the decision of the Company's management, the merger will be carried out on 11 January 2013.

On 20 June 2013, the Croatian Financial Services Supervision Agency passed a decision permitting the establishment and management of the investment fund Erste Adriatic Bond, which started up on 28 June 2013.
Following the business policy of the Group to be present on all markets under the same name, in November 2013, the company changed its name from Erste – Invest Ltd. to Erste Asset Management Ltd.

On 31 January 2014 the Croatian Financial Services Supervisory Agency issued a decision permitting the merger of two open-end investment fund with public offering Erste Bond and Erste Adriatic Bond. According to the decision of the Company's management, the merger was carried out on 14 March 2014.

On 05 November 2014, the Croatian Financial Services Supervision Agency passed a decision permitting the establishment and management of the three new open-end investment funds with public offering You invest Solid; You invest Balanced and You invest Active. These funds started to operate on 24th December 2014.

The Company signed an agreed termination of the asset management contract for War Veterans Fund with the Steering Committee of the War Veterans Fund. The Steering Committee of the War Veterans Fund by the decision on 17 September 2015, elected a new Fund Management Company Hypo Alpe-Adria-Invest dd
On 14 October.2015 Company transferred asset management of the War Veterans Fund to the Hypo Alpe-Adria-Invest dd.

Management board of the Company adopted a decision on 15 December.2015 about changing the rules of Erste Elite and changing the Fund`s name to Erste PB1 and sets a new value of the fund`s unite at 100 euros.
The decision came into force on 18 December 2015.

On 16. December 2016, The Company got approval from HANFA to launch two new funds Erste Adriatic Short Term Bond and Erste Local Short Term Bond. Funds started up on 09. January 2017.

(all amounts are expressed in thousands of Kuna)

1. GENERAL (CONTINUED)

List of funds managed by the Company:

Erste Money, Erste Euro-Money, Erste Adriatic Bond, Erste Adriatic Equity, Erste PB1, Erste Exclusive, You invest Solid, You invest Balanced, You invest Active, Erste Local Short Term Bond and Erste Adriatic Short Term Bond.

Management Board:

Josip Glavaš	President	from 3 February 2003
Snježana Šalković Dasović	Member	from 5 November 2004
Miroslav Jurišić	Member	from 17 December 2007

Supervisory Board:

Heinz Bednar	President	from 1 October 2013
Adrianus Janmaat	Vice president	from 19 May 2016
Ivica Smiljan	Member	from 21 October 2016
Dušan Svitek	Member	from 19 May 2016
		until 21 October 2016
Thomas Schaufler	Vice president	from 01 October 2013
		until 19 May 2016

General Assembly consists of one member: Erste Asset Management GmbH Vienna.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The Company maintains its books and accounts in the Croatian kuna (HRK) and in accordance with the Croatian Accounting Act as well as the accounting principles and practices adopted by enterprises in Croatia.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted in the EU (the “IFRS”).

Basis of presentation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at revalued amounts or fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Operating segments

For management purposes, the Company is organized into one business unit. The Company determined that all its activities are considered as one operating segment.

Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs require management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses as well as disclosures of off-balance sheet items at the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. 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 judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements of significant uncertainty and critical judgements in the application of accounting policies that significantly affect the financial statements are provided under the summary of significant accounting policies.

Functional and presentation currency

The financial statements are presented in Croatian kuna (‘’HRK’’), which is the Company’s functional currency. All financial information presented in Croatian kuna has been rounded to the nearest thousand. The effective exchange rate at 31 December 2017 was HRK 7.513648 to EUR 1 (2016: HRK 7.557787).

(all amounts are expressed in thousands of Kuna)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably.

Revenue from managing of open end investment funds

The Company recognizes management fees 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 Erste open end investment calculated on the total fund assets decreased for the value of liabilities from securities transactions. The exit fee is charged in accordance with fund's Prospectus. The breakdown of the fees charged in 2015 by the Company to Erste open end investment funds is presented below:

Erste open end investment fund	**Management fee (%)**	**Exit fee (%)**	**Entrance fee (%)**
Erste Money	0.35	-	-
Erste Adriatic Equity	2.00	0.00 - 2.00	-
Erste Euro-Money	0.20	0.00 - 2.00	-
Erste Adriatic Bond	1.30	0.00 - 1.00	-
You Invest Solid	1.25	-	0.50
You Invest Balanced	1.50	-	1.00
You Invest Active	1.75	-	1.50
Erste Adriatic Short Term Bond	0.25	0.00 – 1.00	-
Erste Local Short Term Bond	0.35	0.00 – 0.50	-

In 2017 for under mention funds, management fee was changed through the following periods:

Erste open end investment fund	**Period**		**Rate**
	from	**to**	**%**
Erste Money	01.01.17	31.10.17	0.60
	01.11.17	30.11.17	0.35
	01.12.17	31.12.17	0.60
Erste Euro-money	01.01.17	16.05.17	0.50
	17.05.17	04.07.17	0.25
	05.07.17	30.11.17	0.10
	01.12.17	31.12.17	0.20
Erste Adriatic Short Term Bond	09.01.17	30.09.17	0.50
	01.10.17	30.11.17	0.25
	01.12.17	31.12.17	0.50
Erste Local Short Term Bond	09.01.17	30.09.17	0.70
	01.10.17	31.12.17	0.35

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from portfolio management

The Company charges a portfolio management fee and an incentive fee for the portfolio management in accordance with the following price list, which are increased by appropriate taxes.

Type of fee	**Abbreviation used in the General Terms and Conditions**	**Aggressive strategy**	**Moderate Strategy**	**Conservative strategy**	**Ultra-conservative strategy**
Type of fee in %		**A**	**B**	**C**	**D**
Portfolio management fee	(P1)	2	1,3	1	1
Incentive fee	(P2)	10	10	5	5
Front-end fee	(P3)	-	-	-	-
Exit fee in the first year	(P4)	1	1	1	1

Interest income

Interest is recognized in the statement of comprehensive income by reference to the principal outstanding and on accrual basis using the interest method. Interest income includes interest income from sight deposits, term deposits and interests from bonds securities.

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 recognized 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 recognized 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 Central Bank effective on the statement of financial position date. Income and expenditure in foreign currencies are translated at rates effective on the transaction date. Realized gains and losses on translation of foreign currency statement of financial position items are included in the statement of comprehensive income. Foreign currency gains and losses related to securities at fair value through profit and loss are included in the statement of comprehensive income as part of realized and unrealized gain/losses.

Income tax

The Company’s liability for current tax is calculated using a tax rate which was assessed at 20% for the years 2015 and 2016 respectively. The tax due is based on taxable profit for the year. Taxable result differs from accounting result as reported in the statement of comprehensive income because it excludes items of income or

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Deferred taxes, if any, are provided for temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, using the liability method. Provisions are determined for the entire amount of deferred tax liabilities. Deferred tax assets are recorded to the extent that it is probable that future taxable profit will be available against which the tax assets can be utilized. Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Equipment

Equipment is stated at cost less accumulated depreciation.
Depreciation is provided under the straight-line method over the estimated useful life from 4 to 5 years based on the type of the equipment. The gain or loss arising on the disposal or retirement of equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in statement of comprehensive income.

Cash and bank balances

Cash and bank balances comprise of accounts with banks in HRK or foreign currencies.

Intangible assets

Intangible assets with finite useful life are stated at purchase cost less accumulated amortization. Amortization is provided under the straight-line method over the estimated useful life.
It has been determined that the customer list has indefinite useful life so there is no amortization of the customer list. Therefore customer list is subject to annual impairment test.
The gain or loss arising on the disposal or retirement of intangible assets 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 equipment and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists and in any case for intangible assets with infinite useful life, 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 recognized immediately in profit and loss, unless the relevant asset is carried at a revalue amount, in which case the impairment loss is treated as a revaluation

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized 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.

Receivables

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

Financial instruments at fair value

These financial instruments are initially measured at fair value plus directly attributable transaction costs, in the case of investments not measured at fair value through profit or loss.

Securities held by the Company are categorized into portfolios in accordance with the Company’s intent on the acquisition of the securities. The Company recognizes securities at trade date. When a security is recognized initially, the Company measures it at its fair value. Subsequent to the initial recognition these securities are accounted for and stated at fair value which represents the price quoted on recognized stock exchanges or acceptable valuation models. Realized and unrealized gains or losses on investments held at fair value through profit or loss are recognized in the statement of total comprehensive income within the category realized and unrealized gains or losses on securities. Interest earned on trading securities is accrued on a daily basis and reported as “Interest income” in the statement of comprehensive income.

Trade date accounting

All regular way purchases and sales of financial assets are recognized on the trade date, i.e. the date the Company commits to purchase the asset. Trade date accounting refers to (a) the recognition of an asset to be received and the liability to be settled on the trade date and (b) the derecognition of an asset that is sold and the recognition of a receivable from the buyer for the payment on the trade date. Generally, interest is not accrued until the settlement date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments held to maturity

These financial instruments are introduced in the balance sheet at fair value plus transaction.
Remeasurements of financial instruments in the portfolio held to maturity are doing at amortized cost using the effective interest method. The effects of the subsequent measurement are reflected in the income statement Interest earned on instruments in the portfolio held to maturity is calculated on a daily basis and reported in the income statement as part of interest income.

Trade date accounting

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date the Company commits to purchase the asset.

Trade date accounting refers to (a) the recognition of an asset to be received and the liability to be settled on the trade date and (b) the derecognition of an asset that is sold and the recognition of a receivable from the buyer for the payment on the trade date. Generally, interest is not accrued until the settlement date.

Derecognition of the financial instruments

Derecognition of a financial instrument takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Provisions

Provisions are recognized 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. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position 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.

3. ACCOUNTING POLICIES

(a) New and amended standards adopted by the Company:

The Company has adopted the following new and amended standards for their annual reporting period commencing 1 January 2017 which were endorsed by the European Union and which are relevant for the Company's financial statements:

- *Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12*
- *Disclosure Initiative – Amendments to IAS 7*

The adoption of the amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

(b) New standards and interpretations not yet adopted:

Certain new standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below:

- *IFRS 9 Financial instruments and associated amendments to various other standards (effective for annual periods beginning on o rafter 1 January 2018)*

  IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

  The majority of the Company's debt instruments that are currently classified as held to maturity will satisfy the conditions for classification as at amortized cost and hence there will be no change to the accounting for these assets. Accordingly, the Company does not expect the new guidance to affect the classification and measurement of these financial assets.

  However, the Company expects to reclassify a part of current held to maturity portfolio in the amount of HRK 3.8 million to hold to collect and sell portfolio, resulting in fair value gain of HRK 377 thousand recognised in other comprehensive income.

  There will be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

  The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 *Revenue from Contracts with Customers*, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Company expects a small increase in the loss allowance for debt securities by approximately 0,05% and in relation to other receivables.

  The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

This standard must be applied for financial years commencing on or after 1 January 2018. The Company will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

- *IFRS 15 Revenue from contracts with customer and associated amendments to various other standards (effective for annual periods beginning on or after 1 January 2018)*

  The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.

  The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

  Management has assessed the effects of applying the new standard on the Company's financial statements and does not expect any significant effects.

  This standard is mandatory for financial years commencing on or after 1 January 2018. The Company intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption, if any, will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

- *IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019, early adoption is permitted only if IFRS 15 is adopted at the same time)*
  - IFRS 16 will affect primarily lessee accounting and will result in the recognition of almost all leases on the balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.
  - The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change.
  - Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.
  - Lessor accounting will not change significantly. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

  The standard will affect primarily the accounting for the Company's operating leases. As at the reporting date, the Company has non-cancellable operating lease commitments of THRK 538, see note 16. At this stage, the Company is not able to estimate the total impact of the new standard on the Company's financial statements, it will make more detailed assessments of the impact over the next twelve months. The

Management plans to adopt the standard on its effective date. The Company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

(all amounts are expressed in thousands of Kuna)

4. MANAGEMENT FEE FOR FUNDS

	2017	**2016**
Erste Adriatic Bond	18,851	10,593
Erste Money	6,092	8,914
Erste Euro-Money	1,909	4,328
Erste Adriatic Equity	4,203	3,705
Erste PB1	1,023	987
You Invest Solid	250	300
You Invest Active	167	293
Erste Exclusive	171	218
You Invest Balanced	176	214
Erste Local Short Term Bond	203	-
Erste Adriatic Short Term Bond	467	-
	33,512	**29,552**

5. SERVICE EXPENSES

	2017	**2016**
Exit and trailer fee		
Trailer fee – portfolio management	20,176	15,370
Cost of maintenance	4,182	3,245
Rental expenses	913	1,001
Providers of financial information	731	834
Lease expenses	330	342
Post and phone expense	122	127
Audit services	91	73
Marketing expense	77	80
Consultancy services	166	65
Other cost of services	341	245
	27,130	**21,398**

The Company pays to Erste & Steiermaerkische Bank (the “Bank”) an exit and trailer fee for the intermediation in the sale of units in Erste open-end investment funds. The Bank charges an exit fee and a trailer fee on units sold through the Bank.

(all amounts are expressed in thousands of Kuna)

6. STAFF EXPENSES

	2017	2016
Net salaries	3,187	3,158
Taxes and contributions from and on salaries	2,932	3,108
Bonuses	3,030	2,367
	9,149	**8,633**

Payroll costs include HRK 244 (in 2016: HRK 250) of defined pension insurance benefits paid or calculated for payment to mandatory pension funds. The number of staff employed by the Company as at 31 December 2017 was 18 (19 as at 31 December 2016). Management Board's compensations are also included in payroll costs. Costs of bonuses are variable rewards for success. Bonuses paid during 2017 are related to the three board member in the amount of HRK 1,226 (2016: HRK 746) and 16 full-time employees in the amount of HRK 601 (2016: HRK 753).

7. OTHER OPERATING EXPENSES

	2017	2016
Representation and promotion	362	464
Cost of business trips (inland and abroad)	339	313
Fees to regulatory bodies	146	267
Fee for referring clients to Discretionary Portfolio Management services	207	197
Employees	193	197
Cost of energy utilities	193	186
The contribution to the Fund for the protection of investors	106	100
Professional training	89	69
Donations and sponsorships	46	32
Insurance premium	21	15
Other operative expenses	69	88
	1,771	**1,928**

(all amounts are expressed in thousands of Kuna)

8. CORPORATE INCOME TAX

Domestic income tax in 2017 is calculated as 18% of the taxable profit for the year and for 2016 was 20% of the taxable profit. The Company had no tax losses available to be carried forward as at 31 December 2017. For the year ended 31 December 2017 the Company has estimated a current tax liability of HRK 652 per initial draft of the tax return. For 2016, the Company reported current tax expense of HRK 565 thousand in its financial statements, and deferred tax from 2015 in the amount of HRK 119. In 2017 current tax expense per initial draft of the tax return is HRK 453, with deferred tax HRK 205. Deferred tax costs refers to amounts of temporary differences in tax return. Deferred tax asset in 2016 was adjusted for HRK 10 as effect of changes in income tax rates from 20% to 18% for next period and in final tax return, amount of HRK 6 as effect of changes in income tax rates affected result.

	2017	**2016**
Profit before tax	2,310	2,709
Items decreasing the tax base (items subsequently assessed for years 2016 and 2015)	-	(394)
Items decreasing the tax base (other)	(9)	(7)
Tax nondeductible expenses	1,323	1,060
Tax base	3,624	3,368
Estimated current tax expense at 18%	**652**	**674**
Deferred tax from temporary differences	(205)	(119)
Effect on deferred tax balance due to change in income tax rate from 20% to 18%	6	10
Total income tax charge reported in the income statement	**453**	**565**
Paid annual income tax allowance	618	558

The following table compares the profit tax shown in the Profit and Loss Account with profit/loss before tax multiplied by the nominal tax rate applicable in the Republic of Croatia (20% for 2016 and 18% for 2017)

	2017	**2016**
Profit/Loss before tax	2,310	2,709
Income tax at the domestic tax rate (18% for 2017 and 20% for 2016)	416	542
Impact of tax relief and other items that affect the tax base decrease	(2)	(80)
Increase in taxes due to tax nondeductible costs	238	212
Total	**652**	**674**
Efective tax rate	**28.25%**	**24.87%**

(all amounts are expressed in thousands of Kuna)

9. INTANGIBLE ASSETS

	Right to provide services	Customer list	Other intangible assets	Total
COST				
As at 31 December 2015	**470**	**96**	**3,218**	**3,784**
Additions	-	-	74	74
As at 31 December 2016	**470**	**96**	**3,292**	**3,858**
Additions	-	-	281	281
As at 31 December 2017	**470**	**96**	**3,573**	**4,139**
DEPRECIATION				
As at 31 December 2015	**369**	**45**	**2,907**	**3,321**
Charge for the year	67	-	112	179
Impairment	-	51	-	51
As at 31 December 2016	**436**	**96**	**3,019**	**3,551**
Charge for the year	34	-	133	167
Impairment	-	-	-	-
As at 31 December 2017	**470**	**96**	**3,152**	**3,718**
CARRYING AMOUNT				
As at 31 December 2016	**34**	**-**	**273**	**307**
As at 31 December 2017	**-**	**-**	**421**	**421**

Other intangible assets relate to software and leasehold improvement.

As at 31 December 2017 and as at 31 December 2016 the Company has performed impairment testing of assets.

In 2016 Company write-off present value of its investment in the Customer List that was acquired through purchase of the business segment from Erste vrijednosni papiri d.o.o. as expected future benefits was too low.

No assets have been pledged as security as at 31 December 2017 and as at 31 December 2016.

(all amounts are expressed in thousands of Kuna)

10. FINANCIAL ASSETS HELD TO MATURITY

Series	Currency	Interest rate %	Maturity date	Accrued interest	Cost	Amortization premiums	Interest income	Value
31 December 2017								
RHMF-O-217A8	HRK	2.75	08.07.2021	92	6,968	6	192	6,978
RHMF-O-19BA	EUR	5.375	29.11.2019	18	3,873	(31)	201	3,774
								10,752
31 December 2016								
RHMF-O-217A8	HRK	2.75	08.07.2021	92	6,968	4	92	6,972
RHMF-O-19BA	EUR	5.375	29.11.2019	18	3,873	(68)	202	3,805
								10,777

11. RECEIVABLES

	31 December 2017	31 December 2016
Receivables for management fee for funds	3,240	3,260
Receivables for management fee for portfolios	773	636
Prepayments	0	68
Other receivables	712	352
	4,725	**4,316**

Receivables are not older than 30 days. The Management Board assessed all of receivables and have not estimated any impairment.

12. CASH IN BANK

	31 December 2017	31 December 2016
Bank account balance- domestic currency		
Erste & Steiermaerkische Bank d.d.	10,137	9,265
Other banks	3	6
Bank account balance- foreign currency		
Erste & Steiermaerkische Bank d.d.	47	19
Petty cash balance	2	3
	10,189	**9,293**

Interest rates in domestic currency on cash accounts was 0.10% till October, from October it is 0.01%. Interest rates on foreign currency accounts are 0%.

(all amounts are expressed in thousands of Kuna)

13. ISSUED CAPITAL

Capital as at 31 December 2017 consists of subscribed capital in amount of HRK 5,000 (2016: HRK 5,000), retained earnings in amount of HRK 10,963 (2016: HRK 10,953) and profit for the year in amount of HRK 1,857 (2016: HRK 2,144). Sole owner of the Company is Erste Asset Management Management G.m.b.H., Vienna. During 2017 the Company has disbursed total of HRK 2,144 to the sole owner from retained earnings (2016: HRK 1,982).

14. ACCRUED EXPENSES

	31 December 2017	**31 December 2016**
Accrued bonuses	3,092	2,596
	3,092	**2,596**

15. OTHER CURRENT LIABILITIES

	31 December 2017	**31 December 2016**
Agent commission payable towards the Bank	1,807	1,489
Due to employees	1,567	816
Liabilities to State	329	393
Liabilities for distributors	667	699
Other liabilities	871	671
	5,241	**4,068**

16. OPERATING LEASE ARRANGEMENTS

The Company as lessee:

	31 December 2017	**31 December 2016**
Minimum lease payments under operating leases recognized in expense for the year	**122**	**127**

(all amounts are expressed in thousands of Kuna)

16. OPERATING LEASE ARRANGEMENTS

At the reporting date, the Company had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	31 December 2017	**31 December 2016**
Within one year	132	60
In the second to fifth years inclusive	406	188
	538	**248**

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company has different kinds of financial assets such as receivables from the Fund, cash and short term deposits. The main risks to the Company are interest rate risk, liquidity risk, foreign exchange risk, credit risk and operational risk. The Management reviews and determines management policies for governance of all mentioned risks as presented below:

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates in comparison with the interest rates applicable for the financial instruments. Interest rate cash flow risk is the risk that interest expenses on the financial instrument will change during the period. The management believes that the exposure to this risk is not significant. The Company does not have interest bearing liabilities.

Credit risk

Credit risk is the risk that one party to a financial instrument will not be able to fulfil the liability by which it will cause a financial loss to the other party. The credit risk of the Company exists for an investment in bonds and deposits. The management believes that the exposure to this risk is not significant as it is investments in government bonds and deposits with reputable banks. As at 31 December 2016, the Company does not have due unpaid receivables (31 December 2015: the Company did not have due unpaid receivables).

Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The management believes that the exposure to currency risk is not significant since majority of assets and liabilities are denominated in HRK.

Liquidity risk

Liquidity risk is the risk that the Company will have difficulties in collecting the funds for payment of liabilities associated with financial instruments. Due to the fact that the Company does not have financial liabilities, and the fact that the Company has a substantial part of its investments in cash and cash equivalents, management believes that the risk is minimal.

Operational risk

The Company has a certain exposure to operational risk, considering potential complaints of the investors regarding the investments in the funds that are justified and that have a financial impact have to be compensated out of the Company's income. The Company manages operational risk through quarterly reports to the Management board of the Company about events that are classified as operational risk for the Company. Basic method of operational risk management is the base of losses due to operational risk in which all the losses and possible losses due to operational risk are monitored according to guidelines and terminology of the Basel Committee and the CNB regarding classification of events in the database.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Capital management

The Company manages its capital to be able to pay out dividends to its owners. There were no changes in goals, policies or procedures during 2017 and 2016.

The Company maintains an actively managed capital base to cover risks in the business. The maintenance of the Company's capital is monitored also by rules established by the Croatian Financial Services Supervisory Agency which require that capital of the investment fund management company shall at any time be equal to or higher than the higher of the following two amounts: 1) HRK 2,521 (minimal amount of the share capital required by the Investment Funds Act) and 2) HRK 2,848 (one quarter of general costs from the previous business year).

(all amounts are expressed in thousands of Kuna)

18. RELATED PARTIES

Company related parties are members of the Erste group and fund that are managed by the Company.

	Revenues		Expenses		Receivables		Liabilities	
	2017	2016	2017	2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Erste Adriatic Bond	21,835	10,593	-	-	2,025	1,612	-	-
Erste Money	7,604	8,914	-	-	551	612	-	-
Erste Euro-Money	2,261	4,328	-	-	150	460	-	-
Erste Adriatic Equity	4,580	3,705	-	-	291	416	-	-
Erste PB1	1,023	987	-	-	88	87	-	-
You Invest Solid	250	300	-	-	24	21	-	-
You Invest Active	166	293	-	-	11	19	-	-
Erste Exclusive	171	218	-	-	15	16	-	-
You Invest Balanced	176	214	-	-	18	14	-	-
Erste Local Short Term Bond	283	-	-	-	21	-	-	-
Erste Adriatic Short Term Bond	479	-	-	-	45	-	-	-
Erste Asset Management GmbH	217	176	7	4	109	48	-	-
Erste & Steiermaerkische bank d.d., Zagreb	-	-	24,512	18,868	-	-	2,381	1,928
	39,045	**29,728**	**24,519**	**18,872**	**3,348**	**3,305**	**1,928**	**1,928**

(all amounts are expressed in thousands of Kuna)

18. RELATED PARTIES (CONTINUED)

The Company considers the Management Board to be the key management. Total expenses for the members of Management board, that refer to gross salaries, contribution expenses and bonuses, for the year ended 31 December 2017 was HRK 4,732 (2016: HRK 4,203).

During 2017 the Company has disbursed total of HRK 2,144 to the sole owner from retained earnings (2016: HRK 1,982).

19. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements are signed and authorized for issue on 29 January 2018.

Josip Glavaš	Snježana Šalković Dasović	Miroslav Jurišić
President of the Management board	**Management board member**	**Management board member**

	EDP	31.12.2016.	31.12.2017.
1 I. Financial assets (∑ EDP2 to EDP6)	01	20.069.853	20.941.022
2 1. Cash	02	9.293.411	10.189.319
3 2. Financial assets at FVTPL	03	-	-
4 3. Financial assets available for sale	04	-	-
5 4. Loans and receivables	05	-	-
6 5. Financial assets held to maturity	06	10.776.442	10.751.703
7 II. Receivables (EDP8+EDP9)	07	4.129.321	4.282.739
8 1. Receivables in respect of fund and portfolio management	08	3.897.381	4.014.126
9 2. Other receivables	09	231.939	268.613
10 III. Prepaid expenses and accrued income	10	-	-
11 IV. Deferred tax assets	11	186.654	442.373
12 V. Property, plant and equipment	12	79.501	65.932
13 VI. Investment property	13	-	-
14 VII. Intangible assets	14	306.513	420.884
15 VIII. Other assets	15	-	-
16 Total assets (EDP1+EDP7+EDP10+EDP11+EDP12+EDP13+EDP14+EDP15)	16	24.771.841	26.152.950
17 OFF-BALANCE SHEET ITEMS	17	506.775.432	616.161.586
18 A. Equity (EDP19+EDP20+EDP21+EDP26+EDP30+EDP31)	18	18.107.365	17.820.694
19 I. Subscribed capital	19	5.000.000	5.000.000
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	10.963.241	10.963.241
31 VI. Profit or loss for the year	31	2.144.124	1.857.453
32 B. Liabilities (∑ EDP33 to EDP38)	32	4.069.755	5.239.886
33 1. Liabilities in respect of fund and portfolio management	33	2.737.063	3.159.113
34 2. Loans and borrowings payable	34	-	-
35 3. Other liabilities under financial instruments	35	-	-
36 4. Trade payables	36	120.090	184.232
37 5. Dividends (profit) payable	37	-	-
38 6. Other liabilities	38	1.212.602	1.896.541
39 C. Provisions	39	-	-
40 D. Accrued expenses and deferred income	40	2.594.722	3.092.369
41 E. Deferred tax liabilities	41	-	-
42 Total equity and liabilities (EDP18+EDP32+EDP39+EDP40+EDP41)	42	24.771.841	26.152.950
43 OFF-BALANCE SHEET ITEMS	43	506.775.432	616.161.586

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

(all amounts are expressed in Kuna)

	EDP	31.12.2016.	31.12.2017.
44 1. Management fee (EDP45+EDP46+EDP47)	44	34.875.610	38.829.463
45 1.1.UCITS fund management	45	33.671.046	38.240.234
46 1.2. Alternative investment fund management	46	1.204.564	589.230
47 1.3. Voluntary pension fund management	47	-	-
48 2. Income from entrance charges (EDP49+EDP50+EDP51)	48	-	-
49 2.1. UCITS fund	49	-	-
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	11.603	132.864
53 3.1. UCITS fund	53	11.603	132.864
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	34.887.213	38.962.327
58 1. Costs of unit sales charges (brokers)	58	- 20.669.449	- 25.469.726
59 2. Other expenses	59	-	-
60 II. Fund management expenses (EDP58+EDP59)	60	- 20.669.449	- 25.469.726
61 Net investment fund management result (EDP57+EDP60)	61	14.217.764	13.492.600
62 III. Net portfolio management income	62	1.567.525	2.388.475
63 IV. Investment advisory service income	63	-	-
64 V. Financial income and expenses (∑ EDP65 to EDP70)	64	272.904	430.513
65 1. Net interest income	65	272.246	377.332
66 2. Net exchange differences	66	658	53.181
67 3. Net unrealised and realised gains on financial assets at FVTPL	67	-	-
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	- 13.510.888	- 6.756.131
72 VII. Depreciation and value adjustment of other assets	72	- 268.353	- 206.998
73 VIII. Provisions	73	-	-
74 IX. Other operating income and expenses	74	429.767	276.529
75 Total income	75	40.751.439	46.281.624
76 Total expenses	76	- 38.042.719	- 43.972.018
77 X. Profit / Loss before taxation (EDP61+EDP62+EDP63+EDP64+EDP71+EDP72+EDP73+EDP74)	77	2.708.720	2.309.606
78 XI. Income tax	78	564.596	452.153
79 XII. Profit / Loss (EDP68 – EDP69)	79	2.144.124	1.857.453
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	2.144.124	1.857.453
86 XV. Reclassification adjustments	86	-	-

REGULATORY FINANCIAL STATEMENTS (CONTINUED)

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

(all amounts are expressed in Kuna)

	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	5.000.000	-	-	-	-	10.952.679	1.992.734	-	17.945.413
Changes in accounting policies	-	-	-	-	-	-	-	-	-
Correction of prior-period error	-	-	-	-	-	-	-	-	-
Prior-year opening balance (as restated)	5.000.000	-	-	-	-	10.952.679	1.992.734	-	17.945.413
Profit / Loss for the period	-	-	-	-	-	-	2.144.124	-	2.144.124
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	-	-	-	-	-	-	2.144.124	-	2.144.124
Increase/Decrease in subscribed capital	-	-	-	-	-	-	-	-	-
Other payments made by the owners	-	-	-	-	-	-	-	-	-
Dividends (profit) paid	-	-	-	-	-	-	-	- 1.982.172	- 1.982.172
Other distributions to owners	-	-	-	-	-	-	-	-	-
Prior-year closing balance	5.000.000	-	-	-	-	10.952.679	4.136.858	- 1.982.172	18.107.365
Current-year opening balance	5.000.000	-	-	-	-	10.963.241	2.144.124	-	18.107.365
Changes in accounting policies	-	-	-	-	-	-	-	-	-
Correction of prior-period error	-	-	-	-	-	-	-	-	-
Current-year opening balance (as restated)	5.000.000	-	-	-	-	10.963.241	2.144.124	-	18.107.365
Profit or loss for the period	-	-	-	-	-	-	1.857.453	-	1.857.453
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)	-	-	-	-	-	-	1.857.453	-	1.857.453
Increase/Decrease in subscribed capital	-	-	-	-	-	-	-	-	-
Other payments made by the owners	-	-	-	-	-	-	-	-	-
Dividends (profit) paid	-	-	-	-	-	-	-	- 2.144.124	- 2.144.124
Other distributions to owners	-	-	-	-	-	-	-	-	-
Current-year closing balance	5.000.000	-	-	-	-	10.963.241	4.001.577	- 2.144.124	17.820.694

REGULATORY FINANCIAL STATEMENTS (CONTINUED)

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 DECEMBER 2017

(all amounts are expressed in Kuna)

	EDP	31.12.2016.	31.12.2017.
127 Profit/Loss for the current year (period) before taxation	127	2.144.124	1.857.453
128 Depreciation and amortisation	128	268.353	206.998
129 Value adjustment of receivables and similar write-offs and write-downs	129	0	0
130 Provisions	130	0	0
131 Interest income	131	-315.270	-402.075
132 Interest expense	132	412	0
133 Increase/Decrease of receivables arising from fund and portfolio management	133	-902.363	-116.745
134 Increase/Decrease in other receivables	134	-112.943	-292.393
135 Increase/Decrease in financial assets at FVTPL	135	0	0
136 Interest received	136	315.270	402.075
137 Interest paid	137	-412	0
138 Dividends received	138	0	0
139 Increase/Decrease in other asset items	139	0	0
140 Increase/Decrease of liabilities arising from fund and portfolio management	140	1.081.721	422.051
141 Increase/Decrease in trade payables	141	-341.240	64.142
142 Increase/Decrease in other liabilities	142	1.056.902	683.939
143 Increase/Decrease in other liability items	143	370.815	497.647
144 Income tax paid	144	-557.910	0
145 I. Net cash from operating activities (∑EDP127 to EDP144)	145	3.007.459	3.323.092
146 Proceeds from sale of financial assets available for sale	146	0	0
147 Payments for purchases of financial assets available for sale	147	0	0
148 Proceeds from loans and receivables	148	934.420	0
149 Issued loans and receivables	149	0	0
150 Proceeds from investments in financial assets held to maturity	150	0	24.740
151 Payments for purchases of financial assets held to maturity	151	-6.925.005	0
152 Payments for purchases of property, plant and equipment, and intangible assets	152	-89.555	-307.800
153 Proceeds from the sale of property, plant and equipment, and intangible assets	153	0	0
154 Other cash received from investing activities	154	0	0
155 Other cash paid in investing activities	155	0	0
156 II. Net cash from investing activities (∑EDP146 to EDP155)	156	-6.080.140	-283.060
157 Payments made by the owner of the management company	157	0	0
158 Payments for purchases/redemption of own shares	158	0	0
159 Dividends (profit) paid	159	-1.982.172	-2.144.124
160 Proceeds from received loans	160	0	0
161 Payments of received loans	161	0	0
162 Proceeds from issued financial instruments	162	0	0
163 Payments in respect of issued financial instruments	163	0	0
164 Other cash received from financing activities	164	0	0
165 Other cash paid in financing activities	165	0	0
166 III. Net cash from financing activities (∑EDP157 to EDP165)	166	-1.982.172	-2.144.124
167 IV. Net increase/decrease in cash and cash equivalents (EDP145+EDP156+EDP166)	167	-5.054.853	895.908
168 V. Cash and cash equivalents at beginning of period	168	14.348.265	9.293.411
169 VI. Cash and cash equivalents at end of period (∑EDP167+EDP168)	169	9.293.411	10.189.319

Accounting framework of HANFA`s regulation is based on International Financial Reporting Standards adopted by the European Union.

The main differences between the HANFA`s accounting regulations and IFRS requests for the recognition, measurement and disclosures refers to the publication of the financial statements that International Accounting Standard 1 requires:" Presentation of Financial Statements " (" IAS 1") and the disclosures that are required by the Regulations on the structure and content of financial statements of investment fund management company (the "Regulation").

Basis differences are:

- Receivables in financial statements in accordance with the Regulation are presented analytically in three items while financial statements prepared in accordance with IFRSs are shown in one aggregate item
- Other short-term liabilities in the financial statements in accordance with the Regulation are presented analytically in three items whereas financial statements prepared in accordance with IFRSs are shown in one aggregate item
- Income and expenses in the financial statements in accordance with the Regulation are presented in such a way that the items belonging to this position in the report are netted as well as in the financial statements prepared in accordance with the IFRS, with a slightly different layout of the items. Items that participate in largest portion of revenue and expenses are shown separately in both reports.

The Company's management believes that there is no need for additional notes to the financial statements, and that is possible based on the above reconciliation make a link to the notes of financial statements prepared under IFRS and financial statements prepared under the provisions of Law on Investment Funds with Public Offering (Official Gazette 44/16) and the Law on alternative investment funds (Official Gazette 16/13 and 143/14) that regulates the financial reporting and the Bylaw on the structure and content of financial statements and other statements of investment fund management company of UCITS funds (Official Gazette 41/17) and the Bylaw on the structure and content of annual and semi-annual financial statements and other statements of investment fund management company of alternative investment funds (Official Gazette 40/16 and 41/17).