

THE ZAGREB STOCK EXCHANGE, INC.

**Annual report and financial statements for the year ended 31
December 2014 together with independent auditors' report**

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ZAGREBAČKA BURZA
THE ZAGREB STOCK EXCHANGE

ANNUAL REPORT

ABOUT THE STATE OF THE COMPANY AND ITS BUSINESS IN 2014

Zagreb, March 2015

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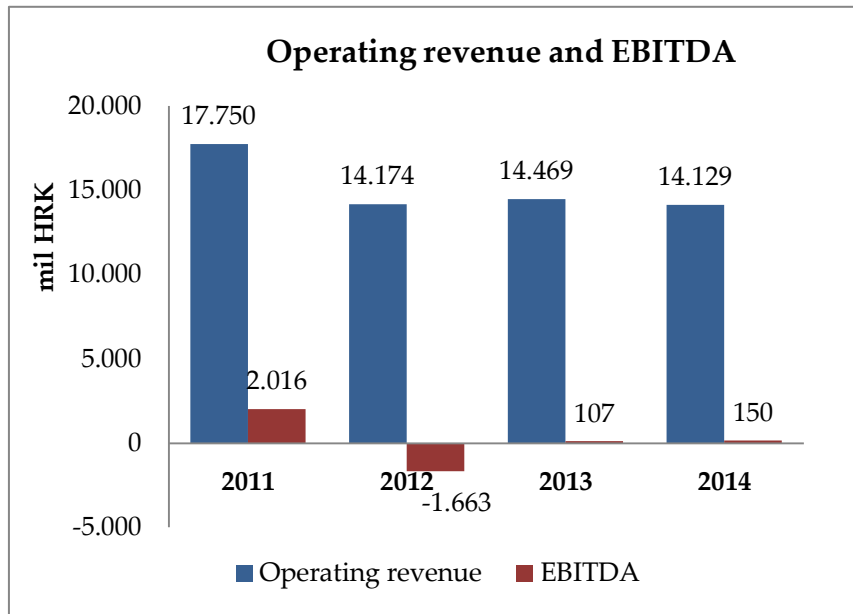
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2. Introduction

2.1. Key Performance Indicators in 2014

Operating revenue in 2014 amounted to 14.1 mil HRK, down -2.4% compared to the same period last year.

Earnings before interest, taxes, depreciation and amortization in 2014 amounted to 150 thousand HRK and have increased by +40.2% compared to the same period in 2013.



000 HRK	2011	2012	2013	2014
Issued share capital	40,408,000	40,408,000	40,408,000	40,408,000
Total equity	40,267	36,793	35,878	34,775
Total assets	47,418	44,012	42,448	38,669
Operating revenues	17,750	14,174	14,469	14,129
<i>-revenue</i>	12,232	9,707	10,287	10,052
<i>-other operating income</i>	5,518	4,467	4,182	4,077
Operating expenses	15,734	15,837	14,362	13,979
<i>-staff costs</i>	6,043	5,713	5,647	5,555
<i>-other operating expenses</i>	9,691	10,124	8,715	8,424
EBITDA	2,016	-1,663	107	150
EBIT	-1,599	-4,533	-1,538	-1,624
(Loss) before tax	-673	-3,473	-915	-1,103
Income tax expense	0	0	0	0
(Loss) for the year	-673	-3,473	-915	-1,103
Issued shares	40,408	40,408	40,408	40,408
Nominal value (31 December 2014)	1,000	1,000	1,000	1,000
Cash dividend	0	0	0	0
The number of employees	23	22	21	23

2.2. Information – The Zagreb Stock Exchange, Inc.

2.2.1. General information about the Zagreb Stock Exchange

Company name:	The Zagreb Stock Exchange, Inc.
Address:	Ivana Lučića 2a / 22, Zagreb
Telephone:	+385 1 4686 800
Fax:	+385 1 4677 680
Official Website:	www.zse.hr
E-mail:	pitanja@zse.hr
Share capital:	40.408 mil HRK
Shareholders (31. 12. 2014):	51
MB:	3749606
OIB:	84368186611

Number of financial instruments listed on the regulated market (31.12.2014): 288

Number of financial instruments admitted to trading on the MTF (31.12.2014): 44

Official equity indices: CROBEX, CROBEX10, CROBEXindustrija, CROBEXkonstrukt, CROBEXnutris, CROBEXplus, CROBEXtr, CROBEXtransport, CROBEXturist

Official debt indices: CROBIS , CROBIStr

Total turnover in 2014: 3.898 billion HRK

Total market capitalization on 31.12.2014: 202.142 billion HRK

External audit of the company performed by Ernst&Young L.t.d. for the year 2014

2.2.2. Registered business activity of the Zagreb Stock Exchange

The company is registered to perform the following business activities:

- regulated market management,
- collection, processing and dissemination of trading data,
- Multilateral Trading Facility (MTF) management,

- development, maintenance and disposal of software for the regulated market management, collection, processing and dissemination of trading data, organisation and implementation of education for capital market participants,
- services related to the organisation and implementation of education for capital market participants,
- publishing activity.

The publishing activity is performed by the Exchange exclusively for the purpose of organising and implementing education of capital market participants.

3. Report of the Management Board

3.1. Trading information

Most of trading on the Zagreb Stock Exchange in 2014 was at the level of the previous year: orderbook turnover of shares was almost identical to the last year, turnover of structured products decreased almost by half, while bond turnover was +65.1% higher.

Finally, total turnover was +2.4% higher than the previous year, orderbook volume increased by +10.8% and total market capitalization increased by +10%. Significant increase of bond market capitalization, up +17.2%, contributed the most to the total market capitalization growth, while market capitalization of shares increased by +6.1% and structured products by +24.8%. Total turnover in 2014 was composed of 79.2% of share turnover, 18.4% of bond turnover, and 2.5% of structured products turnover.

Indices have reached diversified results: CROBEX fell by -2.7%, although it reached a level of more than 1,900 points during the year, which was an increase of nearly +6% compared to the end of 2013. CROBEXtr rose by +0.6%, which indicates that investing in stocks in 2014 hasn't resulted in a negative yield. Also, the average of ten most traded shares, CROBEX10, grew by +1.2%. Another index with a notable result was CROBEXtulist, which rose by +79.1%. It had started the year with only two constituents but ended it with six.

Market capitalization was concentrated in a small number of listed companies, which is evident from the fact that 58.3% of the total market capitalization comes from top five stocks, while 46% of the total market capitalization comes from top five stocks with the largest free float capitalization. The most active share in 2014 was Croatian Telecom Inc., and it represented 23% of the total turnover.

3.2. Financial results and business operations

Income from operating activities in 2014 was -340 thousand HRK lower (by -2.35%) compared to 2013. The largest +10.5% increase in revenues was generated from listing fees.

Total costs from operating activities continued to decline in 2014. They amounted to 15.8M HRK, which is a -1.6% decrease compared to the same period in the previous year.

The cost of software has grown by 338 thousand HRK and represented the highest cost increase in 2014, but there was also an increase in the following costs: amortization of tangible and intangible assets (+7.8%), rent space (+4.2%), utilities (+1.5%), lease of equipment (+39.2%), representation cost (+66.3%) and business trips (+25.3%). Compared to the year 2013, the Company has reduced the following costs: administrative fees – 244 thousands HRK reduction (-34.6%), postal and telephone services (-4.4%), professional services (-8.2%), current maintenance of telephone lines, equipment and space rental (-4.5%) and other operating expenses (-9.4%).

At the end of 2014, the Company had a total of 23 employees (2013: 21), but despite the increase in the number of employees, the cost of personnel has decreased by -1.6% over the year.

Further, the Company in 2014 still had a negative net result in the amount of -1,103 thousand HRK. As in previous years, the depreciation charge was quite high and amounted to 1,774 thousand HRK and represented 11.2% of total costs.

During 2014, the Zagreb Stock Exchange has invested its free funds in conservative instruments such as deposits at commercial banks and money market funds, in order to preserve the value of assets. At the end of 2014, the Company retained almost the same amount of available funds as at the end of 2013, the amount of 30,552 thousand HRK (shares in funds, deposits and cash in bank).

3.3. Significant events after the end of the year

There were no significant events after the end of the financial year that affected the reported results.

3.4. Expected development of the company

In 2015, the Exchange has continued projects started in previous years.

One of the strategic objectives of the Zagreb Stock Exchange Management Board is to continue development and improvement of existing products and services and also development of new ones in order to increase revenue.

Further, the Company has assessed an obligation to obtain Legal Entity Identifier (LEI) codes for all institutions that are involved in swap transactions as an opportunity to create new revenue. During 2014, the Zagreb Stock Exchange submitted a request for amendment of services to the Croatian Financial Services Supervisory Agency so it can begin assigning and administrating LEIs.

The Company expects to start allocating LEI codes in the first half of 2015.

Additionally, during 2015 the Exchange expects to complete data vending project started in 2014 with the Vienna Stock Exchange.

Also, within the changes of the Zagreb Stock Exchange Rules, the company will introduce the possibility of ETF trade in 2015 mid-year, which will open up new opportunities for investment companies and members to offer additional product to their customers.

During 2015, the Zagreb Stock Exchange will completely separate trading on the Multilateral Trading Facility (MTF) from trading on the Regulated market. It will be done by making separate rules for Regulated market and separate rules for the MTF. Further, data for those two markets will be separated on the Company's website in a way that the company will create completely new website for the MTF. MTF market will also be separately branded. This way, there will be a clear distinction between those two markets.

In the previous mandate, the Zagreb Stock Exchange Management Board has implemented a number of business changes that were aimed to improve corporate governance and investor relations in Croatian companies. Since one of the fundamental roles of the Zagreb Stock Exchange is to create positive investment climate, the Company plans to make a step further in this area.

Since one of the key issues is the deficiency of a written material that would offer information and solutions to problems that companies face in their everyday business activities, the Zagreb Stock Exchange started a project which will create the first edition of the Zagreb Stock Exchange Corporate Governance Manual during 2015. The project is endorsed by the following sponsors in Croatia: pension funds, Croatian Financial Services Supervisory Agency, Interkapital etc.

At the end of the year 2015, the establishment of SEE Link, a joint stock company seated in Skopje with the objective of creating a regional infrastructure for trading of securities listed on the Zagreb, Bulgaria and Macedonia stock exchanges, is expected.

The idea of this initiative is the regional markets integration, using technology that will provide the investors greater visibility of the participating exchanges and a simpler and more effective access to these markets through local investment firms.

The SEE LINK project is supported by the European Bank for Reconstruction and Development, which has provided a grant to establish an electronic system for order-routing in July 2014.

Furthermore, during 2015, the Zagreb Stock Exchange will be actively involved in SKDD-CCP Smart Clear's project of meeting European Markets Infrastructure Regulation (EMIR) requirements. In 2014, the Exchange has introduced new version of the X-stream trading system in order to support functionality needed for the work of the future CCP.

3.5. Research and Development Activities

The company constantly works on development and improvement of the trading platform and associated services.

3.6. Acquisition of own shares

The Zagreb Stock Exchange was not the owner of its own shares on 31 December 2014. In 2014, the Exchange did not acquire its own shares.

3.7. The existence of company subsidiary

SEE Link d.o.o. is a joint stock company seated in Skopje, established by Bulgaria, Macedonia and Zagreb stock exchanges, with the objective of creating a regional infrastructure for trading of securities listed on those three markets and to support the development of regional capital markets. Issued share capital of SEE Link d.o.o. is 27,000 HRK and the Zagreb Stock Exchange participates with 33.33%.

Ivana Gažić is the President of the Supervisory Board of SEE LINK, and Ivan Takev, CEO of the Bulgarian Stock Exchange, and Ivan Steriev, CEO of the Macedonian Stock Exchange, are members of the Supervisory Board.

3.8. Financial instruments

The Zagreb Stock Exchange is fully funded by its own capital and, except trade receivables and payables, majority of financial instruments relates to investments in investment funds and deposits.

Ivana Gažić
President of the Management Board

Tomislav Gračan
Member of the Management Board

4. Report on the Zagreb Stock Exchange business operations

4.1. Statement on Corporate Governance

The Zagreb Stock Exchange creates value by taking a series of social roles and tasks. In that sense the Exchange conducts its business activities in accordance with legal regulations, transparently, fairly, honestly, professionally, conscientiously and responsibly, with the aim of promoting ethical values of corporate governance to all stakeholders and the community. Corporate governance plan of the Zagreb Stock Exchange is based on business principles which are based on the Capital Market Act, the Companies Act and subordinated regulations.

Corporate governance of the Zagreb Stock Exchange includes:

- clear organizational structure with well-defined powers and responsibilities,
- effective procedures to identify, measure and monitor risk, and reporting on the risks the Company is or to which it may be exposed,
- adequate internal control mechanisms, which include reasonable administrative and accounting procedures, strategies and procedures for ongoing assessment and review of the amount, composition and distribution of internal capital needed to cover current and future risks,
- fulfilment of the obligations and responsibilities to shareholders, employees and other stakeholders,
- safe and stable operations in accordance with the laws and regulations.

High standards of corporate governance and transparency are the essential part of the identity of the Zagreb Stock Exchange, and are considered an essential element of stable and safe operations of the Company.

The basic principles of corporate governance of the Company are:

- the legality of work and business,
- transparency,
- public relations,
- clearly defined operating procedures,
- professionalism, expertise, objectivity and independence in their work,
- confidentiality and secrecy in business, and data protection,
- avoidance of conflicts of interest,
- effective internal controls,
- an effective system of responsibilities,
- fairness in business,

- respect for human rights and environmental protection, for the purpose of fulfilling the objectives of corporate governance in accordance with the highest professional standards and core ethical values.

The Zagreb Stock Exchange carries out corporate governance by applying a process approach management in accordance with ISO 9001:2008 standards with the aim to continuously improve the quality of established business processes.

Process approach requires continuous conduction of measurement, analysis and improvement of processes in the organization, continuous investing in employees and their maximum participation in the improvement of process steps with the purpose of their transformation in the intellectual capital of the company, with the timely interpretation of the requirements of users and the community, permanent alignment of business with applicable regulations and all with the aim of minimizing business risk, reduce costs omissions, and increase the competitiveness of the organization.

4.2. Organization of the Zagreb Stock Exchange

4.2.1. General Assembly

Shareholders of the Zagreb Stock Exchange are investment firms, credit institutions and individuals and on 31 December 2014 the Exchange had 51 shareholder.

Any persons who are recorded as Company shareholders in the depository of the Central Depository and Clearing Company Inc. no later than six days prior to the AGM (record date) are entitled to participate at its AGM.

The Shareholder Assembly is competent to decide on the following matters:

- election and dismissal of Supervisory Board members elected at its general meeting;
- award for the work of Supervisory Board members;
- grant of discharge to the members of the Company's Management and Supervisory Board;
- amendments to the Articles of Association;
- appointment of the Company's auditors;
- company's capital increase and reduction;
- status changes and cessation of the Company;
- adoption of the Rules of Procedure governing its work, if it finds this to be appropriate;
- other matters which, by law and the provisions of these Articles, have been expressly entrusted to it as the competent body.

In 2014, the Exchange has organized two General Assembly Meetings. Annual Meeting was held on May 27th and following decisions were made: coverage of loss realised in 2014, notes of release

were given to the Zagreb Stock Exchange Supervisory Board and the Management Board and decision on appointment of auditor of the Zagreb Stock Exchange for 2014.

Second General Assembly Meeting was held on September 16th and decision to amend the Company's registered activities with addition "assignment and administration of LEI (Legal Entity Identifier)" and the Statute of the Exchange was adopted.

4.2.2. Supervisory Board

The Supervisory Board of the Exchange is governed by the Rules of the Supervisory Board. The main role of the Supervisory Board is the supervision of the Management Board and other tasks defined by the provisions of the regulations which govern the capital market, as well as company's formation and operation.

The Exchange Supervisory Board consists of nine members and meets quarterly, but in case of need, meetings can be convened more often.

- Dubravko Štimac, President of the Supervisory Board
- Domagoj Hruška, Vice President of the Supervisory Board
- Nina Tepeš, Member of the Supervisory Board
- Marijan Cingula, Member of the Supervisory Board
- Željko Perić, Member of the Supervisory Board
- Ivan Tadin, Member of the Supervisory Board
- Borislav Centner, Member of the Supervisory Board
- Igor Tepšić, Member of the Supervisory Board
- Patricia Bakšaj, Representative of the employees

In 2014, seven meetings of the Supervisory Board were held. The mandate of the Supervisory Board lasts until 27 November 2015.

4.2.3. Management Board

The Zagreb Stock Exchange Management Board makes company related decisions at the Board meetings.

Management Board:

- adopts general, special and individual acts of the Exchange except acts that are by law or the Exchange Statute explicitly delegated to the other organs of society,
- compiles and submits annual financial statements and the proposal of allocation of net income to the Supervisory Board,

- proposes adoption of acts to the other bodies of the Company that are under their jurisdiction,
- submits reports to the Supervisory Board about Company's business activities,
- decides on the admissions of the Exchange members and the membership suspensions,
- appoints members of permanent or temporary bodies of the Exchange (boards, commissions, etc.), except for the bodies whose election or appointment is under the jurisdiction of the General Assembly or the Supervisory Board,
- ensures that the Exchange's financial statements are done accurately and on time,
- decides on all other matters which by law, Statute and other company's regulations are not specifically under the jurisdiction of other organs of society.

Management Board of the Zagreb Stock Exchange

- Ivana Gažić, President of the Management Board

Since May 2010, the President of the Management Board of the Zagreb Stock Exchange and is responsible for the management of the following departments: Business Development, Markets, Finances and Corporate Communications. In May 2014, her mandate of the President of the Management Board of the Zagreb Stock Exchange was extended until May 2, 2018.

- Tomislav Gračan, Member of the Management Board

Since May 2010, the Member of the Management Board of the Zagreb Stock Exchange and is responsible for the following departments: IT and Technology Development, Surveillance, Legal Affairs and Compliance and ZSE Academy. In May 2014, his mandate of the Member of the Management Board of the Zagreb Stock Exchange was extended until May 2, 2018.

4.3 Committee for Market Protection Measures and the Conflict of Interest Committee

4.3.1. Committee for Market Protection Measures

Committee for Market Protection Measures is an advisory body and is committed to advise the Zagreb Stock Exchange Management Board on imposing measures to protect market integrity on the issuer or the member firm. The Committee:

- gives suggestions on the surveillance actions on issuers or members,
- gives opinions on whether a particular action of the issuers or members is a violation of the Exchange Rules,
- gives recommendations on the protection measures pronouncement,

- gives guidelines in order to improve market surveillance and protection system.

The Committee discusses and decides on the issues within its jurisdiction on the request of the Exchange.

As of 25 September 2013, members of the Exchange Committee for Market Protection Measures are:

- Tomislav Gračan, as a member of the Exchange Management Board
- Nina Tepeš, as a representative of the academic community of the teaching and research staff of the Faculty of Law
- Josipa Jurinić, as a representative from the ranks of arbitrators listed with the Permanent Arbitration Court of the Croatian Chamber of Economy
- Alen Stojanović, as a representative of the academic community of the teaching and research staff of the Faculty of Economics
- Blaženka Erer Matić, as a representative of professional investors
- Katarina Mindoljević, as a representative of the issuers whose financial instruments are listed on the Official or Prime Market
- Libor Weiser, as a representative of the Members of the Exchange

Members of the Committee for Market Protection Measures are elected for the term of three years.

In 2014, one Committee meeting was held, on October 15th.

4.3.2. Conflict of Interest Committee

The Committee is an advisory body and is committed to advise the Zagreb Stock Exchange Management Board regarding measures and procedures on preventing and solving conflicts of interest.

Committee's recommendations and opinions are published on the Exchange website.

Conflict of Interest Committee consists of five members who are appointed by the Management Board in accordance with the Exchange Rules.

As of 17 January 2014, members of the Conflict of Interest Committee are:

- Latica Dolić, representative of Exchange shareholders,
- Tomislav Laušin, representative of the Members of the Exchange,
- Mario Staroselčić, representative of professional investors,
- Miki Huljić, representative of the issuers whose financial instruments are listed on the Official or Prime Market,
- Ivana Gažić, representative of Exchange.

Committee members are elected for the term of two years.

4.4. Internal controls and risk management

The Zagreb Stock Exchange internal controls system consists of procedures and processes for business efficiency, financial reports reliability and legal compliance monitoring.

All employees, including the Management and Supervisory Board, are included in internal controls system enforcement.

The Exchange enforces the internal controls system through two independent control functions: compliance with the relevant regulations function and internal audit function.

These control functions process and monitor the work of all organizational units, company activities and support services.

Risk management is a set of procedures and methods for determining, measuring, controlling and monitoring risks and also reporting on the risks to which the Exchange is or might be exposed in its operations.

The Exchange has adopted the following procedures related to risk management:

- Strategic internal audit plan,
- Annual internal audit plan,
- Risk management policy,
- Service agreements management procedure.

In order to successfully manage risks that affect completion of Company's objectives, the company assesses risks by identifying and analysing them.

Considering the Company's determined objectives and defined core processes, the Exchange has identified and determined risks that could influence the company's business processes. List of risks doesn't encompass all risks but only those on higher level. Other, more detailed, lower level risks are identified during the internal audit of business processes.

The risks are grouped by those that influence the Exchange's organizational units that perform specific business processes within the company and by other risks that are connected with the Exchange's business in general.

Considering the previously defined company's core business processes and determined risks, the Exchange has adopted Risk assessment with regard to their impact on business processes.

Risk assessment encompasses every process's inherent risk and during the assessment, the very nature of those processes and best practice were taken into consideration.

Based on the risk assessment results, main areas that will be covered by internal audit procedures and measures that will prevent the occurrence of risky events have been established.

Risk monitoring is not separated and entrusted to Company's independent organizational unit, but to one or more Company's departments, depending on the type of risk. Therefore, every employee of the Exchange is included in Company's risk management.

Each organizational unit, depending on the identified risks and risk management system, is in charge of risk monitoring and cooperation with other organizational units, especially with the Management Board who makes decisions on individual risk management and its control.

In addition, two mutually independent control functions are involved in Company's risk management system: compliance with relevant regulations function (within the Department of Legal Affairs and Compliance) and internal audit performed by the independent company Antares Audit Ltd.

4.5. Internal and external audit

Independent auditors perform an annual audit of the financial and business reports to ensure independent, objective opinion on the method of preparation and presentation of financial statements.

Independent auditor's report to the General Assembly is the integral part of the Annual Report.

The internal audit function is formed in accordance with the regulation by the Capital Market Act; it is outsourced and entrusted to the company Antares Audit Ltd. The internal audit function reports directly to the Supervisory Board.

Internal Audit, as an independent function, constantly monitors Company's business activities to ensure that the company performs them according to the internal and external regulations and to the professional norms and standards. Also, internal audit function supervises Company's business operations in order to assess the internal controls system that is built into all work

processes so that the safety, effectiveness and efficiency in the use of material and human resources can be assessed.

The internal audit functions within the Strategic plan's framework that the Exchange adopts for the period of three years and the Annual plan's framework which describes the planned audit content.

In addition, on the explicit orders of the Management Board, Supervisory Board or by the assessment of internal audit function, there is always a possibility of extraordinary audits.

5. Mission, vision and strategic objectives

5.1. Mission

Ensure the integrity, efficiency and development of capital markets.

Provide a reliable mechanism for fundraising that stimulates Croatian economic development.

5.2. Vision

Be a regional leader in capital markets development.

5.3. Strategic objectives

Continuous business development while keeping the current leading position in the immediate region and meeting the requirements of the market, members and regulators.

Keep the focus on development of transparency and corporate governance standards of the issuers.

Communication with all market participants and business development in accordance with their requirements.

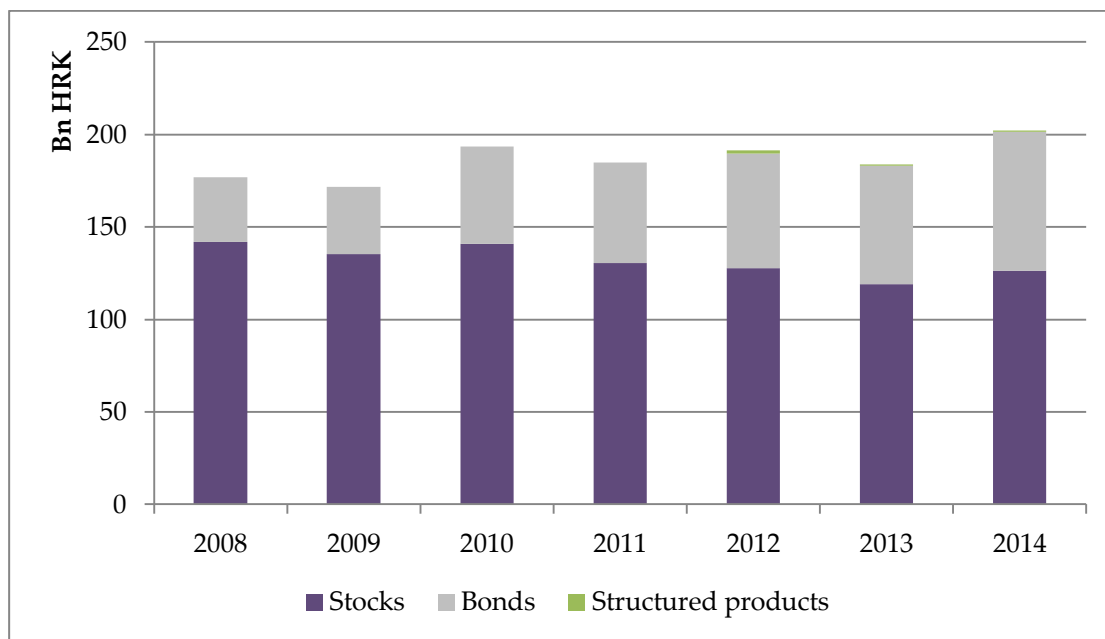
Regional integration.

Education of market participants.

6. Operations of the Zagreb Stock Exchange in 2014

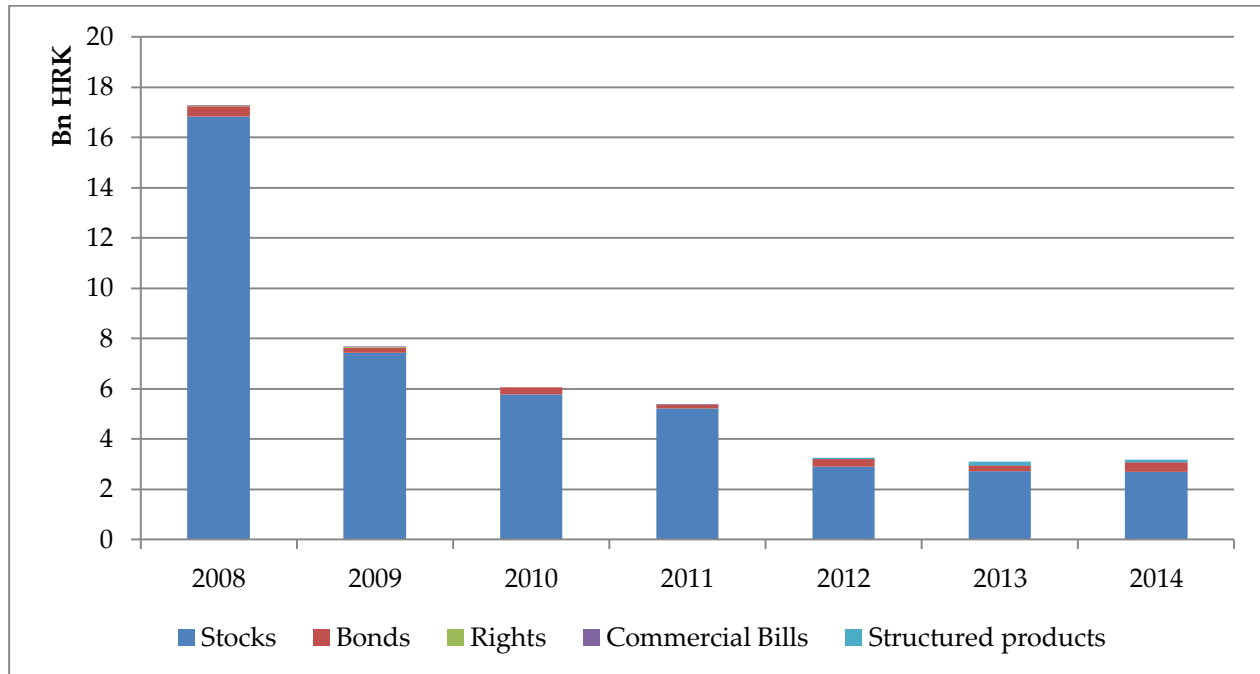
Total market capitalization in 2014 was +10% higher compared with the same period last year. Larger market capitalization was due to a significant bond market capitalization increase, up +17.2%, while market capitalization of shares increased by +6.1% and structured products by +24.8%.

Market capitalization (2008 – 2014)



Total turnover in 2014 amounted to 3,898,794,669 HRK in 2014, up by +2.4% from 2013. The orderbook turnover of shares was almost identical to the last year, turnover of structured products decreased almost by half (-44%), while bond turnover was +65.1% higher.

Total turnover (2008 – 2014)



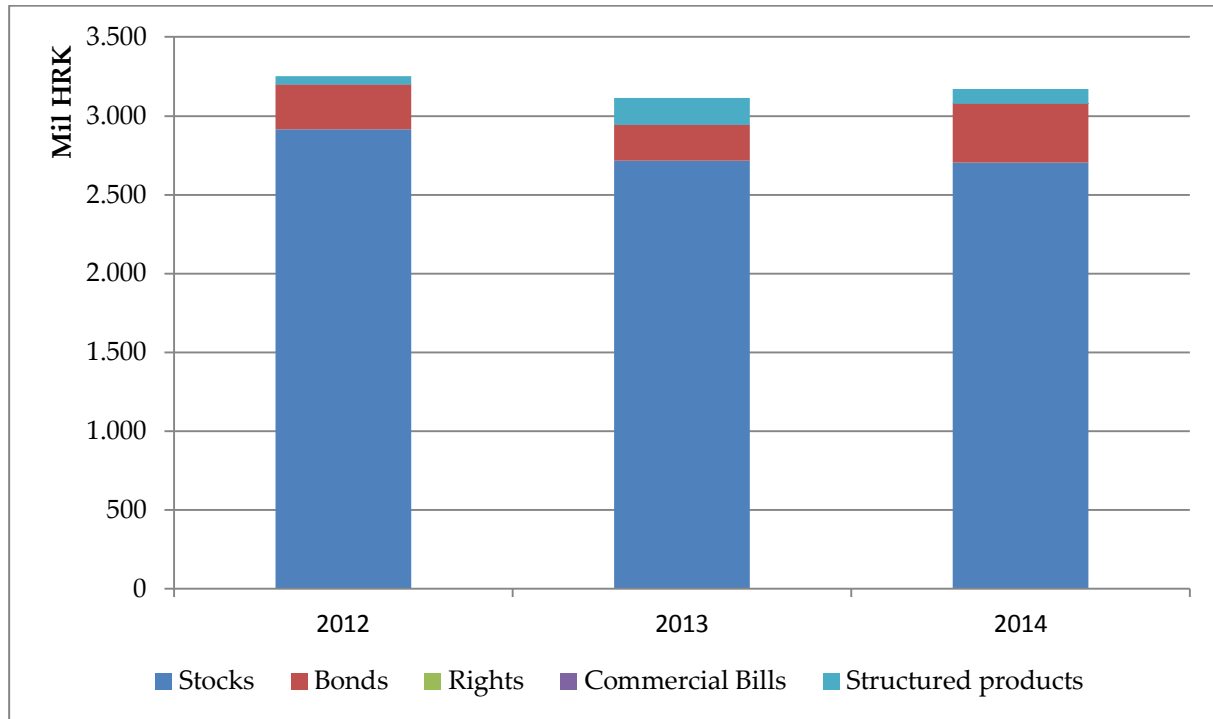
In the last seven years, the Exchange has experienced a dramatic turnover decline, which is a result of numerous factors. Some of them are bad economic situation, ways of privatization that resulted in a lower free float, undervalued market capitalization and gross domestic product ratio, lack of privatizations and listings of private companies.

Croatian Macroeconomic outlook

	2008	2009	2010	2011	2012	2013	2014 F	2015 F
Real GDP (%)	2.1	-7.4	-1.7	-0.3	-2.2	-0.9	-1.0	-0.5
GDP per capita (EUR)	10,856	10,181	10,191	10,453	10,300	10,213	9,998	10,020
GDP per capita (HRK)	79,466	74,321	75,210	78,711	77,662	77,925	76,585	76,753
Public debt (% GDP)	36.0	44.5	52.8	59.9	64.5	75.7	82.0	87.5
Current account balance (% GDP)	-8.8	-5.1	-1.1	-0.9	-0.1	0.9	0.5	0.4
CPI inflation (average % YoY)	6.1	2.4	1.1	2.3	3.4	2.2	-0.2	0.4
Unemployment rate (%)	8.5	9.2	11.6	13.7	15.9	17.3	17.2	17.0

Source: Hypo-Alpe-Adria-Bank d.d. (2014): Another Delay of the Recovery (October-14)

Total turnover (2012 – 2014)



Analysis of the total turnover on the Exchange in 2014 indicates that the shares were the most actively traded instruments, while other financial instruments represented 14.7% of total turnover.

At the end of 2014, the Exchange had 20 members and top five members by total turnover are shown in the following table:

Members by Total Turnover in 2014			
Rank	Member	Total Turnover (HRK)	Market share (%)
1.	Interkapital vrijednosni papiri d.o.o.	1,799,331,620	23.08
2.	Erste & Steiermarkische Bank d.d.	1,486,706,424	19.07
3.	HITA vrijednosnice d.d.	748,822,811	9.60
4.	Agram brokeri d.d.	666,949,386	8.55
5.	Zagrebačka banka d.d.	641,602,095	8.23
6.	Other*	7,797,589,338	31.47

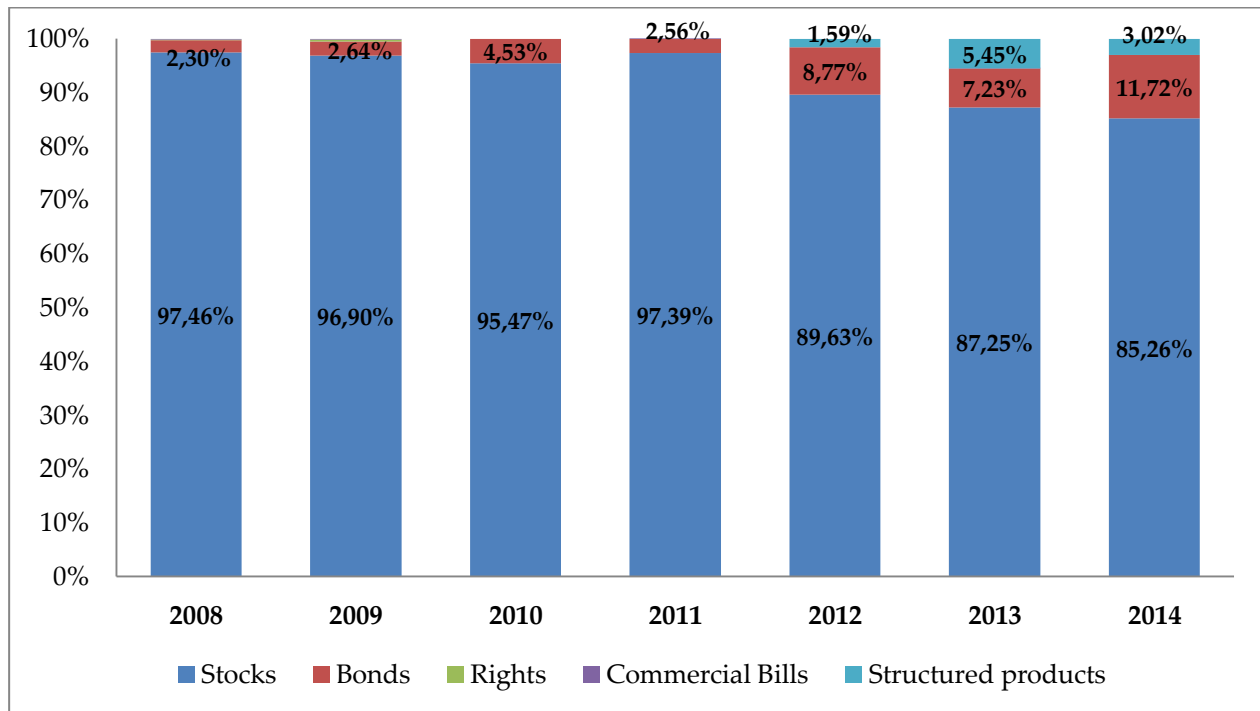
*Turnover value with double count method.

Interkapital vrijednosni papiri d.o.o. ranked first with turnover that represented 23.08% of total turnover, Erste & Steiermarkische Bank d.d. followed with 19.07% and HITA vrijednosnice d.d. with 9.6%. Almost 70% of total turnover came from top five members.

In 2014, Hrvatski Telekom was the most active stock on the Exchange, with 18.8% of total turnover. Ericsson Nikola Tesla and Adris grupa followed, with 12% in total turnover combined.

Most active stocks by Turnover in 2014			
Symbol	Issuer	Turnover (HRK)	Market capitalization (HRK mil)
HT-R-A	HT d,d,	507,435,483	12,324.2
ERNT-R-A	Ericsson Nikola Tesla d,d,	174,214,098	1,729.8
ADRS-P-A	Adris grupa d,d,	150,862,952	3,557.9
LEDO-R-A	Ledo d,d,	145,765,188	2,564.7
KORF-R-A	Valamar Adria Holding d,d,	145,658,643	2,061.0
	Others	1,581,131,977	103,978.7
TOTAL		2,705,068,341	126,216.7

Total Turnover by type of securities (2012 – 2014)



As shown on the graph above, share turnover in total turnover has decreased by almost 2% in 2014. This can be explained with the increase of bond turnover in total turnover, which was 4.5% higher in 2014.

Indices have reached diversified results in 2014: CROBEX fell by -2.7%, although it reached a level of more than 1,900 points during the year, which was nearly a +6% increase compared to the end of 2013. CROBEXtr rose by +0.6%, which indicates that investing in stocks in 2014 hasn't resulted in a negative yield. Also, the average of ten most traded shares, CROBEX10, grew by +1.2%. Another index with a notable result was CROBEXtulist, which rose by +79.1%. It had started the year with only two constituents but ended it with six.

6.1. The Zagreb Stock Exchange activities in 2014

In 2014, the Zagreb Stock Exchange carried out a number of activities in order to promote Croatian market at the local and regional level.

Promotion and development activities in 2014
Amendments to the listing agreement.
Improvement of the Issuers' Intranet and amendments to the Issuers' Intranet Manual.
Amendments to the Rules of the Zagreb Stock Exchange.
Request for amendment of services to begin allocating and administrating LEIs was submitted to Croatian Financial Services Supervisory Agency and General terms and conditions of HRLEI Service were adopted.
Further to issuers' fulfilled questionnaires, Annual report on Corporate Governance was issued.
Beginning of the cooperation with International Finance Corporation on the first edition of the Corporate Governance Manual.
Improvement of business processes and adjustment to ISO 9001 requirements.
New index implementation – CROBEXtr[®] (CROBEX Total return index).
The Vienna Stock Exchange and the Zagreb Stock Exchange signed cooperation agreement for data vending.
Corporate Actions Manual issued.
Implementation of the new surveillance system – ANCOA.
Trading system upgrades.
New standard settlement period (from T+3 to T+2).

Domestic and international market promotion, and international cooperation
Work on a regional equities markets integration project – SEE Link.
FEAS Roadshow in London (4 April 2014).
ZSE Academy organized 21 educations with 220 participants, educations for OMX trading system and for specialist activities.
Organized certified program „Investor Relations Manager“. Second generation had six participants who successfully graduated.
Institutional cooperation between Association of Pension funds and Pension insurance companies, Official Gazette of the Republic of Croatia and University College EFFECTUS started.
Intense cooperation with Federation of Euro – Asian Stock Exchanges (FEAS) and organization of FEAS annual meeting (Nov 19 – 20, 2014) with General Assembly in Zagreb. Almost 60 stock exchanges and FEAS members participated.
Organization of Investment Conference of the Ljubljana and Zagreb Stock Exchanges with 24 participants and 48 investors from Croatia, Slovenia, Denmark, Finland and Great Britain who had 150 individual meetings with Croatian and Slovenian companies (5 June 2014)
Third conference of the Zagreb Stock Exchange and the fund industry was held with more than 350 participants and 23 speakers (Oct 15 – 18, 2014).
The award ceremony of the Zagreb Stock Exchange organized for the third time (12 December 2014)
Joint education of the Croatian Financial Services Supervisory Agency, the Central Depository and Clearing Company and the Zagreb Stock Exchange organized for the fifth time (15 May 2014).

6.2. Market surveillance and market participant support

6.2.1. Market surveillance

The Exchange conducts surveillance of trading on the regulated market and the MTF and in respect of all financial instruments.

Such activity involves:

- monitoring and analysing order entry and conducting of any transactions via the Exchange trading system on the regulated market and in respect of all financial instruments,
- monitoring and analysing other data and information which may be relevant to the creation of transactions and the terms under which they are done,
- temporarily suspend trading when it becomes evident that trading can no longer be done on equal terms or that is not founded on disclosed information,
- monitoring and analysing requests for trade cancellation,
- monitoring and analysing the initiation of volatility interruptions,
- taking action to prevent and detect market abuse in accordance with these Rules and any procedures stipulated by the Rules, CMA provisions and other regulations.

Trading surveillance is conducted by using a computer surveillance system which systematically collects and evaluates trading data, facilitating the necessary investigative action.

6.2.2. Members support

The Zagreb Stock Exchange regularly provides support to members of the Exchange regarding trading process on the Exchange. This support includes maintenance of the trading system as well as maintenance of other associated IT systems. The Exchange actively communicates with members during the implementation of new trading system functionality and also during the other changes that could have influenced their business activities on the Exchange. Additional attention is placed on members support related with applications developed using X-stream native API/FIX protocol interface. The Exchange also provides number of development and testing environments as well as conducting certification processes for applications developed by members.

Further, the Exchange also provides other forms of technical support and for that purpose a collaboration website (<http://it.zse.hr>) has been introduced where users can submit their requests for support directly to the IT and Technology Development department.

6.2.3. Support for the issuers

The Exchange has an advisory role and supports all issuers listed on the regulated market while ensuring that everyone follow the Rules of the Exchange and the provisions of the Capital Market Act. It also monitors if mentioned issuers act in accordance with the procedures and recommendations and also practise the Code of Corporate Governance.

The Exchange organizes annually a joint education for the issuers on the regulated market in cooperation with the Croatian Financial Services Supervisory Agency and the Central Depository and Clearing Company.

The Exchange also has an advisory role and supports and monitors issuers whose financial instruments are admitted to trading on the MTF.

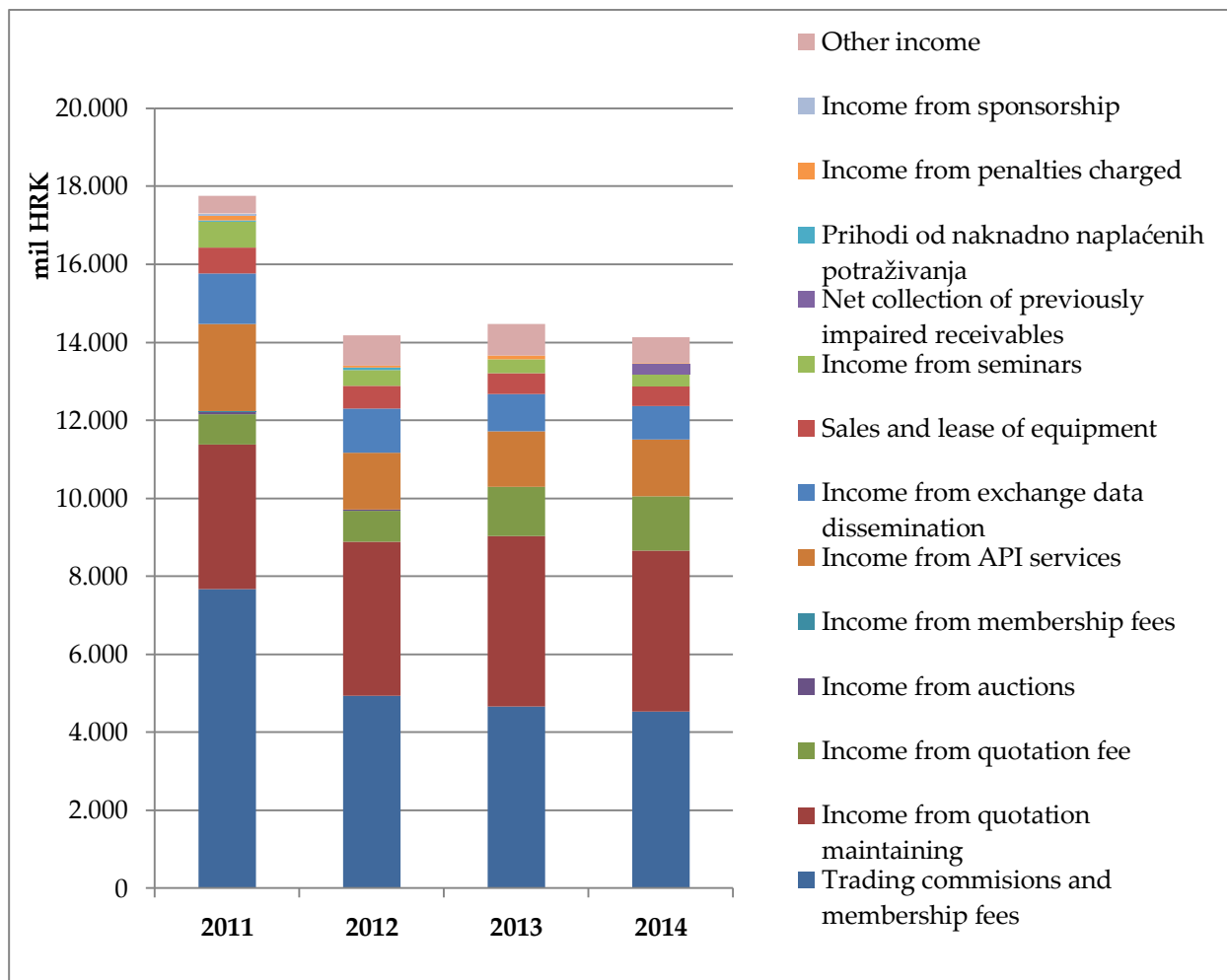
7. Business analysis of the Zagreb Stock Exchange

7.1. Total operating revenues

Total operating revenues in 2014 amounted to 14.1 mil HRK, which is a -2.35% decrease compared to the previous year. The largest increase in revenues came from listing fees, up +10.5%.

Revenues from company's sales activities represented the largest part of total operating revenues, 71.1%, and as shown on the graph below, they have also been the largest part for the last four years. Compared to the year 2011, their part in total revenues has increased by +2%.

Total operating revenues (2011 – 2014)



Commissions and membership fees

In 2014, income from commissions and membership fees decreased by -128 thousand HRK, i.e. -2.8% compared to the same period last year. The number of members declined during the year from 21 to 20 and no new members were admitted.

API membership fees

Income from API membership fees reached 1.5 mil HRK which is a 17 thousand HRK increase, up +1.2% compared to 2013. The reason was a new member Podravska banka d.d. from 2014.

Lease of equipment

Income from lease of equipment decreased by 24 thousands HRK (-4.6%) compared to the previous year.

Maintenance of quotations fees

In 2014, revenues from maintenance of quotations fees dropped by -5.5% compared to 2013 and amounted to 4.1 mil HRK. The reason is the reduction in the number of issuers, from 173 to 144.

Listing fees

Income from listing fees amounted to 1.4 mil HRK, up +10.5% compared to the last year. The increase was due to the listing of shares Hoteli Zlatni rat d.d. on the regulated market in January 2014 and the listing of shares Valamar Riviera d.d. on the official market in December 2014.

Exchange data dissemination fees

In 2014, revenues from the exchange data dissemination fees decreased by -93 thousand HRK compared to 2013.

Academy and conference revenues

Revenues from the Zagreb Stock Exchange Academy and organized conferences amounted to 307 thousand HRK in 2014 which is a -16.6% decrease compared to the previous year.

Other operating revenues

Total other operating revenues in 2014 have reached 656 thousand HRK, down -19.1% compared to 2013.

Net collection of previously impaired receivables

Net collection of previously impaired receivables amounted to 276 thousand HRK in 2014.

Penalties charged

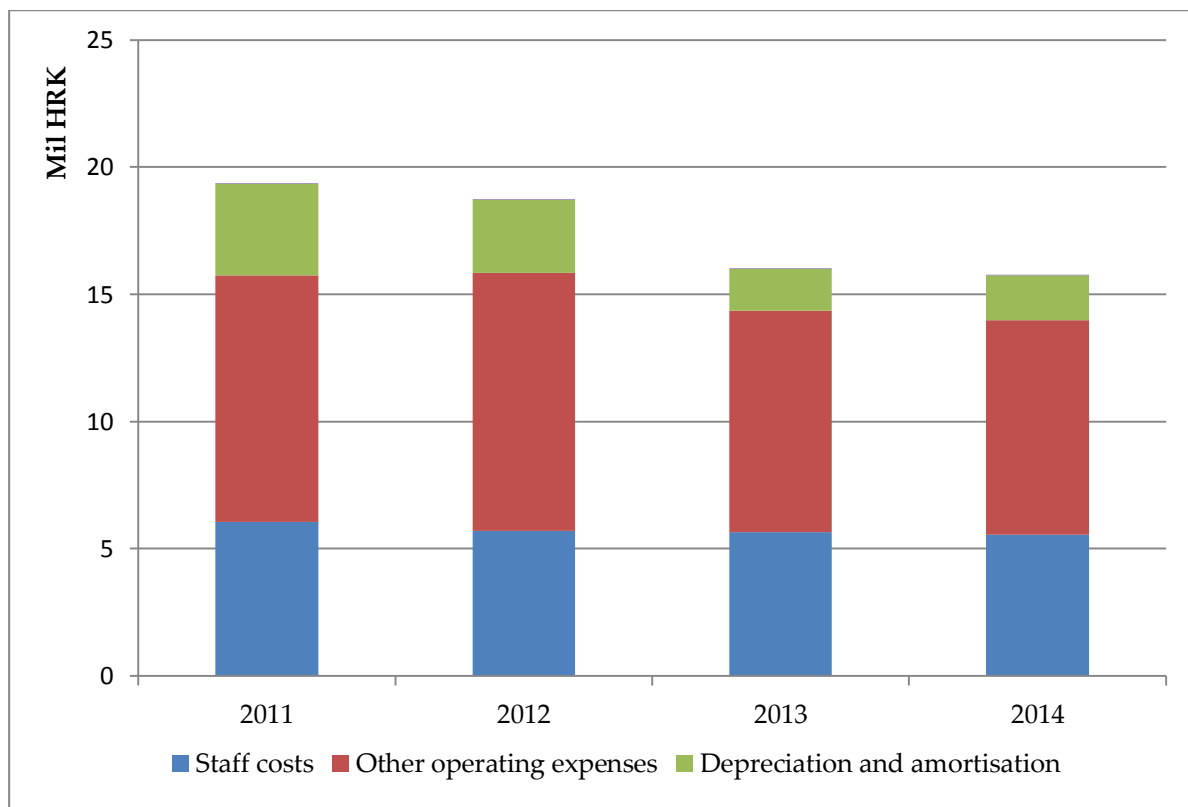
Compared to 2013, income from penalties charged in 2014 reached 25 thousand HRK, down by -72.2%.

7.2. Total operating expenses

Total operating expenses amounted to 15.8 mil HRK in 2014, down -1.6% compared to the same period last year. Staff costs have decreased by -92 thousand HRK i.e. -1.63% and totalled to 5.6 mil HRK. The biggest increase in other operating expenses was due to software costs, which have increased by +338 thousand HRK i.e. +10.7%, and lease of equipment, increase of +39.2%. The biggest decrease in total operating expenses was evident in administrative fees (-34.6%) and other operating expenses (-9.4%).

Costs of depreciation and amortisation in 2014 amounted to 1.8 mil HRK, up +7.8% compared to 2013.

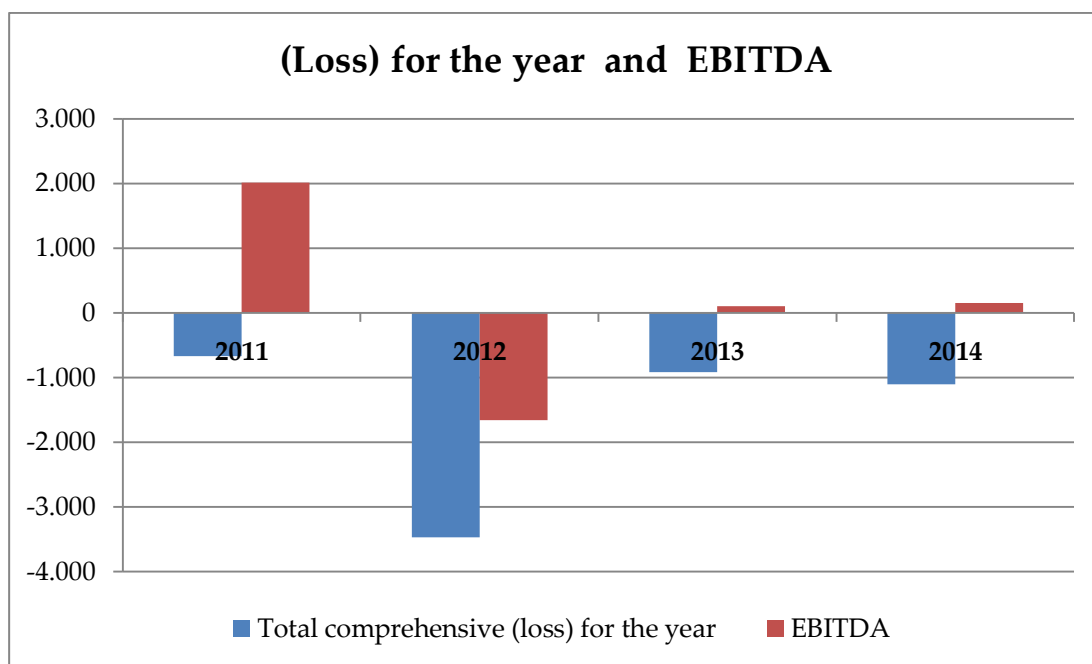
Total operating expenses (2011 – 2014)



7.3. Net profit for the year

In 2014, the net result was still negative and amounted to -1,103 thousand HRK, which is a +20.5% increase to the year before.

Earnings before interest, taxes, depreciation and amortization (EBITDA) in 2014 amounted to 150 thousand HRK and have increased +40.2% compared to the same period in 2013.



7.4. The Zagreb Stock Exchange assets

On 31 December 2014, total assets of the Zagreb Stock Exchange amounted to 38.7 mil HRK, which is a decrease of -8.9% compared to the last year.

	2014	2013
	'000 HRK	'000 HRK
ASSETS		
Total non-current assets	5,908	7,077
Total current assets	32,761	35,371
Total assets	38,669	42,448
EQUITY AND LIABILITIES		
Total equity	34,775	35,878
Current liabilities	3,894	6,570
Total equity and liabilities	38,669	42,448

Zagrebačka burza d.d.

**Financial statements for the year ended 31 December 2014 together with
independent auditors' report**

Responsibility for the financial statements

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 accounting regulations applicable in Republic of Croatia, and give a true and fair view of the state of affairs and results of operations of Zagreb Stock Exchange d.d. (the “Company”) for that year.

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.

The Management Board is responsible that:

- suitable accounting policies are selected and then applied consistently;
- judgements and estimates are reasonable and prudent;
- applicable accounting standards are followed, and
- the financial statements are prepared on the going concern basis.

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company, and must also ensure that the financial statements comply with the Croatian Accounting Law in force. 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:

Ivana Gažić
President of the Management Board

Tomislav Gračan
Member of the Management Board

Zagreb, 31 March 2015

Independent Auditor's report

Report on the financial statements

We have audited the accompanying financial statements ("the financial statements") of Zagreb Stock Exchange d.d., which comprise the statement of financial position as at 31 December 2014, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information (as set out on pages 33 to 60).

Management Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Independent Auditor's report (continued)

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted in the European Union.

Report on Other Legal Reporting Requirements

Management Board of the Company has prepared Annual report as set out on pages 1 to 28. The Management Board is responsible for the preparation of the Annual report in accordance with the Croatian Accounting Law and for its accuracy. Our responsibility is to perform procedures we consider necessary to reach a conclusion on whether the Annual report is consistent with the audited financial statements. Our work as auditors was confined to checking the annual report with the aforementioned scope and did not include a review of any information other than that drawn from the audited accounting records of the Company. In our opinion, the accounting information presented in the Annual report of the Company for the year 2014 is in consistent, in all material respects, with the audited financial statements for that year which are presented on pages 33 to 60.

Ernst & Young d.o.o.

Zagreb, 31 March 2015

Zagreb Stock Exchange d.d.
*Financial statements for the year ended 31
December 2014*

Statement of financial position
as at 31 December 2014

	<i>Notes</i>	2014 HRK'000	2013 HRK'000
Assets			
<i>Non-current assets</i>			
Equipment and motor vehicles	4	709	872
Intangible assets	5	4,686	5,673
Financial assets available for sale	6a	264	237
Guarantee deposits		249	295
Total non-current assets		5,908	7,077
<i>Current assets</i>			
Trade receivables and other assets	7	2,097	1,670
Prepaid expenses		112	2,083
Income tax prepayment		-	4
Financial assets at fair value through profit or loss	6b	14,647	16,164
Short term deposits	18	15,165	14,600
Cash and cash equivalents	18	740	850
Total current assets		32,761	35,371
Total assets		38,669	42,448
Equity and liabilities			
<i>Equity</i>			
Issued share capital	8	40,408	40,408
Share premium		4,937	4,937
Legal reserves		141	141
Retained (loss)		(10,711)	(9,608)
Total equity		34,775	35,878
<i>Current liabilities</i>			
Trade payables and other liabilities	9	1,454	3,915
Deferred income and accrued expenses	10	2,440	2,655
Total current liabilities		3,894	6,570
Total equity and liabilities		38,669	42,448

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

Statement of comprehensive income
for the year ended 31 December 2014

	<i>Notes</i>	2014 HRK'000	2013 HRK'000
Revenue	<i>11</i>	10,052	10,287
Other operating income	<i>12</i>	4,077	4,182
Staff costs	<i>13</i>	(5,555)	(5,647)
Depreciation and amortisation	<i>4,5</i>	(1,774)	(1,645)
Other operating expenses	<i>14</i>	(8,424)	(8,715)
Financial income	<i>15a</i>	526	639
Financial expense	<i>15b</i>	(5)	(16)
(Loss) before tax		(1,103)	(915)
Income tax expense	<i>16a</i>	-	-
(Loss) for the year		(1,103)	(915)
Other comprehensive income, net of tax		-	-
Total comprehensive (loss) for the year		(1,103)	(915)

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

Statement of changes in equity

	Issued share capital	Share premium	Legal reserves	Retained earnings	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
As at 1 January 2013	40,408	4,937	141	(8,693)	36,793
Total comprehensive (loss) for the year	-	-	-	(915)	(915)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 December 2013	40,408	4,937	141	(9,608)	35,878
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
As at 1 January 2014	40,408	4,937	141	(9,608)	35,878
Total comprehensive (loss) for the year	-	-	-	(1,103)	(1,103)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 December 2014	40,408	4,937	141	(10,711)	34,775
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

Statement of cash flows
for the year ended 31 December 2014

	<i>Notes</i>	2014 HRK'000	2013 HRK'000
Net inflows from operating activities before tax	<i>17</i>	(937)	(175)
Decrease of income tax prepayments		-	-
Net cash from operating activities		<u>(937)</u>	<u>(175)</u>
 Investing activities			
Net (purchases)/disposals of units in open investment funds		1,672	-
Net (purchases)/disposals of assets available for sale		(27)	-
Purchase of equipment and intangible assets		(623)	(990)
Interest received from deposits	<i>15a</i>	371	432
Investment in short term deposits		(566)	(8,363)
Net cash (outflows)/inflows from investment activities		<u>827</u>	<u>(8,921)</u>
 Financing activities			
Net cash inflows/(outflows) from financing activities		<u>-</u>	<u>-</u>
Net (decrease)/increase in cash and cash equivalents		(110)	(9,096)
Cash and cash equivalents at the beginning of the year		850	9,946
Cash and cash equivalents at the end of the year	<i>18</i>	<u>740</u>	<u>850</u>

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

Notes to the financial statements

1 Reporting entity

Zagreb Stock Exchange d.d. (“the Company”) is a company domiciled in Republic of Croatia and was registered at the Commercial Court in Zagreb on 5 July 1991. The address of the Company’s registered office is Eurotower, 22nd floor, Ivana Lučića 2a/22, Zagreb, Croatia.

The business activities of the Company include: management of the regulated market; collection, processing and publishing of trading data; management of Multilateral Trading Facility; development, maintenance and disposition of computer software used for management of the regulated market and for collection, processing and publishing of the data on securities trading; organising and providing professional trainings for participants of capital markets.

At the year end the Company was owned by 51 shareholders (2013: 50). The Company does not have an ultimate parent company.

The activities of the Company are regulated by Croatian Agency for Supervision of Financial Services (“HANFA”).

2 Basis of preparation

a) Statement of compliance

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

b) Basis of measurement

Financial statements are prepared on a historical cost basis, unless requested or permitted otherwise, in accordance with Croatian Accounting Law and International Financial Reporting Standards as adopted in EU.

c) Functional and presentation currency

The financial statements are presented in the local currency, Croatian kuna (“HRK”), which is the currency of the primary economic environment in which the Company operates (“the functional currency”). All financial information presented in HRK has been rounded to the nearest thousand.

d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, and given the information available at the date of preparation of the financial statements, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates,

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 and in future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have a significant effect on the amounts disclosed in the financial statements are described in Note 21.

Notes to the financial statements (continued)

2 Basis of preparation (continued)

e) Foreign currency translations

Transactions in foreign currencies are translated into functional currency using the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency using the foreign exchange rate ruling at that date. Financial statements are presented in HRK which is the functional and reporting currency. In addition to HRK, the most significant currency in which the Company has assets and liabilities is Euro. The exchange rate used for translation on 31 December 2014 was EUR 1=HRK 7.661471 (31 December 2013: EUR 1=HRK 7.637643). Income and expenses arising from transactions in foreign currencies are translated to HRK using the official exchange rates on the transaction date. Assets and liabilities denominated in foreign currencies are translated to HRK at the exchange rate ruling at the date of the statement of financial position. Gains and losses resulting from the foreign currency translation are included in the income statement for the year.

3 Significant accounting policies

a) Equipment and intangible assets

Equipment mainly comprises computer and office equipment, furniture and telephone equipment. Intangible assets comprise purchased computer software licences capitalised in the amount which is equal to the costs incurred to purchase and bring the software item to use.

Recognition and measurement

Equipment and intangible assets are stated at cost net of accumulated depreciation, amortization and impairment losses. Costs include expenditure that is directly attributable to the acquisition of these assets.

Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and can be measured reliably. All other repairs and maintenance represent the cost of the financial period in which they incurred.

Depreciation and amortisation

Depreciation is recognised in income statement on a straight-line basis over the estimated useful lives of each part of an item of equipment. Assets acquired but not put into use are not depreciated.

The estimated useful economic lives are as follows:

	2014	2013
Computer and office equipment	2-10 years	2-10 years
Office furniture and equipment	5 years	5 years
Telephone lines	2 years	2 years
Computer software	2-5 years	2-5 years
Trading system software	10 years	7 years
Motor vehicles	5 years	5 years
Leasehold improvements	period of lease	period of lease

The depreciation and amortization methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount, and are included in income statement.

Notes to the financial statements (continued)

3 Specific accounting policies (continued)

b) Financial instruments

Classification and recognition

The Company classifies financial assets in the following categories: financial assets and liabilities at fair value through profit or loss; loans and receivables; and financial assets available for sale. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets and liabilities which are classified as held for trading or, on initial recognition, designated by the Company as at fair value through profit or loss. The Company does not apply hedge accounting.

Trading assets and liabilities are those assets and liabilities that the Company acquires or incurs principally for the purpose of sale or repurchase in the near term, or holds as a part of a portfolio which is managed for the purpose of making profit in the short term.

Financial assets at fair value through profit or loss include investments in open-ended investment funds.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables in the Statement of financial position of the Company which comprise guarantee deposits with banks classified as “cash and cash equivalents” and “trade receivables and other assets”.

Available-for-sale financial assets

Available-for-sale assets in the statement of financial position relate to equity securities. Available-for-sale financial assets are initially recognised at fair value plus directly related transaction costs. They are subsequently measured at fair value, unless there is no reliable measure of fair value.

Notes to the financial statements (continued)

3 Specific accounting policies (continued)

b) Financial instruments (continued)

Recognition and de-recognition

Purchases and sales of financial assets at fair value through profit or loss and available-for-sale financial assets are recognised on the settlement date. Loans and receivables and other financial liabilities carried at amortised cost are recognised when financial assets are placed with borrowers or received from lenders.

The Company derecognises financial assets when the contractual rights to receive cash flows from the financial asset have expired or when it loses control over the contractual rights on those financial assets. This occurs when the Company transfers substantially all the risks and rewards of ownership to another entity or when the rights are realised, surrendered or have been expired.

Financial assets at fair value through profit or loss and financial assets available-for-sale cease to be recognised at the settlement date. Loans and receivables are derecognised on the date of the transfer of funds by the Company.

Financial liabilities are derecognised when the financial liability ceases to exist, i.e, when obligations per liability have been fulfilled, cancelled or the liability has expired, If the terms of a financial liability change, the Company will cease recognising the liability and will immediately recognise a new financial liability, with new terms and conditions.

Initial and subsequent measurement

Financial assets and liabilities are initially recognised at fair value plus, in the case of a financial asset and liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuing of the financial asset or financial liability.

After initial recognition, the Company measures financial instruments at fair value through profit or loss and financial assets available for sale at their fair value, without any deduction for selling costs. Equity securities classified as available-for-sale that are not quoted on an active market and whose fair value cannot be reliably determined are stated at cost less impairment.

Loans and receivables are measured at amortised cost less impairment losses. Financial liabilities other than those at fair value through profit or loss are measured at amortised cost. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and they are amortised using the effective interest rate of the instrument.

Gains and losses from a change in the fair value of financial assets at fair value through profit or loss are recognised in income statement.

Notes to the financial statements (continued)

3 Specific accounting policies (continued)

b) Financial instruments (continued)

Gains and losses from subsequent measurement

Gains and losses from a change in the fair value of available-for-sale financial assets are recognised in other comprehensive income. For monetary assets which are available for sale, impairment losses, foreign exchange rate gains and losses, interest income and amortisation of premium or discount using the effective interest method are recognised in income statement.

Gains or losses arising from financial assets and financial liabilities carried at amortised cost are included in profit or loss over the period of amortisation, using the effective interest rate method, Gains or losses may also be recognised in profit or loss when the financial instrument is derecognised or when its value is impaired.

Fair value measurement principles

The fair value of financial assets at fair value through profit or loss is quoted bid market price at the reporting date, without any deduction for selling costs. The Company takes into consideration every financial instrument separately in order to determine whether financial instrument quotes in an active market.

Fair value levels

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

1. Level 1: quoted (unadjusted) prices in active markets
2. Level 2: other techniques for which all inputs which have significant effect on the recorded fair value are observable, either directly or indirectly.
3. Level 3: techniques which use inputs which have a significant effect on the determination of fair value and which are not based on observable market data.

Impairment of financial assets

At each reporting date the Company assesses whether there is objective evidence that the financial assets which are not classified as financial assets at fair value through profit or loss have been impaired. Financial assets are impaired when objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an adverse impact on estimated future cash flows.

The Company considers evidence of impairment on an asset-by-asset basis.

Notes to the financial statements (continued)

3 Specific accounting policies (continued)

b) Financial instruments (continued)

Objective evidence that financial assets are impaired include default or delinquency of a borrower, restructuring of a loan, or an advance received by the Company under the terms which the Company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets, such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group of the similar assets.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in profit or loss and recorded in an allowance account against loans and advances. Interest income on the impaired asset continues to be recognised as unwinding of the discount. When a subsequent event causes the decrease of the amount of impairment loss, the loss is reversed in income statement.

For equity investments classified as assets available for sale, a significant or prolonged decline in the fair value of the investment below its cost is considered in determining whether the assets are impaired. If any such indication exists for available-for-sale equity investments, the cumulative loss, measured as the difference between the acquisition cost and the current fair value on that financial asset is removed from other comprehensive income and recognised in income statement.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in income statement, the impairment loss is reversed through income statement. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, not in income statement.

Trade receivables, other assets and deposits with banks

Trade receivables, other assets and deposits with banks are initially recognized at fair value plus transaction costs, and subsequently carried at amortised cost less any impairment losses.

Investments in funds

Investments in open and close ended funds are classified as financial assets at fair value through profit or loss and are carried at fair value,

Trade payables and other liabilities

Trade and other payables are initially recognised at fair value, and subsequently measured at amortised cost.

Notes to the financial statements (continued)

3 Specific accounting policies (continued)

c) Impairment of non-financial assets

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is re-estimated.

The recoverable amount is estimated at each reporting date for intangible assets that have an indefinite useful life (at the reporting date the Company did not have such assets) and intangible assets that are not yet available for use.

Assets that are subject to amortisation or depreciation are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in income statement.

The recoverable amount of equipment and intangible assets is the higher of the asset's fair value less costs to sell and value in use. For the purpose of assessing the amount of impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows available (cash-generating units). 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 or cash-generating unit. Non-financial assets that have been impaired are reviewed for reversals of the impairment at each reporting date. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and to the extent that the carrying amount of the assets does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

d) Leases

At the reporting date the Company does not have any finance leases.

All other leases are operating leases, and assets leased by the Company as lessee are not recorded in the Company's statement of financial position. Payments made under operating leases are recognised in income statement on a straight-line basis over the term of the lease.

e) Cash and cash equivalents

Cash and cash equivalents for the purpose of preparation of cash flow statements and the statement of financial position comprise giro accounts, cash in hand and short term deposits with banks with maturity up to three months.

f) Employee benefits

Defined contribution pension plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in income statement of the period in which they have been incurred.

Notes to the financial statements (continued)

3 Specific accounting policies (continued)

g) Taxation

Income tax charge is based on taxable profit for the year and comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items in other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using the tax rates enacted or substantially enacted at the reporting date, and considering the adjustments to tax payable in respect of positions from previous years.

Deferred taxes are calculated using the balance sheet method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable profit in the years in which those temporary differences are expected to be realised, or settled, based on tax rates enacted or substantially in force at the reporting date.

Deferred tax assets and liabilities are not discounted and are classified as non-current assets and/or liabilities in the statement of financial position. Deferred tax assets are recognised when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilised.

The Company provides for tax liabilities in accordance with Croatian law. The current income tax rate is 20% (2013: 20%).

h) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation which can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting of the expected future cash flows at a pre-tax rate that reflects current assessment of the time value of money and the risks specific to the liability.

Restructuring

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided by the Company.

i) Issued share capital, share premium and reserves

Share capital represents the nominal value of paid-in shares classified as equity and it is denominated in HRK. Share premium represents the excess of the paid-in amount (net of transaction costs) and nominal value of the issued shares upon initial issue of shares. Any profit for the year after appropriations is transferred to retained earnings.

A legal reserve has been created in accordance with Croatian law, which requires 5% of the profit for the year to be transferred to the reserve until the total of legal reserves and capital reserves reaches 5% of issued share capital. The legal reserve can be used for covering current and prior period losses in the amount of up to 5% of issued share capital.

Dividends on ordinary share capital are recognised as a liability after they are declared.

Notes to the financial statements (continued)

3 Specific accounting policies (continued)

j) Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of the services in the ordinary course of the Company's activities, as follows: trading commissions, membership fees, fees for the maintenance of quotations and other fees.

Commission income is recognised when the service is provided. Income from fees is deferred over the relevant period to which the fees relate.

Income from maintenance of quotations, subscriptions for information and subscriptions for the real time monitoring of trade is deferred over the period of the duration of the relevant quotation or subscription.

Finance income

Interest income is recognised in income statement in the corresponding time period for all interest-bearing financial instruments measured at amortised cost using the effective interest rate method.

Financial income also includes net positive foreign exchange differences resulting from translation of monetary assets and liabilities using the relevant exchange rate at the reporting date.

k) Adoption of new and amended standards and interpretations endorsed by European Union

The accounting policies adopted are consistent with those of the previous financial year, except for the following standards and amendments to IFRS effective as of 1 February 2014:

- IAS 28 Investments in Associates and Joint Ventures (Revised)
- IAS 32 Financial Instruments: Presentation (Amended) - Offsetting Financial Assets and Financial Liabilities
- IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosures of Interests in Other Entities
- IAS 39 Financial Instruments (Amended): Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting
- IAS 36 Impairment of Assets (Amended) – Recoverable Amount Disclosures for Non-Financial Assets
- IFRIC Interpretation 21: Levies

The above standards and amendments did not have significant impact on the Company's financial position or performance.

Standard issued and/or amended not yet effective and not early adopted:

IFRS 9 Financial Instruments – Classification and measurement

The standard is applied for annual periods beginning on or after 1 January 2018 with early adoption permitted, The final phase of IFRS 9 reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9, The standard introduces new requirements for classification and measurement, impairment, and hedge accounting, The standard has not yet been endorsed by the EU, In upcoming periods the Company will assess the impact of the standard on profitability and financial statements.

Notes to the financial statements (continued)

3 Specific accounting policies (continued)

k) Adoption of new and amended standards and interpretations endorsed by European Union (continued)

IFRS 15 Revenue from Contracts with Customers

The standard is effective for annual periods beginning on or after 1 January 2017, IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g. sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The standard has not been yet endorsed by the EU. In upcoming periods the Company will assess the impact of the standard on profitability and financial statements.

Certain other standards issued and/or amended which are not yet effective and which were not early adopted:

IAS 16 Property, Plant & Equipment and IAS 38 Intangible assets (Amendment): Clarification of Acceptable Methods of Depreciation and Amortization

IAS 19 Employee benefits (Amended): Employee Contributions

IFRS 11 Joint arrangements (Amendment): Accounting for Acquisitions of Interests in Joint Operations

IFRS 14 Regulatory Deferral Accounts

The IASB has issued the Annual Improvements to IFRSs 2010 – 2012 Cycle

- IFRS 2 Share-based Payment
- IFRS 3 Business combinations
- IFRS 8 Operating Segments
- IFRS 13 Fair Value Measurement
- IAS 16 Property Plant & Equipment
- IAS 24 Related Party Disclosures
- IAS 38 Intangible Assets

The IASB has also issued the Annual Improvements to IFRSs 2011 – 2013 Cycle

- IFRS 3 Business Combinations
- IFRS 13 Fair Value Measurement
- IAS 40 Investment Properties

Annual Improvements to IFRSs 2012 – 2014 Cycle

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 7 Financial Instruments: Disclosures:
- IAS 19 Employee Benefits
- IAS 34 Interim Financial Reporting

IAS 1: Disclosure Initiative (Amendment)

Notes to the financial statements (continued)

4 Equipment and motor vehicles

	Computers	Motor vehicles	Furniture and other equipment	Investments in assets	Asset under construction	Total
	HRK'000	HRK'000	HRK'000		HRK'000	HRK'000
Cost						
At 1 January 2013	5,687	23	2,276	1,110	-	9,096
Additions	379	-	24	8	39	450
At 31 December 2013	6,066	23	2,300	1,118	39	9,546
At 1 January 2014	6,066	23	2,300	1,118	39	9,546
Additions	71	-	9	-	-	80
Transfers	39	-	-	-	(39)	-
Disposals	(126)	(23)	-	-	-	(149)
At 31 December 2014	6,050	-	2,309	1,118	-	9,477
Accumulated depreciation						
At 1 January 2013	(5,431)	-	(2,119)	(933)	-	(8,483)
Charge for the period	(94)	(5)	(39)	(53)	-	(191)
At 31 December 2013	(5,525)	(5)	(2,158)	(986)	-	(8,674)
At 1 January 2014	(5,525)	(5)	(2,158)	(986)	-	(8,674)
Charge for the period	(141)	-	(33)	(51)	-	(225)
Disposal	126	5	-	-	-	131
At 31 December 2014	(5,540)	-	(2,191)	(1,037)	-	(8,768)
Net book value at 31 December 2013	541	18	142	132	39	872
Net book value at 31 December 2014	510	-	118	81	-	709

Notes to the financial statements (continued)

5 Intangible assets

	Software	Total
	HRK'000	HRK'000
Cost		
At 1 January 2013	18,237	18,237
Additions	540	540
At 31 December 2013	<u>18,777</u>	<u>18,777</u>
At 1 January 2014	<u>18,777</u>	<u>18,777</u>
Additions	560	560
At 31 December 2014	<u>19,337</u>	<u>19,337</u>
Accumulated amortisation		
At 1 January 2013	(11,649)	(11,649)
Charge for the period	(1,455)	(1,455)
At 31 December 2013	<u>(13,104)</u>	<u>(13,104)</u>
At 1 January 2014	<u>(13,104)</u>	<u>(13,104)</u>
Charge for the period	(1,547)	(1,547)
At 31 December 2014	<u>(14,651)</u>	<u>(14,651)</u>
Net book value		
At 31 December 2013	<u>5,673</u>	<u>5,673</u>
At 31 December 2014	<u>4,686</u>	<u>4,686</u>

Notes to the financial statements (continued)

6 Investments

	31 December 2014 HRK'000	31 December 2013 HRK'000
a) Financial assets available for sale		
Shareholding in the Central Depository and Clearing Company (2.03% of share)	237	237
Investment in SEE Link d.o.o. (33.33%)	27	-
	264	237

SEE Link d.o.o. is an associate (Zagrebačka burza has 1/3 ownership), this Company was founded in 2014, and did not commence with significant activities until the date of issuance of these financial statements.

The investment in the Central Depository and Clearing Company and in SEE Link d.o.o. is carried at cost.

	31 December 2013 HRK'000	31 December 2012 HRK'000
<i>Shares in open-ended investment funds</i>	14,647	16,164
	14,647	16,164

Shares in open-ended investment funds are classified as fair value level 2 as at 31 December 2014 and 31 December 2013.

Notes to the financial statements (continued)

7 Trade receivables and other assets

	31 December 2014 HRK'000	31 December 2013 HRK'000
Trade receivables	2,609	2,673
Advances placed	21	7
Other assets	7	24
Impairment allowance	(540)	(1,034)
	<u>2,097</u>	<u>1,670</u>

Movement in impairment allowance for trade receivables

	2014 HRK'000	2013 HRK'000
Balance at 1 January	(1,034)	(674)
Impairment loss	(293)	(606)
Write off	201	160
Collection of previously impaired receivables	296	86
Decrease in impairment allowance	290	-
Balance at 31 December	<u>(540)</u>	<u>(1,034)</u>

Overdue receivables which are not impaired amount to HRK 979 thousand as at 31 December 2014 (as at 31 December 2013: HRK 777 thousand). The Management holds these receivables to be fully recoverable.

Overdue receivables not impaired as at 31.12.2014 ('000 HRK):

< 90 days	91-120 days	121-180 days	180-360 days	>360 days
295	48	280	134	222

Overdue receivables not impaired as at 31.12.2013 ('000 HRK):

< 90 days	91-120 days	121-180 days	180-360 days	>360 days
409	18	111	89	150

Notes to the financial statements (continued)

8 Issued share capital and reserves

Issued share capital

	31 December 2014 HRK'000	31 December 2013 HRK'000
Authorised, issued and fully paid in 40,408 (2013: 40,408) ordinary shares, each at HRK 1,000 par value	40,408 <u> </u>	40,408 <u> </u>

As at 31 December 2014 the Company had 51 shareholders (2013: 50) with ownership interests in the Company ranging between 0.01% and 9.94%,

9 Trade payables and other payables

	31 December 2014 HRK'000	31 December 2013 HRK'000
Trade payables	795	3,099
VAT liability	-	194
Other short-term payables	659	622
	<u>1,454</u> <u> </u>	<u>3,915</u> <u> </u>

10 Deferred income and accrued expenses

	31 December 2014 HRK'000	31 December 2013 HRK'000
Deferred income from quotation maintaining	2,166	2,417
Other deferred income	274	238
	<u>2,440</u> <u> </u>	<u>2,655</u> <u> </u>

Notes to the financial statements (continued)

11 Revenue

	2014	2013
	HRK'000	HRK'000
Commissions and membership fees	4,525	4,653
Income from quotation maintaining	4,134	4,373
Income from quotation fee	1,393	1,261
	<u>10,052</u>	<u>10,287</u>
	<u><u>10,052</u></u>	<u><u>10,287</u></u>

Commissions are charged from members based on value of realised transactions at the time of execution of the transaction.

Membership fees include one-time admission fee payable for acquiring the status of Exchange Member, as well as fees charged to existing members on a quarterly basis.

Income from quotation maintenance represents an annual commission for the continuation of inclusion of the securities in the Official and Regular Market quotations.

Quotation fees are collected from issuers of securities on the Official and Regular Market.

12 Other operating income

	2014	2013
	HRK'000	HRK'000
Income from API services	1,456	1,439
Income from the supply of information	855	948
Sale and lease of equipment	502	526
Income from seminars	307	368
Collection of previously impaired receivables (net)	276	-
Income from penalties charged	25	90
Other income	656	811
	<u>4,077</u>	<u>4,312</u>
	<u><u>4,077</u></u>	<u><u>4,312</u></u>

Notes to the financial statements (continued)

13 Staff costs

	2014	2013
	HRK'000	HRK'000
<i>Salaries</i>		
Net salaries	2,801	2,792
Payroll deductions and contributions	2,718	2,660
	5,519	5,453
Other staff costs	36	194
	5,555	5,647

The number of employees at the end of 2014 was 23 (2013: 21). Staff costs include HRK 914 thousand (2013: HRK 917 thousand) of defined pension contributions paid into obligatory pension funds. Contributions are calculated as a percentage of employees' gross salaries. In 2014 there were no bonus payments (2013: 0 HRK).

Notes to the financial statements (continued)

14 Other operating expenses

	2014	2013
	HRK '000	HRK '000
Maintenance of software	3,508	3,170
Rent of premises	1,190	1,142
Post and telephone services	764	799
Utility expenses	666	656
Professional services	471	513
Fees paid to Croatian Financial Services Supervisory Agency	462	706
Rent of equipment	316	227
Maintenance of phone lines, equipment and leased premises	147	154
Entertainment	133	80
Business travel	124	99
Disposals and write-offs of assets	95	88
Net value adjustment of trade receivables	-	476
Other expenses	548	605
	<u>8,424</u>	<u>8,715</u>
	<u><u> </u></u>	<u><u> </u></u>

Notes to the financial statements (continued)

15 Financial income and expense

	2014	2013
	HRK'000	HRK'000
a) Financial income		
Net gains from financial assets at fair value through profit or loss	130	205
Interest income	371	434
Other	25	-
Total financial income	<u>526</u>	<u>639</u>
b) Financial expense		
Net foreign exchange losses	(4)	(11)
Other	(1)	(5)
Total financial expense	<u>(5)</u>	<u>(16)</u>
Net financial result	<u>521</u>	<u>623</u>

16 Income tax expense

a) Income tax expense

	2014	2013
	HRK'000	HRK'000
Current income tax expense	-	-
Deferred income tax	-	-
Total income tax expense	<u>-</u>	<u>-</u>

Notes to the financial statements (continued)

16 Income tax expense (continued)

b) Reconciliation of accounting profit and current income tax liability

	2014	2013
	HRK'000	HRK'000
Profit before tax	(1,103)	(915)
Tax calculated at 20%	-	-
Tax non-deductible expenses	297	260
Non-taxable income	(200)	(59)
Income tax expense	-	-
Effective income tax rate	n/a	n/a

c) Tax losses carried forward

Gross tax losses amounting to HRK 13,128 thousand are available for offset against the future taxable profits of the Company at the end of 2014. A tax loss may be carried forward by the Company for five years subsequent to the year in which it arose, subject to review by the Ministry of Finance. At the end of 2013 the Company had HRK 16,929 thousand of tax loss available to be carried forward to subsequent years. At both reporting dates the Company did not recognise deferred tax assets in respect of tax losses carried forward, as it is uncertain when sufficient taxable profits will be available against which the deferred tax assets can be utilised.

At 31 December 2014 the Company did not recognize deferred tax assets in respect of temporary differences (unused vacation days) and carried forward tax losses, as it is uncertain if taxable profits will be available against which the deferred tax assets can be utilised.

For the next reporting date, the Company will re-evaluate assumptions for the recognition of deferred tax assets.

Notes to the financial statements (continued)

17 Reconciliation of profit before tax to net cash (outflow) from operating activities before taxation

	2014	2013
	HRK'000	HRK'000
(Loss) before tax	(1,103)	(915)
Depreciation and amortisation	1,774	1,645
Net financial (income)	(526)	(595)
Net impairment loss on trade receivables	(276)	616
	<hr/>	<hr/>
(Loss)/profit from operating activities before working capital changes	(131)	751
(Increase) in trade receivables and other assets	(101)	(484)
Decrease in deferred expenses	1,971	234
Decrease in accrued expenses and deferred income	(215)	(66)
(Decrease) in trade and other payables	(2,461)	(610)
	<hr/>	<hr/>
Net cash (outflow) from operating activities before taxation	(937)	(175)
	<hr/> <hr/>	<hr/> <hr/>

18 Cash and cash equivalents

	2014	2013
	HRK'000	HRK'000
Short term deposits with maturity over 3 months	15,165	14,600
	<hr/>	<hr/>
	15,165	14,600
	<hr/> <hr/>	<hr/> <hr/>

	31 December	31 December
	2014	2013
	HRK'000	HRK'000
Gyro account in domestic currency	573	113
Gyro account in foreign currency	162	503
Cash in hand	3	4
Interest receivable with maturity less than 3 months	2	230
	<hr/>	<hr/>
Cash and cash equivalents	740	850
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements (continued)

19 Financial instruments – risk exposures

Interest rate risk

The Company does not have significant amount of variable interest-bearing assets. The most significant interest-earning assets are short term deposits in banks. The Company does not have interest-bearing liabilities. The impact of changes in market interest rates on income statement is therefore assessed as not significant. Remaining maturity of deposits with fixed interest rate is less than 3 months and therefore the Management of the Company believes that fair values of these deposits is the close to their book values.

Foreign currency risk

Except for HRK 162 thousand (2013: HRK 503 thousand) of the funds on the gyro account denominated in foreign currency, there are no other financial assets and liabilities denominated in foreign currency. Thus the Company is not significantly exposed to foreign currency risk.

Credit risk

The maximum exposure to credit risk is as follows:

Total credit risk exposure	31 December 2014 HRK'000	31 December 2013 HRK'000
Cash and cash equivalents (excluding cash in hand)	737	850
Short term deposits	15,165	14,600
Financial assets at fair value through profit or loss	14,647	16,164
Trade receivables and other assets	2,097	1,670
Guarantee deposits	249	295
Income tax prepayments	-	4
Financial assets available-for-sale	264	237
	33,159	33,820

Notes to the financial statements (continued)

19 Financial instruments – risk exposures (continued)

The Company generally does not take collateral due to the nature of its operations.

The Company did not have significant concentration of credit risk at the reporting date (except credit risk arising from deposits in domestic banks, as stated in Note 18).

Concentration of trade receivables' credit risk:

	31 December 2014		31 December 2013	
	HRK'000	%	HRK'000	%
Corporate	1,167	56	983	59
Institutional investors and brokers	923	44	675	40
State	7	-	12	1
	2,097	100	1,670	100

Price risk

Price risk is the risk that the value of financial instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer, or by factors affecting all instruments traded in the market. The Company's investment in open-ended investment funds are carried at fair value with fair value changes recognised in income statement. Accordingly, such changes in market conditions will directly affect gains or losses on financial instruments recognised in income statement.

Price risk is mitigated by the Company through diversification of its portfolio of investments in open-ended investment funds to various types of funds, managed by different investment companies, and investing in cash funds. Assuming all other variables unchanged, a decrease/increase in the market price of units in investment funds by +/-1% at the reporting date would result in decrease/increase of profit before tax by HRK 146 thousand (2013: HRK 162 thousand).

Liquidity risk

The Company does not have interest-bearing borrowings. Cash and cash equivalents at the reporting date significantly exceed liabilities. The Company maintained a satisfactory liquidity position throughout the year.

20 Related parties

Remuneration to Management Board throughout the year was HRK 1,569 thousand (2013: HRK 1,438 thousand). The total remuneration of Supervisory Board members amounted to HRK 0 thousand (2013: HRK 75 thousand).

As significant amounts of transactions of the Company are carried out under controlled and regulated conditions which are equal for owners of the Company as well as for other participants on the market, further related party disclosures are not practical to identify and disclose.

21 Key accounting estimates and assumptions

The Management Board uses estimates and assumptions concerning the future events. The resulting accounting estimates will therefore, by definition, seldom equal the actual results. The estimates and judgements which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of trade receivables

Trade receivables are estimated at each reporting date and are impaired according to the estimate of probability of collection. Each customer is evaluated individually based on the expected date of collection of the amount due, collateral available and estimated probability of collection of the outstanding amount. The management holds that trade receivables are stated at their recoverable amount at the reporting date.

Income tax

The Company provides for tax liabilities in accordance with the tax laws of the Republic of Croatia. Tax returns are subject to the approval of the tax authorities who are entitled to carry out subsequent inspections of taxpayers' records. There are different possible interpretations of tax laws, therefore amounts in the financial statements may be changed subsequently depending on the decision of the tax authorities.