

ANNUAL REPORT

DECEMBER 31, 2022

INTERKAPITAL vrijednosni papiri d.o.o
Zagreb

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Business and development activities of the Company

Despite the extremely demanding macroeconomic environment, the year 2022 brought further positive developments in most business segments of society. By further diversifying operations and opening new business lines, the company has increased the stability of the business model, i.e. reduced volatility in its operations. Below is a brief overview by business area:

- *Brokerage department.* In addition to brokerage services on regional stock exchanges, we continued to invest in expanding our client base for foreign trading, which in 2022 represented the bulk of the department's volume and income. On our traditional markets, we have maintained the leading position in terms of market share on the Zagreb Stock Exchange and the Ljubljana Stock Exchange for one more year, with a market share of around 31% and 35%, respectively.
- *Market Infrastructure Operations (Custody and depository operations).* A strong emphasis is still placed on the development of custody services in Croatia and Slovenia, and in 2022 we have maintained a leading position among non-banking institutions with total assets of around EUR 600 million. During the year, the company started providing depository services in Croatia, which it intends to expand to the Slovenian market in the coming period.
- *Analysis department.* During the year, we published over 500 publications for our clients, including macroeconomic analyzes for regional markets, Equity Outlook and IC Company Analysis for leading regional issuers.
- *Trading for own account.* In the segment of business for our own account, we are pleased with the fact that we are the leading *market maker* (specialist trade) on the Zagreb Stock Exchange and the Ljubljana Stock Exchange with a total of 20 active mandates (shares and ETFs). On the other hand, the demanding situation in the macroeconomic environment had a negative impact on the trading result in 2022.
- *Investment banking.* Although the Company transferred the investment banking department to the parent company Interkapital dd during 2022, previously contracted and executed mandates contributed to the financial result in 2022 as well.

We received recognition for our business in the form of the annual award of the Zagreb Stock Exchange and the Ljubljana Stock Exchange for the best member; the prestigious international EMEA Finance award for the leading investment company and broker in Croatia and Slovenia, and the FocusEconomics award for macroeconomic forecasts. All the mentioned awards are confirmation of the company's excellence and proof of continuous investment in employee education and will be an additional incentive for further improvement of our services.

Finally, it should be noted that despite the positive financial result, we enter 2023 with significant uncertainty due to further geopolitical turbulence, inflationary pressures and rising interest rates. On the other hand, we believe that the local markets are perfectly positioned in the sector and that Croatia's entry into the Eurozone and Schengen can have a positive effect on the attractiveness of the domestic capital market. The medium-term perspective of the development of the regional stock market continues to cause concern due to the relatively small number of active market participants and the lack of interest in the implementation of new capital issues. The company's strategy will continue to be primarily focused on expanding operations in the countries of the region, offering foreign trade services, optimizing and digitizing business processes, and further diversifying services and products, especially in the segment of brokerage and custody services.

Financial instruments and risk management

A financial instrument is a contract on the basis of which a financial asset of one company and a financial liability of another company arise. The company has classified its financial assets in the category of fair value through the profit and loss account, available for sale and loans and receivables. The classification depends on the purpose for which the financial asset was acquired. Management classifies financial assets upon initial recognition.

A more detailed description of financial instruments and risk management is available in note 25 below.

Business and development activities of the Company (continued)

Events after the end of the business year

Events after the balance sheet date are disclosed in note 27 of the financial statements.

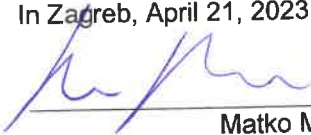
The company's subsidiaries

The company has a branch office in Slovenia.


Information on repurchase of own shares

The company did not acquire its own shares.

In Zagreb, April 21, 2023


Matko Maravič
President of the Management Board

INTERKAPITAL
vrijednosni papiri d.o.o.
Z A G R E B, Masarykova 1


Danijel Delač
Member of the Management Board

INTERKAPITAL vrijednosni papiri d.o.o.
Masarykova 1
10,000 Zagreb
Republic of Croatia

Responsibility for the financial statements

Pursuant to the Accounting Act in force, the Management is responsible for ensuring that financial statements are prepared for each financial year in accordance with International Financial Reporting Standards ("IFRS") adopted by the European Union, in order to give a true and fair view of the financial position and results of the Company INTERKAPITAL vrijednosni papiri d.o.o. Zagreb, (hereinafter: the Company) for that period.

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

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

- suitable accounting policies are selected and then applied consistently ;
- judgements and estimates are reasonable and prudent;
- applicable accounting standards are followed, subject to any material departures disclosed and explained in the financial statements; and
- Financial statements are prepared on the going concern basis

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

The Management Board is responsible for the preparation and content of other information contained in the Management Report in accordance with the provisions of the Accounting Act (OG 78/15, 134/15, 120/16, 116/18, 42/20, 47/20).

These financial statements were approved by the Management Board on 21 April 2022 and signed by:



Matko Maravič
President of the Management Board

INTERKAPITAL
vrijednosni papiri d.o.o.
ZAGREB, Masarykova 1



Danijel Delač
Member of the Management Board

INTERKAPITAL vrijednosni papiri d.o.o.
Masarykova 1
10,000 Zagreb
Republic of Croatia



Independent auditor's report

To the Owner of Interkapital vrijednosni papiri d.o.o. za trgovanje vrijednosnim papirima

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Interkapital vrijednosni papiri d.o.o. za trgovanje vrijednosnim papirima (the "Company") as at 31 December 2022, and the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee dated 20 April 2023.

What we have audited

The Company's financial statements comprise:

- the statement of comprehensive income for the year ended 31 December 2022;
- the statement of financial position as at 31 December 2022;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014, and furthermore, we have not provided any non-audit services to the Company in the period from 1 January 2022 to 31 December 2022.



Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<p><i>Recognition of commissions and fee revenue</i></p> <p>Refer to Note 5 to the financial statements entitled Revenue from commissions and fees for investment services and Note 3 entitled Summary of significant accounting policies for further information.</p> <p>The Company has recognized revenue from fees and commissions of HRK 25.8 million for the year ended 31 December 2022.</p> <p>Although the transactions within the revenue streams are unified and revenue recognition is not complex, we focused on this area due to significance of these items to the Company's financial statements.</p>	<p>Our audit approach to revenue was based on test of operating effectiveness of controls and substantive audit testing of transactions as described below.</p> <p>On a sample basis, we compared the recognised revenue amounts with the invoices for the investment services.</p> <p>We performed test of operating effectiveness of controls and recalculated the custody fee (revenue from custody and administration) by multiplying each fund's net asset value ("NAV") by the custody fee percentage.</p> <p>We performed test of operating effectiveness of controls on brokers' transactions at the local and foreign markets, which was the basis for the calculation of brokers' fee. We compared the brokers' fee percentage with the pricing list.</p> <p>We also traced the selected sample of revenue transactions to the bank statements to confirm the fees were received.</p>



Reporting on other information including the Management Report

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

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

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

With respect to the Management Report, we also performed procedures required by the Accounting Act in Croatia. Those procedures include considering whether the Management Report is prepared in accordance with the requirements of Article 21 of the Accounting Act.

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

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

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management Report and other information that we obtained prior to the date of this auditor's report . We have nothing to report in this regard.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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



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

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

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

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

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



Report on other legal and regulatory requirements

Appointment

We were first appointed as auditors of the Company on 19 July 2022. This is our first year of audit.

Other legal and regulatory requirements

Pursuant to Ordinance on structure and contents of the annual financial statements of investments firms (Official Gazette: 83/18) ("Ordinance"), the Company's Management Board prepared statements shown in the section Regulatory financial statements under headings Statement of financial position, Statement of comprehensive income, Statement of cash flows (indirect method) and Statement of changes in equity for the year ended 31 December 2022 ("Forms"), together with information on the reconciliation of the Forms with the Company's financial statements prepared in accordance with the International Financial Reporting Standards as adopted by the European Union. Preparation of these Forms is the responsibility of the Company's Management Board and the Forms are not an integral part of these financial statements, but contain information in accordance with Ordinance. Financial information in the Forms is derived from the financial statements of the Company prepared in accordance with International Financial Reporting Standards as adopted by the European Union presented on pages 11 to 55, and is adjusted in accordance with the Ordinance.

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

PricewaterhouseCoopers d.o.o.
Heinzelova 70, Zagreb
21 April 2023

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

INTERKAPITAL vrijednosni papiri d.o.o.
Annual financial statements

Statement of comprehensive income

for the year ended December 31, 2022

	Note	in 2022 HRK'000	in 2021 HRK'000
Income from commissions and fees for investment services	5	25,760	24,064
Expenses from commissions and fees for investment services	6	(8,264)	(6,646)
Net income from commissions and fees		17,496	17,418
Realized gains from financial assets at fair value through profit or loss		3,673	4,274
Realized losses from financial assets at fair value through profit or loss		(8,163)	(1,532)
Net realized gains		(4,490)	2,742
Unrealized gains from financial assets at fair value through profit or loss		67	183
Unrealized losses from financial assets at fair value through profit or loss		(298)	(114)
Net unrealized gains		(231)	69
Interest income	7	991	539
Interest expenses	8	(722)	(513)
Net interest income		269	26
Foreign exchange gains	9	1,869	1,893
Foreign exchange losses	9	(1,676)	(1,530)
Net foreign exchange gains/(losses)		193	363
Income from dividends, profit shares and other securities		581	257
Other income		1,576	1,158
Total other income		2,157	1,415
Amortization	13,14,15	(544)	(564)
Employee expenses	10	(7,497)	(7,401)
Other expenses	11	(3,618)	(3,420)
Total other expenses		(11,659)	(11,385)
Profit before tax		3,735	10,648
Income tax	12	(461)	(1,754)
Net profit		3,274	8,894
Other comprehensive income		-	-
Total comprehensive income		3,274	8,894

Notes shown on the following pages form an integral part of these financial statements.

INTERKAPITAL vrijednosni papiri d.o.o.
Annual financial statements (continued)

Statement of financial position
as at 31 December 2022

	Note	in 2022 HRK'000	in 2021 HRK'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	1.938	1.937
Right-of-use assets	14	1.482	1.855
Intangible assets	15	602	397
Other receivables	18	38	38
Deferred tax assets	12	58	192
		4.118	4.419
Current assets			
Financial assets at fair value through profit or loss	16	14,615	26,919
Receivables for investment services	17	5,039	6,493
Other receivables	18	4,590	3.377
Cash and cash equivalents	19	3.571	3.165
		27,815	39,954
TOTAL ASSETS		31,933	44,373
LIABILITIES AND EQUITY			
Equity and reserves			
Issued capital	20	8,000	8,000
Retained earnings		-	-
Capital reserves		2,000	2,000
Profit for the year		3.274	8,894
		13,274	18,894
Long term liabilities			
Lease liabilities	14	1.354	1.588
		1.354	1.588
Short-term liabilities			
Liabilities for purchased securities	22	2,355	691
Loans liabilities	21	13.106	18.181
Trade payables		601	828
Liabilities to employees		862	1.622
Liabilities for taxes and contributions		154	1.947
Lease liabilities	14	227	271
Other liabilities		-	351
		17.305	23,891
TOTAL LIABILITIES		31,933	44,373

The notes presented on the following pages form an integral part of these financial statements.

INTERKAPITAL vrijednosni papiri d.o.o.
Annual financial statements (continued)

Statement of changes in equity

for the year ended 31 December 2022

	Issued capital HRK'000	Profit for the year HRK'000	Capital reserves HRK'000	Retained earnings HRK'000	Total HRK'000
Balance on January 1, 2021	8,000	1,700	1,000	-	10,700
Profit for the period	-	8,894	-	-	8,894
Other comprehensive income	-	-	-	-	-
<i>Total comprehensive income for the period</i>	-	<i>8,894</i>	-	-	<i>8,894</i>
Transfer	-	(1,700)	-	1,700	-
Formed capital reserves	-	-	1,000	-	1,000
Dividend payments	-	-	-	(1,700)	(1,700)
Balance on of January 1, 2022	8,000	8,894	2,000	-	18,894
Profit for the period	-	3,274	-	-	3,274
Other comprehensive income	-	-	-	-	-
<i>Total comprehensive income for the period</i>	-	<i>3,274</i>	-	-	<i>3,274</i>
Transfer	-	(8,894)	-	8,894	-
Dividend payments	-	-	-	(8,894)	(8,894)
Balance on December 31, 2022	8,000	3,274	2,000	-	13,274

The notes presented on the following pages form an integral part of these financial statements.

INTERKAPITAL vrijednosni papiri d.o.o.
Annual financial statements (continued)

Statement of cash flows

for the year ended 31 December 2022

	Note	in 2022 HRK'000	in 2021 HRK'000
Net cash flow from operating activities		14,458	1,524
Profit after tax		3,735	10,648
<i>Adjustments:</i>			
Amortization	<u>13, 14, 15</u>	544	564
Depreciation of tangible assets		6	-
Interest income	<u>7</u>	(991)	(539)
Interest expenses	<u>8</u>	722	513
Net exchange differences	<u>9</u>	(193)	(363)
Net unrealized (gains)/losses		231	(69)
Other adjustments		44	-
<i>Changes in assets and liabilities:</i>			
(Increase)/decrease in receivables based on investment services performed		1,454	(1,463)
(Increase)/decrease in other receivables		(568)	14,395
(Increase) of financial assets at fair value through profit or loss		12,266	(9,396)
Increase in liabilities for purchased securities		1,664	(11,778)
Increase in other liabilities		(1,537)	766
Income tax paid		(2,919)	(1,754)
Net cash flow from investing activities		885	235
Interest income		1,344	539
(Increase)/decrease of investments in intangible assets	15	(291)	(267)
(Increase)/decrease in investment in tangible assets	12	(168)	(37)
Net cash flow from financing activities		(14,937)	(1,007)
Reduction of liabilities for received loans		(24,681)	(120,900)
Increase in liabilities for received loans		19,500	121,370
Interest paid		(547)	(513)
Formed capital reserves		-	1,000
(Decrease)/increase of rental obligations		(315)	(264)
Dividend and profit payment		(8,894)	(1,700)
Net increase in cash and cash equivalents		406	752
Cash and cash equivalents at the beginning of the period		3,165	2,413
Cash and cash equivalents at the end of the year	19	3,571	3,165

The notes presented on the following pages form an integral part of these financial statements.

INTERKAPITAL vrijednosni papiri d.o.o.

Notes to the annual financial statements

1. General

History and incorporation

INTERKAPITAL vrijednosni papiri d.o.o., Zagreb ("the Company") is a limited liability company for securities trading. It was incorporated in Zagreb under the Memorandum of Association on 28 January 2002, and started to operate in mid-April 2002.

The Company was registered at the Commercial Court in Zagreb on 12 February 2002. The securities trading license was issued by the Croatian Securities Commission on 31 January 2002. The registered office of the Company is located in Zagreb, Masarykova 1. The Company is 100%-owned by INTERKAPITAL d.d., Zagreb.

On July 2009, the Croatian Financial Services Supervision Agency ("HANFA") passed a decision granting to Company the authorization to perform financial services, investment activities and related auxiliary services according to the Capital market Law (OG 65/18).

The Company is supervised by the Croatian Agency for supervision of financial services in Republic of Croatia ("HANFA"). The Company is a member of the Zagreb stock exchange, Central Depository & Clearing Company, Ljubljana stock exchange and Eurex i.e. IPO Partner of Warsaw Stock Exchange.

Activities

The Company's core business activities include the purchase and sale of securities on behalf of clients, trading in securities for its own account, trading in securities for speculative purposes and custody.

Management Board members

Matko Maravić, Chairman of the Board, represents the company together with other members of the management board or procurator of the company from 1 February 2016;

Danijel Delač, Member, represents the company together with other members of the management board or procurator of the company from 1 February 2016

Andrej Erjavec - procurator, represents the company together with another member or chairman of the board

Kristina Pukšec - procurator, represents the company together with another member or chairman of the board

Tonći Korunić - procurator, represents the company together with another member or chairman of the board

Basis of preparation

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted in the European Union (the "IFRS"). The financial statements are presented in the official currency of the Republic of Croatia, in Croatian kuna ("kuna"), rounded to the nearest thousand, unless otherwise stated. The financial statements have been prepared in accordance with the historical cost principle, except for financial assets and liabilities that are measured at fair value, in accordance with IFRS 9 - Financial Instruments. Accounting policies have been consistently applied, except where otherwise noted.

The financial statements are prepared on going concern basis.

2. Adoption of new and revised International Financial Reporting Standards ("IFRS")

A. Adoption of new or amended standards and interpretations

The following amended standards are in effect from January 1, 2022, they were adopted in the EU, but did not have a significant impact on the Company:

- Revenues before intended use, Harmful contracts - contract fulfillment costs, Reference to the Conceptual Framework - narrow scope additions to IAS 16, IAS 37 and IFRS 3 and Annual Improvements to IFRS for the cycle from 2018 to 2020 - amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (published on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).
- Lease relief in the context of the COVID-19 pandemic - Amendments to IFRS 16 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021).

B. New accounting standards and interpretations

Several new standards and interpretations have been published that are mandatory for annual periods beginning on or after January 1, 2023 or later, which have been adopted in the EU and which the Company has not previously adopted.

- IFRS 17 Insurance Contracts (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023).
- Amendments to IFRS 17 and Amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023).
- Addendums to IAS 1 and 2. Guidelines for practice in addition to IFRS (IFRS Practice Statement 2): Disclosure of accounting policies (issued on February 12, 2021 and effective for annual periods beginning on or after January 1, 2023).
- Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).
- Deferred tax related to assets and liabilities arising from a single transaction - Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023).
- Transitional option for insurers applying IFRS 17 – Amendments to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023)

Unless otherwise stated above, the new standards and interpretations are not expected to significantly affect the Company's financial statements.

2. Adoption of new and revised International Financial Reporting Standards ("IFRS") (continued)

B. New accounting standards and interpretations (continued)

Several new standards and interpretations have been published that are mandatory for annual periods beginning on or after January 1, 2023 or later, which have not been adopted in the EU and which the Company has not previously adopted.

- IFRS 14, Deferred Recognition of Revenue and Expense in a Regulated Price System (issued on 30 January 2014 and effective for annual periods beginning on or after 1 January 2016).
- Sale or transfer of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB) .
- Amendments to IFRS 16 Leases: A lease liability in a sale-leaseback transaction (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024).
- Classification of liabilities as short-term or long-term - Amendments to IAS 1 (originally published on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, effective for annual periods beginning on or after 1 January 2024).

Unless otherwise stated above, the new standards and interpretations are not expected to significantly affect the Company's financial statements.

3. Summary of significant accounting policies

Income and expenses from commissions and fees for investment services

Revenues generated during the Company's regular operations are recognized in the amount of the transaction price. The transaction price is the amount of compensation to which the Company expects to be entitled in exchange for the service rendered, excluding amounts charged on behalf of third parties. Revenues are recognized net of discounts and value added tax. The company provides services with variable prices. If the Company transfers control over the service over time and therefore fulfills the performance obligation over time, revenue from the provision of services is recognized in the accounting period in which the services are provided.

Income from commissions and fees for performed investment services consists of commissions for mediation services in the sale and purchase of securities, income from the work of issuing agents and consulting services, and income from storage and administration fees. Revenue is recognized in the profit and loss account when the service is rendered.

Expenses from commissions and fees for investment services performed mostly consist of commissions for stock exchange services, securities depositories and settlement services. The expense is recognized in the profit and loss account upon receipt of the service.

Realized and unrealized gains and losses from financial assets

Gains and losses from financial assets include gains and losses on the basis of sales (realized gains and losses) and changes in the fair value of financial assets and liabilities (unrealized gains and losses) intended for trading in one's own name and for one's own account.

Interest income and expenses

Income and expenses from interest arising on the basis of claims and liabilities from business relationships calculated up to the date of the report are recognized in the income statement at the time of occurrence.

Interest income and expenses are recognized in the income statement for all interest-bearing instruments on an accrual basis and using the effective interest rate method. Interest income includes coupons earned from investments in fixed-income securities and securities at fair value through the income statement.

Interest expenses from lease obligations and loans received are recognized in the income statement using the effective interest rate method.

Income from dividends

Income from dividends based on investments in equity securities is recognized in the profit and loss account at the time the right to receive dividends arises.

INTERKAPITAL vrijednosni papiri d.o.o.

Notes to the annual financial statements (continued)

3. Summary of significant accounting policies (continued)

Foreign currency

Transactions expressed in foreign means of payment are converted into HRK (Croatian kuna) at the exchange rate valid on the date of the transaction. The Croatian kuna is the functional currency of the Company, and the financial statements are presented in that currency.

Monetary assets and liabilities expressed in foreign means of payment were converted into kuna on the reporting date at the exchange rate valid on that day. Exchange rate differences resulting from the conversion of foreign means of payment are recognized in the profit and loss account.

Non-monetary items denominated in foreign currency valued at fair value are converted into kuna at the exchange rate valid on the date of determination of fair value. Non-monetary items denominated in foreign currency stated at acquisition cost are recalculated using the exchange rate of the foreign currency on the date of the transaction.

The exchange rates of major currencies at the end of the year were as follows:

December 31, 2022	EUR 1 = HRK 7.534500	USD 1 = HRK 7.064035
December 31, 2021	EUR 1 = HRK 7.517174	USD 1 = HRK 6.643548

INTERKAPITAL vrijednosni papiri d.o.o.

Notes to the annual financial statements (continued)

3. Summary of significant accounting policies (continued)

Lease liabilities

On the lease commencement date, the Company recognizes lease liabilities, measured according to the present value of lease payments, to be made during the lease term. Lease payments include fixed payments (including payments that are essentially fixed) less lease incentives received, variable lease payments that depend on an index or rate, and amounts expected to be paid under residual value guarantees.

The company applies a unique recognition and measurement approach for all leases, except for short-term leases (with a contractual term of up to 12 months) and low-value leases (up to HRK 32,500). The company recognizes lease obligations for the payment of rent and property with the right of use, which represents the right to use the property in question. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease period and the estimated useful life of the asset.

Employee benefits

Obligations for pensions and other obligations after retirement

In the course of regular operations, when paying salaries, the Company makes regular payments of contributions on behalf of its employees who are members of mandatory pension funds in accordance with the law. The company has no other pension arrangements except those within the framework of the state pension system of the Republic of Croatia. As an employer, the company is obliged to calculate and pay a percentage of the current gross salary of the employees into the pension insurance, and the aforementioned costs are debited to the profit and loss account in the period in which the employees receive compensation for their work. The company has no obligation to pay pensions to employees in the future.

Long-term employee benefits

The Company recognizes provisions for long-term employee benefits evenly over the period in which the award was made, based on the actual number of years of service.

Short-term employee benefits

The Company recognizes a liability for bonuses when there is a contractual obligation or past practice on the basis of which the derivative obligation arose. Furthermore, the Company recognizes a liability for accrued benefits for absence from work based on unused vacation days as of the balance sheet date.

Taxation

The Company charges taxes in accordance with Croatian tax law. Corporate income tax is computed on the basis of taxable profit, calculated by adjusting the statutory result for certain income and expenditure items as required by Croatian law and other applicable legal regulations.

Current tax

The current tax is the amount of the tax to be paid/(returned) on taxable profit (taxable loss) for the year. Taxable profit differs from profit which is reported in the income statement because it excludes items of income or expense that are taxable or deductible in other accounting periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

3. Summary of significant accounting policies (continued)

Taxation (continued)

Deferred tax

Deferred tax is calculated by using the balance sheet liability method which reflects 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 is calculated at the tax rates that are expected to be realized in the period in which settlement of the liability or temporary differences will be settled, based on the tax rates (and tax laws) prescribed by the reporting date.

Deferred tax is calculated at the tax rates that are expected to be in effect in the period in which the liability is settled or the temporary difference is realized, based on the tax rates (and tax laws) prescribed by the reporting date.

Deferred tax assets and liabilities are not discounted and are classified as non-current assets and/or long-term liabilities in the statement of financial position. Deferred tax assets are recognized up to the amount for which it is probable that taxable profits sufficient for their use will be realized. At each reporting date, the Company reassesses the unrecognized potential deferred tax asset and the recoverability of the carrying amount of the recognized deferred tax asset. Additional income tax, resulting from the distribution of dividends, is recognized at the time of recognition of the related obligation to pay the dividend.

Deferred tax assets and liabilities are offset when there is a legal right to offset current tax assets and liabilities.

Property, plant and equipment

Property, plant and equipment are initially recognized in the statement of financial position at cost and subsequently stated net of accumulated depreciation and accumulated impairment losses. Acquisition cost includes the purchase price and all costs directly related to bringing the asset to working condition for its intended use.

Costs of current maintenance and repairs, replacements and small-scale investment maintenance, which do not lead to an increase in future economic benefits, are recognized as an expense when incurred. The costs of significant investment maintenance and replacement, which objectively lead to an increase in future economic benefits, are capitalized.

Gains and losses on disposals of property, plant and equipment are recognized in the income statement in the period in which they arise.

At each reporting date, the Company reviews the carrying amounts of property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss.

Depreciation is included in the income statement on a straight-line basis over the estimated useful lives of property, plant and equipment. The estimated useful lives, residual values and depreciation methods are reviewed at each reporting date, including a change in the expected economic benefits. Assets under construction are not depreciated. The average estimated useful life of an individual asset is as follows:

INTERKAPITAL vrijednosni papiri d.o.o.

Notes to the annual financial statements (continued)

3. Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

	in 2022	in 2021
Buildings	40 years	40 years
Plant and equipment	4 to 8 years	4 to 8 years
Vehicles	8 to 10 years	8 to 10 years

Depreciation is calculated starting from the first day of the following month in which the tangible asset is put into use.

Assets held under finance leases are depreciated over the expected useful life of the same asset or the lease period, whichever is shorter.

The subsequent expenditure related to the already recognized object of real estate and equipment is capitalized only in the case when there is an increase in future economic benefits that will flow to the Company. Any other subsequent expenditure is recognized as an expense in the period in which it is incurred.

Intangible assets

Intangible assets are initially recognized in the statement of financial position at acquisition cost, and are subsequently recognized at acquisition value less accumulated depreciation and accumulated impairment losses. Amortization of intangible assets is calculated using the straight-line method over the estimated useful life of use. The estimated useful life and the depreciation method are reviewed at the end of each year, incorporating a change in the expected consumption framework of the economic benefits. The average estimated useful life of intangible assets is as follows:

	in 2022	in 2021
Software	8 years	8 years

Subsequent expenditure related to an already recognized item of intangible assets is capitalized only in the case when there is an increase in future economic benefits that will flow to the Company. Any other subsequent expenditure is recognized as an expense in the period in which it is incurred.

The cost of regular maintenance is directly charged to operating profit. In exceptional cases, the cost of maintenance is capitalized, if the maintenance results in an increase in capacity or a significant improvement of a particular asset and when it is certain that the same will lead to future economic benefits associated with the expenditure in question.

Right-of-use assets

The company rents office space and cars. The company applied a modified approach and, in accordance with the provisions of IFRS 16, as a lessee, it uses exceptions in the recognition of leases of assets of "low value" and short-term leases, i.e. leases with a period of 12 months or less.

INTERKAPITAL vrijednosni papiri d.o.o.

Notes to the annual financial statements (continued)

3. Summary of significant accounting policies (continued)

Right-of-use asstes (continued)

The Company applies a single recognition and measurement approach for all leases, except short-term leases and leases of low value. The company recognizes lease obligations for the payment of rent and property with the right of use, which represents the right to use the property in question. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease period and the estimated useful life of the asset.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- initial direct costs, and
- costs to restore the asset to the conditions required by lease agreements .

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets' useful lives. Depreciation on the items of the right-of-use assets is calculated using the straight-line method over their estimated useful lives as follows: business premises are depreciated over a period of 10 years; and vehicles over a period of 4 to 7 years.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and bank accounts with a maturity of up to three months.

Financial instruments

The classification of financial assets depends on the purpose for which the financial assets were acquired. Management classifies financial assets upon initial recognition. The classification and subsequent measurement of financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the assets.

The business model reflects how the Company manages the assets in order to generate cash flows – whether the Company's objective is: (a) solely to collect contractual cash flows from the assets ("hold to collect contractual cash flows") or (b) collect both the contractual cash flows and the cash flows arising from the sale of the asset ("hold to collect the contractual cash flows and sell") or, if neither of points (a) and (b) apply, the financial assets are classified as part of "other" business model and is measured at fair value through the profit and loss.

INTERKAPITAL vrijednosni papiri d.o.o.

Notes to the annual financial statements (continued)

Financial instruments

Financial assets and liabilities at amortized cost

Financial assets are classified at amortized cost if the following conditions are met:

- a) financial assets are held within the framework of a business model whose purpose is to hold financial assets for the purpose of collecting contractual cash flows and
- b) on the basis of the contractual terms of the financial asset, on certain dates, cash flows arise that are only the payment of the principal and interest on the outstanding amount of the principal.

The premium or discount, including initial transaction costs, is included in the carrying amount of the instrument and is amortized. Subsequent measurement is made at the amortized cost of the investment, using the effective interest rate. The obtained values are recognized in the profit and loss account as income/reduction of interest income.

3. Summary of significant accounting policies (continued)

Financial assets at fair value through the profit and loss

Financial instruments included in this portfolio are financial instruments that are held for trading, and were purchased to gain profit from short-term price movements or brokerage commissions, or are securities included in a portfolio in which there is a pattern of short-term profit realization.

In accordance with the Company's investment policy, each financial instrument can be classified as an asset stated at fair value through the profit and loss account, with the exception of investments in equity instruments that do not have a quoted price on an active market and whose fair value cannot be reliably measured.

These instruments are initially recognized at cost and later remeasured at fair value which is based on quoted purchase prices in an active market.

All related realized and unrealized gains and losses are included in the statement of comprehensive income under "Net unrealized and realized gains of financial assets at fair value through RDG".

Interest earned during the holding of these instruments is shown in the statement of comprehensive income under "Net interest income". All purchases and sales of instruments held for trading are recognized on the day the trade is completed, which is the date on which the Company undertakes to purchase or sell the asset.

Impairment of property value

The company applies a three-stage impairment model, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired at initial recognition is classified in level 1. In level 1, value adjustments due to credit losses are calculated as a 12-month expected credit loss. If the Company determines a significant increase in credit risk since the initial recognition, the asset is transferred to level 2, and value adjustments due to credit losses are calculated as expected credit loss during the lifetime/duration of the asset. In stage 3, it is allocated to financial assets that are in default status at the reporting date, and credit loss allowances are calculated as expected credit losses over the life/duration of the asset.

At each reporting date, the Company measures and recognizes, based on an assessment of future conditions, the expected credit loss for financial assets measured at amortized cost. Impairment is based on the expected credit loss model, the measurements of which reflect:

- an unbiased and probability-weighted amount that is determined based on an assessment of a number of possible outcomes,
- time value of money,
- reasonable and substantiated information that is available without undue cost and effort at the reporting date, about past events, current conditions and forecasts of future economic circumstances.

In the statement of financial position, financial assets that are measured at amortized cost are reported less the value adjustment for expected credit losses. For receivables, the Company uses a simplified model of expected credit losses applying lifetime expected credit losses.

Changes in value adjustments are charged to the profit and loss.

INTERKAPITAL vrijednosni papiri d.o.o.

Notes to the annual financial statements (continued)

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

Repo and reverse repo transactions

The company has contracts for the sale and purchase of securities ("repo transactions"), as well as contracts under which it undertakes to buy and then sell securities ("reverse repo transactions"). The company records the mentioned transactions as loans received or given. Securities given as collateral for received loans are recognized in the statement of financial position as securities within repo transactions and are reported in accordance with the accounting policy for the respective financial assets at amortized cost or fair value, as appropriate. Securities received as collateral for loans are reported off-balance sheet.

Fees for repo and reverse repo transactions are accrued over the period of the transaction and recorded in the profit and loss account under "Interest income" or "Interest expense".

Derecognition of financial assets

The Company stops recognizing financial assets only when the contractual rights to cash flow from the financial assets cease; or when the Company transfers financial assets and related risks and returns from ownership to another company.

If the Company does not transfer or retain all significant risks and rewards of ownership and continues to control the transferred assets, the Company recognizes ownership of the assets and related liabilities for the amounts it could pay. If the Company retains substantially all of the risks and rewards of ownership of the transferred assets, the Company continues to recognize financial assets and certain secured liabilities under the receivables credit.

Financial obligations

Financial liabilities are classified as either financial liabilities "through the profit and loss account" or "other financial liabilities".

Other financial liabilities

Other financial liabilities, including received loans, are initially recognized at fair value, excluding transaction costs.

Other financial liabilities are subsequently recognized at amortized cost using the effective interest rate method, with interest expense recognized using the effective interest rate method.

Derecognition of a financial liability

The company ceases to recognize a financial obligation only and exclusively if it has disappeared, i.e. if the contractual obligation has been settled, corrected or has expired.

Derivative financial instruments

As part of regular operations, the Company concludes contracts on derivative financial instruments for the purpose of managing the risks to which it is exposed.

The company uses financial derivatives by applying documented policies approved by the Board, which contain the principles of using financial derivatives. Derivative financial instruments are initially recognized at cost, including transaction costs, and subsequently measured at fair value.

Fair values are determined based on quoted market prices, using discounted cash flow methods and option pricing methods, as applicable. All derivatives whose value is positive are reported as assets, while all derivatives with a negative value are reported as liabilities.

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

Gains and losses from transactions with derivative financial instruments and changes in their fair values are recognized directly in the income statement.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and when it is probable that settlement of the obligation will require an outflow of resources embodying economic benefits. The amount recognized as a provision is the best estimate of the expenditure necessary to settle the present obligation at the reporting date, taking into account the risks and uncertainties of imminent events and circumstances.

If the provision is measured by the expected cash flows estimated to settle the liability, the amount of the provision is the present value of the expected expenditure required to settle the liability.

If it is expected that some or all of the expenses necessary to settle the provision will be reimbursed by another party, compensation is recognized only and only when it is almost certain that the compensation will be received if the entity settles the obligation, and the amount of the claim can be measured reliably.

Management of funds in the name and on behalf of third parties

The company manages funds in the name and on behalf of legal and natural persons and charges a fee for these services. Given that these assets do not represent the assets of the Company, they are excluded from the statement of financial position in these financial statements (Note 22).

4. Accounting judgments and estimates of uncertainty

In applying the accounting policies described in Note 3, the Company's Management makes judgments, estimates and assumptions about the book values of assets and liabilities, which are not available from other sources. Estimates and assumptions are based on historical experience and other factors deemed relevant. Actual results may differ from the stated estimates. The judgments and assumptions on the basis of which the estimates were made are continuously reviewed. Changes in accounting estimates are recognized in the period of revision of the estimate if the change affects only that period or in the period of revision of the estimate and in future periods if the change affects both current and future periods.

INTERKAPITAL vrijednosni papiri d.o.o.
Notes to the annual financial statements (continued)

5. Income from commissions and fees for performed investment services

	in 2022 HRK'000	in 2021 HRK'000
Income from fees for intermediation services on the foreign market	12,021	10,998
Income from fees for intermediation services on the domestic market	6,860	3,984
Income from publishing agent and consulting services	2,039	5,650
Income from storage and administration fees	4,656	3,271
Income from research analysis fees and other income	184	161
	25,760	24,064

6. Expenses from commissions and fees for performed investment services

	in 2022 HRK'000	in 2021 HRK'000
Commission costs on stock exchanges	2,535	1,863
Costs of commissions of foreign brokers and related representatives	1,903	1,704
Commission of the central clearing depository company	2,033	1,506
Cost of access to the Software	658	617
The cost of Bloomberg	732	602
Banking services	204	178
SWIFT costs	107	126
Other costs	92	50
	8,264	6,646

7. Interest income

	in 2022 HRK'000	in 2021 HRK'000
Interest income from financial instruments	235	269
Other income from interest	756	270
	991	539

INTERKAPITAL vrijednosni papiri d.o.o.
Notes to the annual financial statements (continued)

8. Interest expenses

	in 2022 HRK'000	in 2021 HRK'000
Interest expenses on the basis of financial instruments	648	403
Interest expenses on the basis of leasing	69	79
Other interest expenses	5	31
	722	513

9. Net exchange differences

	in 2022 HRK'000	in 2021 HRK'000
Positive exchange rate differences by derivative transactions	335	394
Other positive exchange differences	1,534	1,499
	1,869	1,893
Negative exchange rate differences by derivative transactions	(330)	(169)
Other negative exchange differences	(1,346)	(1,361)
	(1,676)	(1,530)
	193	363

10. Employee expenses

	in 2022 HRK'000	in 2021 HRK'000
Costs of net salaries and compensation of employees	4,515	4,986
Costs of taxes, surcharges, and contributions from and on wages and benefits	2,982	2,415
	7,497	7,401

On December 31, 2022, the Company had 21 employees (2021: 27 employees) .

During 2022, the Company paid HRK 1,240 thousand (2021: HRK 1,078 thousand) in pension contributions to mandatory pension insurance funds with a defined contribution amount related to its employees.

INTERKAPITAL vrijednosni papiri d.o.o.
Notes to the annual financial statements (continued)

11. Other expenses

	in 2022 HRK'000	in 2021 HRK'000
Costs of outsourcing services	373	378
The cost of taxes, contributions, membership fees and other benefits	392	363
Maintenance cost	171	180
Material costs	227	206
The cost of SKDD	267	228
The cost of consulting services	327	298
The cost of insurance premiums	150	141
Postage and shipping cost	69	142
The cost of telecommunications	74	82
The cost of utility fees	76	87
Cost of representation	127	165
Education and literature costs	89	289
Official travel expenses	100	56
Donations	20	-
Reimbursement of expenses to employees	670	483
Other costs	486	322
	3,618	3,420

The agreed audit fee for 2022 is HRK 75 thousand (2021: HRK 83 thousand).

INTERKAPITAL vrijednosni papiri d.o.o.
Notes to the annual financial statements (continued)

12. Income tax

Income tax is calculated by applying the statutory tax rate of 18% to the taxable profit of the Company (2021: 18%).

The reconciliation of income tax for the year with the income shown in the Statement of Comprehensive Income is as follows:

	in 2022 HRK'000	in 2021 HRK'000
Accounting profit before tax	3.052	10,648
Non-taxable expenses	1.351	1.676
Non-taxable income	(1,902)	(1,654)
tax base	2.501	10,670
Tax rate	18%	18%
Tax expense for the year	450	1.920
Calculation of tax paid abroad	(123)	(71)
Reversal/(recognition) of deferred tax assets based on temporary differences	134	(95)
Income tax expense	461	1.754
Effective tax rate	18.43%	16.44%

	in 2022 HRK'000	in 2021 HRK'000
Current tax expense		
Current income tax expense	327	1.849
Deferred tax		
Cancellation/(creation) of temporary differences on long-term provisions	134	(95)
Income tax expense	461	1.754

INTERKAPITAL vrijednosni papiri d.o.o.
Notes to the annual financial statements (continued)

12. Income tax (continued)

Deferred tax assets arose from temporary differences based on provisioning costs.

The movement of deferred tax assets is as follows:

	in 2022 HRK'000	in 2021 HRK'000
Balance as at 31 December	192	187
Increase	58	189
Alignment from 2018.	-	(89)
Termination	(192)	(95)
Balance as at 31 December	58	192

13. Property, plant and equipment

Overview of asset movements during 2022:

	Buildings	Office equipment	Total
	HRK'000	HRK'000	HRK'000
<i>Purchase value</i>			
At 1 January, 2022	3,059	381	3,440
Additions	-	168	168
Disposals	-	(104)	(104)
At 31 December 2022	3,059	445	3,504
<i>Accumulated depreciation</i>			
At 1 January, 2022	1,275	228	1,503
Depreciation charge for the year	76	85	161
Disposals	-	(98)	(98)
At 31 December 2022	1,351	215	1,566
<i>Net book value</i>			
At 1 January 2022	1,784	153	1,937
At 31 December 2022	1,708	230	1,938

INTERKAPITAL vrijednosni papiri d.o.o.
Notes to the annual financial statements (continued)

13. Property, plant and equipment (continued)

Overview of asset movements during 2021:

	Construction facilities	office equipment	In total
	HRK'000	HRK'000	HRK'000
<i>Purchase value</i>			
At 1 January, 2021	3,059	409	3,468
Additions	-	37	37
Disposals	-	(65)	(65)
At 31 December 2021	3,059	381	3,440
<i>Accumulated depreciation</i>			
At 1 January, 2021	1,199	220	1,419
Depreciation charge for the year	76	73	149
Disposals	-	(65)	(65)
At 31 December 2021	1,275	228	1,503
<i>Net book value</i>			
At 1 January, 2021	1860	189	2,049
At 31 December 2021	1.784	153	1.937

14. Right-of-use assets

Overview of asset movements during 2022:

	buildings	Means of transport HRK'000	In total HRK'000
<i>Purchase value</i>			
At 1 January, 2022	1.839	804	2,643
Disposals	-	(434)	(434)
At 31 December 2022	1.839	370	2.209
<i>Accumulated depreciation</i>			
At 1 January, 2022	368	419	788
Depreciation charge for the year	184	113	297
Disposals	-	(357)	(357)
At 31 December 2022	552	175	727
<i>Net book value</i>			
At 1 January, 2022	1.471	385	1.855
At 31 December 2022	1.287	195	1.482

INTERKAPITAL vrijednosni papiri d.o.o.
Notes to the annual financial statements (continued)

14. Right-of-use assets (continued)

Overview of asset movements during 2021:

	buildings	Means of transport HRK'000	In total HRK'000
<i>Purchase value</i>			
At 1 January, 2021	1.839	561	2,400
Additions	-	243	243
At 31 December 2021	1.839	804	2,643
<i>Accumulated depreciation</i>			
At 1 January, 2021	184	259	443
Depreciation charge for the year	184	161	345
At 31 December 2021	368	419	788
<i>Book value</i>			
At 1 January, 2021	1,655	302	1,957
At 31 December 2021	1.471	385	1.855

Liabilities for leases and changes during the period:

	in 2022 HRK'000	in 2021 HRK'000
Balance as of January 1	1.859	1880
Increases	-	243
Calculated interest	69	79
Payments	(315)	(343)
Contract termination	(32)	-
Balance as of December 31	1.581	1.859
Short-term liabilities	227	271
Long term liabilities	1.354	1.588

INTERKAPITAL vrijednosni papiri d.o.o.
Notes to the annual financial statements (continued)

15. Intangible assets

Overview of the movement of intangible assets during 2022:

	In total
	HRK'000
<i>Purchase value</i>	
At 1 January, 2022	1.044
Additions	291
At 31 December 2022	1.335
<i>Accumulated depreciation</i>	
At 1 January, 2022	647
Depreciation charge for the year	86
At 31 December 2022	733
<i>Net book value</i>	
At 1 January, 2022	397
At 31 December 2022	602

Overview of the movement of intangible assets during 2021:

	In total
	HRK'000
<i>Purchase value</i>	
At 1 January, 2021	777
Additions	267
At 31 December 2021	1.044
<i>Accumulated depreciation</i>	
At 1 January, 2021	578
Depreciation charge for the year	69
At 31 December 2021	647
<i>Net book value</i>	
At 1 January, 2022	199
At 31 December 2021	397

Intangible assets consist of software.

INTERKAPITAL vrijednosni papiri d.o.o.
Notes to the annual financial statements (continued)

16. Financial assets at fair value through profit and loss

	in 2022 HRK'000	in 2021 HRK'000
Debt instruments of the Republic of Croatia	-	16,993
Equity instruments	14,615	9,926
	14,615	26,919

Securities of issuers based in the Republic of Croatia are listed on the Zagreb Stock Exchange. The fair value of these securities as of December 31, 2022 and 2021 was determined based on the average trading price weighted by the amount of securities traded on the stock exchange and reported institutional transactions on the Zagreb Stock Exchange.

17. Receivables for investment services

Receivables based on investment services performed in the total amount of HRK 5,039 thousand (2021: HRK 6,493 thousand) represent receivables based on investment consulting services, mediation on the capital markets, i.e. storage of financial assets for the client's account.

18. Other receivables

	in 2022 HRK'000	in 2021 HRK'000
<i>Long-term receivables</i>		
Receivables for lease repayments	38	38
	38	38
<i>Short-term receivables</i>		
Guarantee deposits	855	1.191
Deposit given in Central Depository & Clearing Company (SKDD)	924	725
Receivables from purchase/repurchase of financial instruments	1.611	728
Interest receivables for debt securities	-	353
Guarantee funds at the Central Depository & Clearing Company (SKDD)	-	241
<i>Total financial assets</i>	3,390	3.238
Claims for income tax advances	998	-
Expenses paid in future periods	119	109
Other claims	83	30
	4,590	3.377

19. Cash and cash equivalents

	in 2022 HRK'000	in 2021 HRK'000
Foreign currency account in banks	2,777	2.257
HRK account in banks	794	905
Cash on hand	-	3
	3.571	3.165

INTERKAPITAL vrijednosni papiri d.o.o.
Notes to the annual financial statements (continued)

20. Issued capital

The ownership structure as of December 31 is as follows:

	in 2022 HRK'000	in 2022 % of ownership	in 2021 HRK'000	in 2021 % of ownership
INTERKAPITAL dd, Zagreb	8,000	100.00	8,000	100.00
	8,000	100.00	8,000	100.00

21. Liabilities for loans, borrowings and advances

	in 2022 HRK'000	in 2021 HRK'000
Borrowing obligation Interkapital d.d	13,000	2,500
Liabilities for interest on loans from Interkapital dd	106	-
Liabilities under repo agreements	-	15,681
	13.106	18.181

22. Liabilities for purchased securities

Obligations for purchased securities refer to securities purchased at the end of the year whose settlement date is at the beginning of the following year, and fully refer to the obligation to the clearing organization in the Republic of Croatia and Slovenia.

INTERKAPITAL vrijednosni papiri d.o.o.
Notes to the annual financial statements (continued)

23. Funds managed for and on behalf of third parties

The company provides services that are performed in the name and on behalf of third parties - companies and individuals, by buying and selling various financial instruments according to the instructions of the clients. The Company charges fees for these services. Assets that are managed on behalf of and for the account of third parties are reported separately from the Company's assets. Incomes and expenses are allocated directly to the funds that are managed, and in regular business, the Company has no obligations in connection with these transactions.

Funds and sources of funds for transactions on behalf of and for the account of third parties are shown as follows:

	in 2022	in 2021
	HRK'000	HRK'000
Assets:		
Transactions:		
Investors	4,534,030	3,964,034
Receivables for completed transactions	24,728	17.170
Cash on giro account	213,886	131.033
TOTAL ASSETS	4,772,644	4.112.237
Obligations:		
Transactions:		
Investors	4,745,537	4,088,195
Liabilities for completed transactions	23,782	21,312
Commissions	3,325	2,730
TOTAL LIABILITIES	4,772,644	4.112.237

INTERKAPITAL vrijednosni papiri d.o.o.
Notes to the annual financial statements (continued)

24. Related party transactions

Parties are considered related if one party has the ability to control the other party or has significant influence over the other party in making financial or business decisions or is under joint control. The company is owned by Interkapital dd, which is also the ultimate controlling company. During regular operations, the Company carries out transactions with the owner of the Company, companies under the common control of the owner, and members of administrative, management, and supervisory bodies.

Transactions as part of regular business

	in 2022	in 2021
	HRK'000	HRK'000
Transactions with the owner		
Receivables from customers – INTERKAPITAL dd	15	19
Liabilities to suppliers – INTERKAPITAL dd	87	78
Liabilities for loans - INTERKAPITAL dd	13,000	2,500
Liabilities for interest on loans – INTERKAPITAL dd	106	-
Transactions with companies under joint control of the owners		
Receivables from customers – InterCapital Asset Management d.o.o.	110	12
Accounts payable – InterCapital Asset Management d.o.o.	13	12
Liabilities to suppliers – M1 Management Facility d.o.o.	21	27
Statement of comprehensive income		
Income from custody services – InterCapital Asset Management d.o.o.	114	149
Income from custody services – INTERKAPITAL dd	155	130
Interest expense – INTERKAPITAL dd	291	161
Costs of supplier services – INTERKAPITAL dd	575	628
Supplier service costs – InterCapital Asset Management d.o.o.	138	140
Supplier service costs – M1 Management Facility d.o.o.	304	150

Aforementioned transactions with related parties were contracted according to normal market conditions.

INTERKAPITAL vrijednosni papiri d.o.o.
Notes to the annual financial statements (continued)

24. Related party transactions (continued)

Payments to key management

The fees paid to members of key management during the year are as follows:

	in 2022	in 2021
	HRK'000	HRK'000
Wages	549	468
Pension contributions	167	152
Tax and surtax	117	109
Fees in kind	57	55
Christmas bonuses	10	6
	900	790

During 2022, the Company paid HRK 167 thousand (2021: HRK 152 thousand) in pension contributions to mandatory pension insurance funds with a defined amount of contributions related to key management.

During 2021 and 2022, no fees were paid to members of the Supervisory Board.

25. Financial instruments and risk management

Capital management

The company manages its capital in such a way as to ensure business continuity, while maximizing returns to owners through the optimization of debt and equity balances.

The Company's capital structure consists of debt, which includes loans shown in note 20, cash and capital attributable to owners' equity, including subscribed capital and retained earnings.

The Company's management reviews the capital structure on a regular basis. As part of that review, the Board considers the cost of capital and the risk associated with each class of capital. Based on the recommendations of the Management Board, the Company adjusts its capital structure through the dividend policy, the collection of new capital as well as the analysis of other forms of financing, and in accordance with the business plans, satisfying the regulatory framework. The company has not changed the stated strategy since its establishment.

Also, the Company monitors capital adequacy in accordance with the provisions of the Capital Market Act and meets the defined capital requirements, which as of December 31, 2022. year are HRK 6,690 thousand, whereby the Company exceeds the stated capital requirement by HRK 5,886 thousand.

Alternatively, the Capital Market Act prescribes a minimum amount of subscribed capital of HRK 7 million, while the Company has capital in the amount of HRK 8 million increased by the amount of reserves in the amount of HRK 1 million.

Financial risk management objectives

The Company's business activities expose it to various types of financial risks, which include market risk (including currency risk, interest rate risk, and price risk), liquidity risk, and instrument fair value risk.

The company is exposed to the effects of changes in conditions on the domestic and international markets, and in addition, has significant investments in foreign currency.

The management carefully supervises and monitors and manages financial risks related to the Company's operations.

25. Financial instruments and risk management (continued)

Objectives of financial risk management (continued)

The Company's liabilities consist for the most part of liabilities for loans received and other liabilities resulting from completed transactions (liabilities based on the purchase and sale of financial instruments) and they are mostly of a short-term nature.

As a result of the above, the Company is exposed to liquidity risk and the risk associated with changes in currency exchange rates and the fair value of financial instruments on the world market. The more significant risks, together with the methods used to manage those risks, are set out below. The company uses derivative financial instruments for risk management to a very limited extent.

Market risk

Market risk is the risk of possible changes in the exchange rate of foreign currencies, interest rates and market prices in the future, which may lead to a decrease in the value or damage of the financial instrument. The company manages market risk by diversifying its investment portfolio and regularly monitors it with pre-defined measures. At least once a year, the resistance of the portfolio to significant changes in the basic risk factors, which the Company considers to have a low probability of occurrence, but a potentially significant impact on the portfolio, is reviewed.

The Company has not changed its exposure to market risk or the way it manages market risk.

INTERKAPITAL vrijednosni papiri d.o.o.
Notes to the annual financial statements (continued)

25. Financial instruments and risk management (continued)

Foreign currency risk

The functional currency of the Company is the Croatian kuna. However, part of the investment in securities is denominated in foreign currencies. In addition, certain monetary assets and liabilities, mostly of a short-term nature, are also denominated in foreign currencies and are translated into Croatian kuna using the exchange rate on the reporting date. With this, the Company is exposed to the risk of exchange rate changes, i.e. the risk that the value of the financial instrument will change due to changes in the exchange rate of foreign currencies.

Exchange rate differences arising from the conversion of assets and liabilities into Croatian kuna on the reporting date are credited to, or debited to, the Company's income or expenses. Exposure to currency risk is controlled within certain approved parameters.

By analyzing the current exchange rate trends, as well as taking into account the current situation in the country and the world and expectations of future trends, the following changes in risk factors were assumed:

A risk factor	Estimated increase/decrease in 2022.	Estimated increase/decrease in 2021.
EUR/HRK	n.a.*	From -0.78% to 1.44%
USD/HRK	From -1.56% to 11.93%	From -5.58% to 5.95%

* Due to the entry of the Republic of Croatia into the Eurozone on January 1, 2023. all assets of the Company will be converted from kuna values to euro values, therefore the Company has no currency risks. For more details, see note 26 Significant business events after the end of the business year.

Based on these estimates of realistically possible movements of risk factors, the following table was obtained that shows the sensitivity of individual financial instruments and the change in their value in relation to the change of an individual risk factor.

'000 HRK	in 2022			in 2021				
	Open position	net	-change	+ change	Open position	net	-change	+ change
EUR	-3.044		-	-	-3,665		28,69	-52.90
USD	329		-5	39	53		-3.00	3.20
Impact on the company's net assets			-5	39	Impact on the company's net assets		25.63	-49.68

INTERKAPITAL vrijednosni papiri d.o.o.
Notes to the annual financial statements (continued)

25. Financial instruments and risk management (continued)

Currency risk (continued)

in 2022	HRK	EUR	USD	In total
	HRK '000	HRK '000	HRK '000	HRK '000
Assets				
Securities and other financial instruments at fair value through RDG	8.161	6,449	5	14,615
Receivables based on investment services performed	1.066	1.645	2,328	5,039
Other claims	886	2,542	-	3,428
Funds	794	2,770	7	3.571
Total assets	<u>10,907</u>	<u>13.406</u>	<u>2,340</u>	<u>26,653</u>
Liabilities				
Liabilities for purchased securities	-	2,355	-	2,355
Liabilities for loans received	13.106	-	-	13.106
Commitments towards suppliers	232	367	2	601
Lease obligations	-	1.581	-	1.581
Total liabilities	<u>13,338</u>	<u>4.303</u>	<u>2</u>	<u>17,643</u>
Currency structure mismatch	<u>(2,431)</u>	<u>9.103</u>	<u>2.338</u>	<u>9.010</u>

INTERKAPITAL vrijednosni papiri d.o.o.
Notes to the annual financial statements (continued)

25. Financial instruments and risk management (continued)

Currency risk (continued)

in 2021	HRK	EUR	USD	In total
	HRK '000	HRK '000	HRK '000	HRK '000
Assets				
Securities and other financial instruments at fair value through profit and loss	6.404	20,512	3	26,919
Receivables from investment services	2,527	1.579	2,387	6,493
Other receivables	1.696	1,580	-	3,276
Cash and cash equivalents	908	1.998	259	3,165
Total assets	<u>11,535</u>	<u>25,669</u>	<u>2,649</u>	<u>39,853</u>
Obligations				
Liabilities for purchased securities	110	581	-	691
Liabilities for loans received	2,500	15,681	-	18,181
Commitments towards suppliers	354	328	146	828
Lease liabilities	-	1.859	-	1,859
Other liabilities	207	-	-	207
Total liabilities	<u>3,171</u>	<u>18,449</u>	<u>146</u>	<u>21,766</u>
Currency structure mismatch	<u>8,364</u>	<u>7,220</u>	<u>2,503</u>	<u>18,087</u>

Interest rate risk

The Company is not exposed to the risk of interest rate changes, given that on December 31, 2021 and 2022, the Company's total assets and liabilities are interest-free, except for received loans that are contracted with a fixed rate. Received loans expose the Company to fair value risk, however, given the short maturity of these loans and the contracted interest rates, which are approximately equal to market rates, the fair value of these loans is approximately equal to the book value.

INTERKAPITAL vrijednosni papiri d.o.o.
Notes to the annual financial statements (continued)

25. Financial instruments and risk management (continued)

Risk of price changes

Price change risk refers to the risk of changes in the value of instruments due to changes in the market prices of securities traded on the financial market. Changes in the prices of financial instruments are subject to daily changes under the influence of a number of factors. Exposure to price risk is reduced by structuring a diversified portfolio of instruments. The company is exposed to this risk based on investments in equity instruments reported in the category of financial assets at fair value through RDG.

The company uses VaR as a measure of exposure to price risk. The VaR used by the Company is an estimate of the maximum potential loss during a certain holding period if investments bearing market risk remain unchanged, with a 99 percent probability.

Based on the assessment using the VaR method, the following table was obtained that shows the portfolio's sensitivity to price risk:

in 2022		in 2021	
VaR (%), 99%	Impact on property ('000 HRK)	VaR (%), 99%	Impact on property ('000 HRK)
-3.24	-129	-0.92	-91

25. Financial instruments and risk management (continued)

Liquidity risk

Liquidity risk refers to the risk where the company does not have enough liquid assets to satisfy its obligations. The ultimate responsibility for liquidity risk rests with the Company's Management Board, which has created a suitable framework for liquidity risk management, short-term, medium-term and long-term financing and liquidity management requirements.

The company manages liquidity risk by maintaining adequate reserves, bank funds and loaned funds reserves, continuously monitoring forecasted and actual cash flows and comparing maturity dates of financial assets and liabilities. The liquidity indicator is monitored daily, which represents the ratio of short-term liquid assets and liabilities, and which must be greater than 1 at all times.

The table below contains an analysis of assets and liabilities according to the remaining periods from the reporting date to contractual maturity, where the maturity dates are determined taking into account possible earlier repayment terms for options or based on a repayment plan.

INTERKAPITAL vrijednosni papiri d.o.o.
Notes to the annual financial statements (continued)

25. Financial instruments and risk management (continued)

Liquidity risk (continued)

in 2022	Up to one month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	In total
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
Assets						
Securities and other financial instruments at fair value through profit and loss	14,615	-	-	-	-	14,615
Receivables from investment services	5,039	-	-	-	-	5,039
Other receivables	3,428	-	-	-	-	3,428
Cash and cash equivalents	3,571	-	-	-	-	3,571
Total assets	26,653	-	-	-	-	<u>26,653</u>
Liabilities						
Liabilities for fees related to trading in financial instruments	2,355	-	-	-	-	2,355
Liabilities for loans received	106	-	13,000	-	-	13,106
Commitments towards suppliers	601	-	-	-	-	601
Lease obligations	19	39	168	919	436	1,581
Total liabilities	3,081	39	13,168	919	436	17,643
Interest rate risk mismatch	<u>23,572</u>	<u>(39)</u>	<u>(13,168)</u>	<u>(919)</u>	<u>(436)</u>	<u>9,010</u>

INTERKAPITAL vrijednosni papiri d.o.o.
Notes to the annual financial statements (continued)

25. Financial instruments and risk management (continued)

Liquidity risk (continued)

in 2021						
	Up to one month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	In total
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
Assets						
Securities and other financial instruments at fair value through P&L	9,926	-	-	16,993	-	26,919
Receivables from investment services	6,493	-	-	-	-	6,493
Other receivables	3,276	-	-	-	-	3,276
Cash and cash equivalents	3,165	-	-	-	-	3,165
Total assets	22,860	-	-	16,993	-	39,853
Liabilities						
Liabilities for fees related to trading	691	-	-	-	-	691
Liabilities for loans received	-	-	18,181	-	-	18,181
Commitments towards suppliers	828	-	-	-	-	828
Lease obligations	22	45	204	909	679	1,859
Other obligations	351	-	-	-	-	351
Total liabilities	1,892	45	18,385	909	679	21,910
Interest rate risk mismatch	<u>20,968</u>	<u>(45)</u>	<u>(18,385)</u>	<u>16,084</u>	<u>(679)</u>	<u>17,943</u>

INTERKAPITAL vrijednosni papiri d.o.o.
Notes to the annual financial statements (continued)

25. Financial instruments and risk management (continued)

The following table shows the maturities of the undiscounted cash flows of liabilities:

in 2022						
	Up to one month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	In total
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
Liabilities for fees related to trading	2,355	-	-	-	-	2,355
Liabilities for loans received	106	-	13,198	-	-	13,304
Commitments towards suppliers	601	-	-	-	-	601
Lease liabilities	24	49	212	1,066	454	1,805
Total liabilities	3,086	49	13,410	1,066	454	18,065

in 2021						
	Up to one month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	In total
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
Liabilities for fees related to trading	691	-	-	-	-	691
Liabilities for loans received	-	-	18,225	-	-	18,225
Commitments towards suppliers	828	-	-	-	-	828
Lease liabilities	28	57	255	1,092	720	2,152
Other liabilities	351	-	-	-	-	351
Total liabilities	1,898	57	18,480	1,092	720	22,247

INTERKAPITAL vrijednosni papiri d.o.o.
Notes to the annual financial statements (continued)

25. Financial instruments and risk management (continued)

Net debt:

	in 2022 HRK'000	in 2021 HRK'000
Cash and cash equivalents	3.571	3.165
Liquid investments <i>/i/</i>	14,615	26,919
Credits received	(13.106)	(18.181)
Lease liabilities	(1,581)	(1,859)
	3,499	10,044

/i/ Liquid investments consist of short-term investments that are traded on an active market. In the statement of financial position, they are shown as financial assets at fair value through the profit and loss account, and in the statement of cash flow in cash flow from operating activities.

	Received loans	Lease obligations	Total financial obligations	Funds	Liquid investments	In total HRK'000
Net debt on January 1, 2022.	(18.181)	(1,859)	(20,040)	3.165	26,919	10,044
Cash flow from financing activities	5.181	278	5,459	406	(12,266)	(6,401)
Changes in fair value	-	-	-	-	(231)	(231)
Net exchange differences	-	-	-	-	193	193
Interest expense	(648)	(69)	(717)	-	-	(717)
Interest paid	542	69	611	-	-	611
Net debt on December 31, 2022.	(13.106)	(1,581)	(14,687)	3.571	14,615	3,499

INTERKAPITAL vrijednosni papiri d.o.o.
Notes to the annual financial statements (continued)

25. Financial instruments and risk management (continued)

	Received loans	Lease obligations	Total financial obligations	Funds	Liquid investments	In total HRK'000
Net debt on January 1, 2021.	(18,224)	(1,880)	(20.104)	2.413	16,659	(1.032)
Cash flow from financing activities	43	264	307	752	9,828	10,887
Changes in fair value	-	-	-	-	69	69
Net exchange differences	-	-	-	-	363	363
Non-monetary transactions	-	(243)	(243)	-	-	(243)
Interest expense	(403)	(79)	(482)	-	-	(482)
Interest paid	403	79	482	-	-	482
Net debt on December 31, 2021.	(18.181)	(1,859)	(20,040)	3.165	26,919	10,044

25. Financial instruments and risk management (continued)

Credit risk

Credit risk is the risk of the inability of the other party to settle the amounts owed to the Company in full when due. The concentration of credit risk in the Company is dispersed between interest rates and equity securities as described in the dispersion of market risk. All transactions with listed securities are settled, i.e., paid after delivery through authorized brokers. The risk of non-payment is kept to a minimum because the sold securities are delivered only after the corresponding amount has been received on the account. When buying, payment is made only after the securities have been delivered to the broker. If either party fails to fulfill its obligation, the purchase transaction is not concluded.

Maximum credit risk exposure as of 12/31/2022. and 12/31/2021. is as shown in the table:

	in 2022 HRK'000	in 2021 HRK'000
Debt instruments - Financial assets at fair value through P&L	-	16,993
Receivables based on investment services performed	5,039	6,493
Other receivables	3,428	3.276
Funds	3.571	3.165
	12,038	29,927

As of December 31, 2022, the company has HRK 270,000 (December 31, 2021: HRK 214,000) of due and unpaid receivables, the age structure of which is as follows:

	in 2022 HRK'000	in 2021 HRK'000
0-30 days	10	35
31-60 days	0	22
61-90 days	0	63
> 90 days	260	94
In total:	270	214

Receivables refer to third parties who do not have a credit rating. The funds refer to the bank as shown in the table:

	in 2022 HRK'000	in 2021 HRK'000
Funds at domestic banks	1.619	1.147
Funds with foreign banks	1.952	2015
Cash in cash	-	3
In total:	3.571	3.165

25. Financial instruments and risk management (continued)

Credit risk (continued)

Domestic banks do not have credit ratings from agencies, but their parent banks have credit ratings of A+, A- and BBB (S&P) (2021: A+, A- and BBB (S&P)).

As of December 31, 2022, 80% of funds are with foreign banks that do not have credit ratings from agencies, and the rest are with banks with A+ and BBB (S&P) ratings (2021: A+, BBB (S&P)).

Fair value risk

The fair value of financial instruments is the amount for which an asset can be exchanged, or a liability settled, between informed and willing parties in a pre-contractual transaction. Given that all securities in the Company's portfolio are listed on the stock exchange, the fair value is based on the quoted price on the market. In circumstances where quoted market prices are not available, fair value is determined using discounted cash flow models or other appropriate pricing techniques. As of December 31, 2022 and 2021, there are no recorded investments whose fair value was determined using valuation techniques. Changes in underlying assumptions, including discount rates and estimates of future cash flows, greatly affect fair value estimates. For this reason, the estimated market values cannot be realized by selling the financial instrument at this time. The following table analyzes financial instruments that were reduced to fair value after initial recognition, classified into three groups depending on the availability of observable indicators of fair value:

- 1st level of available observable indicators – fair value indicators are derived from (unadjusted) prices quoted in active markets for similar assets and similar liabilities.
- 2nd level of available observable indicators – fair value indicators are derived from other data, not from quoted prices from level 1, and refer to direct observation of assets or liabilities, i.e. their prices, or are obtained indirectly.
- 3rd level of indicators – indicators derived by applying valuation methods in which data on assets or liabilities that are not based on observable market data (unobservable input data) were used as input data.

As of December 31, 2022 and 2021, the total financial assets at fair value are classified in level 1 of the fair value hierarchy. All other financial assets and liabilities are in level 2. The Company has no financial assets and liabilities in level 3.

The fair value of receivables, cash assets and liabilities is approximately equal to the fair value due to the immediate or short-term maturity of these financial assets and liabilities.

INTERKAPITAL vrijednosni papiri d.o.o.
Notes to the annual financial statements (continued)

26. Contingent liabilities

As of December 31, 2022, the company is a guarantor for tentative loans of the company INTERKAPITAL dd in the amount of HRK 30,900 thousand, and on this basis it has issued promissory notes and promissory notes.

Given that no losses are expected as a result of the above, the Company has not set aside provisions.

27. Events after the balance sheet date

On January 1, 2023, the euro becomes the official monetary unit and legal tender in the Republic of Croatia. The fixed conversion rate is set at HRK 7.53450 for one euro.

The introduction of the euro as the official currency in the Republic of Croatia represents a change in the functional currency that will be calculated prospectively and does not represent a post balance sheet event requiring an adjustment of the amounts in these financial statements .

INTERKAPITAL vrijednosni papiri d.o.o.
Notes to the annual financial statements (continued)

Form: A-ID-2 Aktiva					
Statement of Financial Position at 31 December 2022					
					<i>in HRK</i>
	Position	Description	AOP	31 December 2021	31 December 2022
1		Intangible, tangible assets and long-term investments (ΣAOP2 do AOP8)	1	4.226.751	4.060.536
a)	000 +..+ 005	Long-term intangible assets	2	396.899	601.681
b)	010 +..+ 014	Long-term tangible assets	3	3.791.593	3.420.508
c)	03	Investments in joint ventures	4		
d)	04	Investments in affiliated companies	5		
e)	05	Investments in subsidiaries	6		
f)	061	Non-current assets held for sale	7		
g)		Other fixed assets	8	38.259	38.347
2		Cash and receivables (ΣAOP10 do AOP15)	9	13.226.946	13.256.924
a)	100 +..+ 102	Cash	10	3.165.197	3.571.030
b)	120 +..+ 127	Claims on the basis of performed investment services	11	6.494.027	5.038.596
c)	150+..+153	Receivables based on securities financing transactions	12		
d)	17	Deffered tax asset	13	192.111	57.600
e)	190	Prepaid expenses and accrued income	14	109.274	119.017
f)		Other receivables	15	3.266.337	4.470.681
3		Financial assets (ΣAOP17 do AOP19)	16	26.919.338	14.615.357
a)	300 + ..+ 332	Financial assets at fair value through profit an loss	17	26.919.338	14.615.357
b)	400 +..+ 421	Financial assets at fair value through other comprehensive income	18	0	0
c)	500+..+532	Financial assets at amortized cost	19	0	0
4		TOTAL ASSET (AOP1+AOP9+AOP16)	20	44.373.035	31.932.817
		Off balance sheet (AOP22+AO23+AOP24+AOP25+AOP26+AOP27)	21	4.139.523.926	4.772.643.755
		Funds of principals	22	22.536.438	26.802.454
		Funds under portfolio management and custody	23	108.497.126	187.083.394
		Financial instruments under portfolio management and custody	24	3.956.681.280	4.528.685.903
		Repo collateral - active account	25	15.681.239	0
		Nominal value of derivatives	26	11.605.815	0
		Other off-balance sheet active accounts	27	24.522.028	30.072.004

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Regulatory financial reports

Form: P-ID-3					
Statement of Financial Position at 31 December 2022					
					<i>in HRK</i>
	Position	Description	AOP	31 December 2021	31 December 2022
1		Equity and reserves (AOP29-AOP30+AOP31+AOP32+AOP33-AOP34+AOP35+AOP36+AOP37+AOP38+AOP39+AOP40)	28	18.893.844	13.273.693
a)	90	Issued capital	29	8.000.000	8.000.000
b)	91	Own shares	30	0	0
c)	92	Reserves from profit	31	0	0
d)	93	Capital reserves	32	2.000.000	2.000.000
e)	940	Retained earnings	33		0
f)	941	Transferred loss	34		
g)	95	Profit for the year	35	8.893.844	3.273.693
h)	96	Revaluation reserves	36		
		Long-term tangible and intangible assets	37	0	0
		Fair value reserves	38	0	0
i)		Non-controlling (minority) interest	39	0	0
		Hybrid and subordinate instruments	40	0	0
2		Liabilities (ΣAOP35 do AOP44)	41	25.479.191	18.659.124
a)	200 +..+ 204	Liabilities for fees related to trading in financial instruments	42	691.112	2.355.080
b)	210 +..+ 214	Long-term liabilities for received credits, loans and advances	43		
		Short-term liabilities for received credits, loans and advances	44	18.186.933	13.000.000
c)	220 +..+ 224	Long-term liabilities for issued financial instruments	45		
		Short-term liabilities for issued financial instruments	46		
d)	240 +..+ 241	Trade payables	47	828.515	707.333
e)	250+..+252	Liabilities to employees	48	299.259	259.670
f)	260+..+264	Liabilities for taxes and contributions	49	2.204.028	324.147
g)	266	Deferred tax liabilities	50		
h)	27	Accrued expenses and deferred income	51	74.420	0
i)	28	Provisions	52	1.335.891	432.279
j)		Other liabilities	53	1.859.033	1.580.615
3		TOTAL LIABILITIES (AOP24+AOP34)	54	44.373.035	31.932.817
		Off balance sheet (AOP47+AOP48)	55	4.139.523.926	4.772.643.755
		Funds of principals	56	22.536.438	26.802.454
		Funds under portfolio management and custody	57	108.497.126	187.083.394
		Financial instruments under portfolio management and custody	58	3.956.681.280	4.528.685.903
		Repo collateral - active account	59	15.681.239	0
		Nominal value of derivatives	60	11.605.815	0
		Other off-balance sheet passive accounts	61	24.522.028	30.072.004
I		EQUITY AND RESERVES(AOP62+AOP63)	62	0	0
a)		Attributed to the owners of the parent company	63	0	0
b)		Attributed to non-controlling interest	64	0	0

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Regulatory financial reports

Form: SD-ID-4					
Statement of comprehensive income for the period from 1 January to 31 December 2022					in HRK
	Position	Description	AOP	31 December 2021	31 December 2022
	700+..+717	Income from commissions and fees for investment services	65	24.265.898	25.760.172
	661+..+666	Expenses from commissions and fees for investment services	66	6.646.379	8.263.653
1		Net income/expenses from commissions and fees	67	17.619.519	17.496.519
	770	Realized gains on financial assets that are carried at fair value through profit or loss	68	4.274.401	3.672.727
	630	Realized losses on financial assets that are carried at fair value through profit or loss	69	1.531.676	8.163.212
2		Net realized gains/losses	70	2.742.725	-4.490.485
	760	Unrealized gains on financial assets that are carried at fair value through profit or loss	71	183.862	67.265
	620	Unrealized losses on financial assets that are carried at fair value through profit or loss	72	113.521	298.039
3		Net unrealized gains/losses	73	70.341	-230.774
	771	Realized gains on financial assets at fair value through OCI	74	0	
	631	Realized losses on financial assets at fair value through OCI	75	0	0
4		Net realized gains/losses on financial assets at fair value through OCI	76	0	0
5	622	Net expected credit losses on financial assets at amortized cost	77	0	0
6	634	Other net provisions and value adjustments	78	0	0
	72	Interest income	79	538.675	991.278
	65	Interest expenses	80	512.908	722.012
7		Net interest income/expenses	81	25.767	269.266
	75	Positive foreign exchange differences	82	1.892.580	1.869.243
	64	Negative foreign exchange differences	83	1.529.762	1.676.341
8		Net foreign exchange differences	84	362.818	192.902
	73	Dividends income, profit shares and income from other securities	85	256.924	581.097
		Other income	86	955.270	1.576.430
	610	Amortisation	87	564.041	544.496
	600	Staff costs	88	6.032.854	7.064.474
		Other expenses	89	4.788.160	4.050.576
10		Total other expenses	90	11.385.055	11.659.546
11		Total income	91	32.367.610	34.518.212
12		Total expenses	92	21.719.301	30.782.803
	80	Profit before tax	93	10.648.309	3.735.409
	81	Income tax expense	94	1.754.465	461.716
13		Profit / loss	95	8.893.844	3.273.693
a)		Attributed to the owners of the parent company	96	0	
b)		Attributed to non-controlling interest	97	0	0
14		Other comprehensive income	98	0	0
a)		Change in revaluation reserves: real estate, plant, equipment and intangible assets	99	0	0
b)		Actuarial gains/losses under defined benefit pension plans	100	0	0
c)		Unrealized gains/losses on financial assets at fair value through OCI	101	0	0
d)		Gains/losses from cash flow hedges	102	0	0
		Gains or losses arising from the recalculation of financial statements of foreign operations	103	0	0
e)		Gain/loss based on effective protection of net investment abroad	104	0	0
f)		Income tax on other comprehensive income	105	0	0
15		Total comprehensive income	106	8.893.844	3.273.693
a)		Attributed to the owners of the parent company	107	0	0
b)		Attributed to non-controlling interest	108	0	0
16		Reclassification adjustments	109	0	0

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Regulatory financial reports

Form: NT-ID-5b				
Statement of cash flow (indirect method) for the year ended 31 December 2022				<i>in HRK</i>
	Description	AO P	31 December 2021	31 December 2022
1	Net cash flows from operating activities	139	2.005.344	14.864.803
	Profit or loss before taxation	140	10.648.308	3.735.410
	Depreciation and amortisation	141	564.041	544.496
	Value adjustment of receivables and similar write-offs	142		
	Provisions	143	594.858	-903.612
	Interest income	144	-538.675	-991.278
	Interest expense	145	512.908	722.012
	Impairment of assets	146		
	Increase/decrease in receivables from investment services	147	-1.463.626	1.455.431
	Increase/decrease in other receivables	148	13.202.175	-216.247
	Increase/decrease of financial assets at fair value through profit or loss	149	-10.260.568	12.303.981
	Increase/decrease of financial assets at fair value through OCI	150		
	Increase/decrease in financial assets at amortized cost	151		
	Increase/decrease in receivables from securities financing transactions	152	75.369	
	Interest received	153	11.377.611	9.946.674
	Interest paid	154	-11.719.515	-9.593.564
	Dividends received	155	615.084	581.097
	Increase/decrease in other asset items	156	-247.413	-664.941
	Increase/decrease in liabilities for fees related to trading in financial instruments	157	-11.778.232	1.663.968
	Increase/decrease in trade payable	158	129.712	-121.182
	Increase/decrease in liabilities to employees	159	30.325	-39.589
	Increase/decrease in tax and contribution liabilities	160	2.033.168	-285.852
	Increase/decrease in other liabilities	161	-15.721	-352.838
	Increase/decrease in other liability items	162	0	
	Income tax paid	163	-1.754.465	-2.919.163
2	Net cash flows from investing activities	164	-516.246	-378.193
	Increase/decrease in investment in tangible assets	165	-279.289	-169.030
	Increase/decrease in investment in intangible assets	166	-267.058	-291.443
	Increase/decrease investments in joint ventures, associates and subsidiaries	167	0	0
	Increase/decrease in other investment activities	168	30.101	82.280
3	Net cash flows from financing activities	169	-736.887	-14.080.777
	Increase/decrease in liabilities for borrowings, loans and advances	170	-37.121	-5.186.933
	Increase/decrease in liabilities for issued financial instruments	171	0	0
	Increase/decrease in liabilities for issued subordinated instruments	172	0	0
	Receipts from the issuance of share capital and other payments by the owner of the investment company	173	0	0
	Payment of dividends or profit shares	174	-1.699.766	-8.893.844
	Increase/decrease in other financing activities	175	1.000.000	
4	Net increase/decrease in cash and cash equivalents	176	752.211	405.833
5	Cash and cash equivalents at the beginning of period	177	2.412.986	3.165.197
6	Cash and cash equivalents at end of period	178	3.165.197	3.571.030

INTERKAPITAL vrijednosni papiri d.o.o.
Notes to the annual financial statements (continued)

Form: PK-ID-6									
Statement of changes in equity for the period from 1 January to 31 December 2022 in HRK									
Description	Attributable to the equity holders of the parent							Distributable to owners of non-controlling interests	Total capital and reserves
	Issued capital	Capital reserves	Reserves from profit	Profit or loss of current period	Retained earnings or transferred loss	Revaluation of financial assets available for sale	Other revaluation reserves		
Prior-year opening balance	8.000.000	1.000.000	0	0	1.699.766	0	0	0	10.699.766
Changes in accounting policies	0	0	0	0	0	0	0	0	0
Correction of prior-period error	0	0	0	0	0	0	0	0	0
Prior-year opening balance (as restated)	8.000.000	1.000.000	0	0	1.699.766	0	0	0	10.699.766
Profit/loss for the period	0	0	0	8.893.844	0	0	0	0	8.893.844
Unrealized gains or losses on financial assets at fair value through OCI	0	0	0	0	0	0	0	0	0
Other non-proprietary capital changes	0	0	0	0	0	0	0	0	0
Total non-owner changes in capital (previous period)	0	0	0	8.893.844	0	0	0	0	8.893.844
Increase / decrease in share capital	0	0	0	0	0	0	0	0	0
Other payment by the owner	0	1.000.000	0	0	0	0	0	0	1.000.000
Payment of profit share	0	0	0	0	-1.699.766	0	0	0	-1.699.766
Other distributions to owners	0	0	0	0	0	0	0	0	0
Balance on the last day of the reporting period	8.000.000	2.000.000	0	8.893.844	0	0	0	0	18.893.844
Balance at January 1 of reporting period	8.000.000	2.000.000	0	0	8.893.844	0	0	0	18.893.844
Changes in accounting policies	0	0	0	0	0	0	0	0	0
Correction of prior-period error	0	0	0	0	0	0	0	0	0
Balance at January 1 of reporting period (as restated)	8.000.000	2.000.000	0	0	8.893.844	0	0	0	18.893.844
Profit/loss for the period	0	0	0	3.273.693	0	0	0	0	3.273.693
Unrealized gains or losses on financial assets at fair value through OCI	0	0	0	0	0	0	0	0	0
Other non-proprietary capital changes	0	0	0	0	0	0	0	0	0
Total non-proprietary capital changes	0	0	0	3.273.693	0	0	0	0	3.273.693
Increase/decrease in issued capital	0	0	0	0	0	0	0	0	0
Other payments made by the owners	0	0	0	0	0	0	0	0	0
Dividends (profit) paid	0	0	0	0	-8.893.844	0	0	0	-8.893.844
Other distributions to owners	0	0	0	0	0	0	0	0	0
Current-year closing balance	8.000.000	2.000.000	0	3.273.693	0	0	0	0	13.273.693

INTERKAPITAL vrijednosni papiri d.o.o.

Notes to the annual financial statements (continued)

Below are presented the annual financial statements of the Company prepared in accordance with the Ordinance on the structure and content of annual financial statements of investment companies (Official Gazette 83/18) (" Ordinance") prescribed by HANFA ("regulatory financial statements"). Regulatory financial statements are prepared in accordance with the HANFA`s regulations which are based on the International Financial Reporting Standards as adopted by the European Union. The main differences between regulatory financial statements prepared in accordance with HANFA's regulations and the financial statements prepared in accordance with International Financial Reporting Standards ("IFRS ") are disclosure requirements.

The differences are:

Report on the financial position

- In IFRS reports, property, plant and equipment are shown separately from assets with the right of use, and in regulatory financial statements they are shown together under "Fixed tangible assets".
- The paid costs of the future period and the calculated income are shown separately in the regulatory financial statements, and in the IFRS statements they are included in the item "Other receivables".
- The calculated overdue interest on received loans is shown in the liabilities for loans in the IFRS statements. In the regulatory financial statements, the overdue interest is included in the item "Liabilities to suppliers".
- Lease liabilities are shown in "Other liabilities" in the regulatory financial statements.
- In IFRS statements, liabilities to employees include provisions for bonuses and vacations, which are shown separately in "Provisions" in the regulatory financial statements.

Statement of comprehensive income

- In the IFRS reports, the costs of provisioning for bonuses and vacations are included in employee costs, and in the regulatory financial reports they are shown in "Other expenses".

Statement of cash flows

- Certain positions within the cash flows from business activities are presented differently in the regulatory financial statements due to the different presentation of the statement of financial position in the IFRS statements.

The Company's management believes that there is no need for additional notes to the financial statements, and that is possible based on the above reconciliation make to link to the notes to the financial statements prepared on the basis of IFRS with the financial statements prepared on the basis of the Ordinance on the Structure and Content of Financial Statements of Investment Companies (Official Gazette / 83/18).