



**ANNUAL REPORT 2013**  
**KD SKLADI, družba za upravljanje, d. o. o.**  
**(KD Funds – Management Company LLC)**

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## BUSINESS REPORT

### THE COMPANY AT A GLANCE

Company name	KD SKLADI, družba za upravljanje, d. o. o. (English: KD Funds – Management Company LLC)
Abbreviated company name	KD SKLADI, d. o. o. (English: KD Funds LLC)
Registered office	Dunajska cesta 63, 1000 Ljubljana
Telephone	+386 (0)1 58 26 780
Fax	+386 (0)1 518 40 88
Website	www.kd-skladi.si
E-mail	kdi.info@kd-group.si
Company registration number	5834457
Tax number	56687036
VAT identification number	SI 56687036 SI56 9067 2000 0053 896, PBS d. d.
Bank accounts	SI56 0510 0801 3397 826, Abanka Vipa d.d. 64.300 – Trusts, funds and similar financial entities
Economic activity codes	66.300 – Fund management activities
The Management Board	Luka Podlogar, President of the Management Board Casper Frans Rondeltap, Member of the Management Board
Supervisory authority	Securities Market Agency

### The Management Company's Shareholder as at 31 December 2013

KD Group d. d., Dunajska cesta 63, 1000 Ljubljana	100% business share
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## 1. Company profile

### Establishment and development

KD Skladi, d. o. o. (KD Funds LLC) was founded for an unlimited period on 24 February 1994 under the name Kmečka družba d. d. It was registered in the Court Register on 11 March 1994 under number Srg 1392/94. The company was established for an unlimited period of time.

On 13 March 1998, the Management Company's shares were entered in the Central Register of Securities with the Central Securities Clearing Corporation (KDD) by Decision no. R-418/IH/98, and thus issued in a book-entry form. Based on the resale authorisation no. 11/200/AG-97 issued by the Securities Market Agency on 1 July 1998, the shares were admitted to trading on the OTC market on 3 August 1998.

On 30 November 2000, the Company's division was recorded in the Court Register based on Decision no. Srg 2000/13886, whereby part of the assets of the transferor company, Kmečka družba d. d., was divided and transferred to a newly established company, Skupina Kmečka družba d. d., headquartered at Stegne 21, Ljubljana. In accordance with a resolution adopted at the General Meeting on 19 October 2000, the assets determined in the division scheme were transferred to the new company, as the universal legal successor.

The Company's capital, which consisted of the first and second issues of shares with a total nominal value of 200,000,000.00 Slovenian tolar (SIT) (EUR 834,585.21), was reduced to SIT 160,000,000.00 (EUR 667,668.17) upon the registration of the division. The par value per share of Kmečka družba d. d. decreased from SIT 10,000.00 (EUR 41.73) to SIT 8,000.00 (EUR 33.38), while the number of shares issued remained at 20,000.

On 5 October 2001, a change in the Company's name was entered in the Court Register under no. Srg 2001/10979: Kmečka družba d. d. was renamed KD Investments d. d.

A resolution was adopted by the General Meeting of 30 May 2002 to convert the Company from a public limited company into a limited liability company. On 30 August 2002, a change of the Company's name was registered under no. Srg 2002/05430, and KD Investments, družba za upravljanje, d. d., was renamed KD Investments, družba za upravljanje, d. o. o.

In accordance with a decision of the Ljubljana Stock Exchange, the Company's shares designated KDZ were excluded from trading on the OTC market on 19 September 2002. As of 30 September 2002, the KDZ shares were also deleted from the Central Securities Register.

In early 1996, the Management Company successfully carried out the first public sale of bonds totalling 8 million German marks (DEM) or EUR 4,090,400, and obtained authorisation for organised trading. On 10 March 2006, the bonds were removed from the Ljubljana Stock Exchange price list because they were to mature on 15 March 2006.

On 22 January 2008, the Management Company received, through its agent, Decision no. 2007/15729 of the District Court of Ljubljana dated 16 January 2008 on entering the following changes into the Court Register: registered company name, abbreviated name, share capital along with the changeover to the euro, the Memorandum of Association, and registration of a new shareholding. The Company's new registered name thus became KD Skladi, družba za upravljanje, d. o. o., abbreviated name KD Skladi, d. o. o.; its share capital amounts to EUR 1,767,668.00. Its registered name in English is KD Funds – Management Company LLC, and the abbreviated name in English is KD Funds LLC.

On 13 February 2012, the Company moved to a new location at Dunajska cesta 63, Ljubljana, and changed its business address.

The Management Company does not use any particular code for conducting its business operations.

The Company's principal activity is investment fund management. At the end of 2013 it managed the following subfunds of the KD Umbrella Fund:

1. KD Galileo, mešani fleksibilni sklad (KD Galileo, Mixed Flexible Fund)
2. KD Rastko, evropski delniški sklad (KD Rastko, Europe Equity Fund)
3. KD Bond, obvezniški - EUR (KD Bond - EUR)
4. KD MM, sklad denarnega trga - EUR (KD MM, Money Market - EUR)
5. KD Prvi izbor, sklad delniških skladov (KD First Selection, Fund of Equity Funds)
6. KD Balkan, Equity
7. KD New Markets, Equity
8. KD Surovine in energija, delniški (KD Raw Materials and Energy, Equity)
9. KD Tehnologija, delniški (KD Technology, Equity)
10. KD Vitalnost, delniški (KD Vitality, Equity)
11. KD Indija - Kitajska, delniški (KD India - China, Equity)
12. KD Latinska Amerika, delniški (KD Latin America, Equity)
13. KD Vzhodna Evropa, delniški (KD Eastern Europe, Equity)
14. KD Dividendni, delniški (KD Dividend, Equity)

KD Funds LLC also manages assets for six qualified investors.

On 14 January 2013, KD Funds LLC merged the following subfunds:

- KD North America, Equity → KD Galileo, mešani fleksibilni sklad (KD Galileo, Mixed Flexible Fund)
- KD New Energy, Equity → KD Raw Materials and Energy, Equity
- KD EM, Infrastructure and Construction, Equity → KD New Markets, Equity
- KD Financials, Equity → KD Galileo, Mixed Flexible Fund

On 14 January 2013 the following subfunds were renamed:

KD Galileo, Mixed Flexible Fund (formerly KD Galileo, Flexible Asset Structure)

KD Rastko, Europe Equity Fund (formerly KD Rastko, Equity)

KD Bond - EUR (formerly KD Bond, Bond)

KD MM, Money Market Fund - EUR (formerly KD MM, Money Market)

Podsklad KD Dividendni, delniški (KD Dividend, Equity subfund) (formerly KD Equity Income mutual fund)

The operations of all the subfunds listed above and the company KD Funds LLC in 2013 were audited by KPMG Slovenija d. o. o., Železna cesta 8 a, Ljubljana.

## **The Management Board**

The Company is run by the Management Board which acts on its behalf and represents it in legal transactions.

From 1 January 2013 to 16 June 2013 the Management Board of KD Funds LLC had the following composition:

Matej Tomažin, President of the Management Board,

Luka Podlogar, Member of the Management Board.

From 17 June 2013 to 1 July 2013 the Management Board had three members, with the following composition:

Matej Tomažin, President of the Management Board,

Luka Podlogar, Member of the Management Board,

Casper Frans Rondeltap, Member of the Management Board.

Since 2 July 2013 the Management Board has had the following composition:

Luka Podlogar, President of the Management Board,

Casper Frans Rondeltap, Member of the Management Board.

## **The Supervisory Board**

In 2013 the Supervisory Board had the following composition:

- Willem Jacob Westerlaken, President of the Supervisory Board,
- Matija Šenk, Deputy President of the Supervisory Board,
- Jure Kvaternik, Member of the Supervisory Board.

## **Annual report**

KD Funds LLC is an entity within the group of related companies controlled by KD Group d. d.

The annual report of KD Funds LLC is available at the Company's headquarters at Dunajska cesta 63, Ljubljana, Slovenia.

The consolidated annual report of the KD Group and the annual report of the company KD Group d. d. are available at the Company's headquarters at Dunajska cesta 206, Ljubljana, Slovenia.

As at 31 December 2013, KD Funds LLC was the controlling company of the management company KD Investments d. o. o. Miramarska 105, 10 000 Zagreb (100% share) and the controlling company of the management company KD Fondovi A. D. Skopje, Makedonija 13 b, 1000 Skopje, Macedonia (94.60% share). KD Group d. d., as the holder of the entire (100%) business share of KD Funds LLC, issued a statement releasing KD Funds LLC, as the controlling company of KD Fondovi A. D. Skopje and KD Investments d. o. o., Zagreb, from the obligation of preparing consolidated financial statements for the 2013 financial year with respect to the companies KD Skladi d. o. o., KD Fondovi A. D. Skopje and KD Investments d. o. o., Zagreb, based on the direct application of Commission Regulation (EC) No. 1725/2003 of 29 September 2003 adopting certain international accounting standards in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council.

On the basis of the above, KD Funds LLC did not prepare consolidated financial statements for the 2013 financial year.

## **2. Business development**

Investment fund management and asset management services for qualified investors represent the core activity of KD Funds LLC. At the end of 2013, the Company managed the KD Umbrella Fund with its 14 subfunds, and the assets of six qualified investors.

The number of funds was reduced in 2013 from 18 to 14 due to the merger of KD New Energy, Equity with KD Raw Materials and Energy, Equity; the merger of KD North America, Equity with KD Galileo Mixed Flexible Fund; the merger of KD Financials, Equity with KD Galileo Mixed Flexible Fund; and the merger of KD EM Infrastructure and Construction, Equity with KD New Markets, Equity. The aim of these mergers was to further increase the quality of investors' asset management and improve the Company's business efficiency. The number of contracts on asset management for qualified investors did not grow in 2013.

In 2013 the Company launched the marketing of three new fund savings plans. Compared with products offered by other management companies in Slovenia, they represent the most cost-effective method of saving in mutual funds as no entry fees are charged. The target group of these fund packages is retail investors that primarily pursue the following long-term goals: to provide for children or grandchildren (the Nest Egg package), as a pension top-up (the Well-Off Autumn package), or to realise other financial goals (the My Dreams package).

Overall, 2013 was one of the best years for the capital markets in the recent past. The recovery and growth of the global economy created an excellent basis for growing optimism, which has had a beneficial effect on higher-risk investments. The gain was largest for equities in the developed markets and bonds of the PIIGSS countries, notably Spain, Italy and also Slovenia. The Federal Reserve (FED), the central bank of the United States, played

a major role with its relaxed monetary policy that facilitated the US economy and provided for liquidity. This strongly stimulated developments in capital markets as it gave investors access to relatively cheap money. The declining fear of the possible disintegration of the European Union and the euro-zone contributed to the accelerated growth of European equity markets in the second half of 2013. On the other hand, the emerging markets were a victim of their own performance: investors continued to expect high single-digit economic growth figures, which most of these markets were unable to provide in the absence of restructuring and/or openness to foreign capital.

Despite the positive developments in global capital markets, Slovenian retail investors have continued to redeem their assets from mutual funds, which is largely a consequence of their disposable income shrinking. In 2013, the biggest share of redemptions was requested from KD Dividend, Equity, as the two-year period within which investors were subject to paying the so-called penalty exit charge related to the transformation of the fund from the KD ID, Equity Investment Company, plc, expired in April 2013. Despite this, the redemption trend relaxed in late 2013, which is an outcome of the good returns yielded by our funds and the falling interest rates on bank deposits.

KD Funds LLC's efforts to improve the quality of its services in both asset management and sales, and to improve and automate specific work processes continued throughout 2013. In this way, the necessary conditions are in place for high-quality management services of a significantly bigger volume of investor assets, which we will be aiming for in the next post-crisis period.

Highlights of our activities and achievements in 2013:

- We further improved the quality of our management activities: more than one-half of our funds provided higher returns than the benchmark indices in a one-year period, and 11 out of 14 funds yielded positive returns. For its achievements in the area of asset management, the Company was rewarded on 11 February 2014 by the *Moje Finance* magazine:
  - with the award for the management company with the highest average assessment of funds examined within a three-year period;
  - KD MM received the award for the best Slovenian money market fund in a 3- and 5-year period; and
  - with the best manager award (moreover, four KD Funds LLC managers were ranked among the 10 top managers in Slovenia).
- We further strengthened the support offered to financial advisers selling the Company's services.
- We actively marketed mutual funds to institutional investors.
- We further improved the IT system supporting back-office services and e-commerce.
- We continued the activities to boost the efficiency of work processes and cost cutting.

### **3. Business results**

In 2013, KD Funds LLC remained the second biggest management company in Slovenia, with its market share among Slovenian mutual fund managers growing from 20% to 21%. In addition to its business in Slovenia it has two subsidiary management companies in Croatia and Macedonia.

The total volume of assets under management rose by nearly EUR 3.4 million in 2013 from EUR 421.6 million at the end of 2012 to EUR 425.0 million at the end of 2013, which is 0.8%. The volume of assets held by the investment funds rose from EUR 368.4 million at the end of 2012 to EUR 371.1 million, whilst the volume of qualified investors' assets went up by EUR 0.6 million, i.e. from EUR 53.3 million to EUR 53.9 million at the end of 2013.

Net sales amounted to EUR 6.95 million, while operating expenses amounted to EUR 5.52 million. The Company ended the year with a net profit for the financial period of EUR 831,877. Despite a 7% increase in sales, the profit was lower than in the year before due to impairments of assets in the subsidiaries in Croatia and Macedonia, along with restructuring costs emerging at the end of 2013.

#### **4. Outlook for the future**

In 2014 we remain optimistic with regard to equity investments as compared to other investment classes. Despite the high returns generated in 2013, which increased the valuation of equity markets for 10-year average values, equities remain an attractive investment compared to bond markets that, historically, still bring low returns. Given the higher valuation and continuing global economic recovery, growth in equity markets will in 2014 principally rely on the growth of business and profit volumes. We also expect central banks to facilitate economic recovery this year.

In the regional markets of South-East Europe, we anticipate the sustained privatisation of state-owned companies and growth of economic activity as a consequence of larger exports, which in turn will stimulate growth in the capital markets of the former republics of Yugoslavia, Romania and Bulgaria. In addition, economic growth spilling over from the developed markets into these countries, in particular Europe, may be expected.

2014 will be demanding for bond markets, as we expect that many of them will finish the year with a loss due to the growth of economies and therefore growing interest rates. However, as a result of the recovery of the economies in Europe, bonds in the countries on the periphery of Europe, including Slovenia, continue to be attractive.

We expect the value of the assets managed by the KD Umbrella Fund to increase in 2014 due to the effect that equity prices will have on the growth of fund unit values and the planned increase of inflows into the funds in our management portfolio.

The Company will continue to engage in activities targeting at business excellence in all spheres of its operations and asset management as well as business process streamlining. In 2014, a special focus will be placed on our existing and potential customers and improving our sales services.

Challenges expected in 2014:

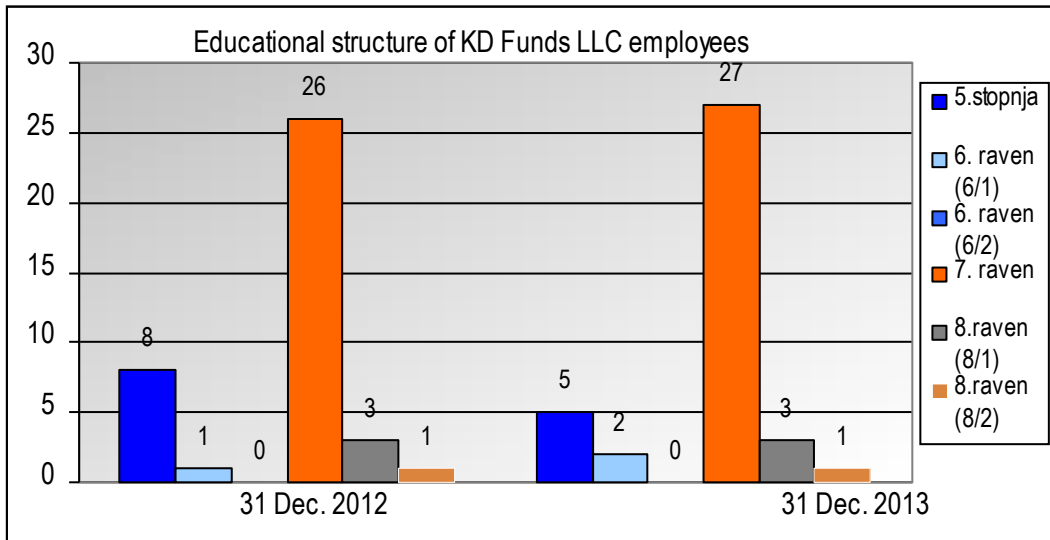
- Improving the Company's profitability.
- Improved management.
- Launching innovative new products that bring new investment strategies to the KD Umbrella Fund and offer new saving possibilities in mutual funds.
- We will enhance our care for the existing investors and work on raising the interest of prospective investors.
- We will continue our efforts to attract the assets of other domestic and foreign qualified investors.
- We will carry on activities to optimise business processes, focusing on the best possible risk management.

#### **5. Human resources**

We at KD Funds LLC aspire to exceed the expectations of our investors and business partners. To achieve this, we need committed and highly-motivated employees. Our goal is to offer a creative organisational climate and employee-friendly working conditions. In order to have access to high-quality support services the Company employs highly qualified personnel, in particular in the areas of economics, law, IT and sales. Employees can work in an environment where they can develop their capacities, with a particular emphasis on creativity and reliability.

The Company employed 38 people as at 31 December 2013, with one employee absent due to parental leave . The average number of employees in 2013 and 2012 was 39.33 and 40.83, respectively. The average number of employees based on working hours in 2013 was 35.31. At the end of 2013, 55.26% of the staff were women and 44.74% were men.





## 6. Clarification concerning the report on the relationship with the controlling company

The Company's Management Board drew up a report on the relationship with the controlling company, establishing that no transactions representing a disadvantage for the Company were made in 2013.

## 7. Risk management

In performing its operations and in accordance with the applicable regulations and internal rules, the Company measures/assesses, manages and monitors risk affecting its business as well as the business of the assets managed by it, i.e. mostly assets of investment funds. In the framework of managing risk associated with the aforementioned assets and in line with the adopted Risk Management Plan, the Company measures and takes appropriate action on a daily basis, chiefly with regard to investment (market) risk. In the management of risk connected with its operations as a commercial company and a supervised financial institution, and following the requirements relating to the provision of adequate capital, the Company determines and measures risk as well as adopts actions and regularly monitors their implementation with regard to operating risk, reputation risk, profitability risk and strategic risk.

## 8. Important business events occurring after the close of the 2013 financial year

The Company is of the opinion that no business events with a significant impact on the operations of KD Funds LLC occurred after the close of the 2013 financial year.

Ljubljana, 20 February 2014

Casper Frans Rondeltap  
Member of the Management Board

Luka Podlogar  
President of the Management Board

# ANNUAL FINANCIAL STATEMENTS

## STATEMENT BY THE MANAGEMENT BOARD

The Management Board of KD Funds – Management Company LLC confirms the financial statements as at 31 December 2013, and the applied accounting policies, notes and tables.

The Management Board is responsible for the preparation of the annual report so as to give a true and fair view of the Company's financial position and the results of operations for the year 2013.

The Management Board confirms that the relevant accounting policies have been consistently applied and that the accounting estimates have been prepared in compliance with the principles of prudence and due diligence. The Management Board also confirms that the financial statements and the notes thereto have been prepared on a going concern basis, and in compliance with the applicable legislation and the Slovene Accounting Standards.

The Management Board is also responsible for proper accounting, for taking appropriate measures to safeguard the assets, and for preventing and detecting fraud as well as other forms of irregularity and illegality.

Tax authorities may at any time within five years following the tax assessment year examine the Company's business operations, which may, consequently, result in additional tax liabilities, default interest and penalties levied under the corporate income tax or other taxes and duties. The Company's Management Board is not aware of circumstances that might give rise to any material liability in this respect.

Ljubljana, 20 February 2014

KD Funds LLC

Casper Frans Rondeltap  
Member of the Management Board

Luka Podlogar  
President of the Management Board

## BALANCE SHEET AS AT 31 DECEMBER 2013

(EUR)	Note	31 Dec. 2013	31 Dec. 2012
<b>ASSETS</b>			
<b>Long-term assets</b>			
Intangible assets, and long-term deferred costs and accrued income	1	291,749	401,443
Property, plant and equipment	2	88,043	90,946
Long-term investments	3	1,022,089	1,147,518
Deferred tax assets	20	16,333	16,303
		<b>1,418,214</b>	<b>1,656,210</b>
<b>Current assets</b>			
Short-term investments	4	2,525,186	11,649,860
Short-term operating receivables	5	118,833	212,402
Cash	6	1,125,715	157,881
		<b>3,769,734</b>	<b>12,020,143</b>
<b>Short-term deferred costs and accrued income</b>	7	<b>93,268</b>	<b>73,558</b>
<b>TOTAL ASSETS</b>		<b>5,281,216</b>	<b>13,749,911</b>
<b>Off-balance sheet assets</b>		-	2,100,000
<b>LIABILITIES AND EQUITY</b>			
<b>Equity</b>			
Called-up capital	8	1,767,668	1,767,668
Capital reserves		542,062	542,062
Profit reserves		556,767	556,767
Revaluation reserve		(12,139)	(72,122)
Retained profit/loss		620,240	968,942
Net profit/loss for the period		831,877	851,298
		<b>4,306,475</b>	<b>4,614,615</b>
<b>Provisions, and long-term accrued costs and deferred income</b>	9	<b>120,338</b>	<b>172,781</b>
<b>Long-term liabilities</b>			
Long-term operating liabilities	11	252	-
Deferred tax liabilities	20	9,018	-
		<b>9,270</b>	-
<b>Short-term liabilities</b>			
Short-term financial liabilities	10	-	8,377,696
Short-term operating liabilities	11	603,719	414,909
		<b>603,719</b>	<b>8,792,605</b>
<b>Short-term accrued costs and deferred income</b>	12	<b>241,414</b>	<b>169,910</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>5,281,216</b>	<b>13,749,911</b>
<b>Off-balance sheet liabilities</b>		-	2,100,000

The accounting policies and notes to the financial statements on pages 19 to 44 are a constituent part of the financial statements.

## INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

(EUR)	Note	2013	2012
Net sales	14A	6,954,049	6,470,095
Other operating income	14A	17,668	8,077
		<b>6,971,717</b>	<b>6,478,172</b>
Costs of goods, materials and services	14B	(3,131,838)	(3,013,649)
Labour costs	14B	(2,244,899)	(2,189,963)
Write-downs in value	14B		
Depreciation/amortisation	14B	(137,911)	(134,413)
Revaluation operating expenses	14B	(1,644)	(21,805)
Other operating expenses	14B	(6,580)	(2,372)
		<b>(5,522,872)</b>	<b>(5,362,202)</b>
Financial income from shares and interests	15	98,590	287,303
Financial income from loans	15	85,679	286,023
Financial income from operating receivables	15	451	333
		<b>184,720</b>	<b>573,659</b>
Financial expenses for impairments and write-offs of investments	16	(432,513)	(205,000)
Financial expenses for financial liabilities	16	(113,784)	(386,026)
Financial expenses for operating liabilities	16	(3,220)	(6,372)
		<b>(549,517)</b>	<b>(597,398)</b>
Other income	17	228	2,281
Other expenses	18	(2,474)	(3,711)
		<b>(2,246)</b>	<b>(1,430)</b>
<b>Profit or loss before tax</b>		<b>1,081,802</b>	<b>1,090,801</b>
Income tax	21	(251,178)	(236,583)
Deferred taxes	20	1,253	(2,920)
<b>Net profit or loss for the period</b>		<b>831,877</b>	<b>851,298</b>

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

(EUR)	2013	2012
Net profit or loss	831,877	851,298
Change in revaluation reserve relating to available-for-sale financial assets	59,983	(3,396)
<b>Total comprehensive income</b>	<b>891,860</b>	<b>847,902</b>

The accounting policies and notes to the financial statements on pages 19 to 44 are a constituent part of the financial statements.

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

(EUR)	Note	2013	2012
<b>A. Cash flows from operating activities</b>			
<b>a) Items of income statement</b>			
Operating income (except for revaluation) and financial income from operating receivables	14A, 17	6,971,945	6,479,652
Operating expenses excluding depreciation/amortisation (except for revaluation) and financial expenses from operating liabilities	14B, 18	(5,388,161)	(5,209,967)
Income taxes and other taxes not included in operating expenses	20, 21	(249,925)	(239,503)
<b>b) Changes in net operating assets of operating items in the balance sheet</b>			
Opening less closing operating receivables		93,569	(136,819)
Opening less closing deferred costs and accrued income		37,841	22,280
Opening less closing deferred tax assets		(1,253)	2,920
Closing less opening operating liabilities		186,598	(94,095)
Closing less opening accrued costs and deferred income, and provisions		19,061	50,038
Closing less opening deferred tax liabilities		-	-
<b>c) Net cash from operating activities (a + b)</b>			
		<b>1,669,675</b>	<b>874,506</b>
<b>B. Cash flows from investing activities</b>			
<b>a) Inflows from investing activities</b>			
Inflows from interest and from participation in the profit of others relating to investing activities		360,684	431,438
Inflows from disposal of property, plant and equipment		-	13,711
Inflows from disposal of long-term investments		-	167,910
Inflows from disposal of short-term investments		11,411,742	50,000
<b>b) Outflows from investing activities</b>			
Outflows for acquisition of intangible assets		(43,915)	(84,555)
Outflows for acquisition of property, plant and equipment		(39,029)	(66,566)
Outflows for acquisition of long-term investments		(263,615)	(185,000)
Outflows for acquisition of short-term investments		(3,626,228)	(1,700,000)
<b>c) Net cash from investing activities (a + b)</b>			
		<b>7,789,639</b>	<b>(1,373,062)</b>
<b>C. Cash flows from financing activities</b>			
<b>a) Inflows from financing activities</b>			
Inflows from paid-in capital		-	-
Inflows from increase in long-term financial liabilities		-	-
Inflows from increase in short-term financial liabilities		-	-
<b>b) Outflows from financing activities</b>			
Outflows for interest associated with financing activities		(146,480)	(386,026)
Outflows for repayment of short-term financial liabilities		(8,345,000)	-
Outflows for dividends and other profit shares		-	(100,000)
<b>c) Net cash from financing activities (a + b)</b>			
		<b>(8,491,480)</b>	<b>(486,026)</b>
<b>D. Closing balance of cash</b>			
Net cash flow for the period (sum total of A. c), B. c) and C. c)	6	<b>1,125,715</b>	<b>157,881</b>
Opening balance of cash		<b>967,834</b>	<b>(984,582)</b>
		<b>157,881</b>	<b>1,142,463</b>

The accounting policies and notes to the financial statements on pages 19 to 44 are a constituent part of the financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

	Called-up capital	Capital reserves	Profit reserves		Retained profit/loss	Net profit or loss for the period	Revaluation reserve	Total
	Share capital	General equity revaluation adjustment	Legal reserves	Other profit reserves				
(EUR)								
<b>As at 1 January 2013</b>	<b>1,767,668</b>	<b>542,062</b>	<b>176,767</b>	<b>380,000</b>	<b>968,942</b>	<b>851,298</b>	<b>(72,122)</b>	<b>4,614,615</b>
<b>Changes in equity</b>	-	-	-	-	<b>(1,200,000)</b>	-	-	<b>(1,200,000)</b>
Dividend payments	-	-	-	-	(1,200,000)	-	-	(1,200,000)
<b>Total comprehensive income</b>	-	-	-	-	-	<b>831,877</b>	<b>59,983</b>	<b>891,860</b>
Entry of net profit/loss	-	-	-	-	-	831,877	-	831,877
Changes in revaluation reserve relating to financial assets	-	-	-	-	-	-	59,983	59,983
<b>Changes in equity</b>	-	-	-	-	<b>851,298</b>	<b>(851,298)</b>	-	-
Allocation of the remaining part of net profit of comparable period	-	-	-	-	851,298	(851,298)	-	-
<b>As at 31 December 2013</b>	<b>1,767,668</b>	<b>542,062</b>	<b>176,767</b>	<b>380,000</b>	<b>620,240</b>	<b>831,877</b>	<b>(12,139)</b>	<b>4,306,475</b>
<b>Distributable profit 2013</b>	-	-	-	-	<b>620,240</b>	<b>831,877</b>	-	<b>1,452,117</b>

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012

	Called-up capital	Capital reserves	Profit reserves		Retained profit/loss	Net profit or loss for the period	Revaluation reserve	Total
	Share capital	General equity revaluation adjustment	Legal reserves	Other profit reserves				
(EUR)								
<b>As at 1 January 2012</b>	<b>1,767,668</b>	<b>542,062</b>	<b>176,767</b>	<b>380,000</b>	<b>988,363</b>	<b>980,579</b>	<b>(68,726)</b>	<b>4,766,713</b>
<b>Changes in equity</b>	-	-	-	-	<b>(1,000,000)</b>	-	-	<b>(1,000,000)</b>
Dividend payments	-	-	-	-	(1,000,000)	-	-	(1,000,000)
<b>Total comprehensive income</b>	-	-	-	-	-	<b>851,298</b>	<b>(3,396)</b>	<b>847,902</b>
Entry of net profit/loss	-	-	-	-	-	851,298	-	851,298
Changes in revaluation reserve relating to financial assets	-	-	-	-	-	-	(3,396)	(3,396)
<b>Changes in equity</b>	-	-	-	-	<b>980,579</b>	<b>(980,579)</b>	-	-
Allocation of the remaining part of net profit of comparable period	-	-	-	-	980,579	(980,579)	-	-
<b>As at 31 December 2012</b>	<b>1,767,668</b>	<b>542,062</b>	<b>176,767</b>	<b>380,000</b>	<b>968,942</b>	<b>851,298</b>	<b>(72,122)</b>	<b>4,614,615</b>
<b>Distributable profit 2012</b>	-	-	-	-	<b>968,942</b>	<b>851,298</b>	-	<b>1,820,240</b>

The accounting policies and notes to the financial statements on pages 19 to 44 are a constituent part of the financial statements.

### Utilisation of net profit for the period

(EUR)	<b>31 Dec. 2013</b>
Net profit for the period	831,877
Retained earnings	620,240
Formation of profit reserves	<u>-</u>
<b>Distributable profit</b>	<b><u><u>1,452,117</u></u></b>

The accounting policies and notes to the financial statements on pages 19 to 44 are a constituent part of the financial statements.



## **Independent Auditor's Report**

To the owners of the company KD Funds – Management Company LLC

### ***Report on financial statements***

We have audited the accompanying financial statements of the company KD Funds – Management Company LLC, which comprise the balance sheet as at 31 December 2013, the income statement and the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### ***Management's responsibility for the financial statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Slovene Accounting Standards, and for such internal controls as determined by management as necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company KD Funds – Management Company LLC as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with Slovene Accounting Standards and the Investment Funds and Management Companies Act (ZISDU-2).

### ***Report on other legal requirements***

As required by the Slovenian Companies Act we herewith confirm that the information in the management report is in conformity with the accompanying financial statements.

**KPMG SLOVENIJA,  
podjetje za revidiranje, d.o.o.**

Katarina Gašperin  
*Certified Auditor*

Katarina Sitar Šuštar  
*Partner*

Ljubljana, 24 February 2014

# NOTES TO THE FINANCIAL STATEMENTS

## SIGNIFICANT ACCOUNTING POLICIES

### 1. Basis for preparation of the financial statements

The financial statements of KD Funds LLC have been prepared in compliance with the accounting and reporting requirements of the Slovene Accounting Standards and the Companies Act (ZGD-1). The basic aim of the Slovene Accounting Standards (hereinafter: the SAS) is to apply the international accounting practice and the financial concept of capital as well as to comply with the requirement to maintain capital in real terms. The financial statements have been prepared in compliance with the fundamental accounting assumption of the business as a going concern and are based on the accrual principles. The qualitative features of the financial statements are based on clarity, appropriateness, reliability and comparability. The same accounting policies were used as last year. The financial statements have been compiled in EUR.

### Structure of the group of related companies

#### Group companies

Group companies are companies in which the controlling company and its subsidiaries hold, indirectly or directly, more than one-half of the voting rights. Subsidiaries are fully consolidated from the date on which the control is obtained and are immediately excluded from full consolidation as soon as the Company ceases to control them.

#### Associates

Associates are companies in which the Company and its subsidiaries hold, indirectly or directly, between 20.00% and 50.00% of equity capital, and exert a significant but not a controlling influence.

In the Company's financial statements, investments in Group companies and associates are accounted for at their acquisition cost. The acquisition cost is measured as the aggregate of the fair values (at the date of acquisition) of assets given, liabilities incurred or assumed, and all costs directly attributable to the acquisition.

<b>Company name</b>	<b>Registered office</b>	<b>Percentage of capital share</b>	<b>Volume of capital (EUR)</b>	<b>Profit/loss for the period (EUR)</b>
<b>Group company</b>				
KD Fondovi A. D.	Skopje, Macedonia	94.60%	145,374	(63,460)
KD Investments d. o. o.	Zagreb, Croatia	100.00%	105,294	(45,078)

Long-term investments also include investments in the companies KD Fondovi A. D. Skopje, Macedonia and KD Investments d. o. o., Zagreb, Croatia.

### Consolidated financial statements

KD Funds LLC is obliged to prepare consolidated financial statements in accordance with Article 56 of the Companies Act (ZGD-1). The Company itself is a subsidiary owned 100% by KD Group d. d. and is consolidated within the group KD Group. Pursuant to point 13 of the Introduction to the Slovene Accounting Standards, KD Group d. d. as the sole owner of the Company consented that the Company need not prepare consolidated financial statements. The consolidated annual report of the KD Group is available at the headquarters of the company KD Group d. d., Dunajska cesta 63, Ljubljana, Slovenia.

## 2. Notes to the accounting policies

### 2.1. Intangible assets

An intangible asset is an identifiable non-monetary asset, usually without physical substance. It is recognised if its probable that the expected future economic benefits attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

Upon initial recognition, an intangible asset is carried at cost less accumulated amortisation and accumulated impairment loss (cost model). The Company assesses whether the useful life of the intangible asset is finite or infinite. An intangible asset with a finite useful life is amortised over the period of its useful life. Intangible assets with infinite useful life are not amortised. Amortisation of intangible assets is charged on a straight-line basis.

Intangible assets comprise intangible assets with a finite useful life, i.e. computer software.

### 2.2. Property, plant and equipment

Items of property, plant and equipment are tangible assets owned by the Company for use in production or supply of products or services, for rental to others, or for administrative purposes, and are expected to be used during more than one accounting period.

Upon initial recognition, an item of property, plant and equipment is carried at cost less accumulated depreciation and accumulated impairment loss (cost model). The cost comprises its purchase price, import duties and non-refundable purchase taxes as well as directly attributable costs to bring the asset to the condition necessary for the intended use. Subsequent expenditure on an item of property, plant and equipment increases its cost only if it increases its future economic benefits in the excess of the originally assessed and the cost of the item can be measured reliably. Costs of maintenance and repairs are charged to the income statement in the period in which they are incurred.

An item of property, plant and equipment is derecognised in the books of account on its disposal or when no further economic benefits are expected from it. Gains and losses arising from the derecognising of an item of property, plant or equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item, and are recognised under other revaluation income or operating expenses.

Items of property, plant and equipment include computer equipment, other equipment and small tools. Items of property, plant and equipment ready for use also include small tools whose useful life is longer than one year and whose individual acquisition cost does not exceed EUR 500.

#### Depreciation/amortisation

The Company systematically allocates the depreciable amount of each individual intangible asset and each item of property, plant and equipment over its entire useful life and the respective accounting periods as depreciation/amortisation for the period concerned. The straight-line depreciation/amortisation method is used. Depreciation/amortisation is accounted for individually.

Depreciation and amortisation rates used in 2013 and 2012:

(In)tangible fixed asset	Minimum rate	Maximum rate
	%	%
Intangible fixed assets:		
Computer software	20.00	20.00
Property, plant and equipment:		
Office furniture and equipment	20.00	20.00

Motor vehicles	12.50	20.00
Computer equipment	50.00	50.00
Printers and other hardware	20.00	20.00
Investments in PPE owned by others	10.00	10.00
Small tools	20.00	20.00

### 2.3. Investments

Investments are part of the Company's financial instruments and represent financial assets held by the Company for the purpose of increasing its financial income through returns on investments. financial asset is any asset that is cash, an equity instrument of another entity, or a contractual right to receive cash or another financial asset from another entity.

An investment is recognised as a financial asset in the books of account and in the balance sheet if:

- a) it is probable that the future economic benefits associated with it will flow to the Company,
- b) the cost of the investment can be measured reliably.

Upon initial recognition, financial assets are classified as:

- financial assets valued at fair value through profit or loss,
- held-to-maturity investments,
- investments in loans; or
- available-for-sale financial assets.

Investments presented at fair value include investments valued at fair value through profit and loss and available-for-sale financial assets. Loans and receivables and held-to-maturity financial assets are stated at amortised cost.

Fair value is the amount for which an asset could be exchanged between knowledgeable and willing parties in an arm's length transaction. For listed financial instruments with quoted market prices in an active market, fair value is calculated by multiplying the number of the financial instrument units and the quoted market price (closing market price). If an active market does not exist, the fair value of a financial assets is calculated with the application of various valuation methods, including the use of transactions between knowledgeable parties, discounted cash flow method and other valuation techniques normally used by market participants. Valuation methods comprise the use of the last transaction between knowledgeable and willing parties if available; comparison with the current fair value of another instrument with similar essential characteristics; and discounted cash flow method. The company developed a model for the assessment of the fair value of capital instruments in shares and holdings in non-listed companies. Through this model, the fair values of significant investments in non-listed companies are measured once a year based on available data.

Purchase and sale of financial assets measured at fair value through profit and loss and held for trading are recognised in the books of account at the trading date, i.e. on the date the Company undertakes to purchase or sell the financial assets. Investments in loans and held-to-maturity investments are recognised as at the settlement date. All financial assets whose fair value is not recognised through profit and loss are initially recognised at fair value, increased by transaction costs.

A financial asset is derecognised after the contractual rights to benefits expire, extinguish or if almost all risks and benefits associated with the ownership of the financial asset are transferred. Likewise, a financial assets is derecognised if the Company has not transferred the risks and benefits associated with the ownership of the financial asset but no longer has control over it. The Company no longer has control over the financial asset if the transferee has the actual capacity to sell the asset in its entirety to an unrelated third party, and can do so unilaterally and without having to impose further restrictions on the transfer.

Revaluation of investments is the recognition of an adjustment to their carrying amounts, whilst contractually accrued interest and other adjustments to the investment's principal are not considered to be part of revaluation.

It usually appears as revaluation of investments resulting from an increase in their value, impairment, or derecognition of impairment. Revaluation of investments is effected on the balance-sheet day. Investments expressed in a foreign currency are translated at the ECB foreign exchange reference rate as at the balance sheet day.

### **2.3.1. Available-for-sale financial assets.**

Available-for-sale financial assets are any non-derivative financial assets designated as available for sale and not classified in any of the aforementioned categories. For the Company, they represent the main financial potential to be used in the future for the acquisition of new investments in accordance with its business policy. Investments comprise short-term and long-term investments.

Upon initial recognition, the available-for-sale financial assets are measured at fair value. Fair value is evidenced if there is a quoted price in an active securities market, or if there is a valuation technique which incorporates data inputs that can be evidenced because they are taken from an active market. Changes in fair value – except impairment losses – are recognised directly in comprehensive income as an increase (gain) or a decrease (loss) in the revaluation reserve. If the fair value of an available-for-sale financial asset is lower than its recognised value, negative revaluation reserve is recognised.

Interest calculated by using the effective interest method is recognised in profit and loss. Dividends on an equity instrument are recognised in profit and loss when the Company's right to receive payment is established.

Upon derecognition of an available-for-sale financial asset, the cumulative adjustments previously recognised in comprehensive income are derecognised, and the effects stated in the income statement.

The Company assesses at each balance sheet day whether there is any objective evidence that an available-for-sale financial asset is impaired, e.g. a significant or prolonged decline in its fair value. When assessing a prolonged decline in the fair value of equity securities below their cost, a maximum period of 9 months from the date when the fair value of an equity instrument fell below the acquisition cost for the first time and remained below the acquisition cost for the entire 9-month period is taken into account. When determining a significant decrease in the fair value of equity securities, the management takes into account at least a 40% reduction in the fair value compared to acquisition cost. If any such evidence exists, the investment has to be revalued for impairment. When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity as negative revaluation reserve and there is objective evidence that the asset is impaired, the negative revaluation surplus is first reduced by the accumulated loss, and revaluation financial expenses are recognised accordingly. The total accumulated impairment loss by which the negative revaluation reserve had been decreased and the revaluation financial expenses recognised is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss as a revaluation financial expense.

### **2.3.2. Investments in loans**

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are measured at amortised cost using the effective interest method. They are increased by lending, and by supply of goods or services to other parties when the Company has no intention of trading in them.

They are presented in the balance sheet as long-term and short-term investments. Loans falling due within a period of less than one year are classified as short-term investments.

## **2.4. Receivables**

Receivables are the rights, emanating from property and other legal relationships, to claim from a certain person the settlement of a debt or the payment for deliveries or rendered services.

Receivables are predominantly amounts owed by customers or other providers of funds for goods sold or services provided; they may also be amounts owed by suppliers of business process elements, by employees, by providers of funds and by users of investments.

Receivables may be classified as long-term and short-term receivables. Short-term receivables are normally collected within one year. Receivables comprise trade receivables, other receivables relating to operating income, and other receivables. Receivables are classified into those relating to Group companies, associates and others.

An item of receivables is recognised in the books of account and in the balance sheet on the basis of the relevant documents when the Company has obtained control of the contractual rights that comprise the asset. Receivables of all categories are initially recognised at amounts recorded in the relevant documents under the assumption that they will be recovered. Original receivables may subsequently be increased or reduced by any contractually justified amount, irrespective of received payment or another form of settlement.

Operating receivables are first recognised at fair value, and are then usually measured at amortised cost using the effective interest method minus any reduction for impairment. Operating receivables are impaired if unambiguous indicators exist that the collection of receivables is questionable because of the debtor's insolvency, compulsory composition or bankruptcy. If such evidence exists, the receivables carried at amortised cost should be checked for the existence of an impairment loss, which is then recognized as a revaluation operating expense in the income statement. An impairment loss is the amount by which the carrying value exceeds its recoverable amount. The recoverable amount of operating receivables stated at amortised cost is calculated as the current value of expected future cash flows discounted at its effective interest rate. Impairments of operating receivables are charged against revaluation operating expenses in the income statement.

Receivables expressed in a foreign currency are translated at the ECB foreign exchange reference rate as at the balance sheet day. The resulting increase (decrease) in receivables is allocated to financial income (expenses).

## **2.5. Cash and cash equivalents**

Cash and cash equivalents comprise ready cash, deposit money and call deposits with banks as well as 3-month time deposits . They are carried at amortised cost, using the effective interest method.

## **2.6. Financial and operating liabilities**

Long-term liabilities are recognised obligations of the Company associated with the financing of its own assets, the settlement of which is expected, usually by payment in cash, in a period of more than one year. Short-term liabilities are those whose settlement is expected within one year.

Liabilities may be either financial or operating. Financial liabilities comprise loans received on the basis of loan contracts, and can be long- or short-term. Short term liabilities also comprise payables to employees, liabilities to the state, and other liabilities.

Liabilities are recognised if it is probable that their settlement will result in an outflow of resources embodying economic benefits, and the amount at which their settlement will take place can be measured reliably. Financial and operating liabilities are recognised when the obligation arises under a contract or another legal act, taking into account the contractual date or the date of cash receipts or statements of accounts associated with them.

Liabilities are initially recognised at the amounts arising from the relevant documents, which in the case of long-term financial liabilities evidence the receipt of cash, while in the case of operating liabilities the relevant document usually evidences the receipt of a product or service or work performed, or a charged cost or expense, under the assumption that creditors claim their payment.

Liabilities are normally measured at amortised cost using the effective interest method. Amortised cost of a liability is the amount at which the liability is measured on initial recognition, minus principal repayment, plus or minus the cumulative amortisation of any difference between the initial amount and the maturity amount.

Liabilities expressed in a foreign currency are translated at the ECB foreign exchange reference rate as at the balance sheet date.

The recognition of liabilities is reversed if the obligation stipulated in a contract or another legal instrument has been fulfilled, annulled or barred by limitation.

Borrowing costs are financial expenses.

## **2.7. Short-term accruals and deferrals**

Short-term accruals and deferrals are receivables and other assets and liabilities expected to arise within one year, their incurrence is probable, and their amount is reliably estimated. Short-term accruals and deferrals may either be deferred costs and accrued income, or accrued costs and deferred income. The former may be construed as receivables in a broader sense. The receivables and liabilities are associated with both known and yet unknown clients from and to whom actual receivables and liabilities will arise within one year.

Deferred costs and accrued revenue comprise short-term deferred costs/expenses.

Accrued costs and deferred revenue comprise short-term accrued costs/expenses and short-term deferred income. Accrued costs subsequently cover the actually incurred costs or expenses of the same type.

## **2.8. Deferred taxes**

Deferred tax is intended to cover temporary difference arising between the carrying amount of assets and liabilities on the one hand and its tax base on the other by applying the balance sheet liability method. Temporary differences may be either taxable or deductible. Deferred tax assets and liabilities are recognised in accounting records and books of account for significant amounts. An amount is significant when the omission of its recognition might affect the users' business decisions made on the basis of financial statements.

Deferred tax assets are the amounts of income tax recoverable in future periods in respect of deductible temporary differences, carryforward of unused tax losses to future periods, and carryforward of unused tax credits to future periods. Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences. Deferred tax liabilities are recognised in full. Deferred tax assets and liabilities are not discounted; they can be offset when they refer to corporate income levied by the same tax authority and the company has the statutory right to offset the assessed tax assets and tax liabilities.

Deferred tax assets for deductible temporary differences are recognised if it is probable that temporary differences will be reversed in the foreseeable future and that future taxable profit will be available against which the taxable differences can be utilised.

Deferred tax assets for unused tax losses and tax credits are recognised if it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised

Deferred tax liabilities are recognised if assets are revalued, whilst no equivalent adjustment is made for tax purposes.

The effects of recognising deferred tax assets and deferred tax liabilities are stated as income or expense in the income statement, except where the tax arises from a transaction that has been recognised directly in equity and is charged against revaluation reserve, without affecting the Company's net profit or loss.

## 2.9. Provisions for termination pays and jubilee bonuses – other long-term employee benefits

In accordance with the national legislation, collective bargaining agreements and internal rules, the Company is obliged to pay jubilee bonuses and termination pays upon retirement to its employees. Provisions for termination pays and jubilee bonuses are set aside once a year, and are recognised collectively. Upon their use, these provisions are reduced directly by the liabilities associated with expenses in respect of which they were formed, therefore upon using the provisions the costs no longer occur in the income statement. The FIFO method is applied for reducing the provisions on the account of their use. On the balance sheet day, the Company establishes and recognises in the income statement the revenue or expense associated with the calculation of provisions, i.e. the difference between the opening and the closing balance of provisions.

Key assumptions included in the calculation of provisions for termination pays and jubilee bonuses:

- Expected salary growth equals the discount rate (3.5%)
- Estimated fluctuation rate depending on the number of years to retirement (for provisions relating to termination pays)

up to 5 years	6–10 years	11–15 years	16–20 years	from 21 years
0%	30%	45%	60%	80%

- Estimated fluctuation rate depending on the years of service in the company (for provisions relating to jubilee bonuses)

Bonus	up to 5 years	6–10 years	11–15 years	16–20 years	21–25 years	26–30 years
10 years of service	20%	35%				
20 years of service	10%	20%	30%	50%		
30 years of service	5%	8%	15%	25%	40%	60%

## 2.10. Income

Income is an increase in economic benefits during the accounting period in the form of increases in assets or decreases in liabilities. Through its effect on profit or loss, income results in increases in equity. Income is recognised if increases in economic benefits during the accounting period are associated with increases in assets or decreases in liabilities, and those increases can be measured reliably.

Income is classified into operating income, financial income, and other income. Income is also classified as that arising from business relations with Group companies, associates and other related companies as well as other companies.

Operating income comprises sales revenue and other operating income. Sales revenue comprises revenue generated by sales of services rendered during the accounting period. It is recognised in the accounting period when the service has been provided in part or in full.

Financial income is income from shareholdings, loans and receivables, and arises in relation to investments and receivables. It is classified as financial income independent of profit and loss of other parties (interest) and financial income dependent on profit or loss of other parties (dividends, profit participation). Interest is recognised on a time proportion basis taking account of the principal outstanding and the interest rate applicable. Dividend income is recognised when the Company gains the right to dividend payment.

## 2.11. Costs



Costs of materials and services are the costs of materials and services that are utilised in the production of products and services and are considered to be direct costs. They also include costs of other nature that are considered to be indirect costs. Costs of materials and services are recognised on the basis of documents evidencing their association with the economic benefits flowing from them.

The estimated amount of accrued costs of materials and services is recognised under the items where such actual costs of materials and services would otherwise be recorded. The costs are charged against the relevant items of accrued costs and deferred revenue.

Costs of materials and services are classified by primary types.

Costs of materials are the costs of primary and auxiliary materials, and costs of consumed energy. Costs of services are costs of transportation services, utility services, telecommunication services, rentals, insurance premiums, costs of payments services, costs of services incurred with natural persons except in employment relationships, costs of intellectual services and other costs of services.

Depreciation and amortisation costs are the amounts of the cost of intangible assets and property, plant and equipment which are in the individual accounting periods reallocated from these assets to the products and services being produced or rendered.

#### **2.12. Labour and employee benefit costs**

Labour and employee benefit costs are all forms of consideration given by the Company in exchange for service rendered by employees; the Company recognises them as its labour costs or as shares in expanded profit before stating its profit in the income statement. Employee benefits may also be associated with specific taxes and contributions that increase the costs incurred by the Company or the employees' shares in expanded profit.

The Company computes the cost of unused annual leave at the balance sheet date. The Company values the expected costs of accumulated compensated absences as an additional amount expected to be paid in respect of the unused rights accumulated until the balance sheet date.

They are accounted for in accordance with the law, collective bargaining agreements, the Company's internal rules or employment contracts.

#### **2.13. Expenses**

Expenses are decreases in economic benefits during the accounting period in the form of outflows or incurrence of liabilities; they impact equity through profit or loss.

Expenses are classified as operating expenses, financial expenses, and other expenses. They are also classified as those arising in relation to products and services of controlled entities, associates and other companies.

Financial expenses include financing expenses and investment expenses. Financing expenses primarily comprise interest paid, while investment expenses predominantly have the nature of revaluation financial expenses. The latter arise in association with the impairment of investments, except where the decrease in their value charged to equity revaluation surplus.

Expenses are recognised if decreases in economic benefits during the accounting period are associated with decreases in assets or increases in liabilities, and such decreases can be measured reliably. Financial expenses are recognised upon statements of accounts, irrespective of the actual payments associated with them.

#### **2.14. Taxes**

Corporate income taxes are accounted for on the basis of income and expenses in the income statement in accordance with the applicable tax legislation. The corporate income tax rates stood at 18% in 2012. Since 2013, the corporate income tax is charged at a rate of 17%.

#### **2.15. Statement of changes in equity**

A statement of changes in equity is a basic financial statement showing a true and fair view of changes in the components of equity for the accounting period. It is prepared so as to show all equity components included in the balance sheet.

#### **2.16. Cash flow statement**

A cash flow statement is a basic financial statements showing a true and fair view of changes in cash and cash equivalents during the relevant accounting period. It is prepared according to the indirect method, and reports cash flows for the period generated by operating activities, investing activities and financing activities. In the cash flow statement, cash flows are normally not presented in offset amounts.

#### **2.17. Statement of comprehensive income**

A statement of comprehensive income is a financial statement showing a true and fair view of elements of the income statement for the periods it concerns, and of other comprehensive income. Other comprehensive income comprises items of income and expenses that are not recognised through profit and loss but have an effect on the size of equity. Total comprehensive income denotes changes in equity in the period not arising from transactions with owners.

## EXPLANATORY NOTES TO SPECIFIC TREATMENTS AND VALUATIONS

### 1. Intangible assets

(EUR)	Computer software	Other property rights	Long-term deferred costs	Total
<b>Acquisition cost</b>				
<b>As at 31 December 2012</b>	<b>520,418</b>	<b>8,284</b>	<b>111,904</b>	<b>640,606</b>
Adjustments after opening balance	-	-	-	-
<b>As at 1 January 2013</b>	<b>520,418</b>	<b>8,284</b>	<b>111,904</b>	<b>640,606</b>
Direct increases – investments	43,915	-	-	43,915
Decreases during the year	-	-	(57,550)	(57,550)
<b>As at 31 December 2013</b>	<b>564,333</b>	<b>8,284</b>	<b>54,354</b>	<b>626,971</b>
<b>Value adjustment</b>				
<b>As at 31 December 2012</b>	<b>237,852</b>	<b>1,311</b>	-	<b>239,163</b>
Adjustments after opening balance	-	-	-	-
<b>As at 1 January 2013</b>	<b>237,852</b>	<b>1,311</b>	-	<b>239,163</b>
Amortisation for the year	95,230	829	-	96,059
Decreases during the year	-	-	-	-
<b>As at 31 December 2013</b>	<b>333,082</b>	<b>2,140</b>	-	<b>335,222</b>
<b>Carrying value as at 31 Dec. 2013</b>	<b>231,251</b>	<b>6,144</b>	<b>54,354</b>	<b>291,749</b>
<b>Carrying value as at 31 Dec. 2012</b>	<b>282,566</b>	<b>6,973</b>	<b>111,904</b>	<b>401,443</b>

(EUR)	Computer software	Other property rights	Long-term deferred costs	Total
<b>Acquisition cost</b>				
<b>As at 31 December 2011</b>	<b>435,863</b>	<b>8,284</b>	<b>127,545</b>	<b>571,692</b>
Adjustments after opening balance	-	-	-	-
<b>As at 1 January 2012</b>	<b>435,863</b>	<b>8,284</b>	<b>127,545</b>	<b>571,692</b>
Direct increases – investments	84,555	-	1,496	86,051
Decreases during the year	-	-	(17,137)	(17,137)
<b>As at 31 December 2012</b>	<b>520,418</b>	<b>8,284</b>	<b>111,904</b>	<b>640,606</b>
<b>Value adjustment</b>				
<b>As at 31 December 2011</b>	<b>156,866</b>	<b>483</b>	-	<b>157,349</b>
Adjustments after opening balance	-	-	-	-
<b>As at 1 January 2012</b>	<b>156,866</b>	<b>483</b>	-	<b>157,349</b>
Amortisation for the year	80,986	828	-	81,814
Decreases during the year	-	-	-	-
<b>As at 31 December 2012</b>	<b>237,852</b>	<b>1,311</b>	-	<b>239,163</b>
<b>Carrying value as at 31 Dec. 2012</b>	<b>282,566</b>	<b>6,973</b>	<b>111,904</b>	<b>401,443</b>
<b>Carrying value as at 31 Dec. 2011</b>	<b>278,997</b>	<b>7,801</b>	<b>127,545</b>	<b>414,343</b>

## 2. Property, plant and equipment

(EUR)	Cars	Computer equipment	Other equipment	Small tools	Total
<b>Acquisition cost</b>					
<b>As at 31 December 2012</b>	<b>60,194</b>	<b>128,159</b>	<b>115,550</b>	<b>2,183</b>	<b>306,086</b>
Adjustments after opening balance	-	-	-	-	-
<b>As at 1 January 2013</b>	<b>60,194</b>	<b>128,159</b>	<b>115,550</b>	<b>2,183</b>	<b>306,086</b>
Direct increases – investments	-	30,816	8,213	-	39,029
Decreases during the year	-	(16,494)	(5,911)	(815)	(23,220)
<b>As at 31 December 2013</b>	<b>60,194</b>	<b>142,481</b>	<b>117,852</b>	<b>1,368</b>	<b>321,895</b>
<b>Value adjustment</b>					
<b>As at 31 December 2012</b>	<b>33,719</b>	<b>112,290</b>	<b>67,157</b>	<b>1,974</b>	<b>215,140</b>
Adjustments after opening balance	-	-	-	-	-
<b>As at 1 January 2013</b>	<b>33,719</b>	<b>112,290</b>	<b>67,157</b>	<b>1,974</b>	<b>215,140</b>
Amortisation for the year	8,876	16,596	16,171	210	41,853
Decreases during the year	-	(16,494)	(5,832)	(815)	(23,141)
<b>As at 31 December 2013</b>	<b>42,595</b>	<b>112,392</b>	<b>77,496</b>	<b>1,369</b>	<b>233,852</b>
<b>Carrying value as at 31 Dec. 2013</b>	<b>17,599</b>	<b>30,089</b>	<b>40,355</b>	<b>-</b>	<b>88,043</b>
<b>Carrying value as at 31 Dec. 2012</b>	<b>26,475</b>	<b>15,869</b>	<b>48,393</b>	<b>209</b>	<b>90,946</b>

(EUR)	Cars	Computer equipment	Other equipment	Small tools	Investments PPE owned	Total
<b>Acquisition cost</b>						
<b>As at 31 December 2011</b>	<b>69,630</b>	<b>144,127</b>	<b>144,508</b>	<b>4,638</b>	<b>39,775</b>	<b>402,678</b>
Adjustments after opening balance	-	-	-	-	-	-
<b>As at 1 January 2012</b>	<b>69,630</b>	<b>144,127</b>	<b>144,508</b>	<b>4,638</b>	<b>39,775</b>	<b>402,678</b>
Direct increases – investments	9,300	9,589	47,677	-	-	66,566
Decreases during the year	(18,736)	(25,557)	(76,635)	(2,455)	(39,775)	(163,158)
<b>As at 31 December 2012</b>	<b>60,194</b>	<b>128,159</b>	<b>115,550</b>	<b>2,183</b>	<b>-</b>	<b>306,086</b>
<b>Value adjustment</b>						
<b>As at 31 December 2011</b>	<b>35,553</b>	<b>123,189</b>	<b>117,532</b>	<b>4,077</b>	<b>10,905</b>	<b>291,256</b>
Adjustments after opening balance	-	-	-	-	-	-
<b>As at 1 January 2012</b>	<b>35,553</b>	<b>123,189</b>	<b>117,532</b>	<b>4,077</b>	<b>10,905</b>	<b>291,256</b>
Amortisation for the year	11,437	14,658	22,174	352	3,978	52,599
Decreases during the year	(13,271)	(25,557)	(72,549)	(2,455)	(14,883)	(128,715)
<b>As at 31 December 2012</b>	<b>33,719</b>	<b>112,290</b>	<b>67,157</b>	<b>1,974</b>	<b>-</b>	<b>215,140</b>
<b>Carrying value as at 31 Dec. 2012</b>	<b>26,475</b>	<b>15,869</b>	<b>48,393</b>	<b>209</b>	<b>-</b>	<b>90,946</b>
<b>Carrying value as at 31 Dec. 2011</b>	<b>34,077</b>	<b>20,938</b>	<b>26,976</b>	<b>561</b>	<b>28,870</b>	<b>111,422</b>

The Company has no financial liabilities arising from the purchase of property, plant and equipment. No items of property, plant and equipment have been pledged as collateral for the Company's liabilities.

### 3. Long-term investments

(EUR)	31 Dec. 2013	31 Dec. 2012
<b>Long-term investments, except loans</b>		
Shares and holdings in Group companies	955,000	1,111,338
Other shares and holdings	-	500
	<b>955,000</b>	<b>1,111,838</b>
<b>Long-term loans</b>		
Long-term loans to Group companies	67,089	35,680
	<b>67,089</b>	<b>35,680</b>
<b>Total</b>	<b>1,022,089</b>	<b>1,147,518</b>

#### Investments in subsidiaries

(EUR)	2013	2012
<b>As at 1 January</b>	<b>1,111,338</b>	<b>1,166,338</b>
Acquisitions	234,615	150,000
Sales and other disposals	-	-
Impairments	(390,953)	(205,000)
<b>As at 31 December</b>	<b>955,000</b>	<b>1,111,338</b>

Long-term investments include investments in the companies KD Fondovi A. D. Skopje, Macedonia and KD Investments d. o. o., Zagreb, Croatia. Acquisitions refer to the capital increase of the Macedonian company KD Fondovi a.d. and the Croatian company KD Investments d.o.o. Impairment of the holding was made on the basis of internal assessment and a certified appraiser's assessment of the companies' value as at 31 December 2013.

#### Investments in other shares and available-for-sale holdings

(EUR)	2013	2012
<b>As at 1 January</b>	<b>500</b>	<b>37,154</b>
Acquisitions	-	-
Sales and other disposals	(500)	(36,654)
<b>As at 31 December</b>	<b>-</b>	<b>500</b>

The Company did not have a pledge on securities as at 31 December 2013.

Long-term loans comprise a loan granted to the subsidiary KD Investments d.o.o. Zagreb. The loan is unsecured, carries an interest rate of 2.634% p.a. and matures in 2019.

#### 4. Short-term investments

(EUR)	31 Dec. 2013	31 Dec. 2012
<b>Short-term investments, except loans</b>		
Other shares and holdings	10	10
Mutual fund units	553,603	540,151
Debt securities	1,596,505	2,134,636
	<b>2,150,118</b>	<b>2,674,797</b>
<b>Short-term loans</b>		
Short-term loans to Group companies	375,068	8,975,063
	<b>375,068</b>	<b>8,975,063</b>
<b>Total</b>	<b>2,525,186</b>	<b>11,649,860</b>

#### Changes in investments, except loans

(EUR)	2013	2012
<b>As at 1 January</b>	<b>2,674,797</b>	<b>2,373,643</b>
Acquisitions	3,336,228	300,000
Disposals	(3,998,104)	-
Collection of interest	(29,428)	(147,000)
Market price changes	70,224	1,058
Allocated interest	96,401	147,096
<b>As at 31 December</b>	<b>2,150,118</b>	<b>2,674,797</b>

#### Changes in short-term loans

(EUR)	Debt 1 Jan. 2013	Loan disbursements	Principal repayment	Allocated interest	Interest repayment	Debt 31 Dec. 2013
<b>Borrower</b>						
Group companies	8,975,063	300,000	(8,653,011)	82,258	(329,242)	375,068
<b>Total</b>	<b>8,975,063</b>	<b>300,000</b>	<b>(8,653,011)</b>	<b>82,258</b>	<b>(329,242)</b>	<b>375,068</b>

Short-term investments as at 31 December 2013 comprised loans to Group companies. They carried an interest rate recognised for tax purposes as at the day of loan agreement signature. The interest rates ranged from 1.2% to 3.259% p.a. (2012: 1.127% to 3.995% p.a.).

#### 5. Short-term operating receivables

(EUR)	31 Dec. 2013	31 Dec. 2012
<b>Short-term operating receivables</b>		
Short-term operating receivables from Group companies	17,903	25,462
Short-term trade receivables	57,890	60,243
Short-term operating receivables due from others	43,040	126,697
<b>Total</b>	<b>118,833</b>	<b>212,402</b>

Receivables have not fallen due and are not collateralised.

## 6. Cash and cash equivalents

(EUR)	31 Dec. 2013	31 Dec. 2012
Cash in hand	-	-
Cash in accounts	216,064	64,748
Call deposits	489,125	93,133
Deposits up to 3 months	420,526	-
<b>Total</b>	<b>1,125,715</b>	<b>157,881</b>

## 7. Short-term deferred costs and accrued income

(EUR)	31 Dec. 2013	31 Dec. 2012
Short-term deferred costs	93,268	73,558
Short-term accrued income	-	-
<b>Total</b>	<b>93,268</b>	<b>73,558</b>

Short-term deferred costs comprise deferred costs of insurance, licence fees, rentals, subscription fees, sponsorships and other costs.

## Changes in short-term deferred costs and accrued income

(EUR)	2013	2012
<b>As at 1 January</b>	<b>73,558</b>	<b>80,197</b>
Allocation	401,571	377,286
Drawing	(381,861)	(383,925)
<b>As at 31 December</b>	<b>93,268</b>	<b>73,558</b>

## 8. Equity

The called-up capital of KD Funds LLC is set out in the Company's Articles of Association and registered at the court. Accordingly, it was subscribed and paid by its owners. The called-up capital amounts to EUR 1,767,668 and equals the registered capital.

A resolution was adopted by the General Meeting of 30 May 2002 to convert the Company from a public limited company into a limited liability company.

Pursuant to the decision of the Ljubljana Stock Exchange, the Company's shares designated KDZ were excluded from trading on the OTC market on 19 September 2002. As of 30 September 2002, the KDZ shares were also deleted from the Central Securities Register.

On 13 December 2007, the Company's sole shareholder adopted the decision to increase the share capital by EUR 1,100,000, with the share capital consequently amounting to EUR 1,767,668. The shareholder remitted the amount to the bank account on 17 December 2007.

Excess amounts of capital reserves and legal reserves can be used to increase the share capital by charging against the Company's assets and to cover the net loss for the period and the net loss carried forward, provided the revenue reserves are not used for profit distribution to shareholders.

In 2013, the Company generated EUR 831,877 net profit for the period.

According to the resolution of 28 March 2013 on the use of distributable profit, the distributable profit for 2012 in the amount of 1,820,240.07 was used as follows:

- EUR 1,200,000.00 for dividend payment,
- decision on the allocation of EUR 620,240.07 will be transferred to the following year.

(EUR)	Called-up capital	Capital reserves	Profit reserves	Revaluation reserve	Retained earnings	Profit for the period	Total
<b>Equity prior to revaluation</b>	<b>1,767,668</b>	<b>542,062</b>	<b>556,767</b>	<b>(12,139)</b>	<b>620,240</b>	<b>831,877</b>	<b>4,306,475</b>
General revaluation for maintaining the purchasing power of equity based on consumer price index (0.7%)	12,375	3,794	3,897	(505)	6,344	(25,905)	-
<b>Equity in case of revaluation for maintaining the purchasing power of equity in EUR</b>	<b>1,780,043</b>	<b>545,856</b>	<b>560,664</b>	<b>(12,644)</b>	<b>626,584</b>	<b>805,972</b>	<b>4,306,475</b>

The Company did not make any general equity revaluation in 2013. If general revaluation based on the consumer price index had been made (0.7% in 2013 compared to 2.7% in 2012), the Company would have recorded a net profit of EUR 805,972 in 2013.

The ownership structure of the Company as at 31 December 2013 was:

- KD Group d. d.: 100.00%

Equity as at 31 December 2013 amounted to EUR 4,306,475.

#### Changes in revaluation reserve

(EUR)	2013	2012
<b>As at 1 January</b>	<b>(72,122)</b>	<b>(68,726)</b>
Revaluation of financial assets – gross	70,224	1,058
Revaluation of financial assets – deferred tax	(10,241)	(4,454)
<b>As at 31 December</b>	<b>(12,139)</b>	<b>(72,122)</b>

#### 9. Provisions, and long-term accrued costs and deferred income

(EUR)	Provisions for pensions and similar liabilities	Long-term deferred income	Total
<b>As at 1 January 2012</b>	<b>34,408</b>	<b>153,251</b>	<b>187,659</b>
Utilisation	(1,380)	-	(1,380)
Reversal	(7,276)	(7,749)	(15,025)
Allocation	-	1,527	1,527
<b>As at 31 December 2012</b>	<b>25,752</b>	<b>147,029</b>	<b>172,781</b>
<b>As at 1 January 2013</b>	<b>25,752</b>	<b>147,029</b>	<b>172,781</b>
Reversal	-	(68,776)	(68,776)
Allocation	16,333	-	16,333
<b>As at 31 December 2013</b>	<b>42,085</b>	<b>78,253</b>	<b>120,338</b>



In 2009, the Company launched a new product, "VIP100 Premium Savings Plan", which rewards investors with a closing bonus at the end of the savings period by reimbursing the subscription fee. As at 31 December 2013 provisions for long-term deferred income stood at EUR 78,253.

## 10. Financial liabilities

(EUR)	31 Dec. 2013	31 Dec. 2012
<b>Short-term financial liabilities</b>		
Short-term financial liabilities to banks	-	8,377,696
<b>Total short-term financial liabilities</b>	-	<b>8,377,696</b>
<b>Total financial liabilities</b>	-	<b>8,377,696</b>

## Changes in financial liabilities

(EUR)	Debt 1 Jan. 2013	Loan disbursement	Allocated interest	Repayments in the period	Debt 31 Dec. 2013
Creditor					
Banks	8,377,696	-	113,784	(8,491,480)	-
<b>Total</b>	<b>8,377,696</b>	-	<b>113,784</b>	<b>(8,491,480)</b>	-

## 11. Operating liabilities

(EUR)	31 Dec. 2013	31 Dec. 2012
<b>Long-term operating liabilities</b>		
Other short-term operating liabilities	252	-
<b>Long-term operating liabilities</b>	<b>252</b>	-
<b>Short-term operating liabilities</b>		
Short-term operating liabilities to Group companies	84,628	72,622
Short-term operating liabilities to associates	-	805
Short-term trade payables	184,201	177,376
Short-term operating liabilities for taxes and contributions	54,988	28,305
Payables to employees	278,246	134,347
Other short-term operating liabilities	1,656	1,454
<b>Short-term operating liabilities</b>	<b>603,719</b>	<b>414,909</b>
<b>Total</b>	<b>603,971</b>	<b>414,909</b>

## 12. Short-term accrued costs and deferred income

(EUR)	31 Dec. 2013	31 Dec. 2012
Short-term accrued costs and expenses	241,414	169,910
<b>Total</b>	<b>241,414</b>	<b>169,910</b>

### Changes in short-term accrued costs and deferred income

(EUR)	2013	2012
<b>As at 1 January</b>	<b>169,910</b>	<b>104,994</b>
Allocation	1,242,878	1,047,593
Drawing	(1,171,374)	(982,677)
<b>As at 31 December</b>	<b>241,414</b>	<b>169,910</b>

Over the short-term, the Company charged the costs of audit, IT services, subscription fees of the contractual partners providing outsourced mutual fund sales services as well as the costs of unused annual leaves and variable bonuses in 2013.

### 13. Balance sheet items by geographical segments

31 December 2013

(EUR)	Slovenia	EU	Other countries	Total
<b>Asset items</b>				
Intangible assets	291,749	-	-	291,749
Property, plant and equipment	88,043	-	-	88,043
Long-term investments	-	572,089	450,000	1,022,089
Deferred tax assets	16,333	-	-	16,333
Short-term investments	2,035,602	90,740	398,844	2,525,186
Short-term operating receivables	114,757	4,076	-	118,833
Cash	1,125,715	-	-	1,125,715
Deferred costs and accrued income	93,268	-	-	93,268
	<b>3,765,467</b>	<b>666,905</b>	<b>848,844</b>	<b>5,281,216</b>
<b>Liabilities and equity items</b>				
Provisions, and long-term accrued costs and deferred income	120,338	-	-	120,338
Long-term operating liabilities	9,270	-	-	9,270
Short-term operating liabilities	578,810	21,326	3,583	603,719
Accrued costs and deferred income	239,859	-	1,555	241,414
	<b>948,277</b>	<b>21,326</b>	<b>5,138</b>	<b>974,741</b>

31 December 2012

(EUR)	Slovenia	EU	Other countries	Total
<b>Asset items</b>				
Intangible assets	401,443	-	-	401,443
Property, plant and equipment	90,946	-	-	90,946
Long-term investments	500	-	1,147,018	1,147,518
Deferred tax assets	16,303	-	-	16,303
Short-term investments	11,180,770	10	469,080	11,649,860
Short-term operating receivables	203,758	8,501	143	212,402
Cash	157,881	-	-	157,881
Deferred costs and accrued income	73,558	-	-	73,558
	<b>12,125,159</b>	<b>8,511</b>	<b>1,616,241</b>	<b>13,749,911</b>

(EUR)	Slovenia	EU	Other countries	Total
<b>Liabilities and equity items</b>				
Provisions, and long-term accrued costs and deferred income	172,781	-	-	172,781
Short-term financial liabilities	8,377,696	-	-	8,377,696
Short-term operating liabilities	395,474	17,617	1,818	414,909
Accrued costs and deferred income	161,301	-	8,609	169,910
	<b>9,107,252</b>	<b>17,617</b>	<b>10,427</b>	<b>9,135,296</b>

**31 December 2012**

(EUR)	Slovenia	EU	Other countries	Total
<b>Asset items</b>				
Intangible assets	401,443	401,443	401,443	401,443
Property, plant and equipment	90,946	90,946	90,946	90,946
Long-term investments	500	500	500	500
Deferred tax assets	16,303	16,303	16,303	16,303
Short-term investments	11,180,770	11,180,770	11,180,770	11,180,770
Short-term operating receivables	203,758	203,758	203,758	203,758
Cash	157,881	157,881	157,881	157,881
Deferred costs and accrued income	73,558	73,558	73,558	73,558
	<b>12,125,159</b>	<b>12,125,159</b>	<b>12,125,159</b>	<b>12,125,159</b>
<b>Liabilities and equity items</b>				
Long-term financial liabilities	172,781	172,781	172,781	172,781
Short-term operating liabilities	8,377,696	8,377,696	8,377,696	8,377,696
Accrued costs and deferred income	395,474	395,474	395,474	395,474
	161,301	161,301	161,301	161,301

#### 14. Analysis of sales and costs

##### A. Operating income

(EUR)	2013	2012
<b>Net sales</b>	<b>6,954,049</b>	<b>6,470,095</b>
<b>Sales of services, domestic</b>	<b>6,895,765</b>	<b>6,370,390</b>
Group companies	228,919	149,440
Others	6,666,846	6,220,950
<b>Sales of services, within the EU</b>	<b>58,284</b>	<b>99,705</b>
Others	58,284	99,705
<b>Sales of services, in other countries</b>	<b>-</b>	<b>-</b>
<b>Other operating income</b>	<b>17,668</b>	<b>8,077</b>
Gains on disposal of items of property, plant and equipment	-	801
Reversal of provisions	-	7,276
Other revaluation operating income	17,668	-
<b>Total</b>	<b>6,971,717</b>	<b>6,478,172</b>

## Assets of qualified investors

(EUR)		2013		
Number of qualified investors	Assets under management	Management fee charged	Profit share	
6	53,901,793	232,676	54,292	
<b>Total:</b>	<b>53,901,793</b>	<b>232,676</b>	<b>54,292</b>	

(EUR)		2012		
Number of qualified investors	Assets under management	Management fee charged	Profit share	
6	53,271,218	231,843	17,023	
<b>Total:</b>	<b>53,271,218</b>	<b>231,843</b>	<b>17,023</b>	

## The structure of income from fees

(EUR)	2013				2012		
	Management fee	Entry fee	Exit fee	Total	Management fee	Entry fee	Total
KD Dividend	661,335	42	0	661,377	704,240	12	704,252
KD Galileo, Mixed Flexible Fund	1,947,722	3,369	0	1,951,091	1,963,474	19,750	1,983,224
KD Rastko, Europe Equity Fund	730,598	2,283	-	732,881	705,893	7,147	713,040
KD Bond – EUR	79,251	1,534	-	80,785	78,793	2,953	81,746
KD MM, Money Market – EUR	86,791	-	-	86,791	96,475	0	96,475
KD First Selection, Fund of Equity Funds	253,538	2,003	0	255,541	234,156	5,694	239,850
KD Balkan, Equity	517,942	1,201	-	519,143	506,393	1,839	508,232
KD New Markets, Equity	608,039	2,899	0	610,938	563,745	6,374	570,119
KD North America, Equity	661	-	-	661	27,484	251	27,735
KD Raw Materials and Energy, Equity	215,790	915	-	216,705	128,070	2,119	130,189
KD Technology, Equity	207,179	1,019	-	208,198	72,975	2,637	75,612
KD New Energy, Equity	6,142	5	-	6,147	179,025	1,797	180,822
KD Vitality, Equity	297,702	3,677	-	301,379	118,996	2,191	121,187
KD Financials, Equity	694	5	-	699	18,146	112	18,258
KD India – China, Equity	528,250	2,344	0	530,594	467,426	5,334	472,760
KD EM Infrastructure and Construction, Equity	421	4	-	425	14,907	238	15,145
KD Latin America, Equity	224,840	319	0	225,159	207,307	1,428	208,735
KD Eastern Europe, Equity	209,136	417	0	209,553	72,353	863	73,216
<b>Total</b>	<b>6,576,031</b>	<b>22,036</b>	<b>0</b>	<b>6,598,067</b>	<b>6,159,858</b>	<b>60,739</b>	<b>6,220,597</b>

## B. Analysis of expenditure

### Analysis of costs, by functional groups:

(EUR)	2013	2012
<b>Costs of materials</b>	<b>41,394</b>	<b>38,060</b>
<b>Costs of energy</b>	<b>8,650</b>	<b>10,522</b>
<b>Costs of services</b>		
Costs of transportation, postal and internet services	265,828	254,150
Costs of rents and maintenance of assets	448,673	399,911
Reimbursement to employees of work-related expenses	13,033	13,160
Payment transaction and banking services costs	13,026	7,978
Insurance costs	11,847	13,713
Costs of trade fairs, advertising and entertainment	523,703	418,143
Costs of services of agents acquiring investors	1,065,360	873,841
Costs of securities brokerage	2,812	171
Costs of other intellectual and personal services	430,709	571,090
Costs of services rendered by natural persons	12,496	91,798
Costs of other services	294,307	321,112
<b>Costs of services</b>	<b>3,081,794</b>	<b>2,965,067</b>
<b>Costs of materials and services</b>	<b>3,131,838</b>	<b>3,013,649</b>
Costs of wages and salaries	1,812,398	1,768,190
Costs of pension insurance	168,962	174,164
Costs of social insurance	132,923	135,979
Other labour costs	130,616	111,630
<b>Total labour costs</b>	<b>2,244,899</b>	<b>2,189,963</b>
<b>Depreciation/amortisation</b>	<b>137,911</b>	<b>134,413</b>
<b>Expenses for revaluation of operating assets</b>	<b>1,565</b>	<b>272</b>
<b>Expenses for revaluation of intangible assets and items of property, plant and equipment</b>	<b>79</b>	<b>21,533</b>
<b>Other costs</b>	<b>6,580</b>	<b>2,372</b>
<b>Total costs</b>	<b>5,522,872</b>	<b>5,362,202</b>

### Analysis of costs, by functional groups:

(EUR)	2013	2012
Costs of selling	2,107,268	1,724,308
Costs of general activities	3,415,604	3,637,894
<b>Total costs</b>	<b>5,522,872</b>	<b>5,362,202</b>

### Remuneration of Management Board and Supervisory Board members

(EUR)	2013	2012
Management Board members	261,812	222,921
Supervisory Board members	8,040	80,957
Persons employed under individual employment contracts	466,308	652,686
<b>Total</b>	<b>736,160</b>	<b>956,564</b>

<b>Audit costs*</b> (EUR)	<b>2013</b>	<b>2012</b>
Audit of annual report	6,100	6,000
Other audits – other auditing companies	6,600	-
<b>Total</b>	<b>12,700</b>	<b>6,000</b>

\*VAT included

### Potential liabilities – legal actions

In 2012, legal action was brought against KD Funds LLC by SIKRA d.o.o. Varaždin, for the payment of EUR 335,794.98 with all due costs and charges. According to the Company's assessment the charges are unfounded, therefore no provisions were set aside as at 31 December 2013.

### 15. Financial income

(EUR)	<b>2013</b>	<b>2012</b>
<b>Financial income from shares and interests</b>		
Financial income from shares in other companies	98,590	287,303
	<b>98,590</b>	<b>287,303</b>
<b>Financial income from loans</b>		
Financial income from loans granted to Group companies	83,667	276,990
Financial income from loans to others	2,012	9,033
	<b>85,679</b>	<b>286,023</b>
<b>Financial income from operating receivables</b>		
Financial income from operating receivables due by others	451	333
	<b>451</b>	<b>333</b>
<b>Total</b>	<b>184,720</b>	<b>573,659</b>

### 16. Financial expenses

(EUR)	<b>2013</b>	<b>2012</b>
<b>Financial expenses for impairments and write-offs of investments</b>		
Financial expenses for impairments and write-offs of Group companies	390,953	205,000
Financial expenses for impairments and write-offs of investments	41,560	-
	<b>432,513</b>	<b>205,000</b>
<b>Financial expenses for financial liabilities</b>		
Financial expenses for loans raised with banks	113,784	386,026
	<b>113,784</b>	<b>386,026</b>
<b>Financial expenses for operating liabilities</b>		
Financial expenses for other operating liabilities	3,220	6,372
	<b>3,220</b>	<b>6,372</b>
<b>Total</b>	<b>549,517</b>	<b>597,398</b>

**17. Other income**

(EUR)	2013	2012
Compensations	224	2,273
Other income	4	8
<b>Total</b>	<b>228</b>	<b>2,281</b>

**18. Other expenses**

(EUR)	2013	2012
Compensations	2,435	3,706
Other expenses	39	5
<b>Total</b>	<b>2,474</b>	<b>3,711</b>

**19. Items of income statement by geographical segments**

(EUR)	2013			
	Slovenia	EU	Other countries	Total
Net sales and revaluation income	6,906,404	58,284	7,029	6,971,717
Costs of goods, materials and services	(2,730,022)	(192,385)	(209,431)	(3,131,838)
Labour costs	(2,244,899)	-	-	(2,244,899)
Depreciation/amortisation and other costs	(146,135)	-	-	(146,135)
Financial income	135,142	47,892	1,686	184,720
Financial expenses	(117,004)	(286,222)	(146,291)	(549,517)
Other income	228	-	-	228
Other expenses	(2,474)	-	-	(2,474)
<b>Profit or loss before tax</b>	<b>1,801,240</b>	<b>(372,431)</b>	<b>(347,007)</b>	<b>1,081,802</b>

(EUR)	2012			
	Slovenia	EU	Other countries	Total
Net sales and revaluation income	6,378,467	99,705	-	6,478,172
Costs of goods, materials and services	(2,503,092)	(188,502)	(322,055)	(3,013,649)
Labour costs	(2,189,963)	-	-	(2,189,963)
Depreciation/amortisation and other costs	(158,590)	-	-	(158,590)
Financial income	569,579	-	4,080	573,659
Financial expenses	(392,398)	-	(205,000)	(597,398)
Other income	2,281	-	-	2,281
Other expenses	(3,711)	-	-	(3,711)
<b>Profit or loss before tax</b>	<b>1,702,573</b>	<b>(88,797)</b>	<b>(522,975)</b>	<b>1,090,801</b>

## 20. Deferred taxes

### Balance of deferred taxes

(EUR)	31 Dec. 2013	31 Dec. 2012
Deferred tax assets	16,333	16,303
Deferred tax liabilities	(9,018)	-
<b>Total deferred taxes</b>	<b>7,315</b>	<b>16,303</b>

### Changes in deferred taxes

(EUR)	2013	2012
<b>As at 1 January</b>	<b>16,303</b>	<b>23,677</b>
Deferred tax credited to (charged against) profit or loss	1,253	(2,920)
Deferred tax credited to (charged against) equity	(10,241)	(4,454)
<b>As at 31 December</b>	<b>7,315</b>	<b>16,303</b>

### Changes in deferred tax assets

(EUR)	Revaluation of investments	Provision for termination pays	Excess value of depreciation	Total
<b>As at 1 January 2012</b>	<b>17,182</b>	<b>4,042</b>	<b>2,453</b>	<b>23,677</b>
Deferred tax credited to (charged against) profit	-	(1,766)	(1,154)	(2,920)
Deferred tax credited to (charged against) equity	(4,454)	-	-	(4,454)
<b>As at 31 December 2012</b>	<b>12,728</b>	<b>2,276</b>	<b>1,299</b>	<b>16,303</b>
<b>As at 1 January 2013</b>	<b>12,728</b>	<b>2,276</b>	<b>1,299</b>	<b>16,303</b>
Deferred tax credited to (charged against) profit	-	1,692	(439)	1,253
Deferred tax credited to (charged against) equity	(1,223)	-	-	(1,223)
<b>As at 31 December 2013</b>	<b>11,505</b>	<b>3,968</b>	<b>860</b>	<b>16,333</b>

### Changes in deferred tax liabilities

(EUR)	Revaluation of investments	Total
<b>As at 1 January 2013</b>	<b>-</b>	<b>-</b>
Deferred tax charged against (credited to) profit or loss	-	-
Deferred tax charged against (credited to) profit or loss	(9,018)	(9,018)
<b>As at 31 December 2013</b>	<b>(9,018)</b>	<b>(9,018)</b>

The following effects of deferred taxes were recognised due to the lower tax rate:



- EUR 477 credited to profit or loss,
- EUR 1,469 credited to equity.

## 21. Taxes

(EUR)	2013	2012
<b>Profit or loss before tax</b>	<b>1,081,802</b>	<b>1,090,801</b>
Income adjusted to levels recognised for tax purposes	-	(12,565)
Expenses adjusted to tax deductible levels	442,569	290,868
Tax allowances	(46,852)	(54,752)
<b>Tax base</b>	<b>1,477,519</b>	<b>1,314,352</b>
Tax rate	17%	18%
<b>Income tax</b>	<b>251,178</b>	<b>236,583</b>
Advance tax payments	204,820	350,444
Receivables (liabilities) associated with income tax	(48,358)	113,861

## 22. Disclosures of receivables, liabilities and investments, by groups of related parties according to Article 20 of the Investment Funds and Management Companies Act (ZISDU-1)

(EUR)	Receivables from related party		Liabilities due to related party		Investments in parties related to MC
	operating	financing	operating	financing	
Related party					
B1	-	268,351	7,649	-	955,000
B2	-	173,805	-	-	-
C	17,903	-	76,979	-	-
E1	-	-	19,481	-	-
<b>Total</b>	<b>17,903</b>	<b>442,156</b>	<b>104,109</b>	<b>-</b>	<b>955,000</b>

(EUR)	Receivables from related party		Liabilities due to related party		Investments in parties related to MC
	operating	financing	operating	financing	
Related party					
B1	-	5,336,285	5,174	-	1,111,337
B2	-	3,674,459	-	-	2,134,636
C	25,462	-	68,253	-	-
E1	-	-	18,739	-	-
E3	-	-	37,478	-	-
<b>Total</b>	<b>25,462</b>	<b>9,010,744</b>	<b>129,644</b>	<b>-</b>	<b>3,245,973</b>

Code table of types of relation:

- B1 - a person or persons directly participating in another person
- B2 - a person or persons indirectly participating in another person

- C - a person participating in both persons, having the status of related party according to paragraph 1 of Article 21 and points 1, 2, 4 and 5 of Article 20 of ZISDU-2
- E1 - Management Board members
- G - person related in terms of management with another person

### 23. Transactions with related parties

#### Sales to related parties

(EUR)	2013	2012
Group companies	2,454,696	189,372
<b>Total</b>	<b>2,454,696</b>	<b>189,372</b>

#### Purchases from related parties

(EUR)	2013	2012
Group companies	2,733,097	1,107,416
Associates	5,256	55,001
<b>Total</b>	<b>2,738,353</b>	<b>1,162,417</b>

#### Outstanding items arising from sales to and purchases from related parties

(EUR)	31 Dec. 2013	31 Dec. 2012
<b>Operating receivables due from related parties</b>		
Group companies	17,903	25,463
<b>Total</b>	<b>17,903</b>	<b>25,463</b>

(EUR)	31 Dec. 2013	31 Dec. 2012
<b>Operating liabilities to related parties</b>		
Group companies	84,628	72,622
Associates	-	805
<b>Total</b>	<b>84,628</b>	<b>73,427</b>

#### Loans granted and interest allocated to related parties in the period

(EUR)	2013	2012
Group companies	413,667	1,711,958
<b>Total</b>	<b>413,677</b>	<b>1,711,958</b>

### 24. Risk management

The Company is exposed to financial risks through its financial assets and liabilities. Financial risks are risks that the inflows will not be sufficient to cover outflows due to changes in the capital and money markets, changes of business operations, and changes of clients' credit rating. The most important types of financial risk include

liquidity risk, credit risk and market risk, where the Company is exposed to the risk of changing interest rates, the risk of changing securities prices, the risk of changed prices and currency risk. The purpose of financial risk management is to ensure business stability and reduce exposure to specific risks to an acceptable level.

The Company manages and controls risks by regularly planning and monitoring its cash flows, and by holding a sufficient volume of liquid assets at all times to cover its liabilities. It follows an investment policy by which it ensures a sufficiently high level of profitability, matches the maturities of financial assets with those of financial liabilities, and provides an adequate structure of financial assets. The Company regularly monitors developments in financial markets and tries to minimise potential negative effects of its financial performance.

**Liquidity risk** is the risk the Company will not be able to settle all its obligations, including potential obligations, in due time. The Company's goal is to have at any time the necessary liquidity and to be permanently able to meet all of its obligations with an adequate volume of capital (solvency).

Liquidity risk stems from the mismatch of inflows and outflows, and is reflected in the potential that the Company, despite a sufficient volume of financial assets, might need to liquidate its assets in unfavourable conditions in order to meet its commitments at a given moment (at a lower price, with higher transaction costs), which in turn would lead to the lower profitability of investments.

Liquidity risk is managed through an adequate investment structure; appropriate investment diversification; cash flow planning that ensures a sufficient volume of cash flows from operating and investing activities (interest and principal payments) to cover future predictable obligations; as well as by ensuring an adequate volume of highly liquid assets that can be sold at any time without a loss in order to cover future unpredictable obligations.

**Credit risk** is the risk that a counterparty will not be able to repay the amounts owed when they fall due. The risk that loans will not be discharged on time is moderate. The Company mitigates this risk by monitoring debtors' ratings and by seeking various forms of security for its receivables.

**Market risk** arises in particular with investments in assets where it is possible that expectations regarding the development of asset values will not be realised or will be realised incompletely. The risk of unfavourable changes in the value of assets may be a consequence of FX changes, interest rate changes or changes in the market value of securities. The Company is mostly exposed to currency risk because of its investments in countries that are non-members of the EMU. The interest risk to which the Company is exposed can be reflected in the growth of financing costs. The Company manages its interest risk by linking financial liabilities to a fixed interest rate.

The Company does not apply accounts processing for risk hedging.

## **25. Events after the balance sheet date**

There were no significant events after the balance sheet that could influence the financial statements and would lead to additional procedures to establish whether these events have been correctly recognised in the financial statements.