ANNUAL REPORT 2015

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. (KD Funds – Management Company LLC)
Abbreviated company name	KD Skladi, d. o. o. (English: KD Funds LLC)
Registered office	Dunajska cesta 63, 1000 Ljubljana, Slovenia
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
Bank accounts	SI56 0510 0801 3397 826, Abanka d. d. SI56 0292 2026 0821 258, NLB d. d.
Economic activity codes	64.300 – Trusts, funds and similar financial entities 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 2015

KD Group d. d., Dunajska cesta 63, 1000 Ljubljana	100% business share

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 tolars (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 SIT (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 Management Company does not have a diversity policy, but it does respect diversity principles.

The Company's principal activity is investment fund management. At the end of 2015 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)

At the end of 2015, the Company also managed the assets of other portfolios in the framework of its financial instruments management service.

The operations of all the subfunds of the KD Umbrella Fund listed above and the company KD Funds LLC in 2015 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.

In 2015 the Management Board had the following composition:

- Luka Podlogar, President of the Management Board,
- Casper Frans Rondeltap, Member of the Management Board.

The Supervisory Board

In 2015 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.

Since 9 February 2016, the Supervisory Board has had the following composition:

- Tomaž Butina, 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 2015, KD Funds LLC was the controlling company of the management company KD Locusta Fondovi d. o. o., Ljudevita Gaja 28, 10 000 Zagreb (60% 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 Locusta Fondovi d. o. o., Zagreb, from the obligation of preparing consolidated financial statements for the 2015 financial year with respect to the companies KD Skladi d. o. o., KD Fondovi A. D. Skopje and KD Locusta Fondovi 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 2015 financial year.

2. Business development

The core activity of KD Funds LLC is the management of investment funds and assets in other portfolios. At the end of 2015, the Company was managing the KD Umbrella Fund with its 14 subfunds, and the assets of other portfolios within its financial instruments management service.

In 2015, capital markets were characterised by increased price volatility. Early 2015 was strong in optimism, followed by growth in prices in the majority of markets. Net payments into all mutual funds in Slovenia picked up to reach EUR 41.7 million in April 2015, which is the highest level since December 2007. This positive growth was interrupted at the end of spring by the European efforts to resolve the Greek crisis. It was followed by developments in China, notably currency depreciation, declining prices of raw materials and geopolitical tensions.

Even in this dynamic environment of unpredictable circumstances, KD Funds managed to perform. One-half of the KD Umbrella fund subfunds either exceeded or reached their benchmarks, which serve as the basis for measuring the management performance, whilst KD Technology was the best performing Slovenian mutual fund in 2015 with a return of 17.7%. The value of assets managed by the KD Umbrella Fund reached EUR 436 million in 2015. Payments into the KD Umbrella Fund amounted to EUR 46.4 million in 2015, and the amounts redeemed were EUR 55.5 million.

The excellence and expertise of management of the KD Funds has also been confirmed by the international rankings of fund management provided by the independent rating agency **Morningstar.** These ratings are assigned by Morningstar, an independent and internationally recognised US-based rating agency that evaluates fund management performances. Morningstar has been rating funds across the world since 1985. Ratings are assigned on the basis of the risk-adjusted return of a fund as arising from its investment policy, also taking account of the cost effectiveness of management. The funds are divided into investment categories, and are rated on the basis of their position within a respective category. They are updated on a monthly basis. The highest rating assigned is five stars. The best 10% of funds in a specific category are assigned five stars. The following 22.5% receive four stars. As at 31 December 2015, five out of ten rated funds of the KD Umbrella Fund had the highest scores, that is four or five stars, namely:
KD Balkan**, overall rating 5 stars – Emerging Europe Equity,** holding top position among 269 funds in the same category in three- and five-year periods,
KD First Selection**, overall rating 4 stars – EUR Flexible Allocation – Global**, holding 66th place among 1,329 funds in this category,
KD Bond**, overall rating 4 stars – EUR Diversified Bond,** holding 111th place among 1,156 funds in the same category,

KD Latin America**, overall rating 4 stars – Latin America Equity,** 38th place among 296 funds in the same category,
KD Vitality**, overall rating 4 stars – Global Large-Cap Blend Equity**, 293rd place among 2,657 funds in the same category.

The excellence and expertise of KD Funds has also been acknowledged by the independent assessors of the *Moje finance* magazine, who – based on the funds assessed in 2014 – recognised KD Funds as the Slovenian management company with the highest number of "top funds" within the last three- and five-year periods. The best rating, i.e. five stars, was awarded to KD Rastko in the category of European equity funds. KD New Markets was proclaimed the best fund in the last three years in the category of emerging markets equity funds, and KD MM was recognised as the best EUR money market fund in the last five years. KD Eastern Europe was the best European emerging markets equity fund in the last three and five years, KD India – China as the best Asia and Oceania equity fund in the last three and five years, and KD Balkan was the best Balkans equity fund in the last three and five years. As many as four KD Funds managers were ranked among the best managers in the last three-year period, namely Luka Flere (3rd place), Sašo Šmigić (7th place), Aleš Lokar (8th place) and Primož Cencelj (12th place). Sašo Šmigić has consistently ranked on the best managers chart during the five-year period in which the *Moje finance* magazine has been presenting its awards.

The trust placed in KD Funds has been confirmed for eight consecutive years by the Trusted Brand 2015 award, presented to the most trustworthy brand in the Investment companies and mutual funds category. In July, KD Funds attended an award-winning ceremony where it was presented with the World Finance Best Investment Management Company, Slovenia 2015 award as a company that is able to stay ahead of the market, provide extraordinary customer support, and create returns for its investors.

All these awards and recognitions are the result of the sound management of our funds' assets, developments in financial markets, cost-effective business, and personal contacts with our investors. In terms of financial advisory, 2015 was a year of redesigning financial advice processes, focusing on the creation of long-term relations with investors and setting up our own customer support call centre. KD Funds offers the most cost-effective ways of savings in funds in the form of fund packages. As a tool in making investment decisions, fund portfolios for three investor profiles are used. They represent the proposed allocation of assets among the KD Umbrella Fund subfunds on the basis of expectations regarding future trends in returns on capital markets, taking account of risk parameters and fund correlations. The portfolios are refreshed every three months. Since 2015, a new financial advisory approach has been developed in the form of a smart electronic portal. On the basis of quantitative calculations and specific questionnaires, this software solution helps find an optimal investment portfolio for every investor, maximising returns by taking the investor's given risk tolerance into account.

The sales activities relating to savings plans have been upgraded by KD Funds for the third consecutive year with a socially responsible competition entitled Everything = Possible! A great deal of attention was paid to direct communication with investors through our call centre and the organisation of regular regional investor meetings, and consequently maintaining the trust of existing investors and acquiring new investors. Moreover, regular activities for institutional investors were offered. In addition to sales activities, the company focused on alignment with the legislation, the optimisation of processes and portfolios, and IT system upgrading. KD Funds developed software for an electronic financial advice portal and in December launched its first mobile application, KD Funds. An upgrade of the existing portfolio optimisation software was also developed in order to contribute to a higher quality of management.

Highlights of our activities and achievements in 2015:

- **Development of new software solutions:** KD Funds developed new software solutions that will contribute to more effective financial advisory, monitoring price movements through KD Funds mobile application, and distance learning through an electronic training module for all financial advisers.
- **Excellence in management:** The numerous awards presented by the *Moje finance* magazine to the Management Company with the highest number of "top funds", the international recognition of the World Finance magazine, and the overall ratings of five or four Morningstar stars were – in addition to our results

and consistently exceeded benchmarks – proof of the success of our planned development and improvements in the management process based on seeking risk-adjusted value.

- **Trusted brand:** In 2015, the European Trusted Brand survey awarded, for the eighth consecutive time, the Trusted Brand title to the KD Funds brand in its Investment Companies and Mutual Funds category.
- **Development activities:** The processes of financial advisory are being redesigned in order to offer the best possible experience built on a long-term relationship with investors. This includes a new KD Funds mobile application to be further upgraded in accordance with investors' needs.
- **Improving the quality of after-sales services:** Our companies have been strengthening investor communication at regular individual and group meetings focusing on market developments. Parallel to this, the sales network is regularly informed about developments in capital markets. Training on investment solutions takes place regularly.
- **The common thread running through all marketing activities** remains the positioning of mutual funds as a sales opportunity for long-term savings (in the form of a step-by-step savings plan) as well as building on the image of KD Funds as a trustworthy brand.
- **Constant presence in the media:** KD Funds experts regularly appear in major printed and electronic media through stock market commentaries, articles, awareness-raising on long-term savings, and responsible corporate governance. We also publish the *Optimum* magazine that features expert and training topics relating to saving.
- **Business streamlining and cost cutting:** Our management companies continued to engage in activities targeting business excellence in all spheres of operations and asset management as well as business process streamlining.
- **Strengthening our regional presence:** The position of our subsidiary KD Locusta Fondovi is being successfully strengthened with take-over activities.

3. Business results

KD Funds LLC is the third biggest management company in Slovenia, with its market share among Slovenian mutual fund managers standing at 18.9%. 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 more than EUR 101 million in 2015, from EUR 502 million at the end of 2014 to almost EUR 603 million at the end of 2015. The fundamental reason for the increased value of assets under management is the strengthened financial instruments management service. The volume of assets held by the investment funds declined somewhat from EUR 445.6 million at the end of 2014 to EUR 435 million at the end of 2015, while the volume of other assets in management rose from EUR 56 million at the end of 2014 to EUR 168 million at the end of 2015. Payments into the KD Umbrella Fund reached EUR 46 million in 2015.

Net sales and operating expenses reached EUR 9.07 million and EUR 6.91 million, respectively. The Company ended the year with a net profit for the financial period of EUR 2,130,751.

4. Outlook for the future

In 2016 we expect the continuation of major volatilities in all investment classes, without a distinctive direction of development. The economic situation in various countries in a globally connected economy varies greatly. Therefore, we expect to see various different monetary, fiscal and currency policies. These differences will most strongly impact the direction in which the values of investments and regions will develop. In 2016, we expect that economic growth will remain globally unbalanced. In developed economies, we expect accelerated growth in Europe and in Japan, whilst growth should gradually pick up in developing markets.

We lowered our recommendations for equities to neutral, the reason being the higher uncertainty and risks, although relative valuations among investment classes are still in favour of equities. Valuations in developed equity markets equal long-term average values. We have a positive view of Europe and Japan, whilst our recommendation for emerging markets remains negative in 2016. Economic activity in these countries slowed down in 2015, and the positive premium of economic growth in comparison to developed countries is the lowest following the Asian crisis. Trends in raw materials and in particular energy markets will have a strong impact on developments in this part of the world. Privatisation lost momentum in Slovenia. The economic picture of countries in the region has been improving in accordance with the growth of Western European economies, and positive trends are also recorded in the growth of profitability of regional companies, which we expect to continue in the following year, too. A positive exception is Romania, recording the best economic situation, good corporate results and high dividend returns.

The other topics which in our opinion will significantly influence global capital markets include developments in China, geopolitics, energy market developments, world trade and political events. The main risk and, on the other hand, a potential opportunity is represented by China, whose economy has seen rapid cooling down recently. In 2016, we expect a modest depreciation of its currency, growth of private consumption and stabilisation of the real estate sector, which would lead to the moderation of growth at a rate of 6% to 6.5%.

A central topic of 2016 will be the inconsistencies among monetary policies, and their impact on economies and capital markets. In the bond markets, we expect to see a relatively difficult year, with the Federal Reserve (FED) continuing to increase interest rates. We expect that the Bank of England will gradually follow. The ECB will pursue a more lax policy, stimulating the economy with new measures. Stabilisation in energy markets will lead to higher long-term interest rates. Despite the quantitative easing by the ECB, some corrections in the market of non-risk bonds may occur because prices are relatively high. There is more support for credit spreads in higher-risk countries. Therefore, we are maintaining a neutral view of government bonds. We are strongly reserved with respect to corporate bonds as we expect a number of issues with certain companies, especially the speculative-class issuers. In general, we expect increased volatility for bonds in 2016, linked in particular to macroeconomic data and the tactical position of active traders.

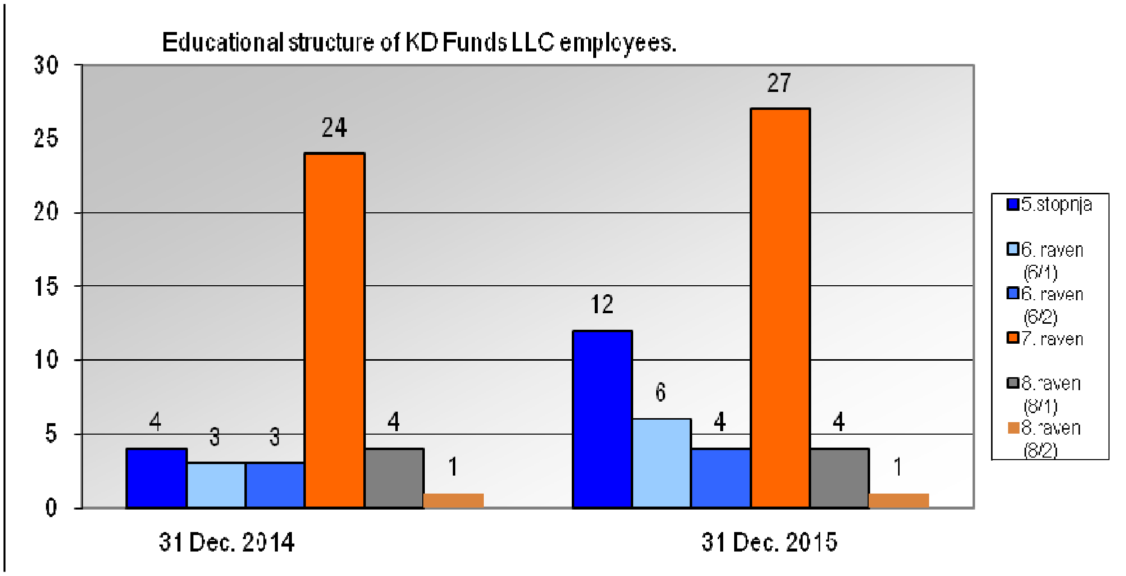
We will continue to engage in activities targeting business excellence in all spheres of its operations and asset management as well as business process streamlining. A special focus will be placed on our existing and potential investors, and ensuring an excellent financial counselling experience.

The main challenges expected in 2016:
- improving the Company's profitability,
- improving management,
- strengthening personal interaction with investors and the sales network,
- launching innovative new products that will bring new investment strategies within the KD Umbrella Fund and offer new saving possibilities in mutual funds,
- raise the interest of new prospective investors, especially institutional investors,
- we will strengthen the service of financial instruments management for both domestic and foreign institutional investors,
- we will carry on with activities to optimise business processes, focusing on the best possible risk management,
- reinforcing our position within the broader region.

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 54 people as at 31 December 2015, with one employee absent due to parental leave . The average number of employees in 2015 and 2014 was 45.17 and 37.17, respectively. The average number of employees based on working hours in 2015 was 38.86. At the end of 2015, 62.96% of the staff were women and 37.04% 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 2015.

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 2015 financial year

KD Group d. d., the sole partner of the Company, appointed Tomaž Butina a new member of the Supervisory Board.

Ljubljana, 26 February 2016

Casper Rondeltap
Član uprave

Luka Podlogar
Predsednik uprave

KD Skladi, družba za upravljanje, d.o.o.
Dunajska cesta 63, SI-1000 Ljubljana

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 2015, 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 2015.

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, 26 February 2016

KD Skladi, d. o. o. (English: KD Funds LLC)

Casper Rondeltap
Član uprave

Luka Podlogar
Predsednik uprave

KD Skladi 07
KD Skladi, družba za upravljanje, d.o.o.
Dunajska cesta 63, SI-1000 Ljubljana

BALANCE SHEET AS AT 31 DECEMBER 2015

(EUR)	Note	31 Dec. 2015	31 Dec. 2014
ASSETS			
Long-term assets			
Intangible assets, and long-term deferred costs and accrued income	1	233,433	331,707
Property, plant and equipment	2	137,899	76,356
Long-term investments	3	1,652,513	1,023,801
Long-term operating receivables	5	67,366	-
Deferred tax assets	19	17,215	12,349
		2,108,426	**1,444,213**
Current assets			
Short-term investments	4	3,269,991	3,549,919
Short-term operating receivables	5	384,895	139,157
Cash and cash equivalents	6	1,293,911	1,002,784
		4,948,797	**4,691,860**
Short-term deferred costs and accrued income	7	**90,365**	**39,237**
TOTAL ASSETS		**7,147,588**	**6,175,310**
Off-balance sheet assets		804,597	-
LIABILITIES AND EQUITY			
Equity	8		
Called-up capital		1,767,668	1,767,668
Capital reserves		1,169,062	542,062
Profit reserves		856,767	556,767
Revaluation reserve		(45,875)	49,138
Retained profit/loss		537,020	502,117
Net profit/loss for the period		1,830,751	1,734,903
		6,115,393	**5,152,655**
Provisions, and long-term accrued costs and deferred income	9	**103,577**	**105,602**
Long-term liabilities			
Long-term operating liabilities	10	5,600	6,109
Deferred tax liabilities	19	3,701	18,668
		9,301	**24,777**
Short-term liabilities			
Short-term operating liabilities	10	570,680	742,870
		570,680	**742,870**
Short-term accrued costs and deferred income	11	**348,637**	**149,406**
TOTAL LIABILITIES AND EQUITY		**7,147,588**	**6,175,310**
Off-balance sheet liabilities		804,597	-

The accounting policies and notes to the financial statements on pages 20 to 45 are a constituent part of the financial statements.

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

(EUR)	Note	2015	2014
Net sales	13A	9,037,964	7,940,180
Other operating income	13A	39,557	32,403
		9,077,521	**7,972,583**
Costs of goods, materials and services	13B	(4,253,516)	(3,735,013)
Labour costs	13B	(2,484,835)	(2,136,700)
Write-downs in value	13B		
Depreciation/amortisation	13B	(159,254)	(150,228)
Revaluation operating expenses	13B	(1,088)	(87)
Other operating expenses	13B	(16,150)	(24,615)
		(6,914,843)	**(6,046,643)**
Financial income from shares and interests	14	181,595	169,061
Financial income from loans	14	11,087	13,179
Financial income from operating receivables	14	4,296	360
		196,978	**182,600**
Financial expenses for impairments and write-offs of investments	15	(1)	-
Financial expenses for financial liabilities	15	(41)	-
Financial expenses for operating liabilities	15	(4,303)	(2,007)
		(4,345)	**(2,007)**
Other income	16	294	1,618
Other expenses	17	(16,007)	(3,865)
		(15,713)	**(2,247)**
Profit or loss before tax		**2,339,598**	**2,104,286**
Income tax	20	(209,219)	(368,300)
Deferred taxes	19	372	(1,083)
Net profit or loss for the period		**2,130,751**	**1,734,903**

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

(EUR)	2015	2014
Net profit or loss	2,130,751	1,734,903
Change in revaluation reserve relating to available-for-sale financial assets	(95,013)	61,277
Total comprehensive income	**2,035,738**	**1,796,180**

The accounting policies and notes to the financial statements on pages 20 to 45 are a constituent part of the financial statements.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

(EUR)	Note	2015	2014
A. Cash flows from operating activities			
a) Items of income statement		**2,097,086**	**1,704,478**
Operating income (except for revaluation) and financial income from operating receivables	13A, 16	9,076,464	7,974,201
Operating expenses excluding depreciation/amortisation (except for revaluation) and financial expenses from operating liabilities	13B, 17	(6,770,531)	(5,900,340)
Income taxes and other taxes not included in operating expenses	19, 20	(208,847)	(369,383)
b) Changes in net operating assets of operating items in the balance sheet		**(331,106)**	**85,534**
Opening less closing operating receivables		(313,103)	(20,324)
Opening less closing deferred costs and accrued income		(42,114)	68,011
Opening less closing deferred tax assets		(372)	1,083
Closing less opening operating liabilities		(172,724)	143,508
Closing less opening accrued costs and deferred income, and provisions		197,207	(106,744)
Closing less opening deferred tax liabilities		-	-
c) Net cash from operating activities (a + b)		**1,765,980**	**1,790,012**
B. Cash flows from investing activities			
a) Inflows from investing activities		**3,547,071**	**1,969,963**
Inflows from interest and from participation in the profit of others relating to investing activities		8,214	28,865
Inflows from disposal of property, plant and equipment		11,900	-
Inflows from disposal of long-term investments		-	-
Inflows from disposal of short-term investments		3,526,957	1,941,098
b) Outflows from investing activities		**(3,948,924)**	**(2,932,906)**
Outflows for acquisition of intangible assets		-	(155,493)
Outflows for acquisition of property, plant and equipment		(143,176)	(37,073)
Outflows for acquisition of long-term investments		(627,000)	-
Outflows for acquisition of short-term investments		(3,178,748)	(2,740,340)
c) Net cash from investing activities (a + b)		**(401,853)**	**(962,943)**
C. Cash flows from financing activities			
a) Inflows from financing activities		**627,000**	**-**
Inflows from paid-in capital		627,000	-
Inflows from increase in long-term financial liabilities		-	-
Inflows from increase in short-term financial liabilities		-	-
b) Outflows from financing activities		**(1,700,000)**	**(950,000)**
Outflows for interest associated with financing activities		-	-
Outflows for repayment of short-term financial liabilities		-	-
Outflows for dividends and other profit shares		(1,700,000)	(950,000)
c) Net cash from financing activities (a + b)		**(1,073,000)**	**(950,000)**
D. Closing balance of cash	6	**1,293,911**	**1,002,784**
Net cash flow for the period (sum total of A. c), B. c) and C..		**291,127**	**(122,931)**
Opening balance of cash		1,002,784	1,125,715

The accounting policies and notes to the financial statements on pages 20 to 45 are a constituent part of the financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	Called-up capital	Capital reserves		Profit reserves		Retained profit/loss	Net profit or loss for the period	Revaluation reserve	Total
(EUR)	Share capital	General equity revaluation adjustment	Share premium	Legal reserves	Other profit reserves				
As at 1 January 2015	**1,767,668**	**542,062**	**-**	**176,767**	**380,000**	**502,117**	**1,734,903**	**49,138**	**5,152,655**
Changes in equity	**-**	**-**	**627,000**	**-**	**-**	**(1,700,000)**	**-**	**-**	**(1,073,000)**
Entry of additional payments in capital	-	-	627,000	-	-	-	-	-	627,000
Dividend payments	-	-	-	-	-	(1,700,000)	-	-	(1,700,000)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**2,130,751**	**(95,013)**	**2,035,738**
Entry of net profit/loss	-	-	-	-	-	-	2,130,751	-	2,130,751
Changes in revaluation reserve of investments	-	-	-	-	-	-	-	(95,013)	(95,013)
Changes in equity	**-**	**-**	**-**	**-**	**300,000**	**1,734,903**	**(2,034,903)**	**-**	**-**
Allocation of the remaining part of net profit of comparable period	-	-	-	-	-	1,734,903	(1,734,903)	-	**-**
Allocation of the remaining part of net profit pursuant to Management Board resolution	-	-	-	-	300,000	-	(300,000)		**-**
As at 31 December 2015	**1,767,668**	**542,062**	**627,000**	**176,767**	**680,000**	**537,020**	**1,830,751**	**(45,875)**	**6,115,393**
Distributable profit 2015	**-**	**-**	**-**	**-**	**-**	**537,020**	**1,830,751**	**-**	**2,367,771**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

	Called-up capital	Capital reserves	Profit reserves		Retained profit/loss	Net profit or loss for the period	Revaluation reserve	Total
(EUR)	Share capital	General equity revaluation adjustment	Legal reserves	Other profit reserves				
As at 1 January 2014	**1,767,668**	**542,062**	**176,767**	**380,000**	**620,240**	**831,877**	**(12,139)**	**4,306,475**
Changes in equity	**-**	**-**	**-**	**-**	**(950,000)**	**-**	**-**	**(950,000)**
Dividend payments	-	-	-	-	(950,000)	-	-	(950,000)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**1,734,903**	**61,277**	**1,796,180**
Entry of net profit/loss	-	-	-	-	-	1,734,903	-	1,734,903
Changes in revaluation reserve of investments	-	-	-	-	-	-	61,277	61,277
Changes in equity	**-**	**-**	**-**	**-**	**831,877**	**(831,877)**	**-**	**-**
Allocation of the remaining part of net profit of comparable period	-	-	-	-	831,877	(831,877)	-	-
As at 31 December 2014	**1,767,668**	**542,062**	**176,767**	**380,000**	**502,117**	**1,734,903**	**49,138**	**5,152,655**
Distributable profit 2014	**-**	**-**	**-**	**-**	**502,117**	**1,734,903**	**-**	**2,237,020**

The accounting policies and notes to the financial statements on pages 20 to 45 are a constituent part of the financial statements.

Utilisation of net profit for the period

(EUR)	**31 Dec. 2015**
Net profit for the period	2,130,751
Retained earnings	537,020
Profit reserves	(300,000)
Distributable profit	**2,367,771**

The accounting policies and notes to the financial statements on pages 20 to 45 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 2015, 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 2015, 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-3).

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.

Report on the requirements of other legislation

In accordance with the requirement of the Companies Act, we hereby certify that the information contained in the Business Report is consistent with the financial statements attached.

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

Katarina Gašperin	Katarina Sitar Šuštar
Certified Auditor	*Partner*

Ljubljana, 26 February 2015

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 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.

Company name	**Registered office**	**Percentage of capital**	**Volume of capital** (EUR)	**Profit/loss for the period** (EUR)
Group companies				
KD Fondovi A. D.	Skopje, Macedonia	94.60%	126,469	16,698
KD Locusta Fondovi d. o. o.	Zagreb, Croatia	60.00%	556,646	153,231

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

In 2015, the Company acquired a 60% share in the Croatian management company Locusta Invest d. o. o. Thereupon, a merger of KD Investments d. o. o. Zagreb and Locusta Invest d. o. o. was carried out. The name of the new merged management company is KD Locusta Fondovi d. o. o.

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 2015 and 2014:

(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,
- the currently applicable rates of termination pays and jubilee bonuses,
- fluctuation of employees, depending mainly on their age.

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 of 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. 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	Intangible fixed assets in process of acquisition	Long-term deferred costs	Total
Acquisition cost					
As at 31 December 2014	**512,620**	**8,284**	**154,875**	**40,374**	**716,153**
Adjustments after opening balance	-	-	-	-	-
As at 1 January 2015	**512,620**	**8,284**	**154,875**	**40,374**	**716,153**
Direct increases – investments	-	-	-	-	-
Transfer from ongoing investments	154,875	-	(154,875)	-	-
Decreases during the year	(22,046)	-	-	(9,014)	(31,060)
As at 31 December 2015	**645,449**	**8,284**	**-**	**31,360**	**685,093**
Value adjustment					
As at 31 December 2014	**381,478**	**2,968**	**-**	**-**	**384,446**
Adjustments after opening balance	-	-	-	-	-
As at 1 January 2015	**381,478**	**2,968**	**-**	**-**	**384,446**
Amortisation for the year	87,697	829	-	-	88,526
Decreases during the year	(21,312)	-	-	-	(21,312)
As at 31 December 2015	**447,863**	**3,797**	**-**	**-**	**451,660**
Carrying value as at 31 Dec. 2015	**197,586**	**4,487**	**-**	**31,360**	**233,433**
Carrying value as at 31 Dec. 2014	**131,142**	**5,316**	**154,875**	**40,374**	**331,707**

(EUR)	Computer software	Other property rights	Intangible fixed assets in process of acquisition	Long-term deferred costs	Total
Acquisition cost					
As at 31 December 2013	**564,333**	**8,284**	**-**	**54,354**	**626,971**
Adjustments after opening balance	-	-	-	-	-
As at 1 January 2014	**564,333**	**8,284**	**-**	**54,354**	**626,971**
Direct increases – investments	2,782	-	154,875	-	157,657
Decreases during the year	(54,495)	-	-	(13,980)	(68,475)
As at 31 December 2014	**512,620**	**8,284**	**154,875**	**40,374**	**716,153**
Value adjustment					
As at 31 December 2013	**333,082**	**2,140**	**-**	**-**	**335,222**
Adjustments after opening balance	-	-	-	-	-
As at 1 January 2014	**333,082**	**2,140**	**-**	**-**	**335,222**
Amortisation for the year	102,889	828	-	-	103,717
Decreases during the year	(54,493)	-	-	-	(54,493)
As at 31 December 2014	**381,478**	**2,968**	**-**	**-**	**384,446**
Carrying value as at 31 Dec. 2014	**131,142**	**5,316**	**154,875**	**40,374**	**331,707**
Carrying value as at 31 Dec. 2013	**231,251**	**6,144**	**-**	**54,354**	**291,749**

2. Property, plant and equipment

(EUR)	Cars	Computer equipment	Other equipment	Small tools	Total
Acquisition cost					
As at 31 December 2014	**60,194**	**151,128**	**120,681**	**955**	**332,958**
Adjustments after opening balance	-	-	-	-	-
As at 1 January 2015	**60,194**	**151,128**	**120,681**	**955**	**332,958**
Direct increases – investments	56,150	80,320	6,706	-	143,176
Decreases during the year	(16,300)	(46,857)	(2,691)	-	(65,848)
As at 31 December 2015	**100,044**	**184,591**	**124,696**	**955**	**410,286**
Value adjustment					
As at 31 December 2014	**48,915**	**117,880**	**88,852**	**955**	**256,602**
Adjustments after opening balance	-	-	-	-	-
As at 1 January 2015	**48,915**	**117,880**	**88,852**	**955**	**256,602**
Amortisation for the year	11,843	45,499	13,386	-	70,728
Decreases during the year	(5,465)	(46,787)	(2,691)	-	(54,943)
As at 31 December 2015	**55,293**	**116,592**	**99,547**	**955**	**272,387**
Carrying value as at 31 Dec. 2015	**44,751**	**67,999**	**25,149**	**-**	**137,899**
Carrying value as at 31 Dec. 2014	**11,279**	**33,248**	**31,829**	**-**	**76,356**

(EUR)	Cars	Computer equipment	Other equipment	Small tools	Total
Acquisition cost					
As at 31 December 2013	**60,194**	**142,481**	**117,852**	**1,368**	**321,895**
Adjustments after opening balance	-	-	-	-	-
As at 1 January 2014	**60,194**	**142,481**	**117,852**	**1,368**	**321,895**
Direct increases – investments	-	31,471	5,602	-	37,073
Decreases during the year	-	(22,824)	(2,773)	(413)	(26,010)
As at 31 December 2014	**60,194**	**151,128**	**120,681**	**955**	**332,958**
Value adjustment					
As at 31 December 2013	**42,595**	**112,392**	**77,496**	**1,369**	**233,852**
Adjustments after opening balance	-	-	-	-	-
As at 1 January 2014	**42,595**	**112,392**	**77,496**	**1,369**	**233,852**
Amortisation for the year	6,320	26,061	14,130	-	46,511
Decreases during the year	-	(20,573)	(2,774)	(414)	(23,761)
As at 31 December 2014	**48,915**	**117,880**	**88,852**	**955**	**256,602**
Carrying value as at 31 Dec. 2014	**11,279**	**33,248**	**31,829**	**-**	**76,356**
Carrying value as at 31 Dec. 2013	**17,599**	**30,089**	**40,355**	**-**	**88,043**

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. 2015	31 Dec. 2014
Long-term investments, except loans		
Shares and holdings in Group companies	1,582,000	955,000
	1,582,000	**955,000**
Long-term loans		
Long-term loans to Group companies	70,513	68,801
	70,513	**68,801**
Total	**1,652,513**	**1,023,801**

Investments in subsidiaries

(EUR)	2015	2014
As at 1 January	**955,000**	**955,000**
Acquisitions	627,000	-
Sales and other disposals	-	-
Impairments	-	-
As at 31 December	**1,582,000**	**955,000**

Long-term investments include investments in the companies KD Fondovi A. D. Skopje, Macedonia, and KD

Locusta Fondovi d. o. o., Zagreb, Croatia.

With the other owners of KD Locusta Fondovi d. o. o., the Company has signed futures contracts to buy a 30% share in the company KD Locusta Fondovi d. o. o. in the next three years (10% each year) and an options contract to buy a 10% share in KD Locusta Fondovi d. o. o. in 2019. The estimated purchase value of the equities is shown off-balance. The market prices of comparable participations have not changed since the contracts were signed, therefore the value of derivatives is not shown in the statements.

As at 31 December 2015, the Company did not have a pledge on any securities.

Long-term loans comprise a loan granted to the subsidiary KD Locusta Fondovi d.o.o., Zagreb. The loan carries an interest rate of 2.634% p.a., matures in 2019, and is not collateralised.

4. Short-term investments

(EUR)	31 Dec. 2015	31 Dec. 2014
Short-term investments, except loans		
Other shares and holdings	-	10
Mutual fund units	779,675	793,082
Debt securities	2,099,339	2,368,719
	2,879,014	**3,161,811**
Short-term loans		
Short-term loans to Group companies	390,977	383,020
Short-term loans to others	-	5,088
	390,977	**388,108**
Total	**3,269,991**	**3,549,919**

Changes in investments, except loans

(EUR)	2015	2014
As at 1 January	**3,161,811**	**2,150,118**
Acquisitions	3,178,748	2,635,340
Sales, collection of principals, interest	(3,355,480)	(1,752,711)
Market price changes	(114,474)	73,828
Allocated interest	8,409	55,236
As at 31 December	**2,879,014**	**3,161,811**

Changes in short-term loans

(EUR)	Debt 1 Jan. 2015	Loan disbursements	Principal repayment	Allocated interest	Interest repayment	Debt 31 Dec. 2015
Borrower						
Group companies	383,020	-	-	7,957	-	390,977
Other companies	5,088	-	(5,000)	38	(126)	-
Total	**388,108**	**-**	**(5,000)**	**7,995**	**(126)**	**390,977**

(EUR)	Debt 1 Jan. 2014	Loan disbursements	Principal repayment	Allocated interest	Interest repayment	Debt 31 Dec. 2014
Borrower						
Group companies	375,068	100,000	(100,000)	7,952	-	383,020
Other companies	-	5,000	-	88	-	5,088
Total	**375,068**	**105,000**	**(100,000)**	**8,040**	**-**	**388,108**

Short-term investments as at 31 December 5 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. (2014: 1.2% to 3.259% p.a.).

5. Long-term and short-term operating receivables

(EUR)	31 Dec. 2015	31 Dec. 2014
Long-term operating receivables		
Long-term operating receivables from Group companies	67,366	-
Total long-term operating receivables	**67,366**	**-**
Short-term operating receivables		
Short-term operating receivables from Group companies	121,740	20,026
Short-term trade receivables	93,020	68,288
Short-term operating receivables due from others	170,135	50,843
Total short-term operating receivables	**384,895**	**139,157**

Receivables are mostly not yet due (EUR 431 maturity over 30 days) and are not collateralised.

Short-term operating receivables due by others include EUR 128,389 of receivables relating to excess advance payment of corporate income tax.

6. Cash and cash equivalents

(EUR)	31 Dec. 2015	31 Dec. 2014
Cash in accounts	293,846	227,112
Call deposits	250,017	375,398
Deposits up to 3 months	750,048	400,274
Total	**1,293,911**	**1,002,784**

7. Short-term deferred costs and accrued income

(EUR)	31 Dec. 2015	31 Dec. 2014
Short-term deferred costs	90,365	39,237
Short-term accrued income	-	-
Total	**90,365**	**39,237**

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)	2015	2014
As at 1 January	**39,237**	**93,268**
Allocation	466,155	354,049
Drawing	(415,027)	(408,080)
As at 31 December	**90,365**	**39,237**

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.

On 11 March 2015, the shareholder made a subsequent contribution of EUR 627,000.00. The latter does not increase the share capital. Instead, capital reserves were increased by EUR 627,000.00.

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 2015, the Company generated EUR 2,130,751 net profit for the period. Pursuant to the resolution of the Management Board, part of net profit for 2015 in the amount of EUR 300,000.00 was allocated to other profit reserves. Equity as at 31 December 2015 amounted to EUR 6,115,393.

According to the resolution of 3 March 2015 on the use of distributable profit, the distributable profit for 2014 in the amount of 1,734,902.66 was used as follows:
- EUR 1,700,000.00 for dividend payment,
- decision on the allocation of EUR 502,117.23 will be transferred to the following year.

(EUR)	Called-up capital	Capital reserves	Profit reserves	Revaluation reserve	Retained earnings	Profit for the period*	Total
Equity prior to revaluation	**1,767,668**	**1,169,062**	**556,767**	**(45,875)**	**537,020**	**2,130,751**	**6,115,393**
General revaluation for maintaining the purchasing power of equity based on consumer price index	(8,838)	(5,244)	(2,784)	(246)	(4,129)	21,241	-
Equity in case of revaluation for maintaining the purchasing power of equity in EUR	**1,758,830**	**1,163,818**	**553,983**	**(46,121)**	**532,891**	**2,151,992**	**6,115,393**

*before allocation of net profit in line with Management Board resolution

The Company did not make any general equity revaluation in 2014. If general revaluation based on the consumer price index had been made (-0.5% in 2015 compared to 0.2% in 2014), the Company would have recorded a net profit of EUR 2,151,992 in 2015.

The ownership structure of the Company as at 31 December 2015 was:
- KD Group d. d.: 100.00%

Changes in revaluation reserve

(EUR)	2015	2014
As at 1 January	**49,138**	**(12,139)**
Revaluation of financial assets – gross	(114,474)	73,828
Revaluation of financial assets – deferred tax	19,461	(12,551)
As at 31 December	**(45,875)**	**49,138**

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

(EUR)	Provisions for pensions and similar liabilities	Long-term deferred income	Total
As at 1 January 2014	**42,085**	**78,253**	**120,338**
Utilisation	(2,300)	-	(2,300)
Reversal	-	(14,424)	(14,424)
Allocation	1,988	-	1,988
As at 31 December 2014	**41,773**	**63,829**	**105,602**
As at 1 January 2015	**41,773**	**63,829**	**105,602**
Utilisation	(3,680)	-	(3,680)
Reversal	-	(8,698)	(8,698)
Allocation	10,353	-	10,353
As at 31 December 2015	**48,446**	**55,131**	**103,577**

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 2015 provisions for long-term deferred income stood at EUR 55,131 (2014: EUR 63,829) .

10. Operating liabilities

(EUR)	31 Dec. 2015	31 Dec. 2014
Long-term operating liabilities		
Other short-term operating liabilities	5,600	6,109
Long-term operating liabilities	**5,600**	**6,109**
Short-term operating liabilities		
Short-term operating liabilities to Group companies	89,601	103,826
Short-term trade payables	217,614	160,036
Short-term operating liabilities for taxes and contributions	17,777	138,053
Payables to employees	238,448	332,524
Other short-term operating liabilities	7,240	8,431
Short-term operating liabilities	**570,680**	**742,870**
Total	**576,280**	**748,979**

11. Short-term accrued costs and deferred income

(EUR)	31 Dec. 2015	31 Dec. 2014
Short-term accrued costs and expenses	348,637	149,406
Total	**348,637**	**149,406**

Changes in short-term accrued costs and deferred income

(EUR)	2015	2014
As at 1 January	**149,406**	**241,414**
Allocation	1,840,525	1,711,508
Drawing	(1,641,294)	(1,803,516)
As at 31 December	**348,637**	**149,406**

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 2015.

12. Balance sheet items by geographical segments

				31 December 2015
(EUR)	Slovenia	EU	Other countries	Total
Asset items				
Intangible assets	233,433	-	-	**233,433**
Property, plant and equipment	137,899	-	-	**137,899**
Long-term investments	-	1,202,513	450,000	**1,652,513**
Long-term operating receivables	67,366	-	-	**67,366**
Deferred tax assets	17,215	-	-	**17,215**
Short-term investments	645,847	2,189,507	434,637	**3,269,991**
Short-term operating receivables	383,138	1,757	-	**384,895**

Cash and cash equivalents	1,293,911	-	-	**1,293,911**
Deferred costs and accrued income	90,365	-	-	**90,365**
	2,869,174	**3,393,777**	**884,637**	**7,147,588**
Liabilities and equity items				
Provisions, and long-term accrued costs and deferred income	103,577	-	-	**103,577**
Long-term operating liabilities	5,600	-	-	**5,600**
Deferred tax liabilities	3,701	-	-	**3,701**
Short-term operating liabilities	553,663	919	16,098	**570,680**
Accrued costs and deferred income	322,374	23,561	2,702	**348,637**
	988,915	**24,480**	**18,800**	**1,032,195**

31 December 2014

(EUR)	**Slovenia**	**EU**	**Other countries**	**Total**
Asset items				
Intangible assets	331,707	-	-	**331,707**
Property, plant and equipment	76,356	-	-	**76,356**
Long-term investments	-	573,801	450,000	**1,023,801**
Deferred tax assets	12,349	-	-	**12,349**
Short-term investments	890,454	2,214,621	444,844	**3,549,919**
Short-term operating receivables	136,582	2,575	-	**139,157**
Cash and cash equivalents	1,002,784	-	-	**1,002,784**
Deferred costs and accrued income	39,237	-	-	**39,237**
	2,489,469	**2,790,997**	**894,844**	**6,175,310**
Liabilities and equity items				
Provisions, and long-term accrued costs and deferred income	105,602	-	-	**105,602**
Long-term operating liabilities	6,109	-	-	**6,109**
Deferred tax liabilities	18,668	-	-	**18,668**
Short-term operating liabilities	729,416	7,574	5,880	**742,870**
Accrued costs and deferred income	147,851	-	1,555	**149,406**
	1,007,646	**7,574**	**7,435**	**1,022,655**

13. Analysis of sales and costs

A. Operating income

(EUR)	2015	2014
Net sales	**9,037,964**	**7,940,179**
Sales of services, domestic	**9,024,376**	**7,902,926**
Group companies	710,205	326,910
Others	8,314,171	7,576,016
Sales of services, within the EU	**13,588**	**37,253**
Others	13,588	37,253
Sales of services, in other countries	**-**	**-**
Other operating income	**39,557**	**32,404**
Other revaluation operating income	39,557	32,404
Total	**9,077,521**	**7,972,583**

Assets managed in the framework of portfolio management service

(EUR)	2015		
Number of customers	**Assets under management**	**Management fee charged**	**Profit share**
40	168,267,290	448,163	255,954
Total:	**168,267,290**	**448,163**	**254,954**

(EUR)	2014		
Number of customers	**Assets under management**	**Management fee charged**	**Profit share**
6	56,535,199	187,818	139,092
Total:	**56,535,199**	**187,818**	**139,092**

The structure of income from fees

	2015				2014			
(EUR)	Managem ent fee	Entry fee	Exit fee	Total	Manageme nt fee	Entry fee	Exit fee	Total
KD Dividend, Equity	632,518	2,810	157	635,485	566,518	3,230	7	569,755
KD Galileo, Mixed Flexible	2,228,012	12,990	312	2,241,314	2,115,307	9,143	50	2,124,500
KD Rastko, Europe Equity	1,126,552	7,980	-	1,134,532	1,198,852	13,954	-	1,212,806

KD Bond – EUR	123,280	15,129	-	138,409	89,463	13,000	-	102,463
KD MM, Money Market – EUR	71,783	-	-	71,783	120,049	-	-	120,049
KD First Selection, Fund of Equity Funds	443,415	14,688	278	458,381	285,440	3,132	28	288,600
KD Balkan, Equity	914,302	2,236	-	916,538	894,954	8,874	-	903,828
KD New Markets, Equity	660,346	4,170	386	664,902	618,132	2,223	55	620,410
KD Raw Materials and Energy, Equity	160,007	1,206	-	161,213	202,118	907	-	203,025
KD Technology, Equity	466,921	12,119	-	479,040	257,806	1,911	-	259,717
KD Vitality, Equity	565,513	18,292	157	583,962	409,796	8,041	28	417,865
KD India – China, Equity	568,973	13,140	147	582,260	447,668	5,807	11	453,486
KD Latin America, Equity	44,635	1,403	121	46,159	97,457	730	9	98,196
KD Eastern Europe, Equity	122,420	995	82	123,497	186,519	367	6	186,892
Total	**8,128,677**	**107,158**	**1,640**	**8,237,475**	**7,490,079**	**71,319**	**194**	**7,561,592**

B. Analysis of expenditure

Analysis of costs, by functional groups:

(EUR)	2015	2014
Costs of materials	**40,673**	**62,356**
Costs of energy	**8,738**	**9,038**
Costs of services		
Costs of transportation, postal and internet services	315,051	243,307
Costs of rents and maintenance of assets	472,372	438,863
Reimbursement to employees of work-related expenses	33,162	15,096
Payment transaction and banking services costs	13,196	8,830
Insurance costs	15,209	12,057
Costs of trade fairs, advertising and entertainment	557,419	492,341
Costs of services of agents acquiring investors	1,456,665	1,309,618
Costs of securities brokerage	-	1,599
Costs of other intellectual and personal services	829,066	762,412
Costs of services rendered by natural persons	31,440	11,349
Costs of other services	480,525	368,147
Costs of services	**4,204,105**	**3,663,619**
Costs of materials and services	**4,253,516**	**3,735,013**
Costs of wages and salaries	1,967,878	1,734,232
Costs of pension insurance	187,053	160,223
Costs of social insurance	153,235	124,478
Other labour costs	176,669	117,767
Total labour costs	**2,484,835**	**2,136,700**
Depreciation/amortisation	**159,254**	**150,228**
Expenses for revaluation of operating assets	**-**	**-**
Expenses for revaluation of intangible assets and items of property, plant and equipment	**1,088**	**87**

Other costs	**16,150**	**24,615**
Total costs	**6,914,843**	**6,046,643**

Analysis of costs, by functional groups:

(EUR)	2015	2014
Costs of selling	2,823,136	2,359,737
Costs of general activities	4,091,707	3,686,906
Total costs	**6,914,843**	**6,046,643**

Remuneration of Management Board and Supervisory Board members

(EUR)	2015	2014
Management Board members	274,096	232,629
Supervisory Board members	6,030	6,405
Persons employed under individual employment contracts	319,460	524,236
Total	**599,586**	**763,270**

Audit costs

(EUR)*	2015	2014
Audit of annual report	6,100	6,100
Other audits – other auditing companies	13,062	23,637
Total	**19,162**	**29,737**

*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.

14. Financial income

(EUR)	2015	2014
Financial income from shares and interests		
Financial income from shares in other companies	181,595	169,061
	181,595	**169,061**
Financial income from loans		
Financial income from loans granted to Group companies	9,671	9,664
Financial income from loans to others	1,416	3,515
	11,087	**13,179**
Financial income from operating receivables		
Financial income from operating receivables due by others	4,296	360
	4,296	**360**

Total	**196,978**	**182,600**

15. Financial expenses

(EUR)	2015	2014
Financial expenses for impairments and write-offs of investments		
Financial expenses for impairments and write-offs of other investments	1	-
	1	**-**
Financial expenses for financial liabilities		
Financial expenses for other financial liabilities	41	-
	41	**-**
Financial expenses for operating liabilities		
Financial expenses for other operating liabilities	4,303	2,007
	4,303	**2,007**
Total	**4,345**	**2,007**

16. Other income

(EUR)	2015	2014
Compensations	-	1,615
Other income	294	3
Total	**294**	**1,618**

17. Other expenses

(EUR)	2015	2014
Compensations	16,005	3,852
Other expenses	2	13
Total	**16,007**	**3,865**

18. Items of income statement by geographical segments

	2015			
(EUR)	**Slovenia**	**EU**	**Other countries (non-EU)**	**Total**
Net sales and revaluation income	9,063,933	13,588	-	9,077,521
Costs of goods, materials and services	(3,662,486)	(234,488)	(356,542)	(4,253,516)
Labour costs	(2,484,835)	-	-	(2,484,835)
Depreciation/amortisation and other costs	(176,492)	-	-	(176,492)
Financial income	115,185	7,496	74,297	196,978
Financial expenses	(4,345)	-	-	(4,345)

Other income	294	-	-	294
Other expenses	(16,007)	-	-	(16,007)
Profit or loss before tax	**2,835,247**	**(213,404)**	**(282,245)**	**2,339,598**

	2014			
(EUR)	Slovenia	EU	Other countries (non-EU)	Total
Net sales and revaluation income	7,935,330	37,253	-	7,972,583
Costs of goods, materials and services	(3,101,241)	(351,093)	(282,679)	(3,735,013)
Labour costs	(2,136,700)	-	-	(2,136,700)
Depreciation/amortisation and other costs	(172,430)	-	(2,500)	(174,930)
Financial income	162,245	7,333	13,022	182,600
Financial expenses	(2,007)	-	-	(2,007)
Other income	1,618	-	-	1,618
Other expenses	(3,865)	-	-	(3,865)
Profit or loss before tax	**2,682,950**	**(306,507)**	**(272,157)**	**2,104,286**

19. Deferred taxes

Balance of deferred taxes

(EUR)	31 Dec. 2015	31 Dec. 2014
Deferred tax assets	17,215	12,349
Deferred tax liabilities	(3,701)	(18,668)
Total deferred taxes	**13,514**	**(6,319)**

Changes in deferred taxes

(EUR)	2015	2014
As at 1 January	**(6,319)**	**7,315**
Deferred tax credited to (charged against) profit or loss	372	(1,083)
Deferred tax credited to (charged against) equity	19,461	(12,551)
As at 31 December	**13,514**	**(6,319)**

Changes in deferred tax assets

(EUR)	Revaluation of investments	Provision for termination pays	Excess value of depreciation	Total
As at 1 January 2014	**11,505**	**3,968**	**860**	**16,333**
Deferred tax credited to (charged against) profit	-	(223)	(860)	(1,083)
Deferred tax credited to (charged against)	(2,901)	-	-	(2,901)
As at 31 December 2014	**8,604**	**3,745**	**-**	**12,349**

As at 1 January 2015	**8,604**	**3,745**	**-**	**12,349**
Deferred tax credited to (charged against) profit	-	372	-	372
Deferred tax credited to (charged against)	4,494	-	-	4,494
As at 31 December 2015	**13,098**	**4,117**	**-**	**17,215**

Changes in deferred tax liabilities

(EUR)	Revaluation of investments	Total
As at 1 January 2014	**(9,018)**	**(9,018)**
Deferred tax charged against (credited to) profit or loss	-	-
Deferred tax charged against (credited to) profit or loss	(9,650)	(9,650)
As at 31 December 2014	**(18,668)**	**(18,668)**
As at 1 January 2015	**(18,668)**	**(18,668)**
Deferred tax credited to (charged against) profit or loss	-	-
Deferred tax credited to (charged against) equity	14,967	14,967
	(3,701)	**(3,701)**

20. Taxes

(EUR)	2015	2014
Profit or loss before tax	**2,339,598**	**2,104,286**
Income adjusted to levels recognised for tax purposes	-	-
Expenses adjusted to tax deductible levels	(977,503)	105,729
Tax allowances	(131,393)	(43,546)
Tax base	**1,230,702**	**2,166,469**
Tax rate	17%	17%
Income tax	**209,219**	**368,300**
Advance tax payments	337,608	251,178
Receivables (liabilities) associated with income tax	128,389	(117,122)

21. Disclosures of receivables, liabilities and investments, by groups of related parties according to Article 19 of the Investment Funds and Management Companies Act (ZISDU-3)

(EUR) **2015**

	Receivables due from related party		**Liabilities due to related party**		**Investments in parties**
Related party	**operating**	**financing**	**operating**	**financing**	**related to MC**
B1	-	276,569	7,052	-	1,582,000

B2	-	184,921	-	-	-
C	189,105	-	82,550	-	-
E1	-	-	19,754	-	-
Total	**189,105**	**461,490**	**109,356**	**-**	**1,582,000**

(EUR)					**2014**
	Receivables due from related party		**Liabilities due to related party**		**Investments in parties**
Related party	**operating**	**financing**	**operating**	**financing**	**related to MC**
B1	-	272,457	7,649	-	955,000
B2	-	179,364	-	-	-
C	20,026	-	96,177	-	-
E1	-	-	19,088	-	-
Total	**20,026**	**451,821**	**122,914**	**-**	**955,000**

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 20 and points 1, 2, 4 and 5 of Article 19 of ZISDU-3
- E1 - Management Board members
- G - person related in terms of management with another person

22. Transactions with related parties

Sales to related parties

(EUR)	**2015**	**2014**
Group companies	872,584	403,564
Total	**872,584**	**403,564**

Purchases from related parties

(EUR)	**2015**	**2014**
Group companies	1,429,939	1,302,727
Associates	15,976	-
Total	**1,445,915**	**1,302,727**

Outstanding items arising from sales to and purchases from related parties

(EUR)	31 Dec. 2015	31 Dec. 2014
Operating receivables due from related parties		
Group companies	189,105	20,026
Total	**189,105**	**20,026**

(EUR)	31 Dec. 2015	31 Dec. 2014
Operating liabilities to related parties		
Group companies	89,601	103,826
Total	**89,601**	**103,826**

Loans disbursed and interest allocated to related parties in the period

(EUR)	2015	2014
Group companies	9,669	109,663
Total	**9,669**	**109,663**

23. 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.

24. Events after the balance sheet date

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