ANNUAL REPORT 2016
KD Skladi, družba za upravljanje, d. o. o. (KD Funds – Management Company LLC)

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BUSINESS REPORT

THE COMPANY AT A GLANCE

Company name	KD Skladi, družba za upravljanje, d. o. o. (English: KD Funds – Management Company LLC)
Abbreviated company name	KD Skladi, d. o. o. (English: KD Funds LLC)
Registered office	Dunajska cesta 63, 1000 Ljubljana, 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
Supervisory authority	Securities Market Agency

Shareholder as at 31 December 2016

Adriatic Slovenica d. d. Ljubljanska cesta 3a, 6503 Koper, Slovenia	100% shareholding

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.

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 registration of the division. The par value per share of Kmečka družba d. d. decreased from SIT 10,000.00 (EUR 41.73) to SIT 8,000.00 (EUR 33.38), while the number of shares issued remained at 20,000.

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

A resolution was adopted by the General Meeting of 30 May 2002 to convert the Company from a public limited company into a limited liability company. On 30 August 2002, a change in 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 set 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 in 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., with a share capital of 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.

Whilst the Company does not have a formal diversity policy in place, it respects the principles of diversity, especially in terms of age and education.

The Company has no branches.

On 9 June 2016, the Company took over the management of the Ilirika Umbrella Fund. On 3 October, the subfunds of the Ilirika Umbrella Fund were absorbed into the subfunds of the KD Umbrella Fund.

The Company's principal activity is investment fund management. At the end of 2016 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, delniški (KD Balkan, Equity)
7. KD Novi trgi, delniški (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)
15. KD Amerika, delniški (KD America, Equity)

In early 2017, a new KD Umbrella Fund subfund was established, namely KD Corporate Bonds, obvezniški - EUR (KD Corporate Bonds - EUR).

At the end of 2016, the Company also managed assets in other portfolios within the framework of portfolio management according to discretionary mandates.

The operations of all subfunds of the KD Umbrella Fund listed above and of KD Funds LLC in 2016 were audited by KPMG Slovenija d. o. o., Železna cesta 8 a, Ljubljana.

Annual report

KD Funds LLC is an entity within a group of related companies controlled by Adriatic Slovenica d. d.

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

The consolidated annual report of the Adriatic Slovenica d. d. Group and the annual report of Adriatic Slovenica d. d. are available at the company's headquarters.

As at 31 December 2016, KD Funds LLC was the controlling company of the management company KD Locusta Fondovi d. o. o., Savska cesta 106, 10 000 Zagreb (70% share), and of the management company KD Fondovi A. D. Skopje, Makedonija 13 b, 1000 Skopje, Macedonia (94.60% share). Pursuant to Article 56 of ZGD-1 (Companies Act, Official Gazette of the RS no. 42/2006 as amended, hereinafter: ZGD-1), KD Funds LLC is not obliged to prepare consolidated financial statements.

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 2016, the Company managed the KD Umbrella Fund with its 15 subfunds and the assets of other portfolios on the basis of discretionary mandates. In early 2017, the Company established a new KD Umbrella Fund subfund, namely KD Corporate Bonds, obvezniški - EUR (KD Corporate Bonds - EUR). In 2016, the Company embarked on expanding its business to the area of alternative investment funds targeting institutional investors. At the end of 2016, the Securities Market Agency issued a decision granting the special investment fund status to the KD Adriatic Value Fund, Special Investment Fund.

2016 was a very dynamic year in the capital markets, with volatility reaching one of the highest levels in recent years. Political events were one of the main factors affecting capital markets. The start of the year was characterised by a strong drop in share prices and very negative sentiment due to weaker economic growth, the cooling down in China, and a marked decline in the prices of oil and materials. In the political domain, the three largest risks we identified in last year's strategy were realised, without exerting a major impact on the capital markets. Brexit, the election of Trump as US President, and the failure of the constitutional referendum in Italy all led to a much more insecure environment in 2017. Despite these factors, positive investor sentiment prevailed in the market at the end of 2016, which saw an extremely high liquidity level and a number of measures taken by central banks so that virtually all investment classes ended the year in positive figures.

KD Funds performed well even in such a dynamic environment. 2016 was also very successful for the KD Umbrella Fund subfunds, with three-quarters of the subfunds exceeding their benchmarks. The excellence and expertise of the management of KD Funds has also been affirmed by the international rankings of fund management provided by the independent and highly acclaimed rating agency Morningstar. This US-based agency has been rating funds across the world since 1985. Ratings are assigned on the basis of the risk-adjusted return of a fund arising from its investment policy, also taking account of the cost effectiveness of its management. The funds are divided into investment categories, and they are rated on the basis of their position within a respective category. The top 10% of funds in a specific category receive 5 stars, which is the highest rating, and the following 22.5% of funds receive 4 stars. As at 31 December 2016, four out of twelve rated funds of the KD Umbrella Fund were assigned the highest ratings, namely 4 or 5 stars:
- KD Vitality, overall rating 5 stars in the Global Large-Cap Blend Equity category, 750th place out of 2,181 funds in the category,
- KD First Selection, overall rating 5 stars in the EUR Flexible Allocation – Global category, 25th place out of 1,526 funds in the category,
- KD Bond, overall rating 4 stars in the EUR Diversified Bond category, 118th place out of 1,153 funds in the category,
- KD Technology, overall rating 4 stars in the Equity Technology category, 151st place out of 278 funds in the category.

The excellence and expertise of KD Funds has also been confirmed by the independent assessors of the *Moje finance* magazine. Based on the funds evaluated in 2016, KD Funds was once again declared the best management company, with Aleš Lokar earning the title of the best asset manager of 2016. The following funds were awarded the best rating of 5 stars:

for a three-year period:
- KD MM, Money Market - EUR
- KD Galileo, Mixed - Global Flexible
- KD First Selection, Equity - Global
- KD Rastko, Equity - European

for a five-year period:
- KD MM, Money Market - EUR

- KD Bond, Bond - European
- KD Galileo, Mixed - Global Flexible
- KD First Selection, Equity - Global
- KD Rastko, Equity - European
- KD New Markets, Equity - Emerging Markets

Two other members of the KD Funds team were ranked among the best 10 fund managers: David Zorman (4th place) and Primož Cencelj (8th place).

The trust placed in KD Funds by investors has been confirmed for nine consecutive years by the Trusted Brand 2016 award, which is presented to the most trustworthy brand in the Investment Companies and Mutual Funds category. In July 2016, KD Funds attended for the second time the World Finance prize-giving ceremony where it was presented with the 'World Finance Best Investment Management Company, Slovenia 2016' award as a company that is able to stay ahead of the market, provide extraordinary customer support, and create returns for its investors.

All of these awards and recognitions are the result of the sound management of our funds' assets, developments in financial markets, cost-effective business operations, and personal contacts with our investors. In the area of financial advisory services, we continued with redesigning our financial advice processes in 2016, focusing on the creation of long-term relations with investors and the setting up of a responsive customer support call centre. KD Funds offers the most cost-effective fund saving options – fund packages. In early 2016, we launched the KD AI tool, entailing a new philosophy of asset management and financial advisory. The first two products for which the new approach has been used include portfolio management based on discretionary mandates and financial advisory on the basis of quantitative algorithms or the Mean CVaR methodology, which optimises investors' portfolios. A systematised approach relying on quantitative calculations and specific questionnaires helps us identify the optimum investment portfolio for every investor, which maximises returns whilst taking the investor's risk tolerance into account.

In addition to sales activities, the Company focused its efforts on alignment with the legislation, optimisation of its processes and portfolios, and upgrading the IT system.

Highlights of our activities and achievements in 2016:

New product development: KD Funds launched a new fund, KD America, Equity, in 2016, and at year-end obtained authorisation for KD Corporate Bonds, Bond – EUR. Moreover, the Company started to intensively develop alternative products. Its KD Adriatic Value Fund, which is intended for professional investors only, was granted the alternative investment fund status.

Excellence in management: The numerous awards presented by the Moje finance magazine for 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 are – in addition to our results and consistently exceeded benchmarks – proof of the success of our systematic development and improvements in the management process based on seeking risk-adjusted value.

Trusted brand: In 2016, the European Trusted Brand survey awarded for the ninth consecutive time the Trusted Brand title to the KD Funds brand in the Investment Companies and Mutual Funds category.

- **Development activities:** KD Funds is redesigning its financial advisory processes in order to offer the best possible experience and build long-term relations with its investors. This includes the "robot advisory" project, which is intended as support for our financial advisors. The main objective is to improve the work of our financial advisors and offer high-quality financial advisory services to our clients.
- **Improving the quality of after-sales services:** The Company has been strengthening investor communication at regular individual and group meetings dealing with market developments. Parallel to this,

the sales network receives regular information about capital market developments and training on investment solutions.

- **The common thread of 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.
- **Regular media presence:** KD Funds' experts regularly contribute to major printed and electronic media through stock market commentaries, articles as well as awareness raising concerning long-term savings and responsible corporate governance. In addition, we publish the *Optimum* magazine featuring professional and educational topics related to saving.
- **Business streamlining and cost cutting:** The Company continued to engage in activities targeting business excellence in all spheres of its operations and asset management, as well as business process streamlining.
- **Strengthening our regional presence**: Our subsidiaries KD Locusta Fondovi (Croatia) and KD Fondovi A. D. Skopje (Macedonia) are successfully consolidating their positions.

3. Business results

KD Funds LLC is the third biggest management company in Slovenia, with a 20.3% market share among Slovenian mutual fund managers. Outside of Slovenia, it has two subsidiary companies in Croatia and Macedonia, which manage EUR 80 million worth of assets in 19 investment funds, 15 of which are located in Croatia and 4 in Macedonia.

As at 31 December 2016, KD Funds managed the assets of 54,730 investors involving a total of EUR 501 million. Assets under management of the KD Umbrella Fund (EUR 65.6 million) rose by 15.1% compared to EUR 435.3 million at the end of 2015, of which 8.1% (EUR 35.2 million) is attributable to the effects of the takeover of the Ilirika Umbrella Fund, 8.6% (EUR 37.2 million) is accounted for by the impact of portfolio management on capital markets, and 1.6% (EUR –6.8 million) by the effects of negative net inflows. A total of EUR 40.6 million was contributed to the KD Umbrella Fund in 2016, whilst EUR 47.4 million was redeemed.

Net sales and operating expenses reached EUR 8.56 million and EUR 6.83 million, respectively. The Company closed the year with EUR 1,807,253 in net profit for the financial period.

4. Outlook for the future

We expect to see a boost in economic growth in 2017, especially due to more stimulating fiscal policies and the continuation of loose monetary policies. In the USA, all eyes are and will be on the newly elected President and the implementation of his economic programme, which is connected with high expectations. In Europe, economic indicators have been improving, partly as a consequence of the ECB's relaxed policy. The main question for 2017 remains the outcome of the negotiations on the UK's withdrawal from the European Union. Stronger economic growth is expected in the emerging markets, especially in energy-exporting countries as a result of the higher price of oil. Recommendations for stock remain positive as this investment class carries the highest potential considering the economic environment and relative valuations. Strong volatility is also expected, calling for active asset management and buying in times of market corrections. A relatively difficult year is expected in the bond market, with the Federal Reserve (FED) continuing to increase interest rates and the European Central Bank anticipated to continue its very loose monetary policy. Recommendations for government bonds and for corporate bonds are neutral and negative, respectively.
The Company will continue to engage in activities targeting business excellence in all spheres of its operations and asset management as well as business process streamlining. Our existing and potential investors will be given special focus, and excellent financial counselling experience will be provided.

The key challenges expected in 2017 include:

- growing 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,
- attracting new prospective investors, especially institutional investors;
- strengthening the service of portfolio management on the basis of investment mandates for both domestic and foreign institutional investors,
- further expansion of our business in the area of alternative investment funds intended for institutional investors,
- continuing with activities to optimise business processes, focusing on the best possible risk management,
- consolidation of our position within the region at large.

5. Human resources

KD Funds aspires to exceed the expectations of its investors and business partners. To achieve this, it needs committed and highly-motivated people. The Company's 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 an emphasis on creativity and reliability. The Company regularly organises internal training courses and provides its staff with opportunities to attend external training courses, which help them perform well in their work. The Company also encourages team building through informal socialising.

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 carried out in 2016.

7. Risk management

In performing its operations and in accordance with the applicable regulations and internal rules, the Company determines, measures/estimates, manages and monitors risks 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. Corporate governance statement

8.1. Applicable codes

The Management Company does not apply any particular code in the context of its business operations. However, it does follow the specific provisions of the legislation governing investment funds and management companies as well as the financial instruments market.

8.2. The main characteristics of the internal control and risk management system in connection with the financial reporting procedure

The Company is bound to respect the provisions of the Companies Act (ZGD-1) and the Investment Funds and Management Companies Act (Official Gazette of the RS, no. 31/2015, as amended, hereinafter: ZISDU-3), which among others governs the obligation of management companies to put in place and maintain an appropriate system of internal controls and risk management. Specific regulations are also issued by the Securities Market Agency and the Company's supervisory bodies.

The functioning of internal controls is supervised by management oversight as well as through internal and external audits of the Company's financial statements.

Details of risk management are described in item 7, and risk management in connection with the financial reporting procedures is described in point 22 of the notes on specific solutions and valuations.

8.3. Details referred to in points 3, 4, 6 and 9 of paragraph 6 of Article 70 of ZGD-1

Details about the Company's ownership are disclosed in the annual report. Given that Adriatic Slovenica d. d., Ljubljanska cesta 3a, 6503 Koper, is the sole shareholder, the Company neither provides for specific controlling rights nor specific restrictions on voting rights.

The main pillars are responsible governance and management of the Company. The Company's rules on the appointment and replacement of members of the management and supervisory bodies and amendments to the Articles of Association are based on the provisions of ZGD-1 and the Articles of Association, which can be consulted at the Company's headquarters.

8.4. Information on the functioning and key powers of the Shareholder, and description of the Shareholder's rights and their exercise

The Company's sole shareholder is Adriatic Slovenica d. d., Ljubljanska cesta 3a, 6503 Koper. The sole shareholder's powers are based on the provisions of ZGD-1 and are enshrined in the Articles of Association, which can be consulted at the Company's headquarters.

8.5. Data on the composition and functioning of the management and supervisory bodies and their committees

The Management Board

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

In 2016, the Management Board had the following composition:

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

The Supervisory Board

In line with its powers, the Supervisory Board actively monitored and supervised the operations of KD Funds LLC. It held five sessions in 2016, all of which had the necessary quorum. The Supervisory Board members received session invitations and documents in a timely manner. The Supervisory Board regularly reviewed the implementation of resolutions, and the Management Board regularly informed the Supervisory Board members about the Company's current operations and performance.

In 2016, the Supervisory Board had the following composition:

- Tomaž Butina, President of the Supervisory Board,
- Matija Šenk, Deputy President,
- Jure Kvaternik, Member.

No Supervisory Board committees were established in 2016.

9. Important business events occurring after the close of the 2016 financial year

The Company holds the opinion that no business events with a significant impact on the operations of KD Funds LLC occurred after the close of the 2016 financial year.

Ljubljana, 14 April 2017

KD Skladi 04
KD Skladi, družba za upravljanje, d.o.o.
Dunajska cesta 63, SI-1000 Ljubljana

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The Management Board of KD Funds – Management Company LLC confirms the financial statements as at 31 December 2016, and the applied accounting policies, notes and tables.

The Management Board is responsible for preparing the annual report so as to give a true and fair view of the Company's financial position and the results of operations for 2016.

The Management Board confirms the relevant accounting policies have been consistently applied and that the accounting estimates were prepared in compliance with the principles of prudence and due diligence. The Management Board also confirms the financial statements and notes thereto were prepared on a going-concern basis, and in compliance with the applicable legislation and the Slovenian 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 corporate income tax or other taxes and duties. The Company's Management Board is not aware of any circumstances that might give rise to any material liability in this respect.

Ljubljana, 14 April 2017

KD Funds LLC

FINANCIAL REPORT

BALANCE SHEET AS AT 31 DECEMBER 2016

(in EUR)	Clarification	31 Dec. 2016	31 Dec. 2015
ASSETS			
Non-curent assets			
Intangible non-current assets, deferred expenses and accrued revenue	1	2,781,084	233,433
Property, plant and equipment	2	113,930	137,899
Investment property		-	-
Financial investments	3	2,157,443	1,652,513
Operating receivables	5	-	67,366
Deferred tax assets	18	217,581	17,215
		5,270,038	**2,108,426**
Current assets			
Assets held for sale		-	-
Inventories		-	-
Financial investments	4	3,493,639	3,269,991
Operatin receivables	5	255,265	384,895
Cash and cash equivalents	6	1,427,917	1,293,911
		5,176,821	**4,948,797**
Short-term deferred expenses and accured revenue	**7**	**89,521**	**90,365**
TOTAL ASSETS		**10,536,380**	**7,147,588**
Off-balance-sheet assets	**3**	**674,098**	**804,597**
LIABILITIES			
Equity	**8**		
Called-up capital		1,767,668	1,767,668
Shaer premium		4,168,069	1,169,062
Profit reserves		856,767	856,767
Fair value reserve		51,180	(45,875)
Retained net profit or loss		641,771	537,020
Net profit or loss for the year		1,807,253	1,830,751
		9,292,708	**6,115,393**
Provisions and long-term accured expenses and deferred revenue	**9**	**102,550**	**103,577**
Non-current liabilities			
Financial liabilities		-	-
Operating liabilities	10	9,452	5,600
Deferred tax liabilities	18	12,005	3,701
		21,457	**9,301**
Current liabilities			
		-	-
Financial liabilities		-	-
Operating liabilities	10	790,383	570,680
		790,383	**570,680**
Short-term accrued expenses and deferred revenues	**11**	**329,282**	**348,637**
TOTAL LIABILITIES		**10,536,380**	**7,147,588**
Off-balance-sheet liabilities	**3**	**674,098**	**804,597**

The accounting policies and notes to the financial statements on pages 21 to 48 are a constituent part of the financial statements.

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

(in EUR)	Clarification	31 Dec. 2016	31 Dec. 2015
Net sales	13A	8,562,737	9,037,964
Change in the value of inventories of products and work in progress		-	-
Capitalised own products and services		-	-
Other operating income	13A	144,279	39,557
		8,707,016	**9,077,521**
Costs of goods, materials and services	13B	(4,023,124)	(4,253,516)
Labour costs	13B	(2,640,282)	(2,484,835)
Depreciation			
Amortisation	13B	(150,349)	(159,254)
Revaluation operating expenses	13B	(2,501)	(1,088)
Other operating expenses	13B	(14,710)	(16,150)
		(6,830,966)	**(6,914,843)**
Financial revenue from equity stakes	14	99,813	181,595
Revenue from loans	14	10,817	11,087
Financial revenue from operating receivables	14	2,799	4,296
		113,429	**196,978**
Financial expenses from impairment and write-offs of financial investments	15	(53,559)	(1)
Financial expenses from financial liabilities	15	-	(41)
Financial expenses from operating liabilities	15	(3,830)	(4,303)
		(57,389)	**(4,345)**
Other revenue	16	4	294
Other expenses	16	(3,991)	(16,007)
		(3,987)	**(15,713)**
Profit before tax		**1,928,103**	**2,339,598**
Income tax	19	(334,313)	(209,219)
Deferred tax	18	213,463	372
Net profit for the accounting period		**1,807,253**	**2,130,751**

STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

(in EUR)	Clarification	31 Dec. 2016	31 Dec. 2015
Net profit/loss		**1,807,253**	**2,130,751**
		-	-
a Gross		-	-
b Tax		-	-
Change in fair value reserve of available-for-sale financial assets		**97,055**	**(95,013)**
a Gross	8	118,456	(114,474)
b Tax	18	(21,401)	19,461
Other components of comprehensive income		-	-
a Gross - IFI CF HEDGE		-	-
b Tax - IFI CF HEDGE		-	-
Total comperhensive income for the accounting period		**1,904,308**	**2,035,738**

The accounting policies and notes to the financial statements on pages 21 to 48 are a constituent part of the financial statements.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

(in EUR)	Clarification	1 Jan. - 31 Dec. 2016	1 Jan. - 31 Dec. 2015
A.Cash flows from operating activities			
a) Income statement		**1,902,422**	**2,097,086**
Operating income (excluding revaluation) and financial income from operating		8,705,459	9,076,464
Operating expenses excluding depreciation (except for revaluation) and financial expenses feom operatin liabilities		(6,682,187)	(6,770,531)
Income tax and other taxes excluded from operating expenses	18, 19	(120,850)	(208,847)
b) Changes in net current assets (and deferred expenses and accrued revenue, reserves and			
deferred tax assets) operating balance sheet items		**194,305**	**(331,106)**
Change in operating receivables		194,897	(313,103)
Changes in defeered expenses and accrued revenue		9,951	(42,114)
Changes in deferred tax assets	18	(213,463)	(372)
Changes in from assets held for sale		-	-
		-	-
Change in operating debts		223,302	(172,724)
Change in accrued costs and deferred revenue and provisions		(20,382)	197,207
Change in deferred tax liabilities		-	-
c)net cash flow from operating activities (a+b)		**2,096,727**	**1,765,980**
B. Cash flows from investing activities			
a) Cash inflows from investing activities		**4,188,039**	**3,547,071**
Interest and dividends received from investing activities		86,924	8,214
Cash inflows from disposal of intangible assets		-	-
Cash inflows from disposal of property, plant and equipment	2, 13	1,560	11,900
Cash inflows from desposal of investment property		-	-
Cash inflows from disposal of long-term financial investments		-	-
Cash inflows from disposal of short-term financial investments	4, 14	4,099,555	3,526,957
b) Cash outflows from investin activities		**(7,423,767)**	**(3,948,924)**
Cash outflows to acquire intangible assets	1	(2,620,740)	-
Cash outflows to acquire property, plant anf equipment	2	(62,801)	(143,176)
Cash outflows to acquire investmen property		-	-
Cash outflows to acquire long-term financial investments	3	(503,218)	(627,000)
Cash outflows to acquire short-term financial investments	4	(4,237,008)	(3,178,748)
c) Net cash flow from investing activities (a+b)		**(3,235,728)**	**(401,853)**
C. Cash flows from financing activities			
a) Cash inflows from financing activities		**2,999,007**	**627,000**
Cash inflows from repayed capital		2,999,007	627,000
Cash inflows from disposal of treasury shares		-	-
Cash inflows from increaase in long-term financial liabilities		-	-
Cash inflows from increaase in short- term financial liabilities		-	-
b) Cash outflows from financing activities		**(1,726,000)**	**(1,700,000)**
Interest paid on financing activities		-	-
Cash outflows for capital repayment		-	-
Cash outflows for purchase of treasury shares		-	-
Cash outflows for payments of long-term financial laiabilities		-	-
Cash outflows for payments of short-term financial laiabilities		-	-
Cash outflows for dividends and other share profits		(1,726,000)	(1,700,000)
c) Net cash flow from financing activities (a+b)		**1,273,007**	**(1,073,000)**
Č. Closing balance of cash		**1,427,917**	**1,293,911**
Net cash flow for the year (A.c. + B.c. + C.c.)		**134,006**	**291,127**
Opening balance of cash		1,293,911	1,002,784

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	(in EUR)	Share capital	Capital reserves – general revaluation correction	Capital reserve – share premium	Profit reserves – statutory reserves	Profit reserves – other reserves	Revaluation surplus	Retained earnings	Net loss	Net profit for the year	Net loss for the year	Total
A.1.	**As At 31 Dec. 2015**	**1,767,668**	**542,062**	**627,000**	**176,767**	**680,000**	**(45,875)**	**537,020**	**-**	**1,830,751**	**-**	**6,115,393**
a	Restatements (corrections)	-	-	-	-	-	-	-	-	-	-	-
b	Adjustments (changes in accounting policies)	-	-	-	-	-	-	-	-	-	-	-
												-
A.2.	**As at 1 Jan. 2016**	**1,767,668**	**542,062**	**627,000**	**176,767**	**680,000**	**(45,875)**	**537,020**	**-**	**1,830,751**	**-**	**6,115,393**
												-
B.1.	**Changes in equity - owners transactions**	**-**	**-**	**2,999,007**	**-**	**-**	**-**	**(1,726,000)**	**-**	**-**	**-**	**1,273,007**
č	Additional payments of capital	-	-	2,999,007	-	-	-	-	-	-	-	2,999,007
g	Payment of dividends	-	-	-	-	-	-	(1,726,000)	-	-	-	(1,726,000)
												-
B.2.	**Total comprehensive income**	**-**	**-**	**-**	**-**	**-**	**97,055**	**-**	**-**	**1,807,253**	**-**	**1,904,308**
a	Net profit of the reporting period	-	-	-	-	-	-	-	-	1,807,253	-	1,807,253
c	Revaluation of investments	-	-	-	-	-	97,055	-	-	-	-	97,055
												-
B.3.	**Changes in equity**	**-**	**-**	**-**	**-**	**-**	**-**	**1,830,751**	**-**	**(1,830,7...**	**-**	**-**
	Allocation of the remaining part of net profit for											
a	for the comparative period to other equity components	-	-	-	-	-	-	1,830,751	-	(1,830,7...	-	-
												-
C.	**As at 31 Dec. 2016**	**1,767,668**	**542,062**	**3,626,007**	**176,767**	**680,000**	**51,180**	**641,771**	**-**	**1,807,253**	**-**	**9,292,708**
	Accumulated profit	**-**	**-**	**-**	**-**	**-**	**-**	**641,771**	**-**	**1,807,253**	**-**	**2,449,024**

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

	(in EUR)	Share capital	Capital reserves – general revaluation correction	Capital reserve – share premium	Profit reserves – statutory reserves	Profit reserves – other reserves	Revaluation surplus	Retained earnings	Net loss	Net profit for the year	Net loss for the year	Total
A.1.	**As At 31 Dec. 2014**	**1,767,668**	**542,062**	**–**	**176,767**	**380,000**	**49,138**	**502,117**	**–**	**1,734,903**	**–**	**5,152,655**
a	Restatements (corrections)	-	-	-	-	-	-	-	-	-	-	-
b	Adjustments (changes in accounting policies)	-	-	-	-	-	-	-	-	-	-	-
												-
A.2.	**As at 1 Jan. 2015**	**1,767,668**	**542,062**	**–**	**176,767**	**380,000**	**49,138**	**502,117**	**–**	**1,734,903**	**–**	**5,152,655**
												-
B.1.	**Changes in equity - owners transactions**	**–**	**–**	**627,000**	**–**	**–**	**–**	**(1,700,000)**	**–**	**–**	**–**	**(1,073,000)**
č	Additional payments of capital	-	-	627,000	-	-	-	-	-	-	-	627,000
g	Payment of dividends	-	-	-	-	-	-	(1,700,000)	-	-	-	(1,700,000)
												-
B.2.	**Total comprehensive income**	**–**	**–**	**–**	**–**	**–**	**(95,013)**	**–**	**–**	**2,130,751**	**–**	**2,035,738**
a	Net profit of the reporting period	-	-	-	-	-	-	-	-	2,130,751	-	2,130,751
c	Revaluation of investments	-	-	-	-	-	(95,013)	-	-	-	-	(95,013)
												-
B.3.	**Changes in equity**	**–**	**–**	**–**	**–**	**300,000**	**–**	**1,734,903**	**–**	**(2,034,...**	**–**	**–**
	Allocation of the remaining part of net profit for											
a	for the comparative period to other equity components	-	-	-	-	-	-	1,734,903	-	(1,734,...	-	-
	Allocation of net profit for the reporting period to other capital accounts											
b	by resolution of Management and Supervisory	-	-	-	-	300,000	-	-	-	(300,000)	-	-
												-
C.	**As at 31 Dec. 2015**	**1,767,668**	**542,062**	**627,000**	**176,767**	**680,000**	**(45,875)**	**537,020**	**–**	**1,830,751**	**–**	**6,115,393**
	Accumulated profit	**–**	**–**	**–**	**–**	**–**	**–**	**537,020**	**–**	**1,830,751**	**–**	**2,367,771**

The accounting policies and notes to the financial statements on pages 21 to 48 are a constituent part of the financial statements.

UTILISATION OF NET PROFIT FOR THE PERIOD

(in EUR)	1 Jan. - 31 Dec. 2016	1 Jan. - 31 Dec. 2015
Net profit/loss for the year	1,807,253	2,130,751
Net profit/loss for the year brought forward	641,771	537,020
Decrease in share premium	-	-
Share premium	-	-
Decrease in share premium	-	-
Treasury share reserves	-	-
Decrease of treasury reserves	-	-
Profit reserves	-	(300,000)
Decrease of profit reserves	-	-
Accumulated profit	**2,449,024**	**2,367,771**

Distributable profit for 2016 totalled EUR 2,449,023.43, and consisted of net profit for 2016 in the amount of EUR 1,807,252.28 and profit brought forward of EUR 641,771.15.

The proposed distribution is as follows:

- EUR 1,400,000.00 of distributable profit shall be distributed to the Shareholder as a share in the profit;
- EUR 1,049,023.43 shall not be distributed, and decision on its distribution shall be carried over the following year.

The accounting policies and note to the financial statements on pages 21 to 48 are constituent part of the financial statement

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Independent Auditor's Report

To the owners of the company KD Skladi d.o.o. (KD Funds – Management Company LLC)

Opinion

We have audited the accompanying financial statements of the company KD Skladi, d.o.o. (KD Funds – Management Company LLC) ("the Company"), which comprise the balance sheet as at 31 December 2016, the income statement, the statement of other 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 information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with the Slovene Accounting Standards (2016).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Federation of Accountants Code of Ethics for Professional Accountants (the IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other information

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

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

In connection with the business report, we considered whether the business reports comprises disclosures required by the Companies Act (hereinafter: "statutory requirements").

On the basis of the procedures we conducted in our audit of the financial statements and on the basis of the procedures described above, we believe:
- that the information in the business report for the period concerned is consistent with the information in the financial statements, and
- that the business report was prepared in accordance with the statutory requirements.

If, in the light of the knowledge and understanding of the Company and its environment obtained in the audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Slovene Accounting Standards (2016), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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

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

Auditor's responsibility for the audit of the financial statements

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report

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

Katarina Gašperin	Katarina Sitar Šuštar, MBA
Certified Auditor	*Certified Auditor*
	Partner

Ljubljana, 14 April 2017

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 (SAS) and the Companies Act (ZGD-1). The SAS 2016 amendments did not have an impact on the Company's financial statements. 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.

Associated companies
Associates are companies in which the Company and its subsidiaries hold, indirectly or directly, between 20% and 50% 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.

(in EUR)	Participation percentage	Capital value at the end of the year	Profit or loss at the end of the year	Method of acquisition in the case of increasing the share
2016				
Subsidaries				
KD Locusta Fondovi d.o.o., Zagreb	70.00	1,006,676	326,406	acquisition 10%
KD Fondovi d.o.o., Skopje, Makedonija	94.60	145,701	22,160	-
2015				
Subsidaries				
KD Locusta Fondovi d.o.o., Zagreb	60.00	556,793	153,231	acquisition 60% and merger
KD Fondovi d.o.o., Skopje, Makedonija	94.60	126,469	16,698	-

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.

In 2016, the Company bought and additional 10% share in its subsidiary KD Locusta Fondovi d.o.o.

Consolidated financial statements

KD Funds LLC is not obliged to prepare consolidated financial statements set out in Article 56 of the Companies Act (ZGD-1). The Company itself is a subsidiary fully owned by Adriatic Slovenica d. d. and is consolidated within the Adriatic Slovenica Group. The consolidated annual report of the Adriatic Slovenica Group is available at the headquarters of Adriatic Slovenica d. d., Ljubljanska cesta 3A, Koper, Slovenia. Consolidated statements for the largest number of companies within the group are prepared by KD d.d. The consolidated annual report of the KD Group is available at the headquarters of KD d.d., Dunajska cesta 63, 1000 Ljubljana.

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 indefinite. An intangible asset with a finite useful life is amortised over the period of its useful life. Intangible assets with indefinite useful lives are not amortised, but rather impaired. Amortisation of intangible assets is charged on a straight-line basis. An intangible asset with an indefinite useful life is is tested for impairment at the date of preparing financial statements by comparing its carrying amount with its recoverable amount.

Intangible assets comprise intangible assets with a finite useful life (computer software), and intangible assets with an indefinite useful life (list of investors).

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 2016 and 2015:

(In)tangible fixed asset	Minimum rate %	Maximum rate %
Intangible fixed assets:		
Computer software	20	20
Property, plant and equipment:		
Office furniture and equipment	20	20
Motor vehicles	12.5	20
Computer equipment	50	50
Printers and other hardware	20	20
Investments in PPE owned by others	10	10
Small tools	20	20

2.3. Financial investments

Financial 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.

A financial 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.

Financial 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. Revenue

Revenue 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, revenue results in increases in equity. Revenue 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.

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

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

2.11. Costs

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

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

Costs of materials and services are classified by primary types.

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

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

2.12. Labour and employee benefit costs

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

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

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

2.13. Expenses

Expenses are decreases in economic benefits during the accounting period in the form of outflows or incurrence of liabilities; they impact equity through profit or loss.
Expenses are classified as operating expenses, financial expenses, and other expenses. They are also classified as those arising in relation to products and services of controlled entities, associates and other companies.

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

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

2.14. Taxes

Corporate income taxes are accounted for on the basis of income and expenses in the income statement in accordance with the applicable tax legislation. The tax rate in 2016 was 17%, and will be increased to 19% in 2017.

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

(in EUR)	Long-term property rights	Other long-term deferred costs	Total
Acquisition costs			
31 Dec. 2015	**653,733**	**31,360**	**685,093**
Adjustments after opening balance	-	-	-
1 Jan. 2016	**653,733**	**31,360**	**685,093**
Direct increase - investments	2,620,740	-	2,620,740
Transfer from investments in progress	-	-	-
Decrease during the year	-	(9,106)	(9,106)
31 Dec. 2016	**3,274,473**	**22,254**	**3,296,727**
Value adjustment			
31 Dec. 2015	**451,660**	**-**	**451,660**
Adjustments after opening balance	-	-	-
1 Jan. 2016	**451,660**	**-**	**451,660**
Depreciation for the current year	63,983	-	63,983
Decrease during the year	-	-	-
31 Dec. 2016	**515,643**	**-**	**515,643**
Current value			
31 Dec. 2016	**2,758,830**	**22,254**	**2,781,084**
31 Dec. 2015	**202,073**	**31,360**	**233,433**

The increase in long-term property rights relates to the take-over of the management of the Ilirika Umbrella Fund.

(in EUR)	Long-term property rights	Other long-term deferred costs	Total
Acquisition cost			
31 Dec. 2014	**520,904**	**40,374**	**561,278**
Adjustments after opening balance	-	-	-
1 Jan. 2015	**520,904**	**40,374**	**561,278**
Direct increase - investments	154,875	-	154,875
Transfer from investments in progress	-	-	-
Decrease during the year	(22,046)	(9,014)	(31,060)
31 Dec. 2015	**653,733**	**31,360**	**685,093**
Value adjustment			
31 Dec. 2014	**384,446**	**-**	**384,446**
Adjustments after opening balance	-	-	-
1 Jan. 2015	**384,446**	**-**	**384,446**
Depreciation for the current year	88,526	-	88,526
Decrease during the year	(21,312)	-	(21,312)
31 Dec. 2015	**451,660**	**-**	**451,660**
Current value			
31 Dec. 2015	**202,073**	**31,360**	**233,433**
31 Dec. 2014	**136,458**	**40,374**	**176,832**

2. Property, plant and equipment

(in EUR)	Other equipment	Total
Acquisition costs		
31 Dec. 2015	**410,285**	**410,285**
Adjustments after opening balance	-	-
1 Jan. 2016	**410,285**	**410,285**
Direct incresase - investments	62,801	62,801
Transfer to investment property	-	-
Decrease during the year	(21,373)	(21,373)
31 Dec. 2016	**451,713**	**451,713**
Value adjustment		
31 Dec. 2015	**272,386**	**272,386**
Adjustments afte openin balance	-	-
1 Jan. 2016	**272,386**	**272,386**
Depreciation for the current year	86,367	86,367
Transfer to investment property	-	-
Decrease during the year	(20,970)	(20,970)
31 Dec. 2016	**337,783**	**337,783**
Current value		
31 Dec. 2016	**113,930**	**113,930**
31 Dec. 2015	**137,899**	**137,899**

(in EUR)	Other equipment	Total
Acquisition costs		
31 Dec. 2014	**332,958**	**332,958**
Adjustments after opening balance	-	-
1 Jan. 2015	**332,958**	**332,958**
Direct increase - investments	143,176	143,176
Transfer to investment property	-	-
Decrease during the year	(65,848)	(65,848)
31 Dec. 2015	**410,286**	**410,286**
Value adjastments		
31 Dec. 2014	**256,602**	**256,602**
Adjustments after opening balance	-	-
1 Jan. 2015	**256,602**	**256,602**
Depreciation for the current year	70,728	70,728
Transfer to investment property	-	-
Decrease during the year	(54,943)	(54,943)
31 Dec. 2015	**272,387**	**272,387**
Current value		
31 Dec. 2015	**137,899**	**137,899**
31 Dec. 2014	**76,356**	**76,356**

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

(in EUR)	31 Dec. 2016	31 Dec. 2015
Long-term financial investments, excluding loans		
Shares and equity stakes in subsidiaries	2,085,218	1,582,000
Shares and equity stakes in associates	-	-
Other shares and equity stakes	-	-
Long-term financial investments, excluding loans	-	-
Total	**2,085,218**	**1,582,000**
Long-term loans		
Long-term loans to subsidaries	72,225	70,513
Long-term loans to associates	-	-
Long-term loans to third parties	-	-
	-	-
Total	**72,225**	**70,513**
Total	**2,157,443**	**1,652,513**

Long-term investments in subsidiaries

(in EUR)	2016	2015
As at 1 Jan.	**1,582,000**	**955,000**
Acquisitions	503,218	627,000
Sales and disposals	-	-
Impairments	-	-
As at 31 Dec	**2,085,218**	**1,582,000**

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

In 2016, the Company acquired an additional 10% share in KD Locusta Fondovi d. o. o. With the other owners of KD Locusta Fondovi d. o. o., it signed futures contracts to buy a 20% share in KD Locusta Fondovi d. o. o. in the next two 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 shareholdings 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 2016, the Company did not have a pledge on any securities.

(in EUR)	1 Jan. 2016	Principal disbursement	Principal repayment	Accured interest	Interest repayment	31 Dec. 2016
Borrower						
Subsidaries	70,513	-	-	1,712	-	72,225
Total	**70,513**	**-**	**-**	**1,712**	**-**	**72,225**

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.

(in EUR)	1 Jan. 2015	Principal disbursement	Principal repayment	Accured interest	Interest repayment	31 Dec. 2015
Borrower						
Subsidaries	68,801	-	-	1,712	-	70,513
Total	**68,801**	-	-	**1,712**	-	**70,513**

4. Short-term investments

(in EUR)	31 Dec. 2016	31 Dec. 2015
Short-term financial investments, excluding loans		
Shares and equity stakes in subsidaries	-	-
Shares and equity stakes in associated companies	-	-
Shares and other equity stakes	-	-
Mutual funds	1,194,573	779,675
Other short-term financial investments	1,900,130	2,099,339
Derivativers	-	-
	3,094,703	**2,879,014**
Short-term loans		
Short-term loans to subsidaries	398,936	390,977
Short-term loans to associated companies	-	-
Short-term loans to third parities	-	-
Deposits	-	-
Short-term unpaid called capital	-	-
	398,936	**390,977**
Total	**3,493,639**	**3,269,991**

Changes in financiral investments, except loans

(in EUR)	Financial investments available for sale	Total
2015		
As at 1 Jan.	**2,879,014**	**2,879,014**
Acquisitions	4,237,008	4,237,008
Disposals	(4,086,757)	(4,086,757)
Fair value change through PIP	64,897	64,897
Fair value change through IPI	53,559	53,559
Calculated interest	541	541
Paid interest	-	-
Impairments	(53,559)	(53,559)
Reversal impairments	-	-
As at 31. Dec	**3,094,703**	**3,094,703**

(in EUR)	Financial investments available for sale	Total
2015		
As at 1 Jan.	**3,161,811**	**3,161,811**
Acquisitions	3,178,748	3,178,748
Disposals	(3,355,480)	(3,355,480)
Fair value change through PIP	(114,474)	(114,474)
Fair value change through IPI	-	-
Calculated interest	8,409	8,409
Paid interest	-	-
Impairments	-	-
Reversal impairments	-	-
As at 31. Dec	**2,879,014**	**2,879,014**

Changes in short-term loans

(in EUR)	1 Jan. 2016	Principal disbursement	Principal repayment	Accured interest	Interest repayment	Impairment / impairment reversal	31 Dec. 2016
Borrower							
Subsidaries	390,977	-	-	7,959	-	-	398,936
Total	**390,977**	**-**	**-**	**7,959**	**-**	**-**	**398,936**

(in EUR)	1 Jan. 2015	Principal disbursement	Principal repayment	Accured interest	Interest repayment	Impairment / impairment reversal	31 Dec. 2015
Borrower							
Subsidaries	383,020	-	-	7,957	-	-	390,977
Other companies	5,088	-	(5,000)	38	(126)	-	-
Total	**388,108**	**-**	**(5,000)**	**7,995**	**(126)**	**-**	**390,977**

Short-term investments as at 31 December 2016 comprised loans to Group companies. They bear interest at rates recognised for tax purposes as at the day of loan agreement signature, ranging from from 1.2% to 3.259% p.a. (2015: 1.2% to 3.259% p.a.).

5. Long-term and short-term operating receivables

(in EUR)	31 Dec. 2016	31 Dec. 2015
Long-term recievables		
Long-term receivables from subsidiaries	-	67,366
Total	**-**	**67,366**
Short-term recievables		
Short-term receivables from subsidiaries	54,941	121,740
Short-term receivables from associates	-	-
Short-term receivables from retail clients	156,195	93,020
Short-term receivables from third parties	44,129	170,135
Total	**255,265**	**384,895**

Receivables are mostly not yet due (EUR 1,129, maturity up to 30 days) and are unsecured.

Short-term operating receivables due by others include EUR 38,993 of receivables relating to the set-off of input value added tax.

6. Cash and cash equivalents

(in EUR)	31 Dec. 2016	31 Dec. 2015
Cash in hand and on bank accounts	427,867	293,846
Reedemable deposits	250,003	250,017
Deposits up to 3 months	750,047	750,048
Other chas equivalents	-	-
Total	**1,427,917**	**1,293,911**

7. Short-term deferred expenses and accrued revenue

(in EUR)	31 Dec. 2016	31 Dec. 2015
Short-term deferred expenses	89,521	90,365
Short-term accrued revenue	-	-
Total	**89,521**	**90,365**

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

Changes in short-term deferred expenses and accrued revenue

(in EUR)	2016	2015
As at 1 Jan.	**90,365**	**39,237**
Formation	475,469	466,155
Use	(476,313)	(415,027)
As at 31 Dec.	**89,521**	**90,365**

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.

Several subsequent contributions were made in 2016 in the total amount of EUR 2,999,007.52, increasing capital reserves as follows:

Date	Amount
7 March 2016	1,250,000.00
14 April 2016	175,000.00
3 June 2016	1,144,007.52
29 July 2016	330,000.00
18 August 2016	100,000.00
Total	**2,999,007.52**

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 2016, the Company generated EUR 1,807,253 of net profit for the period. Equity as at 31 December 2016 amounted to EUR 9,292,708.

According to the resolution of 4 March 2016, the distributable profit for 2015 in the amount of EUR 2,367,771.15 was used as follows:

- EUR 1,726,000.00 for dividend payment,
- decision on the allocation of EUR 641,771.15 will be carried over to the following year.

The Company's ownership structure as at 31 December 2016 was:

- Adriatic Slovenica d. d.: 100.00%

Changes in fair value reserve

(in EUR)	Financial investments available for sale	Total
(in EUR)		
2015		
As at 1 Jan.	**49,138**	**49,138**
Revaluation - gross	(114,474)	(114,474)
Revaluation - taxes	19,461	19,461
As at 31. Dec.	**(45,875)**	**(45,875)**
2016		
As at 1 Jan.	**(45,875)**	**(45,875)**
Revaluation - gross	118,456	118,456
Revaluation - taxes	(21,401)	(21,401)
As at 31. Dec.	**51,180**	**51,180**

9. Provisions and long-term accrued costs and deferred revenue

(in EUR)	Provisions for retirement and jubilee	Long-term accrued costs and deferred income	Total
2015			
As at 1 Jan.	**41,773**	**63,829**	**105,602**
Formation	10,353	-	10,353
Use	(3,680)	-	(3,680)
Decrease	-	(8,698)	(8,698)
As at 31 Dec.	**48,446**	**55,131**	**103,577**
2016			
As at 1 Jan.	**48,446**	**55,131**	**103,577**
Formation	10,658	-	10,658
Use	(1,380)	-	(1,380)
Decrease	-	(10,305)	(10,305)
As at 31 Dec.	**57,724**	**44,826**	**102,550**

In 2009, the Company launched a new product, "VIP100 Premium Savings Plan", which rewards investors with a closing bonus by reimbursing the subscription fee at the end of the savings period. As at 31 December 2016 provisions for long-term deferred revenue stood at EUR 44,826 (2015: EUR 55,131).

10. Operating liabilities

(in EUR)	31 Dec. 2016	31 Dec. 2015
Long-term operating liabilities		
Long-term operating liabilities to subsidaries	-	-
Long-term operating liabilities to associates	-	-
Long-term operating liabilities to supliers	-	-
Long-term operating liabilities arising from advances	4,600	-
Other long-term opetrating liabilities	4,852	5,600
Total	**9,452**	**5,600**
Short-term operating liabilities		
Short-term operating liabilities to subsidaries	226,080	89,601
Short-term operating liabilities to associates	-	-
Short-term operating liabilities to supliers	186,474	217,614
Short-term operating liabilities arising from advances	-	-
Short-term operating liabilities from taxes and contributions	164,531	17,777
Short-term operating liabilities to employees	206,089	238,448
Other short-term opeating liabilities	7,209	7,240
Total	**790,383**	**570,680**

11. Short-term accrued expense and deferred revenue

(in EUR)	31 Dec. 2016	31 Dec. 2015
Short-term accured costs	214,992	246,580
Accured unused leave costs	114,290	102,057
Short-term deferred costs	-	-
Total	**329,282**	**348,637**

Changes in short-term accrued expenses and deferred revenue

(in EUR)	2016	2015
As at 1 Jan.	**348,637**	**149,405**
Formation	1,641,435	1,840,526
Use	(1,660,790)	(1,641,294)
As at 31 Dec.	**329,282**	**348,637**

Over the short-term, the Company charged the costs of audit, subscription fees of the contractual partners providing outsourced mutual fund sales services as well as the costs of unused annual leave and variable bonuses in 2016.

12. Balance sheet items by geographical segments

(in EUR)	Slovenia	EU	Abroad	Total
31 Dec. 2016				
Asset items				
Intangible non-current assets	2,781,084	-	-	2,781,084
Property, plant and equipment	113,930	-	-	113,930
Investment property	-			-
Long-term financial investment	-	1,707,443	450,000	2,157,443
Long-term operating receivables	-	-	-	-
Deferred tax receivables	217,581	-	-	217,581
Assets for sale	-	-	-	-
Inventories	-	-	-	-
Short-term fianancial investment	1,017,893	2,004,114	471,631	3,493,639
Short-term operating receivables	253,320	1,945	-	255,265
Cash and cash equivalents	1,427,917	-	-	1,427,917
Deferred expenses and accrued revenues	89,521	-	-	89,521
	5,901,246	**3,713,502**	**921,631**	**10,536,380**
Liabilities				
	102,550	-	-	102,550
Long-term financial liabilities	-	-	-	-
Long-term operating liabilities	9,452	-	-	9,452
Deferred tax liabilities	12,005	-	-	12,005
Short-term financial liabilities	-	-	-	-
Short-term operating liabilities	784,232	369	5,782	790,383
Deferred expenses and accrued revenues	329,282	-	-	329,282
	1,237,521	**369**	**5,782**	**1,243,672**

(in EUR)	Slovenia	EU	Abroad	Total
31 Dec. 2015				
Asset items				
Intangible non-current assets	233,433	-	-	233,433
Property, plant and equipment	137,899	-	-	137,899
Investment property	-			-
Long-term financial investment	-	1,202,513	450,000	1,652,513
Long-term operating receivables	67,366	-	-	67,366
Deferred tax receivables	17,215	-	-	17,215
Assets for sale	-	-	-	-
Inventories	-	-	-	-
Short-term fianancial investment	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 expenses and accrued revenues	90,365	-	-	90,365
	2,869,174	**3,393,777**	**884,637**	**7,147,588**
Liabilities				
	103,577	-	-	103,577
Long-term financial liabilities	-	-	-	-
Long-term operating liabilities	5,600	-	-	5,600
Deferred tax liabilities	3,701	-	-	3,701
Short-term financial liabilities	-	-	-	-
Short-term operating liabilities	553,663	919	16,098	570,680
Deferred expenses and accrued revenues	322,374	23,561	2,702	348,637
	988,915	**24,480**	**18,800**	**1,032,195**

13. Analysis of sales and costs

A. Sales revenue

(in EUR)	2016	2015
Revenue from the sale of services		
Revenue from the sale of services in Slovenia	**8,561,119**	**9,024,376**
Subsidaries	888,316	710,205
Associates	-	-
Others	7,672,803	8,314,171
Revenue from the sale of services in EU	**1,594**	**13,588**
Subsidaries	-	-
Associates	-	-
Others	1,594	13,588
Total	**8,562,737**	**9,037,964**
Other operating revenue		
Revenue from the reversal of provisions	103,321	-
Revenue from reversal of loans	-	-
Revenue from reversal of impairment of receivables	-	-
Revenue from write-offs of liabilities	-	-
Profit from sale of fixed assets	1,560	1,350
Profit from sale of intangible assets	-	-
Profit from sale of investment property	-	-
Other operating revenue from revaluation	39,398	38,207
Total	**144,279**	**39,557**

Assets managed under discretionary mandates

Period	Number	AUM	Management fee	Success fee
2015	40	168,267,290	448,163	255,954
2016	177	233,115,042	543,929	387,362

The structure of income from fees

(in EUR)	Management fee	Entry fee	Redemption fee	Sum 2016	Management fee	Entry fee	Redemption fee	Sum 2015
KD Dividendni, delniški	482,254	1,142	286	483,682	632,518	2,810	157	635,485
KD Galileo, mešani fleksibilni	2,198,499	23,606	693	2,222,798	2,228,012	12,990	312	2,241,314
KD Rastko, evropski delniški	838,752	2,077	-	840,829	1,126,552	7,980	-	1,134,532
KD Bond, obvezniški – EUR	210,389	14,940	-	225,329	123,280	15,129	-	138,409
KD MM, sklad denarnega trga – EUR	36,023	-	-	36,023	71,783	-	-	71,783
KD Prvi izbor, sklad delniških skladov	477,956	7,604	612	486,172	443,415	14,688	278	458,381
KD Balkan, delniški	672,607	756	-	673,363	914,302	2,236	-	916,538
KD Novi trgi, delniški	531,917	4,946	961	537,824	660,346	4,170	386	664,902
KD Surovine in energija, delniški	139,533	1,314	-	140,847	160,007	1,206	-	161,213
KD Tehnologija, delniški	527,656	13,087	-	540,743	466,921	12,119	-	479,040
KD Vitalnost, delniški	556,344	5,796	426	562,566	565,513	18,292	157	583,962
KD Indija – Kitajska, delniški	341,034	2,540	89	343,663	568,973	13,140	147	582,260
KD Latinska Amerika, delniški	45,550	1,001	90	46,642	44,635	1,403	121	46,159
KD Vzhodna Evropa, delniški	122,002	2,800	58	124,860	122,420	995	82	123,497
KD Amerika, delniški	59,177	2,269	-	61,446	-	-	-	-
ILIRIKA Azija dinamični	18,567	2	-	18,570	-	-	-	-
ILIRIKA Energija delniški	979	15	-	994	-	-	-	-
ILIRIKA Farmacija in tehnologija delniški	20,779	5	-	20,784	-	-	-	-
ILIRIKA Gazela dinamični	14,134	38	-	14,172	-	-	-	-
ILIRIKA Razvijajoči trgi dinamični	18,781	199	-	18,980	-	-	-	-
ILIRIKA Vzhodna Evropa dinamični	10,199		-	10,199	-	-	-	-
ILIRIKA Modra kombinacija fleksibilni	102,007	41	-	102,048	-	-	-	-
ILIRIKA Globalni sklad skladov dinamični	12,948	15	-	12,962	-	-	-	-
ILIRIKA Obvezniški fleksibilni	9,007	7	-	9,014	-	-	-	-
Total	**7,447,094**	**84,201**	**3,215**	**7,534,510**	**8,128,677**	**107,158**	**1,640**	**8,237,475**

B. Analysis of costs

Analysis of costs by primary types

(in EUR)	2016	2015
Costs of goods and materials		
Costs of goods	-	-
Costs of raw materials	30,314	40,673
Energy costs	8,020	8,738
Total	**38,334**	**49,411**
Costs of services		
Costs of services in the manufacture of products	-	-
Costs of transport and postal services	339,937	315,051
Rental and maintenance costs	542,633	472,372
Reimbusement of labour-related costs to employees	39,441	33,162
Payment transactions costs and banking services	19,147	13,196
Insurance costs	14,450	15,209
Costs of trade shows, advertising, entertainment	583,390	557,419
Securities intermediation costs	-	-
	1,184,635	1,456,665
Acquisition costs	-	-
Costs of intellectual and personal services	749,910	829,066
Other services costs	504,366	480,525
	6,881	31,440
Total	**3,984,790**	**4,204,105**
Labour costs		
Wages and salaries	2,031,942	1,967,878
Pension insurance costs	201,332	187,053
Other social insurance costs	142,383	153,235
Other labour costs	170,306	166,316
Provisions for employee benefits, unused annual leave	94,319	10,353
	2,640,282	**2,484,835**
Depreciation	**150,349**	**159,254**
Revaluated operating expenses		
Revaluated operating expenses in current assets	2,097	-
Expenses from impairment of investment property	-	-
Expenses from impairment of fixed assets	-	-
Expenses for the impairment of intangible assets	-	-
Expenses from disposal of investment property	-	-
Expenses from the disposal of fixed assets	404	1,088
Expenses from disposal of intangible assets	-	-
Total	**2,501**	**1,088**
Other operating expenses		
Reservations expenses	-	-
Repayments for humanitarian, cultural purposes	14,710	16,150
other operating expenses	-	-
Total	**14,710**	**16,150**
Total	**6,830,966**	**6,914,843**

Analysis of costs by functional groups

(in EUR)	2016	2015
Cost analysis by function		
Selling costs	3,104,241	2,823,136
General costs	3,726,725	4,091,707
Total	**6,830,966**	**6,914,843**
Auditing costs (including tax)		
Anual report auditing	4,880	6,100
Other assurance services	14,935	13,062
Tax advisory services	-	-
Other non-audit services	-	-
Total	**19,815**	**19,162**

Remuneration of Management Board and Supervisory Board members

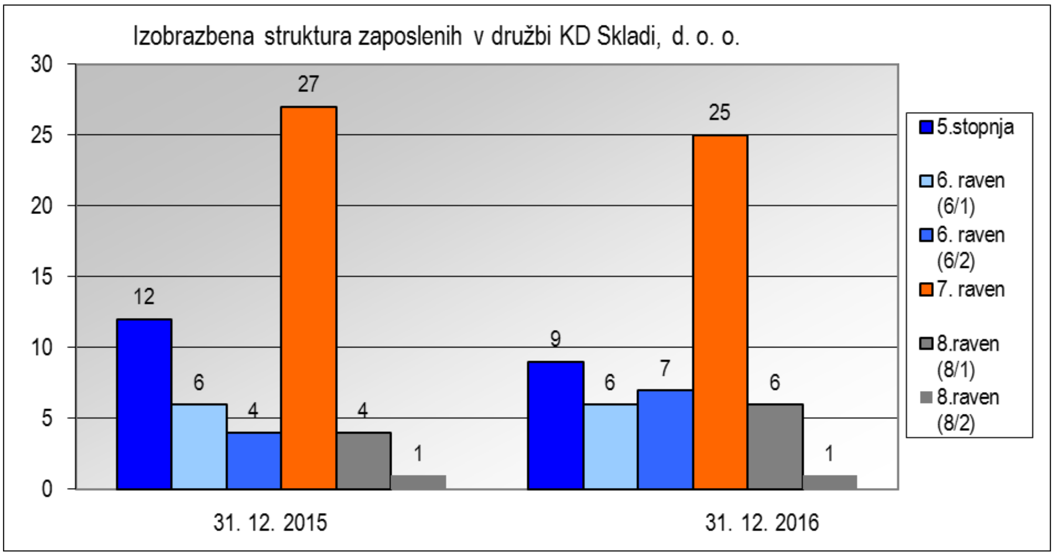
(in EUR)	2016	2015
Executive directors	258,231	274,096
Non-executive directors on the Board of Directors	7,035	6,030
Employees under management contracts	314,689	319,460
Total	**579,955**	**599,586**

Potential liabilities – legal actions

In 2012, a 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.

Employees

The Company employed 54 people as at 31 December 2016, with two employees absent due to parental leave. The average number of employees in 2016 and 2015 was 55.42 and 45.17, respectively. The average number of employees based on working hours in 2016 was 47.38. At the end of 2016, 61.11% of the staff were women and 38.89% were men.



14. Financial revenue

(in EUR)	2016	2015
Financial revenue from equity stakes		
Financial revenue from equity stakes in subsidiaries		
Dividends	86,475	-
Realised gains	-	-
Other revenue	-	-
	86,475	**-**
	-	-
Financial revenue from equity stakes in other companies		
Financial revenue - Financial investments through capital		
Dividends	-	-
Realised/non-realised gains	12,797	173,186
Interests	541	8,409
Other revenue	-	-
	13,338	**181,595**
	13,338	**181,595**
Total	**99,813**	**181,595**
Financial revenue from loans		
Firinacian revenue from loans given to subsidaries	9,670	9,671
Firinacian revenue from loans given to associates	-	-
Firinacian revenue from loans given to others	1,147	1,416
Total	**10,817**	**11,087**
Financial revenue from operatin receivables		
Financial revenue from operatin receivables from subsidaries	-	-
Financial revenue from operatin receivables from associates	-	-
Financial revenue from operatin receivables from others	2,799	4,296
Total	**2,799**	**4,296**
Total financial revenue	**113,429**	**196,978**

15. Financial expenses

(in EUR)	2016	2015
Financial expenses from impairment and write-offs of financial investments		
	-	-
Financial expenses from impairments and write-offs of other companies		
Financial expenses - financial ivestments for trading	-	-
Financial expenses - financial investment trough ingom statement	-	-
Financial expenses - financial investments held to maturity	-	-
Financial expenses - financial investments trough capital	53,559	1
	53,559	**1**
Total financial expenses from impairments and investment write-offs	**53,559**	**1**
Financial expenses from financial liabilities		
Financial expenses from other financial liabilities	-	41
Total financial expenses from financial liabilities	**-**	**41**
Operating financial expenses		
Other operating financial expenses	3,830	4,303
Total operatingfinancial expenses	**3,830**	**4,303**
Total financial expenses	**57,389**	**4,345**

16. Other income and other expenses

(in EUR)	2016	2015
Other revenues		
Other revenues	4	294
Total	**4**	**294**
Other expenses		
Fines and compensation	3,975	16,005
Other expenses	16	2
Total	**3,991**	**16,007**

17. Items of income statement by geographical segments

(in EUR)	Slovenia	EU	Abroad	Total
2016				
Net sales income	8,561,119	1,594	24	8,562,737
Other operating income	144,279	-	-	144,279
Costs of goods, materials and services	(3,511,638)	(110,782)	(400,704)	(4,023,124)
Labor costs	(2,640,282)	-	-	(2,640,282)
Depreciation and other costs	(167,560)	-	-	(167,560)
Financial income	11,904	101,525	-	113,429
Financial expenses	(3,831)	(9,985)	(43,573)	(57,389)
Other incomes	4	-	-	4
Other expenses	(3,991)	-	-	(3,991)
Profit before taxes	**2,390,004**	**(17,648)**	**(444,253)**	**1,928,103**
2015				
Net sales income	9,024,376	13,588	-	9,037,964
Other operating income	39,557	-		39,557
Costs of goods, materials and services	(3,662,486)	(234,488)	(356,542)	(4,253,516)
Labor costs	(2,484,835)	-	-	(2,484,835)
Depreciation and other costs	(176,492)	-	-	(176,492)
Financial income	115,185	7,496	74,297	196,978
Financial expenses	(4,345)	-	-	(4,345)
Other incomes	294	-	-	294
Other expenses	(16,007)	-	-	(16,007)
Profit before taxes	**2,835,247**	**(213,404)**	**(282,245)**	**2,339,598**

18. Deferred taxes

Balance of deferred taxes

(in EUR)	31 Dec. 2016	31 Dec. 2015
Deferred tax assets	217,581	17,215
Deferred tax liabilities	(12,005)	(3,701)
Total deferred tax	**205,576**	**13,514**

Changes in deferred taxes

(in EUR)	2016	2015
As at 1 Jan.	**13,514**	**(6,319)**
Deferred tax charged /(credited) to the income statement	213,463	372
Deferred tax charged/(credited) to equity	(21,401)	19,461
As at 31 Dec	**205,576**	**13,514**

Changes in deferred tax assets

(in EUR)	Valuation of investments	Reserves	Other	Total
2015				
As at 1 Jan.	**8,604**	**3,745**	-	**12,349**
Deferred tax charged /(credited) to the income statement	-	372	-	372
Deferred tax charged/(sredited) to equity	4,494	-	-	4,494
As at 31 Dec	**13,098**	**4,117**	-	**17,215**
Opening adjustments	-	-	-	-
2016				
As at 1 Jan.	**13,098**	**4,117**	-	**17,215**
Deferred tax charged /(credited) to the income statement	10,176	1,366	201,921	213,463
Deferred tax charged/(sredited) to equity	(13,097)	-	-	(13,097)
As at 31 Dec	**10,177**	**5,483**	**201,921**	**217,581**

Changes in deferred tax liabilities

(in EUR)	Valuation of investments	Total
2015		
As at 1 Jan.	**18,668**	**18,668**
Deferred tax charged /(credited) to the income statement	-	-
Deferred tax charged/(sredited) to equity	(14,967)	(14,967)
As at 31 Dec	**3,701**	**3,701**
Opening adjustments	-	-
2016		
As at 1 Jan.	**3,701**	**3,701**
Deferred tax charged /(credited) to the income statement	-	-
Deferred tax charged/(sredited) to equity	8,304	8,304
As at 31 Dec	**12,005**	**12,005**

19. Taxes

(in EUR)	2016	2015
Profit before taxes	**1,928,103**	**2,339,598**
Income adjustment for tax purposes	(82,080)	-
Expenses adjustment for tax purposes	158,229	(977,503)
Tax relief	(37,703)	(131,393)
Total tax base	**1,966,549**	**1,230,702**
Tax rate	**17%**	**17%**
Income tax	**334,313**	**209,219**

20. 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)

Number	AUM	Management fee	Success fee	Period	Management fee
2016					
Related party					
B1	54,941	72,225	220,980	-	2,085,218
B2	-	398,936	5,100	-	-
C	-	-	-	-	-
E	-	-	19,681	-	-
Total	**54,941**	**471,161**	**245,761**	**-**	**2,085,218**
2015					
Related party					
B1	-	276,569	7,052	-	1,582,000
B2	-	184,921	-	-	-
C	189,105	-	82,550	-	-
E	-	-	19,754	-	-
Total	189,105	461,490	109,356	-	1,582,000

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
- E - Management Board members

21. Transactions with related parties

Sales to related parties

(in EUR)	2016	2015
Sales to subsidaries		
Companies in Group	1,083,745	872,584
Associates	-	-
	1,083,745	**872,584**
Purchases from subsidaries		
Companies in Group	1,172,540	1,429,939
Associates	54,590	15,976
	1,227,130	**1,445,915**

Outstanding items arising from sales to and purchases from related parties

(in EUR)	31 Dec. 2016	31 Dec. 2015
Outstanding receivables to subsidaries		
Companies in Group	54,941	189,105
Associates	-	-
	54,941	**189,105**
Outstanding liabilities to subsidaries		
Companies in Group	226,080	89,601
Associates	-	-
	226,080	**89,601**

Loans disbursed and interest allocated to related parties

(in EUR)	2016	2015
Given loans to subsidaries - Withdrawal of principal and interest accrual		
Companies in Group	9,671	9,669
Associates	-	-
	9,671	**9,669**
Taken loans to subsidaries - Withdrawal of principal and interest accrual		
Companies in Group	-	-
Associates	-	-
	-	-

22. 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.

Credit risk – unmatured and matured assets

(in EUR)	Neither past due nor impaired	Past due and not impaired up to 30 days	Past due and not impaired from 31 up to 90 dni	Past due and not impaired from 91 up to 270 dni	Past due and not impaired over 270 days	Past due and individually impaired - gross value	Past due and individually impaired - value adjustment	Past due and collectively impaired - gross value	Past due and collectively impaired - value adjustment	Total
31 Dec. 2016										
Debt securities	1,900,130	-	-	-	-	-	-	-	-	1,900,130
Loans	471,161	-	-	-	-	-	-	-	-	471,161
Receivables and deferred expenses and accrued revenues	343,657	1,129	-	-	-	2,097	(2,097)	-	-	344,786
Total	**2,714,948**	**1,129**	**-**	**-**	**-**	**2,097**	**(2,097)**	**-**	**-**	**2,716,077**
31 Dec. 2015										
Debt securities	2,099,339	-	-	-	-	-	-	-	-	2,099,339
Loans	461,490	-	-	-	-	-	-	-	-	461,490
Receivables and deferred expenses and accrued revenues	542,195	431	-	-	-	-	-	-	-	542,626
Total	**3,103,024**	**431**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,103,455**

Fair values

(in EUR)	31 Dec. 2016	31 Dec. 2015
Long-term financial investments		
Securitiesa and stakes in group	2,383,299	1,755,771
Securitiesa and stakes in associates	-	-
Other securitiesa and stakes	-	-
Given loans	72,225	70,513
	2,455,524	**1,826,284**
Short-term financial investments		
Investments in the parent company	-	-
Other securities and stakes	-	-
Other short-term financial investments	3,094,703	2,879,014
Given loans	398,936	390,977
	3,493,639	**3,269,991**

23. Events after the balance sheet day

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