ANNUAL REPORT 2014

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 Vipa d.d. SI56 0292 2026 0821 258, NLB d. d.
Economic activity codes	64.300 – Trusts, funds and similar financial entities 66.300 – Fund management activities
The Management Board	Luka Podlogar, President of the Management Board Casper Frans Rondeltap, Member of the Management Board
Supervisory authority	Securities Market Agency

<u>The Management Company's Shareholder as at 31 December 2014</u>

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

1. Company profile

Establishment and development

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

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

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

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

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

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

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

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

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

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

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

The Company's principal activity is investment fund management. At the end of 2014 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)

At the end of 2014, the Company also managed the assets of six other portfolios in the framework of financial instruments management service.

The operations of all the subfunds of the KD Umbrella Fund listed above and the company KD Funds LLC in 2014 were audited by KPMG Slovenija d. o. o., Železna cesta 8 a, Ljubljana.

The Management Board

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

In 2014 the Management Board had the following composition:

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

The Supervisory Board

In 2014 the Supervisory Board had the following composition:

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

Annual report

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

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

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

As at 31 December 2014, KD Funds LLC was the controlling company of the management company KD Investments d. o. o. Miramarska 105, 10 000 Zagreb (100% share) and the controlling company of the management company KD Fondovi A. D. Skopje, Makedonija 13 b, 1000 Skopje, Macedonia (94.60% share). KD Group d. d., as the holder of the entire (100%) business share of KD Funds LLC, issued a statement releasing KD Funds LLC, as the controlling company of KD Fondovi A. D. Skopje and KD Investments d. o. o., Zagreb, from the obligation of preparing consolidated financial statements for the 2014 financial year with respect to the companies KD Skladi d. o. o., KD Fondovi A. D. Skopje and KD Investments d. o. o., Zagreb , based on the direct application of Commission Regulation (EC) No. 1725/2003 of 29 September 2003 adopting certain international accounting standards in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council.

On the basis of the above, KD Funds LLC did not prepare consolidated financial statements for the 2014 financial year.

2. Business development

The core activity of KD Funds LLC is the management of investment funds and assets in other portfolios. At the end of 2014 the Company managed the KD Umbrella Fund with its 14 subfunds and the assets of six other portfolios within the financial instruments management service.

In terms of capital markets, 2014 was one of the better years in the recent period. The recovery of the global economy along with lax monetary policies of the major central banks created an environment where investments in both equities as well as bonds recorded considerable yields. The high level of our expertise, experience and excellence in fund management is reflected in the performance of our funds. Eleven out of fourteen subfunds of the KD Umbrella Fund closed the year with positive returns, of which nine subfunds recorded two-digit returns. Similarly, eleven out of fourteen subfunds exceeded their benchmarks within a 12-month period, and nine out of fourteen exceeded their benchmarks within a 36-month period. Particularly worth highlighting is the KD Balkan, Equity, subfund, which exceeded its benchmark by 16.2 percentage points within 12 months, and by 32.6 percentage points within 36 months. This clearly shows that KD Balkan is the best investment fund in South-East Europe, and confirms our good knowledge of the region. Improvements in the analytical tools of portfolio management, both quantitative as well as qualitative, have been enhancing the competitiveness of our management even further. This has most clearly been proven by the success of managing the KD First Selection, Fund of Equity Funds, which holds 10th place on the Bloomberg list of global equity funds benchmarked against MXWD.

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

Our efforts to improve the quality of services in both asset management and sales, and to improve and automate specific work processes continued throughout 2014. In this way, the necessary conditions are in place for high-quality management services of a significantly bigger volume of investor assets, which we will be aiming for in the next post-crisis period.

Highlights of our activities and achievements in 2014:

- **Development of new software solutions:** The Company developed new software solutions contributing to the effective management of risks connected with funds and portfolio optimisation.

- **Excellence in management:** The numerous awards presented by the *Moje finance* magazine and the highest number of "top funds" testify to the success of our planned development and improvements in the management process, which is based on searching for risk-adjusted value.

- **Obtaining a new authorisation:** The Company obtained an authorisation to perform the services of financial instruments management (portfolio management) and an authorisation to perform the following ancillary services:
  a) investment advisory relating to financial instruments under Article 7 of the Financial Instruments Market Act, and
  b) safekeeping and administrative services relating to investment fund units.

- **Trusted brand:** In 2014, the European Trusted Brand survey awarded, for the seventh consecutive time, the Trusted Brand title to the KD Funds brand in the Investment companies and mutual funds category.

- **Development activities:** Our management companies invested in the development of modern tools of investor communication and business improvement. This includes the modernisation of websites, online portals, the IT system for investor register and investor relations management, a web application supporting the sales staff, the development of a mobile application, and activities on social networks.

- **Improving the quality of after-sales services:** Our companies have been strengthening investor communication at regular individual and group meetings focusing on market developments. Parallel to this, the sales network has been regularly informed about developments in capital markets. Training on investment solutions takes place regularly.

- **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 LLC as a trustworthy brand.

- **Constant presence in the media:** Our experts regularly appear in major printed and electronic media through stock market commentaries, articles, awareness raising on long-term savings, and responsible corporate governance. They also communicate through videos produced in-house. Media analysis for KD Funds LLC has shown that the Company appeared in as many as 653 posts in different media in 2014, of which 73.4% were positive, whilst there were no negative posts.

- **Business streamlining and cost cutting:** We continued to engage in activities targeting at business excellence in all spheres of operations and asset management as well as business process streamlining.

3. Business results

KD Funds LLC is the third biggest management company in Slovenia, with its market share among Slovenian mutual fund managers standing at 20.8%. In addition to its business in Slovenia, it has two subsidiary management companies in Croatia and Macedonia.

The total volume of assets under management rose by more than EUR 80 million in 2014, from EUR 425 million at the end of 2013 to almost EUR 502 million at the end of 2014. The fundamental reason for the increased value of assets is the growth of equity prices in stock exchanges and, to a lesser degree, new inflows. The volume of assets held by the investment funds rose from EUR 371.1 million at the end of 2013 to EUR 445.6 million at the end of 2014, while the volume of other assets in management went up from EUR 53.9 million at the end of 2013 to EUR 56.4 million at the end of 2014. Payments into the KD Umbrella Fund reached EUR 41 million in 2014.

Net sales and operating expenses reached EUR 7.94 million and EUR 6.04 million, respectively. The Company ended the year with a net profit for the financial period of EUR 1,734,903.

4. Outlook for the future

We are moderately optimistic about 2015: we expect to see the continuation of gradual global economic growth, less restrictive fiscal policies on average, and a high degree of divergence in monetary policies. Given the relative evaluations between investment classes and our expectations about economic trends, we maintain a positive recommendation for equities. Notably, a higher level of market volatility is likely than in the last two years. Valuations in developed equity markets exceed long-term average values and therefore the main source of returns is growth in corporate profitability. Emerging markets are facing a cooling down of their economic environment, although in our opinion valuations remain attractive, particularly in China and India.

Last year, the lax monetary policies had a positive effect on equity markets which picked up strongly as a consequence. Considering the current levels of expected returns and credit spreads, we do not see any major manoeuvring space for bond growth, especially after the last long-awaited ECB decision on the quantitative easing programme.

The main risks in 2015 seem to be the slowing down of global economic dynamics, increased geopolitical tensions, and a delay in the normalisation of monetary policies.

In the domestic environment, we expect the ongoing privatisation processes to be completed, with corporate profitability maintained or increased, and a continuation of economic growth in the macroeconomic area as well as the gradual normalisation of the banking sector.

We expect the value of assets managed by the KD Umbrella Fund to rise in 2015 due to the effect that equity prices will have on the growth of fund unit values, and the planned increase of inflows into the funds in our management portfolio.

The Company will continue to engage in activities targeting at business excellence in all spheres of its operations and asset management as well as business process streamlining. In 2015, a special focus will be placed on our existing and potential customers, and improving our sales services.

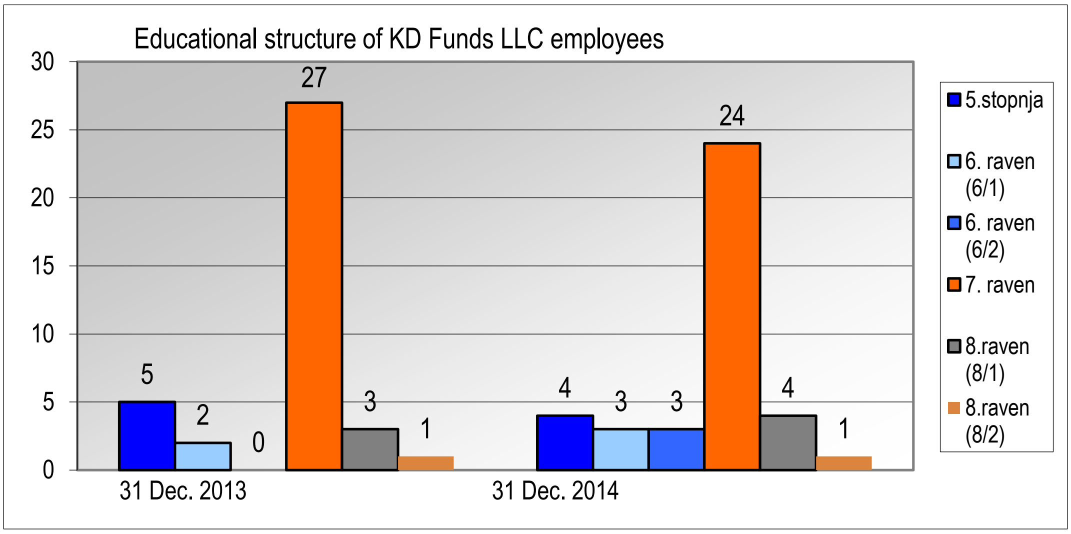
Challenges expected in 2015:

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

5. Human resources

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

The Company employed 39 people as at 31 December 2014, with four employees absent due to parental leave. The average number of employees in 2014 and 2013 was 37.17 and 39.33, respectively. The average number of employees based on working hours in 2014 was 33.72. At the end of 2014, 58.97% of the staff were women and 41.03% were men.



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

The Company's Management Board drew up a report on the relationship with the controlling company, establishing that no transactions representing a disadvantage for the Company were made in 2014.

7. Risk management

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

8. Important business events occurring after the close of the 2014 financial year

On 1 January 2015, the Company began to manage additional assets and a new portfolio within the framework of financial instruments management, with a total value exceeding EUR 120 million.

Casper Frans Rondeltap
Member of the Management Board

Luka Podlogar
President of the Management Board

Ljubljana, 23 February 2015

ANNUAL FINANCIAL STATEMENTS

STATEMENT BY THE MANAGEMENT BOARD

The Management Board of KD Funds – Management Company LLC confirms the financial statements as at 31 December 2014, and the applied accounting policies, notes and tables.

The Management Board is responsible for the preparation of the annual report so as to give a true and fair view of the Company's financial position and the results of operations for the year 2014.

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

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

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

Ljubljana, 23 February 2015

KD Funds LLC

Casper Frans Rondeltap
Member of the Management Board

Luka Podlogar
President of the Management Board

BALANCE SHEET AS AT 31 DECEMBER 2014

(EUR)	Note	31 Dec. 2014	31 Dec. 2013
ASSETS			
Long-term assets			
Intangible assets, and long-term deferred costs and accrued income	1	331,707	291,749
Property, plant and equipment	2	76,356	88,043
Long-term investments	3	1,023,801	1,022,089
Deferred tax assets	19	12,349	16,333
		1,444,213	**1,418,214**
Current assets			
Short-term investments	4	3,549,919	2,525,186
Short-term operating receivables	5	139,157	118,833
Cash and cash equivalents	6	1,002,784	1,125,715
		4,691,860	**3,769,734**
Short-term deferred costs and accrued income	7	**39,237**	**93,268**
TOTAL ASSETS		**6,175,310**	**5,281,216**
Off-balance sheet assets		**-**	**-**
LIABILITIES AND EQUITY			
Equity	8		
Called-up capital		1,767,668	1,767,668
Capital reserves		542,062	542,062
Profit reserves		556,767	556,767
Revaluation reserve		49,138	(12,139)
Retained profit/loss		502,117	620,240
Net profit/loss for the period		1,734,903	831,877
		5,152,655	**4,306,475**
Provisions, and long-term accrued costs and deferred income	9	**105,602**	**120,338**
Long-term liabilities			
Long-term operating liabilities	10	6,109	252
Deferred tax liabilities	19	18,668	9,018
		24,777	**9,270**
Short-term liabilities			
Short-term financial liabilities		-	-
Short-term operating liabilities	10	742,870	603,719
		742,870	**603,719**
Short-term accrued costs and deferred income	11	**149,406**	**241,414**
TOTAL LIABILITIES AND EQUITY		**6,175,310**	**5,281,216**
Off-balance sheet liabilities		**-**	**-**

The accounting policies and notes to the financial statements on pages 19 to 43 are a constituent part of the financial statements.

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

(EUR)	Note	2014	2013
Net sales	13A	7,940,180	6,954,049
Other operating income	13A	32,403	17,668
		7,972,583	**6,971,717**
Costs of goods, materials and services	13B	(3,735,013)	(3,131,838)
Labour costs	13B	(2,136,700)	(2,244,899)
Write-downs in value	13B		
Depreciation/amortisation	13B	(150,228)	(137,911)
Revaluation operating expenses	13B	(87)	(1,644)
Other operating expenses	13B	(24,615)	(6,580)
		(6,046,643)	**(5,522,872)**
Financial income from shares and interests	14	169,061	98,590
Financial income from loans	14	13,179	85,679
Financial income from operating receivables	14	360	451
		182,600	**184,720**
Financial expenses for impairments and write-offs of investments	15	-	(432,513)
Financial expenses for financial liabilities	15	-	(113,784)
Financial expenses for operating liabilities	15	(2,007)	(3,220)
		(2,007)	**(549,517)**
Other income	16	1,618	228
Other expenses	17	(3,865)	(2,474)
		(2,247)	**(2,246)**
Profit or loss before tax		**2,104,286**	**1,081,802**
Income tax	20	(368,300)	(251,178)
Deferred taxes	19	(1,083)	1,253
Net profit or loss for the period		**1,734,903**	**831,877**

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

(EUR)	2014	2013
Net profit or loss	1,734,903	831,877
Change in revaluation reserve relating to available-for-sale financial assets	61,277	59,983
Total comprehensive income	**1,796,180**	**891,860**

The accounting policies and notes to the financial statements on pages 19 to 43 are a constituent part of the financial statements.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

(EUR)	Note	2014	2013
A. Cash flows from operating activities			
a) Items of income statement		**1,704,478**	**1,333,859**
Operating income (except for revaluation) and financial income from operating receivables	13A, 16	7,974,201	6,971,945
Operating expenses excluding depreciation/amortisation (except for revaluation) and financial expenses from operating liabilities	13B, 17	(5,900,340)	(5,388,161)
Income taxes and other taxes not included in operating expenses	19, 20	(369,383)	(249,925)
b) Changes in net operating assets of operating items in the balance sheet		**85,534**	**335,816**
Opening less closing operating receivables		(20,324)	93,569
Opening less closing deferred costs and accrued income		68,011	37,841
Opening less closing deferred tax assets		1,083	(1,253)
Closing less opening operating liabilities		143,508	186,598
Closing less opening accrued costs and deferred income, and provisions		(106,744)	19,061
Closing less opening deferred tax liabilities			-
c) Net cash from operating activities (a + b)		**1,790,012**	**1,669,675**
B. Cash flows from investing activities			
a) Inflows from investing activities		**1,969,963**	**11,772,426**
Inflows from interest and from participation in the profit of others relating to investing activities		28,865	360,684
Inflows from disposal of property, plant and equipment		-	-
Inflows from disposal of long-term investments		-	-
Inflows from disposal of short-term investments		1,941,098	11,411,742
b) Outflows from investing activities		**(2,932,906)**	**(3,982,787)**
Outflows for acquisition of intangible assets		(155,493)	(43,915)
Outflows for acquisition of property, plant and equipment		(37,073)	(39,029)
Outflows for acquisition of long-term investments		-	(263,615)
Outflows for acquisition of short-term investments		(2,740,340)	(3,626,228)
c) Net cash from investing activities (a + b)		**(962,943)**	**7,789,639**
C. Cash flows from financing activities			
a) Inflows from financing activities		**-**	**-**
Inflows from paid-in capital		-	-
Inflows from increase in long-term financial liabilities		-	-
Inflows from increase in short-term financial liabilities		-	-
b) Outflows from financing activities		**(950,000)**	**(8,491,480)**
Outflows for interest associated with financing activities		-	(146,480)
Outflows for repayment of short-term financial liabilities		-	(8,345,000)
Outflows for dividends and other profit shares		(950,000)	-
c) Net cash from financing activities (a + b)		**(950,000)**	**(8,491,480)**
D. Closing balance of cash	6	**1,002,784**	**1,125,715**
Net cash flow for the period (sum total of A. c), B. c) and C. c))		**(122,931)**	**967,834**
Opening balance of cash		1,125,715	157,881

The accounting policies and notes to the financial statements on pages 19 to 43 are a constituent part of the financial statements.

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

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

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

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

The accounting policies and notes to the financial statements on pages 19 to 43 are a constituent part of the financial statements.

Utilisation of net profit for the period

(EUR)	**31 Dec. 2014**
Net profit for the period	1,734,903
Retained earnings	502,117
Distributable profit	**2,237,020**

The accounting policies and notes to the financial statements on pages 19 to 43 are a constituent part of the financial statements.

Independent Auditor's Report

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

Report on financial statements

We have audited the accompanying financial statements of the company KD Funds – Management Company LLC, which comprise the balance sheet as at 31 December 2014, the income statement and the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company KD Funds – Management Company LLC as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with Slovene Accounting Standards and the Investment Funds and Management Companies Act (ZISDU-2).

Report on other legal requirements

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

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

Katarina Gašperin
Certified Auditor

Katarina Sitar Šuštar
Partner

Ljubljana, 27 February 2015

NOTES TO THE FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES

1. Basis for preparation of the financial statements

The financial statements of KD Funds LLC have been prepared in compliance with the accounting and reporting requirements of the Slovene Accounting Standards and the Companies Act (ZGD-1). The financial statements have been prepared in compliance with the fundamental accounting assumption of the business as a going concern and are based on the accrual principles. The qualitative features of the financial statements are based on clarity, appropriateness, reliability and comparability. The same accounting policies were used as last year. The financial statements have been compiled in EUR.

Structure of the group of related companies

Group companies

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

Associates

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

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

Company name	Registered office office	Percentage of capital share	Volume of capital (EUR)	Profit/loss for the period (EUR)
Group companies				
KD Fondovi A. D.	Skopje, Macedonia	94.60%	109,544	(36,478)
KD Investments d. o. o.	Zagreb, Croatia	100.00%	131,020	26,242

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

Consolidated financial statements

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

2. Notes to the accounting policies

2.1. Intangible assets

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

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

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

2.2. Property, plant and equipment

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

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

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

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

Depreciation/amortisation

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

Depreciation and amortisation rates used in 2014 and 2013:

(In)tangible fixed asset	Minimum rate %	Maximum rate %
Intangible fixed assets:		
Computer software	20.00	20.00
Property, plant and equipment:		
Office furniture and equipment	20.00	20.00
Motor vehicles	12.50	20.00
Computer equipment	50.00	50.00
Printers and other hardware	20.00	20.00
Investments in PPE owned by others	10.00	10.00
Small tools	20.00	20.00

2.3. Investments

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

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

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

Upon initial recognition, financial assets are classified as:

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

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

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

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

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

Revaluation of investments is the recognition of an adjustment to their carrying amounts, whilst contractually accrued interest and other adjustments to the investment's principal are not considered to be part of revaluation. It usually appears as revaluation of investments resulting from an increase in their value, impairment, or derecognition of impairment. Revaluation of investments is effected on the balance-sheet day. Investments expressed in a foreign currency are translated at the ECB foreign exchange reference rate as at the balance sheet day.

2.3.1. Available-for-sale financial assets

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

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

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

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

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

2.3.2. Investments in loans

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

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

2.4. Receivables

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

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

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

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

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

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

2.5. Cash and cash equivalents

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

2.6. Financial and operating liabilities

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

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

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

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

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

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

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

Borrowing costs are financial expenses.

2.7. Short-term accruals and deferrals

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

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

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

2.8. Deferred taxes

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

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

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

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

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

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

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

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

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

- expected salary growth equals the discount rate,
- the currently applicable rates of termination pays and jubilee bonuses,
- fluctuation of employees, depending mainly on their age.

2.10. Income

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

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

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

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

2.11. Costs

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

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

Costs of materials and services are classified by primary types.

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

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

2.12. Labour and employee benefit costs

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

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

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

2.13. Expenses

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

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

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

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

2.14. Taxes

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

2.15. Statement of changes in equity

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

2.16. Cash flow statement

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

2.17. Statement of comprehensive income

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

EXPLANATORY NOTES TO SPECIFIC TREATMENTS AND VALUATIONS

1. Intangible assets

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

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

2. Property, plant and equipment

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

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

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

3. Long-term investments

(EUR)	31 Dec. 2014	31 Dec. 2013
Long-term investments, except loans		
Shares and holdings in Group companies	955,000	955,000
Other shares and holdings	-	-
	955,000	**955,000**
Long-term loans		
Long-term loans to Group companies	68,801	67,089
	68,801	**67,089**
Total	**1,023,801**	**1,022,089**

Investments in subsidiaries

(EUR)	2014	2013
As at 1 January	**955,000**	**1,111,338**
Acquisitions	-	234,615
Sales and other disposals	-	-
Impairments	-	(390,953)
As at 31 December	**955,000**	**955,000**

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

Company did not have a pledge on securities as at 31 December 2014.

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

4. Short-term investments

(EUR)	31 Dec. 2014	31 Dec. 2013
Short-term investments, except loans		
Other shares and holdings	10	10
Mutual fund units	793,082	553,603
Debt securities	2,368,719	1,596,505
	3,161,811	**2,150,118**
Short-term loans		
Short-term loans to Group companies	383,020	375,068
Short-term loans to others	5,088	-
	388,108	**375,068**
Total	**3,549,919**	**2,525,186**

Changes in investments, except loans

(EUR)	2014	2013
As at 1 January	**2,150,118**	**2,674,797**
Acquisitions	2,635,340	3,336,228
Disposals	(647,273)	(3,998,104)
Collection of principal	(1,080,000)	-
Collection of interest	(25,438)	(29,428)
Market price changes	73,828	70,224
Allocated interest	55,236	96,401
As at 31 December	**3,161,811**	**2,150,118**

Changes in short-term loans

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

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

Short-term investments as at 31 December 2014 comprised loans to Group companies. They carried an interest rate recognised for tax purposes as at the day of loan agreement signature. The interest rates ranged from 1.2% to 3.259% p.a. (2013: 1.2% to 3.259% p.a.).

5. Short-term operating receivables

(EUR)	31 Dec. 2014	31 Dec. 2013
Short-term operating receivables		
Short-term operating receivables from Group companies	20,026	17,903
Short-term trade receivables	68,288	57,890
Short-term operating receivables due from others	50,843	43,040
Total	**139,157**	**118,833**

Receivables have not fallen due and are not collateralised.

6. Cash and cash equivalents

(EUR)	31 Dec. 2014	31 Dec. 2013
Cash in hand	-	-
Cash in accounts	227,112	216,064
Call deposits	375,398	489,125
Deposits up to 3 months	400,274	420,526
Total	**1,002,784**	**1,125,715**

7. Short-term deferred costs and accrued income

(EUR)	31 Dec. 2014	31 Dec. 2013
Short-term deferred costs	39,237	93,268
Short-term accrued income	-	-
Total	**39,237**	**93,268**

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

Changes in short-term deferred costs and accrued income

(EUR)	2014	2013
As at 1 January	**93,268**	**73,558**
Allocation	354,049	401,571
Drawing	(408,080)	(381,861)
As at 31 December	**39,237**	**93,268**

8. Equity

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

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

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

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

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

In 2014, the Company generated EUR 1,734,903 net profit for the period.

According to the resolution of 26 February 2014 on the use of distributable profit, the distributable profit for 2013 in the amount of 1,452,117.23 was used as follows:
- EUR 950,000.00 for dividend payment,
- decision on the allocation of EUR 502,117.23 will be transferred to the following year.

(EUR)	Called-up capital	Capital reserves	Profit reserves	Revaluation reserve	Retained earnings	Profit for the period	Total
Equity prior to revaluation	**1,767,668**	**542,062**	**556,767**	**49,138**	**502,117**	**1,734,903**	**5,152,655**
General revaluation for maintaining the purchasing power of equity based on consumer price index – 0.2 %	3,535	1,084	1,114	-24	1,301	-7,010	0
Equity in case of revaluation for maintaining the purchasing power of equity in EUR	**1,771,203**	**543,146**	**557,881**	**49,114**	**503,418**	**1,727,893**	**5,152,655**

The Company did not make any general equity revaluation in 2014. If general revaluation based on the consumer price index had been made (0.2% in 2014 compared to 0.7% in 2013), the Company would have recorded a net profit of EUR 1,727,893 in 2014.

The ownership structure of the Company as at 31 December 2014 was:
- KD Group d. d.: 100.00%

Equity as at 31 December 2014 amounted to EUR 5,152,655.

Changes in revaluation reserve

(EUR)	2014	2013
As at 1 January	**(12,139)**	**(72,122)**
Revaluation of financial assets – gross	73,828	70,224
Revaluation of financial assets – deferred tax	(12,551)	(10,241)
As at 31 December	**49,138**	**(12,139)**

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

(EUR)	Provisions for pensions and similar liabilities	Long-term deferred income	Total
As at 1 January 2013	**25,752**	**147,029**	**172,781**
Utilisation	-	-	-
Reversal	-	(68,776)	(68,776)
Allocation	16,333	-	16,333
As at 31 December 2013	**42,085**	**78,253**	**120,338**
As at 1 January 2014	**42,085**	**78,253**	**120,338**
Utilisation	(2,300)	-	(2,300)
Reversal	-	(14,424)	(14,424)
Allocation	1,988	-	1,988
As at 31 December 2014	**41,773**	**63,829**	**105,602**

In 2009, the Company launched a new product, "VIP100 Premium Savings Plan", which rewards investors with a closing bonus at the end of the savings period by reimbursing the subscription fee. As at 31 December 2014 provisions for long-term deferred income stood at EUR 63,829.

10. Operating liabilities

(EUR)	31 Dec. 2014	31 Dec. 2013
Long-term operating liabilities		
Other short-term operating liabilities	6,109	252
Long-term operating liabilities	**6,109**	**252**
Short-term operating liabilities		
Short-term operating liabilities to Group companies	103,826	84,628
Short-term operating liabilities to associates	-	-
Short-term trade payables	160,036	184,201
Short-term operating liabilities for taxes and contributions	138,053	54,988
Payables to employees	332,524	278,246
Other short-term operating liabilities	8,431	1,656
Short-term operating liabilities	**742,870**	**603,719**
Total	**748,979**	**603,971**

11. Short-term accrued costs and deferred income

(EUR)	31 Dec. 2014	31 Dec. 2013
Short-term accrued costs and expenses	149,406	241,414
Total	**149,406**	**241,414**

Changes in short-term accrued costs and deferred income

(EUR)	2013	2013
As at 1 January	**241,414**	**169,910**
Allocation	1,711,508	1,242,878
Drawing	(1,803,516)	(1,171,374)
As at 31 December	**149,406**	**241,414**

Over the short-term, the Company charged the costs of audit, IT services, subscription fees of the contractual partners providing outsourced mutual fund sales services as well as the costs of unused annual leaves and variable bonuses in 2014.

12. Balance sheet items by geographical segments

				31 December 2014
(EUR)	**Slovenia**	**EU**	**Other countries**	**Total**
Asset items				
Intangible assets	331,707	-	-	**331,707**
Property, plant and equipment	76,356	-	-	**76,356**
Long-term investments	-	573,801	450,000	**1,023,801**
Deferred tax assets	12,349	-	-	**12,349**
Short-term investments	890,454	2,214,621	444,844	**3,549,919**
Short-term operating receivables	136,582	2,575	-	**139,157**
Cash and cash equivalents	1,002,784	-	-	**1,002,784**
Deferred costs and accrued income	39,237	-	-	**39,237**
	2,489,469	**2,790,997**	**894,844**	**6,175,310**
Liabilities and equity items				
Provisions, and long-term accrued costs and deferred income	105,602	-	-	**105,602**
Long-term operating liabilities	6,109	-	-	**6,109**
Deferred tax liabilities	18,668	-	-	**18,668**
Short-term operating liabilities	729,416	7,574	5,880	**742,870**
Accrued costs and deferred income	147,851	-	1,555	**149,406**
	1,007,646	**7,574**	**7,435**	**1,022,655**

				31 December 2013
(EUR)	**Slovenia**	**EU**	**Other countries**	**Total**
Asset items				
Intangible assets	291,749	-	-	**291,749**
Property, plant and equipment	88,043	-	-	**88,043**
Long-term investments	-	572,089	450,000	**1,022,089**
Deferred tax assets	16,333	-	-	**16,333**
Short-term investments	2,035,602	90,740	398,844	**2,525,186**
Short-term operating receivables	114,757	4,076	-	**118,833**
Cash and cash equivalents	1,125,715	-	-	**1,125,715**
Deferred costs and accrued income	93,268	-	-	**93,268**
	3,765,467	**666,905**	**848,844**	**5,281,216**

(EUR)	Slovenia	EU	Other countries	Total
Liabilities and equity items				
Provisions, and long-term accrued costs and deferred income	120,338	-	-	**120,338**
Short-term financial liabilities	9,270	-	-	**9,270**
Short-term operating liabilities	578,810	21,326	3,583	**603,719**
Accrued costs and deferred income	239,859	-	1,555	**241,414**
	948,277	**21,326**	**5,138**	**974,741**

13. Analysis of sales and costs

A. Operating income

(EUR)	2014	2013
Net sales	**7,940,179**	**6,954,049**
Sales of services, domestic	**7,902,926**	**6,895,765**
Group companies	326,910	228,919
Others	7,576,016	6,666,846
Sales of services, within the EU	**37,253**	**58,284**
Others	37,253	58,284
Sales of services, in other countries	**-**	**-**
Other operating income	**32,404**	**17,668**
Gains on disposal of items of property, plant and equipment	-	-
Reversal of provisions	-	-
Other revaluation operating income	32,404	17,668
Total	**7,972,583**	**6,971,717**

Assets managed in the framework of portfolio management service

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

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

The structure of income from fees

(EUR)	2014 Manag. fee	2014 Entry fee	2014 Exit fee	2014 Total	2013 Manag. fee	2013 Entry fee	2013 Exit fee	2013 Total
KD Dividend	566,518	3,230	7	569,755	661,335	42	0	661,377
KD Galileo, Mixed Flexible Fund	2,115,307	9,143	50	2,124,500	1,947,722	3,369	0	1,951,091
KD Rastko, Europe Equity Fund	1,198,852	13,954	0	1,212,806	730,598	2,283	-	732,881
KD Bond – EUR	89,463	13,000	0	102,463	79,251	1,534	-	80,785
KD MM, Money Market – EUR	120,049	0	0	120,049	86,791	-	-	86,791
KD First Selection, Fund of Equity Funds	285,440	3,132	28	288,600	253,538	2,003	0	255,541
KD Balkan, Equity	894,954	8,874	0	903,828	517,942	1,201	-	519,143
KD New Markets, Equity	618,132	2,223	55	620,410	608,039	2,899	0	610,938
KD North America, Equity	0	0	0	0	661	-	-	661
KD Raw Materials and Energy, Equity	202,118	907	0	203,025	215,790	915	-	216,705
KD Technology, Equity	257,806	1,911	0	259,717	207,179	1,019	-	208,198
KD New Energy, Equity	0	0	0	0	6,142	5	-	6,147
KD Vitality, Equity	409,796	8,041	28	417,865	297,702	3,677	0	301,379
KD Financials, Equity	0	0	0	0	694	5	-	699
KD India – China, Equity	447,668	5,807	11	453,486	528,250	2,344	0	530,594
KD EM Infrastructure and Construction, Equity	0	0	0	0	421	4	-	425
KD Latin America, Equity	97,457	730	9	98,196	224,840	319	0	225,159
KD Eastern Europe, Equity	186,519	367	6	186,892	209,136	417	0	209,553
Total	**7,490,079**	**71,319**	**194**	**7,561,592**	**6,576,031**	**22,036**	**0**	**6,598,067**

B. Analysis of expenditure

Analysis of costs, by functional groups:

(EUR)	2014	2013
Costs of materials	**62,356**	**41,394**
Costs of energy	**9,038**	**8,650**
Costs of services		
Costs of transportation, postal and internet services	243,307	265,828
Costs of rents and maintenance of assets	438,863	448,673
Reimbursement to employees of work-related expenses	15,096	13,033
Payment transaction and banking services costs	8,830	13,026
Insurance costs	12,057	11,847
Costs of trade fairs, advertising and entertainment	492,341	523,703
Costs of services of agents acquiring investors	1,309,618	1,065,360
Costs of securities brokerage	1,599	2,812
Costs of other intellectual and personal services	762,412	430,709
Costs of services rendered by natural persons	11,349	12,496
Costs of other services	368,147	294,307
Costs of services	**3,663,619**	**3,081,794**

Costs of materials and services	**3,735,013**	**3,131,838**
Costs of wages and salaries	1,734,232	1,812,398
Costs of pension insurance	160,223	168,962
Costs of social insurance	124,478	132,923
Other labour costs	117,767	130,616
Total labour costs	**2,136,700**	**2,244,899**
Depreciation/amortisation	**150,228**	**137,911**
Expenses for revaluation of operating assets	**-**	**1,565**
Expenses for revaluation of intangible assets and items of property, plant and equipment	**87**	**79**
Other costs	**24,615**	**6,580**
Total costs	**6,046,643**	**5,522,872**

Analysis of costs, by functional groups:

(EUR)	2014	2013
Costs of selling	2,359,737	2,107,268
Costs of general activities	3,686,906	3,415,604
Total costs	**6,046,643**	**5,522,872**

Remuneration of Management Board and Supervisory Board members

(EUR)	2014	2013
Management Board members	232,629	261,812
Supervisory Board members	6,405	8,040
Persons employed under individual employment contracts	524,236	466,308
Total	**763,270**	**736,160**

Audit costs

(EUR)*	2014	2013
Audit of annual report	6,100	6,100
Other audits – other auditing companies	23,637	6,600
Total	**29,737**	**12,700**

*VAT included

Potential liabilities – legal actions

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

14. Financial income

(EUR)	2014	2013
Financial income from shares and interests		
Financial income from shares in other companies	169,061	98,590
	169,061	**98,590**
Financial income from loans		
Financial income from loans granted to Group companies	9,664	83,667
Financial income from loans to others	3,515	2,012
	13,179	**85,679**
Financial income from operating receivables		
Financial income from operating receivables due by others	360	451
	360	**451**
Total	**182,600**	**184,720**

15. Financial expenses

(EUR)	2014	2013
Financial expenses for impairments and write-offs of investments		
Financial expenses for impairments and write-offs of Group companies	-	390,953
Financial expenses for impairments and write-offs of investments	-	41,560
	-	**432,513**
Financial expenses for financial liabilities		
Financial expenses for loans raised with banks	-	113,784
	-	**113,784**
Financial expenses for operating liabilities		
Financial expenses for other operating liabilities	2,007	3,220
	2,007	**3,220**
Total	**2,007**	**549,517**

16. Other income

(EUR)	2014	2013
Compensations	1,615	224
Other income	3	4
Total	**1,618**	**228**

17. Other expenses

(EUR)	2014	2013
Compensations	3,852	2,435
Other expenses	13	39
Total	**3,865**	**2,474**

18. Items of income statement by geographical segments

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

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

19. Deferred taxes

Balance of deferred taxes

(EUR)	31 Dec. 2014	31 Dec. 2013
Deferred tax assets	12,349	16,333
Deferred tax liabilities	(18,668)	(9,018)
Total deferred taxes	**(6,319)**	**7,315**

Changes in deferred taxes

(EUR)	2014	2013
As at 1 January	**7,315**	**16,303**
Deferred tax credited to (charged against) profit or loss	(1,083)	1,253
Deferred tax credited to (charged against) equity	(12,551)	(10,241)
As at 31 December	**(6,319)**	**7,315**

Changes in deferred tax assets

(EUR)	Revaluation of investments	Provision for termination pays	Excess value of depreciation	Total
As at 1 January 2013	**12,728**	**2,276**	**1,299**	**16,303**
Deferred tax credited to (charged against) profit	-	1,692	(439)	1,253
Deferred tax credited to (charged against)	(1,223)	-	-	(1,223)
As at 31 December 2013	**11,505**	**3,968**	**860**	**16,333**
As at 1 January 2014	**11,505**	**3,968**	**860**	**16,333**
Deferred tax credited to (charged against) profit	-	(223)	(860)	(1,083)
Deferred tax credited to (charged against)	(2,901)	-	-	(2,901)
As at 31 December 2014	**8,604**	**3,745**	**-**	**12,349**

Changes in deferred tax liabilities

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

20. Taxes

(EUR)	2014	2013
Profit or loss before tax	**2,104,286**	**1,081,802**
Income adjusted to levels recognised for tax purposes	-	-
Expenses adjusted to tax deductible levels	105,729	442,569
Tax allowances	(43,546)	(46,852)
Tax base	**2,166,469**	**1,477,519**

	2014	2013
Tax rate	17%	17%
Income tax	**368,300**	**251,178**
Advance tax payments	251,178	204,820
Receivables (liabilities) associated with income tax	(117,122)	(48,358)

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

(EUR) **2014**

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

(EUR) **2013**

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

Code table of types of relation:

B1 - a person or persons directly participating in another person
B2 - a person or persons indirectly participating in another person
C - a person participating in both persons, having the status of related party according to paragraph 1 of Article 21 and points 1, 2, 4 and 5 of Article 20 of ZISDU-2
E1 - Management Board members
G - person related in terms of management with another person

22. Transactions with related parties

Sales to related parties

(EUR)	2014	2013
Group companies	403,564	2,454,696
Total	**403,564**	**2,454,696**

Purchases from related parties

(EUR)	2014	2013
Group companies	1,302,727	2,733,097
Associates	-	5,256
Total	**1,302,727**	**2,738,353**

Outstanding items arising from sales to and purchases from related parties

(EUR)	31 Dec. 2014	31 Dec. 2013
Operating receivables due from related parties		
Group companies	20,026	17,903
Total	**20,026**	**17,903**

(EUR)	31 Dec. 2014	31 Dec. 2013
Operating liabilities to related parties		
Group companies	103,826	84,628
Associates	-	-
Total	**103,826**	**84,628**

Loans granted and interest allocated to related parties in the period

(EUR)	2014	2013
Group companies	109,663	413,667
Total	**109,663**	**413,677**

23. Risk management

The Company is exposed to financial risks through its financial assets and liabilities. Financial risks are risks that the inflows will not be sufficient to cover outflows due to changes in the capital and money markets, changes of business operations, and changes of clients' credit rating. The most important types of financial risk include liquidity risk, credit risk and market risk, where the Company is exposed to the risk of changing interest rates, the risk of changing securities prices, the risk of changed prices and currency risk. The purpose of financial risk management is to ensure business stability and reduce exposure to specific risks to an acceptable level.

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

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

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

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

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

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

The Company does not apply accounts processing for risk hedging.

24. Events after the balance sheet date

On 1 January 2015, the Company began to manage additional assets and a new portfolio within the framework of financial instruments management, with a total value exceeding EUR 120 million.