ANNUAL REPORT 2017
KD Skladi, družba za upravljanje, d. o. o. (KD Funds – Management Company LLC)

TABLE OF CONTENT

BUSINESS REPORT

THE COMPANY AT A GLANCE

Company name	KD Skladi, družba za upravljanje, d. o. o. (English: KD Funds – Management Company LLC)
Abbreviated company name	KD Skladi, d. o. o. (English: KD Funds LLC)
Registered office	Dunajska cesta 63, 1000 Ljubljana, Slovenia
Telephone	+386 (0)1 58 26 780
Fax	+386 (0)1 518 40 88
Website	www.kd-skladi.si
E-mail	kdi.info@kd-group.si
Company registration number	5834457
Tax number	56687036
VAT identification number	SI 56687036
Bank accounts	SI56 0510 0801 3397 826 Abanka d. d. SI56 0292 2026 0821 258 NLB d. d.
Economic activity codes	64.300 – Trusts, funds and similar financial entities 66.300 – Fund management activities
The Management Board	Luka Podlogar, President of the Management Board Casper Frans Rondeltap, Member
Supervisory authority	Securities Market Agency

Shareholder as at 31 December 2017

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

1. Company profile

Establishment and development

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

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

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

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

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

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

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

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

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

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

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

The Company has no branches.

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

The Company's principal activity is investment fund management. At the end of 2017 it managed the following subfunds of the KD Umbrella Fund:

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

At the end of 2017, the Company also managed the assets of other investors as part of discretionary investment mandates.

The operations of all subfunds of the KD Umbrella Fund listed above and of KD Funds LLC in 2017 were audited by KPMG Slovenija d. o. o., Železna cesta 8 a, Ljubljana.

Annual report

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

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

The consolidated annual report of the Adriatic Slovenica d. d. Group and the annual report of Adriatic Slovenica d. d. are available at the company's headquarters at Ljubljanska cesta 3 a, 6503 Koper.

As at 31 December 2017, KD Funds LLC was the controlling company of the management company KD Locusta Fondovi d. o. o., Savska cesta 106, 10 000 Zagreb (80% share), and of the management company KD Fondovi A. D. Skopje, Makedonija 13 b, 1000 Skopje, Macedonia (94.60% share). Pursuant to Article 56 of ZGD-1 (Companies Act, official Gazette of the RS no. 42/2006 as amended, hereinafter: ZGD-1) KD Funds LLC is not obliged to prepare consolidated financial statements.

2. Business development

The core activity of KD Funds LLC is managing investment funds and other investors' assets. At the end of 2017, the Company managed the KD Umbrella Fund with its 16 subfunds and other portfolios based on discretionary mandates. In 2017, the Company continued to expand its business in the area of alternative investment funds targeting institutional investors. In mid 2017, it was granted authorisation by the Securities Market Agency to manage an alternative investment fund – a real-estate fund. A real-estate fund called KD Adriatic Value Fund, Special Investment Fund, started operating in 2018.

In 2017, the capital markets rewarded us with high returns, very low annual volatility and a continued growth trend in global equity markets. The MSCI global equity index rose by 6.7%, measured in EUR. European corporate stock prices grew more than US stocks, when comparing their returns in EUR. A big share of the US stock growth was neutralised by the fulling dollar-to-euro rate. The S&P 500 and Dow Jones stock indices reached record highs in 2017, with the latter breaking the magic threshold of 20,000 points as early as January 2017. Growth remained relatively constant throughout the year. The sustained growth of European stock prices was influenced by the more general recovery of the European economy and the ECB's loose monetary policy adopted in 2016. The deflationary pressures in Europe also subdued. The highest returns were recorded by investments in companies in developing countries. Measured in EUR, the MSCI rose by almost 22%. Central banks remain the biggest player in the bond markets. The monetary policy was still expansionary, albeit less than in previous years. Long-term interest rates on government bonds did not reach new record lows. In the political arena, Europe was affected by elections in France, the Netherlands and Germany. President Trump managed to amend the US tax legislation. Parallel to reducing political uncertainty, we witnessed a very strong global economic environment. Last year was in fact one of the rare years to see upward revisions of forecast of economic growth and company profits. Consequently, almost all investment classes ended last year in positive figures.

KD Funds performed very well in 2017. The year was again very successful for the KD Umbrella Fund subfunds, with more than half of all the subfunds exceeding their benchmarks in both one-year and three-year periods, while the value of assets under management exceeded EUR 533 million. In 2017, the Moje finance magazine declared KD Funds the best management company and Aleš Lokar the best fund manager. In addition, awards were given to the following funds: KD Galileo – the best fund over the last three and five years in the Mixed – Global Flexible category; KD Rastko – the best fund in the last three and five years in the Equity – Europe category; KD MM – the best fund in the last three and five years in the Money Market – EUR category; KD First Selection – the best fund in the last three and five years in the Equity - Global category; KD Bond – the best fund in the last five years in the Bond – Europe category; KD New Markets – the best fund in the last five years in the Equity – Emerging Markets category. In addition, for the third consecutive year KD Funds was named the best investment management company in Slovenia (as part of the World Finance Investment Management Awards 2017). The excellence in managing the KD Umbrella Fund subfunds was acknowledged by the independent international rating agency Morningstar. As at 31 December 2017, three out of the twelve rated KD Umbrella Fund subfunds were assigned the highest rating of 4 stars (KD First Selection, KD Vitality, KD Bond).

All of these awards and recognitions are the result of our sound management of our funds' assets, developments in financial markets, cost-effective business operations, and personal contacts with our investors. KD Funds offers the most cost-effective fund-saving options – fund packages. In addition to sales activities, the Company focused its efforts on ensuring alignment with the legislation, optimisation of its processes and portfolios, and upgrading the IT system.

Highlights of our activities and achievements in 2017:

KD Funds successfully follows the newest trends and developments in the global mutual fund sector. In 2017, KD Funds started out in the alternative fund segment by launching its first real-estate alternative investment fund, KD Adriatic Value Fund, Special Investment Fund, which will invest in commercial properties in Slovenia, Croatia and Serbia. The Company regards the alternative funds segment as attractive for its potential development. In the future, the plan is to launch new funds allocating to alternative investment classes.

In terms of optimising its business, KD Funds has been continuously developing new digital solutions contributing to business efficiency and improving the user and investor experience. In 2017, KD Funds launched a redesigned website whilst preparing new solutions for online and mobile investments in funds.

New product development: A new special investment fund, KD Adriatic Value Fund, intended solely for professional investors was launched in 2018. In the same year the company will also launch a new flexible savings package allowing investors to change funds invested in with periodic payments.

Excellence in management: The many awards presented by the Moje finance magazine for the management company with the most "top-rated funds", the international recognition of the World Finance magazine, and the overall ratings of four Morningstar stars are – on top of our results and consistently exceeded benchmarks – proof of the success of our systematic development and improvements to the management process based on seeking risk-adjusted value.

3. Business results

KD Funds LLC is the third biggest management company in Slovenia, with a 20% market share among Slovenian mutual fund managers. Outside of Slovenia, it has two subsidiary companies in Croatia and Macedonia, together managing 18 investment funds, 15 of which are located in Croatia and 4 in Macedonia.

As at 31 December 2017, KD Funds managed the assets of 53,581 investors amounting to EUR 533 million. Assets under management of the KD Umbrella Fund rose by 6.1% or EUR 30.7 million compared to 2016, specifically 7.3% (or EUR 36.9 million) due to the effect of asset management in capital markets, and 1.2% (or EUR 6.3 million) due to the negative effect of net inflows. A total of EUR 46.8 million and EUR 53 million were contributed to and redeemed from the KD Umbrella Fund, respectively, in 2017.

Net sales and operating expenses reached EUR 9.6 million and EUR 7.4 million, respectively. The Company closed the year with EUR 2 million in net profit for the financial period.

4. Outlook for the future

We expect to see a continuation of last year’s robust economic growth, representing one of the main pillars for market development. An important topic in the year to come will be the intertwining of monetary and fiscal policies in an environment of stronger economic growth. Leading unconventional monetary policies in the past had a particularly important effect on the capital markets. For the time being, closing the output gap in the developed economies has not raised inflationary expectations, and the latter remain one of the key variables in the equation related to how quickly central banks act. In an environment of solid economic growth, we also expect robust growth in company profitability, which historically speaking justifies the high valuations seen in the developed stock markets. Further strengthening of economic growth in the emerging markets is expected. We are satisfied with the macroeconomic environment and the outlook for growth in profitability. In terms of valuations, the developed stock markets seem expensive. We see the biggest growth potential in Europe. We expect a difficult year in the bond market, with the FED continuing to increase interest rates and the ECB under pressure to end its super-stimulative monetary policy.

The Company will continue to engage in activities centred on business excellence in all spheres of operations and asset management as well as optimising and streamlining the business process. Special attention will be given to our existing and potential investors, and providing excellent financial counselling experience.

The key challenges anticipated in 2018 include:
- growing the Company's profitability,
- improving the management,
- strengthening personal interaction with investors and the sales network,
- launching innovative new products that will bring new investment strategies within the KD Umbrella Fund and offer new saving possibilities in mutual funds,

- attracting new prospective investors, especially institutional investors,
- expanding business in the area of alternative investment funds for institutional investors,
- continuing with activities to optimise business processes, focusing on the best possible risk management, and
- consolidating our position within the region at large.

5. Human resources

KD Funds aspires to exceed the expectations of investors and business partners. To achieve this, it needs committed and highly-motivated people. 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 skilled and professional personnel, especially with qualifications in Economics, Law, IT and Sales. Employees work in an environment enabling them to develop their capacities, with an emphasis on creativity and reliability. The Company regularly organises internal training courses and provides its staff with opportunities to attend external training courses, which help them perform well in their work. The Company also encourages team building through informal socialising.

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

The Company's Management Board drew up a report on the relationship with the controlling company, establishing that no transactions representing a disadvantage for the Company were carried out in 2017.

7. Risk management

In performing its operations and in accordance with the applicable regulations and internal rules, the Company determines, measures/estimates, manages and monitors risks affecting its business as well as the business of the assets managed by it, i.e. mostly assets of investment funds. In the framework of managing risk associated with the aforementioned assets and in line with the adopted Risk Management Plan, the Company measures and takes appropriate action on a daily basis, chiefly with regard to investment (market) risk. In the management of risk connected with its operations as a commercial company and a supervised financial institution, and following the requirements relating to the provision of adequate capital, the Company determines and measures risk as well as adopts actions and regularly monitors their implementation with regard to operating risk, reputation risk, profitability risk and strategic risk. Details on risk management are given in the Disclosures according to requirements under Part 8 of Regulation EU 575/2013 published on the Company's website.

8. Corporate governance statement

8.1. Applicable codes

The Management Company applies the Corporate Governance Code of KD Group, which is available at the Company's website and at www.kd-group.com.

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

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

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

Details of risk management are described in point item 8, and risk management in connection with the financial reporting procedures is described in point 22 of the notes on specific solutions and valuations.

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

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

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

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

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

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

The Management Board

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

In 2017, the Management Board had the following composition:

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

The Supervisory Board

In line with its powers, the Supervisory Board actively monitored and supervised the operations of KD Funds LLC. It held eight sessions in 2017, all of which had the necessary quorum. The Supervisory Board members received session invitations and documents in a timely manner. The Supervisory Board regularly reviewed the implementation of resolutions, and the Management Board regularly informed the Supervisory Board members about the Company's current operations and performance.

In 2017 the Supervisory Board had the following composition:

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

No Supervisory Board committees were established in 2017.

9. Important business events occurring after the close of the 2017 financial year

No business events with a significant impact on the operations of KD Funds LLC occurred after the close of the 2017 financial year.

Ljubljana, 14 March 2018

KD Skladi

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

CONCISE STATEMENT OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD ABOUT THE RISK MANAGEMENT OF KD FUNDS LLC

The Management Board and the Supervisory Board of KD Funds LLC (hereinafter: the Company), pursuant to Article 17 of the Decision on Risk Management and the Internal Capital Adequacy Assessment Process for Banks and Savings Banks (hereinafter: the Decision) and Article 435.1(e) and (f) of Regulation (EU) no. 575/2013 (hereinafter: CRR), give the following concise statement on risk management:

The Company follows its long-term strategic and business objectives whilst respecting risk exposure limits set out in the risk management strategy and policy on both a single as well as consolidated basis.

The Company assesses its risk profile as acceptable, with capital adequacy, income stability and stable liquidity position being the key factors for supporting its current and future profitability.

Risk profile is assessed annually in accordance with the Company's Risk Taking and Risk Management Strategy. The Company will annually perform the internal capital adequacy assessment process (ICAAP), i.e. the self-assessment of its capital adequacy in accordance with the risk management policies in place.

The following risks ranked by order of importance were identified in the assessment process:

- operational risk,
- profitability risk,
- strategic risk,
- credit and market risk,
- reputation risk, capital and liquidity risk, and
- compliance risk.

The results of the risk profile assessment are consistent with the Company's business model and strategic orientations. The Company's overall risk profile is managed through a system of limits and internal controls, based on which the Company meets more than the minimum capital requirement even in harsh business conditions. The system was designed and adopted in agreement with the parent undertaking and approved by its Supervisory Board.

The key indicators of the Company's risk appetite are the total capital ratio, the Tier 1 ratio and the Common Equity Tier 1 capital ratio. Their tolerance values stand at 130%, 100% and 110% with respect to the minimum capital requirement according to CRR. The acceptable share of dividend in the net profit in a financial year is set at the level enabling the Company to maintain its long-term business stability and preserve its target capital requirements. The set target values of the ratios express the connection between the Company's business strategy and its target risk profile.

The Management Board and the Supervisory Board confirm that prudential consolidation pursuant to Article 11 of the CRR has been carried out, comprising the Company as the parent institution and its two subsidiaries, KD Locusta Fondovi d.o.o., Zagreb, and KD Fondovi AD, Skopje (hereinafter: the Group).
The Management Board and the Supervisory Board confirm that the Group pursues the same profile of operations based on acceptable risk. The Company will apply ICAAP to calculate capital requirements for all significant risks.

In 2017, the total capital ratios for the Company and the Group equalled 11.42% and 12.20%, respectively.

Due to external trends, the Company's growth and new product development, the Company devotes significant efforts to managing and limiting operational risk. In parallel, digitisation of the documentary system, personal data protection and business continuity is carried out.

In its regular operations, the Company applies qualitative measures and daily supervisory procedures to successfully manage the prevention of money laundering and terrorist financing as well as other practices of inside information protection and management of conflicts of interest, by which it efficiently manages reputation risk with respect to the Company and the Group.

A stable source of capital enables the Company to operate in accordance with the CRR provisions and adopted strategic orientations. This is further supported by its constantly high liquidity connected with the nature of its activity.

The concise statement of the management body is available at https://www.kd-skladi.si/aktualno/javne-objave/.

Ljubljana, February 2018

Supervisory Board

Tomaž Butina
President of the Supervisory Board

Matija Šenk
Deputy President

Jure Kvaternik
Member

Management Board

Luka Podlogar
President of the Management Board

Casper Frans Rondeltap
Member of the Management Board

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The Management Board of KD Funds – Management Company LLC confirms the financial statements as at 31 December 2017, 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 2017.

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 any circumstances that might give rise to any material liability in this respect.

Ljubljana, 14 March 2018

KD Funds LLC

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

FINANCIAL REPORT

BALANCE SHEET AS AT 31 DECEMBER 2017

(in EUR)	Clarification	31 Dec. 2017	31 Dec. 2016
ASSETS			
Non-curent assets			
Intangible non-current assets, deferred expenses and accrued revenue	1	2,715,204	2,781,084
Property, plant and equipment	2	113,638	113,930
Investment property		-	-
Financial investments	3	2,524,191	2,157,443
Operating receivables	5	-	-
Deferred tax assets	18	154,288	217,581
		5,507,321	**5,270,038**
Current assets			
Assets held for sale		-	-
Inventories		-	-
Financial investments	4	4,091,568	3,493,639
Operating receivables	5	183,911	255,265
Cash and cash equivalents	6	906,380	1,427,917
		5,181,859	**5,176,821**
Short-term deferred expenses and accured revenue	**7**	**615,463**	**89,521**
TOTAL ASSETS		**11,304,643**	**10,536,380**
Off-balance-sheet assets	**3**	**501,040**	**674,098**
LIABILITIES			
Equity	**8**		
Called-up capital		1,767,668	1,767,668
Shaer premium		4,168,069	4,168,069
Profit reserves		856,767	856,767
Fair value reserve		86,252	51,180
Retained net profit or loss		1,049,024	641,771
Net profit or loss for the year		2,026,948	1,807,253
		9,954,728	**9,292,708**
Provisions and long-term accured expenses and deferred revenue	**9**	**106,357**	**102,550**
Non-current liabilities			
Financial liabilities		-	-
Operating liabilities	10	4,600	9,452
Defeered tax liabilities	18	20,232	12,005
		24,832	**21,457**
Current liabilities			
		-	-
Financial liabilities		-	-
Operating liabilities	10	698,490	790,383
		698,490	**790,383**
Short-term accured expenses and deferred revenues	**11**	**520,236**	**329,282**
TOTAL LIABILITIES		**11,304,643**	**10,536,380**
Off-balance-sheet liabilities	**3**	**501,040**	**674,098**

The accounting policies and notes to the financial statements on pages 21 to 49 are a constituent part of the financial statements.

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

(in EUR)	Clarification	1 Jan. - 31 Dec. 2017	1 Jan. - 31 Dec. 2016
Net sales	13A	9,647,040	8,562,737
Change in the value of inventories of products and work in progress		-	-
Capitalised own products and services		-	-
Other operating income	13A	14,723	144,279
		9,661,763	**8,707,016**
Costs of goods, materials and services	13B	(4,298,071)	(4,023,124)
Labour costs	13B	(2,952,033)	(2,640,282)
Depreciation			
Amortisation	13B	(123,975)	(150,349)
Revaluation operating expenses	13B	(1,262)	(2,501)
Other operating expenses	13B	(26,496)	(14,710)
		(7,401,837)	**(6,830,966)**
Financial revenue from equity stakes	14	205,575	99,813
Revenue from loans	14	9,860	10,817
Financial revenue from operating receivables	14	3,057	2,799
		218,492	**113,429**
Financial expenses from impairment and write-offs of financial investments	15	-	(53,559)
Financial expenses from financial liabilities	15	-	-
Financial expenses from operating liabilities	15	(9,679)	(3,830)
		(9,679)	**(57,389)**
Other revenue	16	9,539	4
Other expenses	16	(9,046)	(3,991)
		493	**(3,987)**
Profit before tax		**2,469,232**	**1,928,103**
Income tax	19	(378,992)	(334,313)
Deferred tax	18	(63,292)	213,463
Net profit for the accounting period		**2,026,948**	**1,807,253**

STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

(in EUR)	Clarification	1 Jan. - 31 Dec. 2017	1 Jan. - 31 Dec. 2016
Net profit/loss		**2,026,948**	**1,807,253**
Change in fair value reserve of available-for-sale financial assets		**35,072**	**97,055**
a Gross	8	43,300	118,456
b Tax	18	(8,228)	(21,401)
Total comperhensive income for the accounting period		**2,062,020**	**1,904,308**

The accounting policies and notes to the financial statements on pages 21 to 49 are a constituent part of the financial statements.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

(in EUR)	Clarification	1 Jan. - 31 Dec. 2017	1 Jan. - 31 Dec. 2016
A.Cash flows from operating activities			
a) Income statement		**1,943,369**	**1,902,422**
Operating income (excluding revaluation) and financial income from operating		9,671,302	8,705,459
Operating expenses excluding depreciation (except for revaluation) and financial expenses feom operatin liabilities		(7,285,648)	(6,682,187)
Income tax and other taxes excluded from operating expenses	18, 19	(442,285)	(120,850)
b) Changes in net current assets (and deferred expenses and accrued revenue, reserves and deferred tax assets) operating balance sheet items		**(289,300)**	**194,305**
Change in operating receivables		71,355	194,897
Changes in defeered expenses and accrued revenue		(520,290)	9,951
Changes in deferred tax assets	18	63,293	(213,463)
Change in operating debts		(98,418)	223,302
Change in accrued costs and deferred revenue and provisions		194,760	(20,382)
c)net cash flow from operating activities (a+b)		**1,654,069**	**2,096,727**
B. Cash flows from investing activities			
a) Cash inflows from investing activities		**2,144,177**	**4,188,039**
Interest and dividends received from investing activities		240,181	86,924
Cash inflows from disposal of property, plant and equipment	2, 13	380	1,560
Cash inflows from disposal of financial investments	4, 14	1,903,616	4,099,555
b) Cash outflows from investin activities		**(2,919,783)**	**(7,423,767)**
Cash outflows to acquire property, plant anf equipment	2	(65,096)	(62,801)
Cash outflows to acquire financial investments	3	(2,854,687)	(4,740,226)
c) Net cash flow from investing activities (a+b)		**(775,606)**	**(3,235,728)**
C. Cash flows from financing activities			
a) Cash inflows from financing activities		-	**2,999,007**
Cash inflows from repayed capital		-	2,999,007
b) Cash outflows from financing activities		**(1,400,000)**	**(1,726,000)**
Cash outflows for dividends and other share profits		(1,400,000)	(1,726,000)
c) Net cash flow from financing activities (a+b)		**(1,400,000)**	**1,273,007**
Č. Closing balance of cash		**906,380**	**1,427,917**
Net cash flow for the year (A.c. + B.c. + C.c.)		**(521,537)**	**134,006**
Opening balance of cash		1,427,917	1,293,911

The accounting policies and notes to the financial statements on pages 21 to 49 are a constituent part of the financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	(in EUR)	Share capital	Capital reserves – general revaluation correction	Capital reserve – share premium	Profit reserves – statutory reserves	Profit reserves – other reserves	Revaluation surplus	Retained earnings	Net loss	Net profit for the year	Net loss for the year	Total
A.1.	**As At 31 Dec. 2016**	**1,767,668**	**542,062**	**3,626,007**	**176,767**	**680,000**	**51,180**	**641,771**	**-**	**1,807,253**	**-**	**9,292,708**
a	Restatements (corrections)	-	-	-	-	-	-	-	-	-	-	-
b	Adjustments (changes in accounting policies)	-	-	-	-	-	-	-	-	-	-	-
												-
A.2.	**As at 1 Jan. 2017**	**1,767,668**	**542,062**	**3,626,007**	**176,767**	**680,000**	**51,180**	**641,771**	**-**	**1,807,253**	**-**	**9,292,708**
												-
B.1.	**Changes in equity - owners transactions**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,400,000)**	**-**	**-**	**-**	**(1,400,000)**
č	Additional payments of capital	-	-	-	-	-	-	-	-	-	-	-
g	Payment of dividends	-	-	-	-	-	-	(1,400,000)	-	-	-	(1,400,000)
												-
B.2.	**Total comprehensive income**	**-**	**-**	**-**	**-**	**-**	**35,072**	**-**	**-**	**2,026,948**	**-**	**2,062,020**
a	Net profit of the reporting period	-	-	-	-	-	-	-	-	2,026,948	-	2,026,948
c	Revaluation of investments	-	-	-	-	-	35,072	-	-	-	-	35,072
												-
B.3.	**Changes in equity**	**-**	**-**	**-**	**-**	**-**	**-**	**1,807,253**	**-**	**(1,807,2...**	**-**	**-**
	Allocation of the remaining part of net profit for											
a	for the comparative period to other equity components	-	-	-	-	-	-	1,807,253	-	(1,807,2...	-	-
												-
C.	**As at 31 Dec. 2017**	**1,767,668**	**542,062**	**3,626,007**	**176,767**	**680,000**	**86,252**	**1,049,024**	**-**	**2,026,948**	**-**	**9,954,728**
	Accumulated profit	**-**	**-**	**-**	**-**	**-**	**-**	**1,049,024**	**-**	**2,026,948**	**-**	**3,075,972**

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

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

The accounting policies and notes to the financial statements on pages 21 to 49 are a constituent part of the financial statements.

UTILISATION OF NET PROFIT FOR THE PERIOD

(in EUR)	1 Jan. - 31 Dec. 2017	1 Jan. - 31 Dec. 2016
Net profit/loss for the year	2,026,948	1,807,253
Net profit/loss for the year brought forward	1,049,024	641,771
Accumulated profit	**3,075,972**	**2,449,024**

Distributable profit for 2017 totalled EUR 3,075,971.79, and consisted of net profit for 2017 in the amount of EUR 2,026,948.36 and profit brought forward of EUR 1,049,023.43.

The proposed distribution is as follows:

- EUR 1,400,000.00 of distributable profit shall be distributed to the Shareholder as a share in the profit;
- EUR 1,675,971.79 shall not be distributed, and decision on its distribution shall be carried over the following year.

The accounting policies and note to the financial statements on pages 21 to 49 are constituent part of the financial statement

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of the company KD Skladi, d.o.o. (KD Funds – Management Company LLC) ("the Company"), which comprise the balance sheet as at 31 December 2017, the income statement, the statement of other comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with the Slovene Accounting Standards (2016).

Basis for opinion

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

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

Other information

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

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

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

On the basis of the procedures we conducted in our audit of the financial statements and on the basis of the procedures described above, we believe:

- that the information in the business report for the period concerned is consistent with the information in the financial statements, and
- that the business report was prepared in accordance with the statutory requirements.

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

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

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

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

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

Auditor's responsibility for the audit of the financial statements

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

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

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

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

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

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

Katarina Gašperin	Barbara Kunc, MBA
Certified Auditor	*Certified Auditor*
	Partner

Ljubljana, 14 March 2018

NOTES TO THE FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES

1. Basis for preparation of the financial statements

The financial statements of KD Funds LLC have been prepared in compliance with the accounting and reporting requirements of the Slovene Accounting Standards (SAS) and the Companies Act (ZGD-1). The SAS 2016 amendments did not have an impact on the Company's financial statements. The financial statements have been prepared in compliance with the fundamental accounting assumption of the business as a going concern and are based on the accrual principles. The qualitative features of the financial statements are based on clarity, appropriateness, reliability and comparability. The same accounting policies were used as last year. The financial statements have been compiled in EUR.

Structure of the group of related companies

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

Associated companies
Associates are companies in which the Company and its subsidiaries hold, indirectly or directly, between 20% and 50% of equity capital, and exert a significant but not a controlling influence.

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

(in EUR)	Participation percentage	Capital value at the end of the year	Profit or loss at the end of the year	Method of acquisition in the case of increasing the share
2017				
Subsidaries				
KD Locusta Fondovi d.o.o., Zagreb	80.00	996,405	265,165	purchase 10%
KD Fondovi d.o.o., Skopje, Macedonia	94.60	222,726	75,334	-
2016				
Subsidaries				
KD Locusta Fondovi d.o.o., Zagreb	70.00	1,006,676	326,406	purchase 10%
KD Fondovi d.o.o., Skopje, Macedonia	94.60	145,701	22,160	-

Long-term investments also include investments in the companies KD Fondovi A. D. Skopje, Macedonia, and KD Locusta Fondovi d. o. o., Zagreb, Croatia.
In 2015, the Company acquired a 60% share in the Croatian management company Locusta Invest d. o. o. Thereupon, a merger of KD Investments d. o. o. Zagreb and Locusta Invest d. o. o. was carried out. The name of the new merged management company is KD Locusta Fondovi d. o. o.
In 2016, the Company bought an additional 10% share in its subsidiary KD Locusta Fondovi d.o.o., and in the year 2017 another 10%. As at 31 December, the Company owns 80% of its subsidiary KD Locusta Fondovi.

Consolidated financial statements

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

2. Notes to the accounting policies

2.1. Intangible assets

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

Upon initial recognition, an intangible asset is carried at cost less accumulated amortisation and accumulated impairment loss (cost model). The Company assesses whether the useful life of the intangible asset is finite or indefinite. An intangible asset with a finite useful life is amortised over the period of its useful life. Intangible assets with indefinite useful lives are not amortised, but rather impaired. Amortisation of intangible assets is charged on a straight-line basis. An intangible asset with an indefinite useful life is is tested for impairment at the date of preparing financial statements by comparing its carrying amount with its recoverable amount.

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

2.2. Property, plant and equipment

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

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

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

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

Depreciation/amortisation

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

Depreciation and amortisation rates used in 2017 and 2016:

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

2.3. Financial investments

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

A financial investment is recognised as a financial asset in the books of account and in the balance sheet if:
a) it is probable that the future economic benefits associated with it will flow to the Company,
b) the cost of the investment can be measured reliably.

Upon initial recognition, financial assets are classified as:
- financial assets valued at fair value through profit or loss,
- held-to-maturity investments,
- investments in loans; or
- available-for-sale financial assets.

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

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

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

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

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

2.3.1. Available-for-sale financial assets

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

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

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

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

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

2.3.2. Investments in loans

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

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

2.4. Receivables

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

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

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

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

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

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

2.5. Cash and cash equivalents

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

2.6. Financial and operating liabilities

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

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

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

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

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

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

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

Borrowing costs are financial expenses.

2.7. Short-term accruals and deferrals

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

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

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

2.8. Deferred taxes

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

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

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

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

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

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

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

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

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

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

2.10. Revenue

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

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

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

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

2.11. Costs

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

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

Costs of materials and services are classified by primary types.

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

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

2.12. Labour and employee benefit costs

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

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

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

2.13. Expenses

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

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

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

2.14. Taxes

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

2.15. Statement of changes in equity

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

2.16. Cash flow statement

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

2.17. Statement of comprehensive income

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

EXPLANATORY NOTES TO SPECIFIC TREATMENTS AND VALUATIONS

1. Intangible assets

(in EUR)	Long-term property rights	Other long-term deferred costs	Total
Acquisition costs			
31 Dec. 2016	**3,274,473**	**22,254**	**3,296,727**
1 Jan. 2017	**3,274,473**	**22,254**	**3,296,727**
Decrease during the year	-	(5,651)	(5,651)
31 Dec. 2017	**3,274,473**	**16,603**	**3,291,076**
Value adjustment			
31 Dec. 2016	**515,643**	-	**515,643**
1 Jan. 2017	**515,643**	-	**515,643**
Depreciation for the current year	60,229	-	60,229
31 Dec. 2017	**575,872**	-	**575,872**
Current value			
31 Dec. 2017	**2,698,601**	**16,603**	**2,715,204**
31 Dec. 2016	**2,758,830**	**22,254**	**2,781,084**

The Company's intangible assets comprise long-term property rights related to the take-over of the management of the Ilirika Umbrella Fund. On 31 December 2017, an impairment test was performed on the basis of the assumptions below, which led to the conclusion that no impairment was necessary.

The following valuation assumptions relating to intangible assets were used by the internal financial expert in **2017**:

- the present value of future free cash flows,
- the assessment was based on the analysis of past operations and future potential,
- income as free cash flows was discounted with the required rate of return on equity,
- the CAPM model was used to calculate the required return on equity,
- CAPM assumptions: 3.5% normalised return on risk-free assets, 5.0% premium for capital risk, 3.74% premium for investments in small enterprises, 1.84% political risk factor, unlevered beta 0.68,
- required rate of return on equity 12.58%,
- discount for lack of marketability starting at 5.0%,
- planned return of individual funds in the explicit forecast period ranges between 0.0% and 7.0%,
- growth of net cash flows after the explicit forecast period amounts to 2.0%,
- cash flow estimated for the 2018–2022 period.

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

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

The following valuation assumptions relating to intangible assets were used by the internal financial expert in 2016:

- the present value of future free cash flows,
- the assessment was based on the analysis of past operations and future potential,
- income as free cash flows was discounted with the required rate of return on equity,
- the CAPM model was used to calculate the required return on equity,
- CAPM assumptions: 3.5% normalised return on risk-free assets, 5.5% premium for capital risk, 3.74% premium for investments in small enterprises, 3.13% political risk factor, unlevered beta 0.63,
- required return on equity 13.84%,
- discount for lack of marketability starting at 5.0%,
- planned return of individual funds in the explicit forecast period ranges between 0.0% and 7.0%,
- growth of net cash flows after the explicit forecast period amounts to 2.0%,
- cash flow estimated for the 2017–2021 period.

2. Property, plant and equipment

(in EUR)	Other equipment	Total
Acquisition costs		
31 Dec. 2016	**451,713**	**451,713**
1 Jan. 2017	**451,713**	**451,713**
Direct increase - investments	65,096	65,096
Decrease during the year	(14,882)	(14,882)
31 Dec. 2017	**501,927**	**501,927**
Value adjustment		
31 Dec. 2016	**337,783**	**337,783**
1 Jan. 2017	**337,783**	**337,783**
Depreciation for the current year	63,747	63,747
Decrease during the year	(13,241)	(13,241)
31 Dec. 2017	**388,289**	**388,289**
Current value		
31 Dec. 2017	**113,638**	**113,638**
31 Dec. 2016	**113,930**	**113,930**

(in EUR)	Other equipment	Total
Acquisition costs		
31 Dec. 2015	**410,285**	**410,285**
1 Jan. 2016	**410,285**	**410,285**
Direct increase - investments	62,801	62,801
Decrease during the year	(21,373)	(21,373)
31 Dec. 2016	**451,713**	**451,713**
Value adjastments		
31 Dec. 2015	**272,386**	**272,386**
1 Jan. 2016	**272,386**	**272,386**
Depreciation for the current year	86,367	86,367
Decrease during the year	(20,970)	(20,970)
31 Dec. 2016	**337,783**	**337,783**
Current value		
31 Dec. 2016	**113,930**	**113,930**
31 Dec. 2015	**137,899**	**137,899**

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

3. Long-term investments

(in EUR)	31 Dec. 2017	31 Dec. 2016
Long-term financial investments, excluding loans		
Shares and equity stakes in subsidaries	2,450,254	2,085,218
Total	**2,450,254**	**2,085,218**
Long-term loans		
Long-term loans to subsidaries	73,937	72,225
Total	**73,937**	**72,225**
Total	**2,524,191**	**2,157,443**

Long-term investments in subsidiaries

(in EUR)	2017	2016
As at 1 Jan.	**2,085,218**	**1,582,000**
Acquisitions	365,036	503,218
As at 31 Dec	**2,450,254**	**2,085,218**

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

In 2017, the Company acquired an additional 10% share in KD Locusta Fondovi d. o. o. With the other owners of KD Locusta Fondovi d. o. o., it signed futures contracts to buy a 10% share in KD Locusta Fondovi d. o. o. in the next year and an options contract to buy a 10% share in KD Locusta Fondovi d. o. o. in 2019. The estimated purchase value of the shareholdings is shown off-balance. The market prices of comparable participations have not changed since the contracts were signed, therefore the value of derivatives is not shown in the statements.

As at 31 December 2017, the Company did not have a pledge on any securities.

On 31 December 2017, an impairment test was performed for both subsidiaries on the basis of the assumptions below, which led to the conclusion that no impairment was necessary.

The following valuation assumptions were used in 2017 by the internal financial expert::

- the present value of future free cash flows, with leverage included,
- market approach based on market comparison of similar companies,
- the assessment was based on the analysis of companies' past operations and potential,
- income as free cash flows was discounted with the appropriate weighted arithmetic average of the required rate of return on debt and equity capital (WACC),
- the CAPM model was used to calculate the required return on equity, adapted to the country in which the company is located,
- CAPM assumptions: 3.5% normalised return on risk-free assets, 5.0% premium for capital risk, 3.74% premium for investments in small enterprises, 3.46–4.15% political risk factor, unlevered beta 0.68,
- the required rate of return on equity ranges between 14.3% and 14.8%,
- the required rate of return on debt capital amounts to 2.6%,
- discount for lack of marketability 20.0%,
- planned return of individual funds in the explicit forecast period ranges between 0.8% and 7.0%,
- growth of net cash flows after the explicit forecast period amounts to 2.0%,
- cash flow estimated for the 2018–2022 period.

The following valuation assumptions were used in 2016 by the internal financial expert:

- the present value of future free cash flows, with leverage included,
- market approach based on market comparison of similar companies,
- the assessment was based on the analysis of companies' past operations and potential,
- income as free cash flows was discounted with the appropriate weighted arithmetic average of the required rate of return on debt and equity capital (WACC),
- the CAPM model was used to calculate the required return on equity, adapted to the country in which the company is located,
- CAPM assumptions: 3.5% normalised return on risk-free assets, 5.5% premium for capital risk, 3.74% premium for investments in small enterprises, 4.27–4.15% political risk factor, unlevered beta 0.63,
- the required rate of return on equity ranges between 15.2% and 15.8%,
- the required rate of return on debt capital amounts to 2.6%,
- discount for lack of marketability 20.0%,
- planned return of individual funds in the explicit forecast period ranges between 0.7% and 20.0%,
- growth of net cash flows after the explicit forecast period amounts to 2.0%,
- cash flow estimated for the 2017–2021 period.

Long-term loans movements

(in EUR)	1 Jan. 2017	Principal disbursement	Principal repayment	Accured interest	Interest repayment	31 Dec. 2017
Borrower						
Subsidaries	72,225	-	-	1,712	-	73,937
Total	**72,225**	**-**	**-**	**1,712**	**-**	**73,937**

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

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

4. Short-term investments

(in EUR)	31 Dec. 2017	31 Dec. 2016
Short-term financial investments, excluding loans		
Mutual funds	1,390,178	1,194,573
Other short-term financial investments	2,329,514	1,900,130
	3,719,692	**3,094,703**
Short-term loans		
Short-term loans to subsidaries	371,876	398,936
	371,876	**398,936**
Total	**4,091,568**	**3,493,639**

Changes in financial investments, except loans

(in EUR)	Financial investments available for sale	Total
2017		
As at 1 Jan.	**3,094,703**	**3,094,703**
Acquisitions	2,489,673	2,489,673
Disposals	(1,903,091)	(1,903,091)
Fair value change through PIP	43,298	43,298
Calculated interest	(4,891)	(4,891)
As at 31. Dec	**3,719,692**	**3,719,692**

(in EUR)	Financial investments available for sale	Total
2016		
As at 1 Jan.	**2,879,014**	**2,879,014**
Acquisitions	4,237,008	4,237,008
Disposals	(4,086,757)	(4,086,757)
Fair value change through PIP	64,897	64,897
Fair value change through IPI	53,559	53,559
Calculated interest	541	541
Impairments	(53,559)	(53,559)
As at 31. Dec	**3,094,703**	**3,094,703**

Changes in short-term loans

(in EUR)	1 Jan. 2017	Principal disbursement	Principal repayment	Accured interest	Interest repayment	Impairment / impairment reversal	31 Dec. 2017
Borrower							
Subsidaries	398,936	-	-	7,958	(35,018)	-	371,876
Total	**398,936**	**-**	**-**	**7,958**	**(35,018)**	**-**	**371,876**

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

Short-term investments as at 31 December 2017 comprised loans to Group companies. They bear interest at rates recognised for tax purposes as at the day of loan agreement signature, ranging from from 1.2% to 3.259% p.a. (2016: 1.2% to 3.259% p.a.).

5. Short-term operating receivables

(in EUR)	31 Dec. 2017	31 Dec. 2016
Short-term recievables		
Short-term receivables from subsidiaries	37,205	54,941
Short-term receivables from retail clients	86,509	156,195
Short-term receivables from third parties	60,197	44,129
Total	**183,911**	**255,265**

Receivables are not yet due and are unsecured.

Short-term operating receivables due by others include EUR 14,723 of receivables relating to the set-off of input value added tax.

6. Cash and cash equivalents

(in EUR)	31 Dec. 2017	31 Dec. 2016
Cash in hand and on bank accounts	406,377	427,867
Reedemable deposits	-	250,003
Deposits up to 3 months	500,003	750,047
Total	**906,380**	**1,427,917**

7. Short-term deferred expenses and accrued revenue

(in EUR)	31 Dec. 2017	31 Dec. 2016
Short-term deferred expenses	212,809	89,521
Short-term accrued revenue	402,654	-
Total	**615,463**	**89,521**

Deferred expenses and accrued revenue as at 31 December 2017 were higher compared to the year before, especially on the account of past accrued revenue.

Accrued revenue of EUR 402,654 consists of the expenses incurred by the newly established KD AVF SIF real estate fund. As the real estate fund was not yet active in 2017, the Company formed accrued revenue on that account, to be charged to the fund or the special purpose entities in 2018.

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

Changes in short-term deferred expenses and accrued revenue

(in EUR)	2017	2016
As at 1 Jan.	**89,521**	**90,365**
Formation	1,008,710	475,469
Use	(482,768)	(476,313)
As at 31 Dec.	**615,463**	**89,521**

8. Equity

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

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

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

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

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

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

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 2017, the Company generated EUR 2,026,948.36 of net profit for the period. Equity as at 31 December 2017 amounted to EUR 9,954,727,89.

According to the resolution of 20 April 2017, the distributable profit for 2016 in the amount of EUR 2,449,023.43 was used as follows:
- EUR 1,400,000.00 for dividend payment,
- decision on the allocation of EUR 1,049,023.43 will be carried over to the following year.

The Company's ownership structure as at 31 December 2017 was:
- Adriatic Slovenica d. d.: 100.00%

Changes in fair value reserve

(in EUR)	Financial investments available for sale	Total
(in EUR)		
2016		
As at 1 Jan.	**(45,875)**	**(45,875)**
Revaluation - gross	118,456	118,456
Revaluation - taxes	(21,401)	(21,401)
As at 31. Dec.	**51,180**	**51,180**
2017		
As at 1 Jan.	**51,180**	**51,180**
Revaluation - gross	43,300	43,300
Revaluation - taxes	(8,228)	(8,228)
As at 31. Dec.	**86,252**	**86,252**

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

(in EUR)	Provisions for retirement and jubilee	Long-term accrued costs and deferred income	Total
2016			
As at 1 Jan.	**48,446**	**55,131**	**103,577**
Formation	10,658	-	10,658
Use	(1,380)	-	(1,380)
Decrease	-	(10,305)	(10,305)
As at 31 Dec.	**57,724**	**44,826**	**102,550**
2017			
As at 1 Jan.	**57,724**	**44,826**	**102,550**
Formation	11,409	-	11,409
Use	(1,149)	-	(1,149)
Decrease	-	(6,453)	(6,453)
As at 31 Dec.	**67,984**	**38,373**	**106,357**

In 2009, the Company launched a new product, "VIP100 Premium Savings Plan", which rewards investors with a closing bonus by reimbursing the subscription fee at the end of the savings period. As at 31 December 2017 provisions for long-term deferred revenue stood at EUR 38,373 (2016: EUR 44,826).

10. Operating liabilities

(in EUR)	31 Dec. 2017	31 Dec. 2016
Long-term operating liabilities		
Long-term operating liabilities arising from advances	4,600	4,600
Other long-term opetrating liabilities	-	4,852
Total	**4,600**	**9,452**
Short-term operating liabilities		
Short-term operating liabilities to subsidaries	74,140	226,080
Short-term operating liabilities to supliers	310,360	186,474
Short-term operating liabilities from taxes and contributions	77,931	164,531
Short-term operating liabilities to employees	232,860	206,089
Other short-term opeating liabilities	3,199	7,209
Total	**698,490**	**790,383**

11. Short-term accrued expense and deferred revenue

(in EUR)	31 Dec. 2017	31 Dec. 2016
Short-term accured costs	414,798	214,992
Accured unused leave costs	105,438	114,290
Total	**520,236**	**329,282**

Changes in short-term accrued expenses and deferred revenue

(in EUR)	2017	2016
As at 1 Jan.	**329,282**	**348,637**
Formation	520,566	1,641,435
Use	(329,612)	(1,660,790)
As at 31 Dec.	**520,236**	**329,282**

Over the short-term, the Company charged the costs of audit, the costs of unused annual leave and variable bonuses in 2017 as well as the costs connected with the KD AVF SIF real-estate fund and the special purpose entities.

Compared to the year before, short-term accrued cots and expenses increased mostly due to the costs related to the real estate fund. These amounts are also shown under the accrued revenue because they will be charged to the real estate fund and the special purpose entities in 2018.

12. Balance sheet items by geographical segments

(in EUR)	Slovenia	EU	Abroad	Total
31 Dec. 2017				
Asset items				
Intangible non-current assets	2,715,204	-	-	2,715,204
Property, plant and equipment	113,638	-	-	113,638
Long-term financial investment	-	2,074,191	450,000	2,524,191
Deferred tax receivables	154,288	-	-	154,288
Short-term fiananclal investment	1,161,172	2,430,235	500,161	4,091,568
Short-term operating receivables	183,911	-	-	183,911
Cash and cash equivalents	906,380	-	-	906,380
Deferred expenses and accrued revenues	615,463	-	-	615,463
	5,850,056	**4,504,426**	**950,161**	**11,304,643**
Liabilities				
Proviisions and long-term accrued expenses anda deferred revenue	106,357	-	-	106,357
Long-term operating liabilities	4,600	-	-	4,600
Deferred tax liabilities	20,232	-	-	20,232
Short-term operating liabilities	610,476	87,880	134	698,490
Deferred expenses and accrued revenues	520,236	-	-	520,236
	1,261,901	**87,880**	**134**	**1,349,915**

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

13. Analysis of sales and costs

A. Sales revenue

(in EUR)	2017	2016
Revenue from the sale of services		
Revenue from the sale of services in Slovenia	**9,646,668**	**8,561,119**
Subsidaries	451,234	888,316
Others	9,195,434	7,672,803
Revenue from the sale of services in EU	**336**	**1,594**
Others	336	1,594
Revenue from the sale of services abroad	**36**	**24**
Others	36	24
Total	**9,647,040**	**8,562,737**
Other operating revenue		
Revenue from the reversal of provisions	-	103,321
Profit from sale of fixed assets	-	1,560
Other operating revenue from revaluation	14,723	39,398
Total	**14,723**	**144,279**

Assets managed under discretionary mandates

Period	Number	AUM	Management fee	Success fee
2016	177	233,115,042	543,929	387,362
2017	59	252,050,873	458,501	-

The structure of income from fees

(in EUR)	Management fee	Entry fee	Redemption fee	Total 2017	Management fee	Entry fee	Redemption fee	Total 2016
KD Dividendni, delniški	504,417	1,073	420	505,910	482,254	1,142	286	483,682
KD Galileo, mešani fleksibilni	2,706,167	33,744	1,023	2,740,935	2,198,499	23,606	693	2,222,798
KD Rastko, evropski delniški	1,075,003	9,064	-	1,084,067	838,752	2,077	-	840,829
KD Bond, obvezniški – EUR	228,910	10,269	-	239,179	210,389	14,940	-	225,329
KD MM, sklad denarnega trga – EUR	28,400	-	-	28,400	36,023	-	-	36,023
KD Prvi izbor, sklad delniških skladov	566,709	19,644	913	587,266	477,956	7,604	612	486,172
KD Balkan, delniški	665,559	5,752	-	671,311	672,607	756	-	673,363
KD Novi trgi, delniški	748,021	7,370	1,533	756,923	531,917	4,946	961	537,824
KD Surovine in energija, delniški	164,617	2,019	-	166,636	139,533	1,314	-	140,847
KD Tehnologija, delniški	520,321	10,895	-	531,216	527,656	13,087	-	540,743
KD Vitalnost, delniški	529,155	3,350	600	533,106	556,344	5,796	426	562,566
KD Indija – Kitajska, delniški	373,904	3,262	123	377,289	341,034	2,540	89	343,663
KD Latinska Amerika, delniški	49,395	1,296	120	50,812	45,550	1,001	90	46,642
KD Vzhodna Evropa, delniški	222,752	6,639	59	229,450	122,002	2,800	58	124,860
KD Amerika, delniški	246,593	1,484	-	248,077	59,177	2,269	-	61,446
KD Corporate Bonds	56,444	2,482	-	58,926	-	-	-	-
ILIRIKA Azija dinamični				-	18,567	2	-	18,570
ILIRIKA Energija delniški				-	979	15	-	994
ILIRIKA Farmacija in tehnologija delniški				-	20,779	5	-	20,784
ILIRIKA Gazela dinamični				-	14,134	38	-	14,172
ILIRIKA Razvijajoči trgi dinamični				-	18,781	199	-	18,980
ILIRIKA Vzhodna Evropa dinamični				-	10,199		-	10,199
ILIRIKA Modra kombinacija fleksibilni				-	102,007	41	-	102,048
ILIRIKA Globalni sklad skladov dinamični				-	12,948	15	-	12,962
ILIRIKA Obvezniški fleksibilni				-	9,007	7	-	9,014
Total	**8,686,369**	**118,343**	**4,791**	**8,809,502**	**7,447,094**	**84,201**	**3,215**	**7,534,510**

B. Analysis of costs

Analysis of costs by primary types

(in EUR)	2017	2016
Costs of goods and materials		
Costs of raw materials	39,478	30,314
Energy costs	7,625	8,020
Total	**47,103**	**38,334**
Costs of services		
Cost in delivering services	352,653	-
Costs of transport and postal services	300,983	339,937
Rental and maintenance costs	543,293	542,633
Reimbusement of labour-related costs to employees	51,292	39,441
Payment transactions costs and banking services	20,989	19,147
Insurance costs	12,828	14,450
Costs of trade shows, advertising, entertainment	563,547	583,390
Cost of agent services for getting investors	1,221,540	1,184,635
Costs of intellectual and personal services	695,360	749,910
Other services costs	478,626	504,366
Costs of services provided by natural persons under work contracts and copyright contracts	9,857	6,881
Total	**4,250,968**	**3,984,790**
Labour costs		
Wages and salaries	2,271,062	2,031,942
Pension insurance costs	233,138	201,332
Other social insurance costs	170,329	142,383
Other labour costs	175,317	170,306
Provisions for employee benefits, unused annual leave	102,187	94,319
Total	**2,952,033**	**2,640,282**
Depreciation	**123,975**	**150,349**
Revaluated operating expenses		
Revaluated operating expenses in current assets	-	2,097
Expenses from the disposal of fixed assets	1,262	404
Total	**1,262**	**2,501**
Other operating expenses		
Repayments for humanitarian, cultural purposes	26,384	14,710
other operating expenses	112	-
Total	**26,496**	**14,710**
Total	**7,401,837**	**6,830,966**

Analysis of costs by functional groups

(in EUR)	2017	2016
Cost analysis by function		
Selling costs	3,206,614	3,104,241
General costs	4,195,223	3,726,725
Total	**7,401,837**	**6,830,966**
Auditing costs (including tax)		
Anual report auditing	4,880	4,880
Other assurance services	18,550	14,935
Total	**23,430**	**19,815**

Remuneration of Management Board and Supervisory Board members

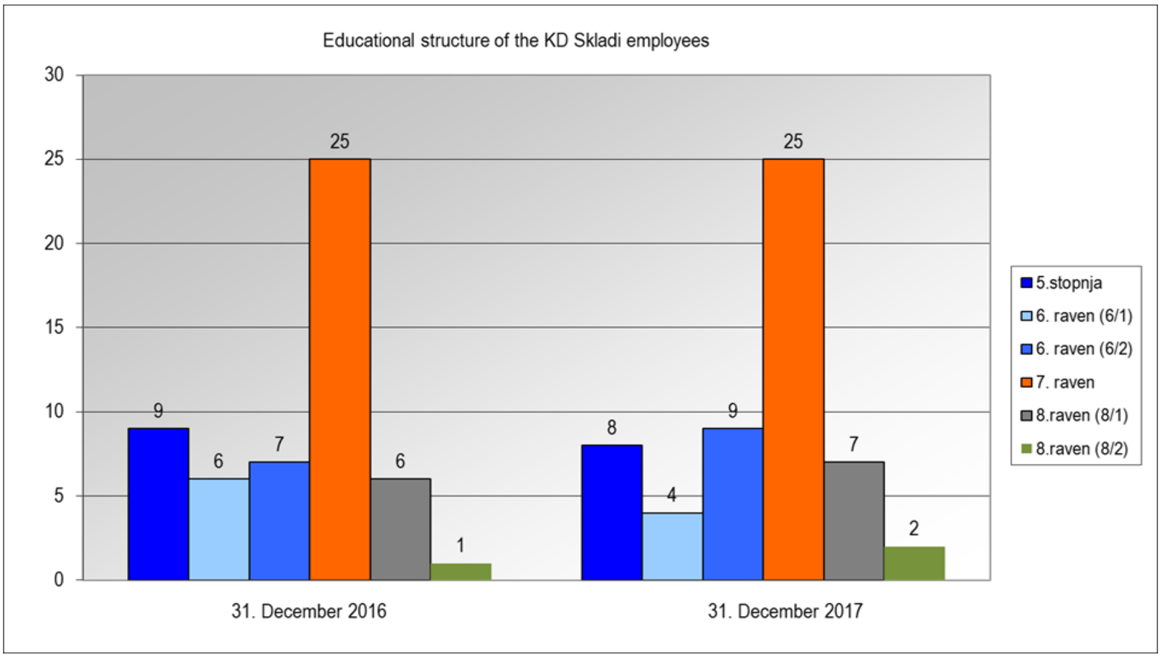
(in EUR)	2017	2016
Executive directors	259,330	258,231
Non-executive directors on the Board of Directors	6,705	7,035
Employees under management contracts	373,560	314,689
Total	**639,595**	**579,955**

Potential liabilities – legal actions

The Company has no potential liabilities from outstanding legal claims.

Employees

The Company employed 55 people as at 31 December 2017, with two employees absent due to parental leave. The average number of employees in 2017 and 2016 was 54.58 and 55.42, respectively. The average number of employees based on working hours in 2017 was 47.88. At the end of 2017, 60% of the staff were women and 40% were men.



14. Financial revenue

(in EUR)	2017	2016
Financial revenue from equity stakes		
Financial revenue from equity stakes in subsidiaries		
Dividends	204,974	86,475
	204,974	**86,475**
	-	-
Financial revenue from equity stakes in other companies		
Financial revenue - Financial investments through capital		
Realised/non-realised gains	545	12,797
Interests	56	541
	601	**13,338**
	601	**13,338**
Total	**205,575**	**99,813**
Financial revenue from loans		
Firinacian revenue from loans given to subsidaries	9,670	9,670
Firinacian revenue from loans given to others	190	1,147
Total	**9,860**	**10,817**
Financial revenue from operatin receivables		
Financial revenue from operatin receivables from others	3,057	2,799
Total	**3,057**	**2,799**
Total financial revenue	**218,492**	**113,429**

15. Financial expenses

(in EUR)	2017	2016
Financial expenses from impairment and write-offs of financial investments		
	-	-
Financial expenses from impairments and write-offs of other companies		
Financial expenses - financial investments trough capital	-	53,559
	-	**53,559**
Total financial expenses from impairments and investment write-offs	-	**53,559**
Operating financial expenses		
Other operating financial expenses	9,679	3,830
Total operatingfinancial expenses	**9,679**	**3,830**
Total financial expenses	**9,679**	**57,389**

16. Other income and other expenses

(in EUR)	2017	2016
Other revenues		
Claim refunds and damages	9,538	-
Other revenues	1	4
Total	**9,539**	**4**
Other expenses		
Fines and compensation	9,040	3,975
Other expenses	6	16
Total	**9,046**	**3,991**

17. Items of income statement by geographical segments

(in EUR)	Slovenia	EU	Abroad	Total
2017				
Net sales income	9,646,668	336	36	9,647,040
Other operating income	14,723	-	-	14,723
Costs of goods, materials and services	(3,669,906)	(211,495)	(416,670)	(4,298,071)
Labor costs	(3,017,293)	65,260	-	(2,952,033)
Depreciation and other costs	(151,733)	-	-	(151,733)
Financial income	11,205	207,287	-	218,492
Financial expenses	(9,679)	-	-	(9,679)
Other incomes	9,539	-	-	9,539
Other expenses	(9,046)	-	-	(9,046)
Profit before taxes	**2,824,478**	**61,388**	**(416,634)**	**2,469,232**
2016				
Net sales income	8,561,119	1,594	24	8,562,737
Other operating income	144,279	-	-	144,279
Costs of goods, materials and services	(3,511,638)	(110,782)	(400,704)	(4,023,124)
Labor costs	(2,640,282)	-	-	(2,640,282)
Depreciation and other costs	(167,560)	-	-	(167,560)
Financial income	11,904	101,525	-	113,429
Financial expenses	(3,831)	(9,985)	(43,573)	(57,389)
Other incomes	4	-	-	4
Other expenses	(3,991)	-	-	(3,991)
Profit before taxes	**2,390,004**	**(17,648)**	**(444,253)**	**1,928,103**

18. Deferred taxes

Balance of deferred taxes

(in EUR)	31 Dec. 2017	31 Dec. 2016
Deferred tax assets	154,288	217,581
Deferred tax liabilities	(20,232)	(12,005)
Total deferred tax	**134,056**	**205,576**

Changes in deferred taxes

(in EUR)	2017	2016
As at 1 Jan.	**205,576**	**13,514**
Deferred tax charged /(credited) to the income statement	(63,292)	213,463
Deferred tax charged/(credited) to equity	(8,228)	(21,401)
As at 31 Dec	**134,056**	**205,576**

Changes in deferred tax assets

(in EUR)	Valuation of investments	Reserves	Other	Total
2016				
As at 1 Jan.	**13,098**	**4,117**	**-**	**17,215**
Deferred tax charged /(credited) to the income statement	10,176	1,366	201,921	213,463
Deferred tax charged/(sredited) to equity	(13,097)	-	-	(13,097)
As at 31 Dec	**10,177**	**5,483**	**201,921**	**217,581**
2017				
As at 1 Jan.	**10,177**	**5,483**	**201,921**	**217,581**
Deferred tax charged /(credited) to the income statement	-	975	(64,267)	(63,292)
As at 31 Dec	**10,177**	**6,458**	**137,654**	**154,288**

Changes in deferred tax liabilities

(in EUR)	Valuation of investments	Total
2016		
As at 1 Jan.	**3,701**	**3,701**
Deferred tax charged/(sredited) to equity	8,304	8,304
As at 31 Dec	**12,005**	**12,005**
2017		
As at 1 Jan.	**12,005**	**12,005**
Deferred tax charged/(sredited) to equity	8,228	8,228
As at 31 Dec	**20,232**	**20,232**

19. Taxes

(in EUR)	2017	2016
Profit before taxes	**2,469,233**	**1,928,103**
Income adjustment for tax purposes	(204,974)	(82,080)
Expenses adjustment for tax purposes	124,301	158,229
Tax relief	(393,863)	(37,703)
Total tax base	**1,994,697**	**1,966,549**
Tax rate	**19%**	**17%**
Income tax	**378,992**	**334,313**

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

(in EUR)	Operating receivables	Financial receivables	Operating liabilities	Financial liabilities	Investments
2017					
Related party					
B1	37,205	73,937	69,285	-	2,450,254
B2	-	371,876	4,855	-	-
E	-	-	20,883	-	-
Total	**37,205**	**445,813**	**95,023**	**-**	**2,450,254**
2016					
Related party					
B1	54,941	72,225	220,980	-	2,085,218
B2	-	398,936	5,100	-	-
E	-	-	19,681	-	-
Total	54,941	471,161	245,761	-	2,085,218

Code table of types of relation:

- B1 - a person or persons directly participating in another person
- B2 - a person or persons indirectly participating in another person
- C - a person participating in both persons, having the status of related party according to paragraph 1 of Article 20 and points 1, 2, 4 and 5 of Article 19 of ZISDU-3
- E - Management Board members

21. Transactions with related parties

Sales to related parties

(in EUR)	2017	2016
Sales to subsidaries		
Companies in Group	558,463	1,083,745
	558,463	**1,083,745**
Purchases from subsidaries		
Companies in Group	1,149,708	1,172,540
Associates	38,399	54,590
	1,188,107	**1,227,130**

Outstanding items arising from sales to and purchases from related parties

(in EUR)	31 Dec. 2017	31 Dec. 2016
Outstanding receivables to subsidaries		
Companies in Group	37,205	54,941
	37,205	**54,941**
Outstanding liabilities to subsidaries		
Companies in Group	74,140	226,080
	74,140	**226,080**

Loans disbursed and interest allocated to related parties

(in EUR)	2017	2016
Given loans to subsidaries - Withdrawal of principal and interest accrual		
Companies in Group	9,670	9,671
	9,670	**9,671**

22. Risk management

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

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

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

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

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

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

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

The Company does not apply accounts processing for risk hedging.

Credit risk – unmatured and matured assets

(in EUR)	Neither past due nor impaired	Past due and not impaired up to 30 days	Past due and not impaired from 31 up to 90 days	Past due and not impaired from 91 up to 270 days	Past due and not impaired over 270 days	Past due and individually impaired - gross value	Past due and individually impaired - value adjustment	Past due and collectively impaired - gross value	Past due and collectively impaired - value adjustment	Total
31 Dec. 2017										
Debt securities	2,329,514	-	-	-	-	-	-	-	-	2,329,514
Loans	445,813	-	-	-	-	-	-	-	-	445,813
Receivables and deferred expenses and accrued revenues	799,374	-	-	-	-	2,097	(2,097)	-	-	799,374
Total	**3,574,701**	**-**	**-**	**-**	**-**	**2,097**	**(2,097)**	**-**	**-**	**3,574,701**
31 Dec. 2016										
Debt securities	1,900,130	-	-	-	-	-	-	-	-	1,900,130
Loans	471,161	-	-	-	-	-	-	-	-	471,161
Receivables and deferred expenses and accrued revenues	343,657	1,129	-	-	-	2,097	(2,097)	-	-	344,786
Total	**2,714,948**	**1,129**	**-**	**-**	**-**	**2,097**	**(2,097)**	**-**	**-**	**2,716,077**

Fair values

(in EUR)	31 Dec. 2017	31 Dec. 2016
Long-term financial investments		
Securitiesa and stakes in group	3,523,792	2,383,299
Given loans	73,937	72,225
	3,597,729	**2,455,524**
Short-term financial investments		
Other short-term financial investments	3,719,692	3,094,703
Given loans	371,876	398,936
	4,091,568	**3,493,639**

23. Events after the balance sheet day

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