

Annual Report

AS KIT Finance Europe

Registration number	11058103
Address:	Roosikrantsi 11, Tallinn 10119
Telephone:	+372 663 0770
Fax:	+372 663 0771
E-mail:	office@kfe.ee
Website:	www.kfe.ee
Beginning of the financial year:	01 January 2013
End of the financial year:	31 December 2013
Management board:	Andrei Galushkin Galina Ruban
Chairman of the Board:	Mikhail Shabanov
Members of the supervisory board:	Maivi Ots Elena Shilova
Auditor:	Villems Donoway Ltd
Attached documents:	<ol style="list-style-type: none">1. Independent auditor's report2. Profit allocation proposal3. List of activities

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MANAGEMENT REPORT

AS KIT Finance Europe ('KFE') is an Investment Company registered in Estonia in 2004 and part of the Russian-domiciled KIT Finance banking group. KFE's sole shareholder is KIT Finance (OOO), one of the leading brokers in the Russian securities market. KFE is mainly governed by the Estonian Securities Market Act and financially supervised by the Estonian Financial Supervision Authority.

KFE's core activity is provision of brokerage services to private and institutional investors. Currently the Company offers trading access to the UK, the US, Canada, Germany, the Netherlands, France, Italy, Spain, Russian and Hong Kong securities markets.

Business review

In 2013, KFE continued offering investment services and developing customer relations. KFE continues to provide services through its Limassol (Cyprus) branch and representative office in St. Petersburg (Russia). From the 1st of March 2014 the Management Board of KFE approved closing the London branch due to the restructuring of the Investment Company.

Compared to the end of 2012, the customer base has grown by 15%.

Business environment

In 2013, the recovery of the global economy continued, but present growth still remains slow. Growth accelerated in the G7 countries, with the USA leading on the back of light touch monetary policy and a decrease in the negative effects of fiscal policy.

The economic recovery of the Eurozone countries continued in 2013 after the recent debt crisis of the Southern Europe countries (Portugal, Spain, Greece and Italy). The governments of the Southern Europe countries significantly decreased expenditure, which brought about the decrease in consumption and, later, in import, which, in its turn, resulted in the improvement of the current account and, further on, in the lowering of the risk premium on government bonds of the European countries. Thus, the debt crisis finished in 2013. The current issue is complete economic recovery. However, the Eurozone suffers from deflation, and the European Central Bank's actions have not yet managed to counteract this trend as it is not willing to implement its own asset relief programme, which is what the Federal Reserve System has done.

As for developing countries, what is important is the fact that China maintained a growth rate of 7.5%; still, the growth rate of other emerging markets displayed deceleration. Strong currencies and stagnation in prices of raw material resources put developing economies and, consequently, their stock markets (including that of Russia), under pressure.

Exchange markets were characterised with euro rate volatility and its general strengthening against the USD and other major currencies. The rate of the Russian RUB to the USD and EUR fell by approximately 10%. The price of gold plunged into freefall in April 2013, and the resulting drop amounted to 9%.

By the end of the reporting period, the S&P 500 Index rose by 26%, the FTSE 100 increased by 13%, while the RTS Index decreased by 11%.

Key economic events in 2013

KFE transaction fees and interest income figure was in 2013 – EUR 14,641,308 EUR (in 2012 – EUR 10,015,190, increased by 46% compared to previous year), administrative and personnel expenses were in 2013 – EUR 1,791,270 (in 2012 – EUR 1,699,047, increased by 5% compared to previous year) and the net profit for the year was EUR 4,984,754 (in 2012 – EUR 1,023,871, increased by 387%), significant growth was driven by an increase in customer transactions, including related companies.

In connection with MF Global going bankrupt, KFE formed a reserve in the amount of EUR 648,524 in 2011. There were no movements concerning the reserve in the accounting year, the management of KFE decided not to make extra allocations into the reserve account.

KPMG LLP, the trustee in bankruptcy of MF Global returned 70% of the frozen assets to the clients according to the plan for the distribution of assets in 2012-2013. It is planned to make the next payments in 2014.

Management board

The Managing Board of the Investment Company consists of two persons. Due to Mikhail Shabanov being elected as the chairman of the Board of Directors of KFE, he was withdrawn from the Managing Board of KFE, and Galina Ruban was elected as the new member of the Managing Board. In December 2013, the contract with the member of the Managing Board Kaljulaid Kaido expired, so Andrew Galushkin was elected as the new member of the Managing Board of KFE. Management board members were paid remuneration (subject to social tax) in the amount of EUR 203,010 including contract termination payments (2012 – EUR 130,359).

Investment Company's key financial figures and ratios

(EUR)	2013	2012	Change
Revenue, fees and interest income	14,641,308	10,015,190	46%
Net profit	4,984,754	1,023,871	387%
Average equity	32,877,483	29,873,171	10%
Return on equity (ROE), %	15.2	3.4	
Assets, average	41,776,870	44,274,232	-6%
Return on assets (ROA), %	11.9	2.3	
Total operating expenses	1,791,270	1,699,047	5%
Total income	7,250,831	6,463,908	12%
Expense / income ratio, %	24.7	26.3	

The ratios above have been calculated using the following formulas:

- $ROE (\%) = \text{Net profit} / \text{average equity} * 100$
- $\text{Average equity} = (\text{Financial year equity} + \text{last year equity}) / 2$
- $ROA (\%) = \text{Net profit} / \text{Assets, average} * 100$
- $\text{Assets, average} = (\text{Financial year assets} + \text{last year assets}) / 2$
- $\text{Expense / income ratio}(\%) = \text{Total operating expenses} / \text{Total income} * 100$
- $\text{Total income} = \text{Net commissions and fees} + \text{Net interest income} + \text{Net gain (-loss) on financial transactions} + \text{other income on counseling services}$

KFE employees

At the end of the year 2013, the Company (including branches) employed 26 people (2012 – 26 people), 3 of those employees were on parental leave.

During the financial year employees were paid social-tax-assessed salary (including branches) in the amount of EUR 411,513 (2012 – EUR 424,645).

Objectives for the next financial year

The primary goals of the Investment Company for the upcoming year are to maintain and strengthen its position on financial markets, enhance the quality of the services provided to customers as well as to offer new financial services, including asset management services.

ANNUAL FINANCIAL STATEMENTS

Statement of financial position (EUR)

	Note	31.12.2013	31.12.2012
ASSETS			
Current assets			
Cash and bank balances	3	20,136,958	19,386,974
Financial assets	4	0	191,973
Derivative instruments	5	204,191	53,121
Receivables from customers	6	18,062,455	24,800,018
Other receivables		28	316
Accrued income and prepayments	7	332,482	345,655
Property and equipment	10	8,897	16,270
Intangible assets	11	5,892	8,510
TOTAL ASSETS		38,750,903	44,802,837
LIABILITIES AND EQUITY			
Payables to customers	12	2,229,966	13,580,409
Payables to suppliers		60,161	103,343
Taxes payable	8	352,949	46,144
Accrued expenses	13	89,443	39,311
Provision	14	648,524	648,524
TOTAL LIABILITIES		3,381,043	14,417,731
Equity			
Share capital	15	15,613,965	15,613,965
Statutory capital reserve		747,639	696,445
Retained earnings		14,023,502	13,050,825
Profit for the period		4,984,754	1,023,871
TOTAL EQUITY		35,369,860	30,385,106
TOTAL LIABILITIES AND EQUITY		38,750,903	44,802,837

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Statement of comprehensive income
(EUR)

	Note	01/01/13 - 31/12/13	01/01/12 - 31/12/12
Commission and fees received	16	4,396,490	3,209,626
Commissions and fees paid		-2,164,308	-1,872,088
Net commission and fee income		2,232,182	1,337,538
Interest income	17	10,244,818	6,805,564
Interest expense		-6,198,035	-1,012,026
Net interest income		4,046,783	5,793,538
Net income/ loss from trade	9	-82,691	-803,807
Net gain / loss on marketable debt securities	9	1,054,557	136,639
Net gain / loss on financial transactions		971,866	-667,168
Data processing expenses		-546,336	-577,348
Administrative expenses		-400,705	-359,698
Other operating expenses		-15,705	-10,478
Personnel expenses		-817,078	-736,989
Depreciation, amortisation and impairment losses	10,11	-11,446	-14,534
Total expenses		-1,791,270	-1,699,047
Discounting of loan claims	6	-48,584	-3,740,990
Profit for the year		5,410,977	1,023,871
Income tax in foreign countries		-426,223	0
Total comprehensive income for the year		4,984,754	1,023,871
<u>Total comprehensive income for the year</u>			
<u>attributable to</u>			
Shareholders		4,984,754	1,023,871

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Statement of cash flows
(EUR)

	Note	2013	2012
Cash flows from operating activities			
Profit for the period		4,984,754	1,023,871
Adjustments for:			
Depreciation, amortisation and impairment losses	10,11	11,446	14 534
Gain /-loss on financial assets	4,9	-348,635	-794
Net interest income		-4,046,783	-5 793 538
Income tax		426,223	0
Change in receivables and prepayments*		-1,468,580	-209,117
Change in payables and deferred income*		47,532	-920,270
Income tax paid		-160,000	0
Interest paid		-6,197,906	-1,012,026
Net cash from operating activities		-6,751,949	-6,897,340
Cash flows from investing activities			
Acquisition of property and equipment	10	-1,455	-4,112
Acquisition of intangible assets	11	0	-8,729
Income from financial assets	4	540,608	0
Change in term deposits		0	4,504,120
Loans granted*		8,068,276	-7,723,061
Interest received		10,244,947	7,062,472
Net cash used in / from investing activities		18,852,376	3,830,690
Cash flows from financing activities			
Change in loans from customers		-11,350,443	953,609
Net cash used in / from financing activities		-11,350,443	953,609
Net cash flows		749,984	-2,113,041
Cash and cash equivalents at the beginning of period	3	19,386,974	21,500,015
Changes in cash and cash equivalents		749,984	-2,113,041
Cash and cash equivalents at the end of period	3	20,136,958	19,386,974

* the influence of non-cash operations is eliminated

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Statement of changes in equity
(EUR)

	Share capital	Statutory capital reserve	Retained earnings	Total
At 31 December 2011	15,616,811	659,760	13,084,664	29,361,235
Transfer to capital reserve	0	36,685	-36,685	0
The effect of recalculation of the share capital into Euros	-2,846	0	2,846	0
Net profit for the period	0	0	1,023,871	1,023,871
At 31 December 2012	15,613,965	696,445	14,074,696	30,385,106
Transfer to capital reserve	0	51,194	-51,194	0
Net profit for the period	0	0	4,984,754	4,984,754
At 31 December 2013	15,613,965	747,639	19,008,256	35,369,860

Further information on share capital and movements in share capital is presented in Note 15.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS**Note 1 Significant accounting policies**

AS KIT Finance Europe (the “Company”) is an Investment Company which was registered in Estonia on August 2, 2004. The Company’s registered office address is Roosikrantsi 11, Tallinn, Estonia. The Company is involved in the provision of brokerage and custody services to private and institutional investors.

Statement of compliance

The annual financial statements of AS KIT Finance Europe as at and for the year ended December 31, 2013 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Management authorised these financial statements for issue on March 28, 2014. The financial statements will be reviewed by the supervisory board and approved by the general meeting of the shareholders. The general meeting has the power to amend the financial statements.

Basis of preparation

The financial statements have been prepared on the historical cost basis except where indicated otherwise in these financial statements. The accounting policies set out below have been applied consistently to all periods presented in these financial statements except where indicated otherwise in these financial statements.

The Company’s reporting year began on January 1, 2013 and ended on December 31, 2013. The financial statements are presented in the euros, which is the Company’s functional currency. All financial information in the financial statements has been presented in integers, unless indicated otherwise.

Assets and liabilities are measured on a reasonable and conservative basis. The preparation of financial statements requires management to make judgements and estimates. The judgements and estimates are based on relevant information about the Company’s financial position and intentions and risks at the date the financial statements are authorised for issue. The final outcome of transactions recognised in the reporting or preceding periods may differ from those judgements and estimates.

Cash and cash equivalents

In the cash flow statement, cash and cash equivalents comprise cash on hand, demand deposits, term deposits with a maturity of up to 3 months and units in money market funds. Term deposits with a term of 3 to 12 months are recognized as short-term financial investments.

Financial assets

Depending on the purpose of acquisition, financial assets are classified into the following categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial assets, which include investments whose fair value cannot be measured reliably and are therefore measured at cost (less any impairment losses).

Purchases and sales of financial assets are recognised using settlement date accounting. No financial assets have been classified as held-to-maturity investments.

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When a financial asset is recognised initially, it is measured at its fair value, plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition.

Financial assets at fair value through profit or loss

A financial asset at fair value through profit or loss is a financial asset that is classified as held for trading (i.e. it is acquired principally for the purpose of selling or repurchasing it in the near term or it is a derivative that is not a hedging instrument) or some other financial asset which is designated as at fair value through profit or loss upon initial recognition. After initial recognition, financial assets at fair value through profit or loss are measured at their fair values. A gain or loss arising from a change in the fair value of such financial assets is recognised consistently in profit or loss.

In the case of listed securities, the fair value of an investment is its quoted bid price. If the market for a financial instrument is not active, fair value is established using valuation techniques, which include recent arm's length transactions, discounted cash flow analysis and option pricing models.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are measured at their amortised cost (cost less any principal repayments and any reduction for impairment) using the effective interest rate method.

Where it is probable that the Company is unable to recover a loan or receivable in accordance with the agreed terms and conditions, the item is considered impaired and an impairment loss is recognised. The amount of an impairment loss is the difference between the asset's carrying amount and recoverable amount. The recoverable amount of a receivable is the amount of its estimated future cash flows, discounted by applying a market interest rate charged from similar debtors. The recoverability of receivables is estimated on an individual basis, taking into account the information available on the debtor's creditworthiness. Impairment losses are recognised as an expense in the period in which they are incurred. Doubtful receivables are written down to their recoverable amount. Irrecoverable receivables are written off the balance sheet.

Receivables from customers

Receivables from customers include receivables acquired in the ordinary course of business except for receivables from other group companies and associated companies. Receivables from customers are measured at their amortised cost (at cost less any impairment losses).

The recoverability of receivables is estimated separately for each customer. Where individual estimation is not possible due to the large number of items involved, only significant items are reviewed on an individual basis. Other receivables are reviewed collectively by reference to historical experience with irrecoverable items. The recovery of items which have been written down due to impairment is recognised as a reduction of expenses from doubtful receivables.

Derivative financial instruments

Derivative financial instruments (forward, future, swap and option contracts) are measured at their fair values. A gain or loss on a change in the fair value of a derivative is recognised in profit or loss in the period in which it arises. The Company does not have any derivative financial instruments which are part of hedging relationships that qualify for hedge accounting.

Property and equipment

Items of property and equipment comprise assets used in the Company's business whose useful life exceeds one year and which cost exceeds 640 EUR.

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An item of property and equipment is recognised initially at its cost. The cost of an item of property and equipment comprises its purchase price (including customs duties and other non-recoverable taxes and duties) and the costs incurred in bringing the item to the location and condition necessary for it to be operating in the manner intended by management. Items of property and equipment are carried at cost less any accumulated depreciation and any impairment losses.

Subsequent expenditure on an item of property and equipment which improves the standard of performance of the item beyond the originally assessed one and participates in the generation of future economic benefits is capitalised and added to the carrying amount of the item. Subsequent expenditure that is aimed at maintaining the standard of performance of an item of property and equipment is recognised as an expense as incurred.

Items of property and equipment are depreciated over their estimated useful lives on a straight-line basis. The following annual depreciation rates are applied:

Other machines and equipment	20%
Other equipment, fixtures and fittings and IT equipment	20-35%

Intangible assets

When an intangible asset is recognised initially, it is measured at its cost. The cost of an intangible asset comprises its purchase price and directly attributable acquisition charges. Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. Intangible assets are amortised on a straight-line basis over their estimated useful lives. The following useful lives are assigned:

Software, patents, licences, trademarks and other intangible assets	3-5 years
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Financial liabilities

All financial liabilities (supplier payables, loans and borrowings, accrued expenses and other payables) are initially recognised at their fair value plus transactions costs that are directly attributable to their acquisition. Subsequent to initial recognition, financial liabilities are measured at their amortised cost.

The amortised cost of a current financial liability is generally equal to its nominal value. Therefore, current financial liabilities are measured at the amount payable. The amortised cost of a non-current financial liability is measured using the effective interest rate method. A financial liability is recognised as current when it is due to be settled within twelve months after the balance sheet date or the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date. Loans and borrowings which are due to be settled within twelve months after the balance sheet date but which are refinanced on a long-term basis after the balance sheet date and before the financial statements are authorised for issue are classified as current liabilities. In addition, the Company classifies as current liabilities which the creditor has the right to call in at the balance sheet date due to breach of contract. Borrowing costs are recognised as an expense as incurred.

Payables to employees

Payables to employees include vacation pay liabilities as at the balance sheet date calculated in accordance with effective laws and the terms of employment contracts. Vacation pay liabilities together with associated social security and unemployment insurance charges are recognised in accrued expenses in the balance sheet and in personnel expenses in the income statement.

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Lease accounting

Financial lease is situation in which all important risks and rewards regarding the ownership carried over to the lessee. Other rental contracts are understood as operational leasing. Company's rental contracts are operational leasing contracts. Operating lease payments are recognized as an expense line over the lease term.

Corporate income tax and deferred tax

In accordance with effective legislation, in Estonia the profit earned by companies is not subject to taxation. Therefore, deferred tax assets and liabilities do not arise. In place of profit earned, income tax is levied on dividends distributed from retained earnings. From 1 January 2008, the tax rate is 21/79 of the amount distributed as the net dividend. The income tax payable on dividends is recognised as the income tax expense of the period in which the dividends are declared, irrespective of the period for which the dividends are declared or the period in which the dividends are distributed. The income tax and costs that have been calculated on the unpaid dividends at the time of the balance day sheet are adjusted according to the income tax rate of the new reporting year. The maximum income tax liability which could arise on a dividend distribution is disclosed in the notes to the annual financial statements.

Income tax rate in Cyprus is 12,5%.

Foreign currency

Transactions in foreign currencies are translated to the presentation currency using the official exchange rates of European Central Bank quoted at the date of the transaction. Monetary assets and liabilities denominated in a foreign currency and non-monetary financial assets and liabilities which are measured at fair value are re-translated to the Euros using the official exchange rates at the balance sheet date. Exchange gains and losses are offset and recognised in the income statement in the net amount.

Revenue

Revenue and expenses are recognised on an accrual basis. Fee income (including account management and private portfolio fees) is recognised when the service has been provided and the Company has the right to demand payment.

Interest income and dividend income are recognised when it is probable that economic benefits associated with the transaction will flow to the Company and the amount of the income can be measured reliably. Interest income is recognised on an accrual basis using the effective interest rate method except where collection of interest is uncertain. Where collection is uncertain, interest income is recognised on a cash basis. Dividends are recognised when the shareholder's right to receive payment is established.

Statement of cash flow

The cash flow statement is prepared using the indirect method – cash flows from operating activities are found by adjusting net profit by eliminating the effect of non-cash transactions and changes in current assets and current liabilities related to operating activity. The cash flows from investment and financing activities are recorded using the direct method. The following cash flows of the main, investment and financing activities are reported as the net amount: payments made on behalf of the clients or the receipt of money, if cash flows reflect the activities of the clients rather than the Company, and the money received and paid for the asset objects that are characterized by rapid turnover, large amounts and short terms of maturity.

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Subsequent events

The annual financial statements reflect all significant events affecting the valuation of assets and liabilities that became evident between the balance sheet date (31 December 2013) and the date on which the financial statements were authorised for issue but are related to transactions of the reporting or prior periods.

Subsequent events, that have not been considered in the valuation of assets and liabilities, but which will have a significant effect on the activities of the next financial year, are disclosed in the notes to the annual financial statements.

Offsetting

A financial asset and a financial liability are offset and the net amount is presented in the balance sheet only when the Company has a legally enforceable right to offset the recognised amounts and the Company intends either to settle on a net basis.

New International Financial Reporting Standards and Interpretation of the Financial Reporting Interpretations Committee (IFRIC)

To date, a number of new standards, amendments to standards, and interpretations have been published, which will be mandatory for the Company in annual periods beginning on or after January 1, 2013. The following is management's assessment of the impact the new and revised standards and interpretations may have on the Company's financial statements in the period of their initial application.

"Amendments to the IFRS" 2011 issued in June 2011; the amendments are applied to the accounting periods beginning on 1 January 2013 or later). The amendments consist of supplements and explanations to the following standards and interpretations: IFRS 1 – specification of reporting capitalization of loan costs, IAS 1 – specification of the requirements of comparative information; IAS 16 – specified classification of maintenance equipment; IAS 32 – specifications concerning capital instruments, transactions with capital and income tax; IAS 34 – specified requirements for intermediate financial reporting. The amendments do not impact the Company's financial statements.

Disclosures—Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7 (effective for annual periods beginning on or after 1 January 2013). The amendment requires disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off. The management of the Company has assessed the impact of the changes on the financial report. The amendment has no effect on measurement and recognition of financial instruments.

IFRS 9, Financial Instruments - was reissued in 2010 and includes guidance on the classification and measurement of financial assets and financial liabilities and the de-recognition of financial instruments. In November 2013 an amendment to IFRS 9 was issued on hedge accounting which includes a substantial updates of hedge accounting and also removed the 1 January 2015 effective date. The effective date is yet to be determined and the standard will not be adopted by the EU until the rest of IFRS 9 is released. The management of the Company assesses the impact of the changes on the financial report.

IFRS 12, Disclosure of Interest in Other Entities (endorsed by EU for Annual periods beginning on or after 1 January 2014), applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements currently found in

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IAS 28 “Investments in associates”. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity’s interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. The management of the Company assesses the impact of the changes on the financial report.

IFRS 13, Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013), aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The management of the Company has assessed the impact of the new standard on the financial report. The standard has no significant effect standard on the financial report.

IAS 24, Related party disclosures (effective for annual periods beginning on or after 1 July 2014, not yet endorsed by EU). The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (‘the management entity’). The reporting entity is required to disclose the amounts charged to the reporting entity by the management entity for services provided. The management of the Company assesses the impact of the changes on the financial report.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of ‘currently has a legally enforceable right of set-off’ and that some gross settlement systems may be considered equivalent to net settlement. The management of the Company assesses the impact of the changes on the financial report.

The remaining new or amended standards or interpretations that first entered into force in the accounting year beginning on 1.01.2013 or later are not presumed to have a significant effect on the Company.

Note 2 Financial risk management

The principles for determining, managing and auditing risks arising in the course of AS KIT Finance Europe’s activities were established by the Risk Management Policy developed by the management; it was developed in accordance with the Republic of Estonia’s Securities Market Act and recommendations of the Basel Committee. The risk management strategy is based on optimizing the ratio of the profitability of the investment firm to the level of assumed risks. Development of risk assessment methods and establishment of numerical parameters for criteria is completely in the competence of the management board of the investment firm. The principles and methodology of risk management are regularly reviewed and updated when needed.

2.1. Credit risk

Credit risk is the risk that a Company have to carry out losses when Company fails to meet its contractual obligations related to the transfer of cash and / or securities.

The most important credit risk arises from granting loans to the clients and the accounts receivable and other claims and transactions following the loans.

In order to decrease the credit risk of the clients, an investment firm generally requests predepositing of the financial means and bonds required to conduct transactions with bonds on the account of the investment firm. The management board of the investment firm decides on making exceptions to the predepositing requirement in each specific case. The maximum amount of a loan depends on the market value of the loan guarantee and on the establishment of limits.

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2.1.1. Credit quality

Maximum position open to credit risks	31.12.2013	31.12.2012	Note
Receivables from banks	20,136,921	19,386,802	3
Other financial assets in their fair value	0	191,973	4
Loans and receivables from customers	18,062,455	24,800,018	6
Other assets	536,673	398,776	5,7
Other receivables	28	316	
Total maximum position open to credit risks	38,736,077	44,777,885	

Investment Company uses the standard method to calculate the credit risk capital requirements. The following table shows the credit risk capital requirement 31.12.2013 and 31.12.2012:

Asset	Value	Risk-weight %	31.12.2013		31.12.2012	
			Capital requirement	Value	Risk-weight %	Capital requirement
Cash and cash equivalents	20,133,762	0%	0	19,383,778	0%	0
Term deposits (up to 3 months)	3,196	20%	64	3,196	20%	64
Financial assets	0	100%	0	191,973	100%	19,197
Loans and receivables from customers	18,062,455	100%	1,806,246	24,800,018	100%	2,480,002
Other receivables	204,219	100%	20,422	53,437	100%	5,344
Accrued income and prepayments	332,482	100%	33,248	345,655	100%	34,566
Property and equipment	8,897	100%	890	16,270	100%	1,627
TOTAL	38,745,011		1,860,870	44,794,327		2,540,800

Classification of loans by due date :

Loans from customers 31.12.2013	Receivables which do not need to be impaired and are not overdue	Overdue and impaired receivables	Total	Reserve for impairment	Net
Security loans to legal persons	9,193,305	0	9,193,305	0	9,193,305
1-30 days	2,826,700	0	2,826,700	0	2,826,700
31-60 days	62,059	0	62,059	0	62,059
61-90 days	76,027	0	76,027	0	76,027
91-180 days	4,132,115	0	4,132,115	0	4,132,115
181-360 days	261,825	0	261,825	0	261,825
over 360 days	1,834,579	0	1,834,579	0	1,834,579

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Security loans to private persons	6,378,473	2,536,352	8,914,825	-48,585	8,866,240
1-30 days	44,178	0	44,178	0	44,178
31-60 days	245,762	0	245,762	0	245,762
61-90 days	11,384	0	11,384	0	11,384
91-180 days	1,973	0	1,973	0	1,973
181-360 days	184,316	104,759	289,075	-104,759	184,316
over 360 days	5,890,860	2,431,593	8,322,453	56,174	8,378,627
Total loans from customers (Note 6)	15,571,778	2,536,352	18,108,130	-48,585	18,059,545

Loans from customers 31.12.2012	Receivables which do not need to be impaired and are not overdue	Overdue and impaired receivables	Total	Reserve for impairment	Net
Security loans to legal persons	2,963,440	0	2,963,440	0	2,963,440
1-30 days	1,150,031	0	1,150,031	0	1,150,031
31-60 days	15,289	0	15,289	0	15,289
61-90 days	302,277	0	302,277	0	302,277
91-180 days	422,909	0	422,909	0	422,909
181-360 days	1,072,934	0	1,072,934	0	1,072,934
Security loans to private persons	6,080,077	19,474,998	25,555,074	-3,740,990	21,814,084
1-30 days	81,382	0	81,382	0	81,382
31-60 days	40,941	0	40,941	0	40,941
61-90 days	43,004	0	43,004	0	43,004
91-180 days	20,502	0	20,502	0	20,502
181-360 days	5,894,247	0	5,894,247	0	5,894,247
over 360 days	0	19,474,998	19,474,998	-3,740,990	15,734,008
Total loans from customers (Note 6)	15,571,778	19,474,998	28,518,515	-3,740,990	24,777,525

Receivables are discounted on an individual basis. Overdue receivables that have not been discounted are guaranteed with listed securities.

2.2. Market risk

The market risk expresses the potential loss which may occur due to unfavourable changes in exchange rates, bond prices or interest rates. The investment firm does not possess its own active trading portfolio and, thus, there is no significant market risk from trading activities.

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2.3. Currency risk

Currency risk is the risk that a change in an exchange rate will affect the value of the Company's assets and revenue when translated to the Euros disproportionately with the change in the value of the Company's liabilities and expenses.

The Company's revenues mostly arise in US dollars and Russian roubles and expenses arise in Euros. As a result, the Company is exposed to currency risk arising from fluctuations in the exchange rates of those currencies. In addition, the Company is exposed to currency risk in connection with the acquisition of securities and assumption of liabilities denominated in foreign currencies.

The Company reduces its currency risk by using derivatives. According to the rules of the currency risk management, risk controller assesses the potential effects of changes in foreign currency on a daily basis. Sensitivity analysis of currency risks arising from open positions and possible effects of changes in the statement of comprehensive income, if all other variables are constant in the table below:

Effect on statement of comprehensive income	Exchange fluctuation %	31.12.2013	Exchange fluctuation %	31.12.2012
USD exchange rate	10%	-50,998	10%	336,256
	-10%	50,998	-10%	-336,256
RUB exchange rate	15%	212,937	15%	802,703
	-15%	-212,937	-15%	-802,703
GBP exchange rate	10%	283,934	10%	172,796
	-10%	-283,934	-10%	-172,796

Information on assets and liabilities bearing currency risk is provided in Note 19.

2.4. Interest rate risk

If the Company grants loans to the customers or short-term investments with fixed interest and this turn up to be lower than market interest for similar financial instruments, then the Company may face interest rate risk. The Company's management estimates that the occurrence of interest rate risk as low, because they constantly monitor interest rate profitability and interest rate movements in the market.

2.5. Liquidity risk

Liquidity risk is the risk that the Company does not have sufficient liquid funds to meet its financial obligations as they fall due. The Company invests its free monetary funds in deposits and fixed income securities so that it would be possible to meet all financial liabilities on a timely basis in the event of any scenario.

The following table shows the division of financial assets and obligations, except derivative instruments, according to maturity on the basis of non-discounted future cash flows. Cash flows are divided into periods by the dates when they arise in the analysis.

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Division of liabilities according to maturity 31.12.2013

	Up to 3 months	3-12 months	12-24 months	Total
Payables to customers	2,229,966	0	0	2,229,966
Other payables	502,553	0	0	502,553
Provisions	0	0	648,524	648,524
Total	2,732,519	0	648,524	3,381,043

Division of liabilities according to maturity 31.12.2012	Up to 3 months	3-12 months	12-24 months	Total
Payables to customers	13,580,409	0	0	13,580,409
Other payables	188,798	0	0	188,798
Provisions	0	648,524	0	648,524
Total	13,769,207	648,524	0	14,417,731

Division of the assets held to cover the liquidity risk according to maturity 31.12.2013

	Up to 3 months	3-12 months	12-24 months	Total
Receivables from banks	20,136,921	0	0	20,136,921
Loans and receivables from customers	18,062,455	0	0	18,062,455
Other receivables and prepayments	332,510	0	0	332,510
Total	38,531,886	0	0	38,531,886
Liabilities coverage	35,799,367	0	-648,524	35,150,843

Division of the assets held to cover the liquidity risk according to maturity 31.12.2012

	Up to 3 months	3-12 months	12-24 months	Total
Receivables from banks	19,386,802	0	0	19,386,802
Other financial assets at fair value	191,973	0	0	191,973
Loans and receivables from customers	24,800,018	0	0	24,800,018
Other receivables and prepayments	345,971	0	0	345,971
Total	44,724,764	0	0	44,724,764
Liabilities coverage	30,955,557	648,524	0	30,307,033

2.6. Risk concentration

Risk concentration is a correlation of a Company's risk position to its net assets. The concentration of risk is calculated for each client or group of related clients. Risk concentration is significant if ratio exceeds 10%. As at 31.12.2013 risk concentration ratio had not exceeded the limitation allowed by the law (25% of the Company's net assets).

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2.7. Operational risk

Operational risk is the risk that internal processes and / or systems do not function or do not function adequately due to a technical error or failure, the activity or inactivity of the Company's staff, or external factors.

During the reporting period, the Company implemented the "four eyes" principle to mitigate operational risk. According to the principle, all cash or securities' transfers require the approval of at least two members of staff. Conformity control has an important role in the assessment of operational risks. In the framework of monitoring and recording of operational risks the Company uses incident management program with automated alert system.

2.8. Capital adequacy

Net assets for calculation of capital adequacy	31.12.2013	31.12.2012
Paid in share capital	15,613,965	15,613,965
Capital reserve	747,639	696,445
Retained earnings/losses	14,023,502	13,050,825
Intangible assets (minus)	-5,892	-8,510
The amount of the first level of net assets	30,379,214	29,352,725
Capital requirement for credit risk of the Company and the counterparty	1,860,870	2,540,800
Capital requirement for currency risk	425,892	1,049,894
Capital requirement for operational risk (base method)	1,053,980	1,027,535
Capital requirement for calculation of capital adequacy	3,340,742	4,618,229
Capital adequacy	90,94%	63,56%

KFE complies with requirements established for capital as set forth in the Republic of Estonia's Securities Market Act. In order to ensure its reliability and mitigate risks related to provision of investment services, the investment firm is obliged to consistently adhere to prudential standards. KFE's capital adequacy and equity exceed the limits established in legislation. There were no problems in 2013 in complying with the capital adequacy requirements.

2.9. Fair values of assets and liabilities

The fair values of assets and liabilities do not differ significantly from their carrying amounts. The largest portion of assets is made up of cash and bank balances. Receivables from and payables to credit institutions and customers have a very short duration.

Note 3 Cash and bank balances

Cash and cash equivalents	31.12.2013	31.12.2012
Cash on hand EUR	37	172
Demand deposits EUR	16,472,045	16,263,078
Demand deposits, foreign currency	3,661,680	3,120,528
Term deposits with a maturity of up to 3 months EUR	3,196	3,196
Total cash and cash equivalents	20,136,958	19,386,974

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Note 4 Financial assets

	Shares 2013	Shares 2012
At the beginning of the year	191,973	0
Listed securities at cost	5,649,003	191,179
Sale of listed securities	-6,189,611	0
Changes in fair value	0	-2,415
Profit from sale of securities	475,579	0
Profit from the revaluation	-126,944	3,209
31.12.2013	0	191,973

Note 5 Foreign currency derivatives

	Number of contracts	Asset / Liability (at fair value)
Balance 31.12.2012		
Currency future (EUR/USD)	53	53,121
Currency future (EUR/RUB)	4,700	0
Total derivatives	4,753	53,121
Balance 31.12.2013		
Currency future (EUR/USD)	113	204,191
Currency future (USD/RUB)	13, 130	0
Total derivatives	13,243	204,191

The currency future is exchange-traded and the daily profits/losses of the currency future USD/RUB are immediately transferred to the account of AS KIT Finance Europe, due to which the book value of the currency future is zero. The EUR/USD currency futures are re-evaluated on a daily basis in their fair value. The AS KIT Finance Europe uses currency futures to alleviate the exchange rate risk arising from open currency positions. All contracts are entered for a fixed term of 3 months. The EUR/USD amount of one contract is EUR 125,000, USD/RUB – USD 1,000.

Note 6 Loans and receivables from customers

	2013	2012
Loans granted	18,059,545	24,777,525
Other receivables	2,910	22,493
Loans and receivables from customers (Note 19)	18,062,455	24,800,018

Loans granted	2013	2012
Loans to legal entities	9,193,305	2,963,440
Loans to private customers	15,278,486	29,576,627
Provision for impairment	-6,412,246	-7,762,542
Total	18,059,545	24,777,525

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	Loans 31.12.2013	Loans 31.12.2012
Movement of provision for impairment 2013		
At 01 January 2012	-7,762,542	-4,021,552
Total impairment of loan receivable	-48,584	-3,740,990
<i>Allowances for the year</i>	-1,646,271	-3,882,385
<i>Change in allowance during the year</i>	1,597,687	141,395
Written off during the year	990,140	0
Profit/loss from the revaluation	408,741	0
At 31 December 2013	-6,412,245	-7,762,542

Recognized loans are financial margin loans with terms of several days, which were secured by securities and which amount to EUR 18,059,545 (interest rate of 5-15%). According to management's assessment, the fair values of loans do not differ significantly from their carrying amounts. The fair value of the collateral is in excess of the carrying amounts of the loan receivables as at 31.12.2013.

In 2013 security loans claims were discounted in amount of EUR 1,646,271 (in 2012 – EUR 3,882,385). The management board assessed security loan claims individually, based on the principle of conservatism and taking into consideration all information, including client's solvency, the value of the collateral and stock market liquidity. During the financial year the value of the collateral increased and the impairment allowance was recovered in the amount of EUR 1,597,687. The amount of EUR 990,140 was written off the balance of the reserve due to the restructuring of the debt.

Note 7 Other receivables, accrued income and prepayments

	31.12.2013	31.12.2012
Prepaid and refundable taxes (Note 8)	76,321	96,413
Prepayments	256,161	249,242
Total accrued income (Note 19)	332,482	345,655

Note 8 Taxes

	31.12.2013		31.12.2012	
	Prepayment	Payable	Prepayment	Payable
Value added tax	0	14,332	3,076	0
VAT paid abroad	601	0	624	0
Corporate income tax	0	728	0	711
Corporate income tax paid abroad	71,534	266,223	88,501	0
Personal income tax	0	24,014	0	14,311
Social tax	0	40,925	0	25,561
Funded pension premiums	0	2,234	0	1,421
Unemployment insurance premiums	0	1,792	0	1,979
Prepayment account	4,186	0	4,212	0
Other taxes abroad	0	2,701	0	2,161
Total taxes (Note 7, 19)	76,321	352,949	96,413	46,144

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Note 9 Net gain/loss on financial transactions

	2013	2012
Due to changes in the currency exchange rate:	-787,005	233,567
<i>foreign exchange gain from customers' transactions</i>	107,882	121,374
<i>revaluation gain</i>	-894,887	112,193
Net gain/(-loss) from trade	583,203	-592,906
inc. dividend income traded securities	20764	0
Currency derivatives:	121,111	-444,468
Accounted in cash (+received/-paid)	121,111	-444,468
Net gain/(-loss) from trading	-82,691	-803,807
	2013	2012
Currency derivatives at fair value	578,978	139,054
Net loss on marketable debt securities (Note 4)	475,579	-2,415
Net gain/(-loss) from financial assets	1,054,557	136,639

Note 10 Property and equipment

	Machinery and equipment	Other equipment	Total
Cost at 31.12.2012	49,559	95,224	144,783
Addition	933	522	1,455
Disposals	-3,099	0	-3,099
Cost at 31.12.2013	47,393	95,746	143,139
Accumulated depreciation at 31.12.2012	41,648	86,865	128,513
Depreciation charge for the year (+)	5,549	3,279	8,828
Disposals	-3,099	0	-3,099
Accumulated depreciation at 31.12.2013	44,098	90,144	134,242
Carrying amount at 31.12.2012	7,911	8,359	16,270
Carrying amount at 31.12.2013	3,295	5,602	8,897

Note 11 Intangible assets

Movements:	Brokerage software, licences, etc purchased
Carrying amount at 31.12.2012	8,510
Depreciation charge for the year	-2,618
Carrying amount at 31.12.2013	5,892

The intangible assets were amortised over the reporting period in the amount of EUR 17,024.

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Note 12 Payables to customers

Payables to customers by currency	31.12.2013	31.12.2012
USD	656,100	13,508,237
CAD	0	68,506
JPY	576	0
EUR	1,470,495	0
HKD	102,795	0
SEK	0	3,666
Total payables to customers (Note 19)	2,229,966	13,580,409

The Company keeps its funds primarily in euro and due to that debts with customers occur in other currencies (manly in USD and RUB), and these are short term debts.

Note 13 Accrued liabilities

	31.12.2013	31.12.2012
Payables to employees	15,554	15,333
Accrued income	34,415	0
Other accrued liabilities	39,474	23,978
Total accrued liabilities	89,443	39,311

Note 14 Provisions

	31.12.2013	31.12.2012
Other provisions	648,524	648,524
Total other provisions	648,524	648,524

In relation to MF Global bankruptcy AS KIT Finance Europe created a reserve of EUR 648,524 for potential legal costs which may occur during the bankruptcy process. During the financial year there was no movement of the reserve. In relation to the continuation of the bankruptcy process, management board assesses those costs to be likely in the future.

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Note 15 Equity
Share capital

	31.12.2013	31.12.2012
Share capital (EUR)	15,613,965	15,613,965
Number of shares	244,350	244,350
Par value of a share (EUR)	64	64

The share capital is fully paid in cash.

The minimum share capital of the Company is EUR 15,613,965 and the maximum authorised share capital of the Company is EUR 2,455,860, within which the share capital may be increased or reduced without changing the statute. Shareholders are entitled to receive dividends. Each share carries one vote at meetings of the Company.

Statutory capital reserve

The capital reserve has been established in accordance with the requirements of the Commercial Code. The capital reserve is created with net profit transfers. Every year the Company has to transfer to the capital reserve at least one twentieth of its net profit for the period until the reserve amounts to one tenth of share capital. The capital reserve may be used for covering losses and for increasing share capital but it may not be distributed to shareholders.

Contingent income tax liability

On the date of the 31st of December 2013, the Company's unrestricted equity amounted to EUR 18,759,018 (2012: EUR 14,023,502). At the balance sheet date, the Company could distribute a dividend of EUR 14,819,624 (2012: EUR 11,078,566) and the distribution would give rise to income tax expense of EUR 3,939,394 (2012: EUR 2,944,936).

Note 16 Commissions and fees received

Geographical area (according to the location of the client)	2013	2012
European Union (Cyprus, Latvia, Great Britain, Finland, Germany, Sweden)	582,512	457,853
Rest of the World (Russia, Kazakhstan, Armenia, Ukraine etc)	3,813,978	2,751,773
Total	4,396,490	3,209,626

Activity	2013	2012
Commissions and fees received (EMTAK 66121)	4,396,490	3,209,626
Total	4,396,490	3,209,626

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Note 17 Net interest income

Interest income	2013	2012
On term deposits	239	27,621
On demand deposits	31,333	42,466
On loans	10,213,246	6,735,477
Total	10,244,818	6,805,564

Interest expense	2013	2012
Other interest expenses	-6,198,035	-1,012,026
Total	-6,198,035	-1,012,026

Interest expenses contain the impairment of interest receivables due to reassessment of interest rates in the amount of EUR 1,832,913.

Interest income on loans according to the location of the client	2013	2012
European Union (Cyprus, Latvia, Great Britain, Finland, Germany)	41,455	190,060
Rest of the World (Russia, Ukraine, Armenia etc)	10,171,791	6,545,417
Total	10,213,246	6,735,477

Interest income on term deposits according to the location of the bank	2013	2012
European Union (Estonia)	239	2,489
Rest of the World (Russia)	0	25,132
Total	239	27,621

Note 18 Assets pledged as collateral

The Company has a VISA credit card issued by AS SEB Bank. The credit limit is EUR 3,196 and the facility is secured with a security deposit of EUR 3,196.

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Note 19 Financial instruments

Assets and liabilities by currency

31.12.2013	EUR	USD	GBP	RUB	CAD	Other	Total
Assets							
Cash and bank balances	16,475,279	982,434	847,806	1,814,251	2,298	14,890	20,136,958
Derivative instruments	204,191	0	0	0	0	0	204,191
Loans and receivables from customers	4,566,920	4,950,999	1,102,743	7,324,661	2,336	114,796	18,062,455
Other receivables	19	0	0	0	8	1	28
Accrued income and prepayments	326,472	0	6,010	0	0	0	332,482
Total	21,572,881	5,933,433	1,956,559	9,138,912	4,642	129,687	38,736,114
Liabilities							
Payables to customers	1,470,495	656,100	0	0	0	103,371	2,229,966
Payables to suppliers	30,827	14,341	4,808	10,185	0	0	60,161
Taxes payable	352,222	0	727	0	0	0	352,949
Accrued liabilities	23,276	27,551	700	37,719	50	147	89,443
Provisions	648,524	0	0	0	0	0	648,524
Total	2,525,344	697,992	6,235	47,904	50	103,518	3,381,043

31.12.2012	EUR	USD	GBP	RUB	CAD	Other	Total
Assets							
Cash and bank balances	16,266,446	10,91,665	663,936	1,318,754	0	46,173	19,386,974
Financial assets	0	191,973	0	0	0	0	191,973
Derivative instruments	53,121	0	0	0	0	0	53,121
Loans and receivables from customers	3,981,524	15613173	1065114	4056897	71,300	12,010	24,800,018
Other receivables	177	0	139	0	0	0	316
Accrued income and prepayments	322,949	0	6,272	16,434	0	0	345,655
Total	20,624,217	16,896,811	1,735,461	5,392,085	71,300	58,183	44,778,057
Liabilities							
Payables to customers	0	13,508,237	0	0	68,506	3,666	13,580,409
Payables to suppliers	47,832	12,573	5,458	37,480	0	0	103,343
Taxes payable	45,815	0	782	-453	0	0	46,144
Accrued liabilities	20,657	13,437	1,260	3,704	92	161	39,311
Provisions	648,524	0	0	0	0	0	648,524
Total	762,828	13,534,247	7,500	40,731	68,598	3,827	14,417,731

Risk management principles are given in Note 2.

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Note 20 Off-balance sheet assets and liabilities

The Company acts as a custodian. Therefore, it intermediates and has in its possession and is liable for customer funds. At the year-end the balances were as follows:

Assets	31.12.2013	31.12.2012
Customers' cash	335,294,043	97,152,828
Customers' securities	267,055,983	2,423,761,594
Total	602,350,026	2,520,914,422

Liabilities	31.12.2013	31.12.2012
Customers' securities	1,176,240	1,032,270
Total	1,176,240	1,032,270

Securities are stated at their fair values.

Note 21 Transactions with related parties

Related party transactions include transactions with the parent and subsidiary companies, other group companies, shareholders, members of management, their close family members and companies controlled by them. The Company's parent Company is KIT Finance (LLC) and the group's parent Company is KIT Finance Holding (LLC).

In the reporting period, the Company performed transactions with related parties as follows:

	2013		2012	
<u>Transactions with related parties</u>	Commissions and fees paid	Commissions and fees received	Commissions and fees paid	Commissions and fees received
Group's parent	799,709	6,835	732,278	2,424
Other group companies	0	2,151,942	0	449,747
Total transactions	799,709	2,158,777	732,278	452,171

<u>Interest income</u>	2013	2012
Group's parent	30,541	40,452
Other group companies	8,608,602	1,257,072
Total interest income	8,639,143	1,297,524

<u>Interest expenses</u>		
Group's parent	2,826,695	731,263
Other group companies	1,278,976	0
Total interest expenses	4,105,671	731,263

<u>Net income from trade</u>		
Other group companies	564,719	49,015

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Balances with related parties:

	31.12.2013	31.12.2012
<u>Cash and bank balances</u>		
Bank accounts in parent company	15,218,651	15,188,441
<u>Short-term receivables</u>		
Other group companies	5,908,150	683,387
<u>Short-term payables</u>		
Group's parent	3,220	13,312
<u>Accrued liabilities</u>		
Other group companies	34,415	0

In the financial year, the remuneration of executive management members formed the amount of EUR 203,010 (2012 – EUR 130,359). The amount payable to the management as at 31.12.2013 equaled to EUR 915 (31.12.2012 – 0 EUR). The management board's members are eligible for severance pay remuneration. No compensation is paid to supervisory board members upon expiry of powers. Members of the management board and supervisory board do not have a stock option at AS KIT Finance Europe.

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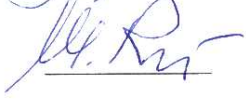



Villems Donoway

SIGNATURES

The management board authorised the management report and the annual financial statements of AS KIT Finance Europe for issue on March 28, 2014.

The supervisory board of AS KIT Finance Europe has reviewed the annual report, including the management report and the annual financial statements, and the independent auditor's report and has approved their presentation to the general meeting of the shareholders.

This annual report is signed by all members of the management and supervisory boards.

Name	Position	Signature	Date
Andrei Galushkin	Member of the Management Board		<u>28.03.2014</u>
Galina Ruban	Member of the Management Board		<u>28.03.2014</u>
Mikhail Shabanov	Chairman of the Board		<u>07.04.2014</u>
Maivi Ots	Member of Supervisory Board		<u>04.04.14</u>
Elena Shilova	Member of Supervisory Board		<u>07.04.14.</u>

INDEPENDENT AUDITOR'S REPORT

To the shareholder of AS KIT Finance Europe

We have audited the accompanying financial statements AS KIT Finance Europe, which comprise the statement of financial position as at December 31, 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. Audited financial statements are presented on pages from 6 to 29.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted in the European Union and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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


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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of AS KIT Finance Europe as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted in the European Union.

Tallinn, 28.03.2014
Villems Donoway Ltd


Darja Roos
Authorized Public Accountant
Certificate nr 552

PROFIT ALLOCATION PROPOSAL

(EUR)

Retained earnings	14,023,502
Net profit for the period	4,984,754
<i>Total as at 31.12.2013:</i>	<i>19,008,256</i>

The Management Board of AS KIT Finance Europe proposes to the General Meeting of the Shareholders to distribute the profit as follows:

Transfer to capital reserve	249,238
Dividends	2,000,000
<i>Retained earnings after distribution of profit</i>	<i>16,759,018</i>

LIST OF ACTIVITIES

Activity	2013
Commissions and fees received (EMTAK 66121)	4,396,490
Total	4,396,490

Activities planned for the new reporting year:

Securities and commodity contracts brokerage (EMTAK 66121)