M SAN GRUPA D.D., ZAGREB
AND
ITS SUBSIDIARIES

Consolidated and unconsolidated financial statements

For the year ended 31 December 2015

Together with Independent Auditor's Report

Contents

Responsibility for the consolidated and unconsolidated financial statements

Pursuant to the Accounting Act of the Republic of Croatia, the Management is responsible for ensuring that consolidated and unconsolidated financial statements are prepared for each financial year in accordance with International Financial Reporting Standards ('IFRS'), as adopted by the European Union, which provide a true and fair view of the financial position and results of operations of M San Grupa d.d., Zagreb ("the Company") and its subsidiaries ("the Group") for that period.

After making appropriate enquiries, the Management has a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management continues to prepare the financial statements on a going-concern basis.

In preparing consolidated and unconsolidated financial statements, the responsibilities of the Management Board include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgments and estimates are reasonable and prudent;
- applicable accounting standards are followed, subject to any material departures disclosed and explained in the financial statements; and
- financial statements are prepared under the going-concern assumption.

The Management is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time, the financial position of the Company and the Group and must also ensure that the financial statements comply with the Croatian Accounting Act. The Management is also responsible for safeguarding the assets of the Company and of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Management Board:

Miroslav Huzjak
President of the Management Board

M SAN GRUPA d.d.
ZAGREB, Buzinski prilaz 10

M San Grupa d.d.
Buzinski prilaz 10
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Republic of Croatia

21 April 2016

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INDEPENDENT AUDITOR'S REPORT

To the Owner of M San Grupa d.d., Zagreb:

We have audited the accompanying consolidated and unconsolidated financial statements of the Company M San Grupa d.d., Zagreb ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated and unconsolidated statement of financial position as at 31 December 2015, and the consolidated and unconsolidated statements of profit or loss and other comprehensive income, consolidated and unconsolidated statements of changes in shareholder's equity and consolidated and unconsolidated statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 controls relevant to the Company's and the Group'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 Company's and the Group's internal controls. 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Opinion

In our opinion, the accompanying consolidated and unconsolidated financial statements present fairly, in all material respects, the financial position of the Company and of the Group at 31 December 2015, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards adopted by the European Union.

Branislav Vrtačnik,	**Morana Mesarić**
President of the Bord	**Certified auditor**

Deloitte d.o.o.
Zagreb, 21 April 2016

Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2015
(all amounts are expressed in thousands of kunas)

	Notes	2015	2014 restated
OPERATING INCOME			
Sales	5	1,989,142	1,857,968
Cost of goods sold	8	(1,725,401)	(1,611,426)
Gross profit		**263,741**	**246,542**
Other operating income	6	7,083	4,748
Increase/ (decrease) in inventories of finished goods and work in progress		1,400	816
OPERATING EXPENSES			
Cost of raw material and supplies	7	(16,706)	(15,123)
Other external charges	9	(114,054)	(103,656)
Staff costs	10	(52,005)	(50,875)
Depreciation and amortisation	17,19	(7,477)	(5,869)
Other expenses	12	(13,336)	(11,698)
Impairment allowance	13	(672)	(1,813)
Provisions for risks within the warranty period	34	(1,127)	(2,006)
Other operating expenses	14	(3,519)	(6,194)
Total operating expenses		**(208,896)**	**(197,234)**
Operating profit		**63,328**	**54,872**
FINANCIAL INCOME AND EXPENSES			
Financial income	15	36,671	25,322
Financial expenses	16	(57,455)	(48,344)
Net financial expense		**(20,784)**	**(23,022)**
Profit before tax		**42,544**	**31,850**
Income tax	17	(5,367)	(5,700)
Profit for the year		**37,177**	**26,150**
OTHER COMPREHENSIVE LOSS			
Exchange differences on translation of foreign operations		(2,401)	(1.717)
Total comprehensive income for the year		**34,776**	**24.433**
Profit attributable to:			
Equity holders of the Company		34,739	25.064
Non-controlling interests		2,438	1.086
		37,177	**26.150**
Total comprehensive income attributable to:			
Equity holders of the Company		32,540	24.598
Non-controlling interest		2,236	(165)
		34,776	**24.433**
Earnings per share (in kunas and lipas), basic and diluted	32	**17,37**	**12,53**

Consolidated statement of financial position
At 31 December 2015
(all amounts sre expressed in thousands of kunas)

ASSETS	Notes	31 December 2015	31 December 2014 restated	As at 1 January 2014 restated
NON-CURRENT ASSETS				
Intangible assets	18	6,399	4,221	5,019
Goodwill	19	45,941	45,671	45,666
Property, plant and equipment	20	119,134	116,914	116,825
Financial assets	21	11,990	13,278	13,759
Given deposits		115	227	114
Long-term receivables		472	632	1,058
Deferred tax assets	17	1,834	1,578	1,547
TOTAL NON-CURRENT ASSETS		**185,885**	**182,521**	**183,988**
CURRENT ASSETS				
Inventories	22	228,064	198,015	183,012
Trade receivables	24	364,000	318,334	313,352
Prepayments made	23	15,713	9,464	9,306
Receivables from employees		1,133	1,066	1,135
Receivables from the State and other institutions	25	19,762	17,094	8,438
Given loans and deposits	26	217,705	251,607	234,430
Prepaid expenses and accrued income	27	48,379	49,924	40,194
Other receivables	28	52,401	40,706	30,262
Cash and cash equivalents	29	41,833	43,846	55,543
TOTAL CURRENT ASSETS		**988,990**	**930,056**	**875,672**
TOTAL ASSETS		**1,174,875**	**1,112,577**	**1,059,660**

Consolidated statement of financial position (continued)
At 31 December 2015
(all amounts are expressed in thousands of kunas)

EQUITY AND LIABILITIES	Notes	31 December 2015	31 Decebmer 2014 restated	As at 1 January 2014 restated
EQUITY				
Share capital	30	200,000	200,000	200,000
Legal reserves		6,304	6,280	6,248
Reservs from exchange of foreign currencies		(3,574)	(1,375)	(909)
Retained earnings	31	149,955	115,351	90,319
ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT		**352,685**	**320,256**	**295,658**
Non-controlling interest	33	23,964	21,081	21,246
TOTAL EQUITY		**376,649**	**341,337**	**316,904**
NON-CURRENT LIABILITIES				
Provisions for risks within the warranty period	34	2,119	2,006	688
Long-term borrowings and finance lease obligations	35	185,940	232,772	260,614
Deferred tax liability	17	6	6	6
TOTAL NON-CURRENT LIABILITIES		**188,065**	**234,784**	**261,308**
CURRENT LIABILITIES				
Short-term bank borrowings and finance lease obligations	36	219,029	210,850	207,751
Advances received	37	8,974	1,544	2,958
Trade payables	38	318,342	274,157	226,636
Amounts due to employees		2,651	2,060	1,804
Taxes, contributions and similar duties payable	39	29,659	26,517	23,315
Other current liabilities	40	18,861	12,578	12,907
Accrued expenses and deferred income	41	12,645	8,750	6,077
TOTAL CURRENT LIABILITIES		**610,161**	**536,456**	**481,448**
TOTAL EQUITY AND LIABILITIES		**1,174,875**	**1,112,577**	**1,059,660**

Consolidated statement of changes in shareholder's equity
For the year ended 31 December 2015
(all amounts are expressed in thousands of kunas)

	Share capital	Legal reserves	Foreign currency translation reserves	Revaluation reserves	Retained earnings	Equity holders of the parent	Non-controlling interest	Total
Balance at 1 January 2014	**200,000**	**6,248**	**(909)**	**(5,175)**	**95,494**	**295,658**	**21,246**	**316,904**
Decrease in revaluation reserves	-	-	-	5,175	(5,175)	-	-	-
Balance at 1 January 2014 restated	**200,000**	**6,248**	**(909)**	**-**	**90,319**	**295,658**	**21,246**	**316,904**
Transfer of profit	-	32	-	-	(32)	-	-	-
Profit for the year	-	-	-	-	25,064	25,064	1,086	26,150
Other comprehensive loss	-	-	(466)	-	-	(466)	(1,251)	(1,717)
Total comprehensive income for the year	-	-	*(466)*	-	*25,064*	*24,598*	*(165)*	*24,433*
Balance at 31 December 2014	**200,000**	**6,280**	**(1,375)**	**-**	**115,351**	**320,256**	**21,081**	**341,337**
Transfer of profit	-	24	-	-	(24)	-	-	-
Subsequently identified income tax liabilities	-	-	-	-	(111)	(111)	-	(111)
Increase in non-controlling interest by additional share purchased	-	-	-	-	-	-	647	647
Profit for the year	-	-	-	-	34,739	34,739	2,438	37,177
Other comprehensive loss	-	-	(2,199)	-	-	(2,199)	(202)	(2,401)
Total comprehensive income for the year	-	-	*(2,199)*	-	*34,739*	*32,540*	*2,236*	*34,776*
Balance at 31 December 2015	**200,000**	**6,304**	**(3,574)**	**-**	**149,955**	**352,685**	**23,964**	**376,649**

Unconsolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2015
(all amounts are expressed in thousands of kunas)

	2015	2014 restated
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	37,177	26,150
Adjusted by:		
Income tax	5,367	5,700
Depreciation of property, plant and eqipment and intangible assets	7,477	5,869
Gains on disposal of property, plant and equipment	-	(16)
Impairment of intangible assets	218	324
Value adjustment of financial assets	1,290	171
Impairment allowance and write-off of trade receivables	1,734	4,818
Reversed long-term provisions, net, charged to expenses	113	1,318
Net interest expense	11,954	11,629
Net foreign exchange (profit) / loss and other non-cash adjustments	(2,960)	5,099
	62,369	**61,062**
CHANGES IN WORKING CAPITAL		
Decrease / (increase) in given deposit	113	(113)
Increase in inventory	(30,049)	(15,003)
Increase in trade receivables	(47,347)	(9,454)
Cash received on recovery of receivables previously written off	107	79
Increase in given advances	(6,249)	(158)
Increase in other receivables	(1,063)	(10,158)
Decrease / (increase) in prepaid expenses and accrued income	1,545	(9,730)
Increase / (decrease) in received advances	7,430	(1,414)
Increase in trade payables	44,184	47,521
Increase in other current liabilities	4,979	649
Increase in accrued expenses and deferred income	3,895	2,673
CASH GENERATED FROM OPERATIONS	**39,914**	**65,954**
Interests paid	(21,502)	(29,423)
Income taxes paid	(7,911)	(1,051)
Net cash generated from operating activities	**10,501**	**35,480**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment and intangible assets	(12,595)	(6,174)
Interests received	3,761	6,485
Cash receipts from sale of fixed assets	-	82
Decrease / (increase) in given short-term loans	33,902	(17,177)
Net cash generated from / (used in) investing activities	**25,068**	**(16,784)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan institutions	279,220	224,664
Payments made to financial institutions	(316,802)	(255,394)
Received dividends	-	337
Net cash used in financing activities	**(37,582)**	**(30,393)**
Net decrease in cash and cash equivalents	**(2,013)**	**(11,697)**
Cash and cash equivalents at the beginning of the year	**43,846**	**55,543**
Cash and cash equivalents at the end of year	**41,833**	**43,846**

Unconsolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2015

(all amounts are expressed in thousands of kunas)

	Notes	2015	2014 restated
OPERATING INCOME			
Sales	5	1,637,999	1,552,376
Cost of goods sold	8	(1,479,536)	(1,401,115)
Gross profit		**158,463**	**151,261**
Other operating income	6	5,207	2,549
OPERATING EXPENSES			
Cost of raw material and supplies	7	(2,046)	(2,016)
Other external charges	9	(84,977)	(76,806)
Staff costs	10	(21,736)	(21,587)
Depreciation and amortisation	17,19	(3,847)	(2,377)
Other expenses	12	(6,224)	(5,366)
Impairment allowance	13	(577)	(324)
Provisions for risks within the warranty period	34	(1,037)	(2,006)
Other operating expenses	14	(3,319)	(5,367)
Total operating expenses		**(123,763)**	**(115,849)**
OPERATING PROFIT		**39,907**	**37,961**
FINANCIAL INCOME AND EXPENSES			
Financial income	15	39,024	26,450
Financial expenses	16	(52,830)	(41,934)
Net financial expense		**(13,806)**	**(15,484)**
Profit before tax		26,101	22,478
Income tax	17	(3,470)	(4,478)
PROFIT FOR THE YEAR		**22,631**	**18,000**
OTHER COMPREHENSIVE PROFIT		-	-
TOTAL COMPREHENSIVE PROFIT FOR THE YEAR		**22,631**	**18,000**
Earnings per share (in kunas and lipas), basic and diluted	32	**11.32**	**9.00**

Unconsolidated statement of financial position
At 31 December 2015
(all amounts are expressed in thousands of kunas)

ASSETS	Notes	31 December 2015	31 December 2014 restated	As at 1 January 2014 restated
NON-CURRENT ASSETS				
Intangible assets	18	6,198	4,020	4,790
Property, plant and equipment	20	18,862	15,689	16,972
Financial assets	21	167,892	167,982	168,641
Long-term receivables		472	632	1,058
Deferred tax assets	17	1,586	1,328	1,294
TOTAL NON-CURRENT ASSETS		**195,010**	**189,651**	**192,755**
CURRENT ASSETS				
Inventories	22	124,628	118,013	110,810
Trade receivables	24	271,490	233,728	227,879
Prepayments made	23	12,550	7,784	8,581
Receivables from employees		105	27	45
Receivables from the State and other institutions	25	16,002	14,081	6,594
Given loans and deposits	26	180,452	215,143	201,367
Prepaid expenses and accrued income	27	42,556	48,157	38,735
Other receivables	28	43,077	33,343	24,876
Cash and cash equivalents	29	27,522	35,023	45,271
TOTAL CURRENT ASSETS		**718,382**	**705,299**	**664,158**
TOTAL ASSETS		**913,392**	**894,950**	**856,913**

(all amounts are expressed in thousands of kunas)

EQUITY AND LIABILITIES	Notes	31 December 2015	31 December 2014 restated	As at 1 January 2014 restated
EQUITY				
Share capital	30	200,000	200,000	200,000
Legal reserves		6,203	6,203	6,203
Retained earnings	31	66,106	43,586	25,586
TOTAL EQUITY		**272,309**	**249,789**	**231,789**
NON-CURRENT LIABILITIES				
Provisions for risks within the warranty period	34	1,037	2,006	688
Long-term borrowings and finance lease obligations	35	172,304	223,839	251,574
TOTAL NON-CURRENT LIABILITIES		**173,341**	**225,845**	**252,262**
CURRENT LIABILITIES				
Short-term bank borrowings	36	134,069	140,562	144,480
Advances received	37	7,766	2,461	2,876
Trade payables	38	277,618	236,031	188,827
Amounts due to employees		1,183	1,163	1,016
Taxes, contributions and similar duties payable	39	25,333	24,281	21,010
Other current liabilities	40	15,038	10,326	11,036
Accrued expenses and deferred income	41	6,735	4,492	3,617
TOTAL CURRENT LIABILITIES		**467,742**	**419,316**	**372,862**
TOTAL EQUITY AND LIABILITIES		**913,392**	**894,950**	**856,913**

(all amounts are expressed in thousands of kunas)

	Share capital	Legal reserves	Revaluation reserves	Retained earnings	Total
Balance at 1 January 2014	**200,000**	**6,203**	**(5,175)**	**30,761**	**231,789**
Decrease in revaluation reserves	-	-	5,175	(5,175)	-
Balance at 1 January 2014 restated	**200,000**	**6,203**	**-**	**25,586**	**231,789**
Profit for the year	-	-	-	18,000	18,000
Total comprehensive loss	-	-	-	*18,000*	*18,000*
Balance at 31 December 2014	**200,000**	**6,203**	**-**	**43,586**	**249,789**
Subsequently identified income tax liabilities	-	-	-	(111)	(111)
Profit for the year	-	-	-	22,631	22,631
Total comprehensive loss	-	-	-	*22,631*	22,631
Balance at 31 December 2015	**200,000**	**6,203**	**-**	**66,106**	**272,309**

Unconsolidated statement of cash flows
For the year ended 31 December 2015
(all amounts are expressed in thousands of kunas)

CASH FLOWS FROM OPERATING ACTIVITIES	**2015**	**2014**
Profit for the year	22,630	18,000
Adjusted by:		
Income tax	3,470	4,478
Depreciation of property, plant and equipment and intangible assets	3,847	2,377
Impairment of intangible assets	218	324
Value adjustment of financial assets	1,290	171
Value adjustment and write-off of trade receivables	1,630	3,275
Gains on disposal of property, plant and equipment	-	(8)
Net (gain) / loss from reversal of long term provisions	(969)	1,318
Net interest expense	9,484	10,133
Net foreign exchange (profit) / loss on loans	(1,374)	804
	40,226	**40,872**
CHANGES IN WORKING CAPITAL		
Increase in inventory	(6,615)	(7,203)
Increase in trade receivables	(39,312)	(8,729)
Cash received on recovery of receivables previously written off	81	31
(Increase) / decrease in given advances	(4,766)	797
Increase in other receivables	(960)	(8,459)
Decrease / (increase) in prepaid expenses and accrued income	5,601	(9,422)
Increase / (decrease) in received advances	5,305	(415)
Increase in trade payables	41,586	47,204
Increase in other current liabilities	4,943	519
Increase in accrued expenses and deferred income	2,242	876
CASH GENERATED FROM OPERATIONS	**48,331**	**56,071**
Interests paid	(19,577)	(24,149)
Income taxes paid	(6,352)	(284)
Net cash generated from operating activities	**22,402**	**31,638**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment and intangible assets	(9,456)	(648)
Interests collected	3,045	4,692
Cash paid for shares in subsidiaries	(1,200)	-
Decrease / (increase) in given loans	34,691	(13,776)
Proceeds from sale of property, plant and equipment	-	8
Net cash generated from / (used in) investing activities	**27,080**	**(9,724)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash proceeds from loan institutions	10,629	45
Repayments to financial institutions	(67,612)	(32,544)
Dividends received	-	337
Net cash used in financing activities	**(56,983)**	**(32,162)**
Net decrease in cash and cash equivalents	**(7,501)**	**(10,248)**
Cash and cash equivalents at the beginning of the year	**35,023**	**45,271**
Cash and cash equivalents at the end of year	**27,522**	**35,023**

(all amounts are expressed in thousands of kunas)

1. GENERAL INFORMATION

M SAN GRUPA d.d., Zagreb, is a public limited company incorporated in Croatia on 17 July 1997. The sole owner and founder of the Company is Mr. Stipo Matić.

The Company is registered for the manufacture of office machines and computers, software consulting and supply, office machine and computer maintenance, sale and purchase of goods, trade mediation on domestic and international markets, and computer training.

The Company's registered seat is in Zagreb, Buzinski prilaz 10, Croatia.

The following organisational functions of the Company were transferred to the company Ured za podršku d.o.o., fully owned by Stipo Matić: Finances, Accounting, Controlling, Project management, IT Development and Support and Business Process Support (HR, General Affairs, Legal Affairs), which the company performs for all entities owned by both the Company and Mr. Stipo Matić, for which it charges a fee (see Note 42).

Management Board in 2015 and 2014:

Miroslav Huzjak, President of Management Board
Irena Langer-Breznik, Member of Management Board
Slaven Stipančić, Member of Management Board
Žarko Kruljac, Member of Management Board

Supervisory Board in 2015 and 2014:

Stipo Matić, Chairman of Supervisory Board
Damir Krstičević, Deputy Chairman of Supervisory Board
Snježana Matić, Member of Supervisory Board

		Ownership in %		***Main activity***
Name of related party	***Country***	***2015***	***2014***	
KIM TEC D.O.O. VITEZ	Bosnia and Herzegovina	100%	100%	*Distribution of IT equipment*
KIM TEC D.O.O. CRNA GORA	Montenegro	100%	100%	*Distribution of IT equipment*
PAKOM KOMPANY SKOPJE	Macedonia	100%	100%	*Distribution of IT equipment*
KIM TEC D.O.O. BEOGRAD	Serbia	55%	55%	*Distribution of IT equipment*
M SAN LOGISTIKA D.O.O.	Croatia	100%	100%	*Transport and logistics*
M SAN EKO D.O.O.	Croatia	100%	100%	*The collection of waste*
M SAN Servis Zagreb	Croatia	-	100%	*Maintaince of IT equipment*
MR SERVIS D.O.O. Zagreb	Croatia	60%	-	*Maintaince of IT equipment*

2. ADOPTION OF NEW AND REVISED INERNATIONAL FINANCIAL REPORTING STANDARDS (the „IFRS“)

2.1. Standards and Interpretations effective in the current period

The following standards, amendments to the existing standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the European Union are effective for the current period:

- **Amendments to various standards "Improvements to IFRSs (cycle 2011-2013)"** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 18 December 2014 (amendments are to be applied for annual periods beginning on or after 1 January 2015),
- **IFRIC 21 "Levies"** adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

The adoption of these amendments to the existing standards has not lead to material changes in the Company's or Group's accounting policies.

2. ADOPTION OF NEW AND REVISED INERNATIONAL FINANCIAL REPORTING STANDARDS (the „IFRS") (*continued*)

2.2. Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements the following amendments to the existing standards issued by IASB and adopted by the EU were in issue but not yet effective:

- **Amendments to IFRS 11 "Joint Arrangements"** – Accounting for Acquisitions of Interests in Joint Operations - adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 1 "Presentation of Financial Statements"** - Disclosure Initiative - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets"** - Clarification of Acceptable Methods of Depreciation and Amortisation - adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture"** - Agriculture: Bearer Plants - adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 19 "Employee Benefits"** - Defined Benefit Plans: Employee Contributions - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),
- **Amendments to IAS 27 "Separate Financial Statements"** - Equity Method in Separate Financial Statements - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016).
- **Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)"** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 17 December 2014 (amendments are to be applied for annual periods beginning on or after 1 February 2015),
- **Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)"** resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 15 December 2015 (amendments are to be applied for annual periods beginning on or after 1 January 2016).

2. ADOPTION OF NEW AND REVISED INERNATIONAL FINANCIAL REPORTING STANDARDS (the „IFRS") *(continued)*

2.3. New Standards and amendments to the existing Standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at date of issue of these financial statements (the effective dates stated below is for IFRS in full):

- **IFRS 9 "Financial Instruments"** (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **IFRS 15 "Revenue from Contracts with Customers"** and further amendments (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures"** - Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date was deferred indefinitely until the research project on the equity method has been concluded),

The Group anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Group in the period of initial application.

Hedge accounting for a portfolio of financial assets and liabilities, whose principles have not been adopted by the EU remains unregulated.

According to the Group's and Company's estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to **IAS 39: "Financial Instruments: Recognition and Measurement"** would not significantly impact the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These consolidated and unconsolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis of preparation

The consolidated and unconsolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Comparative information have been restated, where necessary, in order to be aligned with the figures presented for current year.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group and Company and entities controlled by the Company, i.e. its subsidiaries, including structured entities. Control is achieved when:

- The Group and Company has power over the investee;
- The Group and Company are exposed, or have rights, to variable returns from its involvement with the investee; and
- The Group and Company have the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group and Company considers all relevant facts and circumstances in assessing whether or not the voting rights in an investee are sufficient to give it power, including:

- the size of the Group's and Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group and Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group and Company have, or do not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Group and Company obtain control over the subsidiary and ceases when the Group and Company lose control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group and Company gain control until the date when the Group and Company cease to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent (Company) and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance

Changes in the Group's and Company's ownership interests in existing subsidiaries

Changes in the Group's and Company's ownership interests in subsidiaries that do not result in the Group and Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's and Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group and Company lose control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group and Company to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits" respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 "Share-based Payment" at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 „Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group and Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (continued)

Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss. When a business combination is achieved in stages, the Group's and Company's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group and Company obtain control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.
If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group and Company report provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Group's and Company's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of profit or loss and other comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal. The Group's and Company's policy for goodwill arising on the acquisition of an associate is described in note below.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures

An associate is an entity over which the Group and Company have significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's and Company's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's and Company's share of losses of an associate or a joint venture exceeds the Group's and Company's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's and Company's net investment in the associate or joint venture), the Group and Company discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group and Company have incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's and Company's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's and Company's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's and Company's investment in an associate or a joint venture.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (continued)

The Group and Company discontinue the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group and Company retain an interest in the former associate or joint venture and the retained interest is a financial asset, the Group and Company measure the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group and Company account for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group and Company reclassify the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group and Company continue to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests. When the Group and Company reduce its ownership interest in an associate or a joint venture but the Group and Company continue to use the equity method, the Group and Company reclassify to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

Gains and losses on transactions between a company which is a member of the Group and the associate or joint venture within the Group in the consolidated financial statements of the Group are recognized only to the extent of interests in the associate or joint venture that is not related to the Group.

Investments in subsidiaries

Subsidiaries are entities controlled by the Company. Control is achieved when: the Company has power over the investee, the Company are exposed, or have rights, to variable returns from its involvement with the investee, and the Company have the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above:

- the size of the Group's and Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group and Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and any additional facts and circumstances that indicate that the Group and Company have, or do not have, the current ability to direct the relevant activities at the time

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue is generated from the sale of goods and provision of services.
Revenue is measured at the fair value of the consideration received or receivable less estimated returns from customers, volume and similar discounts.

i) Service sales

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- income from partially performed services (those provided over several accounting periods) is recognised by reference to the stage of completion (measured based on the proportion of actual costs incurred relative to the total budgeted costs).

- Revenue from time and material contracts is recognised at the contractual rates as labour hours and direct expenses are incurred.

ii) Sales of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group and the Company have transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group and the Company retain neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of the revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group and Company; and
- the costs incurred or to be incurred on those transactions can be measured reliably.

Dividend and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established, provided that it is probable that the economic benefits will flow to the Group and Company and the amount of income can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

i) The Group and the Company as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's and Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's and Company's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on the straight - line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight - line basis over the lease term.

ii) The Group and the Company as lessee

Assets held under finance leases are initially recognised as assets of the Group and the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's and the Company's general policy on borrowing costs. Contingent rentals are expensed in the period in which they arise.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals are expensed in the period in which they arise.

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purposes of consolidated financial statements, the results and financial position of each group entity are expressed in Croatian kunas (HRK), since this is the functional currency of the parent company and presentation currency of the consolidated financial statements.

(all amounts are expressed in thousands of kunas)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The exchange rates applied as of 31 December 2015 and 2014 as well as the average rates applied in the translation of income and expense items are as follows:

Currency	31/12/2015	Average exchange rate for 2015	31/12/2014	Average exchange rate for 2014
RSD	15,89250	15,83319	15,74658	15,30953
KM	0,25616	0,25676	0,25528	0,25618
MKD	8,01174	8,07570	8,04629	8,06168
EUR	7,63504	7,61729	7,661471	7,634434

Exchange differences are recognised in profit or loss in the period in which they arise, except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the entire or a part of the net investment.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's and the Company's foreign operations are translated into Croatian kunas using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

On the disposal of a foreign operation i.e. a disposal of the Group's and Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Group and the Company are reclassified to profit or loss. All exchange differences previously attributable to non-controlling interests are derecognised but are not transferred to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

For all other partial disposals of ownership interest in associates or jointly controlled entities that do not result in a change of the accounting basis, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rates of exchange, with the resulting exchange differences being recognised in other comprehensive income.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

i) Current tax

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from the net profit reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Group's and the Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

ii) Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

ii) Deferred tax (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group and the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group and the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Company expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

iii) Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Plant and equipment are recognised as tangible fixed assets if their individual useful life exceeds one year and unit cost is over HRK 3,500. Plant and equipment are carried at cost, which includes all costs directly attributable to bringing an asset to a working condition for its intended use.

Any gain on disposal of an item of tangible assets is credited directly to income.

(all amounts are expressed in thousands of kunas)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)

The estimated useful lives and the applicable annual depreciation/amortisation rates for principal categories of property and equipment were as follows:

	Depreciation rates 2015	2014
Buildings	2.50-3.00%	2.50-3.00%
Electronic equipment and software	25–50%	25–50%
Equipment	10–40%	10–40%
Personal cars	20-40%	20-40%
Vehicles (other than personal cars)	25-50%	25-50%
Furniture and office equipment	20–50%	20–50%

On land owned no depreciation rate is applied.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Internally generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset; how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (continued)

Internally generated intangible assets - research and development expenditure (continued)

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).
Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Depreciation rates for intangible assets amounted from 20-25% (2014: 20 - 25%).

Impairment of tangible and intangible assets, excluding goodwill

At the end of each reporting period, the Group and the Company review the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Tangible assets recognised at historical cost are depreciated using the straight-line method over the useful life of an asset. Depreciation commences in the first months following the month in which an asset is put in use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of tangible and intangible assets, excluding goodwill (continued)

Impairment losses are recognised immediately as expenses. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Under the applicable standards, inventories have been valued as follows:

- the cost of merchandise includes purchase price, import duties and other costs directly attributable to acquisition of merchandise. Merchandise on stock for wholesale purposes is carried at cost.
- The cost is determined using the FIFO method.
- Small inventory includes tools, plant and office fittings and similar items that are expected to be used for a period of up to one year, as well as assets not considered fixed assets.
- Small inventory, tyres and spare parts are fully expenses when put in use.
- The Company also determines the value of slow-moving and obsolete inventories, and makes an impairment allowance for such inventories by reference to their fair value.

Trade receivables and given advances

Trade receivables and prepayments are shown at amounts invoiced net of allowance for uncollectible amounts.

The Group and the Company provides for bad and doubtful receivables on the basis of the overall ageing structure of all receivables, as well as by reviewing individual significant amounts receivable.

Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and the balance on bank accounts.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Financial assets and financial liabilities are recognised when the Group and the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

i) Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

ii) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group and the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

ii) Financial assets at FVTPL

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's and the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 43.

iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group and the Company has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

iv) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash, and others [describe]) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

v) Available-for-sale financial assets (AFS financial assets)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Listed redeemable notes held by the Group and the Company that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. The Group and the Company also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value at the end of each reporting period (because the directors consider that fair value can be reliably measured). Fair value is determined in the manner described in note 43. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates (see below), interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's and the Company's right to receive the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

vi) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

vi) Impairment of financial assets (continued)

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

vi) Impairment of financial assets (continued)

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

vii) Derecognition of financial assets

The Group and the Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group and the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group and the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group and the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group and the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received..

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group and the Company retains an option to repurchase part of a transferred asset), the Group and the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities and equity instruments issued by the Group and the Company

Classification as l9iabilities or debtor equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are initially recognised at fair value decreased for transaction cost.
Other financial liabilities are subsequently measured at amortised cost using the effective interest method.
The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group and the Company derecognises financial liabilities when, and only when, the Group's and the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group or the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that the Group or the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date date and adjusted to reflect the current best estimate.

Where the effect of discounting is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation. Where discounting is used, the reversal of such discounting in each year is recognized as finance costs.

Provisions for termination benefits are recognised when the Group and the Company have committed to terminate employment contracts with its employees i.e. when it has a detailed formal plan to terminate employment agreements that is reasonably unlikely to be abandoned.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Warranty provision

Warranty provisions, representing provisions for repairs and replacements within a warranty period, are determined based on the volume and cost of goods complained of as faulty (goods received for servicing) by groups of products.

The amount of provision is determined by applying an annual percentage of individual groups of faulty products covered by warranty (i.e. received for servicing) as a share in the total annual quantity of the individual products sold during the year, with the aggregate cost of the product group concerned taken as the basis.

Provisions are determined by groups of products and duration of the warranty period.

Warranty provisions are reversed upon the expiry of the underlying warranty period and credited to income for the year in which the warranty expires.

Contingent liabilities

Contingent liabilities have not been recognised in these financial statements. They are disclosed in the notes, unless the possibility of an outflow of resources embodying economic benefits is remote.

No contingent assets have been recognised in these financial statements. They are disclosed in the notes when the inflow of economic benefits becomes probable.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Events after the reporting date

Post-year-end events that provide additional information about the Group's the Company's position at the financial statements date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

Accounting judgements and estimates

In the application of the Group's and the Company's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on past experience and other factors that are considered to be relevant. Actual results may differ from those estimates. The estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

The key areas of estimation in applying the Group's and the Company's accounting policies that had a most significant impact on the amounts recognized in the financial statements were as follows:

(a) Useful life of property, plant and equipment and of intangible assets

As described in the accounting policies above, the Group and the Company review the estimated useful lives of their property, plant and equipment as well as of intangible assets at the each reporting date. Property, plant and equipment, and intangible assets are recognised initially at cost, less accumulated depreciation and amortisation, respectively.

(b) Impairment allowance on trade receivables

Management provides for doubtful receivables based on a specific review of significant individual amounts receivable. The allowance for amounts doubtful of collection is charged to the statement of profit or loss for the year.

Prior-period restatement

At 31 December 2013 the assets available for sale were determined to be permanently impaired, but the related charge was not recognised in profit or loss but rather to revaluation reserves. In 2015 the Group and the Company corrected the negative revaluation reserve balance by recognising a charge to retained earnings in the amount of HRK 5,175 thousand and a charge of HRK 137 thousand in the result for the year 2014.

The correction of the retained earnings balance and the effect of the change on the prior-period financial statements were recognised in the financial statements for 2015.

The effect of the correction on the opening balances of the prior period (the year 2014) has been a decrease in the opening balance of retained earnings by HRK 5,312 thousand and an increase in current tax by HRK 137 thousand.

(all amounts are expressed in thousands of kunas)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prior-period restatement (continued)

As a result of the correction, the expenses for the year ended 31 December 2014 were increased by HRK 171 thousand, and the profit for the year then ended was reduced by HRK 171 thousand.

The total effect of the resulting restatement on the financial statements of the Group at 31 December 2014 and 1 January 2014 is as follows:

	Notes	As originally reported	As restated	The resulting increase / (decrease)
Statement of financial position at 31 December 2014				
Revaluation reserve		(5,312)	-	5,312
Retained earnings	30	120,663	115,351	(5,312)
Total capital and reserves		320,256	320,256	-
TOTAL EQUITY AND LIABILITIES		**1,112,577**	**1,112,577**	-
Statement of financial position at 1 January 2014				
Revaluation reserve		(5,175)	-	5,175
Retained earnings	30	95,494	90,319	(5,175)
Total capital and reserves		295,658	295,658	-
TOTAL EQUITY AND LIABILITIES		**1,059,660**	**1,059,660**	-

(all amounts are expressed in thousands of kunas)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prior-period restatement (continued)

	As originally reported	As restated	The resulting increase / (decrease)
Statement of comprehensive income for the year ended 31 December 2014			
Profit before tax	32,021	31,850	(171)
Income tax expense	(5,734)	(5,700)	34
Profit for the year	**26,287**	**26,150**	**(137)**
Other comprehensive income	(1,854)	(1,717)	137
Total comprehensive income for the year ended 31 December 2014	**24,433**	**24,433**	**-**

The total effect of the resulting restatement on the financial statements of the Company at 31 December 2014 and 1 January 2014 is as follows:

		As originally reported	As restated	The resulting increase / (decrease)
Statement of financial position at 31 December 2014				
Revaluation reserve		(5,312)	-	5,312
Retained earnings		48,898	43,586	(5,312)
Total capital and reserves		249,789	249,789	-
TOTAL EQUITY AND LIABILITIES		**894,950**	**894,950**	**-**
Statement of financial position at 1 January 2014				
Revaluation reserve		(5,175)	-	5,175
Retained earnings	30	30,761	25,586	(5,175)
Total capital and reserves		231,789	231,789	-
TOTAL EQUITY AND LIABILITIES		**856,913**	**856,913**	**-**

(all amounts are expressed in thousands of kunas)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prior-period restatement (continued)

	As originally reported	As restated	The resulting increase / (decrease)
Statement of comprehensive income for the year ended 31 December 2014			
Profit before tax	22,649	22,478	(171)
Income tax expense	(4,512)	(4,478)	34
Profit for the year	**18,137**	**18,000**	**(137)**
Other comprehensive loss	(137)	-	137
Total comprehensive income for the year ended 31 December 2014	**18,000**	**18,000**	-

(all amounts are expressed in thousands of kunas)

4. SEGMENT INFORMATION

As of 31 December 2015, reporting segments of the Group comprise several operating segments: Croatia, Bosnia and Herzegovina, Serbia, Montenegro, Macedonia and other countries.

Set out below is a breakdown of revenue and results of the Group by its reporting segments presented in accordance with IFRS 8. The presented sales comprise sales to third parties, intra-segment sales and other sales.

Group segment revenue and results

2015	Croatia	Bosnia and Herzegovina	Serbia	Monte-negro	Mace-donia	Total	Eliminations / Corrections	Total
Sales less customer discounts and allowances	1,664,199	317,117	340,353	49,496	58,291	2,429,456	(440,314)	1,989,142
Cost of goods sold less supplier discounts and allowances	(1,479,990)	(268,542)	(289,794)	(43,722)	(49,957)	(2,132,005)	406,604	(1,725,401)
Changes in inventory	-	1,400	-	-	-	1,400	-	1,400
Other operating income	6,241	695	385	99	41	7,461	(378)	7,083
Other operating expenses	(150,734)	(38,299)	(41,887)	(5,352)	(6,335)	(242,607)	33,711	(208,896)
Profit from operations	**39,716**	**12,371**	**9,057**	**521**	**2,040**	**63,705**	**(377)**	**63,328**
Net finance expenses	(13,903)	(3,125)	(3,169)	(257)	(363)	(20,817)	33	(20,784)
Profit before taxes	**25,813**	**9,246**	**5,888**	**264**	**1,677**	**42,888**	**(345)**	**42,544**

(all amounts are expressed in thousands of kunas)

4. SEGMENT INFORMATION (CONTINUED)

Group segment revenue and results (continued)

2014	Croatia	Bosnia and Herzegovina	Serbia	Monte-negro	Mace-donia	Total	Eliminations / Corrections	Total
Sales less customer discounts and allowances	1,576,962	304,121	308,871	37,717	47,835	2,275,506	(417,538)	1,857,968
Cost of goods sold less supplier discounts and allowances	(1,401,097)	(259,878)	(261,229)	(33,150)	(40,801)	(1,996,155)	384,729	(1,611,426)
Changes in inventory	-	816	-	-	-	816	-	816
Other operating income	2,668	1,678	553	50	33	4,982	(234)	4,748
Other operating expenses	(140,949)	(36,222)	(41,073)	(5,138)	(6,125)	(229,507)	32,273	(197,234)
Profit from operations	**37,584**	**10,515**	**7,122**	**(521)**	**942**	**55,642**	**(770)**	**54,872**
Net finance expenses	(15,537)	(3,687)	(4,479)	(231)	(333)	(24,267)	1,245	(23,022)
Profit before taxes	**22,047**	**6,828**	**2,643**	**(752)**	**609**	**31,375**	**475**	**31,850**

Segment assets and liabilities

2015	Croatia	Bosnia and Herzegovina	Serbia	Monte-negro	Macedonia	Total	Eliminations / Corrections	Total
Tangible and intangible assets	25,920	84,641	14,892	1,310	391	127,154	44,320	171,474
Other non-current assets	168,365	25,877	581	7	123	194,953	(180,542)	14,411
Current assets	727,501	163,703	115,615	19,896	31,648	1,058,363	(69,273)	988,990
Total assets	**921,786**	**274,221**	**131,088**	**21,213**	**32,162**	**1,380,470**	**(205,595)**	**1,174,875**
Long term liabilities	174,707	6,239	85	-	7,034	188,065	-	188,065
Short term liabilities	475,360	108,829	79,368	6,874	8,118	678,549	(68,388)	610,161
Total liabilities	**650,067**	**115,068**	**79,453**	**6,874**	**15,152**	**866,614**	**(68,388)**	**798,226**

(all amounts are expressed in thousands of kunas)

4. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities (continued)

2014	Croatia	Bosnia and Herzegovina	Serbia	Monte-negro	Macedonia	Total	Eliminations / Corrections	Total
Tangible and intangible assets	20,155	85,266	15,844	1,115	512	122,892	43,914	166,806
Other non-current assets	169,942	26,080	584	10	123	196,739	(181,024)	15,715
Current assets	708,410	150,090	96,851	16,597	19,179	991,127	(61,071)	930,056
Total assets	**898,507**	**261,436**	**113,279**	**17,722**	**19,814**	**1,310,758**	**(198,181)**	**1,112,577**
Long term liabilities	225,876	7,042	1,866	-	-	234,784	-	234,784
Short term liabilities	422,584	102,948	64,625	3,598	4,364	598,119	(61,663)	536,456
Total liabilities	**648,460**	**109,990**	**66,491**	**3,598**	**4,364**	**832,903**	**(61,663)**	**771,240**

Other segment information

2015	Croatia	Bosnia and Herzegovina	Serbia	Monte-negro	Macedonia	Total	Eliminations / Corrections	Total
Depreciation	(4,045)	(2,376)	(999)	(13)	(179)	(7,612)	135	(7,477)
Increase of tangible and intangible assets	10,081	2,061	189	211	58	12,600	(5)	12,595
2014								
Depreciation	(2,536)	(2,065)	(1,191)	(9)	(181)	(5,982)	113	(5,869)
Increase of tangible and intangible assets	795	4,935	806	18	40	6,594	(420)	6,174

(all amounts are expressed in thousands of kunas)

5. SALES

	GROUP		COMPANY	
	2015	2014	2015	2014
Domestic sales of goods	1,795,647	1,659,398	1,098,822	1,013,048
Foreign sales of goods	151,051	172,919	416,691	422,755
Service provision	61,046	52,877	34,817	29,498
Income from the sale of licences	19,644	12,972	19,644	12,968
Re-export sales	9,718	6,086	105,979	110,093
Other	6,651	5,324	3,384	2,837
Allowances and discounts provided to buyers	(54,615)	(51,608)	(41,338)	(38,823)
Total	**1,989,142**	**1,857,968**	**1,637,999**	**1,552,376**

An analysis of sales by country of destination is provided below:

	GROUP		COMPANY	
	2015	2014	2015	2014
Croatia	1,124,726	1,019,104	1,129,626	1,018,907
Serbia	325,055	294,320	189,477	182,343
Bosnia and Herzegovina	316,471	293,362	136,573	141,964
Belgium	17,155	47,003	17,155	47,003
Macedonia	48,447	46,058	34,558	29,582
Austria	23,203	37,912	15,220	26,105
Montenegro	34,165	37,114	29,548	24,911
Poland	12,458	23,525	12,440	23,525
Slovenia	38,523	21,491	38,426	21,491
Albania	7,160	565	5,141	550
France	17,922	14,580	17,918	14,580
Germany	10,211	13,723	10,190	13,708
Netherlands	8,989	295	8,776	265
Kosovo	7,003	6,977	660	6,007
Letonia	8,615	4,974	8,615	4,974
Sweden	5,625	7,407	5,522	7,137
Switzerland	5,062	4,907	3,950	3,933
Uruguay	1,333	8,272	1,333	8,272
Other	31,634	27,987	14,209	15,942
Total	**2,043,757**	**1,909,576**	**1,679,337**	**1,591,199**

(all amounts are expressed in thousands of kunas)

6. OTHER OPERATING INCOME

	GROUP		COMPANY	
	2015	**2014**	**2015**	**2014**
Income from free of charge receipts	1,466	1,946	1,072	1,587
Long-term provisions turned to income	2,006	688	2,006	688
Inventory surplus	40	89	24	37
Income from recovery of bad and doubtful accounts	107	79	81	31
Income from sale of non-current assets	147	16	-	8
Other operating income	3,317	1,929	2,024	198
Total	**7,083**	**4,748**	**5,207**	**2,549**

7. COST OF RAW MATERIAL AND SUPPLIES

	GROUP		COMPANY	
	2015	**2014**	**2015**	**2014**
Basic and auxiliary materials, and office supplies	4,455	6,518	426	307
Energy and fuels for freight and personal vehicles	3,219	4,282	516	660
Small inventory, packaging and tyres lies	1,975	1,956	1,100	970
Servicing, replacement and repair costs under warranty	4,929	1,524	4	79
Ullage, spillage, breakage of raw materials and supplies	53	538	-	-
Cost of materials and spare parts for equipment maintenance	2,075	305	-	-
Total	**16,706**	**15,123**	**2,046**	**2,016**

(all amounts are expressed in thousands of kunas)

8. COST OF GOODS SOLD

	GROUP		COMPANY	
	2015	2014	2015	2014
Cost of goods sold	1,799,116	1,677,848	1,538,655	1,457,794
Ullage, spillage, breakage	2,590	2,520	1,885	2,316
Cost of real estate for resale	-	1,056	-	1,056
Other cost of goods sold	188	107	-	-
Excessive deficits on stock	-	146	-	-
Allowances and discounts provided by suppliers	(76,493)	(70,251)	(61,004)	(60,051)
Total	**1,725,401**	**1,611,426**	**1,479,536**	**1,401,115**

9. OTHER EXTERNAL CHARGES

	GROUP		COMPANY	
	2015	2014	2015	2014
Business premise and equipment rental costs	14,917	14,887	4,356	4,413
Costs of the Support Office and bookkeeping services	14,162	13,762	11,776	11,769
Marketing, sponsorships and fairs	14,242	13,122	6,256	4,339
Guarantee extension costs	17,386	12,391	8631	6,123
Licences for intellectual property	13,168	11,973	13,117	11,906
Telephone and transportation costs	11,647	10,606	9,680	8,530
Municipal utility fees and economic ownership	6,878	6,240	5,777	5,116
Outsourced repair of faulty goods under warranty	4,307	5,078	4,438	4,717
Maintenance and repairs	4,006	3,069	1,692	1,249
Entertainment	2,656	1,938	1,119	675
Intelectual services	925	1,756	293	424
Other external services	9,760	8,834	17,842	17,545
Total	**114,054**	**103,656**	**84,977**	**76,806**

Costs of the Support office comprise bookkeeping and other services described in Note 1.

(all amounts are expressed in thousands of kunas)

10. STAFF COSTS

	GROUP		COMPANY	
	2015	**2014**	**2015**	**2014**
Net salaries	31,480	30,234	12,617	12,119
Taxes, surtaxes and contributions out of salaries	12,920	13,156	5,989	6,377
Contributions on salaries	7,605	7,485	3,130	3,091
Total	**52,005**	**50,875**	**21,736**	**21,587**

The average number of employees in the Group during the year 2015 was 502 (2014: 431 employees on average). The average number of employees in the Company during the year 2015 was 127 (2014: 127 employees on average).

11. DEPRECIATION AND AMORTISATION

	GROUP		COMPANY	
	2015	**2014**	**2015**	**2014**
Depreciation	6,445	5,312	2,842	1,871
Amortisation	1,032	557	1,005	506
Total	**7,477**	**5,869**	**3,847**	**2,377**

12. OTHER EXPENSES

	GROUP		COMPANY	
	2015	**2014**	**2015**	**2014**
Bank and payment operation charges	2,300	2,013	1,155	1,106
Insurance premiums for equipment, vehicles and inventories	2,125	811	1,739	494
Commutation allowance	1,489	1,408	549	533
Per diems and other business travel costs	1,270	1,411	560	646
Forest levies, other contributions and membership fees	1,156	1,073	626	612
Professional training and literature	943	1,501	764	1,237
Taxes independent of the operating result	680	568	74	101
Christmas allowance, children's gifts, awards	297	306	122	110
Other expenses	3,076	2,607	635	527
Total	**13,336**	**11,698**	**6,224**	**5,366**

(all amounts are expressed in thousands of kunas)

13. IMPAIRMENT ALLOWANCE

	GROUP		COMPANY	
	2015	2014	2015	2014
Impairment allowance on trade receivables	454	1,489	359	-
Impairment allowance on intangible assets	218	324	218	324
Total	**672**	**1,813**	**577**	**324**

14. OTHER OPERATING EXPENSES

	GROUP		COMPANY	
	2015	2014	2015	2014
Written-off trade receivables	1,280	3,329	1,271	3,275
Fines	83	37	1	-
Other operating expenses	2,156	2,828	2,047	2,092
Total	**3,519**	**6,194**	**3,319**	**5,367**

15. FINANCIAL INCOME

	GROUP		COMPANY	
	2015	2014	2015	2014
Interest income	16,436	17,780	13,138	14,002
Foreign exchange gains	20,233	7,024	25,886	12,108
Share of profits of associates	2	515	-	337
Other financial income	-	3	-	3
Total	**36,671**	**25,322**	**39,024**	**26,450**

16. FINANCIAL EXPENSES

	GROUP		COMPANY	
	2015	2014	2015	2014
Interest expense	28,390	29,409	22,622	24,135
Foreign exchange losses	23,431	14,483	25,446	14,419
Bank guarantees fees	2,052	1,778	1,660	1,487
Loan origination costs	1,575	1,592	1,096	1,089
Permanent impairment of financial assets available for sale	1,290	171	1,290	171
Factoring fees	717	688	716	633
Other financial expenses	-	223	-	-
Total	**57,455**	**48,344**	**52,830**	**41,934**

(all amounts are expressed in thousands of kunas)

17. INCOME TAX

Corporate income tax in Croatia is determined by applying the rate of 20% (Serbia:15%, Montenegro:9%, Bosnia and Herzegovina: 10% i Macedonia: 10%) to taxable profit for the year.

	GROUP		COMPANY	
	2015	**2014**	**2015**	**2014**
Current tax	5,623	5,731	3,728	4,512
Deferred tax	(256)	(31)	(258)	(34)
Income tax expense	**5,367**	**5,700**	**3,470**	**4,478**

Current tax

	GROUP		COMPANY	
	2015	**2014**	**2015**	**2014**
Accounting profit before tax	42,544	31,850	26,100	22,478
Items increasing the profit / decreasing the loss	13,985	8,502	12,132	6,385
Items decreasing the profit / increasing the loss	(4,116)	(6,130)	(4,254)	(6,301)
Tax base	**52,413**	**34,222**	**33,978**	**22,562**
Use of tax loss	(184)	(583)	-	-
Taxable profit	**52,229**	**33,639**	**33,978**	**22,562**
Current tax	5,623	5,731	3,728	4,512

Deferred tax assets	GROUP		COMPANY	
	2015	**2014**	**2015**	**2014**
Opening balance	**1,578**	**1,547**	**1,328**	**1,294**
Increase in the benefit of other comprehensive income	256	31	258	34
Closing balance	**1,834**	**1,578**	**1,586**	**1,328**

(all amounts are expressed in thousands of kunas)

17. INCOME TAX (CONTINUED)

Changes of deferred tax liabilities are shown as follows:

	GROUP		COMPANY	
	2015	**2014**	**2015**	**2014**
Balance at 1 January	**6**	**6**	**-**	**-**
Debited to other comprehensive income	-	-	-	-
Charged to profit or loss	-	-	-	-
Balance at 31 December	**6**	**6**	**-**	**-**

Net deferred tax assets is shown as follows:

	GROUP		COMPANY	
	2015	**2014**	**2015**	**2014**
Deferred tax assets	1,834	1,578	1,586	1,328
Deferred tax liability	(6)	(6)	-	-
Net deferred tax assets	**1,828**	**1,572**	**1,586**	**1,328**

In accordance with local tax regulations, the tax authorities may at any time inspect the Company's books and records within the period defined by local tax regulation, and may impose additional tax assessments and penalties.

A tax audit was performed at the Company in 2013, 2014 and 2015, which was still pending at the date of issue of these financial statements.

In addition, the Company is a beneficiary of tax incentives under the Act on Scientific Activity and Higher Education and the Rules on Government Grants for Research and Development Projects.
As of the date of issue of these financial statements, the Company did not receive from the Ministry of Science, Education and Sports any verification of the eligibility of project costs for the utilisation of the tax incentive for 2014 and 2012, whereas the cost verification for 2013 was received, with only a minor portion of the project costs not being recognised as eligible. Thus, the Company corrected itself the income tax liability and paid the resulting difference in the amount of HRK 111 thousand.

(all amounts are expressed in thousands of kunas)

18. INTANGIBLE ASSETS

GROUP	Soft-ware	Conce-ssions	Development expenses	Trade mark	Intangible assets under development	Total
COST						
At 1 January 2014	**9,625**	**52**	**1,992**	**111**	**4,076**	**15,856**
Additions	-	-	-	-	85	85
Transfer from assets under development	75	-	-	-	(75)	-
Impairment	-	-	-	-	(324)	(324)
Exchange differences	(11)	1	-	-	-	(10)
At 31 December 2014	**9,689**	**53**	**1,992**	**111**	**3,762**	**15,607**
Additions	-	-	-	-	3,399	3,399
Additions - assets of the acquiree	-	-	53	-		53
Transfer from assets under development	3,336	-	-	55	(3,391)	-
Disposals	(1,347)	-	-	-	-	(1,347)
Impairment	-	-	-	-	(218)	(218)
Exchange differences	(5)	-	-	-	-	(5)
At 31 December 2015	**11,673**	**53**	**2,045**	**166**	**3,552**	**17,489**
ACCUMULATED AMORTISATION						
At 1 January 2014	**8,816**	**5**	**1,905**	**111**	**-**	**10,837**
Charge for the year	467	3	87	-	-	557
Exchange differences	(9)	1	-	-	-	(8)
At 31 December 2014	**9,274**	**9**	**1,992**	**111**	**-**	**11,386**
Charge for the year	1,028	3	1	-	-	1,032
Additions - assets of the acquiree	-	-	24	-	-	24
Disposals	(1,347)	-	-	-	-	(1,347)
Exchange differences	(5)	-	-	-	-	(5)
At 31 December 2015	**8,950**	**12**	**2,017**	**111**	**-**	**11,090**
CARRYING AMOUNT						
At 31 December 2015	**2,723**	**41**	**28**	**55**	**3,552**	**6,399**
At 31 December 2014	**415**	**44**	**-**	**-**	**3,762**	**4,221**

(all amounts are expressed in thousands of kunas)

18. INTANGIBLE ASSETS (CONTINUED)

	Software	Development expenses	Trade mark	Intangible assets under development	Total
COST					
At 1 January 2014	**8,436**	**1,992**	**111**	**3,971**	**14,510**
Additions	-	-	-	60	60
Transfer from assets under development	60	-	-	(60)	-
Impairment	-	-	-	(324)	(324)
At 31 December 2014	**8,496**	**1,992**	**111**	**3,647**	**14,246**
Additions	-	-	-	3,398	3,398
Transfer from assets under development	3,336	-	55	(3,391)	-
Disposals	(1,347)	-	-	-	(1,347)
Impairment	-	-	-	(218)	(218)
At 31 December 2015	**10,485**	**1,991**	**167**	**3,436**	**16,079**
ACCUMULATED AMORTISATION					
At 1 January 2014	**7,704**	**1,905**	**111**	-	**9,720**
Charge for the year	419	87	-	-	506
At 31 December 2014	**8,123**	**1,992**	**111**	-	**10,226**
Charge for the year	1,002	-	-	-	1,002
Disposals	(1,347)	-	-	-	(1,347)
At 31 December 2015	**7,778**	**1,991**	**112**	-	**9,881**
CARRYING AMOUNT					
At 31 December 2015	**2,707**	-	**55**	**3,436**	**6,198**
At 31 December 2014	**373**	-	-	**3,647**	**4,020**

(all amounts are expressed in thousands of kunas)

19. GOODWILL

	2015	2014
Cost	45,941	45,671
	45,941	**45,671**

	2015	2014
Cost		
Balance at beginning of the year	45,671	45,666
Acquisition	275	-
Effect of exchange differences	(5)	5
Balance at end of year	**45,941**	**45,671**

At the end of the reporting period, the Group reviewed the recoverable amount of goodwill and is satisfied that the goodwill is not impaired. The recoverable amount of goodwill has been determined based on the net present value of future cash flows using the appropriate weighted average cost of capital for the industry. In estimating future growth rates, the Group has applied a conservative approach; hence, no significant departures of the growth from the estimated future inflation rates.

Allocation of goodwill to cash-generating units

For the purposes of impairment test, goodwill has been allocated to the following cash-generating units:

	2015	2014
KIM TEC BG	29,251	29,251
KIM TEC BIH	8,201	8,201
MR SERVIS (bilješka 45)	275	-
Pakom Kompani d.o.o.	6,714	6,714
Poljoprivrednik Derventa	1,500	1,505
Total	**45,941**	**45,671**

The recoverable amounts of the cash-generating units have been determined on the basis of the value in use, which is based on cash flow projections on the basis of five-year budgets approved by the Management Board and the using of an appropriate discount rate.

For budgeting purposes, cash-flow projections are based on projected performance of individual cash-generating units.

(all amounts are expressed in thousands of kunas)

20. PROPERTY, PLANT AND EQUIPMENT

GROUP	Land and buildings	Plant and equipment	Vehicles	Office and other equipment	Leasehold improvements	Assets under development	Total
COST							
At 1 January 2014	**118,075**	**37,968**	**12,680**	**12,637**	**2,172**	**3,725**	**187,257**
Additions	-	630	62	-	142	5,255	6,089
Transfer from assets under development	1,788	4,316	1,015	351	-	(7,470)	-
Disposals	(86)	(37)	(146)	-	-	-	(269)
Exchange differences	(747)	(35)	(22)	(179)	481	(527)	(1,029)
At 31 December 2014	**119,030**	**42,842**	**13,589**	**12,809**	**2,795**	**983**	**192,048**
Additions	-	(5)	-	-	441	8,760	9,196
Additions - assets of he acquiree	-	359	-	602	-	-	961
Transfer from assets under development	1,250	6,388	533	391	-	(8,562)	-
Disposals	(10)	(15)	(436)	(59)	-	-	(520)
Exchange differences	(480)	(70)	(12)	(37)	(13)	(3)	(615)
At 31 December 2015	**119,790**	**49,499**	**13,674**	**13,706**	**3,223**	**1,178**	**201,070**

(all amounts are expressed in thousands of kunas)

20. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

GROUP	Land and buildings	Plant and equipment	Vehicles	Office and other equipment	Leasehold improvements	Assets under develop-ment	Total
ACCUMULATED AMORTISATION							
At 1 January 2014	**22,116**	**25,309**	**11,197**	**10,628**	**1,182**	**-**	**70,432**
Charge for the year	1,256	2,490	620	732	214	-	5,312
Disposals	-	(28)	(141)	(2)	-	-	(171)
Exchange differences	(149)	(66)	(19)	(148)	(57)	-	(439)
At 31 December 2014	**23,223**	**27,705**	**11,657**	**11,210**	**1,339**	**-**	**75,134**
Charge for the year	1,248	3,756	672	544	225	-	6,445
Povećanja za sredstva pripojenog društva	-	260		587	-	-	847
Disposals	-	(15)	(282)	(16)	-	-	(313)
Exchange differences	(103)	(24)	(7)	(34)	(9)	-	(177)
At 31 December 2015	**24,368**	**31,682**	**12,040**	**12,291**	**1,555**	**-**	**81,936**
CARRYING AMOUNT							
At 31 December 2015	**95,422**	**17,817**	**1,634**	**1,415**	**1,668**	**1,178**	**119,134**
At 31 December 2014	**95,807**	**15,137**	**1,932**	**1,599**	**1,456**	**983**	**116,914**

(all amounts are expressed in thousands of kunas)

20. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

COMPANY	**Land and buildings**	**Plant and equipment**	**Vehicles**	**Office and other equipment**	**Assets under develop-ment**	**Total**
COST						
At 1 January 2014	**11,346**	**24,081**	**5,235**	**5,629**	**300**	**46,591**
Additions	-	-	-	-	588	588
Transfer from assets under development	-	195	124	269	(588)	-
Disposals	-	-	(112)	-	-	(112)
At 31 December 2014	**11,346**	**24,276**	**5,247**	**5,898**	**300**	**47,067**
Additions	-	-	-	-	6,057	6,057
Transfer from assets under development	-	5,648	147	262	(6,057)	-
Disposals	-	(10)	-	(43)	-	(53)
At 31 December 2015	**11,346**	**29,914**	**5,394**	**6,117**	**300**	**53,071**

(all amounts are expressed in thousands of kunas)

20. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

COMPANY	Land and buildings	Plant and equipment	Vehicles	Office and other equipment	Assets under development	Total
ACCUMULATED AMORTISATION						
At 1 January 2014	**-**	**20,261**	**4,430**	**4,928**	**-**	**29,619**
Charge for the year	-	1,354	365	152	-	1,871
Disposals	-	-	(112)	-	-	(112)
At 31 December 2014	**-**	**21,615**	**4,683**	**5,080**	**-**	**31,378**
Charge for the year	-	2,373	290	179	-	2,842
Disposals	-	(11)	-	-	-	(11)
At 31 December 2015	**-**	**23,977**	**4,973**	**5,259**	**-**	**34,209**
CARRYING AMOUNT						
At 31 December 2015	**11,346**	**5,937**	**421**	**858**	**300**	**18,862**
At 31 December 2014	**11,346**	**2,661**	**564**	**818**	**300**	**15,689**

(all amounts are expressed in thousands of kunas)

21. FINANCIAL ASSETS

	GROUP		COMPANY	
	2015	2014	2015	2014
Investments in subsidiaries	-	-	160,101	158,901
Investments in shares available for sale	4,300	5,590	4,097	5,387
Investments in associates	6,609	6,607	2,613	2,613
Investments in held-to-maturity bonds	1,081	1,081	1,081	1,081
	11,990	**13,278**	**167,892**	**167,982**

21.1. INVESTMENTS IN SUBSIDIARIES

Set out in the table below are the Company's subsidiaries, together with the Company's ownership interests:

Name of subsidiary	Principal activity	Country of incorporation and business	Ownership share and share in the voting power 2015	2014	Amount 2015	2014
			%	%		
Kim Tec Vitez d.o.o.	DISTRIBUTION	Bosnia and Hercegovina	100	100	63,643	63,643
Kim Tec BG	DISTRIBUTION	Serbia	55	55	54,946	54,946
Kim Tec CG	DISTRIBUTION	Montenegro	100	100	11,698	11,698
Pakom Kompany d.o.o.	DISTRIBUTION	Macedonia	100	100	17,784	17,784
M San Servis d.o.o.	MAINTAINCE	Croatia	-	100	-	10,310
M San Eko d.o.o.	COLLECTION AND DISTRIBUTION OF WASTE	Croatia	100	100	500	500
MR SERVIS d.o.o.	MAINTAINCE	Croatia	60	-	11,510	-
M San Logistika d.o.o.	LOGISTICS	Croatia	100	100	20	20
					160,101	**158,901**

In 2015 the Company acquired a 60-percent share in MR Servis d.o.o., and M-San Servis d.o.o. was merged into MR Servis d.o.o. in that year, which resulted in an integrated operation of IT and consumer electronic business owned by M San grupa d.d., as the distributor of the goods (see Note 45).

(all amounts are expressed in thousands of kunas)

21. FINANCIAL ASSETS (CONTINUED)

21.2 INVESTMENTS IN ASSOCIATES

Set out in the table below is a summary of associates at 31 December 2015 and 31 December 2014:

	GROUP		COMPANY	
	2015	2014	2015	2014
Share in Ventex d.o.o.	6,595	6,593	2,606	2,606
Share in Baks Nekretnine d.o.o.	7	7	7	7
Share in Elko kompjuteri d.o.o.	7	7	-	-
	6,609	**6,607**	**2,613**	**2,613**

The disclosures about the associates within the Group are provided below:

Name of associate	Principal activity	Country of incorporation and business	Ownership share and share in the voting power 2015	2014
Ventex d.o.o., Rijeka	Mediation in miscellaneous trade	Rijeka	49%	49%
Baks nekretnine d.o.o.	Building construction project organisation	Zagreb	33.33%	33.33%
Elko kompjuter d.o.o.e.l.	Retail trade	Skopje, Macedonia	49%	49%

The shares in the associates are not quoted in active markets.

The financial disclosures pertaining to the Group's associates are provided below:

	2015	2014
Total assets	17,984	20,101
Total liabilities	7,942	9,344
Net assets	**10,042**	**10,757**
Group's share in the net assets of the associates	**4,921**	**5,271**

(all amounts are expressed in thousands of kunas)

21. FINANCIAL ASSETS (CONTINUED)

21.2 INVESTMENTS IN ASSOCIATES (CONTINUED)

	2015	2014
Total income	36,834	34,401
Total profit for the year	291	497
Attribution of profit from previous years	(218)	688
Unrealised gains from shares	(77)	(135)
The Group's share in the profits of the associates (49%)	**2**	**515**

21.3 INVESTMENTS IN AVAILABLE FOR SALE SHARES

	GROUP		COMPANY	
	2015	**2014**	**2015**	**2014**
Shares in Quaestus Private Equity Capital	3,016	4,306	3,016	4,306
Shares in Metronet telekomunikacije d.d.	1,081	1,081	1,081	1,081
Shares on the custody account	203	203	-	-
	4,300	**5,590**	**4,097**	**5,387**

The Company's share in the private equity fund Quaestus Private Equity capital is 5,83 % (31 December 2014: 5.83%). The shares of the Fund are not quoted in an active market.

Fair value	**Quaestus Private Equity Capital**	**Metronet**	**Shares in the custody account**	**Total**
Balance at 1 January 2015	**4,306**	**1,081**	**203**	**5,590**
Purchase	-	-	-	
Foreign exchange differences	(1,290)	-	-	(1,290)
Balance at 31 December 2015	**3,016**	**1,081**	**203**	**4,300**

(all amounts are expressed in thousands of kunas)

21. FINANCIAL ASSETS (CONTINUED)

21.4 INVESTMENTS IN HELD TO MATURITY BONDS

Investment in held to maturity bonds comprise bonds of the company Metronet d.d. in the amount of HRK 1.081 thousand (31 December 2014: HRK 1,081 thousand). According to the decision approving the pre-bankruptcy settlement over debtor Metronet telekomunikacije d.d., bonds are to be settled within eight years from concluding the pre-bankruptcy settlement arrangement, with an annual interest rate of 4.5 percent. During the first three years, which start running from entering into the pre-bankruptcy settlement arrangement (19 March 2014), only the interest will be paid, with an annual rate of 4.5 percent.

22. INVENTORIES

	GROUP		COMPANY	
	2015	**2014**	**2015**	**2014**
Merchandise	160,713	121,579	71,430	59,414
Goods in the customs warehouse	38,855	37,350	38,682	37,350
Goods in transport	18,820	31,825	14,134	20,853
Inventories of raw material and supplies	2,750	3,854	-	-
Other inventories	6,926	3,407	382	396
Total	**228,064**	**198,015**	**124,628**	**118,013**

23. PREPAYMENTS MADE

	GROUP		COMPANY	
	2015	**2014**	**2015**	**2014**
Prepayments made for goods	13,038	8,378	12,550	7,769
Prepayments made for services	2,675	1,086	-	15
Total	**15,713**	**9,464**	**12,550**	**7,784**

(all amounts are expressed in thousands of kunas)

24. TRADE RECEIVABLES

	GROUP		COMPANY	
	2015	**2014**	**2015**	**2014**
Domestic trade receivables	352,566	304,312	196,446	168,301
Foreign trade receivables	37,595	39,974	85,715	76,227
Impairment allowance on trade receivables	(26,161)	(25,952)	(10,671)	(10,800)
Total	**364,000**	**318,334**	**271,490**	**233,728**

Movement in impairment allowance for doubtful accounts:

	GROUP		COMPANY	
	2015	**2014**	**2015**	**2014**
At 1 January	25,952	33,126	10,800	10,904
Increase in impairment allowance (Note 12)	454	1,489	359	-
Reversed on collection (Note 6)	(107)	(79)	(81)	(31)
Reversed allowances	(138)	(8,584)	(407)	(73)
At 31 December	**26,161**	**25,952**	**10,671**	**10,800**

Ageing of past due but not impaired trade receivables:

	GROUP		COMPANY	
	2015	**2014**	**2015**	**2014**
Not yet due	262,743	220,949	204,975	162,839
Up to 60 days	38,367	47,307	25,786	43,304
60-90 days	9,581	5,454	8,956	4,066
90-120 days	3,277	3,497	1,248	1,153
120-365 days	22,712	22,998	14,212	13,330
Beyond 365 days	27,320	18,129	16,313	9,036
Total	**364,000**	**318,334**	**271,490**	**233,728**

The average credit period on sales in the Group in 2015 was 67 days (2014: 61 days), while in the Company it was 61 days (2014: 54 days).

Of the total receivables past due beyond 365 days, the Group's receivables from related companies amount to HRK 13,207 thousand and its receivables from unrelated companies amount to HRK 14,113 thousand, whereas the balance owed to the Company by its related companies and unrelated companies amounts to HRK 11,581 thousand and HRK 4,732 thousand, respectively.

(all amounts are expressed in thousands of kunas)

25. RECEIVABLES FROM THE STATE AND OTHER INSTITUTIONS

	GROUP		COMPANY	
	2015	**2014**	**2015**	**2014**
Prepaid benefit of EE waste	10,563	9,294	10,563	9,294
VAT refund	7,555	6,763	4,538	4,626
Receivables for other taxes, contributions and membership fees	235	218	179	161
Customs duty refunds	112	89	-	-
Receivables for overpaid income tax	710	18	680	-
Other amounts due from the state	587	712	42	-
Total	**19,762**	**17,094**	**16,002**	**14,081**

The Environmental Protection and Energy Efficiency Fund ('the Fund') implemented administrative proceedings for the years 2008 and 2010 in which it adopted a final decision verifying that M San Grupa d.d., as the mandatory payer of the electric and electronic waste fee, paid HRK 6,527 thousand into the Fund.

Following the adoption of the final decisions corroborating the actual payment of the liabilities by M San Grupa, the Fund adopted supplemental rulings decisions in 2011 determining an additional difference regarding the fees calculated and paid in 2008 and 2010.

M San Grupa appealed against the subsequent rulings, and the appeal was acknowledged by the Ministry of Environmental Protection that upheld the impossibility to adopt the so-called supplemental rulings, but rather declared that the difference could have been determined only in renewed administrative proceedings.

The Fund founded the claimed outstanding difference on the interpretation of the rules and regulations under which exported electronic and electrical devices are also subject to the fee, regardless of the devices not being put into circulation on the territory of the Republic of Croatia. Subsequent to that, the Fund adopted a decision to renew the procedure of determining the waste management fee resulting in a reassessed fee, i.e. a fee increased by the amount pertaining to devices sold outside the territory of the Republic of Croatia.

As a result of the new decision for the same period, there are two administrative rulings regulating one and the same legal matter differently. In the period from July to November 2014 M San Grupa d.d. filed new appeals pertaining to the year 2008, which were rejected. In October 2014 M San Grupa d.d. lodged an appeal against the new rulings applicable to 2010, which is still pending. On 24 December 2014 the enforced collection of cash of M San Grupa d.d. in the total amount of HRK 9,294 thousand took place on the grounds of all the new rulings.

25. RECEIVABLES FROM THE STATE AND OTHER INSTITUTIONS (continued)

Following the enforcement, M San Grupa d.d. initiated administrative proceedings with respect to 2008 with a motion to render the appellate ruling of the Ministry and the first-instance ruling of the Fund null and void and to effect the recovery of entire monetary claim on the following grounds:

a) the challenged decisions of the Fund and of the Ministry violate the procedural regulations, i.e. the provisions of the general administrative procedure;
b) the rulings adopted in the renewed proceedings determine a difference with respect to a matter already finally determined following the procedures implemented in respect of 2008 and 2010;
c) the new rulings adopted contrary to the prescribed procedure, i.e. renewed procedures, encroached the finality of the administrative instruments from 2008, which is prohibited according to Art. 13 of the Act on the General Administrative Procedure which prohibits any encroachment of the already vested rights of the parties;
d) that the Fund's right to reinstitute the case
e) the claims from 2008 have expired under the statute of limitations, as they can no longer be determined in 2014.

Because of the different closing of the accounts, the Fund enforced the collection of HRK 1,271 million from the Company in 2015. Namely, M SAN GRUPA d.d. paid the waste management fee for specified months in accordance with the Energy Efficiency and Environmental Protection Fund decisions, whereas the Fund was closing periods other than those specified on the bills because of items the Fund accounted for as outstanding with respect to challenged decisions for 2008 and 2010.

Because of the matters referred to above, the Management Board expects that the Administrative Court in Zagreb will render all the decisions of the Ministry and the Fund null and void and order the refund of the amounts collected through enforcement to M San Grupa.

This is supported by the fact that, on 25 November 2015, the Administrative Court in Zagreb adopted the first final judgement (ref. no. Usl-109/2015) pertaining to September 2008 fees under which it has acknowledged the entire claim of M San Grupa d d. (rendering the second-instance decision of the Ministry, the first-instance decision of the Fund null and void and ordering the refund of the entire amount collected through enforcement, including the interest). One can expect that other cases will be treated in the same way, as they are based on identical facts and legal grounds.

The 2010 situation is similar to 2008, whereby the Management Board considers that there is still a possibility that the appeals will be acknowledged and first-instance decisions of the Fund will be rendered null and void, as a result of which the obligation would arise at the Fund to refund unfoundedly collected amounts in respect of 2010.

(all amounts are expressed in thousands of kunas)

26. GIVEN LOANS AND DEPOSITS

	GROUP		COMPANY	
	2015	2014	2015	2014
Loans to corporate entities	215,816	249,620	178,791	213,517
Loans to individuals	1,868	1,964	1,661	1,626
Given deposits to unrelated parties	21	23	-	-
Total	**217,705**	**251,607**	**180,452**	**215,143**

Loans to corporate entities

	Original currency	Amount	Maturity	2015	2014
Company					
Loans to corporate entities within group					
M SAN GRUPA D.D.					
M SAN EKO d.o.o.	HRK	500	9.1.2016.	1,549	974
Total				1,549	**974**
Loans to other corporate entities					
M SAN GRUPA D.D.					
Related parties					
Corvus info d.o.o.	HRK	10	22.7.2015.	-	11,727
Litus projekt d.o.o.	HRK	1,500	15.3.2016.	546	537
M SAN Nekretnine d.o.o.	HRK	80	2.1.2015.	-	36,960
M SAN Ulaganja d.o.o.	HRK	60,000	31.12.2016.	60,275	40,383
Poljoprivredno poduzeće Orahovica d.d.	HRK	100,00	24.11.2016	86,281	95,482
Baks grupa d.o.o.	HRK	19,000	29.5.2016.	18,309	18,310
Third parties					
Castalia projekt d.o.o.	HRK	3,900	31.12.2016.	3,426	3,116
Osnovna škola Montessori, Zagreb	HRK	50	26.5.2016.	-	33
Agram projekt d.o.o.	HRK	400	11.7.2015.		400
Autocentar Dankić d.o.o.	HRK	100	2015.	-	100
O-Tours d.o.o.	HRK	160	26.9.2016.	74	134
Virentia savjetovanje	HRK	9,500	14.7.2016.	8,331	5,361
Total				**177,242**	**212,543**
Group					
KIM TEC BIH d.o.o.					
MPI Modriča	KM	5,250	3.5.2016.	18,649	19,360
EKO-Bosanska Posavina d.o.o. Derventa	KM	2,150	31.12.2015.	9,042	8,682
Poljoprivrednik Odžak	KM		1.4.2016.	2,073	
Poljoprivrednik d.o.o. Glamoč	KM	1,000	31.12.2015.	1,962	2,204
MP ENERGIJA d.o.o. Bosansko Grahovo	KM	852	31.12.2015.	3,092	3,018
Agropromet Grahovo d.o.o. Bosansko Grahovo	KM	629	31.12.2015.	1,803	1,810
Total				**36,621**	**35,074**

(all amounts are expressed in thousands of kunas)

26. GIVEN LOANS AND DEPOSITS (CONTINUED)

	Original currency	Amount	Maturity	2015	2014
KIM TEC BG d.o.o.					
Solution JM	RSD	3,700		233	235
EKUPI d.o.o. Beograd	RSD	1,581	31.12.2016	1,581	1,108
Total				**1,814**	**1,343**
PAKOM KOMPANI d.o.o.					
Kim Tec Tirana	EUR	20	24.8.2016	139	80
Total				**139**	**80**
KIM TEC PODGORICA d.o.o.					
EKUPI d.o.o. Podgorica	EUR	70	31.12.2015	-	580
Total				**-**	**580**
Total loans to corporate entities				**215,816**	**249,620**
Loans to individuals					
Company					
M SAN GRUPA D.D.					
Mato Arelić	HRK	950	22.7.2016	620	620
Other individuals with smaller loans	HRK	1040	25.5.2017	1,041	1,006
Total				**1,661**	**1,626**
Group					
KIM TEC BIH					
Other individuals with smaller loans	KM	50	31.12.2015	59	129
Total				**59**	**129**
POLJOPRIVREDNIK DERVENTA					
Other individuals with smaller loans	KM			137	177
Total				**137**	**177**
PAKOM KOMPANI d.o.o.					
Other individuals with smaller loans	MKD			4	21
Total				**4**	**21**
Other loans to individuals				**7**	**11**
Total loans to individuals				**1,868**	**1,964**
TOTAL LOANS				**217,684**	**251,584**

(all amounts are expressed in thousands of kunas)

26. GIVEN LOANS AND DEPOSITS (CONTINUED)

Loans were provided to branches, the Company's owner and companies related with the Company's owner (as an individual). No collateral has been sought for the loans, as they were provided to related companies. The Management Board of the Company is confident that the loans are not doubtful of collection.

27. REPAID EXPENSES AND ACCRUED INCOME

	GROUP		COMPANY	
	2015	**2014**	**2015**	**2014**
Prepaid expenses - goods in transport	29,837	33,443	29,836	33,443
Accrued income - subsequently approved discounts	12,704	12,940	10,829	12,940
Accrued income - amounts not yet billed	57	-	-	-
Prepaid expenses	5,781	3,541	1,891	1,774
Total	**48,379**	**49,924**	**42,556**	**48,157**

28. OTHER RECEIVABLES

	GROUP		COMPANY	
	2015	**2014**	**2015**	**2014**
Interest receivable	50,380	39,231	41,545	32,016
Other receivables	2,093	1,535	1,604	1,387
Value adjustment of receivables per interests	(72)	(60)	(72)	(60)
Total	**52,401**	**40,706**	**43,077**	**33,343**

Interests receivable are presented as follows:

	GROUP		COMPANY	
	2015	**2014**	**2015**	**2014**
Receivables per interests per loans	50,380,	39,231	41,545	32,016
Value adjustment of receivables per interest	(72)	(60)	(72)	(60)
Total	**50,308**	**39,171**	**41,473**	**31,956**

(all amounts are expressed in thousands of kunas)

29. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2015	**2014**	**2015**	**2014**
Cash with banks	41,710	43,725	27,426	34,926
Cash in hand	123	121	96	97
Total	**41,833**	**43,846**	**27,522**	**35,023**

30. SHARE CAPITAL

The share capital consists of:

	2015	**2014**
1,000,000 A-series ordinary shares fully paid in at 28/05/2007	100,000	100,000
700,000 B-series ordinary shares fully paid in at 16/10/2008	70,000	70,000
300,000 C-series ordinary shares fully paid in at 15/07/2009	30,000	30,000
Total	**200,000**	**200,000**

The fully paid-in ordinary shares with a nominal value of HRK 100 per share bear one vote and entitle the holder to receive dividends. The owner of shares is Stipo Matić (100%).

(all amounts are expressed in thousands of kunas)

31. RETAINED EARNINGS

	GROUP			COMPANY		
	31 December 2015	31 December 2014 as restated	1 January 2014 as restated	31 December 2015	31 December 2014 as restated	1 January 2014 as restated
Retained earnings	149,955	115,351	90,319	66,106	43,585	25,586
Total	**149,955**	**115,351**	**90,319**	**66,106**	**43,585**	**25,586**

Changes of retained earnings are shown below:

	GRUPA			DRUŠTVO		
	2015.	2014 restated	2013 restated	2015	2014 restated	2013 restated
Balance at 1 January	115,351	90,319	79,399	43,586	25,586	21,290
Profit for the year	34,739	25,064	10,965	22,631	18,000	4,296
Subsequently identified income tax liabilities	(111)	-	-	(111)	-	-
Transfer to legal reserves	(24)	(32)	(45)	-	-	-
Balance at 31 December	**149,955**	**115,351**	**90,319**	**66,106**	**43,586**	**25,586**

(all amounts are expressed in thousands of kunas)

32. EARNINGS PER SHARE

	GROUP		COMPANY	
	2015	2014	2015	2014
Profit for the year attributable to the equity holder of the parent (in HRK'000)	34,739	25,064	22,631	18,000
Weighted average number of ordinary shares (in pcs)	2,000,000	2,000,000	2,000,000	2,000,000
Basic earnings per share (in kunas and lipas), basic and diluted	**17.37**	**12.53**	**11.32**	**9.00**

33. NON-CONTROLLING INTERESTS

	GROUP	
	2015	2014
Net asset value at acquisition date	21,081	21,246
Other comprehensive loss	(202)	(1,251)
Share in the current year's profit	2,438	1,086
Increase in non-controlling interest	647	-
Balance at end of year	**23,964**	**21,081**

(all amounts are expressed in thousands of kunas)

34. PROVISIONS FOR RISKS WITHIN THE WARRANTY PERIOD

	GROUP		COMPANY	
	2015	**2014**	**2015**	**2014**
Long-term provisions for risks within the warranty period	2,119	2,006	1,037	2,006
Total	**2,119**	**2,006**	**1,037**	**2,006**

Movements in the provisions can be presented as follows:

	GROUP		COMPANY	
	2015	**2014**	**2015**	**2014**
At 1 January	2,006	688	2,006	688
Transferred from MR Servis	992		-	
New provisions made	1,127	2,006	1,037	2,006
Decreases	(2,006)	(688)	(2,006)	(688)
At 31 December	**2,119**	**2,006**	**1,037**	**2,006**

The balance of the provisions account for 0.11 percent of the Company's and Group's cost of goods sold (31 December 2014: 0.12 %).

35. LONG-TERM FINANCE LEASE AND LOANS OBLIGATIONS

Long-term liabilities from finance lease

	GROUP		COMPANY	
	2015	**2014**	**2015**	**2014**
Total obligations under finance leases	1,425	**1,723**	190	**311**
Less: current portion of finance lease obligtions	(263)	(531)	(100)	(218)
Long-term finance lease obligations	**1,162**	**1,192**	**90**	**93**
Total long term liabilities from financial leasing	**1,162**	**1,192**	**90**	**93**

(all amounts are expressed in thousands of kunas)

35. LONG-TERM FINANCE LEASE AND LOANS OBLIGATIONS (CONTINUED)

Long-term loan liabilities

	GROUP		COMPANY	
	2015	**2014**	**2015**	**2014**
Total loans from financial institutions	242,253	272,021	222,085	252,033
Less: current portion of loans from financial institutions	(57,475)	(40,441)	(49,871)	(28,287)
Long-term loans from financial institutions	184,778	231,580	172,214	223,746
Total long-term loans from financial institutions	**184,778**	**231,580**	**172,214**	**223,746**
Total long-term portion of long-term loans and leases	**185,940**	**232,772**	**172,304**	**223,839**

Financijal institutions	Original currency	Deposit amount	Maturity	2015	2014
POLJOPRIVREDNIK AD					
IRB RS	KM	1,000	1.7.2019.	2,876	3,559
NLB Razvojna banka	KM	750	11.4.2017.	2,324	2,892
NLB Razvojna banka	KM	500	1.6.2020.	1,779	-
NLB Razvojna banka		1,000	1.2.2020.	887	1,502
Total				**7,866**	**7,953**
PAKOM KOMPANI d.o.o.					
NLB Tutunska banka	MKD	56.773	19.10.2015	-	2,566
NLB Tutunska banka	EUR	1.500	22.7.2018	11,254	-
Total				**11,254**	**2,566**
KIM TEC BEOGRAD d.o.o.					
Intesa Sanpaolo Banka d.d.	EUR	999	31.5.2015.	-	-
Intesa Sanpaolo Banka d.d.	RSD	75,900	21.01.2016.	398	4,820
Intesa Sanpaolo Banka d.d.	RSD	31,000	13.04.2016.	650	1,968
Alpha bank AD Beograd	RSD	47,500	9.10.2016.	-	2,681
Total				**1,048**	**9,469**

(all amounts are expressed in thousands of kunas)

35. LONG-TERM FINANCE LEASE AND LOANS OBLIGATIONS (CONTINUED)

Financijal institutions	Original currency	Deposit amount	Maturity	2015	2014
MSAN GRUPA D.D.					
Splitska banka d.d.HBOR	KN	12,500	31.12.2016	11,250	12,500
Zagrebačka banka d.d.	KN	176,020	15.1.2020.	137,121	156,223
Raiffeisen bank d.d.	EUR	4,435	15.1.2020.	25,167	28,702
Splitska banka d.d.	KN	61,168	30.9.2018.	48,547	54,608
Total				**222,085**	**252,033**
Total long-term loans from financial institutions				**242,253**	**272,021**
Less: Current portion				**(57,475)**	**(40,441)**
Total				**184,778**	**231,580**

(all amounts are expressed in thousands of kunas)

36. SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS

	GROUP		COMPANY	
	2015.	**2014.**	**2015.**	**2014.**
Short-term bank borrowings	149,094	162,887	84,097	112,057
Revolving facilities with banks	12,197	6,991	-	-
Total borrowings	**161,291**	**169,878**	**84,097**	**112,057**
Current portion of long-term leases	263	531	101	218
Current portion of long-term loans	57,475	40,441	49,871	28,287
Total	**219,029**	**210,850**	**134,069**	**140,562**

An overview of bank borrowings of the M San Group:

Financial institutions	**Original currency**	**Amount**	**Maturity**	**2015**	**2014**
KIM TEC BIH d.o.o.					
UniCredit Bank Mostar d.d.	KM	2,000	3.6.2016	7,808	7,835
UniCredit Bank Mostar d.d. RK 02	KM	1,000	3.6.2016	-	3,917
Intesa Sanpaolo Banka d.d.	KM	1,500	16.11.2016	5,855	5,876
Intesa Sanpaolo Banka d.d.	KM	500	16.11.2016	3,904	1,959
Okvirni kredit UNICREDIT BANK	KM	3,000	3.6.2016	284	-
Okvirni kredit SPARKASSE BANK	KM	500	20.8.2016	1,841	1,275
Okvirni kredit Moja Banka	KM	800	21.5.2016	3,114	
Sberbank d.d.	KM	1,000	4.3.2015	-	1,993
NLB Tuzlanska banka 2.000.000	KM	2,000	24.6.2016	7,808	7,835
NLB Tuzlanska banka1 400 000	KM	1,400	9.12.2016	5,465	5,484
Bor banka d.d.	KM	1,900	26.6.2016	2,733	4,342
Total				**38,812**	**40,516**

(all amounts are expressed in thousands of kunas)

36. OBVEZE PO KRATKOROČNIM KREDITIMA OD FINANCIJSKIH INSTITUCIJA (NASTAVAK)

An overview of bank borrowings of the M San Group (continued):

Financial institutions	Original currency	Amount	Maturity	2015	2014
KIM TEC BEOGRAD d.o.o.					
Procredit banka d.d.	EUR	190	27.2.2015.	-	248
Procredit banka d.d.	EUR	300	30.05.2015.	-	974
Procredit banka d.d.	RSD	50.000	21.11.2015.	-	2,698
Procredit banka d.d.	EUR	440	23.3.2016.	858	-
Procredit banka d.d.	EUR	600	10.9.2016.	4,592	-
Vojvođanska banka d.d.	RSD	57.193	30.6.2015.	-	2,434
Vojvođanska banka d.d.	EUR	660	29.2.2016.	5,510	-
Vojvođanska banka d.d.	EUR	600	26.6.2016.	918	-
Komercijalna banka	EUR	350	4.3.2015.	-	896
Mirabank	RSD	100.000	21.7.2016.	6,292	-
VTB Banka	RSD	85.000	21.10.2016.	4,457	-
Hypo banka	RSD	85.000	31.12.2016.	5,348	-
Intesa Sanpaolo Banka d.d.	RSD	40.000	22.7.2016.	1,958	-
Intesa Sanpaolo Banka d.d.	RSD	23.000	27.10.2016.	1,491	-
Pireaus banka	RSD	80.000	24.4.2015.	-	1,693
Komercijalna banka	RSD	50.000	5.11.2015.	-	2,646
Intesa Sanpaolo Banka d.d.	RSD	35.000	21.10.2016.	-	-
Total				**31,424**	**11,589**

(all amounts are expressed in thousands of kunas)

36. SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS (CONTINUED)

An overview of bank borrowings of the M San Group (continued):

Financial institution	Original currency	Amount	Maturity	2015	2014
POLJOPRIVREDNIK AD					
Intesa Sanpaolo Banka d.d. okvirni kredit	KM	1.000	15.12.2016	3,904	-
NLB Razvojna banka	KM	1.000		-	2.651
Total					**2,651**
KIM TEC CG d.o.o					
Okvirni kredit HIPOTEKARNA BANK	EUR	400	28.4.2016	3,054	3,065
Total				**3,054**	**3,065**
COMPANY					
Total short-term borrowings (see note below)				84,097	112,057
				84,097	**112,057**
Total				**161,291**	169,878
Plus: Current portion of long-term borrowings				263	531
Plus: Current portion of loans from financial institutions				57,475	40,441
Total current portion of long-term borrowings and short-term loans				**219,029**	**210,850**

(all amounts are expressed in thousands of kunas)

36. SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS (CONTINUED)

An overview of bank borrowings of the M San Group (continued):

COMPANY

Financial institutions	Original currency	Amount	Maturity	2014	2013
Erste&Steiermarkische bank d.d	EUR	3,392	31.8.2015	-	26,123
Zagrebačka banka d.d.	HRK	20,000	15.6.2016	20,000	20,000
Zagrebačka banka d.d	HRK	20,000	15.2.2016	20,000	20,000
Hypo Alpe Adria Bank d.d.	EUR	1,400	31.5.2015	-	-
Societe Generale-Splitska banka d.d.	HRK	20,000	15.1.2016.	20,000	20,000
Privredna banka d.d.	EUR	1,515	31.5.2016	9,642	10,934
Hrvatska poštanska banka d.d.	HRK	15,000	1.8.2016	14,455	15,000
Total				**84,097**	**112,057**
Plus: Current portion of long-term borrowings				101	218
Plus: Current portion of loans from financial institutions				49,871	28,287
Total current portion of long-term borrowings and short-term loans				**134,069**	**140,562**

37. ADVANCES RECEIVED

	GROUP		COMPANY	
	2015	**2014**	**2015**	**2014**
Advances received from domestic customers	8,404	746	7,766	176
Advances received from foreign customers	570	798	-	2,285
Total	**8,974**	**1,544**	**7,766**	**2,461**

(all amounts are expressed in thousands of kunas)

38. TRADE PAYABLES

	GROUP		COMPANY	
	2015	**2014**	**2015**	**2014**
Foreign trade payables	263,841	241,225	238,258	213,904
Domestic trade payables	54,478	32,870	39,360	22,076
Domestic trade payables – unbilled goods	23	62	-	51
Total	**318,342**	**274,157**	**277,618**	**236,031**

39. TAXES, CONTRIBUTIONS AND OTHER DUTIES PAYABLE

	GROUP		COMPANY	
	2015	**2014**	**2015**	**2014**
Liabilities for VAT	20,847	16,646	19,873	16,071
Liabilities to the customs office	5,947	5,287	4,622	4,734
Liabilities for income tax	718	2,570	-	2,202
Liabilities for taxes and contributions from and on salaries	1,576	1,298	806	822
Liabilities for memberships, contributions and other taxes	571	716	32	452
Total	**29,659**	**26,517**	**25,333**	**24,281**

(all amounts are expressed in thousands of kunas)

40. OTHER CURRENT LIABILITIES

	GROUP		COMPANY	
	2015	2014	2015	2014
Amounts due under factoring arrangements	11,286	8,682	11,286	8,681
Interest on borrowings	1,022	1,124	839	951
Other current liabilities	6,553	2,772	2,913	694
Total	**18,861**	**12,578**	**15,038**	**10,326**

41. ACCRUED EXPENSES AND DEFERRED INCOME

	GROUP		COMPANY	
	2015	2014	2015	2014
Accrued expenses - not yet billed	11,627	6,486	6,578	2,721
Accrued income	156	1,617	152	1,617
Deferred income	740	321	-	-
Deferred income - late-payment interest	96	285	5	154
Other accrued expenses and deferred income	26	41	-	-
Total	**12,645**	**8,750**	**6,735**	**4,492**

42. RELATED-PARTY TRANSACTIONS

The transactions and resulting balances receivable and payable during 2015 and 2014 involve the following related parties:

Entities controlled or under significant influence by the Company:

Kim Tec d.o.o., Vitez
Kim Tec - servis d.o.o., Vitez
Poljoprivrednik a.d., Derventa
Kim tec eko d.o.o., Vitez
Kim Tec CG, Podgorica
Kim Tec d.o.o., Beograd
Kim Tec servis d.o.o., Beograd
Vivax d.o.o., Beograd
Pakom Kompany, Skopje
M San Servis d.o.o., Zagreb (merged into the new acquiree, MR Servis d.o.o.)
M San Logistika d.o.o., Zagreb
MR Servis d.o.o.
M San Eko d.o.o., Zagreb

Entities associated to the Company

Ventex d.o.o., Rijeka

Entities with joint ultimate owner:

King ICT d.o.o., Zagreb
King ICT d.o.o., Beograd
King ICT d.o.o., Sarajevo
King ICT d.o.e.l., Skopje
KING ICT L.L.C, Priština
Aktivis d.o.o., Zagreb
Pametna energija d.o.o., Zagreb
M San Ulaganja d.o.o., Zagreb
M San Nekrenine d.o.o., Zagreb
PP Orahovica d.d.
PP Lješnjak d.o.o.
PP Stočarstvo d.o.o.
Poljoprivrednik d.o.o., Odžak
Poljoprivrednik Glamoč d.o.o., Glamoč
MP Energija d.o.o., Grahovo
AP Energija d.o.o., Grahovo
E kupi d.o.o., Zagreb
E kupi d.o.o., Beograd
E kupi d.o.o., Sarajevo
E kupi d.o.o., Podgorica
E kupi d.o.o., Skopje

(all amounts are expressed in thousands of kunas)

42. RELATED-PARTY TRANSACTIONS (CONTINUED)

Entities with joint ultimate owner (continued):
Corvus Info d.o.o., Zagreb
Korvus Makedonija dooel, Skopje
Maslina je obrana d.o.o., Rovinj
Litus projekt d.o.o.
Tectum projekt d.o.o.
Kim Tec, Ljubljana
Ask Tec d.o.o., Priština
Ured za podršku d.o.o., Zagreb
Ured za podršku d.o.o., Vitez
PPK Valpovo d.d., Valpovo
Geanium ICT d.o.o., Zagreb
Baks Grupa d.o.o., Zagreb
MS Industrial Kina

Other companies:
Metronet telekomunikacije d.o.o., Zagreb

The receivables and payables of the Company from transactions with its subsidiaries at 31 December 2015 and 2014 were as follows:

	Receivables		Liabilities	
	31 December 2015	**31 December 2014**	**31 December 2015**	**31 December 2014**
Kim Tec d.o.o., Vitez	33,457	26,794	-	-
Kim Tec d.o.o., Beograd	20,845	17,618	(208)	(78)
Pakom Kompany, Skopje	147	602	(1,445)	(96)
M San Eko d.o.o., Zagreb	63	48	-	-
Kim Tec CG, Podgorica	662	-	-	(2,383)
M San Logistika d.o.o., Zagreb	51	-	(242)	(521)
MR Servis d.o.o.	644	-	(497)	-
	55,869	**45,062**	**(2,392)**	**(3,078)**

(all amounts are expressed in thousands of kunas)

42. RELATED-PARTY TRANSACTIONS (CONTINUED)

The receivables and payables of the Company from transactions with its associated companies and entities with joint owner at 31 December 2015 and 2014 were as follows:

	Receivables		Liabilities	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Kim Tec, Ljubljana	16,059	15,204	19	(177)
Ekupi d.o.o., Zagreb	6,600	11,569	(304)	(251)
Ask Tec d.o.o., Priština	7,965	7,099	(313)	(314)
PP Orahovica d.d.	6,529	6,637	-	(104)
MS Industrial Kina	6,352	2,791	(98)	-
M San Ulaganja d.o.o., Zagreb	1,191	2,370	-	-
Ventex d.o.o., Rijeka	1,107	2,062	(61)	-
MR Servis d.o.o., Zagreb	-	1,390	-	(902)
King ICT d.o.o., Zagreb	14,733	683	(5,027)	(250)
Pametna energija d.o.o.	1,800	454	-	-
M San Nekrenine d.o.o., Zagreb	560	317	(75)	(10)
Corvus Info d.o.o., Zagreb	31	56	(135)	(31)
Baks Grupa d.o.o., Zagreb	-	40	-	-
Ured za podršku d.o.o., Zagreb	279	5	(1,226)	(1,226)
King ICT d.o.e.l, Skopje	-	1	-	-
King ICT d.o.o., Sarajevo	-	1	-	-
King ICT d.o.o., Beograd	-	-	(16)	(10)
PPK Valpovo	11	-	-	(18)
Aktivis d.o.o., Zagreb	-	-	(72)	-
Metronet Telekomunikacije	-	-	(14)	(60)
	63,217	**50,679**	**(7,322)**	**(3,353)**

(all amounts are expressed in thousands of kunas)

42. RELATED-PARTY TRANSACTIONS (CONTINUED)

The income and expenses of the Company from transactions with its subsidiaries during 2015 and 2014 were as follows:

	Income /sale		Expenses		Purchase value of goods	
	2015	2014	2015	2014	2015	2014
Kim Tec d.o.o., Beograd	189,531	182,249	10,847	9,026	4,236	1,941
Kim Tec d.o.o.,Vitez	136,571	141,091	3,046	1,834	1,712	114
Pakom Kompany, Skopje	34,558	29,582	1440	1,080	1,298	1
Kim Tec CG, Podgorica	29,545	24,908	770	468	12	157
M San Logistika d.o.o., Zagreb	473	465	20,278	20,381	-	-
Poljoprivrednik Derventa	-	-	-	1	-	-
M San Eko d.o.o, Zagreb	8	5	-	-	-	-
MR Servis d.o.o.	5,894	-	8,997	-	1,957	-
	396,580	**378,300**	**45,378**	**32,790**	**9,215**	**2,213**

The income and expenses of the Company from transactions with its associates and entities with joint owners during 2015 and 2014 were as follows:

	Income / Sale		Expenses / Purchase		Purchase value of goods	
	2015	2014	2015	2014	2015	2014
Ekupi d.o.o., Zagreb	119,809	107,292	2,672	2,070	686	76
King ICT d.o.o., Zagreb	98,415	55,966	141	398	4,740	184
King ICT d.o.o., Beograd	-	-	-	-	6	-
Ventex d.o.o., Rijeka	13,837	14,417	127	170	53	38
Kim Tec, Ljubljana	9,933	13,490	17	5	38	236
MR Servis d.o.o.	-	6,725	-	10,144	-	1,071
Ask Tec d.o.o., Priština	660	6,007	22	104	-	7
Pametna energija d.o.o.	14,100	2,657	4	-	-	-
King ICT d.o.o., Sarajevo		602	-	-	-	-
PP Orahovica d.d.	266	319	152	74	27	74
M San Nekrenine d.o.o., Zagreb	383	196	3,579	3,423	1	-
Ured za podršku d.o.o.	220	166	11,782	11,769	-	-
Corvus Info d.o.o.	442	82	712	125	-	-
M San Ulaganja d.o.o., Zagreb	16	24	-	-	-	-
Aktivis d.o.o., Zagreb	47	9	-	-	-	-
PPK Valpovo d.d.	16	6	10	9	-	-
Baks Grupa d.o.o.	12	2	-	-	-	-
King ICT d.o.e.l., Skopje	-	1	-	-	-	-
MS Industrial Kina	-	1	2,791	2,023	84,127	144,866
E Kupi d.o.o., Beograd	-	-	-	-	-	-
Metronet Telekomunikacije	-	-	162	207	-	-
	258,156	**207,962**	**22,171**	**30,521**	**89,678**	**146,552**

(all amounts are expressed in thousands of kunas)

42. RELATED-PARTY TRANSACTIONS (CONTINUED)

The table below presents receivables and revenue of the Company from credit transactions with its subsidiaries at 31 December 2015 and 2014:

	Receivables		Income	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
M San Eko d.o.o., Zagreb	1,656	1,017	74	43
MR Servis d.o.o., Zagreb	-	-	49	-
	1,656	**1,017**	**123**	**43**

The table below presents receivables and revenue of the Company from credit transactions with its subsidiaries at 31 December 2015 and 2014:

	Receivables		Income	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
PP Orahovica d.d., Orahovica	106,392	110,333	5,260	5,482
M San Nekrenine d.o.o., Zagreb	9,842	45,841	1,833	2,052
M San Ulaganja d.o.o., Zagreb	65,513	42,988	2,884	2,598
Baks Grupa d.o.o.	22,604	21,558	1,097	1,172
Corvus Info d.o.o.	-	12,006	833	576
Litus Projekt	638	596	33	32
MR Servis d.o.o., Zagreb	-	352	-	59
Kim Tec, Ljubljana	14	14	-	6
Conditum projekt d.o.o., Zagreb	-	-	-	616
	205,003	**233,688**	**11,940**	**12,593**

Fees to directors and other key members of management through the year were as it follows:

	GROUP		COMPANY	
	2015	2014	2015	2014
Short-term benefits - gross	5,622	6,153	1,698	1,966
Total	**5,622**	**6,153**	**1,698**	**1,966**

(all amounts are expressed in thousands of kunas)

43. FINANCIAL INSTRUMENTS

43.1. Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern, while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group's capital consists of debt, which includes borrowings disclosed in Notes 34 and 35, less cash and cash equivalents (the so-called net debt), and equity, which comprises share capital, reserves and retained earnings as reported in the statement of changes in equity.

43.1.1 Gearing ratio

Gearing ratio at the end of the reporting period:

	GROUP		COMPANY	
	2015	**2014**	**2015**	**2014**
Debt	404,969	443,622	306,373	364,401
Less: cash in hand and with banks	(41,833)	(43,846)	(27,522)	(35,023)
	363,136	**399,776**	**278,851**	**329,378**
Equity	376,649	341,337	272,309	249,789
Net debt-to-equity ratio	96.41%	117.12%	102.40%	131.86%

Debt consists of long-term borrowings and finance lease obligations and short-term loans from financial institutions.

(all amounts are expressed in thousands of kunas)

43. FINANCIAL INSTRUMENTS (CONTINUED)

43.1. Capital risk management (continued)

The Group and the Company are exposed to the following risks arising from financial instruments:

43.1.2 Categories of financial instruments

	GROUP		COMPANY	
	2015	**2014**	**2015**	**2014**
Financial assets				
Cash and cash equivalents	41,833	43,846	27,522	35,023
Loans and receivables	651,539	622,036	508,145	490,657
Financial assets available for sale	4,300	5,590	4,097	5,387
Investments held to maturity	1,081	1,081	1,081	1,081
Total financial assets	**698,753**	**672,554**	**540,845**	**532,148**
Financial liabilities				
Bank borrowings	403,543	441,899	306,181	364,090
Finance lease obligations	1,425	1,723	190	311
Other financial liabilities	348,828	290,339	301,606	249,981
Total financial liabilities	**753,796**	**733,961**	**607,977**	**614,382**

(all amounts are expressed in thousands of kunas)

43. FINANCIAL INSTRUMENTS (CONTINUED)

43.2. Foreign currency risk management

The Group and the Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

The carrying amounts of the Group's foreign-currency denominated monetary assets and liabilities at the reporting date are provided in the table below:

GROUP	Assets		Liabilities		Assets - Liabilities	
	2015	2014	2015	2014	2015	2014
EUR	57,156	81,986	417,463	480,668	(360,307)	(398,682)
USD	56,703	25,058	58,657	58,664	(1,955)	(33,606)
CHF	-	-	-	-	-	-
BAM	-	-	-	-	-	-
GBP	32	31	(1)	1	33	30

COMPANY	Assets		Liabilities		Assets – Liabilities	
	2015	2014	2015	2014	2015	2014
EUR	79,651	76,491	488,055	451,648	(408,404)	(375,157)
USD	60,983	56,770	96,588	53,911	(35,605)	2,859
BAM	-	-	-	-	-	-
CHF	-	-	-	-	-	-
GBP	32	31	(1)	1	33	30

43.2.1 Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 10% increase and decrease of the Croatian kuna against the relevant currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to the Management Board and represents the Board's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for the change in the relevant foreign exchange rate. The sensitivity analysis includes external borrowings, as well as loans to foreign operations of the Group denominated in a currency that is not the currency of the lender or the borrower. A positive number below indicates an increase in profit and other equity where the Croatian kuna strengthens 1% against the relevant currency. For a 10% weakening of the Croatian kuna against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be negative.

(all amounts are expressed in thousands of kunas)

43. FINANCIAL INSTRUMENTS (CONTINUED)

43.2. Foreign currency risk management (continued)

43.2.1. Foreign currency sensitivity analysis (continued)

GROUP	EUR impact		USD impact		GBP impact	
	2015	2014	2015	2014	2015	2014
Profit / (loss)	(36,031)	(39,868)	(195)	(3,361)	3	

COMPANY	EUR impact		USD impact		GBP impact	
	2015	2014	2015	2014	2015	2014
Profit / (loss)	(40,840)	(37,516)	(3,560)	286	3	3

43.3. Credit risk management

Credit risk is the risk of default by counterparty in settling its liability or contractual obligations to the Company and the Group, as a result of which the Group and the Company may incur financial losses. The Group and the Company have adopted procedures they apply in transacting with their customers and, where possible, they obtain payment security instruments to protect themselves from potential financial and default risks.

Trade receivables are continuously monitored so as to identify any potential risk of default and take appropriate measures. The Group and the Company monitor regularly their credit exposures to customers and revise the risk assessment at least once a year. The Group and the Company operate with a large number of customers from various industries and of various size as well as individuals with a specific type of credit risk. The Group and the Company have developed separate procedures for each of the groups of customers in order to ensure that credit risk is adequately managed.

(all amounts are expressed in thousands of kunas)

43. FINANCIAL INSTRUMENTS (CONTINUED)

43.3. Credit risk management (continued)

Presented in the table below are the sales revenues of the Group and the Company from the top ten customers at the end of the reporting period.

		GROUP		COMPANY	
Customer	**Domicile country**	**2015**	**2014**	**2015**	**2014**
Ekupi d.o.o.	CROATIA	119,869	106,110	119,869	106,110
KING ICT D.O.O.	CROATIA	98,416	55,820	98,416	55,820
PEVEC d.d.	CROATIA	47,031	40,523	47,031	40,523
JP Hrvatske telekomunikacije d.d. Mostar	BOSNIA AND HERCEGOVINA	44,564	37,509	-	-
ALTI d.o.o.	SERBIA	42,350	32,156	-	-
Links d.o.o.	CROATIA	36,759	27,369	36,759	27,370
FLIBA d.o.o.	CROATIA	35,229	33,678	35,229	33,678
E PLUS d.o.o.	CROATIA	29,957	15,112	29,957	15,112
COMBIS d.o.o.	CROATIA	27,130	8,683	27,130	8,683
Mikronis d.o.o.	CROATIA	26,640	27,355	26,640	27,355
S&T Hrvatska d.o.o.	CROATIA	23,513	13,187	23,513	13,187
HT-Hrvatske telekomunikacije d.d.	CROATIA	21,234	38,715	21,234	38,715
KIM TEC d.o.o. Beograd	SERBIA	-	-	189,448	181,390
KIM TEC d.o.o. Vitez	BOSNIA AND HERCEGOVINA	-	-	136,573	140,102
PAKOM KOMPANI SKOPJE	MACEDONIA	-	-	34,801	29,273
KIM TEC CG d.o.o	MONTENEGRO	-	-	29,548	24,533

43. FINANCIAL INSTRUMENTS (CONTINUED)

43.4. Interest risk management

Since the Company and the Group use both fixed and variable rate loans, they are exposed to the interest rate risk. Most of the Company's and Group's loans bear interest at a fixed rate.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the interest expense of the Company as of 31 December 2015 would have changed by HRK 1,532 thousand (31 December 2014: HRK 1,822 thousand), and the Group as of 31 December 2015 would have changed by HRK 2,025 thousand (31 December 2014: HRK 2.218 thousand).

The Group's and Company's total borrowings at the reporting date amounted to HRK 404.969 thousand (31 Decemebr 2014: HRK 443,619 thousand) and HRK 306,373 thousand (31 December 2014: 364,399 thousand) respectively.

43.5. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

43.5.1. Liquidity tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. Disclosures of non-derivative financial assets and liabilities are necessary for understanding the manner in which the Group manages its liquidity risk, as it is managed on the basis of net amounts of financial assets and liabilities.

(all amounts are expressed in thousands of kunas)

43. FINANCIAL INSTRUMENTS (CONTINUED)

43.5. Liquidity risk management (continued)

43.5.1. Liquidity and interest rate risk tables (continued)

GROUP 31 December 2015	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	After 5 years	Total
Assets						
Non-interest bearing	351,320	123,760	-	1,670	4,300	481,050
Fixed-rate instruments	-	546	217,159	-	-	217,705
Total assets	351,320	124,306	217,159	1,670	4,300	698,755
Liabilities						
Non-interest bearing	348,828	-	-	-	-	348,828
Liabilities based on financial lease	22	44	197	1,162	-	1,425
Variable-rate instruments	23,122	33,544	162,099	184,778	-	403,543
Total liabilities	371,972	33,588	162,296	185,940	-	753,796
Net asset/(liabilities)	**(20,652)**	**90,718**	**54,863**	**(184,270)**	**4,300**	**(55,041)**

GROUP 31 December 2014	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	After 5 years	Total
Assets						
Non-interest bearing	317,916	95,500	23	860	6,671	420,970
Fixed-rate instruments	36,960	537	214,087	-	-	251,584
Total assets	**354,876**	**96,037**	**214,110**	**860**	**6,671**	**672,554**
Liabilities						
Non-interest bearing	290,339	-	-	-	-	290,339
Liabilities based on financial lease	44	89	398	1,192	-	1,723
Variable-rate instruments	23,370	12,528	176,987	229,014	-	441,899
Total liabilities	**313,753**	**12,617**	**177,385**	**230,206**	**-**	**733,961**
Net asset/(liabilities)	**41,123**	**83,421**	**36,725**	**(229,346)**	**6,671**	**(61,407)**

(all amounts are expressed in thousands of kunas)

43. FINANCIAL INSTRUMENTS (CONTINUED)

43.5 Liquidity risk management (continued)

43.5.1 Liquidity and interest rate risk tables (continued)

COMPANY 31 December 2015	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	After 5 years	Total
Assets						
Non-interest bearing	262,436	92,307	-	1,553	4,097	360,393
Fixed-rate instruments	1,549	546	178,357	-	-	180,452
Total	**263,985**	**92,853**	**178,357**	**1,553**	**4,097**	**540,845**
Liabilities						
Non-interest bearing	301,606	-	-	-	-	301,606
Liabilities based on financial lease	8	17	75	90	-	190
Variable-rate instruments	22,488	25,909	85,570	172,214	-	306,181
Total	324,102	25,926	85,645	172,304	-	607,977
Net asset/(liabilities)	**(60,117)**	**66,927**	**92,712**	**(170,751)**	**4,097**	**(67,132)**

COMPANY 31 December 2014	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	After 5 years	Total
Assets						
Non-interest bearing	239,786	70,118	-	632	6,468	317,004
Fixed-rate instruments	37,934	537	176,673	-	-	215,144
Total	**277,720**	**70,655**	**176,673**	**632**	**6,468**	**532,148**
Liabilities						
Non-interest bearing	249,981	-	-	-	-	249,981
Liabilities based on financial lease	18	36	164	93	-	311
Variable-rate instruments	22,038	5,640	113,807	222,605	-	364,090
Total	**272,037**	**5,676**	**113,971**	**222,698**	**-**	**614,382**
Net asset/(liabilities)	**5,683**	**64,979**	**62,702**	**(222,066)**	**6,468**	**(82,234)**

(all amounts are expressed in thousands of kunas)

43. FINANCIAL INSTRUMENTS (CONTINUED)

43.6. Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;

At 31 December 2015, the carrying amounts of cash, short-term deposits, receivables and short-term liabilities, accrued expenses and other financial instruments approximate their fair values due to the short-term maturity of these financial instruments.

The following table provides an analysis of financial instruments measured subsequently at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 31 December 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets available for sale				
Company	-	3.016	-	**3.016**
Group	-	3.219	-	**3.219**

At 31 December 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets available for sale				
Company	-	4,306	-	**4,306**
Group	-	4,509	-	**4,509**

(All amounts are expressed in thousands of kunas)

43. FINANCIAL INSTRUMENTS (CONTINUED)

43.7 Market risk

Market risk is the risk that changes in market prices, exchange rates and interest rates will affect the income, investments or financial instruments of the Company. The objective of market risk management is to maintain the market risk exposure within acceptable limits, while optimising the result.

44. OPERATING LEASES

The Group leases business premises, offices, warehouses and vehicles. The lease terms range from 1 to 5 years, and most of the lease agreements are renewable on expiry.

The most significant leases Included in the lease obligations comprise leases of business premises and warehouses.

The table below details the Group's and the Company's future operating lease payments:

	GROUP		COMPANY	
	2015	**2014**	**2015**	**2014**
Within one year	14,189	7,857	4,246	4,310
1-5 years	31,225	12,307	6,387	9,735
After 5 years	-	-	-	-
Total	**45,414**	**20,164**	**10,633**	**14,045**

45. BUSINESS COMBINATIONS

Acquisition of a subsidiary	**Principal activity**	**Acquisition date**	**Acquired ownership interest**	**Considerati on transferred**
MR Servis d.o.o.	Servicing	28.12.2015	60%	1,200

The liability arisen on the acquisition of the shares was offset against amounts owed by M San Ulaganja d.o.o. to M San Grupa d.d.

(All amounts are expressed in thousands of kunas)

45. BUSINESS COMBINATIONS (CONTINUED)

Assets acquired and liabilities assumed at the acquisition date:

	MR Servis d.o.o.
Current assets	**6,993**
Cash and cash equivalents	307
Trade and other receivables	4,584
Inventories	2,102
Non-current assets	**143**
Plant and equipment	143
Current liabilities	**(4,602)**
Trade and other payables	(4,602)
Non-current liabilities	**(992)**
Non-current liabilities	(992)
	1,542

Non-controlling interests

The 40-percent non-controlling interest in MR Servis d.o.o. reported by the Group as of the acquisition date was determined based on the pro-rata share in the net assets of the acquiree at the acquisition date.

Goodwil arisen on acquisition

	MR Servis d.o.o.
Consideration transferred	1,200
Plus: non-controlling interest (40 % in MR Servis d.o.o.)	617
Less: net assets acquired	(1,542)
Goodwill arisen on acquisition	275

As the entire share was acquired based on an offsetting arrangement, where was no outflow of cash, and the net cash inflow amounts to HRKK 307 thousand.

45. BUSINESS COMBINATIONS (CONTINUED)

Impact of the acquisition on the results of the Group

The profit for the year includes HRK 43 thousand relating to the activities of MR Servis d.o.o.. The income for the current year includes HRK 2,465 thousand of revenue of MR Servis d.o.o.

Merger

At 28 December 2015 subsidiary M San Servis d.o.o. was merged into MR Servis d.o.o. The merger was effected at the carrying amounts.

46. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements, set out on pages 4 to 98, were approved by the Management Board and authorised for issue on 21 April 2016.

Signed on behalf of the Management Board 21 April 2016. by:

Miroslav Huzjak

President of the Management Board

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