ATLANTIC GRUPA d.d.

AUDITOR’S REPORT AND SEPARATE FINANCIAL STATEMENTS 31 DECEMBER 2015

Independent Auditor's Report

To the Shareholders and Management of Atlantic Grupa d.d.

We have audited the accompanying financial statements of Atlantic Grupa d.d. (the "Company"), which comprise the balance sheet as at 31 December 2015 and the income statement, statement of comprehensive income, statement of changes in equity and cash flows statement for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

PricewaterhouseCoopers d.o.o.

PricewaterhouseCoopers d.o.o.
Zagreb, 30 March 2016

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ATLANTIC GRUPA d.d.

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts expressed in thousands of HRK)	**Note**	**2015**	**2014**
Revenues	27	119,461	105,461
Other income	5	83,930	7,765
Staff costs	6	(61,465)	(49,965)
Marketing and promotion costs	7	(2,180)	(5,732)
Depreciation and amortisation	12, 13	(4,752)	(4,242)
Other operating costs	8	(43,354)	(35,321)
Other gains/(losses) – net	9	7,756	2,855
Operating profit		**99,396**	**20,821**
Finance income	10	8,108	3,213
Finance costs	10	(24,706)	(25,204)
Finance costs – net	10	(16,598)	(21,991)
Profit/ (loss) before tax		**82,798**	**(1,170)**
Income tax expense	11	636	(966)
Profit/ (loss) for the year		**83,434**	**(2,136)**

The financial statements were approved by the Management Board of the Company in Zagreb on 30 March 2016.

President of the Management Board

Emil Tedeschi

The accompanying notes form an integral part of these financial statements.

ATLANTIC GRUPA d.d.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts expressed in thousands of HRK)	**2015**	**2014**
Profit/ (loss) for the year	**83,434**	**(2,136)**
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Actuarial loss from defined benefit plans	(7)	(10)
	(7)	(10)
Items that may be subsequently reclassified to profit of loss		
Cash flow hedge	885	1,075
	885	1,075
Total other comprehensive income	**878**	**1,065**
Total comprehensive income/ (loss)	**84,312**	**(1,071)**

The accompanying notes form an integral part of these financial statements.

ATLANTIC GRUPA d.d.

BALANCE SHEET

AT 31 DECEMBER 2015

(all amounts are expressed in thousands of HRK)	**Note**	**31 December 2015**	**31 December 2014**
ASSETS			
Non-current assets			
Property, plant and equipment	12	16,411	14,567
Intangible assets	13	11,563	6,626
Investments in subsidiaries	14	1,556,029	1,553,476
Deferred income tax assets	23	2,915	2,015
Available-for-sale financial assets	15	-	47
Trade and other receivables	17	1,287	1,295
		1,588,205	1,578,026
Current assets			
Trade and other receivables	17	69,247	60,373
Income tax receivable		2,074	2,559
Cash and cash equivalents	18	2,038	3,845
		73,359	66,777
Total assets		**1,661,564**	**1,644,803**
EQUITY AND LIABILITIES			
Capital and reserves attributable to owners of the Company			
Share capital	19	133,372	133,372
Share premium	19	881,515	882,576
Treasury shares	19	(198)	(78)
Cash flow hedge reserves	20	(378)	(1,263)
Retained earnings		201,617	158,199
Total equity		1,215,928	1,172,806
Non-current liabilities			
Borrowings	22	-	145,240
Provisions	24	248	193
		248	145,433
Current liabilities			
Trade and other payables	21	29,668	18,209
Borrowings	22	402,487	299,337
Provisions	24	12,761	7,440
Derivative financial instruments	15	472	1,578
		445,388	326,564
Total liabilities		**445,636**	**471,997**
Total equity and liabilities		**1,661,564**	**1,644,803**

The accompanying notes form an integral part of these financial statements.

ATLANTIC GRUPA d.d.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

(in thousands of HRK)	**Share capital (Note 19)**	**Cash flow hedge reserves**	**Retained earnings**	**Total**
At 1 January 2014	1,015,953	(2,338)	195,355	1,208,970
Comprehensive income:				
Net loss for the year	-	-	(2,136)	(2,136)
Other comprehensive income/(loss)	-	1,075	(10)	1,065
Total comprehensive income/(loss)	-	1,075	(2,146)	(1,071)
Transaction with owners				
Purchase of treasury shares	(502)	-	-	(502)
Share based payment (Note 19)	419	-	-	419
Dividends relating to 2013 (Note 19)	-	-	(35,010)	(35,010)
At 31 December 2014	**1,015,870**	**(1,263)**	**158,199**	**1,172,806**
Comprehensive income:				
Net profit for the year	-	-	83,434	83,434
Other comprehensive income/(loss)	-	885	(7)	878
Total comprehensive income	-	885	83,427	84,312
Transaction with owners				
Purchase of treasury shares	(4,304)	-	-	(4,304)
Share based payment (Note 19)	3,123	-	-	3,123
Dividends relating to 2014 (Note 19)	-	-	(40,009)	(40,009)
At 31 December 2015	**1,014,689**	**(378)**	**201,617**	**1,215,928**

The accompanying notes form an integral part of these financial statements.

ATLANTIC GRUPA d.d.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts expressed in thousands of HRK)	Note	2015	2014
Cash flows from operating activities:			
Cash generated from operations	26	17,340	24,487
Interest paid		(15,611)	(17,336)
		1,729	7,151
Cash flows from/ (used in) investing activities			
Purchases of property, plant and equipment and intangible assets	12, 13	(11,572)	(4,230)
Proceeds from sale of property, plant and equipment		54	-
Investments in subsidiaries	14	(2,553)	(86,277)
Proceeds from sale of available-for-sale financial assets		3,785	
Proceeds from liquidation subsidiary		400	-
Repayments of loans receivable and deposits placed - net		(3,012)	(875)
Dividends received		78,000	26,774
Interest received		7	15
		65,109	(64,593)
Cash flows (used in)/ from financing activities			
Purchase of treasury shares	19	(4,304)	(502)
Dividends paid	19	(40,009)	(35,010)
Proceeds from borrowings		6,000	159,670
Repayment of borrowings		(30,332)	(66,542)
		(68,645)	57,616
Net (decrease)/ increase in cash and cash equivalents		**(1,807)**	**174**
Cash and cash equivalents at beginning of year		3,845	3,671
Cash and cash equivalents at end of year	18	**2,038**	**3,845**

The accompanying notes form an integral part of these financial statements.

NOTE 1 – GENERAL INFORMATION

Atlantic Grupa d.d. (the Company) was incorporated in the Republic of Croatia in 2002. The Company performs corporate activities such as planning entrepreneurial functions, organisation of principal activities, gathering and utilising financial assets, defining the strategy and development of business activities of the Atlantic Group (the Company and its subsidiaries, see Note 14).

The Company is domiciled in Zagreb, Miramarska 23, Croatia.

The Company's shares are listed on the official market of the Zagreb Stock Exchange. The shareholder structure is disclosed in Note 19.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) which were endorsed by the European Union (EU) under the historical cost convention, as modified by the revaluation of derivative financial instruments.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

The Company has issued these separate financial statements in accordance with Croatian regulations. The Company has also prepared consolidated financial statements as at 31 December 2015 and for the year then ended in accordance with IFRS which were endorsed by the EU for the Company and its subsidiaries (the Group), which were approved by the Management Board on 30 March 2016. In the consolidated financial statements, subsidiary undertakings (listed in Note 14) and those companies in which the Group indirectly has an interest of more than half of the voting rights or otherwise has power to exercise control over the operations have been fully consolidated. Users of these non-consolidated financial statements should read them together with the Group's consolidated financial statements as at and for the year ended 31 December 2015 in order to obtain full information on the financial position, results of operations and changes in financial position of the Group as a whole.

(a) New and amended standards adopted by the Company

The Company has adopted the following new and amended standards for annual reporting period commencing 1 January 2015 which were endorsed by the EU and which are relevant for the Company's financial statements:

- Annual Improvements to IFRSs – 2010 – 2012 Cycle comprising changes to seven standards (IFRS 1, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38).
- Annual Improvements to IFRSs – 2011 – 2013 Cycle comprising changes to four standards (IFRS 2, IFRS 3, IFRS 13 and IAS 40)
- Defined Benefit Plans: Employee Contributions – Amendments to IAS 19

The adoption of new and amended standards did not have material impact on the current period or any prior period and it is not likely to affect future periods.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(b) New standards and interpretations not yet adopted

Certain new standards and interpretations have been published that are not mandatory for 31 December 2015 reporting periods and have not been early adopted by the Company. None of these is expected to have significant effect on the financial statements of the Company, except for the standards stated below. The Company plans to adopt new standards on their effective date as of and when endorsed by the EU.

- *IFRS 9, Financial instruments and associated amendments to various other standards (effective for annual periods beginning on or after 1 January 2018).*

  IFRS 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In July 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. With these amendments, IFRS 9 is now complete.

  The complete version of IFRS 9 replaces most of the guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss.

  IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

  During 2015, the Company has performed high-level impact assessment and expects no impact from the new classification, measurement and de-recognition rules on its financial assets and liabilities. The Company expects to apply simplified approach and record lifetime expected impairment losses on all trade receivables.

  The Company believes that all existing hedge relationships that are currently designated in effective hedging relationships will still qualify for hedge accounting under IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, the Company does not expect a significant impact as a result of applying IFRS 9.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

- *IFRS 15, 'Revenue from contracts with customers and associated amendments to various other standards (effective for annual periods beginning on or after 1 January 2018).*
  The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.
  The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.
  Key changes to current practice are:
  - Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements;
  - Revenue may be recognised earlier than under current standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome etc) – minimum amounts must be recognised if they are not at significant risk of reversal);
  - The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa;
  - There are new specific rules on licenses, warranties, non-refundable upfront fees and, consignment arrangements, to name a few; and
  - As with any new standard, there are also increased disclosures.

  Entities will have a choice of full retrospective application, or prospective application with additional disclosures.
  At this stage, the Company is not able to estimate the impact of the new rules on the Company's financial statements. More detailed assessments of the impact will be made over the next twelve months.

- *IFRS 16 "Leases" (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019).*
  The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases of finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognize: a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value, and b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Company is currently assessing the impact of the amendments on its financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment where the entity operates (‘the functional currency’). The financial statements are presented in Croatian kuna (HRK), which is the Company’s functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of these transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses related to borrowings are presented in the income statement within 'finance costs - net'. All other foreign exchange gains and losses are presented in the income statement within 'other gains/(losses) – net'.

2.3 Investments in subsidiaries

Investments in subsidiaries in which the Company has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations are recorded at cost less impairment losses, if any. Impairment is tested annually whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Investments in subsidiaries for which an impairment loss has been recorded are tested at each reporting date for a potential reversal of impairment.

Dividend income is recognised when the right to receive payment is established.

2.4 Property, plant and equipment

Motor vehicles, equipment, leasehold improvements and assets under construction are included in the balance sheet at historical cost less accumulated depreciation and provision for impairment, if required. Historical cost includes expenditure directly attributable to the acquisition of items. Assets not yet in use are not depreciated.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation of motor vehicles, equipment and investments in leasehold improvements is calculated using the straight-line method to allocate their cost to residual values over their estimated useful lives, as follows:

Motor vehicles	5 years
Leasehold improvements	4 to 10 years
Equipment	2 to 10 years

The residual value of an asset is an estimated amount that the Company would currently obtain from disposal of the asset less estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Property, plant and equipment (continued)

The residual value of an asset is nil if the Company expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

Gains and losses on disposals are determined by comparing the proceeds with carrying amount, and are recognised within 'other gains/(losses) – net' in the income statement.

2.5 Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (4 to 5 years).

2.6 Impairment of non-financial assets

Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Financial assets

The Company classifies its financial assets in the following categories: loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Loans and receivables are carried at amortised cost using the effective interest method.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose the investment within 12 months of the balance sheet date. Available-for-sale financial assets are carried at fair value, except investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, consequently, these are carried at cost.

Regular way purchases and sales of financial assets are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial assets (continued)

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Interest income and the translation differences are recognised in the income statement, whereas other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary securities classified as available-for-sale and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions and references to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is reclassified from other comprehensive income to the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of receivables is described in Note 2.9.

2.8 Leases

The Company leases certain property, vehicles and equipment. Leases where the significant portion of risks and rewards of ownership are not retained by the Company are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

2.9 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision and subsequent recoveries of amounts previously written off are recognised in the income statement within 'other operating costs'.

2.10 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term highly liquid instruments with original maturities of three months or less. Bank overdrafts are included within current liabilities on the balance sheet.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of the consideration received over the par value of the shares issued is presented in the notes as a share premium.

When the Company purchases its equity share capital (treasury shares), the consideration paid, including all directly attributable incremental transaction costs, is deducted from equity until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity.

2.12 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.13 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax law enacted at the balance sheet date in Croatia. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and consider establishing provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. The deferred tax liability is recognised for all taxable temporary differences associated with the acquisition of the fair value of subsidiaries’ net assets.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Employee benefits

(a) Pension obligations and post-employment benefits

The Company makes payments to mandatory pension funds on behalf of its employees in the ordinary course of business through salary deductions, as required by law. All contributions made to the mandatory pension funds are recorded as salary expense when incurred. The Company has no other pension scheme and consequently, has no other obligations in respect of employee pensions. In addition, the Company is not obliged to provide any other post-employment benefits except for the one-off retirement payment as prescribed by local legislation. The liability recognised in the balance sheet in respect of one-off retirement payment is the present value of the defined benefit obligation at the end of the reporting period. This obligation is calculated annually by independent actuaries. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Interest costs/income arising from actuarial calculation are charged/credited to income statement within ‘interest expenses’.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Company before the ordinary retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

(c) Long-term employee benefits

The Company recognises a liability for long-term employee benefits (jubilee awards) evenly over the period the benefit is earned based on actual years of service. The long-term employee benefit liability includes assumptions regarding the likely number of staff to whom the benefit will be payable, estimated benefit cost and the discount rate. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged immediately or credited to the income statement within ‘staff costs’. Interest costs/income arising from actuarial calculation are charged/credited to income statement within ‘interest expenses’.

(d) Share-based compensations

Key management of the Company receives remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ('equity-settled transactions').

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and service conditions are fulfilled, ending on the date on which relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

(e) Short-term employee benefits

The Company recognises a provision for bonuses and accumulating unused vacation entitlement days if contractually obliged or if there is a past practice that has created a constructive obligation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Provisions

Provisions for termination benefits, legal proceedings and employee benefits are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

When there is a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.16 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is presented net of value-added tax.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below.

(a) Revenue from services

Revenue from services is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Income from corporate governance services is recognised in the accounting period in which the services are rendered and invoiced.

(b) Interest income

Interest income arising from fixed-term bank deposits, granted loans and interest from customers is recognised on a time-proportion basis using the effective interest method.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.17 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which dividends are approved by the Company's shareholders.

2.18 Value added tax

The Tax Authorities require the settlement of VAT on a net basis. VAT related to sales and purchases is recognised and disclosed in the balance sheet on a net basis. Where a provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the regular operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.20 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Company designates derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair value of cash flow hedge derivatives is disclosed in Note 15 and changes in cash flow hedge reserves are disclosed in Note 20.

The effective portion of changes in the fair value of derivatives, that are designated and qualify as cash flow hedges, is recognised in other comprehensive income. The gain or loss related to the ineffective portion is recognised immediately in the income statement within ‘other gains/(losses) – net’.

Amounts accumulated in equity are reclassified from other comprehensive income to profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within ‘finance expenses’. The gain or loss relating to the ineffective portion is recognised in the income statement within ‘other gains/(losses) – net’.

When a hedging instrument expires or is sold or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is reclassified from other comprehensive income to profit or loss when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified from other comprehensive income to profit and loss within ‘other gains/(losses) – net’.

2.21 Mergers

The predecessor method of accounting is used to account for the merger of related companies. The carrying value of assets and liabilities of the predecessor entity are transferred as balances in the merged entity. On the date of the merger, inter-company transactions, balances and unrealised gains and losses on transactions between the two entities merging are eliminated, recognizing the carrying value of net assets merged within equity.

NOTE 3 – FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. Management closely monitors the risk profile of the Company's operations, including the establishment of authorisation and accountability levels.

(a) Market risk

(i) Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the EURO. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Movements in exchange rates between the EURO and Croatian kuna (HRK) may have an impact on the results of future operations and future cash flow. The table below shows EURO denominated trade and other payables, trade and other receivables, cash and cash equivalents and borrowings as a percentage of their total balances at the balance sheet dates.

	2015	**2014**
Trade and other receivables	46%	45%
Trade and other payables	10%	15%
Cash and cash equivalents	89%	93%
Borrowings	71%	74%

At 31 December 2015, if the EURO had weakened/strengthened by 0.5% against the HRK (2014: 0.5%), with all other variables held constant, 2015 profit after tax for the reporting period would have been HRK 1,021 thousand higher/lower (2014 loss: HRK 1,322 thousand lower/higher), mainly as a result of foreign exchange gains/losses on translation of EURO denominated trade and other receivables and borrowings (Notes 17 and 22).

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(ii) Cash flow and fair value interest rate risk

As the Company does not have significant interest-bearing assets, the Company's income and operating cash flows are not substantially dependent of changes in market interest rates.

The Company's interest rate risk arises from long-term borrowings and bonds issued. Debt issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk.

The Company analyses its interest rate changes on a regular basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift.

The Company manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. The Company raised long-term borrowings at floating rates and swapped them into fixed rates that are lower than those available if the Company borrowed at fixed rates directly. Under the interest rate swaps, the Company agrees with other parties to exchange, at specified intervals (quarterly and semi-annually), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

At 31 December 2015, if the effective interest rate on borrowings had been 100 basis points higher/lower on an annual level, the profit after tax for the reporting period would have been HRK 870 thousand lower/higher (2014 loss after tax: HRK 508 thousand higher/lower).

(b) Credit risk

The Company's assets, potentially subjecting the Company to concentrations of credit risk, primarily include cash and trade and other receivables. The Company does not have significant concentrations of credit risk, since loans and receivables mainly relate to transactions within the Group. The Company has policies that limit the amount of credit exposure to any financial institution. A detailed analysis and maximum exposure to credit risk is presented in Notes 16 and 17.

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to meet all obligations. The Company aims to maintain flexibility in funding by keeping committed credit lines available. Trade and other payables as well as short-term borrowings are due within 12 months after the balance sheet date, while the maturity of long-term borrowings is disclosed in Note 22.

Cash flow forecasting is performed by Company finance. Company finance monitors the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities when needed. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance and compliance with internal balance sheet ratio targets.

Surplus cash held over and above the balance required for working capital management is invested in interest bearing current accounts, time deposits and cash funds, i.e. instruments with appropriate maturities or sufficient liquidity. At the balance sheet date the Company held cash and cash equivalents in the amount of HRK 2,038 thousand (2014: 3,845 thousand) that are expected to readily generate cash inflows for managing liquidity risk.

The next table analyses financial liabilities of the Company according to contracted maturities. The amounts stated below represent undiscounted cash flows.

(in thousands of HRK)	**Less than 1 year**	**Total**
31 December 2015		
Trade and other payables	22,870	22,870
Borrowings	409,686	409,686
Derivative financial instruments	472	472

(in thousands of HRK)	**Less than 1 year**	**Between 1-5 years**	**Total**
31 December 2014			
Trade and other payables	11,950	-	11,950
Borrowings	143,105	153,549	296,654
Derivative financial instruments	1,578	-	1,578

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including long-term and short-term borrowings, as shown in the balance sheet) plus derivative financial liabilities less short-term deposits and cash and cash equivalents. Total capital is calculated as equity, as shown in the balance sheet, plus net debt.

The gearing ratios were as follows:

	31 December 2015	31 December 2014
	(in thousands of HRK)	
Total borrowings (Note 22)	402,487	444,577
Derivative financial liabilities (Note 15)	472	1,578
Less: Cash and cash equivalents (Note 18)	(2,038)	(3,845)
Net debt	400,921	442,310
Total equity	1,215,928	1,172,806
Total capital	**1,616,849**	**1,615,116**
Gearing ratio	**25%**	**27%**

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation

All financial instruments for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:
- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The fair value of derivative financial instruments is determined based on specific valuation techniques (level 3).

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Impairment of Investments in subsidiaries

The Company performs tests on an annual basis to conclude whether there are any indicators that investment in subsidiaries suffers any impairment, in accordance with the accounting policy disclosed in Note 2.3. If any indicator of impairment exists, the Company performs impairment tests. These tests require the use of estimates such as expected growth rate, discount rate etc., that are mainly based on market conditions existing at the time when the tests are performed. During 2015 and 2014 there were no indicators of impairment of investments in subsidiaries.

NOTE 5 – OTHER INCOME

	2015	2014
	(in thousands of HRK)	
Dividend income – related parties (Note 27)	82,080	-
Rental income	1,436	1,441
Interest income from cash with banks and deposit	7	16
Other	407	6,308
	83,930	**7,765**

NOTE 6 – STAFF COSTS

	2015	2014
	(in thousands of HRK)	
Gross salaries /i/	45,707	40,068
Share options granted (Note 19)	1,498	780
Public transport	368	345
Other staff costs /ii/	13,892	8,772
	61,465	**49,965**

At 31 December 2015, the average employees number was 110 (2014: 94).

/i/ Pension contributions to mandatory pension funds for the year ended 31 December 2015 amounted to HRK 5,866 thousand (2014: 5,414 thousand).

/ii/ Other staff costs comprise of bonuses, education expenses, accruals for unused vacation days and jubilee awards.

NOTE 7 – MARKETING AND PROMOTION COSTS

	2015	2014
	(in thousands of HRK)	
Sponsorships and donations	2,089	5,627
Advertising and marketing expenses	91	105
	2,180	**5,732**

NOTE 8 – OTHER OPERATING COSTS

	2015	2014
	(in thousands of HRK)	
Rentals	10,590	9,506
Transportation services	7,469	7,380
Entertainment	5,256	4,214
Intellectual services	2,590	2,053
Travel expense and daily allowances	2,552	1,726
Maintenance and security	3,705	3,085
Supervisory Board compensation	1,513	1,445
Telecommunication services	1,447	1,397
Subscriptions and membership fees	938	177
Fuel	853	931
Taxes and contributions irrespective of operating results	154	409
Bank charges	296	350
Office supplies	419	507
Insurance premiums	437	330
Impairment of receivables (Note 17)	19	45
Services from related parties (Note 27)	640	284
Other	4,476	1,482
	43,354	**35,321**

NOTE 9 – OTHER GAINS/ (LOSSES) – NET

	2015	2014
	(in thousands of HRK)	
Gain on sale of available-for-sale financial asset	7,523	-
Gain on liquidation of subsidiary	400	-
Gain on sale of property, plant and equipment	15	-
Fair value gains on derivative financial instruments	-	2,806
Foreign exchange (losses)/gains – net	(182)	49
	7,756	**2,855**

NOTE 10 – FINANCE COSTS – NET

	2015	2014
	(in thousands of HRK)	
Finance income:		
Foreign exchange gains from borrowings	8,108	3,213
	8,108	3,213
Finance costs:		
Foreign exchange losses from borrowings	(6,736)	(4,617)
Interest expense - banks	(7,020)	(5,620)
Interest expense - related parties (Note 27)	(2,568)	(6,227)
Interest expense - bonds	(8,373)	(8,344)
Interest expense - other	(9)	(396)
	(24,706)	(25,204)
	(16,598)	**(21,991)**

NOTE 11 – INCOME TAX

	2015	2014
	(in thousands of HRK)	
Current income tax	485	161
Deferred tax (Note 23)	(1,121)	805
	(636)	**966**

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate of 20% applicable to the Company's profit as follows:

	2015	2014
	(in thousands of HRK)	
Profit/ (loss) before taxation	82,798	(1,170)
Tax at 20%	16,560	(234)
Effect of expenses not deductible for tax purposes	3,425	3,245
Effect of income not subject to tax	(20,621)	(2,045)
Tax charge	**(636)**	**966**
Effective interest rate	(0.77%)	(82.56%)

To date, the Tax Authority did not perform a tax audit of the Company's income tax return. In accordance with local regulations, the Tax Authority may at any time inspect the Company's books and records within 3 years following the end of the year in which the tax liability is reported and may impose additional tax assessments and penalties. The Company's management is not aware of any circumstances which may give rise to a potential material liability in this respect.

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT

(in thousands of HRK)	**Leasehold Improvements**	**Motor Vehicles**	**Equipment**	**Assets not yet in use**	**Total**
At 31 December 2013					
Cost	13,025	301	9,132	1,700	24,158
Accumulated depreciation	(2,158)	(59)	(5,553)	-	(7,770)
Net book amount	**10,867**	**242**	**3,579**	**1,700**	**16,388**
At 1 January 2014					
Opening net book amount	10,867	242	3,579	1,700	16,388
Additions	-	-	-	983	983
Transfer	-	139	1,510	(1,649)	-
Depreciation	(1,682)	(77)	(1,045)	-	(2,804)
Closing net book amount	**9,185**	**304**	**4,044**	**1,034**	**14,567**
At 31 December 2014					
Cost	13,025	440	9,780	1,034	24,279
Accumulated depreciation	(3,840)	(136)	(5,736)	-	(9,712)
Net book amount	**9,185**	**304**	**4,044**	**1,034**	**14,567**
At 1 January 2015					
Opening net book amount	9,185	304	4,044	1,034	14,567
Additions	-	-	-	4,643	4,643
Transfer	2,105	143	1,793	(4,041)	-
Disposals	-	(31)	(8)	-	(39)
Depreciation	(1,614)	(76)	(1,070)	-	(2,760)
Closing net book amount	**9,676**	**340**	**4,759**	**1,636**	**16,411**
At 31 December 2015					
Cost	15,130	505	10,181	1,636	27,452
Accumulated depreciation	(5,454)	(165)	(5,422)	-	(11,041)
Net book amount	**9,676**	**340**	**4,759**	**1,636**	**16,411**

NOTE 13 – INTANGIBLE ASSETS

	31 December 2015	**31 December 2014**
	(in thousands of HRK)	
Opening net book amount	6,626	4,817
Additions	6,929	3,247
Amortisation	(1,992)	(1,438)
Closing net book amount	11,563	6,626
Cost	15,579	10,355
Accumulated amortisation	(4,016)	(3,729)
Closing net book amount	**11,563**	**6,626**

NOTE 14 – INVESTMENTS IN SUBSIDIARIES

	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	Holding in %	**Holding in %**	*(in thousands of HRK)*	
Atlantic Trade d.o.o., Zagreb, Croatia	100%	100%	738,544	738,544
Neva d.o.o., Zagreb, Croatia	100%	100%	53,281	53,281
Cedevita d.o.o., Zagreb, Croatia	100%	100%	132,736	132,736
Hopen Investments, BV, Netherlands	100%	100%	91,017	91,017
Montana Plus d.o.o., Zagreb, Croatia	100%	100%	12,000	12,000
Fidifarm d.o.o., Zagreb, Croatia	100%	100%	525,898	525,898
Atlantic Brands GmbH, Austria /i/	100%	-	1,028	-
Atlantic Brands GmbH, Germany /i/	100%	-	1,525	-
			1,556,029	**1,553,476**

/i/ In 2015 the Company founded subsidiaries in Austria and Germany to strengthen own distribution and selling capacities in these countries.

NOTE 15 – FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

(in thousands of HRK)	Loans and receivables	Total
31 December 2015		
Financial assets		
Trade and other receivables (Note 17)	66,752	**66,752**
Deposits (Note 17)	1,287	**1,287**
Cash and cash equivalents (Note 18)	2,038	**2,038**
Total	**70,077**	**70,077**

(in thousands of HRK)	Other financial liabilities	Derivatives used for hedging	Total
31 December 2015			
Financial liabilities			
Borrowings (Note 22)	402,487	-	**402,487**
Derivative financial instruments	-	472	**472**
Trade and other payables (Note 21)	22,870	-	**22,870**
Total	**425,357**	**472**	**425,829**

(in thousands of HRK)	Loans and receivables	Available-for-sale financial assets	Total
31 December 2014			
Financial assets			
Available-for-sale	-	47	**47**
Trade and other receivables (Note 17)	57,918	-	**57,918**
Deposits (Note 17)	1,295	-	**1,295**
Cash and cash equivalents (Note 18)	3,845	-	**3,845**
Total	**63,058**	**47**	**63,105**

(in thousands of HRK)	Other financial liabilities	Derivatives used for hedging	Total
31 December 2014			
Financial liabilities			
Borrowings (Note 22)	444,577	-	**444,577**
Derivative financial instruments	-	1,578	**1,578**
Trade and other payables (Note 21)	11,950	-	**11,950**
Total	**456,527**	**1,578**	**458,105**

NOTE 16 – CREDIT QUALITY OF FINANCIAL ASSETS

As at 31 December 2015, financial assets classified in the category trade and other receivables that are not past due amounted to HRK 55,499 thousand (2014: HRK 28,993 thousand). Receivables not past due include receivables from related parties in the amount of HRK 47,577 thousand (2014: HRK 27,910 thousand) and the risk of non-collectability is low.

External credit ratings about counterparty default rates for cash and cash equivalents are as follows:

Credit rating	**2015**	**2014**
	(in thousands of HRK)	
A-2/Negative (Standard &Poor's)	550	2,645
A-3/Stable (Standard &Poor's)	142	145
B/Negative (Standard &Poor's)	1,222	1,020
Petty cash and other banks	124	35
	2,038	**3,845**

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	2015	**2014**
	(in thousands of HRK)	
Trade and other receivables - external		
Counterparties without external credit rating*		
Group 2	4,444	617
Total unimpaired trade and other receivables	**4,444**	**617**

	2015	**2014**
	(in thousands of HRK)	
Long-term deposits and loans given		
Counterparties without external credit rating*		
Group 1	3,000	-
Group 2	1,765	1,761
	4,765	**1,761**

*Counterparties without external credit rating
Group 1 – new customers (less than 6 months)
Group 2 – existing customers (more than 6 months) with no defaults in the past
Group 3 – existing customers (more than 6 months) with some defaults in the past; all defaults were fully recovered.

None of the financial assets that are fully performing have been renegotiated in the last year. None of the loans to related parties is past due.

NOTE 17 – TRADE AND OTHER RECEIVABLES

	31 December 2015	31 December 2014
	(in thousands of HRK)	
Non-current receivables		
Deposits	1,287	1,295
	1,287	**1,295**
Current receivables		
Trade receivables – related parties (Note 27)	49,010	46,374
Trade receivables	1,475	164
Short-term loans receivable	3,478	466
Accrued interest receivable – related parties (Note 27)	456	457
Receivables from distribution of profit – related parties (Note 27)	8,064	10,000
Other receivables /ii/	6,764	2,912
	69,247	**60,373**
Total trade and other receivables	**70,534**	**61,668**

/i/ Financial assets by category are as follows (Note 15):

	2015	2014
	(in thousands of HRK)	
Category: Loans and receivables		
Deposits	1,287	1,295
Trade receivables – related parties (Note 27)	49,010	46,374
Trade receivables	1,475	164
Short-term loan receivables	3,478	466
Accrued interest receivable – related parties (Note 27)	456	457
Receivables from distribution of profit – related parties (Note 27)	8,064	10,000
Receivables from the sale of available-for-sale financial assets	3,800	-
Other receivables	469	457
	68,039	**59,213**

All non-current receivables fall due within 3 years after the balance sheet date.

The fair value of non-current receivables approximates the carrying amounts, since the contracted interest rates reflect market rates.

NOTE 17 – TRADE AND OTHER RECEIVABLES (continued)

As at 31 December 2015, trade and other receivables past due amounted to HRK 11,253 thousand (2014: HRK 28,925 thousand). Almost all receivables past due relate to receivables from related parties and they were not provided for as collection is not questionable. The ageing analysis of past due but not provided for trade and other receivables by maturity periods is as follows:

	2015	**2014**
	(in thousands of HRK)	
Less than 3 months	1,640	6,888
3 to 6 months	1,823	3,757
Over 6 months	7,790	18,280
	11,253	**28,925**

The carrying amounts of the Company's trade and other receivables are denominated in the following currencies:

	2015	**2014**
	(in thousands of HRK)	
HRK	36,610	32,775
EUR	31,429	26,438
	68,039	**59,213**

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Company does not hold any collateral as security other than bills of exchange and promissory notes.

/ii/ Other receivables mainly relate to prepaid expenses. Due to uncertainty in collection, other receivables of HRK 19 thousand were impaired (2014: HRK 45 thousand) (Note 8).

NOTE 18 – CASH AND CASH EQUIVALENTS

	31 December 2015	31 December 2014
	(in thousands of HRK)	
Current account and cash on hand	221	271
Foreign currency account	1,817	3,574
	2,038	**3,845**

Cash and cash equivalents are denominated in the following currencies:

	2015	2014
	(in thousands of HRK)	
EUR	1,815	3,575
HRK	210	263
Other currencies	13	7
	2,038	**3,845**

NOTE 19 – SHARE CAPITAL

	Number of shares	Ordinary shares	Share premium	Treasury shares	Total
			(in thousands of HRK)		
1 January 2014	3,334,278	133,372	882,597	(16)	1,015,953
Purchase of treasury shares	(500)	-	-	(502)	(502)
Share based payments	445	-	(21)	440	419
31 December 2014	**3,334,223**	**133,372**	**882,576**	**(78)**	**1,015,870**
Purchase of treasury shares	(4,743)	-	-	(4,304)	(4,304)
Share based payments	4,593	-	(1,061)	4,184	3,123
31 December 2015	**3,334,073**	**133,372**	**881,515**	**(198)**	**1,014,689**

All shares issued are ordinary shares, including all relevant rights. All shares have the right to vote at the Company's General Assembly, as well as the right to dividend payment.

NOTE 19 – SHARE CAPITAL (continued)

The ownership structure of the Company is as follows:

	31 December 2015		31 December 2014	
	Number of shares	%	Number of shares	%
Emil Tedeschi	1,673,819	50.20	1,673,819	50.20
Raiffeisen Obligatory pension fund	325,759	9.77	324,000	9.72
EBRD	199,301	5.98	284,301	8.53
Erste Plavi Obligatory pension fund	198,178	5.94	111,560	3.35
Lada Tedeschi Fiorio	193,156	5.79	193,156	5.79
Management of the Company	38,331	1.15	37,624	1.13
Other shareholders	705,529	21.16	709,763	21.28
Treasury shares	227	0.01	77	-
Total	**3,334,300**	**100.00**	**3,334,300**	**100.00**

Share based payments

According to the Company’s share option programme, shares are granted to Management Board members and to top management.

One part of the share grant is subject to the Group achieving its operating profit target growth and subject to individual performance achievements. The other part is conditional on the employee completing two or more years of service (the vesting period). Furthermore, part of the programme is designated for the extraordinary performance on special projects.

Under the programme, 1,331 new shares have been granted in 2015 (2014: 465 shares) relating to the achievement of operating profit target growth, individual performance and achievements and completing of necessary period of service.

The fair value of equity-settled share based payment transactions amounted to HRK 2,079 thousand (2014: HRK 780 thousand). Of that amount, HRK 1,498 thousand (2014: HRK 780 thousand) has been reported as staff costs (Note 6), relating to 996 shares for which vesting conditions were met in 2015 (2014: 465 shares) and HRK 581 thousand was deferred, relating to shares for which vesting conditions will be met in the next two years (335 shares).

The fair value of the shares granted is determined as of the grant date at the estimated market price of the share of HRK 805.22 (2014: HRK 880.00).

In 2015 Management Board members and top management have received 4,593 shares in total. Out of this number, 3,650 shares related to award for the extraordinary performance on special projects subject to specific restrictions which include restriction to trade shares within 5 years from the grant date and vesting condition which includes 5 years of service within the Group. The fair value of one share at the award grant date amounted to HRK 630.00 and it has been determined based on external valuation report, taking into consideration trading restriction of the shares as described above. The rest of shares related to shares granted in 2014 and 2013. In 2014 Management Board members and top management have received 445 shares relating to shares granted in 2012.

Dividend distribution

According to the decision of the Company's General Assembly from 18 June 2015, the distribution of dividend in the amount of HRK 12.00 per share, or HRK 40,009 thousand in total was approved. Dividend was paid in July 2015.

In 2014 the distribution of dividend in the amount of HRK 10.50 per share, or HRK 35,010 thousand in total was approved. Dividend was paid in July 2014.

NOTE 20 – CASH FLOW HEDGE RESERVES

Cash flow hedge reserves in the amount of HRK 378 thousand (2014: HRK 1,263 thousand) relate to accumulated net fair value losses of floating-to-fixed interest rate swap agreements.

NOTE 21 – TRADE AND OTHER PAYABLES

	31 December 2015	31 December 2014
	(in thousands of HRK)	
Trade payables	16,340	7,881
Trade payables – related parties (Note 27)	1,275	1,051
Other payables /i/	12,053	9,277
	29,668	**18,209**

/i/ Other payables are as follows:

	31 December 2015	31 December 2014
	(in thousands of HRK)	
Gross salaries payable	3,736	3,360
Accrued expenses	3,528	2,754
Advances received – related parties (Note 27)	3,062	2,899
Other	1,727	264
	12,053	**9,277**

Financial liabilities are denominated in the following currencies:

	2015	2014
	(in thousands of HRK)	
HRK	20,288	10,175
EUR	2,376	1,775
Other currencies	206	-
	22,870	**11,950**

NOTE 22 – BORROWINGS

	31 December 2015	31 December 2014
	(in thousands of HRK)	
Long-term borrowings:		
Related parties /i/ (Note 27)	-	30,646
Bonds /iii/	-	114,594
Long-term debt	**-**	**145,240**
Short-term borrowings:		
Related parties /i/ (Note 27)	154,958	197,384
Banks /ii/	130,992	100,620
Bonds /iii/	116,537	1,333
	402,487	**299,337**
Total borrowings	**402,487**	**444,577**

/i/ Short-term borrowings from related parties include one short-term borrowing facility. These borrowings are not secured.

/ii/ Short-term bank borrowings include four facilities which are secured with co-guarantees from the Company's subsidiaries.

/iii/ Final redemption of bonds issued in September 2011 in amount of HRK 115 million at the price of 99.375% and with a coupon of 6.75% per annum is on 20 September 2016.

The exposure of the Company's borrowings to interest rate changes and the contractual re-pricing dates at the balance sheet date are as follows:

	31 December 2015	31 December 2014
	(in thousands of HRK)	
3 to 6 months	130,992	162,916
Fixed interest rate	271,495	281,661
	402,487	**444,577**

As at 31 December 2015 all borrowings are short-term. As at 31 December 2014 the maturity of long-term borrowings was between 1 and 2 years.

The average effective annual interest rate relating to borrowings from banks and from related parties at the balance sheet date was 2.34% (2014: 2.42%). The effective annual interest rate relating to bonds at the balance sheet date was 7.28% (2014: 7.26%).

NOTE 22 – BORROWINGS (continued)

The carrying amounts and fair value of long-term borrowings as at 31 December 2014 were as follows:

	Carrying amounts	Fair value
	(in thousands of HRK)	
Long-term borrowings		
Related parties	30,646	30,646
Bonds	114,594	122,579
	145,240	**153,225**

The carrying amount of short-term borrowings approximates their fair value.

The carrying amounts of the Company’s borrowings are translated from the following currencies:

	31 December 2015	31 December 2014
	(in thousands of HRK)	
HRK	117,012	116,410
EUR	285,475	328,167
	402,487	**444,577**

NOTE 23 – DEFERRED INCOME TAX ASSETS

	31 December 2015	31 December 2004
	(in thousands of HRK)	
Deferred income tax assets:		
- Deferred income tax assets to be recovered after 12 months	29	316
- Deferred income tax assets to be recovered within 12 months	2,886	1,699
Deferred income tax assets	**2,915**	**2,015**

Deferred income tax assets are recognised for all deductible temporary differences to the extent that it is probable that the amounts recognised will be realised through future taxable profits of the Company. Temporary differences relate to accrued bonuses, unused vacation days and effects of interest rate swaps.

NOTE 23 – DEFERRED INCOME TAX ASSETS (continued)

Deferred tax assets

(in thousands of HRK)	**Bonuses**	**Derivative financial instruments**	**Other**	**Total**
At 1 January 2014	1,582	1,146	359	3,087
Tax credited to the income statement (Note 11)	1,430	(561)	-	869
Tax charged to the income statement (Note 11)	(1,582)	-	(92)	(1,674)
Tax charged to other comprehensive income	-	(267)	-	(267)
At 31 December 2014	**1,430**	**318**	**267**	**2,015**
Tax credited to the income statement (Note 11)	2,551	-	-	2,551
Tax charged to the income statement (Note 11)	(1,430)	-	-	(1,430)
Tax charged to other comprehensive income	-	(221)	-	(221)
At 31 December 2015	**2,551**	**97**	**267**	**2,915**

NOTE 24 – PROVISIONS

(in thousands of HRK)	**Jubilee awards and termination benefits**	**Bonuses**	**Legal proceedings**	**Total**
At 31 December 2014	203	7,150	280	7,633
Analysis of total provisions:				
Non-current	193	-	-	193
Current	10	7,150	280	7,440
At 1 January 2015	**203**	**7,150**	**280**	**7,633**
Additions	65	14,541	-	14,606
Used during the year	(10)	(8,935)	(280)	(9,225)
Unused amounts reversed	(5)	-	-	(5)
	253	**12,756**	**-**	**13,009**
Analysis of total provisions:				
Non-current	248	-	-	248
Current	5	12,756	-	12,761
At 31 December 2015	**253**	**12,756**	**-**	**13,009**

NOTE 25 – COMMITMENTS

The Company has aggregate minimum lease payments under non-cancellable operating leases for equipment, vehicles and business premises as follows:

	31 December 2015	31 December 2014
	(in thousands of HRK)	
Not later than 1 year	8,253	7,815
Later than 1 year and not later than 5 years	10,419	22,377
Later than 5 years	540	930
	19,212	**31,122**

Capital expenditure contracted at 31 December 2015 but not yet incurred amounted to HRK 1,069 thousand (2014: HRK 1,456 thousand) for intangible assets and HRK 504 thousand (2014: nil) for property plant and equipment.

The Company is co-debtor and guarantor to its subsidiaries and other members of the Group in their long-term and short-term borrowings. Contingent liabilities arising from guarantees given to its subsidiaries and other members of Atlantic Group were not disclosed in the balance sheet as at 31 December 2015 and 2014, since Management believes it is not likely that they will fall into the Company's liabilities.

NOTE 26 – CASH GENERATED FROM OPERATIONS

	Note	2015	2014
Net profit/ (loss)		**83,434**	**(2,136)**
Income tax	11	(636)	966
Depreciation and amortisation	12,13	4,752	4,242
Impairment of receivables	8	19	45
Gain on sale of available-for-sale financial assets	9	(7,523)	-
Gain on sale of property, plant and equipment	9	(15)	-
Gain on liquidation of subsidiary	9	(400)	-
Fair value gains on derivative financial instruments	9	-	(2,806)
Unrealised foreign exchange differences – net		(1,351)	683
Increase/ (decrease) in provisions	24	5,376	(1,194)
Share based payment		3,123	419
Interest income	5	(7)	(16)
Interest expense	10	17,970	20,587
Dividend income	5	(82,080)	-
Other non-cash items		(10)	(9)
Changes in working capital:			
(Increase)/ decrease in trade and other receivables		(16,770)	571
Increase in trade and other payables		11,458	3,135
Cash generated from operations		**17,340**	**24,487**

NOTE 27 – RELATED PARTY TRANSACTIONS

The Company enters into transactions with the related parties as presented in Note 14, shareholders and other entities owned or controlled by the Company and shareholders.
Related party transactions that relate to balances as at 31 December 2015 and as at 31 December 2014 and transactions recognized for years then ended are as follows:

(all amounts expressed in thousands of HRK)	**Note**	**31 December 2015**	**31 December 2014**
RECEIVABLES			
Current receivables			
Interest receivable			
Subsidiaries	17	456	457
Trade receivables			
Subsidiaries	17	49,010	46,374
Receivables from distribution of profit			
Subsidiaries	17	8,064	10,000
LIABILITIES			
Trade and other payables			
Subsidiaries	21	4,337	3,950
Borrowings			
Subsidiaries		154,958	165,735
Shareholders		-	62,295
	22	154,958	228,030
REVENUES			
Revenues			
Subsidiaries		119,461	105,461
Dividend income			
Subsidiaries	5	82,080	-
EXPENSES			
Other operating costs			
Subsidiaries	8	640	284
Net finance costs			
Subsidiaries		2,568	2,439
Shareholders		-	3,788
	10	2,568	6,227

Management board compensation

In 2015 members of the Management Board received a total gross amount of HRK 15,970 thousand relating to salaries, bonuses and supervisory board compensation in respect of operating companies (2014: HRK 10,379 thousand).