ANNUAL REPORT OF THE LUKA PLOČE COMPANY AND LUKA PLOČE GROUP FOR YEAR 2018.

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LUKA PLOČE d.d.
Trg kralja Tomislava 21
20 340 Ploče
OIB: 51228874907

MANAGEMENT REPORT FOR YEAR 2018.

Ploče, April 2019.

FINANCIAL RESULTS OF THE LUKA PLOČE d.d. IN 2018:

- Cargo traffic volume through Ploče port: 3,15 million tones of cargoes representing 1,3% decrease in comparison with the same period of the previous year.
- Operating revenues: 201,30 million kuna representing the decrease of 12,64% in comparison with the same period of the previous year.
- Operating expenses: 198,30 million kuna representing 11,33 % decrease in comparison with the same period of the previous year.
- EBITDA: 9,42 million kuna
- EBITDA margin: 4,68%
- EBIT: 2,99 million kuna
- EBIT margin: 1,49%
- Net PROFIT: 2,00 million kuna

LUKA PLOČE d.d. REVENUES

Operating revenues from core business in year 2018. amounted to 103,40 million kuna which is 9,69 % increase over the previous period.

Sales revenues have decreased by 28,29% over the same reporting period of the previous year. That has resulted also in the 12,42 % decrease in operating revenues in comparison to the same reporting period of the previous year.

Within the structure of reloaded cargo, bulk cargoes increased by 8% over the same period of the last year, general charges increased by 25% over the same period of the previous year, and liquid cargoes decreased by 37% compared to the same period last year .

OPERATING EXPENSES of Luka Ploče d.d.

Operating expenses amounted to 198,30 million kuna which is the decrease of 11,33 % in comparison to the same period of the previous year.

Most significant decrease was reported with the cost of goods sold by 29,08% when compared to the same period of the previous year

EBITDA* (Earnings before interest, taxes and depreciation) Luka Ploče d.d.

EBITDA* amounted to 9,42 million kuna for the year 2018., representing a 3,3 million kuna decrease in comparison to the previous year.

EBIT LUKA PLOČE d.d.

EBIT amounted to 2,99 million kuna representing the decrease of 3,24 million kuna in comparison to the previous year.

NET PROFIT of the LUKA PLOČE d.d.

Luka Ploče d.d. has recorded a net profit of 4,57 million kuna. During the 2018. It has used the recognition of deferred tax assets so net profit amounts to 2,0 million kuna.

FINANCIAL POSITION of Luka Ploče d.d.

Long-term assets recoded the decrease of 32.754 thousand kuna due to termination of bank guaranty by the HBOR for the long term loan in amount of 53.338 thousand kuna. Such type of bank guaranty has been referred from the long term deposits to the item of short term assets: Cash and cash equivalents and has been replaced by a pledge on the equipment of the Bulk Cargo Terminal.

Assets have increased by 22.692 thousand kuna in respect of construction of the Bulk cargo terminal.

Short-term assets increased by 21.320 thousand kuna. The largest inecrease has been recorded at the item cash and cash equivalents, while the decrease has been recorded at the item inventories and customer receivables.

Long-term liabilities have increased by 11.272 thousand kuna due to investment from long-term sources to Bulk cargo Terminal.

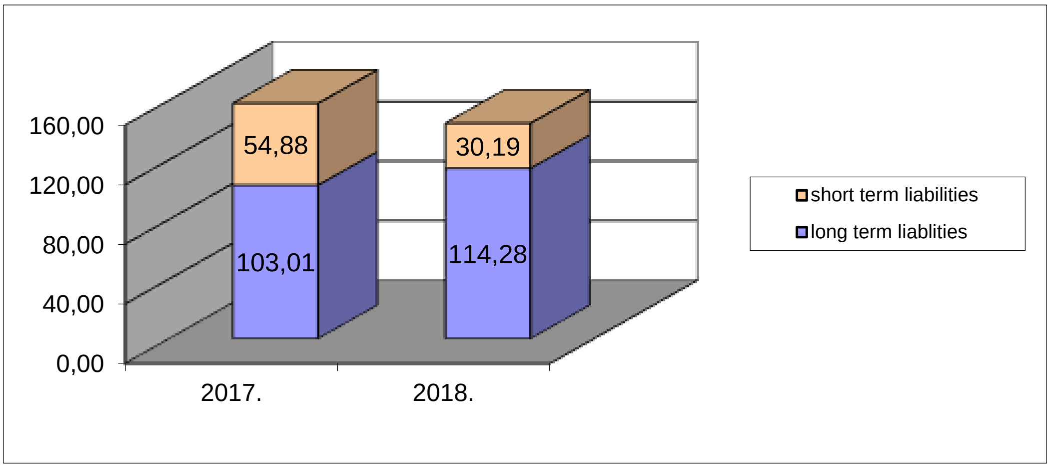
Short term liabilities recorded an decrease in amount of 24.702 thousand kuna Decrease refers to the item liabilities toward suppliers.

The highest item within the liabilities is the capital and reserves with a share of 73,93% of the total liabilities.

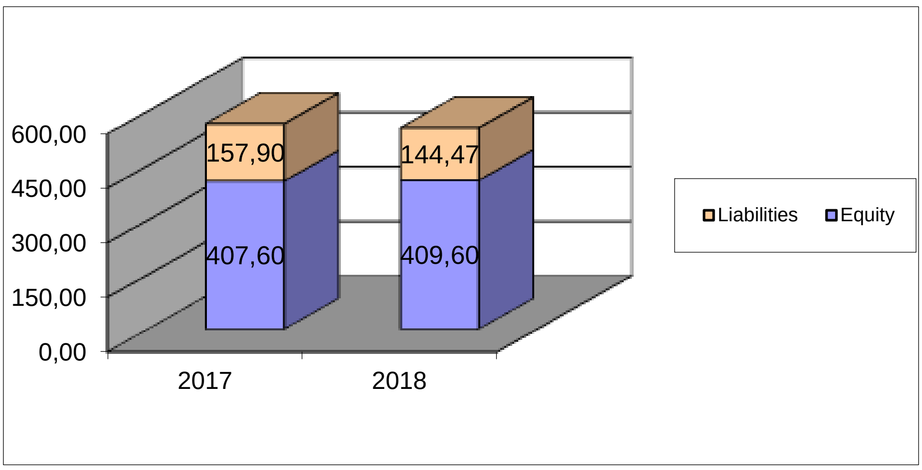
Long-term and short-term financial liabilities constitute 26,07% of the total liabilities and capital.

- EBITDA includes interest income on short-term deposits being treated by the Group and the Company treat as operating revenues

The structure of financial liabilities of Luka Ploče d.d. (in mill kuna)



Structure of the sources of funding of Luka Ploče d.d. (in mill kuna)



Key indicators Luka Ploče d.d.

Indicators	REALIZED 2017	REALIZED 2018
Liquidity ratios		
Working Capital (in kuna)	223.627.771	216.177.627
Current liquidity	5,07	8,16
Turnover of working capital	1,03	0,91
Days of working capital	354,23	404,52
Days in period	365	365
Debt indicators		
Short term liabilities / equity	0,13	0,07
Long term liabilities/ equity	0,25	0,28
Loans /equity	0,27	0,30
Total liabilities / assetss	0,38	0,35
Profitability ratios	**2017.**	2018.
EBITDA margin	5,52	4,68
EBIT margin	2,70	1,49
Net margin	0,23	0,99
Number of employees	493	485
Revenue per employee (in kuna)	467.397	415.044
Profit per employee	1.052	4.116

FINANCIAL RESULTS OF THE LUKA PLOČE GROUP IN 2018:

Luka Ploče Group monitors and presents operating revenues, operating profit, capital investments , total assets and total liabilities for the following activities :

- Cargo handling (loading, unloading, transshipment, finishing, weighing general cargo , bulk and liquid cargo) and represents the parent company.
- freight forwarding services, maritime services (mooring , unmooring of cargo and passenger ships)
- secondary activities (catering and similar activities)

Results of above stated activities for the year ending on December 31st 2018. are as given below:

- Operating Revenues: 212,99 million kuna representing the decrease of 11,38 % in comparison with the same period of the previous year.
- Operating expenses : 208,67 million kuna representing 10,44 % decrease in comparison with the same period of the previous year.
- EBITDA : 11,20 million kuna
- EBITDA margin: 5,26 %
- EBIT: 4,32 million kuna
- EBIT margin: 2,03%
- Net PROFIT : 3,18 million kuna

Key indicators Luka Ploče Group

Indicators	REALIZED 2017	REALIZED 2018
Liquidity ratios		
Working Capital (in kuna)	230.954.516	222.575.412
Current liquidity	5,25	8,41
Turnover of working capital	1,04	0,94
Days of working capital	350	390
Days in period	365	365
Debt indicators		
Short term liabilities / equity	0,13	0,07
Long term liabilities/ equity	0,26	0,28
Loans /equity	0,27	0,30
Total liabilities / assetss	0,27	0,26
Profitability ratios		
EBITDA margin	6,0	5,26
EBIT margin	3,1	2,03
Net margin	0,5	1,50
Productivity Indicators		
Number of employees	552	550
Revenue per employee (in kuna)	436.514	387.258

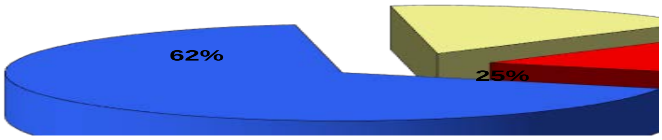
SALES AND MARKETING

Total volume of cargo reloaded in the 2018. totals to 3.153.322 tons, which represents a 1% decrease in comparison to the year 2017. when the total volume recorded was 3.194.963 tones. The prevailing cargo type in the overall structure is bulk cargo, comprising 67,50 % of the total cargo traffic volume. General cargo volume represents a share of 16,50 %, while the liquid cargo volume represents a share of 16 % of the total cargo traffic volume.

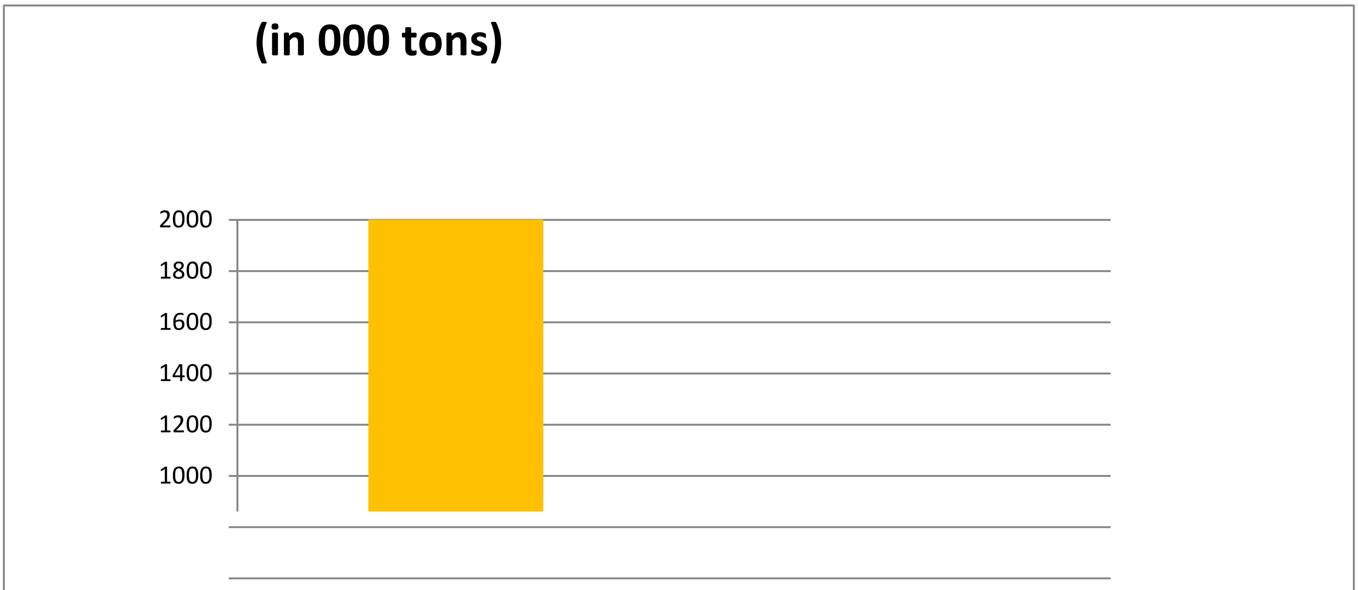
Volumes as per the type of cargo (in tones)

TYPE OF CARGO	2018.	2017.	Indeks 2018./2017.
General cargo	520.201	417.583	125
Bulk cargo	2.124.999	1.973.160	108
Liquid cargo	508.122	804.220	63
TOTAL	**3.153.322**	**3.194.963**	**99**

Structure as per the type of cargo in 2018.



Bulk cargo



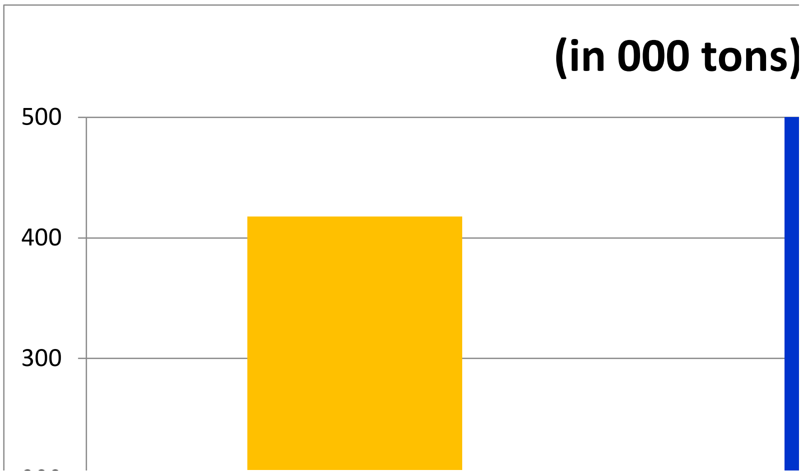
The bulk cargo prevails in the structure of all cargo types reloading in 2018, which represents increase of 8 % than in the previous year.

Metallurgical coal is predominant in its structure.

This year, the significance is on renewing of reloading operation of bauxite for our client in Bosnia and Herzegovina, reloading of petrolcoke in import as well as in export.

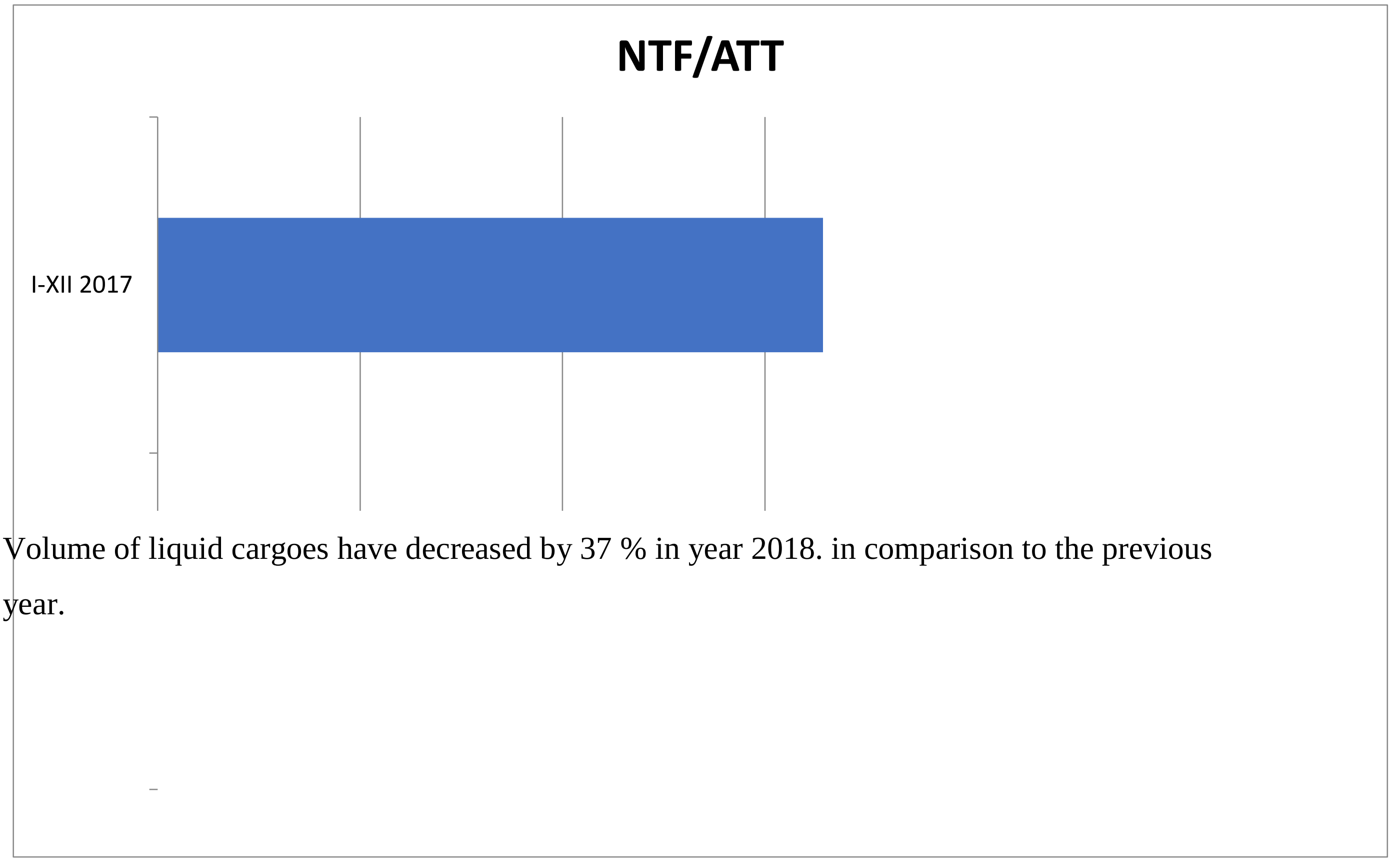
Also significant is the increase in the volume of reloading of scrap iron.

General cargo



General cargoes reloading have recorded a 25% increase in comparison to the year 2017. The increase is a result of increased volume of reloading of steel billets and iron products.
In 2018. 27.441 TEUs were reloaded, while in 2017. 24.123 TEUs were reloaded, representing the container traffic volume increase of 14%.

Liquid cargo



Volume of liquid cargoes have decreased by 37 % in year 2018. in comparison to the previous year.

The main reason for this decrease in the liquid cargo traffic volume is the incident on the ship berth for the liquid cargo carriers, which resulted in the inability to accept vessels with liquid cargo in the period from the beginning of August until the beginning of November.

EXPECTATIONS

Strategic goals of Luka Ploče d.d. is to achieve traffic volume growth and profitability in the coming years.

The focus is on the growth of volume of bulk cargoes reloading, increase of transshipment of energetic coal for Italy for Enel's needs, with whom the existing contract is extended.

In the structure of general cargoes we expect further growth in the segment of containers, timber and especially of aluminum products.

The MAERSK container operator has resumed container traffic through the port of Ploče with whom we signed the contract. There is an interest of other shipping companies for returning to the port of Ploče.

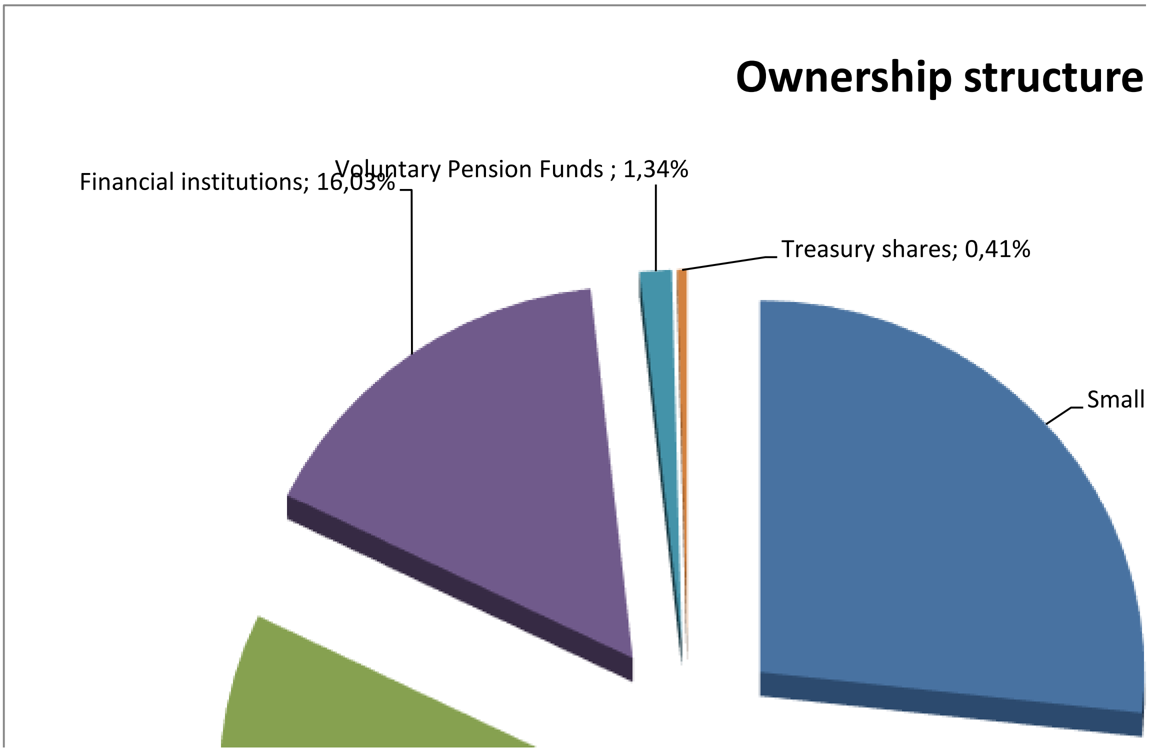
We expect a significant increase in transport of fir timber in the container filling segment; the increase in the reefer container reloading.

There is a seemingly increase in reloading of scrap iron, and in reloading volume of steel billets for the needs of the Bosnia and Hercegovina market.

By the continuous reorganization of the company, investments in renewal of reloading equipment and human resources, the strong foundation for future growth and development have been set.

SHARES

Top shareholders as on 31.December 2018.



Current balance of the treasury stock

The Company acquired 1,719 of own shares during years 2011., 2012. and 2013. in accordance with Article 233, Paragraph 2. of the Companies Act.
The acquired shares have not been disposed of until the date of this publication.

TRANSACTIONS WITH ASSOCIATED COMPANIES WITHIN THE GROUP

Transactions with affiliated companies within the Group are carried out under usual commercial conditions with the application of market prices.

Affiliates are:

- Luka Šped d.o.o. 100% owned by the Luka Ploče d.d
  Main business is forwarding agency services
- Pomorski servis - Luka Ploče d.o.o. 100% owned by the Luka Ploče d.d
  Main business is rendering of maritime services
- Pločanska plovidba d.o.o. 100% owned by the Luka Ploče d.d.
  Main business is rendering of shipping services

More on affiliated companies can be found in Note 18 of the financial statements.

RISKS OF THE COMPANY AND THE GROUP

Given that the Company is exposed to various risks in everyday business, it is most important for the Company to take risks as a normal occurrence and to respond to it in a timely and appropriate manner. Only with such approach is it possible to make quality decisions to preserve and develop business.

The Company carries out appropriate policies and procedures for managing individual risks, and the way of managing and controlling risks is specifically prescribed and documented in regulations and procedures.

The Company defines the following types of most significant risks:

Credit risk

Group assets bearing credit risk consist of cash assets, deposits, accounts receivable, claims from employees and other receivables As an additional collateral for collecting receivables from customers, the Group and the Company reduce credit risk by implementing our right to take a pledge over cargo as an guaranty instrument, while claims on employees are secured by wage cessation.

Price risk

Prices of services Luka Ploče d.d. are in line with the prices of other ports in the Adriatic. Prices of services provided by Luka Ploče d.d. are not sufficient to maintain the competitiveness of this traffic route. Competitiveness also depends on the price of light dues, port fees and rail railway freight rates. Increases in prices may have a negative impact on the traffic route via the port of Ploče.

Liquidity risk and cash flow risk

Proper liquidity risk management implies maintaining a sufficient amount of money, ensuring the availability of financial resources by an adequate amount of agreed credit lines and the ability to settle all liabilities. The Group and Company's goal is to maintain the flexibility of financing in a way that contractual credit lines are available. The Finance Department regularly – monthly monitors the level of available sources of funds.

The table below shows the analysis of the Group's and Company's financial liabilities by contractual maturities.

Table of financial liabilities in thousands of kuna in 2018

	Luka Ploče Grupa		*Luka Ploče d.d.*	
	2018.	**2017.**	**2018.**	**2017.**
Total liabilities	122.996	111.941	121.222	109.475
	(in thousands kuna)		*(in thousands kuna)*	
Less than 1 year (current maturity)	10.792	9.386	10.154	8.705
Between 1 and 5 years	60.476	45.556	59.340	43.771
Over 5 years	51.728	56.999	51.728	56.999
	122.996	**111.941**	**121.222**	**109.475**

More details can be found in Notes 4 and 28.

SIGNIFICANT BUSINESS EVENTS

By the sale agreement concluded on 28.05.2018. between the PPD financial investments d.o.o. for business services and Energija naturalis d.o.o., the company Energija naturalis d.o.o. has become the owner of 105,514 shares representing a relative amount of 24.95% of the company's share capital.

On 16.01.2019. the Company was informed by Energija naturalis d.o.o. that they have acquired additional 2,848 shares thereby reaching the number of 108,362 shares which represents 25.62% of the Company's registered capital so in accordance with the Act on the takeover of joint stock companies the the obligation to announce the takeover bid has thereby occured, all upon the pending approval for the request for publication of the takeover bid by the Croatian Financial Services Supervisory Agency- HANFA.

On the Bulk Cargo Terminal, load testing of parts of the plant and equipment has began on 01.03.2019. The purpose of the test is to prove that machines and equipment can work satisfactorily, reliably, without breakdown, overload and overheating of any component during continuous operation.

The tests included:

- system components tests:

Ship unloader, individual transporters, stacker/reclaimer, wagons loading station

- testing of material transporting system for:

System from the ship unloader up to the storage,

System from reclaimer up to the wagon loading station.

Load testing of the plant and equipment will last until 30.06.2019.

CODE OF CORPORATE GOVERNANCE

Luka Ploče d.d. as well as the Port of Ploče Group is continually developing and operating in accordance with defined corporate governance standards.

This applies in particular to the way in which the Company's bodies operate, in way they cooperate with shareholders and employees, to ensure business transparency, and to third parties. On 16.06.2008. the Company has adopted its own Code of Corporate Governance with the aim of further strengthening and establishing high standards of corporate governance. The Management Board fully adheres to the provisions of its own Code and the Code of the Zagreb Stock Exchange d.d. from the date of listing of the shares on the Official Market. The Company applies the corporate governance measures prescribed by law and gives detailed info on it in the annual questionnaire published in accordance with the regulations on the Zagreb Stock Exchange web page and Luka Ploče d.d web page.

The General Assembly of the Company is the highest body of the Company where shareholders exercise their rights, but also participate in the supervision of the business. The Management Board convenes the regular General Assembly usually once a year after the audit of the annual financial statements. The invitation to the General Assembly with the relevant decision proposals and any documentation is published on the Company's web pages, the Company's notice board, the Official Gazette of the Republic of Croatia and the pages of the Zagreb Stock Exchange d.d., all in accordance with the provisions of the Companies Act, the Capital Market Act and the Rules of the Zagreb Stock Exchange d.d. The Company provides all shareholders with access to the documentation in our business premises. The Company has an identical approach to dealing with all shareholders, regardless of the number of shares held by them. The shareholders are given a deadline in which they can apply for participation in the General Assembly. Each share entitles to one vote.

The Company has, by the internal act, prescribed in detail the procedures for preparation and disclosure of the financial statements, thereby setting up an internal control and risk management system in relation to the financial reporting process.

Appointment and dismissal of members of the Management Board and members of the Supervisory Board is performed in the manner prescribed by the Company's Article of Association and the Companies Act. The authorizations of the Management Board members are aligned with the provisions of the Companies Act.

Company’s bodies are:

Management Board: Ivan Pavlović-president of the Board, Željka Dodig- member of the Board for financial affairs and Josip Jurčević- member of the Board for corporate governance.

Supervisory Board: Pavao Vujnovac-president, Davorin Rudolf –deputy president and members: Darko Drozdek and Tonka Lovrinov.

Audit Committee: Davorin Rudolf- president and member Darko Drozdek.

Remuneration Committee: Pavao Vujnovac- president and member Tonka Lovrinov.

Management Board and Supervisory Board work at sessions in accordance with the Law and the Rules of Procedure of the Management Board and the Supervisory Board.

On February 1st 2019. President of the Board Ivan Pavlović has been relieved from duty of the President of the Management Board and Mr Hrvoje Livaja has been appointed the new President of the Management Board. Upon his personal request, the member of the Management Board Josip Jurčević has been relieved of the duty of the member of the Board for corporate governance on the same date.

In Ploče, April 29th 2019 .

Hrvoje Livaja	Željka Dodig
President of the Management Board	*Member of the Board*

Management Liability statement

Pursuant to the Croatian Accounting Law, the Management Board is responsible for ensuring that non-consolidated and consolidated financial statements are prepared for each financial year in accordance with the International Financial Reporting Standards (“IFRS’’) approved by the European Union (“EU”) which give a true and fair view of the state of affairs and results of Luka Ploče d.d. and of the companies being consolidated (“Group”) for that period.

The Management Board 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 Board continues to adopt the going concern basis in preparing the financial statements.

In preparing those financial statements, the responsibilities of the Management Board include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgements and estimates are reasonable and prudent;
- applicable accounting standards are followed,
- the financial statements are prepared on the going concern basis unless it inappropriate to presume that the Company and Group will continue in business.

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

The Management Board is also responsible for the contents and preparation of the management report in accordance with the legal and regulatory requirement as well as for other information published with the management report (commonly referred to as: “ other information”). Management report with other information is given on pages 1. to 20., approved for issuing by the Management Board and signed below accordingly.

Non-consolidated and consolidated financial reports have been approved by the Management Board on April 29th 2019. for their submittal for approval to the Supervisory Board, and are signed below:

Hrvoje Livaja	Željka Dodig
President of the Board	*Member of the Board*

Luka Ploče d.d.

Trg kralja Tomislava 21

20340 Ploče

Ploče, April 29th 2019.

LUKA PLOČE d.d.

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS 31 DECEMBER 2018

LUKA PLOČE d.d., Ploče

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

		Luka Ploče Group		Luka Ploče d.d.	
(in thousands of HRK)	**Note**	**2018**	**2017**	**2018**	**2017**
Continuing operations					
Revenues	7, 8	210.683	237.836	199.591	228.338
Other income	8	2.309	2.516	1.705	1.524
Raw material and energy costs	9	(104.772)	(138.909)	(103.025)	(136.751)
Costs of services	9	(17.878)	(16.497)	(17.457)	(20.156)
Staff costs	10	(69.932)	(61.719)	(62.748)	(52.048)
Depreciation	15,16,17	(6.886)	(6.988)	(6.429)	(6.489)
Other operating expenses	11	(7.206)	(9.181)	(6.684)	(8.674)
Impairment of receivables - net	22	(856)	(262)	(816)	(82)
Other (losses) / gains – net	12	(1.143)	565	(1.143)	565
Operating profit		**4.319**	**7.361**	**2.994**	**6.227**
Finance income / (expenses) – net	13	1.530	(8.018)	1.578	(7.604)
Share of profit in associates	19	36	63	-	-
Profit / (loss) before tax		**5.885**	**(594)**	**4.572**	**(1.377)**
Income tax	14	(2.701)	1.851	(2.576)	1.895
Net profit / (loss)		**3.184**	**1.257**	**1.996**	**518**
Other comprehensive profits		-	-	-	-
Total comprehensive income / (loss)		**3.184**	**1.257**	**1.996**	**518**
Profit (loss) per share (in HRK)	**27**	**7,56**	**2,98**	**4,74**	**1,23**

The notes and accounting policies that follow are an integral part of these financial statements.

LUKA PLOČE d.d., Ploče

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

(all amounts are expressed in thousands of HRK)	**Note**	**Luka Ploče Group** 31 December 2018	**Luka Ploče Group** 31 December 2017	**Luka Ploče d.d.** 31 December 2018	**Luka Ploče d.d.** 31 December 2017
ASSETS					
Non-current assets					
Intangible assets	15	677	1.000	674	1.000
Property, plant and equipment	16	287.566	252.557	281.749	247.345
Advances for tangible assets		10.827	22.498	10.786	22.498
Investment property	17	4.578	4.675	4.578	4.675
Investments in subsidiaries	18	-	-	7.502	7.502
Investments in associates	19	620	584	80	80
Long-term loan receivables	20	1.694	1.995	1.694	1.995
Deferred tax assets	14	513	1.895	513	1.895
Long-term deposits	23	959	53.511	135	53.475
Total non-current assets		**307.434**	**338.715**	**307.711**	**340.465**
Current assets					
Inventories	21	4.315	31.596	4.086	31.432
Trade and other receivables	22	34.905	74.342	34.184	73.635
Short-term deposits	23	272	81.419	-	81.146
Financial assets at fair value through profit or loss	24	294	351	294	351
Cash and cash equivalents	25	212.819	44.095	207.797	38.477
Total current assets		**252.605**	**231.803**	**246.361**	**225.041**
Total assets		**560.039**	**570.518**	**554.072**	**565.506**
Shareholders' equity					
Share capital	26	169.187	169.187	169.187	169.187
Premium on issued shares	26	88.107	88.107	88.107	88.107
Legal reserves	26	8.459	8.459	8.459	8.459
Other reserves	26	48.159	48.159	48.159	48.159
Retained earnings	26	100.359	97.175	95.687	93.691
		414.271	411.087	409.599	407.603
Non-controlling interests		-	-	-	-
Total shareholders' equity		**414.271**	**411.087**	**409.599**	**407.603**
LIABILITIES					
Non-current liabilities					
Borrowings	28	112.204	102.555	111.068	100.770
Provisions	29	3.536	2.507	3.219	2.245
Total non-current liabilities		**115.740**	**105.062**	**114.287**	**103.015**
Current liabilities					
Borrowings	28	10.792	9.386	10.154	8.705
Trade and other payables	30	17.594	44.340	18.499	45.575
Profit tax liability		1.302	35	1.193	-
Provisions	29	340	608	340	608
Total short term liabilities		**30.028**	**54.369**	**30.186**	**54.888**
Total liabilities		**145.768**	**159.431**	**144.473**	**157.903**
Total equity and liabilities		**560.039**	**570.518**	**554.072**	**565.506**

The notes and accounting policies that follow are an integral part of these financial statements.

Luka Ploče Group

(all amounts are expressed in thousands of HRK)	**Share capital**	**Premium on issued shares**	**Legal reserves**	**Other reserves**	**Treasury shares**	**Retained earnings**	**Total**
At 1 January 2017	**169.187**	**88.107**	**8.283**	**49.225**	**(1.066)**	**96.094**	**409.830**
Net profit/ (loss) for the year	-	-	-	-	-	1.257	1.257
Other comprehensive income	-	-	-	-	-	-	-
Transactions with owners:	-	-	-	-	-	-	-
Transfer from retained earnings	-	-	176	-	-	(176)	-
At 31 December 2017	**169.187**	**88.107**	**8.459**	**49.225**	**(1.066)**	**97.175**	**411.087**
At 1 January 2018	**169.187**	**88.107**	**8.459**	**49.225**	**(1.066)**	**97.175**	**411.087**
Net profit/ (loss) for the year	-	-	-	-	-	3.184	3.184
Other comprehensive income	-	-	-	-	-	-	-
At 31 December 2018	**169.187**	**88.107**	**8.459**	**49.225**	**(1.066)**	**100.359**	**414.271**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

Luka Ploče d,d.

(all amounts are expressed in thousands of HRK)	**Share capital**	**Premium on issued shares**	**Legal reserves**	**Other reserves**	**Treasury shares**	**Retained earnings**	**Total**
At 1 January 2017	**169.187**	**88.107**	**8.283**	**49.225**	**(1.066)**	**95.385**	**409.121**
Net loss for the year	-	-	-	-	-	518	518
Other comprehensive income	-	-	-	-	-	-	-
Transactions with owners							
Transfer from retained earnings	-	-	176	-	-	(176)	-
Merger Effect	-	-	-	-	-	(2.036)	(2.036)
At 31 December 2017	**169.187**	**88.107**	**8.459**	**49.225**	**(1.066)**	**93.691**	**407.603**
At 1 January 2018	**169.187**	**88.107**	**8.459**	**49.225**	**(1.066)**	**93.691**	**407.603**
Net profit for the year	-	-	-	-	-	1.996	1.996
Other comprehensive income	-	-	-	-	-	-	-
At 31 December 2018	**169.187**	**88.107**	**8.459**	**49.225**	**(1.066)**	**95.687**	**409.599**

LUKA PLOČE d.d., Ploče

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

(all amounts are expressed in thousands of HRK)	**Note**	**Luka Ploče Group 2018**	**Luka Ploče Group 2017**	**Luka Ploče d.d. 2018**	**Luka Ploče d.d. 2017**
Profit (loss) before tax		5.885	(594)	4.572	(1.377)
Depreciation	15,16, 17	6.886	6.988	6.429	6.489
Provision for impairment of receivables	22	849	262	809	82
Gains on fair valuation	12	57	(71)	57	(71)
Loss/(gain) on sale of tangible assets	12	(58)	(59)	(58)	(59)
Share of profits from subsidiary companies	19	(36)	(63)	-	-
Finance expenses/(income) – net	13	(1.530)	8.018	(1.578)	7.604
Non-current provisions – net	29	761	(966)	706	(677)
Inventory write-off	16	23	146	23	146
Interest income	8	(82)	(730)	(81)	(725)
Total items not affecting cash		**6.870**	**13.525**	**6.307**	**12.789**
Changes in working capital:					
Decrease/ (increase) of trade and other receivables		38.438	(15.864)	38.664	(10.718)
Decrease/ (increase) of inventories		27.281	(29.735)	27.346	(30.299)
Increase / (decrease) of trade payables and other liabilities		(24.387)	26.630	(24.812)	22.581
		41.332	**(18.969)**	**41.198**	**(18.436)**
Interest paid		(2.857)	(742)	(2.789)	(564)
Interest collected		823	823	806	818
Income tax paid		(34)	24	-	-
Net cash generated from operations		**52.019**	**(5.933)**	**50.094**	**(6.770)**
Cash flows from investing activities					
Purchase of tangible and intangible assets	28	(12.495)	(9.806)	(11.389)	(7.496)
Long-term loan repayments received		451	395	451	395
Coupling companies - net cash		-	-	-	148
Proceeds from the sale of long-term assets		59	59	59	59
Investments in deposits		132.958	19.615	133.761	19.682
Net cash (used in)/from investing activities		**120.973**	**10.263**	**122.882**	**12.788**
Cash flows from financing activities					
Proceeds from finance leases and borrowings	28	-	1.678	-	-
Repayment of borrowings	28	(3.038)	(2.849)	(2.461)	(2.457)
Net cash used in financing activities		**(3.038)**	**(1.171)**	**(2.461)**	**(2.457)**
Net increase/(decrease) in cash and cash equivalents		**169.954**	**3.159**	**170.515**	**3.561**
Cash and cash equivalents at beginning of year		44.095	41.821	38.477	35.497
Foreign exchange (losses)/gains in cash and cash equivalents		(1.230)	(885)	(1.195)	(581)
Cash and cash equivalents at end of year	25	**212.819**	**44.095**	**207.797**	**38.477**

The notes on pages 8 to 53 are an integral part of these financial statements.

NOTE 1 – GENERAL INFORMATION

LUKA PLOČE d.d. (the "Company") is a joint stock company registered under the laws and regulations of the Republic of Croatia. The Company is domiciled in Ploče, Croatia. The address of its registered office is Trg Kralja Tomislava 21, Ploče.

The Company's primary activities are port services (manipulation of goods), public warehousing and wholesale and retail services in domestic and foreign trade. Other activities of the Group include construction, maintenance, shipping, trade and other services.

As at 31 December 2018, the LUKA PLOČE Group (the "Group") consists of the parent company LUKA PLOČE d.d. and 3 subsidiaries (2017: 6 subsidiaries) located in Ploče, Croatia (Note 18) and participating interests in associated companies (Note 19).

As at 31 December 2018, the Company's shares were listed on the public joint stock company listing on the Zagreb Stock Exchange.

Management and the Supervisory Board of the company

During the reporting period the members of the Management Board were as follows:

Name	Surname	Function
Ivan	Pavlović	Chairman of the Board
Željka	Dodig	Deputy Chairman of the Management Board
Josip	Jurčević	Member

During the reporting period the members of the Supervisory Board were as follows:

Name	Surname	Function
Pavao	Vujnovac	Chairman of the Supervisory Board
Davorin	Rudolf	Vice president
Tonka	Lovrinov	Member
Darko	Drozdek	Member

NOTE 2 – BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated and unconsolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as adopted in the European Union (IFRS).
The consolidated financial statements of the Company for the year ended 31 December 2018 comprise the Company and its subsidiaries and associated companies (referred to as "the Group"). The financial statements were approved by the Board on April 29, 2019.

2.2 Basis of presentation

The financial statements have been prepared using the historical cost convention, except where otherwise stated.

These are the first financial statements of the Group that include first-time adoption of IFRS 15 Income from Customer Contracts and IFRS 9 Financial Instruments: Recognition and Measurement. Changes in accounting policies are explained in Note 2.4 Changing Accounting Policies: Applying New Standards.

2.3 Functional and presentation currency

Items included in the financial statements of Group's entities are stated using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in HRK, which represents the Company's functional and presentation currency.

NOTE 2 – BASIS OF PREPARATION (continued)

2.4. Changing Accounting Policies: Applying New Standards.

The Group starts to apply IFRS 15 and IFRS 9 from January 1, 2018. Several new standards are also applicable from January 1, 2018, but they did not have a significant impact on the Group's financial statements.

a) IFRS 15 Revenues from customer contracts.

IFRS 15 establishes a comprehensive framework when determining whether and when to recognize and recognizing revenue. IFRS 15 was replaced by IAS 18 Revenue and IAS 11 Construction Contracts. Within IFRS 15, revenue is recognized when a customer acquires control of products or services. Determining whether a transfer of control occurs at a certain point in time or over time (time period) requires judgment.

The Group has adopted IFRS 15 using the cumulative effect method, with the beginning of the application of this standard as at 1 January 2018. Accordingly, the information presented for 2017 has not been revised - i.e. as described previously, in accordance with IAS 18 and IAS 11 and related interpretations. Given the nature of the Group's and the Company's business and the level of disclosure in the previous financial statements, management believes that the adoption of a new standard of accounting for revenue recognition has not changed significantly.

Regardless, the Group's estimates of the type of services and contracts did not have any impact on the transitional financial statement of the Group as of 31 December 2018 or on the statement of comprehensive income for the year then ended. There was no significant impact on the transitional cash flow statement for the period ended 31 December 2018. In summary, the new IFRS 15 does not have a significant impact on the financial statements, both in terms of both the amount and disclosures and accounting policies applied.
Details of the new accounting policies are set out in Note 3.26 Revenue.

b) IFRS 9 Financial Instruments

The Group applies IFRS 9 from 1 January 2018. IFRS 9 establishes requirements for the recognition and measurement of financial assets, financial liabilities and some contracts for the purchase or sale of non-financial items. This Standard is superseded by IAS 39 Financial Instruments: Recognition and Measurement. The main changes introduced by the new standard are outlined below as well as their impact on the financial statements.

(i) Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three major categories of financial assets: assets carried at amortized cost, fair value through other comprehensive income and fair value through profit or loss. The classification of financial assets under IFRS 9 is generally based on a business model that manages the financial assets and characteristics of their contracted cash flow. IFRS 9 eliminates certain categories of assets that existed under IAS 39, such as: held-to-maturity assets, loans and receivables, and available-for-sale assets.

The following table explains the original measurement categories according to IAS 39 and the new measurement categories in accordance with IFRS 9 for each class of financial assets and financial liabilities of the Company as of 1 January 2018.

NOTE 2 – BASIS OF PREPARATION (continued)

2.4 Changing Accounting Policies: Applying New Standards (continued)

b) IFRS 9 Financial Instruments (continued)

			Luka Ploče Group		Luka Ploče d.d.	
(all amounts are expressed in thousands of HRK)	**Original classification according to IAS 39**	**New Classification according to IFRS 9**	**Accotding to MRS-u 39**	**Accotding to MSFI 9**	**Accotding to MRS-u 39**	**Accotding to MSFI 9**
Financial assets						
Loans given	Loans and receivables	Financial assets at amortized cost	2.772	2.772	2.772	2.772
Deposits	Financial assets held to maturity	Financial assets at amortized cost	134.930	134.930	134.621	134.621
Receivables from customers and other receivables	Loans and receivables	Financial assets at amortized cost	69.669	69.669	69.373	69.373
Financial assets at fair value through profit or loss	Fair value through profit and loss	Fair value through profit and loss	351	351	351	351
Cash and cash equivalents	Loans and receivables	Financial assets at amortized cost	44.095	44.095	38.477	38.477
			251.817	**251.817**	**245.594**	**245.594**

IFRS 9 largely retains the existing requirements of IAS 39 related to the classification and measurement of financial liabilities and there were no effects on the financial statements in this respect.

(ii) Impairment of financial assets

IFRS 9 replaces the "resulting loss" model in IAS 39 with the "expected credit loss" model. A new depreciation model applies to financial assets measured at amortized cost, contract assets and debt securities valued at fair value through other comprehensive income, but not for investment in equity instruments. According to IFRS 9, credit losses are recognized earlier than in IAS 39. The effect of applying the "expected credit loss" model on the financial statements is not material. Additional information on how the Company measures the allowance is described in Note 3.16.

(iii) Transitional Provisions

The Company has applied a retrospective approach to IFRS 9 adoption, however, as there is no significant impact on the Company as a result of the adoption, comparative data has not been restated. As a result, the Management believes that the information presented at 31 December 2017 reflects the requirements of IFRS 9 and is therefore comparable to the information presented for the period ending 31 December 2018.

Given the simplicity of the structure of financial assets and financial liabilities, the application of the standard did not require more and more complex estimates by management.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Issued but not yet adopted standards and interpretations

A number of new standards, amendments and interpretations to existing standards that are valid, but not obligated for the year ended 31 December 2018, have not been applied in preparing these financial statements.

Below is an overview:

a) IFRS 16 Leases

IFRS 16 introduces a unique balance sheet model for lease accounting with lessees. The Lessee acknowledges the right to use the property which represents the right to use the property in question and the lease obligation that is the obligation to pay the rent. There is a possibility for short-term leases and rentals of small value items. The lessor's accountancy remains similar to the existing standard - that is, the lessees still classify the leases as finance or business leases. The Standard shall be effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted for entities that apply IFRS 15 Customer Contract Revenues on or before the date of First Use of IFRS 16. The Company and the Group are currently conducting an assessment of the impact of the new standard on the financial statements. Given that the Company and the Group have concluded concession contracts and business lease agreements that could meet the criteria for recognition in the statement of financial position, there is a potential impact on the assets, liabilities, net assets and net result of the Company and the Group.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and companies over which the Company has control (subsidiaries) as of and for the years ended 31 December 2018. The Company and its subsidiaries together are referred to as the Group.

(i) Business mergers

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of consideration transferred the amount of any non-controlling interest in the acquiree and acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of bargain purchase, the difference is recognised directly in the statement of comprehensive income.

(ii) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or

convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

(iii) Associates

Associates are all entities over which the Group or the Company have significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. The Group accounts for investments in associates using the equity method of accounting whilst the Company accounts for them at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Basis of consolidation (continued)

(v) Transactions eliminated on consolidation

Balances and transactions between Group and any unrealized gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are shares and mutual societies where the Group shares control with other owners eliminated to the extent of the Group's interest in the enterprise. Unrealised gains arising from transactions with associates are investments eliminated against the investment in this company. Unrealised losses are eliminated in the same way as unrealized gains, but only to the extent that no evidence of impairment

3.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, responsible for allocating resources and assessing performance of the operating segments, has been identified as the Management Board of the Company.

3.4 Transactions and balances in foreign currencies

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 such 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 relating to borrowings, cash and cash equivalents and short-term deposits are recorded in the income statement within “Finance income or costs”. All other foreign exchange losses and gains are recorded in the income statement within “Other (losses)/gains-net”.

Non-monetary assets and items that are measured in terms of historical cost in foreign currencies are translated using the exchange rate at the transaction date.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated still functional currency at foreign exchange rates ruling at the date of determination of fair values.

3.5. Intangible assets

Software, licences and project documentation are amortized over their expected useful lives. The expected useful lives are reviewed annually and are the subject of assessing impairment if there is any indication of impairment.

Subsequent expenditure related to capitalized intangible assets is recognized in the carrying amount of the item only when it increases the future economic benefits embodied in the asset and will flow to the Company. All other expenditure is recognized in the income statement as an expense as incurred.

Depreciation is calculated using the straight-line basis over the estimated useful lives of certain assets. Intangible assets are amortized from the date they are available for use. These costs are amortized over their useful life period of 2.5 to 5 years.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Property, plant and equipment

i) Owned Assets

Property, plant and equipment are included in the balance sheet at historical cost less accumulated depreciation and provision for impairment, where required. Historical cost includes the cost that is directly attributable to the purchase of the assets.

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 Group or 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.

Land and assets under construction are not depreciated. Depreciation of other tangible assets is calculated using the straight-line method to allocate their cost over their estimated useful lives.

	Years
Buildings	8-67
Equipment	2-67
Leasehold improvements	15-67

Leasehold improvements relate to improvements made on leased assets, located on maritime land.

The residual value of an asset is the estimated amount that the Group or the Company would currently obtain from the disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group or the Company expect 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. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in 'other gains/(losses) – net' in the income statement.

(ii) Property which is subject to the concession arrangement

The Company has a signed long-term concession agreement for the provision of port services, which represent most of the revenues generated by the Company. Current concession arrangement involves transfer of the operating rights over the port of Ploče for a limited period of time, under the control of local port authorities, using the specified asset (port infrastructure) or assets constructed by the Company during the term of the concession arrangement, or received by the Company for a fee or free of charge.

This arrangement defines a "public service obligations" of the Company in exchange for a fee. The fee is based on the operating conditions, continuity of services, regulation of prices and obligations related to the maintenance / replacement of the port infrastructure. The agreement sets forth the terms and conditions governing the transfer of port infrastructure to the local port authority or concessionaire successor upon expiry.

Expenditures for maintenance

Maintenance of assets that are part of the concession arrangement is recognized as an expense when incurred in profit or loss and is disclosed in operating costs as a cost of used materials and services.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Property, plant and equipment (continued)

(ii) Property which is subject to the concession arrangement (continued)

Capital expenditure in the area under concession

Capital investments in the port infrastructure, made in accordance with the terms of the concession agreement, are recognized as assets within the appropriate class of property, plant and equipment and are stated at cost less accumulated depreciation and any accumulated impairment losses. Acquisition cost includes expenditure that is directly attributable to the acquisition of assets.

In the case of property which is, under the concession arrangement, upon its expiry transferred to the local port authority (the Provider of the concession), amortization of such assets is calculated using the straight-line method to allocate the cost, less the residual value of the asset, over the shorter of the estimated useful life and remaining concession arrangements.

In the case of property that is not transferred to the Provider of the concession, depreciation is calculated in accordance with the depreciation policy of the class of property, plant and equipment in which the said asset is classified as explained in Note 3.6 (i).

The assets transferred to the Company by the Service Concession

As part of the concession arrangements, the local port authority (the Provider of the concession) has transferred the management rights over a number of items of property that make up the port infrastructure on the Company which has the right to use these assets in the provision of services defined in the concession agreement. Such assets are not recognized by the Company but instead are accounted for as off-balance sheet items.

3.7 Investment property

Investment property, principally comprising flats, is held for long-term rental yields or appreciation and is not occupied by the Group or the Company. Investment property is treated as a long-term investment unless it is intended to be sold in the next year and a buyer has been identified in which case it is classified within current assets.

Investment property is carried at historical cost less accumulated depreciation and provision for impairment, where required. The depreciation of flats is calculated using the straight-line method to allocate cost over their estimated useful life of 66 years.

Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with it will flow to the Group or the Company and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

3.8 Accounting treatment of leases – the Group or the Company is the lessee

The Group and the Company lease certain property, plant and equipment. Leases of property, plant and equipment where the Group and the Company have substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of fair value of the leased property or the present value of minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The interest element of the finance costs is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Leases where the significant portion of risks and rewards of ownership are not retained by the Group or 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.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Accounting treatment of leases – the Group or the Company is the lessor

Assets under an operating lease are depreciated over their expected useful lives on a basis consistent with similar owned assets. Rental income is recognised on a straight-line basis over the lease term, even if the proceeds are not balanced, unless there is an alternative basis representing the time frame in which the benefits of the lease and the depreciation of the leased property are matched.

3.10 Impairment of Non-financial assets

The carrying value of non-financial assets of the Company and the Group, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset. For goodwill and intangible assets that have indefinite lives or that are not yet ready for use, the recoverable amount is estimated at each reporting date.

An impairment loss is recognized if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Cash-generating unit is the smallest group of assets that can be identified and generate cash flows that are independent from other assets and groups of assets.

Impairment losses are recognized in profit or loss. Impairment losses relating to cash generating units, allocated first to reduce the real value of goodwill allocated to the units and then to reduce the carrying amount of the actual amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment loss on goodwill is not reversed. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that suggest that the loss no longer exists or has decreased. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only if the carrying amount of an asset does not exceed the carrying amount that would have been determined, net of depreciation, and impairment losses on assets not recognized.

3.11 Inventories

Inventories of raw materials, trade goods and spare parts are stated at the lower of cost, or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Inventories of trade goods are stated at net realizable value. Net realizable value represents the estimate of sales price in the ordinary course of business less any variable sales costs.

3.12 Trade and loan receivables

Trade and loan 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 Group or the Company will not be able to collect all amounts due according to the original terms of receivables.

Significant financial difficulties, probability that the debtor will enter bankruptcy, and default or delinquency in payments are considered indicators that the receivables are 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 is recognised in the income statement within “Impairment of receivables - net”. Subsequent recoveries of the provision for impairment of trade receivables are recorded in the income statement within ‘impairment of receivables - net’.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Financial assets

Policy applicable from 1 January 2018

(i) Recognition and Initial Measurement

Receivables from customers are initially recognized at the time of occurrence. All other financial assets are initially recognized when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets (except for customer receivables without significant financial components) are initially measured at fair value, in the case of an instrument not disclosed under FVTPL, for transaction costs that can be directly attributed to the acquisition or issue of the relevant instrument. Customer demand without significant financing components is initially measured at the transaction price.

(ii) Classification and subsequent measurement

At initial recognition, financial assets are classified as those measured by:

- amortized cost;
- or FVTPL (fair value through profit or loss).

Financial assets are not reclassified after initial recognition unless the Group changes its business model for financial asset management in which case the financial asset is reclassified from the first day of the first reporting period that follows after the change in the business model.

Financial assets are measured at amortized cost if they meet the following conditions and are not classified as measured by FVTPL:

- it is part of a business model whose purpose is to collect contractual cash flows; and
- The contractual terms of that instrument on certain dates give rise to cash inflows that represent the sole payment of principal and interest on the unpaid portion of the principal.

Business model rating

The Group assesses the target of a business model in which a particular financial asset is held at the portfolio level, as it best reflects the way in which the business manages the information that management has. The information that is being considered includes the following:

- which policies and goals are adopted in relation to the portfolio and how these policies work in practice.
- the frequency, amount and moment of sales of financial assets in previous periods, the reasons for the sale and the future expectations of sales activities.

Transfers of financial assets to third parties as part of transactions that are not eligible for cessation of recognition are not considered as sales since the Group continues to recognize the asset concerned.

Receivables from customers are kept in the business model of holding for billing purposes. Financial assets held for trading or managed and its performance is valued on the basis of its fair value, measured at FVTPL.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Financial assets (continued)

Policy applicable from 1 January 2018 (continued)

(ii) Classification and subsequent measurement (continued)

The estimate is whether contractual cash flows are solely for principal and interest payments

For the purpose of this assessment, 'equity' is defined as the fair value of a financial asset at initial recognition. 'Interest' is defined as the time value of money, the credit risk associated with the time period in which the remaining portion of the principal is paid and other basic risks and costs of lending (eg liquidity risk and administrative costs) as well as the profit margins.

When assessing the underlying criterion, i.e. whether contractual cash flows are solely for payment of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset is a contractual condition that could change the timing of the exercise or the amount of the contractual cash flows in such a way that the underlying criterion would not have been met.

The Group's financial asset structure is simple and primarily relates to receivables from customers without significant financial components, short-term deposits and cash and cash equivalents. Said considerably reduces the complexity of the assessment of whether the financial asset meets the criterion of 'principal and interest payments' alone. In addition, the Group does not have any separate business models for financial asset management, and because of its simplicity, it manages its regular business operations.

Subsequent measurement and recognition of gains and losses

The table below provides an overview of the key accounting policies the Group uses for subsequent measurement of financial assets and recognition of gains and losses on each type of financial asset:

Financial assets by FVTPL	This asset after initial recognition is measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	This asset after initial recognition is measured at amortized cost using the effective interest rate method. Amortized cost is reduced for impairment losses. Interest income, positive and negative exchange rate differences and impairment losses are recognized in profit or loss. Profit or loss on termination of recognition is recognized in profit or loss.

(iii) Termination of recognition

The Group ceases to recognize financial assets at the end of contractual rights relating to cash flows from that financial asset or to the transfer of rights to contractual cash flows in a transaction in which all the risks and rewards of ownership of the financial asset are transferred or in which the Group transmits or maintains risks and uses of ownership but does not retain control over financial assets.

When the Group conducts transactions in which it transfers financial assets recognized in its financial position report but retains all or virtually all of the risks and rewards incurred from the transferred property, such transferred assets are not derecognised.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Financial assets (continued)

<u>Policy applicable until January 1, 2018</u>

The Group classified its financial assets into one of the following categories:

- loans and receivables;
- financial assets held to maturity;
- financial assets by FVTPL.

An overview of key accounting policy policies that the Group used until January 1, 2018 regarding subsequent measurement of financial assets and recognition of gains and losses on each type of financial asset is shown in the following table:

Financial assets by FVTPL	It is measured at fair value, with changes, including interest income and dividends, recognized within profit or loss
Financial assets held to maturity	It is measured at amortized cost using the effective interest rate method.
Loans and receivables	It is measured at amortized cost using the effective interest rate method.

3.14 Financial liabilities

(i) Recognition and Initial Measurement

Debt securities issued are initially recognized at the time of their occurrence. All other financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the financial instrument.

The financial liability is initially measured at fair value, in the case of an instrument not disclosed under FVTPL, for transaction costs that may be directly attributable to the acquisition or issue of the relevant instrument.

(ii) Classification and subsequent measurement

Financial liabilities are measured at amortized cost or FVTPL. The financial liability is classified as measured by FVTPL if it is classified as held for trading, if it is derivative or classified as measured at FVTPL when initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including all interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Interest expense and negative exchange rate differences are recognized in profit or loss. All gains or losses on termination of recognition are also recognized in profit or loss.

(iii) Termination of recognition

The Group ceases to recognize the financial liability when the contractual obligations are disbursed, canceled or expired. The Group also ceases to recognize the financial liability when the contractual provisions are amended, and the cash flow of the changed liability is significantly different from the initial one, whereby the new financial liability based on the amended terms is recognized at fair value.

Upon discontinuation of the financial liability, the difference between the carrying amount and the consideration paid (including all transferred non-cash assets or recognized liabilities) is recognized in the income statement.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Net Assets of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are netted and the net amount shown in the statement of financial position when, and only when, the Company currently has a legally enforceable right to repay the amount and intends to settle on a net basis or to realize the asset and at the same time to settle the obligation.

3.16 Impairment of non-derivative financial assets

Policy applicable from 1 January 2018

Recognition of impairment losses

The Group recognizes provisions for expected loan losses ("OKG") to:

- financial assets measured at amortized cost;

- contractual property

The Group recognizes provisions for losses equal to OKGs throughout the life of the asset, except in the following cases, when measured against 12-month OKGs:

- for debt securities that are found to have a low credit risk at the reporting date

- for other debt securities and bank accounts for which the credit risk (i.e. the risk of non-fulfilment of liabilities over the expected duration of the financial instrument) has not increased significantly from the initial recognition.

Provisions for OKGs on customer receivables without significant financial components are always measured in the amount of total OKGs over the entire life span of that asset.

When determining whether the credit risk of financial assets has increased significantly from the initial recognition and when assessing OKGs, the Group considers reasonable and factual information that is relevant and available at no additional cost or effort. This includes quantitative and qualitative information and analyses based on the Group's historical experience and informed credit rating and includes information about the future.

The Group believes that the credit risk of financial assets has increased considerably when early warning indicators are activated in accordance with Group policy or contractual terms of the instruments.

The Group considers that financial assets are not recoverable in whole or in part if:

- it is unlikely that the borrower will repay his obligations to the Group without the Group having to initiate actions such as the use of insurance funds (if any); or

- Financial assets remain outstanding beyond 360 days from maturity date.

The total OKGs expected throughout the entire life of an asset are OKGs that arise from all possible unforeseen events over the expected life of the financial instrument.

Twelve-month OKGs are part of OKGs arising from unpaid cases that are possible within 12 months of the reporting date (or within a shorter period if the expected life of the instrument is shorter than 12 months).

The maximum period to be taken into account when assessing OKGs is the maximum contracted period during which the Group is exposed to credit risk.

Measuring Expected Credit Losses

The OKGs represent an estimate of credit losses that is weighted by probabilities. Credit Losses are measured as the present value of all cash deficits (ie the difference between the cash flows the Group has the right under the contract and the cash flows the Group expects to receive).

OKGs are discounted at the effective interest rate of the relevant financial asset.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Impairment of non-derivative financial assets (continued)

Policy applicable from 1 January 2018 (continued)

Credit impaired financial assets

At each reporting date, the Group estimates if there are grounds for credit impairment of financial assets at amortized cost. A financial asset is impaired when one or more events occur that have a detrimental effect on estimated future cash flows from that financial asset.

Proof that a credit impairment of a financial asset requires the following available data:

- significant financial difficulties of the debtor or issuer;
- breach of contract as a significant delay in payment of outstanding liabilities;
- the likelihood that a borrower will enter bankruptcy or another form of financial reorganization; or
- the disappearance of an active market for a particular security fund due to financial difficulties.

Presentation of expected loan losses in the statement of financial position.

Provisions for OKG's financial assets at amortized cost are deducted from the gross carrying amount of the asset.

Financial asset write-off

Gross carrying amount of financial assets is written off if the Group reasonably expects no return on financial assets either wholly or partially. As a rule, the Group does not expect a significant return on the amount written off.

Policy applicable before January 1, 2018

Non-financial assets

Financial assets that are not classified as FVTPL assets were assessed at each reporting date to determine whether there is objective evidence of impairment. Objective evidence that the financial asset was impaired included:

- Failure to meet obligations or delay in payment by the debtor;
- Restructuring the amount due to the Group under the conditions that the Group would not have considered under normal circumstances;
- indications that the borrower or issuer could enter bankruptcy;
- adverse changes in the status of payments by the debtor or the issuer;
- the disappearance of an active market for a particular security due to financial difficulties; or
- existence of available data indicating a measurable reduction in expected cash flows from a particular group of financial assets.

An overview of key policy provisions that was applicable before 1 January 2018 related to the impairment of non-derivative financial assets is given in the following table:

Financial assets at amortized cost	The impairment loss is calculated as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the effective interest rate at the initial recognition. Losses are recognized in profit or loss and are shown on impairment loss. When the Group considered that there was no realistic return to property, the corresponding amounts were written off. If the impairment loss subsequently decreased and if the reduction was objectively associated with an event that arises after the recognition of impairment, the previously recognized impairment loss is reversed through profit or loss.

3.17 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.

3.18 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. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Other borrowing costs are recognised as an expense.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan extent that it is probable that some or all of the facility will be drawn down.

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

3.19 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.

Where the Company purchases its equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are 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 attributable to the Company's equity holders.

3.20 Taxation

(i) Income Taxes

The Company and all Group entities are liable for income tax under the laws and regulations of the Republic of Croatia. The tax base represents the difference between income and expenses, as determined by the applicable law. Income tax is calculated at a rate of 18%. The managements of all Group entities periodically evaluate 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.

(ii) Deferred income tax

Deferred income tax is recognised, using the 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. 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.

Deferred income tax is provided on temporary differences arising on investment in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.20 Taxation (continued)

(ii) Deferred income tax (continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

(iii) Tax Exposure

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and the possibility of additional taxes and interest rates being incurred. This consideration relies on estimates and assumptions and may include a series of judgments about future events. New data that may become available may cause the Group to change its judgment of the adequacy of existing tax liabilities; such changes in tax liabilities will affect the tax expense in the period in which such a decision was made.

(iv) Value Added Tax (VAT)

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.

3.21 Employee benefits

(a) Pension obligations and post-employment benefits

In the normal course of business through salary deductions, the Group or the Company make payments to mandatory pension funds on behalf of its employees as required by law. All contributions made to the mandatory pension funds are recorded as salary expense when incurred. The Group and the Company do not have any other pension scheme and consequently, have no other obligations in respect of employee pensions. In addition, the Group and the Company are not obliged to provide any other post-employment benefits.

(b) Long-term employee benefits

The Group and the Company recognise 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 of the likely number of staff to whom the benefit will be payable, estimated benefit cost and the discount rate.

(c) Short-term employee benefits

The Group and the Company recognise a provision for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation. In addition, the Group and the Company recognise a liability for accumulated compensated absences based on unused vacation days at the balance sheet date.

(d) Termination benefits

Termination benefits are payable when employment is terminated by the Company or the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group or the Company recognise 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. Termination benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

3.22 Provisions

Provisions for legal claims are recognised when: the Group or 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 has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax 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.

3.23 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.24 Earnings per share

Earnings per share is determined by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of participating shares outstanding during the reporting year, less treasury shares.

3.25 Dividend distribution

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

3.26 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 Group's or the Company's activities. Revenue is shown, net of value-added tax, estimated returns, rebates and discounts and after eliminated sales within the Group.

The Group and the Company recognise 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 Group's and the Company's activities as described below.

(a) Sales of goods

Sales of goods are recognised when the Group or the Company have delivered the products to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of loss have been transferred to the customer and the customer has accepted the products in accordance with the contract terms.

Products are sold with volume discounts and customers have a right to return faulty products. Sales are recorded based on the price specific in the sales contracts, net of estimated volume discounts and returns at the time of sale. Accumulated experience is used to estimate the discounts and returns.

(b) Sales of services

The Company's primary activity is providing port services: loading, unloading, transloading of goods and storage services, transportation, refinement and weighing of general freight, wood and wood

products, loose freight, RO-RO freight, providing water and electric energy to ships. The prices of provided services are determined based on tariffs.

Sales of services are 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.

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group and the Company reduce the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.26 Revenue recognition (continued)

(c) Interest income (continued)

discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate. The Group and the Company recognize interest income within other income.

(d) Dividend income

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

NOTE 4 – FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

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

	Luka Ploče Group		Luka Ploče d.d.	
(all amounts are expressed in thousands of HRK)	**31 December 2018**	**31 December 2017**	**31 December 2018**	**31 December 2017**
Financial assets				
Loans given	2.321	2.772	2.321	2.772
Other assets at fair value through profit or loss	294	351	294	351
Trade receivables	29.597	69.669	29.147	69.373
Deposits	1.231	134.930	135	134.621
Cash and cash equivalents	212.819	44.095	207.797	38.477
Total	**246.262**	**251.817**	**239.694**	**245.594**
Financial liabilities				
Borrowings	122.996	111.941	121.222	109.475
Trade payables	10.237	39.179	11.831	41.028
Total	**133.233**	**151.120**	**133.053**	**150.503**

The fair value of financial instruments

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

- The fair value of financial assets and financial liabilities that are traded on active liquid markets, under standard conditions, is determined with reference to quoted market
- The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models, based on discounted cash flow analysis using prices from observable current market transactions and prices offered for similar instruments

Financial instruments held to maturity in the normal operations are carried at cost and net amount less portion repaid. Fair value is determined as the amount at which the instrument could be exchanged
between willing parties in an arm's length basis, except in the case of a forced sale or liquidation. The fair value of a financial instrument is the quoted market price, or one that is obtained using the discounted cash flow.

On 31 December 2018, the carrying amounts of cash, short-term deposits, receivables, short-term liabilities, accrued expenses, short-term borrowings and other financial instruments approximate their fair values due to the short term nature of these assets and liabilities and because most of current assets and current liabilities carries a variable interest rate.

Management believes that the fair value of long-term receivables of the Group arising from the sale of apartments to employees is not materially different from their carrying value due to the current low level of market interest rates for such claims. Management regularly monitors the relevant market interest rates on similar assets in order to assess the validity of this assumption.

NOTE 4 – FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

At the reporting dates, the carrying value of bank loans and other loans approximates their fair value because most of these loans carries or variable interest rate or a fixed interest rate which approximates current market interest rates and the majority of long-term loan carries a variable interest rate.

The Group's and the Company's activities expose them to a variety of financial risks: market risk (foreign exchange risk, price risk, cash flow interest rate risk), credit risk and liquidity risk. The Group and the Company do not have a written risk management programme, but overall risk management in respect of these risks is carried out by the Company's finance department.

(a) Market risk

(i) Foreign exchange risk

The Group and the Company are exposed to foreign exchange risk arising from realised income and foreign purchases, as well as from borrowings issued in various currencies: Euros (EUR) and US dollars (USD). The majority of foreign sales revenue and long-term debt is denominated in USD. Therefore, movements in exchange rates between the USD, EUR and Croatian kuna (HRK) may have an impact on the results of future operations and future cash flow.

The following table presents an overview of the Group's and the Company's assets and liabilities denominated in foreign currencies as at 31 December 2018 and the maximum effect on profit after taxation, with all other variables held constant:

Luka Ploče Group

Currency	**Assets**	**Liabilities**	**Net assets/(liabilities)**	**Change in currency**	**Effect on profit after taxation**
	(in thousands of HRK)		*(in thousands of HRK)*	**%**	*(in thousands of HRK)*
EUR	201.784	117.474	84.308	1,00%	843
USD	36.011	26	35.985	3,00%	1.080

Luka Ploče d.d.

Currency	**Assets**	**Liabilities**	**Net assets/(liabilities)**	**Change in currency**	**Effect on profit after taxation**
	(in thousands of HRK)		*(in thousands of HRK)*	**%**	**%**
EUR	198.457	116.225	82.232	1,00%	822
USD	34.844	-	34.844	3,00%	1.045

NOTE 4 – FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The following table presents an overview of the Group's and the Company's assets and liabilities denominated in foreign currencies as at 31 December 2018 and the maximum effect on profit after taxation, with all other variables held constant:

Luka Ploče Group

Currency	Assets	Liabilities	Net assets/(liabilities)	Change in currency	Effect on profit after taxation
	(in thousands of HRK)		*(in thousands of HRK)*	%	*(in thousands of HRK)*
EUR	163.137	105.955	57.182	1,00%	572
USD	81.843	28.412	53.431	3,00%	1.603

Luka Ploče d.d.

Currency	Assets	Liabilities	Net assets/(liabilities)	Change in currency	Effect on profit after taxation
	(in thousands of HRK)		*(in thousands of HRK)*	%	%
EUR	158.751	103.240	55.511	1,00%	555
USD	79.682	28.398	51.284	3,00%	1.539

The recorded effect on profit after taxation is mainly the result of foreign exchange gains/losses on translation of EUR-denominated borrowings, as well as EUR and USD-denominated trade payables, trade receivables and cash and cash equivalents. The Group and the Company do not use derivative instruments to actively hedge foreign exchange risk exposure.

(ii) Interest rate risk

The sensitivity analysis below is based on the exposure to interest rates at the reporting date. For floating rate liabilities, the analysis is prepared in a manner that is reasonably calculated the effect of a possible increase in interest rates for debt with variable interest rates on the expected contractual cash.

Exposure to interest rate risk through borrowings at floating interest rates is as follows:

	Luka Ploče Grupa		Luka Ploče d.d.	
	2018.	**2017.**	**2018.**	**2017.**
	(in thousands of HRK)		*(in thousands of HRK)*	
Floating interest rate borrowings	1.169	1.587	-	-

As at December 31, 2018, most loans relate to a fixed interest rate, according to which the Group and the Company are not significantly exposed to the interest rate risk of the cash flow.

NOTE 4 – FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

The Group and the Company do not use derivative instruments for active hedging against exposure to interest rate risk and fair value of interest rate risk.

The Group and the Company continuously monitor the interest rate changes. Different situations are being simulated by considering refinancing, restoring the current state as well as alternative financing. Based on these situations, the Group and the Company calculate the impact of interest rate changes on the income statement.

(b) Credit risk

The Group's and the Company's assets, which potentially subject them to concentrations of credit risk, primarily include cash and cash equivalents, trade receivables, receivables from employees and other receivables. The collection of the Group's and the Company's trade receivables is additionally secured by goods, while receivables from employees are secured by salary deductions.

The quality of receivables that are neither past due nor impaired is, monitored according to customers different exposure to credit risk as follows:

	Luka Ploče Group		**Luka Ploče d.d.**	
(in thousands of HRK)	**2018**	**2017**	**2018**	**2017**
Related parties	-	-	304	889
New customers	1.078	522	1.078	522
Existing customers – payments within maturity period	5.317	46.264	4.304	45.875
Existing customers – with some defaults in the past	13.652	8.595	13.649	8.212
Total	**20.047**	**55.381**	**19.335**	**55.498**

The Company mainly deposits its cash with financial institutions that are members of international banking groups, which according to Standard & Poor's ratings have a majority of A-1 / A + to A-2 / BBB +.

(c) Liquidity risk

A reasonable liquidity risk management implies maintaining a sufficient amount of money, ensuring the availability of financial resources by an adequate amount of agreed credit lines and the ability to settle all liabilities. The Group and Company's objective is to maintain the flexibility of financing in a way that contractual credit lines are available. The Finance Department regularly - monitors monthly the level of available sources of funds

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

NOTE 4 – FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

Financial liabilities do not include employee liabilities, contributions payable, taxes and advances received.

(in thousands of HRK)	Principal	Contracted cash flows	Less than 1 year	Between 1 -5 years	Over 5 years
Luka Ploče Group					
31 December 2018					
Finance lease			2,862	5,534	-
Borrowings			6,439	39,838	59,364
Trade and other payables			39,567	1,302	-
31 December 2018					
Finance lease	8.221	8.396	2.811	5.585	-
Borrowings	102.088	115.946	8.015	56.219	51.712
Trade and other payables	39.179	39.179	39.179	-	-
	149.488	**163.521**	**50.005**	**61.804**	**51.712**

	Principal	Contracted cash flows	Less than 1 year	Between 1 -5 years	Over 5 years
Luka Ploče d.d.					
31 December 2018					
Finance lease	5.026	5.038	2.189	2.833	16
Borrowings	114.777	141.419	11.065	39.989	90.365
Trade and other payables	11.831	11.831	11.831	-	-
	131.634	**158.288**	**25.085**	**42.822**	**90.381**
31 December 2018					
Finance lease	7.342	7.405	2.537	4.868	-
Borrowings	100.501	103.962	6.011	38.587	59.364
Trade and other payables	41.028	41.028	41.028	-	-
	148.871	**152.395**	**49.576**	**43.455**	**59.364**

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 28. Financial assets in the amount of HRK 251,817 thousand mainly relate to deposits, cash and receivables which are short-term in nature. The above indicates that the Group has sufficient liquidity in the short term.

4.2 Capital risk management

The Group and the Company monitor capital on the basis of laws and regulations of the countries in which they operate. Croatian laws and regulations require minimum paid in capital of HRK 200,000 for joint stock companies and HRK 20,000 for limited liability companies. There are no specific objectives required by the owners in managing capital. The Group is not subject to externally imposed capital requirements. In addition, there are no internally monitored capital objectives.

NOTE 5 – FAIR VALUE ESTIMATION

The company applies a series of accounting policies and disclosures that require fair value measurement for financial and non-financial assets and liabilities. The Company has a system of control within the fair value measurement which includes the overall responsibility of the Board of Finance and functions related to the monitoring of all significant fair value measurement, consultation with outside experts and, in the context of the above, the reporting of the same bodies in charge of corporate governance. The fair values are measured in relation to the information gathered from third parties, in which case the Administration and Finance function assessed if evidence gathered from third parties provided that the above estimates of fair value meet the requirements of IFRSs, including the level of the fair value hierarchy into which these estimates should be classified.

All significant issues related to estimating the fair value are reported to the Supervisory and Audit Committee. The fair values are categorized into different levels in the fair value hierarchy based on the input variables used in the valuation techniques as follows:

- *Level 1* - quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2* - inputs that are not quoted prices included within Level 1 that are

  input variables for assets or liabilities that are visible either directly (e.g., as prices) or indirectly (e.g. derived from prices).
- *Level 3* - inputs for the asset or liability that are not based on observable market data (input variables that are not visible).

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.

The table below present the Group's and the Company’s assets at fair value as at 31 December 2018 and 2017:

(in thousands of HRK)	**Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2018				
Listed companies	294	-	-	294
Unlisted companies	-	-	-	-
Total	294	-	-	294
31 December 2018				
Listed companies	351	-	-	351
Unlisted companies	-	-	-	-
Total	351	-	-	351

NOTE 6 – CRITICAL ACCOUNTING ESTIMATES

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group and the Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom 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 discussed below.

(i) Concession Arrangements services

The European Union has adopted the interpretation of IFRIC 12 Service Concession Arrangements, which is effective for financial years beginning on or after 1 April 2009. A significant part of the Company's registered activities is carried out in the area under concession of the maritime domain. According to the Law on maritime domain and sea ports, maritime domain is managed by the Port Authority Ploče, which is the grantor of the concession. The concession agreement was originally signed on 13 August 2005 for a period of 12 years, and was renewed in 2008, which extended the concession period for an additional 20 years, until 2037. Agreement on the extension of the concession was concluded on 24 May 2010. Concession Agreement refers to the port activities in a specific area (part of the port area of Ploče and port Metković), with the risk and responsibility of the operator (or the Company) and considering; technical regulations applicable to the activity, reconstruction, current and investment maintenance, construction, modernization, reconstruction and development of port services stipulated in the Law on maritime domain and seaports; the terms and conditions related to the license for the provision of port services and other requirements prescribed by the Port Authority Ploče. According to the concession agreement, the operator will have the right to use the property that represents the port infrastructure ("relevant property") owned by the Port of Ploče, which is found in the above-mentioned area for the provision of port services. The ownership rights of the relevant assets remain on the concession provider and those assets have not been recorded in the Company’s books.

The concession agreement establishes obligations for reconstruction, investment and maintenance areas under concession. According to the concession agreement, Operator has the obligation to cover all costs associated with the activity determined by the concession (energy, water, gas, postal and telephone services, garbage and similar related costs), as well as the cost of utilities, water charges, water preserves, insurance costs and various other benefits arising from the use of the area under concession.

In addition to covering the costs associated with concession, concession operator, is obligated to pay to the Provider the annual concession fee consisting of a fixed fee per square meter of area under concession and a variable fee per ton for each type of cargo transhipped through the Port and variable compensation for the services of tying and untying and acceptance and diverting of ships.

Furthermore, in accordance with the concession agreement, operator shall make capital expenditures related to the maintenance / replacement of property within the port infrastructure in the area under concession (including buildings, plant and equipment) in the amount of HRK 248 million in accordance with the predefined schedule (for details see Note 32 - Commitments and contingencies). The operator is obliged to return to the Provider "relevant property" (including investment in the relevant assets as stipulated in the concession contract) after the expiry of the concession and tear down, at no cost, at the request of the Provider, any property in the concession area, if the Provider requires (currently, Operator does not expect future costs arising from the demolition).

At the reporting date, the Company is, in major part, owned by shareholders from the private sector. IFRIC 12 includes public-private concession agreements for services and regard to the ownership structure of the current concession arrangement form of public-private agreements on concession for services, and should be subject to the provisions of IFRIC 12 if the package contains the characteristics defined in the above interpretation.

NOTE 6 – CRITICAL ACCOUNTING ESTIMATES (continued)

(i) Concession Arrangements services (continued)

Characteristics of concession arrangements that IFRIC 12 includes, and as defined above interpretation are as follows:

- A commitment which is taken over by operator is a public service
- The side that assign the contract (concession grantor) is a public sector entity, governmental body, or a private sector entity to which responsibility for the service is transferred
- The operator is responsible for at least a part of infrastructure management and related services and does not act solely as agent on behalf of the concession grantor
- Starting price, determined with contract, which the operator will charge, regulates the price revision for the duration of the service agreement
- The operator is required at the end of the period of the agreement to transfer infrastructure to the concession grantor in a particular state for a small fee or at no extra charge, regardless of the party that had initially funded.

One of the main factors that management considers in terms of the applicability of IFRIC 12 is a mechanism which regulates and revises price for the duration of the service agreement. The concession provider, under the current agreement has the right to regulate the maximum level of price that the Company may charge for providing services that are subject to the agreement by prescribing maximum fees and harmonizing or approving an application for a modification of fees or price lists proposed by the Company. However, due to the specifics of port location and prices of the supporting transport infrastructure, in order to maintain competitiveness and a satisfactory level of transactions, fees that are charged by the Company to its customers are continuously significantly below the maximum prescribed fees of the Port Authority Ploče. In this regard, taking into account all relevant provisions of IFRIC 12, the Board applied the judgment and has assessed that, the mechanism of regulating and revising prices that is currently in practice has no essential characteristics of price regulation. The Company's management regularly monitors deviations between service fees charged to customers and maximum tariffs in order to determine if this projection is still applicable.

If the Management, during its monitoring of relevant elements of the current mechanism of price regulation, identifies substantial change in circumstances, which would make the above described mechanism relevant in representing the essential mechanism of price regulation, and if the Management assesses that such circumstances have a long-term character, the Management would again review and analyz accounting treatment that is currently used and the possible applicability of IFRIC 12 in the context of the above substantial changes in the mechanism of price regulation.

In case that the Company changes its accounting policy in accordance with IFRIC 12, the Board expects that the changes would be implemented retrospectively, unless it would not be practical, and expects that the impact on the financial statements would be generally as follows: reclassification from property, plant and equipment to intangible assets in the amount relating to leasehold improvements owned by the Provider, the recognition of intangible and / or financial assets related to the "relevant property", which currently isn't included into the Company's balance sheet and the recognition of revenue from construction and construction costs in the statement of comprehensive income related to infrastructure investment into Providers property.

In case of the accounting policy change, the Company will make the valuation and accounting model that will enable it to assess the amount and type of property in connection with the application of IFRIC 12 (or intangible or financial assets or a combination of both) that need to be recognized in the statement of financial position and the expected structure and dynamics of the items associated with the application of IFRIC 12, which affect the future statements of comprehensive income of the Company. Currently Management did not quantify the possible impact of the potential application of IFRIC 12 by the Company since the change in the accounting policy, in this regard, is not considered to be likely.

NOTE 6 – CRITICAL ACCOUNTING ESTIMATES (continued)

Recoverability of the carrying amount

As at 31 December 2018, the property and plant of the Group and the Company amounted to HRK 287.566 thousand or HRK 281.749 thousand, of which HRK 80.300 thousand or HRK 74,883 thousand relates to assets in use and HRK 207.226 thousand to assets under construction (construction of a new terminal for bulk cargo).

The Administration conducts a test of impairment of property, plant and equipment for impairment when there are indications of impairment. The calculation of recoverable amount is basically based on five-year business plans developed in the light of the future strategy and market trends of the current and future primary interest of the Group (Bosnia and Herzegovina, Croatia, Italy). Plans include the assumption of a significant increase in the turnover of the new terminal for bulk cargo, whose opening is planned for the second quarter of 2019. These estimated cash flows are discounted to their present value using the pre-tax interest rate that reflects current market estimates of the time value of the cash and the specific risks associated with that asset.

The Management estimates that the current carrying amount of property, plant and equipment is recoverable

Provisions for other long-term employee benefits

In line with the collective bargaining agreement, the Group and the Company provide jubilee awards to employees. For the present value calculation of these benefits, the Group and the Company estimate employee turnover based on past trends and determine the appropriate discount rate based on current market conditions. Were the discount rate and employee turnover used to differ by 50 base points from management estimates, the carrying amount of the related liability would not be significantly different from that recorded.

Legal claims and disputes

Provisions for legal claims and disputes are recorded based on Management's estimate of probable losses after consultation with legal counsel. Based on existing knowledge, it is reasonably likely that the outcomes of these legal claims will differ from estimated potential losses.

Useful life of tangible assets

The Management of the Company and Group companies determines and reassesses the useful lives and related depreciation charge for tangible assets. This estimate is based on the assessment of the remaining useful lives of assets. It could change significantly as a result of technical innovations and competitor actions. Management will increase the depreciation charge if it assesses that the useful life of assets is lower than prior to estimates, or it will write off obsolete and discarded property.

Were the actual useful lives of the tangible assets to differ by 10% from Management’s estimates, the estimated carrying amount of tangible assets would be an estimated HRK 821 thousand higher (2017: HRK 819 thousand) or HRK 848 thousand lower (2017: HRK 869 thousand).

NOTE 7 – SEGMENT INFORMATION

Management separately monitors and discloses operating revenues, profit from operations, capital expenditure, total assets and total liabilities as follows:

1. The Port services segment provides manipulation of cargo (loading, unloading, transportation, refinement, weighing of general freight, wood and wood products, loose freight and RO-RO freight) and represents the parent company.

2. The Storage of liquid derivatives segment provides the service of oil derivatives storage.

3. The Marine services segment provides freight forwarding and various ship handling services to users of port services.

4. The trading segment deals with trade in materials and goods from the free zone of Port Ploče.

5. Other business segments relate to the Group's secondary business activities (maintenance, restaurants and similar).

The segment results for the year ended 31 December 2018. are as follows:

(in thousands of HRK)	**Port services**	**Marine services**	**Trading goods**	**Other segments**	**Total Group**
Operating revenues	97.686	11.926	96.188	4.883	210.683
Operating profit/(loss) before depreciation	2.850	931	6.572	852	11.205
Depreciation and write-off of fixed assets	(6.429)	(219)	-	(238)	(6.886)
Operating profit/(loss)	**(3.579)**	**712**	**6.572**	**614**	**4.319**
Capital expenditure	40.402	102	-	994	41.498

The segment results for the year ended 31 December 2018 are as follows:

(in thousands of HRK)	**Port services**	**Marine services**	**Trading goods**	**Other segments**	**Total Group**
Operating revenues	87.373	12.734	134.134	3.595	237.836
Operating profit/(loss) before depreciation	5.074	308	7.777	1.190	14.349
Depreciation and write-off of fixed assets	(6.489)	(220)	-	(279)	(6.988)
Operating profit/(loss)	**(1.415)**	**88**	**7.777**	**911**	**7.361**
Capital expenditure	86.704	132	-	3.367	90.203

NOTE 7 – SEGMENT INFORMATION (continued)

The Group and the Company operate in three main geographical areas. Sales among geographical segments are allocated based on the country in which the customer is located.

	Luka Ploče Group		Luka Ploče d.d.	
	2018	**2017**	**2018**	**2017**
	(in thousands of HRK)		*(in thousands of HRK)*	
Croatia	27.380	63.635	21.864	60.676
Bosnia and Herzegovina	61.439	55.132	56.079	50.342
European Union countries	110.358	111.708	110.142	111.213
Other	11.506	7.361	11.506	6.107
Total	**210.683**	**237.836**	**199.591**	**228.338**

Concentration risk sales

The Group generates 13,0% (2017.: 26,8%) of revenues from sales to domestic customers while 87,0% (2017.: 73,2%) of the sales are derived from sales to foreign customers (in terms of the geographical location of customers) which mainly relates to sale to customers from Bosnia and Herzegovina, which generates 29,2% of revenue (2017: 23%). The Group determines the selling price to customers in accordance with the macroeconomic conditions prevailing in each market where customers are located in view of the maximum and approved tariffs for services covered by the concession contract.

Group revenues are substantially exposed to volatility due to the relatively high concentration of income at the small number of customers. The top five customers of the Group generated approximately 74,36 % of total sales revenues (2017: 80,40%) of which the greatest impact on the revenues of the Group and the Company have the two largest customer with which is realized 59,81% of total revenues in 2018 (2017: 44,10%). As a result of exposure to a small number of customers, the Company manages this risk through active and frequent communication with key customers, acquire new customers and through monitoring of relevant competitors and market conditions both at local and international level.

NOTE 8 – REVENUES

	Luka Ploče Group		Luka Ploče d.d.	
	2018	**2017**	**2018**	**2017**
	(in thousands of HRK)		*(in thousands of HRK)*	
Revenues				
Sales of services				
- domestic sales	27.380	31.351	21.864	28.392
- foreign sales	87.114	72.351	81.538	65.812
	114.494	**103.702**	**103.402**	**94.204**
Revenues from trading goods	96.189	134.134	96.189	134.134
	210.683	**237.836**	**199.591**	**228.338**
Other income				
Interest income	82	730	81	725
Other income	2.227	1.786	1.624	799
	2.309	**2.516**	**1.705**	**1.524**
	212.992	**240.352**	**201.296**	**229.862**

Interest income include income from interest on short-term bank deposits.

NOTE 8 – REVENUES (continued)

Revenue Overview by Type of Cargo is as follows:

	Luka Ploče Grupa		Luka Ploče d.d.	
	2018.	**2017.**	**2018.**	**2017.**
	(in thousands of HRK)		*(in thousands of HRK)*	
Heavy load	66.639	60.065	66.639	60.065
General cargo	29.508	24.250	29.508	24.250
Current load	3.132	5.730	3.132	5.730
Other harbor services	15.215	13.657	4.123	4.159
	114.494	**103.702**	**103.402**	**94.204**
Commodity trading income	96.189	134.134	96.189	134.134
	210.683	**237.836**	**199.591**	**228.338**

Bulk, general, and current cargo related to port services related to the transhipment of these types of cargo charged by the Group on the basis of transmitted tons of cargo while other port services relate to storage, warehousing and other services related to the transhipment of other cargo types. Commodity income refers to the sale of petrochemicals.

Revenue Overview by Type of Service is as follows:

	Luka Ploče Grupa		Luka Ploče d.d.	
	2018.	**2017.**	**2018.**	**2017.**
	(in thousands of HRK)		*(in thousands of HRK)*	
Port manipulation services	83.014	82.026	83.014	82.026
Rental and storage services	8.023	6.991	8.023	6.991
Other services	23.457	14.685	12.365	5.187
	114.494	**103.702**	**103.402**	**94.204**
Commodity trading income	96.189	134.134	96.189	134.134
	210.683	**237.836**	**199.591**	**228.338**

NOTE 9 – COSTS OF SERVICES

Costs of materials and energy are as follows:

	Luka Ploče Grupa		Luka Ploče d.d.	
	2018	**2017**	**2018**	**2017**
	(in thousands of HRK)		*(in thousands of HRK)*	
Cost of goods sold	90.064	126.844	89.617	126.357
Fuel costs	5.690	4.656	5.417	4.200
Consumption of raw materials and supplies	5.217	3.505	4.268	2.542
Consumption of electricity	3.064	2.470	3.064	2.470
Small inventory, spare parts and office supplies	705	947	528	710
Other material costs	32	487	131	472
	104.772	**138.909**	**103.025**	**136.751**

Service costs are as follows:

	Luka Ploče Group		**Luka Ploče d.d.**	
	2018	**2017**	**2018**	**2017**
	(in thousands of HRK)		*(in thousands of HRK)*	
Utilities	6.662	6.322	6.442	6.123
Repairs and maintenance	2.354	3.293	2.802	8.140
Security costs	2.645	2.516	2.645	2.516
Intellectual services	2.852	1.680	2.772	1.134
Advertising and entertainment expenses	793	749	758	616
Transport and telecommunication expenses	1.247	702	971	476
Other services	1.325	1.235	1.067	1.151
	17.878	**16.497**	**17.457**	**20.156**

Utility charges include fees per concession agreements in the amount of HRK 3.765 thousand (2017: HRK 3.339 thousand) of which HRK 2.607 thousand relates to the variable portion of concession fees (2017: HRK 2.168 thousand).

NOTE 10 – STAFF COSTS

	Luka Ploče Group		**Luka Ploče d.d.**	
	2018	**2017**	**2018**	**2017**
	(in thousands of HRK)		*(in thousands of HRK)*	
Salaries	42.793	40.286	37.952	33.753
Taxes and contributions /i/	19.600	18.318	17.813	15.645
Termination benefits and jubilee awards	2.688	103	2.624	90
Other employee benefits /ii/	4.851	3.012	4.359	2.560
	69.932	**61.719**	**62.748**	**52.048**

/i/ Pension contributions for pensions paid by the Group and the Company to mandatory pension funds for 2018 amounted to HRK 10.274 thousand and HRK 9.212 thousand (2017: HRK 9.391 thousand and HRK 8.395 thousand). Contributions are calculated as a percentage of the employees' gross salaries.

/ii/ Other employee benefits include gifts, business travel expenses, daily allowances and other benefits.

At 31 December 2018, the Group had 550 employees (2017: 552), and the Company had 485 employees (2017: 493).

NOTE 11 – OTHER OPERATING EXPENSES

	Luka Ploče Group		Luka Ploče d.d.	
	2018	2017	2018	2017
	(in thousands of HRK)		*(in thousands of HRK)*	
Insurance premiums	2.030	1.646	1.929	1.585
Damages, penalties and demurrage	717	1.620	717	1.620
Contributions and membership fees	1.195	1.227	1.176	1.190
Bank charges	514	958	436	874
Daily allowances and travel expenses	696	563	660	455
Supervisory Board fees	365	363	365	363
Other staff costs	228	309	165	269
Donations	252	249	252	249
Write-off of raw materials	428	210	428	218
Provisions for litigation	8	203	-	200
Other operating expenses	773	1.833	556	1.651
	7.206	**9.181**	**6.684**	**8.674**

NOTE 12 – OTHER (LOSS)/ GAINS - NET

	Luka Ploče Group		Luka Ploče d.d.	
	2018	2017	2018	2017
	(in thousands of HRK)		*(in thousands of HRK)*	
Fair value gains of financial assets through profit or loss (Note 24)	(57)	71	(57)	71
Loss/(gain) on sale of tangible assets and disposals /i/	58	59	58	59
Net foreign exchange differences	(1.144)	435	(1.144)	435
	(1.143)	**565**	**(1.143)**	**565**

/i/ The sale of tangible assets consists of the following:

(in thousands of HRK)	Luka Ploče Group		Luka Ploče d.d.	
	2018	2017	2018	2017
Net book amount	(1)	-	(1)	-
Proceeds on sale of tangible assets	59	59	59	59
Net (loss)/gain on sale of tangible assets	**58**	**59**	**58**	**59**

NOTE 13 – FINANCE INCOME / (EXPENSES) - NET

	Luka Ploče Group		Luka Ploče d.d.	
	2018	2017	2018	2017
	(in thousands of HRK)		*(in thousands of HRK)*	
Foreign exchange profit/ (losses) – net	1.647	(7.841)	1.629	(7.513)
Interest expense /i/	(117)	(177)	(51)	(91)
Finance income/ (expenses) – net	**1.530**	**(8.018)**	**1.578**	**(7.604)**

/ i / The Group and the Company had investments by which the cost of interest and fees in the amount of HRK 3.158 thousand (2017: 1.198) was capitalized within the ongoing investment using the estimated capitalization rate of 3%.

NOTE 14 – INCOME TAX

	Luka Ploče Group		Luka Ploče d.d.	
	2018	2017	2018	2017
	(in thousands of HRK)		*(in thousands of HRK)*	
Current income tax	1.319	44	1.194	-
Deferred tax revenue	1.382	(1.895)	1.382	(1.895)
	2.701	**(1.851)**	**2.576**	**(1.895)**

A reconciliation of tax expense of the Group and the Company per income statement and taxation at the statutory rate is detailed in the table below:

	Luka Ploče Group		Luka Ploče d.d.	
	2018	2017	2018	2017
	(in thousands of HRK)		*(in thousands of HRK)*	
Profit/ (loss) before tax	**5.885**	**(594)**	**4.572**	**(1.377)**
Income tax 18% (2017: 20%)	1.059	(107)	823	(248)
Effect of income not subject to tax	(80)	(15)	(45)	(1)
Effect of expenses not deductible for tax purposes	328	269	282	214
The effect of tax relief	-	(1.860)	-	(1.860)
Recognition of temporary differences and tax losses previously unrecognized as deferred tax assets /i/	1.516	-	1.516	-
Utilised previously unrecognised tax losses	(122)	(138)	-	-
Tax charge	**2.701**	**(1.851)**	**2.576**	**(1.895)**

NOTE 14 – INCOME TAX (continued)

/i/ During 2017, the Company recognized deferred tax assets related to the transferred tax losses of affiliated subsidiaries. During the year 2018, the Tax Administration was executed by the Tax Administration and a Company filed a Minutes with the tax disputes. Although the Company intends to appeal the above solution, the Company has ceased to recognize deferred tax assets because it is no longer certain that the Company and the Group will be able to capitalize on the stated tax losses.

Tax losses

The Group did not recognize deferred tax assets in the amount of HRK 35 thousand because it is not certain that the tax losses will be utilized by the companies to which they relate.

In accordance with Croatian regulations, the tax authorities may at any time inspect any of the Group company's books and records within 3 years subsequent to the year in which the tax liability is reported, and may impose additional tax assessments and penalties. The Group's Management is not aware of any circumstances, which may give rise to a potential material liability in this respect.

Changes in the deferred tax assets of the Group and the Company during the year were as follows:

	Long-term employee benefits	**Transposed losses**	**In total**
January 1, 2018	366	1.529	1.895
As it shown in the income statement	147	(1.529)	(1.382)
December 31, 2018.	**513**	**-**	**513**

NOTE 15 – INTANGIBLE ASSETS

Luka Ploče Group (in thousands of HRK)	**Intangible assets**
At 1 January 2017	
Cost	2.321
Accumulated depreciation	(1.039)
Net book amount	**1.282**
Year ended 31 December 2017	
Opening net book amount	1.282
Additions	215
Transfer from assets in progress	100
Disposals	(81)
Depreciation	(516)
Net book amount at the end of the year	**1.000**
At 31 December 2017	
Cost	2.555
Accumulated depreciation	(1.555)
Net book amount at the end of the year	**1.000**
Year ended 31 December 2018	
Opening net book amount	1.000
Transfer from assets in progress	34
Depreciation	(357)
Year ended 31 December 2018	**677**
At 31 December 2018	
Cost	2.589
Accumulated depreciation	(1.912)
Net book amount	**677**

Intangible assets relate to investments in computer software.

NOTE 15 – INTANGIBLE ASSETS

Luka Ploče d.d. *(in thousands of HRK)*	**Intangible assets**
At 1 January 2017	
Cost	2.205
Accumulated depreciation	(1.005)
Net book amount	**1.200**
Year ended 31 December 2017	
Opening net book amount	1.200
Additions	215
Transfer from assets in progress	100
Depreciation	(515)
Net book amount at the end of the year	**1.000**
At 31 December 2017	
Cost	2.520
Accumulated depreciation	(1.520)
Net book amount at the end of the year	**1.000**
Year ended 31 December 2018	
Opening net book amount	1.000
Transfer from assets in progress	31
Depreciation	(357)
Year ended 31 December 2018	**674**
At 31 December 2018	
Cost	2.551
Accumulated depreciation	(1.877)
Net book amount	**674**

NOTE 16 – PROPERTY, PLANT AND EQUIPMENT

Luka Ploče Group *(in thousands of HRK)*	**Land and buildings**	**Equipment**	**Assets under construction**	**Leasehold improvements**	**Total**
At 1 January 2017					
Cost	14.253	148.054	91.575	13.061	266.943
Accumulated depreciation	(3.223)	(85.929)	-	(8.730)	(97.882)
Net book amount	**11.030**	**62.125**	**91.575**	**4.331**	**169.061**
Year ended 31 December 2017					
Opening net book amount	11.030	62.125	91.575	4.331	169.061
Additions	-	2.165	87.630	193	89.988
Transfer from assets under construction	-	1.131	(1.752)	521	(100)
Disposals	-	(146)	-	-	(146)
Depreciation	(179)	(5.604)	-	(463)	(6.246)
Closing net book amount	**10.851**	**59.671**	**177.453**	**4.582**	**252.557**
At 31 December 2018					
Cost	14.253	151.204	177.453	13.775	356.685
Accumulated depreciation	(3.402)	(91.533)	-	(9.193)	(104.128)
Net book amount	**10.851**	**59.671**	**177.453**	**4.582**	**252.557**
Year ended 31 December 2018					
Opening net book amount	10.851	59.671	177.453	4.582	252.557
Additions	-	37	29.756	-	29.793
Transfer from prepayments	-	-	11.671	-	11.671
Transfer from assets under construction	-	9.117	(11.614)	2.497	-
Disposals	-	(23)	-	-	(23)
Depreciation	(177)	(5.749)	-	(506)	(6.432)
Closing net book amount	**10.674**	**63.053**	**207.266**	**6.573**	**287.566**
At 31 December 2018					
Cost	14.253	160.335	207.266	16.272	398.126
Accumulated depreciation	(3.579)	(97.282)	-	(9.699)	(110.560)
Net book amount	**10.674**	**63.053**	**207.266**	**6.573**	**287.566**

Assets under construction refer primarily to the investment in the capacity of bulk cargo terminal and related machinery.

NOTE 16 – PROPERTY, PLANT AND EQUIPMENT (continued)

Luka Ploče d.d. *(in thousands of HRK)*	**Land and buildings**	**Equipment**	**Assets under construction**	**Leasehold improvements**	**Total**
At 31 December 2017					
Cost	13.849	135.634	90.093	12.754	252.330
Accumulated depreciation	(3.024)	(76.856)	-	(8.423)	(88.303)
Net book amount	**10.825**	**58.778**	**90.093**	**4.331**	**164.027**
Year ended 31 December 2017					
Opening net book amount	10.825	58.778	90.093	4.331	164.027
Merger of subsidiaries	-	274	1.581	56	1.911
Additions	-	-	87.531	-	87.531
Transfer from assets under construction	-	1.131	(1.752)	521	(100)
Disposals	-	(146)	-	-	(146)
Depreciation	(174)	(5.247)	-	(457)	(5.878)
Closing net book amount	**10.651**	**54.790**	**177.453**	**4.451**	**247.345**
At 31 December 2017					
Cost	13.849	136.893	177.453	13.331	341.526
Accumulated depreciation	(3.198)	(82.103)	-	(8.880)	(94.181)
Net book amount	**10.651**	**54.790**	**177.453**	**4.451**	**247.345**
Year ended 31 December 2018					
Opening net book amount	10.651	54.790	177.453	4.451	247.345
Additions	-	-	28.690	-	28.690
Transfer from prepayments	-	-	11.712	-	11.712
Transfer from assets under construction to Intangible Assets	-	8.336	(10.589)	2.253	-
Disposals	-	(23)	-	-	(23)
Depreciation	(173)	(5.319)	-	(483)	(5.975)
Closing net book amount	**10.478**	**57.784**	**207.266**	**6.221**	**281.749**
At 31 December 2018					
Cost	13.849	145.206	207.266	15.584	381.905
Accumulated depreciation	(3.371)	(87.422)	-	(9.363)	(100.156)
Net book amount	**10.478**	**57.784**	**207.266**	**6.221**	**281.749**

Assets under construction refer primarily to the investment in the capacity of bulk cargo terminal and related machinery.

Property, plant and equipment of the Group and the Company net book value in the amount of HRK 1,861 thousand was pledged as a loan collateral.

The Group's and Company's equipment with a net book value of HRK 13.032 and HRK 10.190 thousand as at 31 December 2018 (2017: the Group and Company HRK 14.105 and HRK 11.081 thousand) were pledged as security for the finance lease repayment.

NOTE 16 – PROPERTY, PLANT AND EQUIPMENT (continued)

The equipment leased out under a finance lease is as follows:

	Luka Ploče Group		Luka Ploče d.d.	
	2018	**2017**	**2018**	**2017**
	(in thousands of HRK)		*(in thousands of HRK)*	
Cost – capitalised finance lease	21.266	21.266	18.062	18.062
Accumulated depreciation	(8.234)	(7.161)	(7.872)	(6.981)
Net book amount	**13.032**	**14.105**	**10.190**	**11.081**

NOTE 17 – INVESTMENT PROPERTY

	Luka Ploče Group		Luka Ploče d,d,	
	2018	**2017**	**2018**	**2017**
	(in thousands of HRK)		*(in thousands of HRK)*	
Cost	6.404	6.404	6.404	6.404
Accumulated depreciation	(1.826)	(1.729)	(1.826)	(1.729)
Net book amount	**4.578**	**4.675**	**4.578**	**4.675**

The Company records as investment property flats that are leased to former and current employees at minimum lease payments. Based on current market prices and the location, Management determined that the fair value of investments approximates the net carrying value.

In 2018, the Group and the Company realised lease income of HRK 101 thousand (2017: HRK 101 thousand) included in other income, and a depreciation charge of HRK 97 thousand (2017: HRK 96 thousand).

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	Luka Ploče Group		Luka Ploče d.d.	
	2018	**2017**	**2018**	**2017**
	(in thousands of HRK)		*(in thousands of HRK)*	
Up to 1 year	101	101	101	101
From 1 to 5 years	404	404	404	404
Over 5 years	808	909	808	909
Total	**1.313**	**1.414**	**1.313**	**1.414**

NOTE 18 – INVESTMENTS IN SUBSIDIARIES

The holdings of the Company in each of its subsidiaries as at 31 December 2018 and 31 December 2018 are as follows:

Subsidiaries	**Amount of share**		**Ownership %**	**Principal activity**
	(in thousands of HRK)			
	2018.	**2017.**	2018 and 2017	
Luka Šped d.o.o.	3.175	3.175	100%	Freight forwarding services
Pomorski servis - Luka Ploče d.o.o.	1.807	1.807	100%	Sea transport services
Pločanska plovidba d.o.o.	2.520	2.520	100%	Shipping services
	7.502	**7.502**		

Movements in investments in subsidiaries are as follows:

	Luka Ploče d.d. **2018**	**2017**
	(in thousands of HRK)	
At beginning of the year	7.502	11.480
Investment reduction/i/	-	(3.978)
At end of the year	**7.502**	**7.502**

/i/ On September 26, 2018, the Company made the merger of the companies Luka Ploče - Održavanje d.o.o. and Luka Ploče Energija d.o.o.

NOTE 19 – INVESTMENTS IN ASSOCIATES

	Luka Ploče Group		Luka Ploče d.d.	
(in thousands of HRK)	**2018**	**2017**	**2018**	**2017**
Lučka sigurnost d.o.o. (associated company)	442	415	55	55
Vizir d.o.o. (associated company)	150	141	25	25
Portus Šped d.o.o	28	28	-	-
Total	**620**	**584**	**80**	**80**

The Group and the Company have shares in associates of which the Company has investments in two associates of 49% in the total amount of HRK 80 thousand, whereas the remaining 51% is owned by the Port of Authority. Port of Authority controls the associates by appointing the only member of the Management Board responsible for making operational decisions, and it has the majority in the supervisory boards of these companies. The principal activity of the associates is the security of business premises. Transactions with these associates are disclosed in Note 32. In 2018 Group has recognised share in profit of the associates in the amount of HRK 63 thousand (2017: HRK 39 thousand)

Luka Šped d.o.o. together with Luka d.d., Split participates with 49% in stake of the company Portus Šped d.o.o., Split. The Company is registered as a limited liability company for international forwarding. The Company did not start business activity by the audit day.

Basic financial information of associates at the reporting date are as follows:

	Lučka sigurnost d.o.o.		Vizir d.o.o.	
(in thousands of HRK)	**2018**	**2017**	**2018**	**2017**
Assets	1.341	1.274	499	471
Liabilities	(338)	(327)	(160)	(150)
Net assets	**1.003**	**947**	**339**	**321**

NOTE 20 – LONG-TERM LOAN RECEIVABLE

	Luka Ploče Group		Luka Ploče d,d,	
(in thousands of HRK)	**2018**	**2017**	**2018**	**2017**
Long-term loan receivable				
- To employees	2.149	2.473	2.149	2.473
- To members of the Supervisory Board	172	299	172	299
	2.321	2.772	2.321	2.772
Current portion	(627)	(777)	(627)	(777)
	1.694	**1.995**	**1.694**	**1.995**

In previous years, the Company sold flats to its employees on long-term credits in accordance with legal regulations of the Republic of Croatia. The loans are repayable over a period of 20 – 35 years with an interest rate set at 1% p.a. The loans are repaid regularly in monthly instalments. The loans are not discounted. The loans are secured by mortgages on the apartments. The Company is obliged to pay 65% of the received repayments to the state budget. All loan receivables are denominated in HRK.

NOTE 20 – LONG-TERM LOAN RECEIVABLE (continued)

The maturity of long-term loans receivable is as follows:

	Luka Ploče Group		Luka Ploče d.d.	
	2018	2017	2018	2017
	(in thousands of HRK)		*(in thousands of HRK)*	
Up to 1 year	627	777	627	777
Between 1 and 5 years	1.694	1.995	1.694	1.995
Total	**2.321**	**2.772**	**2.321**	**2.772**

NOTE 21 – INVENTORIES

	Luka Ploče Group		Luka Ploče d,d,	
	2018	2017	2018	2017
	(in thousands of HRK)		*(in thousands of HRK)*	
Raw materials	609	764	515	637
Spare parts	3.542	2.118	3.541	2.118
Advances for inventories	126	24	30	21
Trade goods	38	28.690	-	28.656
	4.315	**31.596**	**4.086**	**31.432**

NOTE 22 – TRADE AND OTHER RECEIVABLES

	Luka Ploče Group		Luka Ploče d.d.	
	2018	2017	2018	2017
	(in thousands of HRK)		*(in thousands of HRK)*	
Domestic trade receivables	1.787	3.309	2.419	4.141
Foreign trade receivables	28.659	66.605	27.537	65.314
Provision for doubtful receivables	(849)	(245)	(809)	(82)
	29.597	**69.669**	**29.147**	**69.373**
Current portion of long-term loans receivable (Note 20)	627	777	627	777
Receivables from the state	3.003	2.068	2.931	1.908
Advances	91	72	11	7
Guarantees	13	6	13	6
Contractual assets	193	276	193	276
Other receivables	1.381	1.474	1.262	1.288
	34.905	**74.342**	**34.184**	**73.635**

As at 31 December 2018, receivables due to two customers accounted for 22% and 21% of total receivables from Group customers, respectively 23% and 21% of total receivables from the Company's customers.

NOTE 22 – TRADE AND OTHER RECEIVABLES (continued)

As at 31 December 2018, the Group recorded trade receivables past due but not impaired amounting to HRK 10.359 thousand (2017: HRK 14.290 thousand), while the Company recorded trade receivables past due but not impaired amounting to HRK 10.621 thousand (2017: HRK 13.866 thousand). The ageing of these receivables is based on the days outstanding after the maturity date as follows:

	Luka Ploče Group		Luka Ploče d.d.	
	2018	**2017**	**2018**	**2017**
	(in thousands of HRK)		*(in thousands of HRK)*	
Up to 30 days	2.062	4.158	2.087	3.437
Up to 60 days	769	5.357	723	5.682
Up to 90 days	839	957	833	706
Over 90 years	6.689	3.818	6.978	4.041
	10.359	**14.290**	**10.621**	**13.866**

The fair value of trade receivables approximates their carrying amount.

As at 31 December 2018, the provision for impairment of receivables amounted to HRK 849 thousand for the Group (2017: HRK 245 thousand) and HRK 809 thousand for the Company (2017: HRK 82 thousand). The provision relates to customers with some defaults in payments, who are in difficult economic situations.

Balances and movements on the provision for impairment of trade and other receivables are as follows:

	Luka Ploče Group		Luka Ploče d.d.	
	2018	**2017**	**2018**	**2017**
	(in thousands of HRK)		*(in thousands of HRK)*	
At 1 January	245	119	82	94
Impairment	849	262	809	82
Receivables written off during the year as uncollectible	(245)	(136)	(82)	(94)
At 31 December	**849**	**245**	**809**	**82**

Impairment losses on receivables from customers in the profit and loss account for 2018 include HRK 7 thousand in direct debts for the Group and HRK 6 thousand for the Company.

Model of expected loss

For the calculation of expected loan losses, the Group and the Company use a maturity valuation matrix. The amount of loss will be calculated based on the probability that claims in the class above 365 days will be subsequently disabled. The probability of default (PD) and loss in case of default (LGD) is based on historical data for the past three years. Outstanding Exposure Exposure (EAD) is a reduction to estimate the collateral value.

As of December 31st 2018, the Group's and Company's liabilities for failure to meet obligations are as follows: default: 0.35%, 1-30 days: 1.82%, 31-90 days: 3.18%, 91 to 180 days: 10.03%, 181 to 365 days: 34.89% and above 365 days: 90.22%. The loss in the event of default on 31 December 2018 was 9.78%.

NOTE 22 – TRADE AND OTHER RECEIVABLES (continued)

Financial assets are denominated in the following currencies:

	Luka Ploče Group		**Luka Ploče d.d.**	
	2018	**2017**	**2018**	**2017**
	(in thousands of HRK)		*(in thousands of HRK)*	
EUR	18.105	16.724	17.682	15.359
USD	9.805	51.079	9.832	50.907
HRK	1.700	1.872	1.646	3.113
	29.610	**69.675**	**29.160**	**69.379**

NOTE 23 – SHORT - TERM DEPOSITS

	Luka Ploče Group		**Luka Ploče d,d,**	
(in thousands of HRK)	**2018**	**2017**	**2018**	**2017**
Leasing učešća	959	172	135	136
Depoziti kod banaka	272	134.758	-	134.485
Depoziti ukupno	**1.231**	**134.930**	**135**	**134.621**
Tekuće dospijeće	272	81.419	-	81.146
Dugoročno dospijeće	959	53.511	135	53.475
	1.231	**134.930**	**135**	**134.621**

As at 31 December 2018, the Company has issued 2 deposits with commercial banks, including interest due in the amount of HRK 135 thousand, and the Group has issued 5 deposits in the amount of HRK 1.231 thousand (2017: The Company has issued 13 value deposits of HRK 134.485 thousand and the Group has issued 14 deposits in the amount of HRK 134.758 thousand) denominated in EUR (2017: USD and EUR). Deposits are due in 2019. Interest rates were up to 0.60% (2017: 0.55% to 0.60%). Deposits were not used as collateral as at 31 December 2018 (31 December 2017: HRK 53.339 thousand).

NOTE 24 – FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Luka Ploče Group		**Luka Ploče d.d.**	
	2018	**2017**	**2018**	**2017**
	(in thousands of HRK)		*(in thousands of HRK)*	
At beginning of year	351	280	351	280
Fair value gains (Note 12)	(57)	71	(57)	71
At end of year	**294**	**351**	**294**	**351**

As at 31 December 2018, the amount of HRK 294 thousand (2017: HRK 351 thousand) relates to shares of two listed companies in which the Group's holding does not exceed 20% of ownership. The fair value estimation is set out in Note 5. Financial assets at fair value through profit or loss are denominated in HRK.

NOTE 25 – CASH AND CASH EQUIVALENTS

	Luka Ploče Group		Luka Ploče d.d.	
	2018	**2017**	**2018**	**2017**
	(in thousands of HRK)		*(in thousands of HRK)*	
Giro account	3.242	1.675	2.010	794
Foreign currency account /i/	209.577	42.420	205.787	37.683
	212.819	**44.095**	**207.797**	**38.477**

/ i / As at 31 December 2018, the amount of HRK 25.345 thousand relates to open foreign currency letters of credit and with the above mentioned assets the Group and the Company were unable to dispose as of 31 December 2018.

Cash and cash equivalents are denominated in the following currencies:

	Luka Ploče Group		Luka Ploče d.d.	
	2018	**2017**	**2018**	**2017**
	(in thousands of HRK)		*(in thousands of HRK)*	
EUR	183.371	11.656	180.775	8.907
USD	26.206	30.764	25.012	28.776
HRK	3.242	1.675	2.010	794
	212.819	**44.095**	**207.797**	**38.477**

NOTE 26 – CAPITAL AND RESERVES

Share capital

The ownership structure as at 31 December 2018 and 2017 was as follows:

	2018		2017	
Shareholders	**Number of shares**	**Ownership (%)**	**Number of shares**	**Ownership (%)**
Small shareholders	113.166	26,75	114.358	27,04
Energija naturalis d.o.o.	105.514	24,95	105.514	24,95
Mandatory pension funds	129.108	30,52	94.508	22,34
Financial institutions	67.791	16,03	74.452	17,60
Voluntary pension funds	5.669	1,34	32.416	7,66
Treasury shares	1.719	0,41	1.719	0,41
Total	**422.967**	**100,00**	**422.967**	**100,00**

Shareholders' equity at 31 December 2018 amounts HRK 169.187 thousand (2017: HRK 169.187 thousand) and consists of 422.967 ordinary shares (31 December 2018: 422.967 shares) with a nominal value of HRK 400 (31 December 2018: HRK 400).

In May 2018, the Share Sale Agreement concluded between PPD Financial Investments d.o.o. and Energija naturalis d.o.o., the company Energija naturalis d.o.o. has become the owner of 105,514 shares representing a relative amount of 24,95% of the Company's share capital.

Premium on issued shares

The Company realised a premium of HRK 90.159 thousand on newly issued shares in 2011, which was decreased by the costs of issuing new shares of HRK 2.052 thousand, and as at 31 December 2018, the premium for issued shares amounted to HRK 88.107 thousand (2017: HRK 88.107 thousand).

NOTE 26 – CAPITAL AND RESERVES (continued)

Other reserves

At 31 December 2018, the Company had other reserves in the total amount of HRK 48.159 thousand (2017: HRK 48.159 thousand), and the Group of HRK 48,159 thousand (2017: HRK 49.159 thousand). Reserve for own shares amount HRK 7.838 thousand (2017: 7.838 thousand) of which to acquire own shares at 31 December 2018 was used HRK 1.066 thousand. Other reserves are distributable.

Legal reserves

Legal reserves amount to HRK 8.459 thousand (2017: HRK 8.283 thousand) were formed in line with Croatian law and must be built up at a minimum of 5% of the profit for the year until the total legal reserve reaches 5% of the Company’s share capital. Legal reserves are not distributable.

Own shares

In 2011, the Company purchased 380 own shares at a price of between 680 and 770 kuna per share. In 2012, the Company purchased 626 treasury shares at a price of between 550 and 611 kunas per share. In 2013, the Company purchased 713 treasury shares at a price of between HRK 569 and HRK 597 per share.

NOTE 27 – PROFIT/ (LOSS) PER SHARE

The basic loss per share is calculated by dividing the Company's net loss the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares. The basic loss per share equals the diluted loss, since there are no dilutive shares.

	Luka Ploče Group		**Luka Ploče d.d.**	
	2018	**2017**	**2018**	**2017**
Net profit/ (loss) attributable to shareholders from continuing operations *(in thousands of HRK)*	3.184	1.257	1.996	518
Weighted average number of ordinary shares in issue	421.248	421.248	421.248	421.248
Basic/diluted loss per share from continuing operations *(in HRK)*	7,56	2,98	4,74	1,23

NOTE 28 – BORROWINGS

	Luka Ploče Group		**Luka Ploče d,d,**	
	2018	**2017**	**2018**	**2017**
	(in thousands of HRK)		*(in thousands of HRK)*	
Finance lease	5.631	8.221	5.026	7.342
Bank borrowings	115.946	102.088	114.777	100.501
Due to the state (Note 20)	1.419	1.632	1.419	1.632
	122.996	**111.941**	**121.222**	**109.475**
Current portion	(10.792)	(9.386)	(10.154)	(8.705)
Total long-term borrowings	**112.204**	**102.555**	**111.068**	**100.770**

	Luka Ploče Group		Luka Ploče d,d,	
	2018	2017	2018	2017
	(in thousands of HRK)		*(in thousands of HRK)*	
Current portion	9.386	3.192	8.705	2.916
Total short-term borrowings	**9.386**	**3.192**	**8.705**	**2.916**

The contractual maturity of borrowings at the reporting date are as follows:

	Luka Ploče Group		Luka Ploče d.d.	
	2018	2017	2018	2017
	(in thousands of HRK)		*(in thousands of HRK)*	
Up to 1 year (current portion)	10.792	9.386	10.154	8.705
Between 1 and 5 years	60.476	45.556	59.340	43.771
Over 5 years	51.728	56.999	51.728	56.999
	122.996	**111.941**	**121.222**	**109.475**

Liabilities to banks

Liabilities to the Company's banks in the amount of HRK 114.777 thousand relate to a loan from HBOR, denominated in EUR, contracted at a fixed rate of 3% and secured by the company's deposits and the future right of pledging rights over part of the assets under preparation.

The remaining portion of the Group's liabilities to the Group's banks is denominated in EUR, contracted at variable interest rate 2,8%, related to EURIBOR and secured by the Group's assets.

Due to the State for sold apartments

In relation to long-term loans given to its employees for apartments, the Company has created a liability to repay to the State budget 65% of all repayments received from the employees (Note 20).

Finance lease

Luka Ploče d.d. as at 31 December 2018, it uses three finance leases obtained from leasing companies denominated in EUR in the total amount of HRK 1.015 thousand and rental in HRK from the Port Authority. Leasing companies' finance leases were concluded at a fixed interest rate of 2.99% to 4.75%. The remaining portion of the Group's Leasing Obligations was denominated in HRK and was contracted at a fixed interest rate of 5.20%.

The lease of the Port Authority concluded in 2008 is repayable in equal monthly instalments and it is secured by promissory notes. The lease matures in 2024.

Financial leases are secured by leased assets, the current value of which is as at 31 December 2018 in Note 16 and by bonds, bills of exchange, insurance policies and short-term deposits.

Current value under the finance lease is as follows:

	Luka Ploče Group		Luka Ploče d.d.	
	2018	**2017**	**2018**	**2017**
	(in thousands of HRK)		*(in thousands of HRK)*	
Up to 1 year (current portion)	2.464	2.811	2.189	2.537
Between 1 and 5 years	3.200	5.585	2.833	4.868
Over 5 years	16	-	16	-
Future financing expenses	(49)	(175)	(12)	(63)
Current value of finance lease liabilities	**5.631**	**8.221**	**5.026**	**7.342**

The carrying amount of borrowings with variable interest rates is as follows (other borrowings are stated at fixed rates):

	Luka Ploče Group		Luka Ploče d,d,	
	2018	**2017**	**2018**	**2017**
	(in thousands of HRK)		*(in thousands of HRK)*	
The reference rate: 3-month EURIBOR	1.169	1.587	-	-

Currency structure of borrowings is as follows:

	Luka Ploče Group		Luka Ploče d,d,	
	2018	**2017**	**2018**	**2017**
	(in thousands of HRK)		*(in thousands of HRK)*	
EUR	117.029	104.600	115.792	102.891
HRK	5.967	7.341	5.430	6.584
	122.996	**111.941**	**121.222**	**109.475**

Currency risk is explained detailed in Note 4.

The adjusted movements in the cash flow statement from financial activities are as follows:

	Luka Ploče Group	Luka Ploče d.d.
	(in thousands of HRK)	
At 1 January 2018	111.941	23.758
Changes in financial cash flows		
Received credits	-	1.678
Repayed loans	(3.038)	(2.849)
Total changes in financial cash flows	**(3.038)**	**(1.171)**
Other changes		
Payment of supplier by bank /i/	15.556	89.191
Exchange rate fluctuations	(1.463)	163
Total other changes	**14.093**	**89.354**
At 31 December 2018	**122.996**	**111.941**

NOTE 28 – BORROWINGS (continued)

	Luka Ploče Group	Luka Ploče d.d.
	(in thousands of HRK)	
At 1 January 2018	109.475	22.602
Changes in financial cash flows		
Repayed loans	(2.461)	(2.457)
Total changes in financial cash flows	**(2.461)**	**(2.457)**
Other changes		
Payment of supplier by bank /i/	15.556	89.191
Exchange rate fluctuations	(1.348)	139
Total other changes	**14.208**	**89.330**
At 31 December 2018	**121.222**	**109.475**

/i/ Liabilities to suppliers of fixed assets in the amount of HRK 15.556 thousand (2017.: HRK 89.191) were settled directly by the bank and treated as non-cash transactions in the cash flow statement.

NOTE 29 – PROVISIONS

Group

(in thousands of HRK)	Legal disputes	Employee benefits	Total
At 1 January 2018	**770**	**2.345**	**3.115**
Additional provisions	-	1.001	1.001
Released	(240)	-	(240)
At 31 December 2018	**530**	**3.346**	**3.876**
Analysis of total provisions			
Non-current	530	3.006	3.536
Current	-	340	340
	530	**3.346**	**3.876**

Company

(in thousands of HRK)	Legal disputes	Employee benefits	Total
At 1 January 2018	**770**	**2.083**	**2.853**
Released	-	946	946
Used during the year	(240)	-	(240)
At 31 December 2018	**530**	**3.029**	**3.559**
Analysis of total provisions			
Non-current	530	2.689	3.219
Current	-	340	340
	530	**3.029**	**3.559**

Provisions relate to legal disputes, long and short-term employee benefits as defined by the collective bargaining agreement. Non-current provisions relate to legal disputes, jubilee awards and retirement benefits, while current provisions relate to the current portion of termination benefits, jubilee awards and unused vacation days as at 31 December 2018.

NOTE 30 – TRADE AND OTHER PAYABLES

	Luka Ploče Group		Luka Ploče d.d.	
	2018	2017	2018	2017
	(in thousands of HRK)		*(in thousands of HRK)*	
Domestic trade payables	9.974	10.646	11.582	12.509
Foreign trade payables	263	28.533	249	28.519
	10.237	39.179	11.831	41.028
Net salaries payable	4.325	3.135	3.960	2.799
Taxes/contributions from and on salaries	2.762	1.733	2.564	1.555
Due to the state	264	235	144	193
Other	6	58	-	-
	17.594	**44.340**	**18.499**	**45.575**

Trade payables comprising financial liabilities are denominated in the following currencies:

	Luka Ploče Group		Luka Ploče d.d.	
	2018	2017	2018	2017
	(in thousands of HRK)		*(in thousands of HRK)*	
EUR	446	1.355	433	348
USD	26	28.412	-	28.398
HRK	9.765	9.412	11.398	12.282
	10.237	**39.179**	**11.831**	**41.028**

NOTE 31 – RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party, is under common control or exercises significant influence over the other party in making financial or operational decisions.

Related parties which were not included in consolidation are the Port Authority as a state institution (entity with influence on the Group's operations in accordance with the Concession agreement) and the associate Vizir d.o.o. Ploče, Lučka Sigurnost d.o.o. Ploče, Ploče (see Note 19) and the Company owned by the members of the Management Board and the Supervisory Board.

Items resulting from transactions and balances with the stated related parties as at 31 December 2018 and 2017 are as follows:

	Luka Ploče Group		Luka Ploče d.d.	
	2018	2017	2018	2017
	(thousands of HRK)		(thousands of HRK)	
Receivables				
Port Authority	95	12	95	11
A company owned by a member of the Supervisory Board	45	43.782	45	43.782
Associates	7	2	7	2
Total	**147**	**43.796**	**147**	**43.795**
Liabilities				
Port Authority	738	773	689	761
A company owned by a member of the Supervisory Board	32	13	32	13
Associates	255	249	255	249
Total	**1.025**	**1.035**	**976**	**1.023**
Revenues				
Port Authority	300	181	189	52
A company owned by a member of the Supervisory Board	96.189	101.896	96 .189	101.896
Associates	34	3	34	3
Total	**96.523**	**102.080**	**96.412**	**101.951**
Expenses				
Port Authority	3.866	3.760	3.766	3.760
A company owned by a member of the Supervisory Board	32	13	32	13
Associates	2.645	3.138	2.645	3.138
Total	**6.543**	**6.911**	**6.443**	**6.911**

The nature of services with the Port Authority (utilities), associates (security of business premises) and entities under common control (insurance, electricity, transport) is based on usual commercial terms.

The costs to the Port Authority include the fees by concession agreements in the amount of HRK 3.765 thousand (2017: HRK 3.339 thousand) of which HRK 2.607 thousand relates to the variable portion of concession fees (2017: HRK 2.168 thousand).

Transactions with related parties

During 2018, the Company purchased goods and services from subsidiaries in the amount of HRK 1.091 thousand (2017: HRK 6.068 thousand) and on 31 December 2018 owed to subsidiaries HRK 1.935 thousand (2017: HRK 2.046 thousand). During 2018, the Company sold goods and services to its subsidiaries in the amount of HRK 4.614 thousand (2017: HRK 5.662 thousand) and on 31 December 2018 claimed HRK 1.385 thousand from subsidiaries (2017: HRK 1.958 thousand).

Transactions with members of the Supervisory Board

The Company as at 31 December 2018, has HRK 172 thousand (2017 .: HRK 299 thousand) receivables from loans granted to members of the Supervisory Board at the rate of 4% (see Note 20). During 2018, the Company collected a total of 127 thousand on the basis of the above loans.

Key management compensation

Key management compensation, including 5 members of the Management Board of the Company (2017: 5) and 3 directors of the Group companies (2017: 3), was as follows:

	Luka Ploče Group		Luka Ploče d.d.	
	2018	**2017**	**2018**	**2017**
	(in thousands of HRK)		*(in thousands of HRK)*	
Salaries	1.691	2.293	1.199	1.814
Taxes and contributions	620	1.551	521	1.321
	2.311	**3.844**	**1.720**	**3.135**

Pension contributions for key management that the Group and the Company paid to mandatory pension funds for 2018 amounted to HRK 536 thousand.

NOTE 32 – CONTINGENCIES AND COMMITMENTS

Legal disputes

The Group and the Company are the defendant and the plaintiff in several court proceedings arising from regular business. In the financial statements for the year ended 31 December 2018, provisions were made for litigation for which the Group and the Company provide for a payment of HRK 530 thousand.

Commitments

By signing concession agreements for the construction of the terminal for bulk cargo, the Company and the Group member Luka Ploče Trgovina committed to invest in transhipment equipment the amount of HRK 375.825 thousand.

Planed investment is to be executed in two phases. Completion of the first phase is planed mid-2019., and second phase is planed after eighty percent (80%) of maximum possible 4.6 million metric tons annually capacity is reached as will be made possible after phase one. Source of finance for phase one is a loan from HBOR and own resources.

Financial contracts states that investment plans are to be reviewed every year and ,as a result, can be changed. Concession agreement states an outline obligation of maximum HRK 375.825 thousand (until 31 December 2018 HRK 215.607 thousand are invested). Lučka Uprava Ploče continually determents values of investing during that period.

	Up to 1 year	1 to 2 years	2 to 5 years	Over 5 years	**Total**
Bulk Terminal equipment	11.218	-	96.850	52.150	**160.218**
	11.218	**-**	**96.850**	**52.150**	**160.218**

Except commitments for capital expenditures per the concession agreement, the Group and Company have an obligation to pay the concession fee consisted of a fixed part calculated per square meter of surface area under concession, which is for 2018 amounted to HRK 1,171 thousand (2017 .: HRK 1,157 thousand) while the variable part depends primarily on the quantity of cargo transported.

NOTE 33 - EVENTS AFTER THE BALANCE DATE

On January 16, 2019, Energija naturalis d.o.o. (The "Bidder") has acquired 2,848 ordinary shares of the Company, thereby making it. together with shares held earlier (105,514). exceeded the control threshold because the Bidder with this increase holds a total of 108,362 shares representing 25.62% of all voting rights of the Company. Bypass control threshold. The Bidder is obliged to announce a bid to take over all the remaining ordinary voting shares in the manner and within the deadlines prescribed by the Law on the Takeover of Joint Stock Companies. and all upon approval of the request for publication of the takeover bid by the Croatian Financial Services Supervisory Agency. The bidder notes that it is obliged to obtain the special consent of the relevant public body - the approval of the Competition Agency to the concentration of the entrepreneur resulting from the conduct of a public bid and indicates that it is possible to. if the Bidder does not obtain such consent. no takeover bid is published. except in the case of subsequent approval of consent.

From 1 February 2019, Ivan Pavlović is no longer the President of the Management Board. while Josip Jurčević is no longer a member of the Management Board. From that date Hrvoje Livaja is the new President of the Management Board of the Company.