

MEDIKA d.d.

**AUDITOR'S REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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Management report

The consolidated income of the Medika Group ('the Group') for the year 2015 amounts to HRK 2,483,125 thousand, HRK 197,259 thousand more than the actual consolidated income for the prior year. Operating profit on a consolidated basis amounts to HRK 54,016 thousand, which is 20.2% less than the last year's figure.

Consolidated profit before tax amounts to HRK 56,193 thousand and consolidated net profit amounts to HRK 45,134 thousand, 26.4% less the actual 2014 result.

The Management Board of Medika ('the Company') adopted a decision to reinvest HRK 8,262 thousand of the total profit, which is also the amount by which the share capital will be increased and then registered in 2016. The increase will be carried out by increasing the nominal per-share value, without changing the current relationship of the shareholders' rights, i.e. the shareholders will be allocated shares with a higher nominal amount proportionate to their shares before the share capital increase.

Analysed by business segments (note 6 in financial statements), 54.1% of total consolidated income was generated through "pharmacies" segment, of which 13.4% from own pharmacies, and 26.4% through "hospitals" segment. Compared with the prior year, the share of the "pharmacies" segment revenue in the total consolidated income decreased by 4.5%, whereas in the "hospitals" segment revenue increased by 2.8%

Total consolidated assets amount to HRK 1,939,909 thousand, an increase of 2.5% in comparison to prior year. In the current year, non-current assets account for a larger share than in the prior year by 2.8%, and the share of current assets increased by 2.4%. The higher share of non-current assets is mostly due to additions in the categories of property and equipment resulting from investments in a new business centre in Osijek (note 14). Consolidated current assets comprise 78.3% of total assets. Trade and other receivables are the largest and most significant amount of total assets and have increased by 5.8% in comparison to prior year. At the same time, the balance of inventories increased by 1.6 % versus prior year.

Total consolidated credit indebtedness amounts to HRK 364,274 thousand, of which HRK 344,821 thousand relates to short-term loans (loans and finance lease), while the remainder in the amount of HRK 19,453 thousand relates to long-term loans and finance lease (note 26).

The equity ratio is 23 %, which means that 23 % of the total non-consolidated assets are financed from own sources of funds.

Consolidated operating result is presented in the statement of comprehensive income on page 7 of the financial statements.

ANNUAL REPORT (CONTINUED)

Expected future development of the Group

The Company will continue with its core business: distribution of medicinal products and medical devices and will strongly develop operations with products that represent the core business of the firm.

Construction work on a new business center in Osijek started in 2013. At the beginning of 2015 the new business center was completed and started to operate. This investment provided appropriate and quality warehouse facilities with all the auxiliary premises in accordance with regulations and standards. By increasing storage capacity the preconditions for further development of business in Slavonia, and thus the development of the whole Medika were created.

The development strategy of Zdravstvena ustanova Prima Pharme is to expand the pharmacy network throughout the territory of the Republic of Croatia.

Treasury shares

Medika d.d. currently owns 1,035 treasury shares, which represents 3.43% of shares issued.

Subsidiaries and associates

Medika d.d. has subsidiaries Zdravstvena ustanova Ljekarne Prima Pharme, registered in Zagreb and Put stinica d.o.o., registered in Zagreb. Both subsidiaries are fully owned by Medika d.d.

Zdravstvena ustanova Ljekarne Prima Pharme has the following subsidiaries: Zdravstvena ustanova Ljekarne Delonga (Okrug Gornji), Zdravstvena ustanova Ljekarne Ines Škoko (Zagreb), Zdravstvena ustanova Ljekarne Atalić (Osijek) and Ljekarna Mirela Klunić (Pula). All the subsidiaries are wholly owned by ZU Ljekarne Prima Pharme.

During 2015, Ljekarna Mira Kožul was acquired and merged into ZU Ljekarne Prima Pharme.

Zdravstvena ustanova Ljekarne Jagatić (Zagreb) is 49% owned by ZU Ljekarne Prima Pharme.

Risks

The most significant market risk for Medika d.d. is the long collection period for receivables, especially HZZO (Croatian State Health Insurance) and HZZO related receivables. Therefore, a significant amount of working capital is not available, which strongly affects the cash flow of Medika d.d. and timely settlement of its liabilities. As the receivables represent, directly or indirectly, amounts owed by state institutions, their collection should not be regarded as probable of default risk. However, this represents additional funding requirements and with it additional operating expenses.

A continuing decrease in the price of prescription medicinal products on the HZZO list and the HZZO administrative approach in determining prices and margins of medicinal products represent a further risk. To lower this risk, Medika has focused on expanding the lines of products which are not limited by law in respect of the price of the product.

Currency risk represents a significant financial risk. Part of inventories is purchased on foreign markets, giving rise to the exchange rate risk, mainly in relation to the euro. Portions of loans from commercial banks are settled with foreign currency clause.

ANNUAL REPORT (CONTINUED)

Interest rate risk for the Group arises from its short-term and long-term borrowings. Borrowings at variable rates expose the Group to cash-flow interest rate risk. Borrowings at fixed rates expose the Group to the interest-rate fair value risk.

The group has a part of its assets generating revenues from interests and these revenues and cash flow from business activities are dependent on market interest rate fluctuations.

Credit risk arises mainly from trade receivables. Credit risk is higher when dealing with pharmacies, which have more potential going concern issues. Hospitals, with longer collection periods, do not have going concern issue and risks regarding the collection of receivables.

Corporate governance code

As an entity listed on the official market of the Zagreb Stock Exchange, Medika d.d. applies the corporate governance code of the CFSSA (Croatian Financial Services Supervisory Agency) and the Zagreb Stock Exchange. The corporate governance code is published on the web site of the Zagreb Stock Exchange.

The Company is not involved in any mutual shareholding with other companies, it has no securities with special rights or securities with restriction to vote. There are no instances of any financial rights arising from securities being separated from holding such securities.

Management and Supervisory Board

Management Board has one member: Mr. Jasminko Herceg, Director.

The members of the Supervisory Board of the Company are as follows: Mrs. Ružica Vadić, president, Mr. Damjan Možina, vice president, members: Mr. Nikica Gabrić, Mr. Mihael Furjan, Mr. Mate Perković, Mr. Oleg Uskoković and Mr. Ante Turković.

Zagreb, 15 March 2016

Jasminko Herceg
Director

Medika d.d.
ZAGREB, Capraška 1

**STATEMENT OF MANAGEMENT AND SUPERVISORY BOARD'S
RESPONSIBILITIES**

The Management Board is required to prepare the consolidated financial statements for each financial year which give a true and fair view of the financial position of the Group and of the results of its operations and cash flows, in accordance with applicable accounting standards, and is responsible for maintaining proper accounting records to enable the preparation of such financial statements at any time. The Management Board has the general responsibility for taking such steps which are reasonably available to it in order to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Management Board is responsible for selecting suitable accounting policies to conform with applicable accounting standards and then apply them consistently; make judgements and estimates that are reasonable and prudent; and prepare consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Management Board is responsible for the submission of its annual report together with the annual consolidated financial statements to the Supervisory Board, following which the Supervisory Board is required to approve the annual consolidated financial statements for submission to the General Assembly of Shareholders for adoption.

The financial statements set out on pages 7 to 57 were authorised by the Management Board on 15 March 2016 for issue to the Supervisory Board and are signed below to signify this.

Signed on behalf of the Management Board on 15 March 2016:


Jasminko Herceg
Director


Medika d.d.
ZAGREB, Capraška 1

Independent auditor's report to the shareholders of Medika d.d., Zagreb

We have audited the accompanying consolidated financial statements of Medika d.d., ("Group") which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

The company was registered at Zagreb Commercial Court: MBS 030022053; paid-in initial capital: Kn 44,900.00; Board Members: Branislav Vrtačnik, Eric Daniel Olcott, Marina Tonžetić, Juraj Moravek, Dražen Nimčević and John Jozef H. Ploem; Bank: Zagrebačka banka d.d., Trg bana Josipa Jelačića 10, 10 000 Zagreb, bank account no. 2360000-1101896313; SWIFT Code: ZABAHR2X IBAN: HR2723600001101896313; Privredna banka Zagreb d.d., Radnička cesta 50, 10 000 Zagreb, bank account no. 2340009-1110098294; SWIFT Code: PBZGHR2X IBAN: HR3823400091110098294; Raiffeisenbank Austria d.d., Petrinjska 59, 10 000 Zagreb, bank account no. 2484008-1100240905; SWIFT Code: RZBHHR2X IBAN: HR1024840081100240905.

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Independent auditor's report to the shareholders of Medika d.d. (continued)

Opinion

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

Other legal and regulatory requirements

The management is also responsible for the preparation of the Annual Report in accordance with the requirements of the Croatian Accounting Law.

Our responsibility is to issue an opinion on the consistency of the Annual Report with the financial statements based on our audit. Our procedures have been conducted in accordance with the International Standards on Auditing and limited solely to assessing of whether information disclosed in the Annual Report and presented in the financial statements is consistent, in all material respects, with the relevant financial statements. We have not audited any data or information other than the financial information obtained from the financial statements and accounting ledgers. We believe that the performed audit provides a reasonable basis for our audit opinion.

In our opinion, the financial information presented in the Annual Report is consistent, in all material respects, with the aforementioned financial statements as of 31 December 2015.


Deloitte d.o.o.
Branislav Vrtacnik

President of the Management Board and Certified Auditor


Marina Tonžetić

Member of the Management Board and Certified Auditor

Zagreb, 15 March 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are expressed in thousands of HRK)

	Note	2015	2014
Revenue	5, 6	2,483,125	2,285,866
Cost of trade goods sold	6	(2,241,827)	(2,039,783)
Staff costs	7	(108,107)	(108,629)
Marketing and promotion expenses	8	(9,769)	(9,382)
Depreciation and amortisation	14, 15	(12,099)	(12,030)
Other operating expenses	9	(63,795)	(50,458)
Other gains – net	10	6,488	2,095
Operating profit		54,016	67,679
Finance income	11	14,881	7,765
Finance expenses	11	(13,600)	(12,512)
Finance gains / (losses)		1,281	(4,747)
Share of profits in associates	16	896	759
Profit before tax		56,193	63,691
Income tax	12	(11,059)	(2,344)
Profit for the year		45,134	61,347
Other comprehensive income		-	-
Total comprehensive income		45,134	61,347
Earnings per share:			
- basic/diluted (in HRK and lipa)	13	1,549.08	2,112.57

The consolidated financial statements set out on pages 7 to 57 were approved by the Management Board of the Company in Zagreb on 15 March 2016.

Jasminko Herceg
Director

Medika d.d.
ZAGREB, Capraška 1

The accompanying notes on pages 12 to 57 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF 31 DECEMBER 2015

<i>(all amounts are expressed in thousands of HRK)</i>	Note	As at 31 December	
		2015	2014
ASSETS			
Non-current assets			
Property and equipment	14	191,254	169,412
Intangible assets	15	193,206	187,875
Investment in associates	16	21,120	39,442
Deferred tax asset	27	1,824	1,167
Trade and other receivables	18	12,690	10,772
		<u>420,094</u>	<u>408,668</u>
Current assets			
Inventories	19	266,292	262,172
Trade and other receivables	18	1,196,573	1,131,809
Income tax receivable		2,047	8,741
Cash and cash equivalents	20	54,903	81,101
		<u>1,519,815</u>	<u>1,483,823</u>
Total assets		<u>1,939,909</u>	<u>1,892,491</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	21	178,211	115,238
Reserve for reinvested profit	22	8,262	61,294
Reserves	23	67,278	67,278
Retained earnings	24	198,362	238,760
		<u>452,113</u>	<u>482,570</u>
Non-current liabilities			
Borrowings	26	19,453	20,098
Deferred tax liability	27	17,475	16,000
Provisions	28	1,217	891
		<u>38,145</u>	<u>36,989</u>
Current liabilities			
Trade and other payables	25	1,103,824	1,086,985
Borrowings	26	344,821	284,064
Provisions	28	1,006	1,883
		<u>1,449,651</u>	<u>1,372,932</u>
Total equity and liabilities		<u>1,939,909</u>	<u>1,892,491</u>

The accompanying notes on pages 12 to 57 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

<i>(all amounts are expressed in thousands of HRK)</i>	Note	Share capital	Reserve for reinvested profit	Reserves	Retained earnings	Total
As at 1 January 2014		74,476	40,762	67,278	238,707	421,223
Total comprehensive income						
Profit for the year		-	-	-	61,347	61,347
Other comprehensive income		-	-	-	-	-
Total comprehensive income		-	-	-	61,347	61,347
Transactions with owners recognized directly in equity						
Increase of share capital	21	40,762	(40,762)	-	-	-
Transfer	22	-	61,294	-	(61,294)	-
Transactions with owners recognized directly in equity		40,762	20,532	-	(61,294)	-
As at 31 December 2014		115,238	61,294	67,278	238,760	482,570
As at 1 January 2015		115,238	61,294	67,278	238,760	482,570
Total comprehensive income						
Profit for the year		-	-	-	45,134	45,134
Other comprehensive income		-	-	-	-	-
Total comprehensive income		-	-	-	45,134	45,134
Transactions with owners recognized directly in equity						
Increase of share capital	21	61,294	(61,294)	-	-	-
Release of treasury share	21	1,679	-	-	-	1,679
Dividend payout	24	-	-	-	(77,270)	(77,270)
Transfer	22	-	8,262	-	(8,262)	-
Transactions with owners recognized directly in equity		62,973	(53,032)	-	(85,532)	(75,591)
As at 31 December 2015		178,211	8,262	67,278	198,362	452,113

The accompanying notes on pages 12 to 57 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 DECEMBER 2015

<i>(all amounts expressed in thousands of HRK)</i>	Note	2015	2014
Profit for the year		45,134	61,347
Adjustments for:			
Income tax	12	11,059	2,344
Depreciation and amortisation	14, 15	12,099	12,030
Impairment of trade and other receivables, net	9, 18	548	(11,792)
Intangible assets impairment	9, 15	5,793	2,871
Inventory impairment	19	7,804	5,928
Unrealised foreign exchange differences		(831)	1,769
Change in provisions	28	(551)	(110)
Gains on on disposal of property and equipment	10	(380)	(79)
Impairment of property and equipment	9, 14	-	1,840
Buildings write-off	10, 14	-	805
Tangible and intangible assets expense	14, 15	118	235
Interest income	11	(14,881)	(7,765)
Interest expense	11	13,699	12,476
Share of (profit) from associates	16	(896)	(759)
Changes in:			
Increase in inventories		(10,744)	(28,239)
(Increase) / decrease in trade and other receivables		(22,580)	226,234
Increase / (decrease) in trade and other payables		7,784	(90,190)
Increase in dividend payable		11	-
Cash generated from operating activities		53,186	188,945
Interest paid		(13,799)	(12,100)
Income tax paid		(4,938)	(5,889)
Cash flows from operating activities		34,449	170,956
Cash flows from investing activities			
Purchase of property and equipment		(8,783)	(24,673)
Proceeds from sale of property and equipment		380	364
Purchase of intangible assets	15	(2,447)	(1,085)
Acquisition of subsidiary, net of cash acquired	31	(3,515)	(3,606)
Proceeds from the repayment of loans given		237,664	71,781
Loans given		(277,010)	(159,930)
Interest received		14,699	6,691
Cash paid for shares in subsidiaries	16	-	(205)
Share of profit from associates received	16	855	890
Effect of expense in associate company, less for cash allowance		(824)	-
Cash flows from investing activities		(38,981)	(109,773)

The accompanying notes on pages 12 to 57 form an integral part of these consolidated financial statements.

MEDIKA d.d., Zagreb**CONSOLIDATED STATEMENT OF CASH FLOW (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2015**

<i>(all amounts expressed in thousands of HRK)</i>	Note	2015	2014
Cash flows from financing activities			
Repayment of borrowings		(162,447)	(303,737)
Proceeds from borrowings		219,712	258,886
Repayment of finance lease		(3,340)	(1,825)
Release of treasury shares	21	1,679	-
Dividend payout	21	(77,270)	-
Cash flows from financing activities		(21,666)	(46,676)
Net (decrease) / increase in cash and cash equivalents		(26,198)	14,507
Cash and cash equivalents at beginning of year		81,101	66,594
Cash and cash equivalents at end of year	20	54,903	81,101

The accompanying notes on pages 12 to 57 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2015**

NOTE 1 – GENERAL INFORMATION

Medika d.d. (hereinafter: “the Company”) is a joint stock company incorporated in Croatia. The principal activity of the Company and its subsidiaries (together “the Group”) is the wholesale and retail distribution of pharmaceutical products. The Company headquarters is in Zagreb, Capraška 1.

The Group is comprised of the Company and the following subsidiaries and associates:

Subsidiaries:

	<u>2015</u>	<u>2014</u>
- Zdravstvena ustanova Ljekarne Prima Pharme, Zagreb	100%	100%
- Zdravstvena ustanova Ljekarne Delonga, Okrug Gornji (from May 2007)	100%	100%
- Zdravstvena ustanova Ljekarne Ines Škoko, Zagreb (from March 2011)	100%	100%
- Zdravstvena ustanova Ljekarne Atalić, Osijek (from June 2011)	100%	100%
- Ljekarna Mirela Klunić, Pula (from August 2015.)	100%	-
- Put stinica d.o.o., Zagreb (from October 2015.)	100%	-

Associates:

	<u>2015</u>	<u>2014</u>
- Zdravstvena ustanova Ljekarne Jagatić, Dubec (from November 2008)	49%	49%
- Litmus d.o.o., Zagreb (until October 2015)	-	41.53%

As at 31 December 2015, the Company’s shares were listed on the official market on the Zagreb Stock Exchange. The shareholder structure is shown in note 21.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

Consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Consolidated financial statements have been prepared under the historical cost convention, unless otherwise stated.

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

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations have been released and are not yet effective for the year ended 31 December 2015, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all 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. They are de-consolidated from the date that control ceases. The investments in subsidiaries are presented in these financial statements at the cost method less any impairment losses.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (note 2.6). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated, but considered if an impairment indicator of the asset transferred exists. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. In Group's financial statements, these investments are stated using historical cost less impairment losses, if any.

The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized 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 receivable which form an integral part of net investments, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Segment reporting

A business segment is an integral part of the business entity that engages in business activities from which revenues can be realized, by which costs are incurred and for which there are separate financial information. Its operating results are regularly reviewed and evaluated by chief operating decision maker of the business entity in order to decide on resources to be allocated to the segment.

2.4 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Croatian kuna (HRK), which is the Company's and all members of the Group functional and presentation currency, rounded to the nearest thousand.

(b) 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.

Non-monetary assets and items that are measured at foreign currency historical cost are not retranslated at new exchange rates.

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into functional currency at foreign exchange rates prevailing at the dates at which the values were determined.

2.5 Property and equipment

Property and equipment are included in the statement of financial position at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of property and equipment.

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 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 assets is calculated using the straight-line method to allocate their cost over their estimated useful lives. Depreciation is calculated for each asset until the asset is fully depreciated or to its residual values if significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property and equipment (continued)

The estimated useful lives are as follows:

Buildings	10 - 40 years
Equipment	2 - 20 years

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset was 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 expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.7).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Separately recognized goodwill is tested annually for impairment, or whenever there are indications of impairment, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash generating units, or groups of cash generating units, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

All gains and losses from fair value adjustments are recognized in profit or loss.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to that entity.

(b) Licences

Cost incurred by the Group in obtaining pharmacy operation licences, without which no pharmacy activities can be performed, are capitalised to the extent that future economic activities are probable. These licences are amortized over their estimated useful life of 5 to an infinite lifetime. Recoverable amount is estimated on an annual basis.

(c) Software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (5 to 10 years).

(d) Other rights

Other rights are shown at historical cost, they have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of other rights over their estimated useful lives (5 years).

2.7 Impairment of non-financial assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets

The Group classifies its financial assets as trade and other receivables, except investments in subsidiaries and associates (note 2.2). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

Trade and other receivables are measured at amortised cost using effective interest rate method.

The Group assesses at each reporting date whether there is indication for financial asset to be impaired. Impairment testing of trade and loan receivables is described in note 2.11.

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

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

2.9 Leases

The Group leases certain property and equipment. Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalized 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 or the lease term.

Leases where the significant portion of risks and rewards of ownership are not transferred to the Group 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost includes all costs attributable to the purchase of goods and is calculated based on the weighted average purchase price. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. At each reporting date, the Group examines if there are damaged and/or obsolete inventories and for all such inventories a provision is charged to cost of trade goods sold.

2.11 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 made when there is objective evidence that the Group will not be able to collect all due receivables according to the original terms of receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is calculated for each debtor individually as 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 'other operating expenses'.

Loans and receivables with maturities greater than 12 months after the reporting date are classified as non-current assets.

2.12 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.

2.13 Share capital

Ordinary shares are classified as equity.

When 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 cancelled, reissued or disposed of. When such shares are subsequently sold or 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial liabilities

Financial liabilities recognized by the Group are trade payables and borrowings.

(a) Trade payables

Trade accounts payable are measured initially at fair value and subsequently at amortised cost using the effective interest method.

(b) Borrowings

Borrowings are recognised initially at fair value, less transaction costs. Borrowings are subsequently stated at amortized cost. Any difference between proceeds (net of transaction costs) and the redemption value is recognized in the statement of profit or loss over the period of the borrowings on an effective interest basis.

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

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

2.15 Income tax

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided in full, 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 tax asset and liability are determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Employee benefits

(a) Pension obligations and post-employment benefits

In the normal course of business through salary deductions, the Group makes 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 does not have any other pension scheme and consequently, has no other obligations in respect of employee pensions. In addition, the Group is not obliged to provide any other post-employment benefits.

(b) Long-term employee benefits

The Group recognises a liability for long-term employee benefits (jubilee awards and retirement benefits for full-age retirement) evenly over the period the benefit is earned based on actual years of service. The long-term employee benefit liability is determined using assumptions regarding the likely number of staff to whom the benefit will be payable, estimated benefit cost and the discount rate. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

(c) Short-term employee benefits

The Group recognises a provision for bonuses, unused annual leave and other considerations where contractually obliged or where there is a past practice that has created a constructive obligation.

Short-term liabilities for termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Short-term employee benefits include termination benefits and jubilee awards (stated in paragraph (b) above), which will be paid within a period of 12 months after the reporting date.

2.17 Provisions

Provisions for costs are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

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

Provisions are measured at the present value of the expenditures that is 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 amount of provision increases in each period to reflect the passage of time. This increase is shown as interest expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 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 activities. Revenue is shown, net of value-added tax, estimated returns, rebates and discounts.

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

(a) Sale of goods

Income from the wholesale of goods is recognised when the Group has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured. Products are sold with volume discounts and customers have a right to return faulty products in the wholesale market. Sales are recorded based on the price specified in the sales contracts, net of estimated volume discounts and returns at the time of sale.

Income from the retail sales of goods is recognised when the Group sells a product to the customer. Retail sales are usually in cash or by credit card. The recorded revenue includes credit card fees payable for the transaction. Such fees are included in other operating expenses.

(b) Sale of services

Service revenue mainly relates to revenue from consignment commissions and is recognised when the goods are taken from the consignment warehouse and when a calculation of the consignment service provided is prepared for the owner of the goods.

(c) Interest income

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

2.19 Finance expenses

Finance expenses comprise interest expense on borrowings, impairment losses recognised on financial assets and foreign currency losses. All borrowing costs are recognised in profit or loss using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are included in the cost of that asset until such time the asset becomes substantially ready for its intended use or sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 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.

2.21 Value added tax

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

2.22 Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 3 – FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and equity securities risk) credit risk and liquidity risk. The pharmaceuticals wholesale industry in the Republic of Croatia is highly influenced by the state which plays its role by imposing strict legislation and the health system funding. As the dynamics of funding by the state is beyond control or prediction and given the inability to predict financial market trends, the overall risk management of the Group is focused on minimising or eliminating the potential adverse impact on the Group's financial position. Risk management within the Group is the responsibility of the Finance Division of the Company that, in cooperation with other divisions within the Company, identifies, assesses the risks and proposes risk protection measures.

(a) *Market risk*

(i) *Foreign exchange risk*

The Group's sales are predominantly realised on the domestic market in Croatian kuna (HRK). However, the Group's purchases part of goods on the foreign markets, which exposes it to the currency risk arising from changes in foreign exchange rates mostly against the euro, which may affect future operating results and cash flows. The Finance Division of the Company seeks to minimise the foreign exchange risk by reducing the balance of foreign-currency denominated financial liabilities. These mainly relates to borrowings that are almost entirely denominated in the Croatian kuna and foreign exchange risk exposure arising from borrowings is not significant. The Finance Division reduced, in cooperation with the Purchase Division, the foreign exchange risk arising from liabilities owed to foreign suppliers by agreeing the Croatian kuna as the payment currency. It is the tendency in the future to agree payments in Croatian kuna with as many existing foreign suppliers as possible so as to minimise the risk arising from transactions with foreign suppliers.

As at 31 December 2015 (note 18, 20, 25, 26), if the euro had weakened/strengthened against the HRK by 1.0% (2014: 0.74%), with all other variables held constant, the profit after tax for the reporting period would have been HRK 3,047 thousand higher/lower (2014: HRK 2,169 thousand), mainly as a result of foreign exchange gains/losses on translation of euro-denominated trade payables and borrowings.

(ii) *Cash flow and fair value interest rate risk*

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group does not use derivative instruments to actively hedge cash flow and fair value interest rate risk exposure. However, the Group continuously monitors changes in interest rates. Various scenarios are simulated taking into account refinancing, renewal of existing positions and alternative financing.

As at 31 December 2015, if the effective interest rate on borrowings (issued at variable rate) had been 0.10% higher/lower on an annual level (2014: 0.60%), the profit after tax for the reporting period would have been HRK 181 thousand lower/higher (2014: HRK 1,361 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 3 – FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk

Group's exposure to credit risk is influenced mainly by current assets which comprise cash, trade and other receivables. The Group has no significant concentration of credit risk. Group's sales policies ensure that sales of products are made to customers with an appropriate credit history. With respect to credit risk exposure, customers are grouped into three categories: pharmacies, hospitals and other customers. Pharmacies present higher credit risk since they have potential going concern issue. On the other hand, collection period for hospitals is longer, but there are no impairment indications, namely, there is no going concern issue. The majority of receivables are either financially dependent or owned by the State causing the Group, from perspective of credit risk exposure, also to be dependent on the State. Other customers are not significant because of dispersion on large number of customers, individually small balances. The Group insures part of the trade receivables by bills of exchange and promissory notes. Detailed credit risk analysis is shown under notes 17 and 18.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and ensuring availability of funding by entering into adequate credit lines as well as the ability to settle all liabilities. It is the objective of the Group to maintain flexibility in funding, by ensuring availability of the agreed credit lines. The Finance department regularly – monthly monitors available cash resources. The Commission in charge of monitoring the Group's liquidity prepares a payment plan on a monthly basis, and carries out payments on a daily basis, in accordance with the priority list received from managers who are in charge of the purchase of specific groups of products. The majority of debtors are either financially dependent or owned by the State so the Group is also dependent on the State on the liquidity risk side.

The insufficient level of funding from period to period is a direct consequence of the dynamics of payments received from the State in settling the State's liabilities concerning the health system. Where the payment periods are extended by the State, the Company agrees extended payment deadlines with its suppliers. Any shortfall is covered using lines of credit available at commercial banks. At 31 December 2015 the Company had available cash and cash equivalents in the amount of HRK 49,088 thousand and another HRK 106,100 thousand of free credit lines available at demand for liquidity risk management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 3 – FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

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

<i>(in thousands of HRK)</i>	Less than 1 month	More than 2 months and less than 1 year	Between 1-3 years	Over 3 years	Total
31 December 2015					
Trade and other payables	302,613	982,022	-	-	1,284,635
Borrowings	31,642	316,299	20,083	356	368,380

<i>(in thousands of HRK)</i>	Less than 1 month	More than 2 months and less than 1 year	Between 1-3 years	Over 3 years	Total
31 December 2014					
Trade and other payables	212,827	890,997	-	-	1,103,824
Borrowings	4,586	283,662	20,302	1,190	309,740

During 2016 the Group will settle trade and other liabilities according to the collection of receivables which depends on liquidity of the whole healthcare system.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 3 – FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management

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

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

The Group monitors capital on the basis of the self-financing ratio in financial statements. This ratio is calculated as the proportion of total equity and total assets.

The equity to assets ratio is as follows:

	<u>2015</u>	<u>2014</u>
	<i>(in thousands of HRK)</i>	
Total equity (capital and reserves)	452,113	482,570
Total assets	<u>1,939,909</u>	<u>1,892,491</u>
Equity to assets ratio	<u>23%</u>	<u>25%</u>

In 2015, the ratio has decreased in comparison to 2014 showing that 23% of the Group's total assets are financed from own resources. In accordance with the stated, 77% of assets is financed from other resources (2014: 75%).

3.3 Fair value measurement

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES

Estimates are continually evaluated and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes 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.

Assumptions to determine amount of provisions of trade receivables

Due to the significance of the amount of trade receivables recorded in the statement of financial position, Management estimates the likelihood of the collection of trade receivables based on an analysis of individual categories of such assets. Factors taken into consideration by Management include: ageing analysis of trade receivables and the financial position of customers compared to the collection history with the customer. The estimated recoverable amount of trade receivables represents the present value of estimated future cash flows, discounted at the annual effective interest rate of 3.80% (2014: 3.98 %). Should actual collections be less than Management estimates, the Group would be required to record additional impairment expense.

As at 31 December 2015 if the assessment of the amount of uncollectible receivables had been 1% lower/higher, with all other variables held constant, profit after tax for the reporting period would have been HRK 438 thousand higher/lower than the one recorded (2014: HRK 130 thousand). The effect in the hospital segment would be HRK 258 thousand (2014: HRK 70 thousand), in the pharmacy segment HRK 70 thousand (2014: HRK 30 thousand) and in the segment 'other' HRK 110 thousand (2014: HRK 31 thousand).

Useful life of property and equipment

Determining the useful life of assets is based upon the historical experience in comparison with similar assets, taking into consideration predictable changes in economic environment and factors related to the industry in which the Group operates. Adequacy of predicted useful life is evaluated once per year, or whenever there is an indication of significant changes in the assumptions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 5 - REVENUE

	<u>2015</u>	<u>2014</u>
	<i>(in thousands of HRK)</i>	
Revenue from sales	2,439,113	2,244,046
Revenue from sales and other revenue – related parties (note 34)	29,040	28,756
Other revenue	<u>14,972</u>	<u>13,064</u>
	<u>2,483,125</u>	<u>2,285,866</u>

NOTE 6 – BUSINESS SEGMENT INFORMATION

Segment information follows the structure used by the Company and the Group for internal reporting purposes, which has remained unchanged in comparison with the previous year.

The Group monitors revenues and gross profit through two main distribution channels: wholesale and retail.

The wholesale distribution channel consists of:

1. Pharmacies, which are for the purpose of reporting, divided into following categories:
 - county pharmacies
 - private pharmacies

2. Hospitals, which are by the Regulation on conditions for the classification of hospitals (passed as a part of health system reform started in 2011), divided into the following categories:
 - national hospitals
 - county hospitals with regional significance
 - county hospitals
 - local hospitals

3. Other customers divided into:
 - dental practices
 - veterinary clinics
 - medical centres
 - pharmacy wholesalers
 - other customers (herbal pharmacies, companies, optics, etc.)

Retail distribution channel consists of self-owned pharmacies (subsidiary ZU Prima Pharme and its subsidiaries).

The Group uses margin calculated as sales revenue minus cost of goods sold as a measure of success of a particular segment.

Transactions between segments do not exist. The Company and the Group apply the same accounting policies in all segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 6 – BUSINESS SEGMENT INFORMATION (CONTINUED)

The results of the stated segments for the year ended 31 December 2015 are as follows:

<i>(in thousands of HRK)</i>	Wholesale			Retail	Total
	Pharmacies	Hospitals	Other	Self-owned pharmacies	
Revenue from sales	983,521	656,372	471,292	327,928	2,439,113
Other revenue	99	3	10,483	4,387	14,972
Revenue from sales and other revenue from related parties (note 34)	28,656	-	384	-	29,040
Total revenues	1,012,276	656,375	482,159	332,315	2,483,125
Cost of trade goods sold	(916,327)	(638,422)	(433,000)	(254,078)	(2,241,827)
Segment results	95,949	17,953	49,159	78,237	241,298
Operating expenses					(187,282)
Operating profit					54,016
Finance income					14,881
Finance costs					(13,600)
Finance gains - net					1,281
Share of profits in associates					896
Profit before tax					56,193
Income tax					(11,059)
Profit for the year					45,134

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 6 – BUSINESS SEGMENT INFORMATION (CONTINUED)

The results of the stated segments for the year ended 31 December 2014 are as follows:

<i>(in thousands of HRK)</i>	Wholesale			Retail	Total
	Pharmacies	Hospitals	Other	Self-owned pharmacies	
Revenue from sales	985,535	539,699	396,022	322,790	2,244,046
Other revenue	30	13	9,977	3,044	13,064
Revenue from sales and other revenue from related parties (note 34)	28,415	-	341	-	28,756
Total revenues	1,013,980	539,712	406,340	325,834	2,285,866
Cost of trade goods sold	(910,757)	(515,479)	(365,215)	(248,332)	(2,039,783)
Segment results	103,223	24,233	41,125	77,502	246,083
Operating expenses					(178,404)
Operating profit					67,679
Finance income					7,765
Finance costs					(12,512)
Finance losses - net					(4,747)
Share of profits in associates					759
Profit before tax					63,691
Income tax					(2,344)
Profit for the year					61,347

The segment trade receivables at 31 December 2015 are as follows:

<i>(in thousands of HRK)</i>	Wholesale			Retail	Total
	Pharmacies	Hospitals	Other	Self-owned pharmacies	
Trade receivables (note 18 /ii/)	300,952	526,918	101,639	68,681	998,190

The segment trade receivables at 31 December 2014 are as follows:

<i>(in thousands of HRK)</i>	Wholesale			Retail	Total
	Pharmacies	Hospitals	Other	Self-owned pharmacies	
Trade receivables (note 18 /ii/)	363,345	426,364	94,691	89,248	973,648

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 7 – STAFF COSTS

	<u>2015</u>	<u>2014</u>
	<i>(in thousands of HRK)</i>	
Net salaries	58,491	55,971
Contributions from and on salaries /i/	30,824	30,341
Tax and surtax	9,117	10,530
Other employee benefits /ii/	4,896	4,009
Management bonuses	2,517	5,226
Employee transportation costs	1,962	1,861
Termination benefits	300	691
	<u>108,107</u>	<u>108,629</u>

As at 31 December 2015, the Group had 800 employees (2014: 759 employees).

/i/ In 2015, pension contributions recorded by the Group for payment to mandatory pension funds amounted to HRK 16,743 thousand (2014: HRK 16,440 thousand).

/ii/ Other employee benefits relate to accruals for unused annual leave, business trip expenses, aids, awards etc.

NOTE 8 – MARKETING AND PROMOTION EXPENSES

	<u>2015</u>	<u>2014</u>
	<i>(in thousands of HRK)</i>	
Donations	4,966	4,795
Representation expenses	2,671	2,618
Marketing	2,132	1,969
	<u>9,769</u>	<u>9,382</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 9 – OTHER OPERATING EXPENSES

	<u>2015</u>	<u>2014</u>
	<i>(in thousands of HRK)</i>	
Materials and energy consumed	13,390	13,280
Rental expenses	12,483	12,762
Maintenance of assets, security services and insurance	11,613	11,715
Professional training and consultancy services	6,649	6,141
Impairment of intangible assets (note 15)	5,793	2,871
Taxes and contributions (not income tax based)	3,764	3,800
Bank charges and payment transaction costs	2,486	2,917
Telephone, postal and utility services	2,144	2,395
Impairment of trade and other receivables, net (note 18)	548	(11,792)
Impairment of property and equipment (note 14)	-	1,840
Other expenses	4,925	4,529
	<u>63,795</u>	<u>50,458</u>

NOTE 10 – OTHER GAINS / (LOSSES) – NET

	<u>2015</u>	<u>2014</u>
	<i>(in thousands of HRK)</i>	
Net foreign exchange gains / (losses) – trade payables and other liabilities	5,562	(62)
Gains of expenses of associate company (note 32)	886	-
Gains on sale of property and equipment (net)	380	79
Buildings write-off (note 14)	-	(805)
Net foreign exchange losses – trade and other receivables	(100)	(222)
Net foreign exchange (losses) / gains – cash and cash equivalents	(240)	3,105
	<u>6,488</u>	<u>2,095</u>

NOTE 11 – FINANCE GAINS / (LOSSES) – NET

	<u>2015</u>	<u>2014</u>
	<i>(in thousands of HRK)</i>	
Finance income		
Interest income	14,878	7,692
Interest income – related parties (note 34)	3	73
	<u>14,881</u>	<u>7,765</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 11 – FINANCE GAINS / (COSTS) – NET (CONTINUED)

	<u>2015</u>	<u>2014</u>
Finance expenses		
	<i>(in thousands of HRK)</i>	
Interest expense:		
Bank loans and finance lease	<u>(13,699)</u>	<u>(12,476)</u>
	(13,699)	(12,476)
Foreign exchange gains / (losses) – net		
Positive foreign exchange differences	158	54
Negative foreign exchange differences	<u>(59)</u>	<u>(90)</u>
	99	(36)
	<u>(13,600)</u>	<u>(12,512)</u>

NOTE 12 – INCOME TAX

	<u>2015</u>	<u>2014</u>
	<i>(in thousands of HRK)</i>	
Current tax	11,716	2,523
Deferred tax (note 27)	<u>(657)</u>	<u>(179)</u>
	11,059	2,344

Reconciliation of Group's tax expense as per income statement and legal tax rate is shown below:

	<u>2015</u>	<u>2014</u>
	<i>(in thousands of HRK)</i>	
Profit before taxation	45,134	63,691
Income tax (20%)	11,670	13,006
Non-taxable income and tax incentives	(1,176)	66
Expenses not deductible	1,942	1,563
Tax incentive for reinvested profit (note 22)	(1,652)	(12,259)
Tax losses utilised	-	(32)
Losses for which deferred tax asset is not recognised	703	-
Temporary tax differences for which deferred tax is not recognised	<u>(428)</u>	<u>-</u>
Income tax	11,059	2,344
Effective tax rate	<u>24.50%</u>	<u>3.68%</u>

In accordance with local regulations, the Tax Authority may at any time inspect the Group's books and records within 3 years following the end of the year in which the tax liability is reported and may impose additional tax assessments and penalties. Tax Authority conducted a tax inspection in one member of the Group over the operations in 2011, and issued Resolution determining an additional tax liability. Member of the Group filed a complaint against the decision and the subject is at the appeal with the higher body of the Tax Authority. For a determined amount of tax payable the Group made the provision (note 28).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 13 – EARNINGS PER SHARE

Earnings per share are determined, by dividing the Group's net profit by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares redeemed and held by the Company as treasury shares. The weighted average number of shares was 29,136, as the Company had transactions involving its treasury shares during 2015.

	<u>2015</u>	<u>2014</u>
Net profit attributable to shareholders <i>(in thousands of HRK)</i>	45,134	61,347
Weighted average number of ordinary shares excluding treasury shares	29,136	29,039
Basic / diluted earnings per share <i>(in HRK and lipa)</i>	<u>1,549,08</u>	<u>2,112,57</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 14 – PROPERTY AND EQUIPMENT

(all amounts are expressed in thousands of HRK)

	Land	Buildings	Equipment	Assets under construction and prepayments	Total
At 31 December 2013					
Cost	15,995	156,619	94,482	15,360	282,456
Accumulated depreciation	-	(48,352)	(78,678)	-	(127,030)
Carrying amount	15,995	108,267	15,804	15,360	155,426
For year ended 31 December 2014					
Opening carrying amount	15,995	108,267	15,804	15,360	155,426
Additions	-	-	1,073	24,883	25,956
Acquisition of subsidiary (note 31)	-	-	3	-	3
Transfer from intangible assets	-	-	3	-	3
Transfer from assets under construction	-	380	3,807	(4,187)	-
Disposals	-	-	(285)	-	(285)
Impairment (note 9)	-	-	-	(1,840)	(1,840)
Write-off (note 10)	-	-	-	(805)	(805)
Depreciation	-	(3,901)	(5,145)	-	(9,046)
Closing carrying amount	15,995	104,746	15,260	33,411	169,412
At 31 December 2014					
Cost	15,995	156,998	98,739	35,251	306,983
Accumulated depreciation	-	(52,252)	(83,479)	(1,840)	(137,571)
Carrying amount	15,995	104,746	15,260	33,411	169,412
For year ended 31 December 2015					
Opening carrying amount	15,995	104,746	15,260	33,411	169,412
Additions	-	-	931	14,242	15,173
Acquisition of subsidiary (note 31)	-	-	29	-	29
Foundation of associate company	6,994	9,598	10	-	16,602
Transfer from assets under construction	2,238	26,756	16,456	(45,450)	-
Disposals	-	-	(117)	-	(117)
Depreciation	-	(4,428)	(5,417)	-	(9,845)
Closing carrying amount	25,227	136,672	27,152	2,203	191,254
At 31 December 2015					
Cost	25,227	195,230	112,861	4,205	337,523
Accumulated depreciation	-	(58,558)	(85,709)	(2,002)	(146,269)
Carrying amount	25,227	136,672	27,152	2,203	191,254

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 14 – PROPERTY AND EQUIPMENT (CONTINUED)

Loans and finance lease liabilities (note 26) have been secured by pledges over property, plant and equipment with a carrying value of HRK 140,334 thousand as at 31 December 2015 (2014: HRK 120,782 thousand).

In 2015, the Group capitalised the costs of borrowings in the amount of HRK 342 thousand (2014: HRK 506 thousand) raised for investing in a new business centre.

Fork lift, delivery and personal vehicles under finance lease are as follows:

	<u>2015</u>	<u>2014</u>
	<i>(in thousands of HRK)</i>	
Cost – capitalised finance lease	10,896	7,235
Accumulated depreciation	<u>(3,442)</u>	<u>(4,211)</u>
Carrying amount	<u>7,454</u>	<u>3,024</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 15 – INTANGIBLE ASSETS

<i>(all amounts are expressed in thousands of HRK)</i>	Goodwill	Licences, software and other rights	Asset under construction	Total
At 31 December 2013				
Cost	71,933	161,918	1,838	235,689
Accumulated amortisation and impairment	-	(46,971)	-	(46,971)
Carrying amount	71,933	114,947	1,838	188,718
For the year ended 31 December 2014				
Opening carrying amount	71,933	114,947	1,838	188,718
Acquisition of subsidiary (note 31)	3,114	1,051	-	4,165
Additions	50	725	310	1,085
Transfer from assets under construction	-	91	(91)	-
Transfer to property and equipment	-	(3)	-	(3)
Impairment (note 9)	(2,871)	-	-	(2,871)
Disposals	-	(85)	(150)	(235)
Amortisation	-	(2,984)	-	(2,984)
Closing carrying amount	72,226	113,742	1,907	187,875
At 31 December 2014				
Cost	75,097	162,693	1,907	239,697
Accumulated amortisation and impairment	(2,871)	(48,951)	-	(51,822)
Carrying amount	72,226	113,742	1,907	187,875
For the year ended 31 December 2015				
Opening carrying amount	72,226	113,742	1,907	187,875
Acquisition of subsidiary (note 31)	988	7,373	-	8,361
Foundation of new company	-	2,571	-	2,571
Additions	-	709	1,738	2,447
Transfer from assets under construction	-	1,766	(1,766)	-
Impairment (note 9)	(3,694)	(2,099)	-	(5,793)
Disposal	-	(1)	-	(1)
Amortisation	-	(2,254)	-	(2,254)
Closing carrying amount	69,520	121,807	1,879	193,206
At 31 December 2015				
Cost	76,085	176,665	1,879	254,629
Accumulated amortisation and impairment	(6,565)	(54,858)	-	(61,423)
Carrying amount	69,520	121,807	1,879	193,206

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 15 – INTANGIBLE ASSETS (CONTINUED)

Licences

Licences for performing pharmaceutical services with indefinite useful life at the reporting date amount to HRK 113,562 thousand (2014: HRK 108,289 thousand). Without licences for performing pharmaceutical services it is not possible to perform pharmaceutical business itself.

Impairment test of goodwill and licences with indefinite useful life

The Group calculated recoverable amount using value-in-use method. Value-in-use cash flow projections were based on 5 year business plan approved by Management. Discount rates of 8.83%, growth rate of 1.0%-6.5% and income tax rate of 20% were applied when discounting projected cash flow. Recoverable amount exceeds carrying amount. In 2015 based on performed test, impairment loss on license was recognized in amount of HRK 2,099 thousand (2014: there was no impairment)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 16 – INVESTMENTS IN ASSOCIATES

The Group holds 49% share in the associate Zdravstvena ustanova Ljekarne Jagatić, which was acquired in 2008.

	<u>2015</u>	<u>2014</u>
	<i>(in thousands of HRK)</i>	
As at 1 January	39,442	39,368
Investment in Litmus d.o.o.	-	205
Payment of shares	(855)	(890)
Disposal of associate Litmus d.o.o.	(18,363)	-
Share of profits	896	759
As at 31 December	<u>21,120</u>	<u>39,442</u>

Information on associate company for the year end 31 December can be summarised as follows:

<i>(in thousands of HRK)</i>	<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Gain / (loss) – net</u>
As at 31 December 2015				
ZU Ljekarne Jagatić	23,870	14,695	46,605	2,354
Total	<u>23,870</u>	<u>14,695</u>	<u>46,605</u>	<u>2,354</u>
<i>(in thousands of HRK)</i>	<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Gain / (loss) – net</u>
As at 31 December 2014				
ZU Ljekarne Jagatić	26,869	18,306	45,004	2,177
Litmus d.o.o.	44,918	75	1,620	(741)
Total	<u>71,787</u>	<u>18,381</u>	<u>46,624</u>	<u>1,436</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 17 – FINANCIAL INSTRUMENTS BY CATEGORY

	<u>2015</u>	<u>2014</u>
	<i>(in thousands of HRK)</i>	
Financial assets - category: Loans given and receivables		
Loans given and receivables (note 18/v/)	1,201,135	1,133,344
Cash and cash equivalents (note 20)	54,903	81,101
	<u>1,256,038</u>	<u>1,214,445</u>
	<u>2015</u>	<u>2014</u>
	<i>(in thousands of HRK)</i>	
Financial liabilities - category: Other liabilities		
Trade payables (note 25 /i/)	1,076,624	1,062,852
Other liabilities (note 25 /ii/)	27,200	24,133
Total debt (note 26)	364,274	304,162
	<u>1,468,098</u>	<u>1,391,147</u>

The quality of financial receivables not yet due and not impaired can be assessed based on the historical data about the customers.

The quality of receivables not yet due and not impaired is considered from the aspect of the different credit risk exposures of the debtors:

	<u>2015</u>	<u>2014</u>
	<i>(in thousands of HRK)</i>	
Pharmacies	242,854	254,663
Hospitals	137,782	114,102
HZZO	36,422	46,758
Other	70,216	61,255
At 31 December	<u>487,274</u>	<u>476,778</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 18 – TRADE AND OTHER RECEIVABLES

	<u>2015</u>	<u>2014</u>
	<i>(in thousands of HRK)</i>	
Non-current receivables:		
Loans given /i/	10,818	8,288
Trade receivables /ii/	1,197	1,530
Long-term deposits	675	954
	<u>12,690</u>	<u>10,772</u>
Current receivables:		
Trade receivables /ii/	996,993	972,118
Other current receivables /iii/	6,853	8,283
Loans given/iv/	183,088	147,020
Loans given-current portion of non-current receivables /i/	9,639	4,388
	<u>1,196,573</u>	<u>1,131,809</u>
	<u>1,209,263</u>	<u>1,142,581</u>

/i/ Loans given recorded in the statement of financial position as at 31 December are as follows:

	<u>Effective interest rate</u>	<u>2015</u>	<u>2014</u>
		<i>(in thousands of HRK)</i>	
Loans given to pharmacies	4.0%-8.0%	10,800	2,969
Loans given - other	4.0%-8.0%	9,657	9,707
Total non-current receivables, including current portion		20,457	12,676
Current portion of non-current receivables		(9,639)	(4,388)
Total non-current receivables		<u>10,818</u>	<u>8,288</u>

The fair value of long-term loans approximates the carrying amounts since the stated interest rates reflect market rates.

The maturity of long-term loans is as follows:

	<u>2015</u>	<u>2014</u>
	<i>(in thousands of HRK)</i>	
Between 1 and 2 years	6,053	3,930
Between 2 and 5 years	4,765	4,358
	<u>10,818</u>	<u>8,288</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 18 – TRADE AND OTHER RECEIVABLES (CONTINUED)

/ii/ Trade receivables recorded in the statement of financial position as at 31 December are as follows:

	<u>2015</u>	<u>2014</u>
	<i>(in thousands of HRK)</i>	
Domestic trade receivables	996,520	969,471
Trade receivables – related parties (note 35)	13,348	15,443
Foreign trade receivables	1,672	2,820
	<u>1,011,540</u>	<u>987,734</u>
Impairment of trade receivables	(13,350)	(14,086)
	<u>998,190</u>	<u>973,648</u>

The ageing structure of receivables is as follows:

	<u>2015</u>	<u>2014</u>
	<i>(in thousands of HRK)</i>	
Undue	487,299	479,045
0-180 days	382,084	416,455
181-360 days	104,818	63,012
Over 360 days	37,339	29,222
	<u>1,011,540</u>	<u>987,734</u>

Movements of impairment of trade receivables are as follows:

	<u>2015</u>	<u>2014</u>
	<i>(in thousands of HRK)</i>	
As at 1 January	14,086	36,553
Increase / (decrease) (note 9)	608	(11,713)
Write off	(1,344)	(10,754)
As at 31 December	<u>13,350</u>	<u>14,086</u>

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

	<u>2015</u>	<u>2014</u>
	<i>(in thousands of HRK)</i>	
HRK	1,198,083	1,131,348
EUR	11,006	11,003
DKK	174	230
	<u>1,209,263</u>	<u>1,142,581</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 18 – TRADE AND OTHER RECEIVABLES (CONTINUED)

/iii/ Other receivables recorded in the statement of financial position as at 31 December are as follows:

	<u>2015</u>	<u>2014</u>
	<i>(in thousands of HRK)</i>	
VAT receivable	3,030	4,810
Prepaid expenses	2,778	2,397
Other	1,045	1,076
	<u>6,853</u>	<u>8,283</u>

/iv/ Loans given recorded in the statement of financial position as at 31 December are as follows:

	<u>Effective interest rate</u>	<u>2015</u>	<u>2014</u>
		<i>(in thousands of HRK)</i>	
Loans given – other	4.0%-8.0%	184,377	148,452
		184,377	148,452
Impairment		(1,289)	(1,432)
		<u>183,088</u>	<u>147,020</u>

Movements in the impairment of given loans:

	<u>2015</u>	<u>2014</u>
	<i>(in thousands of HRK)</i>	
As at 1 January	1,432	1,511
Decrease(note 9)	(60)	(79)
Write off	(83)	-
As at 31 December	<u>1,289</u>	<u>1,432</u>

/v/ Financial assets by category include the following:

	<u>2015</u>	<u>2014</u>
	<i>(in thousands of HRK)</i>	
Cash loans given	198,761	155,945
Commodity loans given	4,784	3,751
Trade receivables	998,190	973,648
	<u>1,201,735</u>	<u>1,133,344</u>

From the total amount of cash loans given HRK 181,050 thousand (2014: HRK 146,061 thousand) relates to loan given to one business partner.

Commodity loans given relate to trade receivables due that have been reprogrammed and the payment has been agreed in future periods. The loans are not intended to generate financial benefit, but rather to collect current receivables from customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 19 – INVENTORIES

	<u>2015</u>	<u>2014</u>
	<i>(in thousands of HRK)</i>	
Trade goods	246,491	229,484
Trade goods – related parties (note 34)	14,987	27,425
Advances given	4,254	4,726
Material and office supplies	560	537
	<u>266,292</u>	<u>262,172</u>

In 2015 the Group reviewed its inventories to identify any damaged or obsolete inventories and recognized an allowance in the amount of HRK 7,804 thousand (2014: HRK 5,928 thousand), which is reported in the cost of goods sold.

Inventories of HRK 100 million are pledged as security for payment of the loan (note 26).

NOTE 20 – CASH AND CASH EQUIVALENTS

	<u>2015</u>	<u>2014</u>
	<i>(in thousands of HRK)</i>	
Current account in HRK	54,509	50,886
Foreign currency account	370	190
Cash in hand	24	25
Investment in cash fund (note 34)	-	30,000
	<u>54,903</u>	<u>81,101</u>

Cash on HRK and foreign currency accounts are held with business banks in Croatia.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 21 – SHARE CAPITAL

As at 31 December 2015, the Company's share capital amounted to HRK 196,261,000 (2014: HRK 134,967,180) distributed among 30,194 shares (2014: 30,194 shares). The nominal value per share is HRK 6,500 (2014: HRK 4,470). All issued shares are fully paid.

	Number of shares	Share capital	Treasury shares	Capital profit / (loss)	Total
	<i>(in number of shares)</i>		<i>(in thousands of HRK)</i>		
As at 1 January 2014	30,194	94,205	(10,486)	(9,243)	74,476
Increase of share capital /i/	-	40,762	-	-	40,762
As at 31 December 2014	30,194	134,967	(10,486)	(9,243)	115,238
As at 1 January 2015	30,194	134,967	(10,486)	(9,243)	115,238
Release of treasury shares \ii\	-	-	1,089	590	1,679
Increase of share capital \ii\	-	61,294	-	-	61,294
As at 31 December 2015	30,194	196,261	(9,397)	(8,653)	178,211

\i\ The share capital was increased based on the decision of the General Assembly held on 22 May 2014. The Commercial Court in Zagreb issued a decision on the registration of the increase of share capital on 20 June 2014. The share capital was increased from reserve for reinvested profit in the amount of HRK 40,762 thousand. The distribution of this amount in future periods may result in tax obligations given it is based on a tax incentive as discussed in the note 22.

\ii\ During 2015, the Company granted 120 of its treasury shares to key management.

\iii\ The share capital was increased based on the decision of the General Assembly held on 30 June 2015. The Commercial Court in Zagreb issued a decision on the registration of the increase of share capital on 23 October 2015. The share capital was increased from reserve for reinvested profit in the amount of HRK 61,294 thousand. The distribution of this amount in future periods may result in tax obligations given it is based on a tax incentive as discussed in the note 22.

The ownership structure of the Company as at 31 December is as follows:

	2015		2014	
	Number of shares	%	Number of shares	%
Mavota d.o.o.	14,306	47.38%	14,306	47.38%
Pliva Hrvatska d.o.o.	7,646	25.32%	7,646	25.32%
Krka d.d. Novo Mesto	3,614	11.97%	3,614	11.97%
Individuals	2,231	7.39%	2,211	7.32%
Treasury shares	1,035	3.43%	1,155	3.83%
Other legal entities	1,362	4.51%	1,262	4.18%
Total	30,194	100%	30,194	100%

As at 31 December 2015 Mavota d.o.o. owned 14,306 shares, which represents 49.06% (2014: 49.26%) of shares with voting rights taking into account non-voting treasury shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 22 – RESERVE FOR REINVESTED PROFIT

During 2015 the Company realised profit before tax of HRK 55,633 thousand (2014: HRK 63,172 thousand). The Management of the Company adopted a decision to reinvest profits in the amount of HRK 8,262 thousand (2014: HRK 61,294 thousand), which will be registered during 2016 as an increase of the Company's share capital. Increase of share capital will be carried out by increasing the nominal value of the shares, which means that existing shareholder rights will not change, and will belong to the shareholders in proportion to their previous participation in the share capital.

In accordance with the applicable tax regulations, the Company recognised the amount of reinvested profit amount (for which investing in non-current and current assets has been done) as a tax incentive resulting in a decrease in current tax expense in the amount of HRK 1,652 thousand (2014: HRK 12,259 thousand).

It should be noted that the decision to reinvest profits and consequent increase of share capital is subject to final approval by the General Assembly.

Pursuant to the above, HRK 8,262 thousand (2014: HRK 61,294 thousand) relates to the amount of profit that will be reinvested and registered as an increase in the Company's share capital and as such is not considered distributable to the shareholders and is disclosed as a 'reserve for reinvested profit'. If the share capital increase is not registered by 31 October 2016, which is period of six months from the expiry of the deadline for filing income tax returns defined by tax authorities, in which the Company must submit proof of the implementation of the share capital increase in the amount of reinvested profit, the tax incentive will be reversed, resulting in a tax expense of HRK 1,652 thousand (2014: HRK 12,259 thousand), plus interests.

NOTE 23 – RESERVES

<i>(in thousands of HRK)</i>	Legal reserves	Reserves for treasury shares	Total
As at 31 December 2013	7,278	60,000	67,278
Changes during the year	6,676	(6,676)	-
As at 31 December 2014	13,954	53,324	67,278
Changes during the year	2,038	(2,038)	-
As at 31 December 2015	15,992	51,286	67,278

Legal reserves amount to HRK 15,992 thousand (2014: HRK 13,954 thousand) and were increased from the reserves of own shares based on a decision adopted at the General Assembly held on 30 June 2015.

The legal reserve is required under Croatian law according to which the Company, as a Group member, is committed to build up legal reserves to a minimum of 5% of the profit for the year until the legal together with share premium reserve reaches 5% of the share capital. Legal reserves are not distributable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 24 – RETAINED EARNINGS

Other reserves in the amount of HRK 31,796 thousand (2014: HRK 31,796 thousand) form part of retained earnings.

Other reserves in the amount of HRK 31,796 thousand comprise reserves arisen as a result of hyperinflation during the 1990s, which resulted in a high increase of prices.

The General Assembly at the meeting held at 30 June 2015 made a decision about dividend distribution from retained earnings realized until year 2000 in the amount of HRK 77,270 thousand. Until 31 December 2015 there has been payments made in amount of HRK 77,260 thousand.

Dividend per share was HRK 2,650 thousand.

NOTE 25 – TRADE AND OTHER PAYABLES

	<u>2015</u>	<u>2014</u>
	<i>(in thousands of HRK)</i>	
Trade payables /i/	1,076,624	1,062,852
Other payables /ii/	<u>27,200</u>	<u>24,133</u>
	<u>1,103,824</u>	<u>1,086,985</u>

/i/ Trade payables recorded as at 31 December are as follows:

	<u>2015</u>	<u>2014</u>
	<i>(in thousands of HRK)</i>	
Trade payables – foreign	546,956	535,690
Trade payables – domestic	414,883	405,874
Due to related parties (note 34)	<u>114,785</u>	<u>121,288</u>
	<u>1,076,624</u>	<u>1,062,852</u>

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	<u>2015</u>	<u>2014</u>
	<i>(in thousands of HRK)</i>	
HRK	680,672	708,999
EUR	381,575	337,394
DKK	14,185	12,440
Other currencies	<u>192</u>	<u>4,019</u>
	<u>1,076,624</u>	<u>1,062,852</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 25 – TRADE AND OTHER PAYABLES (CONTINUED)

/ii/ Other payables recorded as at 31 December are as follows:

	<u>2015</u>	<u>2014</u>
	<i>(in thousands of HRK)</i>	
Liabilities for VAT	9,280	7,310
Salaries to employees	8,922	8,471
Liabilities for the purchase of new subsidiaries (note 31)	2,262	-
Unused annual leave	2,116	2,102
Other taxes and contributions	39	32
Dividend payable	12	1
Other	4,569	6,217
	<u>27,200</u>	<u>24,133</u>

NOTE 26 – BORROWINGS

	<u>2015</u>	<u>2014</u>
	<i>(in thousands of HRK)</i>	
Long-term borrowings:		
Loans/i/	13,894	17,977
Finance lease /iii/	5,559	2,121
	<u>19,453</u>	<u>20,098</u>
Short-term borrowings:		
Loans/ii/	342,339	282,728
Finance lease /iii/	2,482	1,336
	<u>344,821</u>	<u>284,064</u>
Total borrowings	<u>364,274</u>	<u>304,162</u>

/i/ Long-term loan relates to bank financing for investment purposes. It bears a fixed interest rate and a maturity of 4 years.

/ii/ Short-term loans relate to financing from various banks for the purpose of maintaining an adequate level of working capital and they are denominated in Croatian kuna (HRK). Loans have maturities ranging from one month to nine months, part of loans bear fixed interest rates. Short term part of long term loan is for investments (for new pharmacy units) and is denominated in EUR with variable interest rate

/iii/ Long-term finance lease liabilities relate to the purchase of delivery vehicles and fork lifts. Leases were agreed at an interest rate of 3.29%-3,66% (2014: 3.68%-4.13%). The lease liabilities are repayable within four to six years and they are secured by a pledge over all vehicles subject to the finance lease (note 14). Lease liabilities are effectively secured since the lessor has the right to take over the subject of the lease if the Company does not settle these liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 26 – BORROWINGS (CONTINUED)

The gross finance lease liability is as follows:

	<u>2015</u>	<u>2014</u>
	<i>(in thousands of HRK)</i>	
Up to one year	2,731	1,445
Between 1 and 5 years	5,836	2,210
Future financing costs	(526)	(198)
Carrying value of finance lease liability	<u>8,041</u>	<u>3,457</u>

The carrying value of finance lease liability is as follows:

	<u>2015</u>	<u>2014</u>
	<i>(in thousands of HRK)</i>	
Up to one year	2,483	1,336
Between 1 and 5 years	5,558	2,121
	<u>8,041</u>	<u>3,457</u>

The maturity of long-term borrowings is as follows:

	<u>2015</u>	<u>2014</u>
	<i>(in thousands of HRK)</i>	
Between 1 and 2 years	10,129	8,404
Between 2 and 5 years	9,324	11,694
	<u>19,453</u>	<u>20,098</u>

The effective interest rates at the reporting date are as follows:

	<u>2015</u>		<u>2014</u>	
	<u>HRK</u>	<u>EUR</u>	<u>HRK</u>	<u>EUR</u>
	%	%	%	%
Long-term borrowings				
Long-term loans	4.33%	3.42%	4.93%	3.63%
Finance lease	-	3.29-4.46%	-	3.90%-6.07%
Short-term borrowings				
Short-term loans	3.35%-4.13%	-	3.73%-4.10%	-

The carrying amount of liabilities for finance leases approximate their fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 26 – BORROWINGS (CONTINUED)

The exposure of borrowings received to interest rate changes and the contractual repricing dates at the reporting date are as follows:

	<u>2015</u>	<u>2014</u>
	<i>(in thousands of HRK)</i>	
Borrowings with variable interest rate		
Up to 3 months	57,621	45,479
3 - 12 months	179,240	239,828
Over 1 year	-	-
	<u>236,861</u>	<u>285,307</u>
Borrowings with fixed interest rates		
Loans with fixed interest rates	127,413	18,855
	<u>127,413</u>	<u>18,855</u>
Total borrowings	<u>364,274</u>	<u>304,162</u>

Given that borrowings in the amount of HRK 127,413 thousand (2014: HRK 18,855) bear interest at fixed rates, there is no exposure to interest rate changes.

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

The carrying amount of the Group's borrowings was translated from the following currencies:

	<u>2015</u>	<u>2014</u>
	<i>(in thousands of HRK)</i>	
HRK	353,609	280,663
EUR	10,665	23,499
	<u>364,274</u>	<u>304,162</u>

Loans received are secured by mortgages over Group's buildings (note 14), inventories (note 19), bills of exchange and promissory notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 27 – DEFERRED INCOME TAX

Deferred tax asset and the deferred tax liability are measured at the actual tax rate of 20% in accordance with income tax regulations.

Deferred tax asset

<i>(in thousands of HRK)</i>	Inventory impairment	Impairment of receivables	Provision for employee benefits	Transfer of property in the Group	Value adjustment of non-current assets	Total
As at 1 January 2014	695	83	208	2	-	988
Tax charged to the income statement	-	(3)	-	(1)	-	(4)
Tax credited to the income statement	162	-	21	-	-	183
As at 31 December 2014	857	80	229	1	-	1,167
As at 1 January 2015	857	80	229	1	-	1,167
Tax charged to the income statement	-	(7)	-	-	-	(7)
Tax credited to the income statement	181	-	63	-	420	664
As at 31 December 2015	1.038	73	292	1	420	1,824

Deferred tax liability

(in thousands of HRK)

	Acquisition of subsidiary - licences
As at 1 January 2014	15,790
Tax arising on acquisition of subsidiary (note 31)	210
As at 31 December 2014	16,000
As at 1 January 2015	16,000
Tax arising on acquisition of subsidiary (note 31)	1,475
As at 31 December 2015	17,475

The deferred tax liability arose at the acquisition of the subsidiary as a result of the temporary difference arising from the measurement of assets and liabilities of subsidiaries in consolidation at fair values, while the tax base of assets and liabilities remained at the level of expense. The resulting deferred tax liability affected the increase in goodwill (note 15).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 28 – PROVISIONS

<i>(in thousands of HRK)</i>	Employee benefits	Legal disputes	Other provisions	Total
As at 31 December 2014	1,213	962	599	2,774
Non-current	891	-	-	891
Current	322	962	599	1,883
As at 1 January 2015	1,213	962	599	2,774
Additional provisions	621	-	49	670
Used during the year	(259)	(962)	-	(1,221)
As at 31 December 2015	1,575	-	648	2,223
Non-current	1,217	-	-	1,217
Current	358	-	648	1,006

Employee benefits

This provision comprises estimated long-term employee benefits relating to termination benefits and jubilee awards, as defined by the collective bargaining agreement. The non-current portion of the provision relates to estimated acquired rights to termination benefits and jubilee awards that will be paid when one year after the reporting date has expired. The current portion of employee benefits includes jubilee awards and termination benefits which will be paid within 12 months after the reporting date.

Legal disputes

On the basis of lawyer's and Management's estimation of probability of losing the dispute, the Company has not made additional provisions.

Other provisions

Other provisions include provisions for tax liabilities based on the Resolution of Tax Authority (note 12).

NOTE 29 – CONTINGENCIES

The Group entered into several legal disputes, both as plaintiff and defendant. The Group is a defendant in a legal dispute where it is demanded that the decision from the General Assembly meeting held at 30 June 2015 should be declared null and void including the decision regarding dividend distribution. If the Company loses the case a liability would arise in terms of paying court expenses but at the same time it would had receivables for earlier distributed dividend. Based on the estimate of the legal counsellors the amount of receivables for former distributed dividend would surpass several times the liability for court expenses and accordingly aforementioned the Company did not make any provisions regarding this legal dispute. Based on the opinion of the expert legal counsellor who represents the Company in the stated disputes, Management estimates that no material losses shall arise from these disputes for the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 30 – OPERATING LEASE

The Group rents vehicles and office space under non-cancellable operating lease contracts.

Lease periods are between 1 and 6 years.

Contractual rents on operating lease are as follows:

	<u>2015</u>	<u>2014</u>
	<i>(in thousands of HRK)</i>	
Up to one year	5,968	4,813
Between 1 and 5 years	5,576	5,626
Over 5 years	<u>200</u>	<u>129</u>
Contractual rents on operating lease	<u>11,744</u>	<u>10,568</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 31 – ACQUISITION OF SUBSIDIARIES

Acquisition of Health Institutions

In 2015, the Group acquired 100% ownership over two pharmacies (2014: 100% ownership over one pharmacy) for an amount of HRK 7,555 thousand (2014: HRK 3,913 thousand).

From the date of acquisition to the reporting date, the Group generated revenues on the basis of newly acquired subsidiaries in the amount of HRK 2,818 thousand (2014: HRK 6,658 thousand) and profit in the amount of HRK 498 thousand (2014: HRK 117 thousand).

If the acquisition had occurred on 1 January estimated revenue for the year ended 31 December 2015 would have been HRK 10,976 thousand higher, while profit before taxation would have been HRK 1,053 thousand higher than stated. These amounts have been calculated using the Group's accounting policies. Details of the net book value of assets acquired and goodwill determined are as follows:

	2015	2014
	<i>(in thousands of HRK)</i>	
Purchase consideration	7,555	3,913
- Cash paid	5,293	3,913
- Liabilities for the purchase of subsidiaries (note 25/ii/)	2,262	-
Fair value of assets acquired	(6,567)	(799)
Goodwill (note 15)	988	3,114

Fair value of acquired asset is as follows:

	2015	2014
	<i>(in thousands of HRK)</i>	
Intangible assets (note 15)	7,373	1,051
Property and equipment (note 14)	29	3
Inventory	1,180	718
Loans given	1,519	263
Trade receivables	3,409	4,322
Cash and cash equivalents	1,778	307
Deferred tax liability (note 27)	(1,475)	(210)
Non-current liabilities	-	-
Current liabilities	(7,246)	(5,655)
Net assets acquired	6,567	799
Purchase consideration paid in cash	5,293	3,913
Cash and cash equivalents acquired	(1,778)	(307)
Cash used in the acquisition	3,515	3,606

The Group has allocated the purchase price on identified assets, including intangible asset which was not identified in the statement of financial position in accordance with IAS 38 *Intangible assets*.

The Management of the Group identified and fair valued a pharmacy licence as the only form of intangible assets which arises during the acquisition of medical institutions/pharmacies. The assets were fair valued at the acquisition date using net current value of cash flows from use of identified, tangible and intangible assets of the Group that can be directly attributed to them.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 32 – INCORPORATION OF ASSOCIATE AND DISPOSAL OF SUBSIDIARY

Based on the decision of the Commercial Court in Zagreb there has been made for Litmus d.o.o. a statutory change of separation with foundation which resulted in foundation of a new company Put stinica d.o.o. in which the Company had 41.53% share. Based on the contract of replacement of shares the Company transferred to company Laguna Novigrad d.o.o. share in Litmus d.o.o. in exchange for share in Put stinica d.o.o. and after the transaction the Company acquired 100% share in company Put stinica d.o.o. Estimated value of investment in Litmus d.o.o. in the moment of disposal was HRK 18,363 thousand (note 16). Estimated value of the company Put stinica d.o.o. was HRK 19,249 thousand and the Group recognized profit from disposal of associate in the amount of HRK 886 thousand (note 10).

NOTE 33 – SUBSEQUENT EVENTS

On 1 January 2016 Ljekarna Smilja Bagat became part of the Group and on the same date was merged into ZU Ljekarne Prima Pharma. Also, on January 1 2016 the Group acquired 100% of ownership of associates Ljekarna Maja Mučaji, Zadar and Ljekarna Mirjana Bohunicki, Medulin.

There were no other events subsequent to the balance sheet date that would require adjustment of or disclosure in the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 34 – RELATED PARTY TRANSACTIONS

The Group enters into transactions with related parties (entities with significant influence under common control).

Related parties include:

	<u>2015</u>	<u>2014</u>
1. Associate:		
Litmus d.o.o., Zagreb (until October 2015)	-	41.53%
2. Associate of Zdravstvena ustanova Ljekarne Prima Pharme, Zagreb:		
Zdravstvena ustanova Ljekarne Jagatić, Dubec	49%	49%
3. Primus nekretnine d.o.o., Zagreb: until October 2015 associate of subsidiary Litmus d.o.o., Zagreb in which Litmus d.o.o. was the sole owner; from October 2015 associate company of associate company of Put stinica d.o.o. in which Put stinica d.o.o. is the sole owner.		
4. The Company with majority of voting rights, or a parent company Mavota d.o.o. owns 47.38% of the Company and has 49.06% of shares with voting rights.		
5. Pliva Hrvatska d.o.o., Zagreb owns 25.32% of the Company and has 26.22% of the voting rights. Given the share in the ownership and business transactions with the Company, Pliva Hrvatska d.o.o. has significant influence on the current operations of the Company.		
6. Other related parties: Auctor d.o.o. as a significant owner of Mavota d.o.o. and Auctor Invest d.o.o. who is related party via ultimate owner Auctor d.o.o.		

Related party transactions relating to balances in the statement of financial position as at 31 December 2015 and 2014 and transactions in the income statement for years then ended are as follows:

<i>(in thousands of HRK)</i>	<u>Note</u>	<u>2015</u>	<u>2014</u>
Trade and other receivables			
<i>Trade receivables</i>			
Associate		-	1
Associate of ZU Ljekarne Prima Pharme		13,021	15,090
Associate Litmus d.o.o., Zagreb/ Associate of Put stinica d.o.o.		-	30
Pliva Hrvatska d.o.o.		327	322
	18	<u>13,348</u>	<u>15,443</u>
Inventories			
Pliva Hrvatska d.o.o.		14,987	27,425
	19	<u>14,987</u>	<u>27,425</u>
Cash and cash equivalents			
Other related parties		-	30,000
	20	<u>-</u>	<u>30,000</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 35 – RELATED PARTY TRANSACTIONS (CONTINUED)

<i>(in thousands of HRK)</i>	<u>Note</u>	<u>2015</u>	<u>2014</u>
Trade payables			
Pliva Hrvatska d.o.o.		114,785	121,288
	25	<u>114,785</u>	<u>121,288</u>
Revenue from sales and other revenue			
Associate		4	5
Associates of ZU Ljekarne Prima Pharme		28,656	28,415
Associate of Litmus d.o.o./		19	25
Associate of Put stinica d.o.o.		361	311
Pliva Hrvatska d.o.o.	6	<u>29,040</u>	<u>28,756</u>
Finance income			
Associate of Litmus d.o.o./		1	7
Associate of Put stinica d.o.o.		2	66
Other related parties	11	<u>3</u>	<u>73</u>
Purchase of trade goods			
Pliva Hrvatska d.o.o.		176,803	180,642
		<u>176,803</u>	<u>180,642</u>
Key management compensation - salaries and bonuses for five members		7,929	8,700
Supervisory Board and Audit Committee compensation		442	614

NOTE 33 – AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements set out on pages 7 to 57 were authorised by the Management Board of the Company in Zagreb on 15 March 2016.

Signed on behalf of the Management Board of the Company on 15 March 2016:

Jasminko Herceg
Director

Medika d.d.
ZAGREB, Capraška 1
