DIV GRUPA d.o.o., Samobor

Annual report for the year ended 31 December 2018 together with the Independent Auditor's Report

This report is a translation from the original, which was prepared in the Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the Report takes precedence over this translation.

CONTENT

	Page
Management Report	1 - 5
Responsibility for the unconsolidated financial statements	6
Independent Auditor's Report	7 - 9
Unconsolidated statement of profit or loss and other comprehensive income	10
Unconsolidated statement of financial position	11
Unconsolidated statement of changes in equity	12
Unconsolidated statement of cash flows	13
Notes to the unconsolidated financial statements	14- 57

Management report

1. INTRODUCTION

Company DIV GRUPA d.o.o. achieved good business results in 2018, and a positive business result. The most significant business activities are from the area of core activities of the Company.

2. ORGANISATION AND COMPANY MANAGEMENT IN 2018

Reporting company name: DIV GRUPA d.o.o.
Legal form: Limited company
Founding state: Republic of Croatia
Company address: Bobovica 10a, 10430, Samobor
Branch: IV Gardijske brigade 44, 22300, Knin
Business operations: Production and trade of fasteners products

In 2018, the Company performed its business at the location of the company's address, branch office in Knin and in the business office in Zagreb, R.F.Mihanovića 9- Sky Office.

During 2018, the company DIV d.o.o. was managed by the board of directors as followed:
Tomislav Debeljak, Chairman of the Board
Darko Pappo, Member of the Board
Dalibor Marijanović, Member of the Board

3. FINANCIAL STATUS AND BUSINESS RESULTS

3.1. COMPANY ASSETS

As at 31 December 2018 current assets were HRK 597,241 thousand (2017: HRK 447,986 thousand), while long-term assets amounted to HRK 747,147 thousand. (2017: HRK 742,696 thousand) As at 31 December 2018, total assets of the company amounted to HRK 1,344,388 thousand. The most significant share of long-term assets relates to construction facilities, infrastructure and equipment in the amount of HRK 650,295 thousand.

3.2. BUSINESS RESULTS FOR 2018

In 2018, the Company realized a profit of HRK 84,862 thousand, after tax (2017: HRK 58,581 thousand).

4. EXPOSURE AND RISK MANAGEMENT

The Company is exposed to various financial risks related to:

- PRICE RISK – prices of raw materials on the market
- CAPITAL RISK – ratio of net debt and capital
- CURRENCY RISK – currency movement of EUR and USD because the Company has foreign contracts mostly denominated in EUR and USD currency
- CREDIT RISK – the ability of debtors to pay their debts to the Company. They refer to unfulfilled contracted obligations of second parties. The Company protects its self from such risks by means of Payment Securities and applies procedures that ensure sales to customers who have a sound and reliable credit history
- LIQUDITY RISK – refers to the risk that cash receipts that will not be enough to cover current cash outflows. The Company is protected by monitoring planned and realized cash flows and monitoring of financial assets and financial liabilities.

Risk management is explained in detail through note 24 to the Financial statements.

5. HUMAN RESOURCES

The Company's employees are, together with the Company's assets and gained reputation, greatest resource.
As at 31 December 2018, the Company had 742 employees, the qualification structure as at 31 December 2018 is presented in Table 1.
Table 1.

STRUKTURA ZAPOSLENIH PO KVALIFIKACIJI ZA 2018. GODINU									
Month	**Employee Nb.**	**NKV**	**KV**	**PKV**	**SSS**	**VKV**	**VŠS**	**VSS**	**MR**
Dec.18	742	59	144	2	348	2	72	114	1
Structure in %	100%	8%	20%	0%	47%	0%	10%	15%	0%

The majority of the employee qualification is SSS (high scool education) which is a clear representation of the Company's requirement for work force in order to realize its main business activity - manufacturing of bolts and other mechanical parts and structures.
When hiring new employees, a rigorous selection process is carried out through tests and interviews. Great focus is dedicated to selecting young and qualified individuals or highly qualified staff with experience.

6. FUTURE BUSINESS DEVELOPMENT

DIV GRUPA d.o.o. will continue to grow based on thoughtful investments in equipment and infrastructure, introducing new technologies, optimizing business processes, investing in human resources and winning new markets and customers. In addition to the already dominant export markets, such as the European Union and South Africa, where we are aiming to further expand the volume of products, we will also continue to strengthen exports to the USA where the potential of DIV is recognised after registering trade mark, which will eventually open the doors of a wide range of customers. Over the past year (2018), a series of large customer audits (Optimas, Bolhoff ...) have been conducted globally, so the preconditions are met for increasing sales through their channels. Over the past period, a range of equipment (machines and devices) has been introduced to optimize production processes,

increasing productivity whose full use will result in lower cost per unit or time and consequently increase process quality and reliability. Increase in volume of production requires higher working capital, which is intensively negotiated with banks and other financial partners, especially by switching short-term lines to long-term and by contracting L/G and L/C limits, thus enabling participation in large market projects (e.g. railway infrastructure).

7. COMPANY'S ACTIVITIES IN THE FIELD OF RESEARCH AND DEVELOPMENT

DIV GRUPA d.o.o. 08/17/2018. has signed a Grant Agreement for projects funded by the European Structural and Investment Funds in the 2014-2020 financial year. ("Increasing the development of new products and services arising from research and development activities"). The contract was signed by the Ministry of Economy, Entrepreneurship and Crafts and the Croatian Agency for Small Business, Innovation and Investment on the one hand and DIV GRUPA d.o.o. as a beneficiary of the grant, on the other hand. The R & D project is being implemented in the period from 1st of July 2018 to 1st of July 2022. The R & D program aims to enable the development of a functional innovative DIV elastic buckle, and consequently placement and commercialization on the world market for the construction and maintenance of railway lines. The aim of the development project is to develop an elastic clasp that will be simplified and cost effective to provide simple, reliable and fast mounting and dismounting, which will provide a durable and reliable connection between the piles and the rails throughout their lifetime.

For successful realization of the proposed "DIV elastic buckle" project and the fulfillment of strategic goals, a high level of scientific, professional and managerial (management) team experience will be required to work on the project. It is particularly important to highlight the scientific and technological quality of the project and its innovation. The successful realization of this project would be a major contribution to Croatian science, technological development and innovation. The "Development of DIV elastic buckle" project contributes directly to increased investments in R & D within the S3 Strategies of smart specialization, the thematic area "Traffic and Mobility", and this sub-thematic area "PTPP 1. Production of high value added parts and systems for road and rail vehicles "within which the indicative IRI theme is listed: car and rail parts of more added value. Partner on the project is the Faculty of Civil Engineering, University of Zagreb.

It is important to emphasize that the development activities are almost entirely based on the already existing competences of DIV GRUPA d.o.o. therefore the research and development activities as well as the commercialization activities build upon the existing business resources, organization and business processes of DIV GROUP.

It is also important to note that the project "Increasing energy efficiency in production suitable for Knin" was approved for DIV GRUPA d.o.o. on 18th of June 2018. The purpose of the project is to increase the efficiency of the energy used in the production process and to switch to energy-renewable sources. The main objective of the project is to implement a system that will exploit waste heat, and focus on heating and cooling technology as well as production and office space. The energy currently used for heating and cooling technologies and manufacturing and office space is a heavy fuel (oil fuel).

One of the goals of the project is the abolition of the boiler room on heavy fuel which would annul the greenhouse gas emissions and its adverse environmental impact. In addition to the benefits of reducing the amount of greenhouse gases, the transition to the heat pump system with the primary aim of exploiting the waste heat also represents significant savings in energy terms. It also reduces water consumption and the use of additives in the process. It is also worth mentioning the introduction of a system for the recovery of waste heat from the oil vapors which will reduce he need for heating in the production plant for screws. The same system will also purify oil vapors, which will contribute to the quality of the working environment and protection the health of employees.

8. FURTHER PLANS

The further plans in 2018 and beyond are the development of new projects that correspond with their theme with the Smart Specialization Strategy of the Republic of Croatia (S3), a strategic document which is required by the European Commission from all European Union member states as a prerequisite for the use of ESI funds in the field of research, technological development and innovation. Strategy S3 defines objectives and priorities related to research, technological development and innovation, as well as specific thematic and sub-thematic priority areas to be invested within the next 7 years under OPC, PriorityAxis.

These projects, in which DIV GRUPA d.o.o. will participate, involve investment in research, development and innovation, strengthening the research capacities of applicants (research organizations) and partners (business sector) and stimulating / increasing the cooperation of research organizations with enterprises.

Research and development projects in cooperation with scientific research institutes (FESB - Faculty of Electrical Engineering, Mechanical Engineering and Naval Architecture in Split, FSB - Faculty of Mechanical Engineering and Naval Architecture in Zagreb, GFZ - Faculty of Civil Engineering in Zagreb, Faculty of Forestry in Zagreb, Faculty of Maritime Studies in Split , Faculty of Metallurgy in Sisak), for the purpose of conducting collaborative research aimed at developing products / processes / services according to the definitions of industrial research and experimental development. The thematic priority areas (TPP) and the sub-thematic priority areas (PTPP) of the Smart Specialization Strategy of the Republic of Croatia, which the Company plans to direct in the coming years of its R & D activities are TPP. "Traffic and Mobility" PTPP. Ecologically acceptable traffic solutions, PTPP. Production of high value added parts and systems for road and rail vehicles as TPP "Energy and Sustainable Environment" PTPP. Ecologically acceptable technologies, equipment and advancedmaterials.
Indicative themes of future projects are the research and development of new technologies and equipment related to CO2 emission reduction and additional equipment for vehicles with more rational energy consumption, advanced trams and trains, reducing environmental impact and noise reduction, and new materials for the automotive and rail industry.

9. SUBSIDIARIES

Subsidiaries are detailed in the notes in the financial statements.

10. INFORMATION ON THE PURCHASE OF OWN SHARES

The Company does not have its own shares, nor did it have any during 2018.

In Samobor, 30 April 2019:

Tomislav Debeljak	Darko Pappo	Dalibor Marijanović
Chairman of the Board	*Member of the Board*	*Member of the Board*

DIV GRUPA d.o.o.
10430 SAMOBOR, Bobovica 10/A
Tel. 01 3377-000, Fax. 01 3376-155
OIB: 33890755814

Responsibility for the unconsolidated financial statements

Based on the applicable Croatian Accounting Act, the Management Board of DIV Group d.o.o. (hereinafter referred to as "the Company") is required to ensure that the financial statements for each financial year are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union so as to provide a true and fair view of the financial position and results of the Company's operations for that period.

Management reasonably expects the Company to have adequate resources to continue operations in the foreseeable future. For this reason, the Management continues to prepare the financial statements on a going-concern basis.

When preparing unconsolidated financial statements, the Management Board is responsible:

- for the selection and then consistent application of the appropriate accounting policies;
- for reasonable and prudent judgments and estimates;
- for applying the applicable accounting standards;
- for the preparation of financial statements under the going-concern assumption.

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

Signed for and on behalf of the Management Board:

Tomislav Debeljak	Darko Pappo	Dalibor Marijanović
Chairman of the Board	*Member of the Board*	*Member of the Board*

DIV GRUPA d.o.o.
10430 SAMOBOR, Bobovica 10/A
Tel. 01 3377-000, Fax. 01 3376-155
OIB: 33890755814

Samobor, 30 April 2019

Deloitte d.o.o.
ZagrebTower
Radnička cesta 80
10 000 Zagreb
Croatia
TAX ID: 11686457780

Tel: +385 (0) 1 2351 900
Fax: +385 (0) 1 2351 999
www.deloitte.com/hr

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of DIV GRUPA d.o.o., Samobor

Opinion

We have audited the unconsolidated financial statements of DIV GRUPA d.o.o., Samobor (the Company), which comprise the unconsolidated statement of financial position as at 31 December 2018, and the unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in equity and unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs).

Basis for Opinion

We conducted our audit in accordance with the Audit Act and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

Consolidated financial statements

Annual consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union for DIV GRUPA d.o.o. and its subsidiaries ("the Group") have not yet been issued. The annual consolidated financial statements will be issued subsequently. For a better understanding of the Group as a whole, the consolidated financial statements should be read in conjunction with these annual unconsolidated financial statements.

This version of the auditor's report is a translation from the original, which was prepared in Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the auditor's report takes precedence over translation.

The company was registered at Zagreb Commercial Court: MBS 030022053; paid-in initial capital: Kn 44,900.00; Board Members: Branislav Vrtačnik, Marina Tonžetić, Juraj Moravek and Dražen Nimčević; 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.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/hr/about to learn more about our global network of member firms.

© 2019. For information, contact Deloitte Croatia.

Deloitte.

INDEPENDENT AUDITOR'S REPORT (continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report. Our opinion on the unconsolidated financial statements does not cover the other information.
In connection with our audit of the unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

With respect to the Management Report, which is included in the Annual Report, we have also performed the procedures prescribed by the Accounting Act. These procedures include examination of whether the Management Report includes required disclosures as set out in the Article 21.

Based on the procedures performed during our audit, to the extent we are able to assess it, we report that:

- Information included in the other information is, in all material respects, consistent with the attached financial statements.
- Management Report has been prepared, in all material respects, in accordance with the Article 21.

Based on the knowledge and understanding of the Company and its environment, which we gained during our audit of the unconsolidated financial statements, we have not identified material misstatements in the other information.

Responsibilities of Management and Those Charged with Governance for the unconsolidated financial statements

Management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with IFRSs 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.
In preparing the unconsolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
Those charged with governance are responsible for overseeing the Company's financial reporting process.

This version of the auditor's report is a translation from the original, which was prepared in Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the auditor's report takes precedence over translation.

Deloitte.

INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Responsibilities for the audit of the unconsolidated financial statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or taken together, they could reasonably be expected to influence the economic decisions of users taken based on these financial statements. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Marina Tonžetić

Certified auditor and member of the Board

Deloitte d.o.o.

Deloitte d.o.o. Zagrebtower Radnička cesta 80 10 000 Zagreb MB 0700851

Zagreb, 30 April 2019

Radnička cesta 80,

10 000 Zagreb,

Republic of Croatia

This version of the auditor's report is a translation from the original, which was prepared in Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the auditor's report takes precedence over translation.

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

(in HRK thousand)	Note	2018	2017
Revenue	5	485,630	383,786
Other operating income	6	29,789	14,230
Total operating income		**515,419**	**398,016**
Changes in inventories - work in progress and finished goods	16	7,727	(1,445)
Material expenses	7	(311,413)	(231,447)
Employee costs	8	(85,023)	(65,759)
Depreciation and amortization	13	(18,814)	(18,100)
Other operating expenses	9	(17,407)	(10,572)
Total operating expenses		**(424,930)**	**(327,323)**
Financial income	10	7,205	7,589
Financial expenses	11	(14,823)	(19,701)
Net financial result		**(7,618)**	**(12,112)**
Profit before tax		**82,871**	**58,581**
Income tax	12	1,991	-
Profit for the current year		**84,862**	**58,581**
Other comprehensive income			
Gains from revaluation of property, plant and equipment	19b	-	256,694
Total comprehensive income		**84,862**	**315,275**

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

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

(in HRK thousand)	Note	31 December 2018	31 December 2017
ASSETS			
Non-current assets			
Property, plant and equipment	13	650,295	647,645
Intangible assets		1,314	161
Long term financial assets	14	94,876	94,890
Deferred tax assets	12	662	-
Total non-current assets		**747,147**	**742,696**
Current assets			
Inventories	16	255,698	285,932
Trade and other receivables	17	283,798	159,731
Short-term financial assets	15	41,673	552
Cash and cash equivalents	18	16,072	1,228
Total current assets		**597,240**	**447,984**
Total assets		**1,344,388**	**1,190,680**
EQUITY AND LIABILITIES			
Equity			
Share capital	19a	245,737	245,737
Revaluation reserves	19b	248,873	256,694
Other reserves	19c	471	471
Retained earnings	19d	253,317	162,400
Total equity		**748,398**	**665,302**
Non-current liabilities			
Liabilities towards banks and other financial institutions	20	237,120	119,767
Provisions	22	2,218	3,550
Deferred tax liability	12,19b	54,631	56,347
Total non-current liabilities		**293,969**	**179,664**
Current liabilities			
Trade and other payables	21	236,128	222,455
Liabilities towards banks and other financial institutions	20	65,893	123,259
Total current liabilities		**302,021**	**345,714**
Total liabilities		**595,990**	**525,378**
Total equity and liabilities		**1,344,388**	**1,190,680**

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

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

(in HRK thousand)	Note	Share capital	Other reserves	Revaluation reserves	Retained earnings	Total
Balance at 1 Januray 2017		**245,737**	**-**	**-**	**103,952**	**349,689**
Profit for the year		-	-	58,581	58,581	58,581
Profit from revaluation assets		-	-	*256,694*	-	*256,694*
Total comprehensive income		**-**	**256,694**	**58,581**	**315,275**	**315,275**
Changes in equity arising from the merger of Brodosplit - Project d.o.o.	19	471	-	(133)	338	338
Balance at 31 December 2017		**245,737**	**471**	**256,694**	**162,400**	**665,302**
Profit for the year		-	-	-	84,862	**84,862**
Decrease of revaluation reserve for depreciation charge		-	-	(7,821)	7,821	-
Impact of adoption of IFRS 9 standard			-	-	(1,766)	(1,766)
Balance at 31 December 2018		**245,737**	**471**	**248,873**	**253,317**	**748,398**

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

UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

(in HRK thousand)	Note	2018	2017
Profit before tax		84,862	58,581
Adjustment for:			
Income tax	12	(1,991)	
Depreciation and amortization	13	18,814	18,100
Net book value of written off tangible assets	13	5,889	187
Revaluation loss of property, plant and equipment		-	478
Change in provisions	22	(1,332)	969
Value adjustment of receivables	17	2,778	335
Changes in inventory value due to turnover on net worth		-	(12,179)
Write off of liabilities from suppliers	6	(1,293)	(1,089)
Value adjustment of given loans	15	601	-
Interest expense	11	10,951	14,592
Net exchange rate differences		(2,759)	(2,552)
Profit before change in working capital		**116,520**	**77,422**
Decrease / (increase) in inventory		30,233	(4,395)
Increase in trade and other receivables		(128,457)	(23,103)
Increase in trade payables and other liabilities		14,713	26,727
Cash flow from operating activities		**33,009**	**76,651**
Paid interest		(10,697)	(10,795)
Net cash flow from operating activities		**22,312**	**65,856**
Cash flow from investment activities			
Purchases of property, plant and equipment	13	(27,352)	(15,512)
Purchases of intangible assets	13	(1,154)	-
Increase in investments in subsidiaries		-	(17)
Decrease in investments in subsidiaries	14	14	98
New given loans		(136,026)	(95)
Receipts from given loans		93,968	4
Changes in other financial assets		328	(145)
Net cash flow used in investment activities		**(70,222)**	**(15,667)**
Cash flow from financing activities			
Receipts from loans and borrowings		269,383	30,580
Repayments of loans and borrowings		(206,629)	(84,717)
Net cash flow from (used in) financial activities		**62,754**	**(54,137)**
Net increase/ (decrease) in cash and cash equivalents		**14,844**	**(3,948)**
Cash and cash equivalents at the beginning of the year	18	1,228	5,176
Cash and cash equivalents at the end of the year	18	**16,072**	**1,228**

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

NOTE 1 – GENERAL INFORMATION

History and founding

The Company DIV Grupa d.o.o. („The Company') is registered by the Commercial Court in Zagreb under Registration number (MBS): 080127368 in accordance with the Company Law. The core business of the Company is the production of fasteners, screws, chains and springs. The Company is headquartered at Samobor, Bobovica, 10A, Croatia. Share capital of the Company amounts to HRK 245,736,800.

Members of the Supervisory Board during the reporting period were as follows:

Name	Surname	Function
Danijela	Debeljak	Chairman of the Supervisory Board
Vjera	Debeljak	Vice President of the Supervisory Board

Members of the Management Board during the reporting period were as follows:

Name	Surname	Function
Tomislav	Debeljak	Chairman of the Management Board
Darko	Pappo	Member of the Management Board
Dalibor	Marijanović	Member of the Management Board

NOTE 2 – BASIS OF PREPARATION

(i) Statement of compliance

The Company's unconsolidated financial statements have been prepared in accordance with the accounting rules applicable in the Republic of Croatia. Accounting rules applicable in the Republic of Croatia are defined by the Accounting Act (Official Gazzette 109/07, 54/13, 121/14, 78/15, 120/16). The Company compiles and presents annual financial statements using the International Financial Reporting Standards ("IFRS") and their amendments and related interpretations published by the European Union. The Company is a consolidator in accordance with Article 23 of the Accounting Act of the Republic of Croatia. The Company as a parent company prepares consolidated financial statements separately. Consolidated financial statements will be issued subsequently.

(ii) Basis of measurement

These financial statements are prepared on a historical cost basis, except where otherwise disclosed. The values of property, plant and equipment of the Company are stated at revalued amounts (Note 13) as at 31 December 2018.

(iii) Functional and presentation currency

These financial statements are presented in Croatian kuna ("HRK"), which is the Company's functional currency, rounded to the nearest thousand.

(iv) Going concern

These unconsolidated financial statements have been prepared on the going concern basis. The Company's going concern assessment was based on cash flow forecasts which in management's view support the assertion that the Company will have sufficient resources to continue for a period of at least 12 months from the reporting date. The preparation of these forecasts incorporated a number of assumptions and significant judgments. Management concluded that the range of possible outcomes considered at arriving at this judgment does not give rise to material uncertainties related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Considering that the process of reprogramming loans with banks is ongoing and if the planned inflow is less than anticipated, the Company has considered potential options and alternatives, including, but not limited to, sale of inventory of finished products with discount (still above purchase price) or disposals of non-core assets to secure additional funds if immediately required.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies, which were used during the preparation of these financial statements. These accounting policies were used in a consistent manner by the Company for all periods which are part of these statements.

3.1 Investment in subsidiaries and associates

(i) Subsidiaries

Subsidiaries are all entities (including entities with special purposes) over which the Company 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 Company controls another entity. Investments in subsidiaries have been initially accounted for at cost and subsequently at cost reduced by impairment recognized. Impairment tests for investments in subsidiaries are carried out on an annual basis.

(ii) Associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates have been initially accounted for at cost and subsequently at cost reduced by impairment recognized.

3.2 Foreign currencies

Transactions and balances in foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities are translated into the functional currency using the exchange rates prevailing at the reporting date. 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 recognized in the income statement.

Non-monetary assets and liabilities that are valued at historical cost and are not recalculated at new exchange rates.

Non-monetary assets and liabilities are translated into the functional currency using the exchange rates prevailing at the date of the transaction.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.3 Property, plant and equipment

On 31 December 2017, the Company changed the accounting policy of asset valuation and decided to evaluate the assets according to the revaluation model.

After initial recognition, tangible fixed assets are stated at their evalued amounts comprised of their fair value at the revaluation date less accumulated amortization and accumulated impairment losses. The impairment loss reduces the revaluation reserve to an amount not exceeding the amount of the revaluation reserve of this asset.

Revaluation should be carried out regularly enough so that the carrying amount is not significantly different from the one that would be determined by establishing the fair value at the balance sheet date. When the carrying amount of an asset increases as a result of revaluation, this increase is attributed to equity under revaluation reserve, and when the carrying amount is reduced due to revaluation, the decrease is recognized as an expense. Revaluation increases should be recognized as income to the extent that it reverses the revaluation reduction of the same asset previously recognized as an expense. Revaluation reduction should charge the revaluation reserve to the extent that this reduction does not exceed the amount that exists as a revaluation reserve for the same asset.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred. The cost of replacement of large items of property, plant and equipment is capitalized, and the carrying amount of the replaced parts is derecognized.

Land and assets under construction are not depreciated. Depreciation of other items of property, plant and equipment is calculated using the straight line method to allocate their cost over their estimated useful lives, as follows:

	2018	2017
Buildings	50 years	40 years
Tools, furniture and transport equipment	10 years	10 years
Plant and equipment	5-25 years	5-10 years

Depreciation is calculated for each asset until the asset is fully depreciated or its residual values if significant. The residual value of an asset is the estimated amount that the Company would currently obtain from the disposal of the asset, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Company expects to use the asset until the end of its physical life. Residual values and useful lives of the operating assets are reviewed and adjusted if applicable at each reporting date.

3.4 Impairment of non-financial assets

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

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.5 Financial assets

Financial assets and financial liabilities are recognized in the statement of financial position of the Company when the Company becomes party to the contractual provisions of the instrument.

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

Purchase or sale of financial assets on a straight-line basis is recognized on a trading date. Regular purchases or sales are purchases or sales of a financial asset that requires the delivery of the asset within the time frame established by the regulation or practice on the market.

All recognized financial assets are subsequently fully measured at amortized cost, at fair value through other comprehensive income or fair value through profit or loss, depending on the business model and the characteristics of contracted cash flows.

(i) Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortized cost:

- Financial assets are held within a business model whose purpose is to hold a financial asset for the purpose of collecting contractual cash flows; and
- Contractual terms of financial assets cause cash flows that are solely the payment of principal and interest on the remaining amount of principal at certain dates.

(ii) Amortized cost and effective interest rate method

The effective interest rate method is the method of calculating the amortized cost of a debt instrument and allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.5 Financial assets (continued)

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI.

For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired.

For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognized in the income statement.

(iii) Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost and trade receivables. The amount of expected credit losses is calculated at each reporting date to reflect changes in credit risk from the initial recognition of an individual financial instrument.

The Company always recognizes lifelong credit losses (ECL) for trade receivables based on the selected simplified approach. Expected credit losses on these financial assets are estimated using a provision matrix created on the basis of historical experience of the Company in terms of credit losses, aligned with factors that are specific to borrowers. The Company does not currently align the rate of loss for future macroeconomic conditions since it has not conducted an analysis of the impact of macroeconomic factors on historical losing rates, including the time value of the money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Specifically, the Company relies on due days in evaluating significant credit risk deterioration. If the debtor is late for more than 360 days, then the Company assumes a significant increase in credit risk.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.5 Financial assets (continued)

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default,
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

However, the Company does not currently use simplification of low credit risk when assessing a significant increase in credit risk. The Company regularly monitors the effectiveness of the criteria used to determine whether there has been a significant increase in credit risk and revises them to ensure that the criteria can identify a significant increase in credit risk before payment delays occur.

Definition of default status

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 360 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit impairment financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event (see above);
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower' s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company' s recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measuring and recognizing expected credit losses

Measurement of expected credit losses is the function of the probability of default (PD), loss given default (LGD), i.e. the magnitude of loss if there is a default and exposure to default (EAD). An assessment of the probability of default and loss given default is based on the historical data and information provided in the preceding paragraphs. As for the exposure at default, for financial assets it represents the gross carrying amount of the asset at the reporting date. For estimating PD and LGD parameters, the Company relies on publications of external investment rating agencies.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.5 Financial assets (continued)

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that mature in accordance with the contract and all expected cash flows discounted at the original effective interest rate. If the Company measures the provision for expected credit losses for a financial instrument in the lifetime ECL in the previous reporting period, but on the current reporting date it determines that the lifelong ECL conditions are no longer met, the Company measures a loss in the amount of an equivalent 12-month ECL to the current reporting date, except for assets for which a simplified approach (customer receivables) was used.

The Company recognizes an impairment loss or loss in the income statement for all financial instruments with an appropriate adjustment of the carrying amount through the provision of provisions for expected loan losses.

Termination of recognition of financial assets

The Company ceases to recognize financial assets only when contractual rights on cash flows expire or when it transfers financial assets, all risks and rewards associated with ownership of financial assets on another person.
If the Company does not transfer and substantially discontinues all the risks and rewards associated with its ownership and continues to control the transferred assets, the Company recognizes its retained interest in the asset and the related obligation to the amounts that it may have to pay. If the Company retains all significant risks and rewards associated with the ownership of the transferred financial assets, the Company continues to recognize financial assets and also recognizes the received collateral for received assets.
In the event of a discontinued recognition of financial assets measured at amortized cost, the difference between the carrying amount and the amount of received remuneration and receivables is recognized in the income statement. Furthermore, at the end of the recognition of an investment in a debt instrument measured by FVOSD, the cumulative gain or loss previously accumulated in the revaluation reserve is reclassified to profit or loss, with the exception of equity instruments for which the FVOSD option is selected.

Loans and receivables

The Company always provides for the losses from receivables in the amount equal to life-long ECL. Expected credit losses on trade receivables are estimated on the basis of historical data, taking into account the historical experience of the debtors defaulting status and the current financial position of the debtor. The Company has recognized a 100% loss on all receivables that have matured over 360 days, and which were shown as irrecoverable by an individual assessment of the financial position of the debtor. There were no changes in valuation techniques or significant assumptions during the current reporting period.

The Company writes off trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Since the Company's historical credit loss experience does not show significantly different loss patterns for different segments of the customers, maturity-based impairment provisions do not differ between the different customer groups of the Company.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.6 Financial liabilities

Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss or other financial liabilities. The Group has no financial liabilities classified as fair value through profit or loss.

Other financial liabilities

Other financial liabilities, including loans and borrowings, are initially measured at fair value less costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate of the estimated future cash outflows that are discounted through the expected life of the financial liability, or a shorter period if applicable.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's liabilities are paid, cancelled or expired.

3.7 Government grants

Government grants are recognized when there is reasonable assurance that the entity will comply with the terms attaching to it and that the grant will be received. Consequently, the Company does not recognize government grants until there is reasonable assurance that the Company will comply with the terms attaching to them, and the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods required to match them with the related costs. A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity without future related costs shall be recognized in profit or loss for the period in which the receivable was created. Grants related to the depreciable assets are recognized in profit or loss over the periods and in the proportions in which the depreciation on those assets is recognized. In the statement of financial position, the government grant is recognized as a deferred income that is recognized in profit or loss on a systematic basis over the useful life of the asset.

3.8 Leases

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

Leases in which a significant portion of the risks and rewards of ownership are not retained by the Company are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.9 Inventories

Inventories of finished goods and goods for resale are stated at lower of cost and net realizable value. Cost is determined using the weighted average method and includes the costs incurred in acquiring inventories and bringing them to their existing condition and location. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling costs.

Inventories of raw materials are recognized at cost using the weighted average method. The cost of work-in-progress and finished goods includes raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). Spare parts are stated at the lower of the cost and the net realisable value.

The value of slow moving and obsolete stock is reduced and charged to the current year profit or loss.

3.10 Construction contracts

Contract costs are recognized when incurred.

When the outcome of a construction contract can not be estimated reliably, the contract revenue is recognized only to the extent of the contract costs incurred that are likely to be recoverable.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract. When it is probable that total contract costs will exceed the total contract revenue, the expected loss is recognized as an expense immediately.

The Company uses the 'percentage of completion method' to determine the appropriate amount to be recognized in a given period. The stage of completion is measured as reference to the contract costs incurred up to the balance sheet date as a percentage of the total estimated costs for each contract. Costs incurred in the year in connection with future activities on a contract are excluded from contract costs in determining the stage of completion. Costs are presented as inventories, prepayments or other assets, depending on their nature.

The Company represents the gross amount due from customers for contract work for all contracts in progress for which the costs incurred plus recognized losses exceed the progress billings. Progress invoices not yet paid by customers and retention are included within 'trade and other receivables'.

The Company presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognized profits (less recognized losses).

3.11 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.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.12 Income tax

The Company provides for taxation liabilities in accordance with Croatian law and regulations.

Profit or loss for the year includes current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly to equity, in which case it is recognized in equity.

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences in relation to investments in subsidiaries as far as they will likely not reverse in the foreseeable future. No temporary differences are recognized on the initial recognition of goodwill. The amount of deferred tax provided is based on the expected manner of the realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.13 Trade and other payables

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

3.14 Borrowing costs

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

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial time to get ready for their intended use or sale, form part of the cost of that asset.

Revenues from investment of borrowings before their use are credited from borrowing costs eligible for capitalization.

Other borrowing costs are recognized as an expense.

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

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.15 Employee benefits

(a) Pension obligations and post-employment benefits

In the normal course of business through salary deductions, the Company 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.

(b) Termination benefits

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

3.16 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been estimated reliably.

Where 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 recognized 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 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 specific risks of the obligation. The increase in provision due to passage of time is recognized as interest expense.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.17 Revenue recognition

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

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

(i) Sales of goods

Sales of goods are recognized when the Company has delivered products to the customer, the customer has accepted the products and the collectability of the related receivables is reasonably assured.

(ii) Services

The Company generates revenue from the provision of services. Sales of services are recognized in the period in which the services are rendered according to the level of completion on the basis of the actual service provided as a proportion of the total services to be provided.

(iii) Financial income

Financial income includes interest on invested funds, and changes in the fair value of financial assets and foreign exchange gains. Interest income is recognized on a time-share basis using the effective interest method. Dividends are recognized when they are declared.

(iv) Revenue from construction contracts

Revenue from construction contracts consists of initially agreed amount increased by variations from contracted work, complaints and other incentives when it is probable that the contract will be profitable and the profits will be measurable. When the outcome of a construction contract can be estimated reliably, contract revenue and expenses related to construction contract are recognized as income and expenses on the basis of percentage of completion.

Percentage of completion is determined based on the overview of the work done by the reporting date. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. Expected loss from construction contract is recognized in profit or loss immediately. The management considers that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15.

3.18 Value added tax

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

3.19 Changes in accounting policies and disclosures

Initial application of new amendments to existing standards effective in the current reporting period

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **IFRS 9 "Financial Instruments"**, adopted by the European Union on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 15 "Revenue from Contracts with Customers"** and amendments to IFRS 15 "Effective date of IFRS 15", adopted by the European Union on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 2 "Share-based Payment"** - "Classification and Measurement of Share-based Payment Transactions", adopted by the European Union on 27 February 2018 (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 4 "Insurance Contracts"** – "Applying IFRS 9 'Financial Instruments' with IFRS 4 "Insurance Contracts'", adopted by the European Union on 3 November 2017 (effective for annual periods beginning on or after 1 January 2018 or for periods when an entity first applies IFRS 9 "Financial Instruments"),
- **Amendments to IFRS 15 "Revenue from Contracts with Customers"** – Clarifications to IFRS 15 "Revenue from Contracts with Customers", adopted by the European Union on 31 October 2017 (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IAS 40 "Investment Property"** - "Transfers of Investment Property", adopted by the EU on 14 March 2017 (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 1 and IAS 28 "Improvements to IFRSs (cycle 2014-2016)"** resulting from the annual improvement project of IFRSs (IFRS 1, IFRS 12, and IAS 28), primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 7 February 2018 (amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018),
- **IFRS 22 "Foreign Currency Transactions and Advance Consideration"**, adopted by the European Union on 28 March 2018 (effective for annual periods beginning on or after 1 January 2018),

The adoption of these amendments to the existing standards has not led to any material changes in the Company's financial statements.

3.19 Changes in accounting policies and disclosures (continued)

Impact of initial application of IFRS 9 Financial Instruments

In the current year, the Company has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives which right Company has used.

Additionally, the Company adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for 2018.

IFRS 9 introduced new requirements for:

1) The classification and measurement of financial assets and financial liabilities,
2) Impairment of financial assets, and
3) General hedge accounting.

Details of these new requirements as well as their impact on the Company's unconsolidated financial statements are described below.

The Company has calculated the effect of initial application of IFRS 9 in accordance with the transition provisions set out in IFRS 9.

a) *Classification and measurement of financial assets*

The date of initial application (i.e. the date on which the Company has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 January 2018. Accordingly, the Company has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

3.19 Changes in accounting policies and disclosures (Continued)

Impact of initial application of IFRS 9 Financial Instruments (continued)

Despite the aforegoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and
- the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

In the current year, the Company has not designated any debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment. See paragraph (b) below.

Management of the Company reviewed and assessed the Company's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 did not have an impact on financial assets of the Company in respect of classification and measurement.

Based on analysis, Company has concluded that given loans do not contain clauses that would cause failure in cash flow test. Given loans have fixed interest rate and this interest reflects time value of money. Consequently, there are no loans that would be measured at fair value through profit or loss. More precisely, Company measures all financial assets based on amortized cost.

b) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Company to recognise a loss allowance for expected credit losses on:

(1) Debt investments measured subsequently at amortised cost or at FVTOCI;
(2) Lease receivables;
(3) Trade receivables and contract assets; and
(4) Financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

3.19 Changes in accounting policies and disclosures (Continued)

Impact of initial application of IFRS 9 Financial Instruments (continued)

In particular, IFRS 9 requires the Company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Company is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances. Company applies simplified approach for receivables.

Oveview of initial application of IFRS 9:

	(i)	(ii)	(iii)	(iv) = (i) + (ii) + (iii)	(v) = (iii)
	IAS 39 1.1.2018. book value	Reclassification	Re-measurement	IFRS 9 book value	Impact on retained earnings
Financial assets	(in HRK thousand)	(in HRK thousand)	(in HRK thousand)	(in HRK thousand)	(in HRK thousand)
Amortised cost	-	-	-	-	-
Receivables	-	-	2,153	2,153	2,153
Impact of recognition of deferred taxes	-	-	(387)	(387)	(387)
Total					**1,766**

c) Classification and measurement of financial liabilities

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

The Company has no financial liabilities that are measured at fair value through profit or loss.

3.19 Changes in accounting policies and disclosures (Continued)

Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

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

- **IFRS 16 "Leases"**, adopted by the European Union on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IFRS 9 "Financial Instruments"** – "Prepayment Features with Negative Compensation", adopted by the European Union on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019),
- **IFRIC 23 "Uncertainty over Income Tax Treatments"** – adopted by the European Union on 23 October 2018 (effective for annual periods beginning on or after 1 January 2019).

The Company has decided not to adopt these new standards and amendments to existing standards in advance of their effective dates. The Company anticipates that the adoption of IFRS 16 will not materially affect amounts reported withn the Company's assets and liabilities. However, the effect of applying IFRS 16 cannot be estimated realistically until an exhaustive review has been completed. The Company does not expect that the Amendments to IFRS 9 and IFRIC 23, will have material impact on the financial statements in the period of their initial application.

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards, amendments to the existing standards and new interpretation, which were not endorsed for use in EU as at April 2019 (the effective dates stated below is for IFRS in full):

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU (continued)

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to IFRS 3 "Business Combinations"** – Defining business operations (effective for business combinations with the acquisition date on or after the start of the first annual reporting period starting on or after 1 January 2020 and obtaining funds on or after the starting date of the relevant period).
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** – "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),

3.19 Changes in accounting policies and disclosures (Continued)

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

- **Amendments to IAS 1 "Presentation of financial statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** – Definition of Material (effective for annual periods starting on or after 1 January 2020),
- **Amendments to IAS 19 "Employee Benefits"** – "Plan Amendment, Curtailment or Settlement"(effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IAS 28 "Investments in Associates and Joint Ventures"** – "Long-term Interests in Associates and Joint Ventures" (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to various standards entitled "Improvements to IFRS Standards 2015-2017 Cycle"** resulting from the annual IFRS improvement project (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily aimed at eliminating inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to Conceptual Framework for IFRS (effective for annual periods beginning on or after 1 January 2020).**

According to the Company's estimates, the adoption of relevant new accounting standards and amendments to existing standards would not materially affect their financial statements.

Hedge accounting in a portfolio of financial assets and liabilities whose policies have not been adopted in EU remains unregulated.

According to Company estimates, the application of hedge accounting of financial assets or liabilities in accordance with IAS 39: "Financial Instruments: Recognition and Measurement" would not have a significant impact on the financial statements if applied at the balance sheet date.

NOTE 4 – KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

Key accounting estimates and judgments on the application of accounting policies

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. Below are 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.

Useful life of tangible assets

The Company reassesses the estimated useful life of tangible assets. Based on the assessment and the fact that technical innovations were initiated in the previous period, the Company has changed the useful life of the assets. The Company reassessed the estimated useful life of the aforementioned assets earlier on 1 January 2014. The useful lives will be periodically reassessed if any changes in circumstances occur. Changes in estimates, if any, will be reflected prospectively through the change in depreciation over the remaining useful life.

Recoverable amount of trade and other receivables

The recoverable amount of the receivables is estimated as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. Short term receivables without the rate are valued at the original amount if the discounting effect is not significant. Unadjusted trade receivables over 365 days mainly relate to receivables from related companies on which interest is accrued. Subsidiaries in Serbia have contracted or are in the process of signing contracts for a significant number of projects, and the collection of receivables to the parent company is expected in accordance with the dynamics of realization of these projects.

Impairment of inventories

Inventories are estimated at each reporting date and are impaired based on estimated sales and aging structure. The calculation of impairment of inventories is based on the date of the last sale and turnover. Management has determined impairment of individual inventory items with respect to the aging structure.

Legal claims and disputes

Provisions for legal claims and disputes are recorded based on Management's best estimate of probable losses after consultation with legal counsel.

Government grants

Government grants are recognized when there is reasonable assurance that the Company will comply with the terms attaching to them; and the grants will be received. Receipt of a grant does not provide conclusive evidence that the conditions attached to the grant have been or will be fulfilled.

Recognition of deferred tax assets

In determining future taxable profits and the amount of tax benefits that are likely to be utilized in the future, Management of the Company makes judgments and estimates based on taxable profits from previous years and expectations of future income that are believed to be reasonable under the existing circumstances. Deferred tax assets represents the taxable profit and is expressed in the statement of financial position. Deferred tax assets are recognized to the extent of tax benefit that is probable to be achieved.

NOTE 5 –REVENUE

	2018	2017
	(in HRK thousand)	
Foreign sales	177,398	177,313
Domestic sales	215,207	165,732
Revenues from construction services	93,025	40,741
	485,630	**383,786**

NOTE 6 – OTHER OPERATING INCOME

	2018	2017
	(in HRK thousand)	
Revenue from subsequent cancellation of inventory write-off*	-	12,179
Income from liabilities write-off	1,293	1,089
Revenue from post-paid claims**	18,799	-
Other operating income	9,697	962
	29,789	**14,230**

* The Company's business policy is that at the end of each year the inventory value of inventories is reduced to net recoverable value. In 2017, revenue from subsequent write-off of inventories was recognized as a result of the increase in sales prices in certain markets.

** In 2018 the Company succeeded in collecting claims for quality deficient raw materials and machines purchased.

NOTE 7 – MATERIAL EXPENSES

	2018	2017
	(in HRK thousand)	
Raw materials	186,088	123,637
Fuel and energy	11,829	11,794
Small inventory and spare parts	953	909
Raw materials and supplies	**198,870**	**136,340**
Cost of goods sold	**70,487**	**65,991**
Intellectual services	6,791	6,996
Transport services	6,748	6,631
Treatment preparation and processing	9,013	6,604
Utilities	1,882	2,012
Cost of postage, telephone, internet and similar	754	721
Other external expenses	16,868	6,152
Other expenses	**42,056**	**29,116**
Total material expenses	**311,413**	**231,447**

Other external costs relate to subcontractor services for HRK 12,107 thousand (2017: HRK 1,566 thousand), rental expenses in the amount of HRK 1,905 thousand (2017: HRK 1,920 thousand).

NOTE 8 – EMPLOYEE COSTS

	2018	2017
	(in HRK thousand)	
Net salaries	47,371	38,210
Taxes and contributions from salaries	17,312	13,849
Contributions on salaries	9,513	7,313
Other staff costs	10,827	6,387
	85,023	**65,759**

As at 31 December 2018 the Company had 742 employees (2017: 745).

NOTE 9 – OTHER OPERATING EXPENSES

	2018	2017
	(in HRK thousand)	
Banking charges	6,945	2,637
Dependent costs of import duties	111	1,472
Field addition	1,389	1,431
Insurance	557	850
Loss of revaluation of land, property, plant and equipment	-	478
Impairment of trade receivables	3,379	335
Other expenses	5,026	3,462
	17,407	**10,572**

NOTE 10 – FINANCIAL INCOME

	2018	2017
	(in HRK thousand)	
Foreign exchange gains	6,035	7,288
Interest income	969	78
Other financial income	201	223
	7,205	**7,589**

NOTE 11 – FINANCIAL EXPENSES

	2018	2017
	(in HRK thousand)	
Interest expense	10,951	14,592
Foreign exchange losses	3,821	4,736
Other financial expenses	51	373
	14,823	**19,701**

NOTE 12 – INCOME TAX

	2018	2017
	(in HRK thousand)	
Profit before tax	82,871	58,581
Income tax at tax rate 18%	14,917	10,631
Non-deductible expenses	612	299
Effects of non taxable revenue	(87)	(362)
Effect of incentives (tax benefit)	(15,441)	(10,568)
Tax income	-	-

Tax incentives and temporary differences not recognized as deferred tax assets

The Company uses tax incentives in accordance with the Investment Incentives Act and was approved of incentives based on the investment in a new factory in Knin. From the total amount of incentives received in the form of tax incentive in the amount of HRK 151,100 thousand, the Company used a total of HRK 103,848 thousand until 31 December 2018, out of which HRK 85,441 thousand relates to reduction of income tax liabilities. In the period from 1 January 2019 to 31 December 2019, the Company may use this subsidy up to a maximum of HRK 47,252 thousand. The Company did not recognize deferred tax assets related to tax incentives and temporary differences.

In accordance with the tax regulations, the tax administration may at any time review Comppany's records for a period of three years after the expriation of the year in which the tax liability is reported and may impose additional tax liabilities and penalties.
The Management is not aware of any circumstances that could lead to significant liabilities based on above mentioned supervision.

Movement of deferred tax assets is as follows:

	2018	2017
	(in HRK thousand)	
As at 1 January	-	-
Impact of IFRS 9 – impact on retained earnings	387	-
Increase	275	-
As at 31 December	**662**	**-**

Movement of deferred tax liability is as follows:

	201.	2017
	(in HRK thousand)	
As at 1. January	**(56,347)**	**-**
Recognition (which debited equity)	-	(56,347)
Release (included in statement of profit or loss)	1,716	-
As at 31. December	**(54,631)**	**(56,347)**

	2018	2017
	(in HRK thousand)	
Total income tax	**1,991**	**-**

Deferred tax liability was incurred on the basis of revaluation of assets as described in Notes 13 and 19b.

NOTE 13 – PROPERTY, PLANT AND EQUIPMENT

(in HRK thousand)	Land	Buildings	Infrastructure	Vehicles	Tools	Eletronical equipment and other assets	Plant and equipment and other plant inventoy	Assets under construction and advances	Total
Cost or revalued value									
1 January 2017	**9,050**	**107,646**	**150,582**	**13,532**	**962**	**3,439**	**130,693**	**30,587**	**446,491**
Additions	-	-	-	2,210	-	156	9,035	11,286	22,687
Revaluation	16,335	177,569	-	-	-	-	119,137	-	313,041
Disposals	-	-	-	(588)	-	(12)	(175)	(7,261)	(8,036)
Transfer	-	42,834	(68,325)	-	(883)	-	26,374	-	-
31 December 2017	**25,385**	**328,049**	**82,257**	**15,154**	**79**	**3,583**	**285,064**	**34,612**	**774,183**
At 1 January 2018	25,385	328,049	82,257	15,154	79	3,583	285,064	34,612	774,183
Additions	-	344	-	1,623	172	208	2,887	22,118	27,352
Revaluation	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	(300)	-	(9)	(1,291)	(4,686)	(6,286)
At December 2018	**25,385**	**328,393**	**82,257**	**16,477**	**251**	**3,782**	**286,660**	**52,044**	**795,249**
Accumulated depreciation									
At 1 January 2017	**-**	**24,471**	**7,228**	**8,864**	**883**	**2,507**	**64,730**	**-**	**108,683**
Depreciation for the year	-	3,354	2,013	626	-	244	11,863	-	18,100
Decrease based on revaluation	45	413	-	-	-	-	-	-	458
Disposals	-	-	13	(538)	(813)	(7)	642	-	(703)
At 31 December 2017	**45**	**28,238**	**9,254**	**8,952**	**70**	**2,744**	**77,235**	**-**	**126,538**
At 1 January 2018	**45**	**28,238**	**9,254**	**8,952**	**70**	**2,744**	**77,235**	**-**	**126,538**
Depreciation for the year	-	6,232	1,557	746	-	244	10,035	-	18,814
Disposals	-	-	-	(255)	(45)	(8)	(89)	-	(397)
At 31 December 2018	**45**	**34,470**	**10,811**	**9,443**	**25**	**2,980**	**87,181**	**-**	**144,955**
Net book value									
At 31 December 2017	**25,340**	**299,811**	**73,003**	**6,202**	**9**	**839**	**207,829**	**34,612**	**647,645**
At 31 December 2018	**25,340**	**293,923**	**71,446**	**7,034**	**226**	**802**	**199,479**	**52,044**	**650,295**

NOTE 13 – PROPERTY, PLANT AND EQUIPMENT (continued)

Land, buildings and equipment of the Company with a net book value of HRK 43,149 thousand (2017: HRK 45,641 thousand) are secured against bank loans received by the Company.

During 2018, the Company reviewed the estimated useful life of buildings and machinery and equipment, and made adjustments in accordance with the new estimated useful life, resulting in lower depreciation expense in 2018, amounting to HRK 15,894 thousand.

The equipment under finance lease, where the Company is the lessee, has the carrying amount as follows:

	31 December 2018	31 December 2017
	(in HRK thousands)	
Cost of equipment under finance lease	10,806	9,396
Accumulated depreciation	(939)	(921)
Net book value	**9,867**	**8,475**

NOTE 14 – LONG TERM FINANCIAL ASSETS

	31 December 2018	31 December 2017
	(in HRK thousands)	
Investment in unregistered capital of DIV Brodogradnja d.o.o.	53,378	53,378
Investment in subsidiaries	41,464	41,478
Other investments	34	34
	94,876	**94,890**

NOTE 14 – LONG TERM FINANCIAL ASSETS (continued)

The table below shows the Company´s investments in its subsidiaries:

		Share of Ownership and Voting Rights	31 December 2018	31 December 2017
			(in HRK thousand)	
MIN-DIV Svrljig d.o.o., Svrljig	Srbija	86.45%	30,651	30,651
DIV Betonski pragovi d.o.o., Svrljig	Srbija	100%	9,539	9,539
Shangai Vida	Kina	100%	659	659
TVIK-DIV d.o.o. Valjevo	Srbija	100%	179	179
MARINE CONSALTING d.o.o.	Hrvatska	50%	60	60
DIV d.o.o., Sarajevo	BiH	100%	31	31
DIV Brodogradnja d.o.o.	Hrvatska	100%	20	20
DIV CRUISES, INC.	SAD	100%	17	17
BRODOSPLIT ALATNICA d.o.o.	Hrvatska	70%	14	14
BRODOSPLIT ATEST d.o.o.	Hrvatska	70%	14	14
BRODOSPLIT AUTOMATIZACIJA d.o.o.	Hrvatska	70%	14	14
BRODOSPLIT BRAVARIJA I LIMARIJA d.o.o.	Hrvatska	70%	14	14
BRODOSPLIT CJEVARSKA IZRADA d.o.o.	Hrvatska	70%	14	14
BRODOSPLIT ČIŠĆENJE d.o.o.	Hrvatska	70%	14	14
BRODOSPLIT INFORMATIKA d.o.o.	Hrvatska	70%	-	14
BRODOSPLIT- INTERIJERI I ZAVRŠNI RADOVI d.o.o.	Hrvatska	70%	14	14
BRODOSPLIT KORPOR ATIVNA ZAŠTITA d.o.o.	Hrvatska	70%	14	14
BRODOSPLIT LABORATORIJ d.o.o.	Hrvatska	70%	14	14
BRODOSPLIT LJEVAONICA d.o.o.	Hrvatska	70%	14	14
BRODOSPLIT LJUDSKI RESURSI d.o.o.	Hrvatska	70%	14	14
BRODOSPLIT NAMJEŠTAJ PO MJERI d.o.o.	Hrvatska	70%	14	14
BRODOSPLIT OBLAGANJE d.o.o.	Hrvatska	70%	14	14
BRODOSPLIT ODRŽ V NJE d.o.o.	Hrvatska	70%	14	14
BRODOSPLIT OPTIMIZACIJA I EKOLOGIJA d.o.o.	Hrvatska	70%	14	14
BRODOSPLIT PLOVNE DIZALICE d.o.o.	Hrvatska	70%	14	14
BRODOSPLIT PRIVREMENA ENERGETIKA d.o.o.	Hrvatska	70%	14	14
BRODOSPLIT RAČUNOVODSTVO I FINANCIJE d.o.o.	Hrvatska	70%	14	14
BRODOSPLIT SKELA d.o.o.	Hrvatska	70%	14	14
BRODOSPLIT STROJNA OBRADA d.o.o.	Hrvatska	70%	14	14
BRODOSPLIT - Brodska i ostala oprema d.o.o.	Hrvatska	70%	14	14
MARINE AND ENERGY SOLUTIONS DIV d.o.o.	Hrvatska	50%	10	10
BRODOSPLIT ISTRAŽIVANJE I RAZVOJ d.o.o.	Hrvatska	70%	2	3
BRODOSPLIT SERVIS BRODOVA d.o.o.	Hrvatska	70%	1	1
DIV UČILIŠTE	Hrvatska	100%	1	-
			41,464	**41,478**

NOTE 15 – SHORT TERM FINANICAL ASSETS

	31 December 2018	31 December 2017
	(in HRK thousand)	
Given loans, deposits and similar	396	375
Given loans to related parties	41.880	177
Impairment of given loans	(601)	-
	41,673	**552**

Movements in impairment of receivables for the given loans were as follows:

	2018.	2017.
	(in HRK thousand)	
At 1 January 2018	**-**	**-**
Increase in expected credit losses (IFRS 9)	601	-
At 31 December 2018	**601**	**-**

NOTE 16 – INVENTORIES

	31 December 2018	31 December 2017
	(in HRK thousand)	
Merchandise	89,746	111,477
Allowance for inventory	*(11,027)*	*(6,323)*
	78,718	**105,154**
Finished goods	108,992	104,408
Allowance for inventory	*(7,051)*	*(10,175)*
	101,942	**94,333**
Raw materials and supplies	24,545	30,784
Allowance for inventory	*(1,207)*	*(1,749)*
	31,570	**36,856**
Prepayments for inventories	24,545	30,784
Work in progress	18,923	18,805
	255,698	**285,932**

NOTE 16 – INVENTORIES (CONTINUED)

Movements in impairment of inventories were as follows:

	2018	2017
	(in HRK thousand)	
At 1 January 2018	**18,247**	**30,426**
Increase	19,285	18,247
Decrease	(18,247)	(30,426)
At 31 December 2018	**19,285**	**18,247**

NOTE 17 – TRADE AND OTHER RECEIVABLES

	31 December 2018	31 December 2017
	(in HRK thousand)	
Receivables from related parties	167,277	81,300
Trade receivables	47,812	29,278
Imapirment of trade receivables	(7,142)	(5,310)
	207,947	**105,268**
Receivables from construction contracts (Note 23)	52,766	21,519
Receivables through cession and assignment	1,804	9,919
Receivables for pre tax	6,895	4,326
Receivables for given guarantees	9,501	3,760
Receivables for penalty interest	485	177
Receivables from state grants	123	-
Other receivables	7,357	14,762
	78,930	**54,463**
Impairment allowance of trade and other receivables according to IFRS 9	(3,081)	-
	283,799	**159,731**

Movements in impairment of trade receivables were as follows:

	2018	2017
	(in HRK thousand)	
As at 1 January	**5,310**	**5,266**
Increase	1,847	100
Expected credit loss (IFRS 9) - First-time adoption	2,153	-
Increase in expected credit loss (IFRS 9)	931	-
Collected previously impaired receivables	(10)	(19)
Write-off (foreign currency differences)	(8)	(37)
As at 31 December	**10,223**	**5,310**

Impairment losses on customer receivables are disclosed in Note 9 Other Expenses.

NOTE 17 – TRADE AND OTHER RECEIVABLES *(continued)*

The ageing structure of trade receivables is as follows:

	Gross receivables	Impairment of receivables	Net receivables
	(in HRK thousand)		
Not due and not impaired	**37,950**		**37,950**
Past due:		**(7,142)**	
To 30 days	20,606		20,606
31 - 90 days	44,570		44,570
91-180 days	25,367		25,367
181-365 days	16,410		16,410
Above 365 days	70,186	**(7,142)**	63,044
Total	**215,089**	**(7,142)**	**207,947**

Trade receivables, which are past due for more than 365 days and not impaired, mainly relate to intercompany receivables. Subsidiaries in Serbia have contracted or are in the process of signing contracts for a significant number of projects, and collection of receivables by the parent company is expected in accordance with the dynamics of these projects.

NOTE 18 – CASH AND CASH EQUIVALENTS

	31 December 2018	31 December 2017
	(in HRK thousand)	
Cash at banks	16,020	1,172
Petty cash	52	56
	16,072	**1,228**

Cash at banks refers to cash accounts in commercial banks.

NOTE 19 – SHARE CAPITAL

19a Share capital

	31 December 2018	31 December 2017
	(in HRK thousand)	
Share capital	245,737	245,737
	245,737	**245,737**

The ownership structure is as follows:

	Share
Tomislav Debeljak	50%
Vjera Debeljak	25%
Božidar Debeljak	25%
	100%

19b Revaluation reserves

On December 31, 2017, the Company carried out revaluation of land, property and equipment. Revaluation was carried out based on valuations made by an authorized valuation company, Centar za vještačenje i procjene d.o.o. and experts Mr. Krešimir Kršul and Mr. Davor Savić.

In accordance with International Accounting Standard 16 "Property, plant and equipment" (IAS 16) and the accounting policies of the Company, the revalued value of land, property, plant and equipment represents the difference between the net book value of land, real property, plant and equipment as of 31 December 2018 and the estimated value of land, property, plant and equipment.

The movement of the revaluation reserve is shown as follows:

	2018.	2017.
At 1 January 2018	256,694	-
Increase in revaluation reserves	-	256,694
Decrease of revaluation reserve for depreciation charge	(7,821)	-
At 31 December 2018	**248,873**	**256,694**

19c Other reserves

Changes to other reserves	2018,	2017,
At 1 January 2018		-
Arising from the merger of Brodosplit-Projekti d.o.o.	471	471
At 31 December 2018	**471**	**471**

19d Retained profit

Changes in retained earnings	2018,	2017,
At 1 January 2018	162,400	103,952
Arising from the merger of Brodosplit-Projekti d.o.o.	-	(133)
Impact of adoption of IFRS 9	(1,766)	-
Decrease of revaluation reserve for depreciation charge	7,821	-
Total comprehensive profit for year	84,862	58,581
At 31 December 2018	**253,317**	**162,400**

NOTE 19 – SHARE CAPITAL (CONTINUED)

On 19 October 2017, the company DIV GRUPA d.o.o. merged the company Brodosplit-Projekti d.o.o. With the merger, the company DIV GRUPA, d.o.o., has obtained other reserves of HRK 471 thousands related to the value of the share capital of Brodosplit-Projekti d.o.o., decreased by the value of the share reported in the balance sheet of the company DIV GRUPA d.o.o.

Retained earnings of the company DIV GRUPA d.o.o. were decreased for the value of accumulated losses attributable to Brodosplit-Projekti d.o.o. at the time of the merger in the amount of HRK 133 thousands.

NOTE 20 – LIABILITIES TOWARDS BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2018	31 December 2017
	(in HRK thousand)	
Non-current liabilities towards banks		
Borrowings	279,104	136,587
Current portion of long term borrowings	(45,349)	(20,866)
Non-current liabilities toward banks	**233,755**	**115,721**
Non-current liabilities toward other financial institutions		
Finance lease	5,365	5,733
Current portion of finance lease	(2,000)	(1,687)
Non-current liabilities of finance lease	**3,365**	**4,046**
Total non-current liabilities towards banks and other financial institutions	**237,120**	**119,767**
Current liabilities towards banks and other financial institutions		
Current liabilities toward banks	18,544	95,136
Current share of long term borrowings	45,349	20,866
Factoring liabilities	-	5,570
Current share of finance lease	2,000	1,687
Total current liabilities towards banks and other financial institutions	**65,893**	**123,259**
Total liabilities towards banks and other financial institutions	**303,013**	**243,026**

NOTE 20 – LIABILITIES TOWARDS BANKS AND OTHER FINANCIAL INSTITUTIONS (CONTINUED)

Maturity of borrowings at the reporting date is as follows:

	31 December 2018	31 December 2017
	(in HRK thousand)	
Maturity up to 6 months	41,218	85,523
Maturity from 6 months to 1 year	22,675	30,479
Maturity from 1 year to 2 years	45,349	31,475
Maturity from 2 years to 5 years	136,047	69,219
Maturity over 5 years	52,359	15,027
	297,648	**231,723**

Maturity of finance lease at the reporting date is as follows:

	2018		
	(in HRK thousand)		
	Principal	Interest	Total
Up to 1 year	2,000	219	2,219
1 - 2 years	1,764	118	1,882
2 - 5 years	1,601	74	1,675
	5,365	**411**	**5,776**

	2017		
	(in HRK thousand)		
	Principal	Interest	Total
Up to 1 year	1,687	258	1,945
1 - 2 years	1,740	168	1,908
2 - 5 years	2,306	103	2,409
	5,733	**529**	**6,262**

The carrying amount of borrowings is denominated in the following currencies:

	31 December 2018	31 December 2017
	(in HRK thousand)	
EUR	297,648	211,723
Kune	-	20,000
	297,648	**231,723**

As at 31 December 2018, the Company has a short-term credit limit in a commercial bank regarding guarantees, overdrafts and letters of credit in the amount of HRK 67,648 thousand (31 December 2017: HRK 29,298 thousand) out of which, HRK 4,467 thousand was unused as at 31 December 2018 (31 December 2017: HRK 10,031 thousand).

NOTE 20 – LIABILITIES TOWARDS BANKS AND OTHER FINANCIAL INSTITUTIONS (CONTINUED)

Bank loans

Bank loans in the amount of HRK 204,929 thousand carry fixed interest rate of 3.5% on an annual basis and bank loans in the amount of HRK 92,749 thousand carry a fixed interest rate of 4% (2017: HRK 12,592 thousand bank loans with variable interest rates and HRK 219,131 thousand with fixed interest rates from 2% to 4%).

Finance lease

Finance lease relates to motor vehicles and equipment

Securities

All banks have secured their loans with disclosed pledge over Company's land, buildings, plant and equipment as disclosed in the note 13.

NOTE 21 – TRADE AND OTHER PAYABLES

	31 December 2018	31 December 2017
	(in HRK thousand)	
Trade payables foreign	80,976	67,976
Trade payables to related parties	50,977	59,922
Trade payables domestic	32,002	22,758
Received advances	49,173	30,518
Accrued liabilities for goods in transit	5,810	16,874
Loan liabilities towards owners	43	12,503
Liabilities toward employees	4,404	4,309
Liabilities for taxes, contributions and similar	7,459	3,495
Other short term liabilities	5,284	4,100
	236,128	**222,455**

NOTE 22 – PROVISIONS

	1 January 2018	Recognized in profit and loss	Used during	31 December 2018
		(in HRK thousand)		
Legal cases provisions	1,481	420	(1,481)	420
Other provisions	2,069	1,798	(2,069)	1,798
	3,550	**2,218**	**(3,550)**	**2,218**

NOTE 23 – CONSTRUCTION CONTRACTS

(in HRK thousand)	2018	2017
Contract cost incurred up to reporting date	129,758	64,708
Recognized losses until the reporting date	(670)	(670)
	129,758	64,038
Less: Invoicing in progress and advances received	(76,992)	(42,519)
	52,766	**21,519**
Receivables from the customer for contracted work	**52,766**	**21,519**
Reclassified to accrued revenue	**52,766**	**21,519**
Revenue from construction contracts recognized untill reporting date	162,666	74,164
Less: Revenues from construction contracts recognized in previous periods	(74,164)	(33,423)
	88,502	**40,741**

NOTE 24 – RISK MANAGEMENT

Capital risk management

Net debt to equity ratio (gearing ratio) at reporting date is as follows:

	31 December 2018	31 December 2017
	(in HRK thousand)	
Debt	303,013	243,026
Cash and cash equivalents	(16,072)	(1,228)
Net debt	**286,941**	**241,798**
Equity	748,398	665,301
Debt to equity ratio	38%	36%

The debt is defined as a liability for long-term and short-term loans, financial leases and factoring without debt to affiliated parties. The principal includes all capital and all reserves.

The Company is exposed to the international market and is largely financed through loans denominated in EUR. As a result, the Company is subject to the influence of changes in market prices and the effect of exchange rate differences and interest rate changes. The Company achieves almost 50% of its revenue through the export of goods overseas, so foreign currency inflows are used as a natural hedge that covers foreign currency outflows for repurchase and repayment of denominated foreign currency loans. Furthermore, the average time from the order date to the delivery of the goods is 10 days, so there is no significant risk of changes in the cost of production compared to the selling price. On average, the company performs 100 deliveries per day that are dispersed to customers in all branches of industry so that market risk is minimal. Regarding changes in raw material prices, the market responds promptly to changes in raw material prices, and because of consistent and constant customer acceptance, this risk is minimized. Strategic suppliers of reproduction materials have achieved commercial conditions that allow the Company to defer payment up to 180 days. Given that the price of raw material is seasonal, low-priced periods are used to optimize procurement costs.

NOTE 24 – RISK MANAGEMENT (continued)

Capital risk management (continued)

Financial instruments are presented by category in the table below:

	31 December 2018	31 December 2017
	(in HRK thousand)	
Financial assets at amortized cost		
Given loans	41,673	552
Trade receivables and other receivables	283,798	160,272
Cash and cash equivalents	16,072	1,228
	341,543	**162,052**
Financial liabilities at amortized cost		
Finance lease	5,365	5,733
Factoring	-	5,570
Borrowings	297,648	231,723
Trade and other payables	236,128	222,455
	539,141	**465,481**

Financial risk management

Fair value of financial instruments

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

- The fair value of financial assets and financial liabilities traded on active liquid markets, under standard conditions, is determined at the prices quoted on the market;
- The fair value of other financial assets and other financial liabilities is determined in accordance with pricing models based on the analysis of discounted cash flows using prices from well-known market transactions and prices offered for similar instruments.

Financial instruments held to maturity in the normal course of business are recognized at cost or the net amount decreased for the repayment period. Fair value is determined as the amount by which the financial instrument can be traded between voluntary expertise parties under market conditions, except in the case of forced or liquidation. The fair value of a financial instrument is the one quoted on the securities market or the one obtained by using the discounted cash flow method.

As at 31 December 2018, the reported amounts of cash, short-term deposits, receivables, short-term liabilities, accrued expenses, short-term borrowings and other financial instruments correspond to their market value because of the short-term nature of these assets and liabilities and because most current assets and current liabilities carries variable interest rates.

At reporting dates, the book value of bank and other loans is approximate to their fair value since most of these loans carry a variable interest rate or a fixed interest rate that approximates current market interest rates.

Liquidity risk management

The liquidity risk management is responsibility of the Management, which sets the appropriate liquidity risk management framework, with the aim of managing short, medium and long-term financing and liquidity requirements.

The Company manages the liquidity risk by following the net short term position and addressing the expected liquidity deficits.

The above-mentioned activities and activities described in Note 2 Going concern, in the opinion of the Management should be sufficient to provide sufficient liquidity for the repayment of future debt

NOTE 24 – RISK MANAGEMENT (continued)

Liquidity risk management (continued)

Liquidity risk analysis

The tables below show contractual maturities of financial liabilities and financial assets of the Company as reported in the statement of financial position at the end of each reporting period. The tables are made on the basis of undiscounted cash flows to maturity. The interest rate is shown in Note 20.

Liabilities

As at 31 December 2018	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	Over 5 years
			(in HRK thousand)			
Non-interest bearing liabilities						
Other liabilities	72,240	72,240	72,240	-	-	-
Trade payables	163,888	163,888	163,888	-	-	-
	236,128	**236,128**	**236,128**	**-**	**-**	**-**
Interest bearing liabilities						
Finance lease	5,365	5,777	2,219	1,882	1,676	-
Factoring	-	-	-	-	-	-
Borrowings	297,648	329,538	72,957	53,362	149,933	53,286
	303,013	**335,315**	**75,176**	**55,244**	**151,609**	**53,286**
	539,141	**571,443**	**311,304**	**55,244**	**151,609**	**53,286**

As at 31 December 2017	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	Over 5 years
			(in HRK thousand)			
Non-interest bearing liabilities						
Other liabilities	71,799	71,799	71,799	-	-	-
Trade payables	150,656	150,656	150,656	-	-	-
	222,445	**222,445**	**222,445**	**-**	**-**	**-**
Interest bearing liabilities						
Finance lease	5,733	6,262	1,945	1,908	2,409	-
Factoring	5,570	5,570	5,570	-	-	-
Borrowing	231,723	247,513	122,860	34,946	74,401	15,306
	243,026	**259,345**	**130,375**	**36,854**	**76,810**	**15,306**
	465,481	**481,790**	**352,820**	**36,854**	**76,810**	**15,306**

NOTE 24 – RISK MANAGEMENT (continued)

Liquidity risk management (continued)

Assets

As at 31 December 2018	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	Over 5 years
			(in HRK thousand)			
Non-interest bearing assets						
Receivables – cession and assignation	3,389	3,389	3,389	-	-	-
Other receivables	77,126	77,126	77,126	-	-	-
Trade receivables	203,283	203,283	203,283	-	-	-
	283,798	**283,798**	**283,798**	**-**	**-**	**-**
Interest bearing assets						
Given loans	41,673	41,673	41,673	-	-	-
Cash and cash equivalents	16,072	16,072	16,072	-	-	-
	57,745	**57,745**	**57,745**	**-**	**-**	**-**
	341,543	**341,543**	**341,543**	**-**	**-**	**-**

As at 31 December 2017	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	Over 5 years
			(in HRK thousand)			
Non-interest bearing assets						
Receivables – cession and assignation	9,919	9,919	9,919	-	-	-
Other receivables	45,085	45,085	45,085	-	-	-
Trade receivables	105,268	105,268	105,268	-	-	-
	160,272	**160,272**	**160,272**	**-**	**-**	**-**
Interest bearing assets						
Given loans	552	552	552	-	-	-
Cash and cash equivalents	1,228	1,228	1,228	-	-	-
	1,780	**1,780**	**1,780**	**-**	**-**	**-**
	162,052	**162,052**	**162,052**	**-**	**-**	**-**

NOTE 24 – RISK MANAGEMENT (continued)

Interest risk management

The Company is exposed to interest rate risk since it is borrowed both at fixed and variable interest rates. Variable interest rates that were applicable to the relevant portion of the Company's borrowings at the reporting date are based on the following:

	2018	2017
	(in HRK thousand)	
Bank loans based on EURIBOR	-	12,592
Finance lease based on EURIBOR	-	41
	-	**12,633**

Interest risk sensitivity analysis

The sensitivity analysis below is based on exposure to interest rate risk at the reporting date. For variable interest rates, the analysis was prepared in such a way as to calculate the effect of a reasonably possible increase in interest rates on borrowing with variable interest rates on the expected contractual cash flows of such borrowings in relation to those calculated using the interest rate applicable at the end of the current reporting period. In internal reporting of interest rate risk to key management, an increase / decrease of 50 basis points is used which represents a realistic change in interest rates according to the Board's estimates.

The estimated effect of a realistic change in interest rates on the Company's profit before tax for the reporting period is as follows:

	Increase / Decrease variable interest rate	Effect of change on profit before tax in HRK thousand
2018		
HRK	-	-
2017		
HRK	+/-0,5	+/-63

The Company does not currently hedge against interest rate risk as the estimate of the potential effect of interest rate change is not considered significant.

NOTE 24 – RISK MANAGEMENT (continued)

Currency risk management

Certain transaction of the Company are executed in foreign currency and accordingly the Company is exposed to exchange rate risks. Carrying amounts of monetary assets and monetary liabilities denominated in foreign currencies at the reporting date are presented in the table below:

	Liabilities		Assets	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	(in HRK thousand)			
EUR	353,626	260,030	68,918	77,878
USD	30,270	22,844	15,198	11,614
Other currencies	-	-	-	10
	383,896	**282,874**	**84,116**	**89,492**

Currency risk exposure analysis

Due to the fact that the majority of transactions with foreign customers are denominated in Euro and US dollars, the Company is mainly exposed to the fluctuations of the Croatian kuna against the Euro and US dollars. This risk is reduced by purchases in the same currencies.

The following table analyses the Company's sensitivity to increasing the exchange rate of Euro by 1% against Euro and 10% against US dollars as an estimate of the realistic possible increase in the exchange rates of the above-mentioned currencies. The sensitivity analysis includes only outstanding foreign currency denominated items and their conversion at the end of the period based on the percentage change in exchange rates.

Sensitivity analysis includes monetary assets and liabilities in foreign currencies. The negative figure shows a decrease in profit if the Croatian kuna changed in relation to the relevant currency for the above percentages. In case of a reverse proportional change in the value of Croatian kuna compared to the relevant currency, the impact on profit would be the same in the opposite.

	Impact of EUR	
	2018	2017
	(in HRK thousand)	
Effect on net result	+/-2.847	+/-1.822

	Impact of USD	
	2018	2017
	(in HRK thousand)	
Effect on net result	+/-1.507	+/- 1.123

The Company does not use currency risk hedging instruments.

Credit risk management

Credit risk is the risk of non-payment or non-fulfilment of contractual obligations by the Company's customers, which affects Company's possible financial loss.

NOTE 25 – RELATED PARTY TRANSACTIONS

	2018	2017
	(in HRK thousand)	
Revenue from sale of goods and services		
Brodograđevna industrija Split dd	104,946	25,787
P.T.C. Krka Knin d.o.o.	1,155	10,108
Debeljak industrija vijaka d.o.o., Sarajevo, BIH	5,488	6,236
Brodosplit Holding d.o.o.	-	5,072
TVIK - DIV d.o.o., Valjevo, Srbija	3,245	3,948
DIV Betonski pragovi d.o.o., Svrljig, Srbija	7,051	2,967
MIN - DIV a.d., Svrljig, Srbija	938	779
Brodosplit - Brodogradilište specijalnih objekata doo	2,822	566
Brodosplit - Antikorozivna zaštita d.o.o.	-	82
Brodosplit - Metalna oprema i konstrukcije d.o.o.	-	61
Brodosplit - Interijer i završni radovi d.o.o.	7	31
Marine and Energy Solutions d.o.o.	24	28
Brodosplit - Tvornica dizel motora d.o.o.	1	17
Dream one shipping inc.	-	10
Brodosplit - Nemetalna oprema d.o.o.	-	9
DIV Brodogradnja d.o.o.	2	2
Brodosplit - Izolacija d.o.o.	-	1
Brodosplit - Projekt d.o.o.	-	1
Brodosplit – Namještaj po mjeri d.o.o.	43	1
Brodosplit Brodska i ostala oprema d.o.o.	35	-
Brodosplit plovidba d.o.o.	3	-
Brodosplit trup d.o.o.	2	-
Brodosplit zaštita trupa od korozije d.o.o.	7	-
Brodosplit oblaganje d.o.o.	12	-
DIV CRUISE d.o.o.	60	-
DIV CRUISES, INC	33	-
	125,874	**55,706**

	2018	2017
	(in HRK thousand)	
Income from sale of fixed assets		
DIV Betonski pragovi d.o.o., Svrljig, Srbija	-	45
TVIK - DIV d.o.o., Valjevo, Srbija	-	23
Debeljak industrija vijaka d.o.o., Sarajevo, BIH	194	-
	194	**68**

NOTE 25 – RELATED PARTY TRANSACTIONS *(continued)*

	2018	2017
	(in HRK thousand)	
Financial income		
Brodograđevna industrija Split d.d.	741	14
Brodosplit Holding d.o.o.	-	13
DIV Brodogradnja d.o.o.	4	3
DIV CRUISES ltd	4	3
MIN - DIV a.d., Svrljig, Srbija	125	-
P.T.C. Krka Knin d.o.o.	26	-
	900	**33**

	2018	2017
	(in HRK thousand)	
Purchase of goods and services		
P.T.C. Krka Knin d.o.o.	8.691	18,140
DIV Betonski pragovi d.o.o., Svrljig, Srbija	9.440	10,699
TVIK - DIV d.o.o., Valjevo, Srbija	1.912	2,493
Debeljak industrija vijaka d.o.o., Sarajevo, BIH	3.318	1,836
MIN - DIV a.d., Svrljig, Srbija	9.150	1,690
Brodograđevna industrija Split d.d.	28,377	1,055
Brodosplit - Tvornica dizel motora d.o.o.	-	146
Brodosplit - Otpremništvo d.o.o.	87	104
Marine and Energy Solutions d.o.o.	-	11
Brodosplit – Antikorozivna zaštita d.o.o.	-	7
Brodosplit - Brodogradilište specijalnih objekata d.o.o.	3	7
Brodosplit Holding d.o.o.	-	2
DIV CRUISE d.o.o.	47	-
Shanghai Vida industry&Co	311	-
	61,336	**36,190**

	2018	2017
	(in HRK thousand)	
Financial expense – interest		
Brodograđevna industrija Split d.d.	-	615
Brodosplit Holding d.o.o.	-	542
	-	**1,157**

NOTE 25 – RELATED PARTY TRANSACTIONS *(continued)*

	31 December 2018	31 December 2017
	(in HRK thousand)	
Trade receivables (note 17)		
DIV Brodogradnja d.o.o.	33.757	33,754
MIN - DIV a.d., Svrljig, Srbija	11.300	17,062
Brodograđevna industrija Split d.d.	99.357	15,851
TVIK - DIV d.o.o., Valjevo, Srbija	10.141	8,921
Debeljak industrija vijaka d.o.o., Sarajevo, BIH	6.760	4,274
DIV Betonski pragovi d.o.o., Svrljig, Srbija	5.602	1,319
DIV Cruises inc.	165	119
Marine and Energy Solutions d.o.o.	14	-
Marine consulting d.o.o.	2	-
DIV CRUISES d.o.o.	29	-
P.T.C. Krka Knin d.o.o.	150	-
	167,277	**81,300**

	31 December 2018	31 December 2017
	(in HRK thousand)	
Given loans (note 15)		
DIV Cruises inc.	113	90
DIV Brodogradnja d.o.o.	93	87
Brodograđevna industraija Split d.d.	21,976	-
MIN - DIV a.d., Svrljig, Srbija	4,798	-
P.T.C. Krka Knin d.o.o.	14,900	-
	41,880	**177**

	31 December 2018	31 December 2017
	(in HRK thousand)	
Trade payables (note 21)		
Brodograđevna industrija Split d.d.	49,375	49,375
P.T.C. Krka Knin d.o.o.	1,556	10,547
Shanghai Vida industry&Co	46	-
	50,977	**59,922**

	31 December 2018	31 December 2017
	(in HRK thousand)	
Borrowings (note 21)		
Owners	43	12,503
	43	**12,503**

NOTE 25 – RELATED PARTY TRANSACTIONS *(continued)*

Key management renumeration
The key management of the Company is the Board, which consists of three members (2017: 3 members). During 2018 a total of HRK 949 thousand was disbursed to members of the Management (2017: HRK 944 thousand) based on gross salary.

NOTE 26 – CONTINGENT LIABILITIES AND ASSETS

Investment in Brodosplit d.d.

Company has a 99.76% stake in Brodosplit d.d. through DIV Brodogradnja d.o.o.

According to the agreement of sale and transfer of shares of Brodosplit d.d., as of 28 February 2013, contractual obligations relating to the implementation of the restructuring program of Brodosplit d.d. have been defined. Following parts of the restructuring program are considered particularly important: the share of its own contribution in total restructuring costs, adjustment of production shipbuilding capacities of the Company, restriction of production of ships in CGT (compensated gross tonnage) and achieving sustainability; non-fulfilment of which may result in an injunction to Brodosplit d.d. and its subsidiaries for the repayment of all grants received after 1 March 2006, plus statutory default interest.

The share of own contribution implies the obligation of the company Brodosplit d.d. and its subsidiaries in accordance with the restructuring program, in the amount of 40% of total restructuring costs. Part of the total costs were also related to the obligation to increase the share capital by HRK 50 million in portions: the amount of HRK 20 million in 2013, HRK 20 million in 2014 and HRK 10 million in 2015. The stated obligation to increase the share capital is fully met.

Adjustment of production capacities and tonnage-dependent production constraints is defined by the restructuring program and the Agreement on restriction of production. Production levels must not exceed agreed levels untill 31 December 2022.

Achieving sustainability includes the following measures: Maintaining at least 2,000 employees in the company and subsidiaries at the end of each month during the implementation of the restructuring program, maintaining a minimum number of effective hours at a defined level as at 9 June 2017, maintaining a minimum amount of steel at a defined level on 9 June 2017, maintaining the position of capital and reserves at the end of the year, at the end of 2017 at a defined level, and a positive consolidated business at the end of 2016 and 2017.

The Company maintained the above measures until the reporting date and achieved a sustainability condition in accordance with the Contract

NOTE 26 – CONTINGENT LIABILITIES AND ASSETS (continued)

Investment in Min Div Svrljig d.o.o. and DIV betonski pragovi d.o.o.

In the period from 2006 to 2009, the Company increased its share of ownership in the subsidiary company Min Div d.o.o. from 77.50% to 86.46% by recapitalization. Due to the increase in ownership, the Company had an obligation to make a public bid for the remaining 128,372 shares. The deadline for the offer for the purchase of shares expired in 2010 and the Company paid a fine for not fulfilling this obligation. There is no new legal deadline for the Company to bid. As far as the prospective outcome is concerned, the Div Grupa d.o.o. must announce a public offer or sell shares over 25%. The dispute is the repurchase price per share that will be offered to minority shareholders. Stock market activity has emerged in the past few months, which could be the basis for calculating the market price. If the purchase of shares was carried out at a price of RSD 600, which represents current share price, the total purchase price would amount to HRK 4,850 thousand as at 31 December 2018.

Furthermore, DIV Grupa d.o.o. and DIV betonski pragovi d.o.o. during the takeover, committed to fulfill certain conditions in order to receive funds from state in the amount of EUR 2.4 million. DIV betonski pragovi d.o.o. received funds in the amount of EUR 1.8 million. The remaining amount of EUR 600 thousand DIV betonski pragovi d.o.o. has received upon employment of 300 workers and completion of the investments in total amount of EUR 11.9 million to 17 November 2016. Until 31 December 2017, DIV betonski pragovi d.o.o. invested EUR 12.3 million and had 303 employees and by 31 December 2018 additional EUR 0.4 million was invested and the company had 315 employees.

If the above obligations are not met, the Company will have to repay all the received funds together with the default interest, but according to the adopted business plans, the Company plans to meet these obligations within the statutory deadlines.

Court cases

As of 31 December 2018, the Company is involved in a series of legal disputes in the ordinary course of operations and court cases with former employees.

Exposure of the Company to court cases with suppliers on 31 December 2018 amounts to approximately HRK 420 thousand (on the basis of the claims related to ongoing proceedings). The Management believes that these disputes will not result in additional losses to the Company.

Based on consultation with legal advisors, the Management Board applied the judgment as described in more detail in Note 4 and estimated that legal proceedings in which the Company is involved should not result in additional significant losses.

Guarantees

As of 31 December 2018 the Company had HRK 137,178 thousands of issued guarantees (31 December 2017: HRK 97,358 thousand). Furthermore, as at 31 December 2018 the Company had 1,128,708 thousand of issued promissory notes (31 December 2017: HRK 1,385,005 thousand).

31 December 2018 *(in HRK thousand)*	Amount	Exposure amount
Debit notes to suppliers	35,790	n/a
Debit notes to financial institutions	717,145	450,762
Debit notes to related parties	375,773	317,612

Liabilities for capital commitments

Assets under constructions as at 31 December 2018 will be activated during 2019.

NOTE 27 – SUBSEQUENT EVENTS

There were no significant events after the reporting date that would require changes in the financial statements.

NOTE 28 – APPROVAL OF FINANCIAL STATEMENTS

The financial statements were adopted and approved by the Management on 30 April 2019.

Signed on behalf of the Management as at 30 April 2019:

Tomislav Debeljak	Darko Pappo	Dalibor Marijanović
President of Management board	*Member of the Board*	*Member of the Board*

DIV GRUPA d.o.o.
10430 SAMOBOR, Bobovica 10/A
Tel. 01 3377-000, Fax. 01 3376-155
11 OIB: 33890755814