Ledo d.d.
Report for 2016

Zagreb, 06 October 2017

Annex 1.

Reporting period 1.1.2016 to 31.12.2016

Annual financial report GFI-POD

Tax number (MB):	03218821
Company registration number (MBS):	080002964
Personal identification number (OIB):	87955947581
Issuing company:	Ledo d.d.
Postal code and place	10000 Zagreb
Street and house number:	Marijana Čavića 1a
E-mail address:	financije@ledo.hr
Internet address	www.ledo.hr
Municipality/city code and name	133 Zagreb
County code and name	21 Grad Zagreb
Number of employees: (period end)	892
Consolidated report:	NO
NKD code:	1052

Entities in consolidation (according to IFRS):	Registered seat:	Tax number (MB):

Bookkeeping service:	
Contact person:	Lisjak Jelena (only surname and name)
Telephone:	012385723
Telefaks:	012385686
E-mail address:	jelena.lisjak@ledo.hr
Family name and name:	Vrabec Dario (authorized representatives)

Disclosure documents:

1. Audited annual financial statements
2. Report of the Management Board on position of the Company
3. Statement of responsible persons for preparation of financial statements
4. The decision of the competent authority (the proposal) about the development of the annual financial statements
5. Decision on the allocation of profits or covering of loss

M.P.

ledo d.d. ZAGREB Čavićeva 1a 12

(signed by authorised person for representation)

BALANCE SHEET
as of 31.12.2016.

Company: LEDO D.D.			
Position	AOP	Previous period	Current period
1	2	3	4
A) RECEIVABLES FOR SUBSCRIBED AND NON-PAID CAPITAL	001		
B) NON-CURRENT ASSETS (003+010+020+029+033)	002	1.431.067.515	1.293.972.214
I. INTANGIBLE ASSETS (004 do 009)	003	6.313.946	4.895.455
1. Expenditure for development	004	0	
2. Concessions, patents, license fees, trademarks, service marks, software and other rights	005	6.313.946	4.612.305
3. Goodwill	006	0	
4. Advances for purchase of intangible assets	007	0	
5. Intangible assets in progress	008	0	283.150
6. Other intangible assets	009	0	
II. PROPERTY, PLANT AND EQUIPMENT (011 do 019)	010	209.641.211	194.950.175
1. Land	011	71.251.175	69.088.086
2. Buildings	012	36.662.757	32.264.499
3. Plant and equipement	013	84.988.262	82.150.044
4. Tools, working inventory and transportation assets	014	15.827.751	11.389.017
5. Biological assets	015	0	
6. Advances for purchase of tangible assets	016	97.216	0
7. Tangible assets in progress	017	814.050	58.529
8. Other tangible assets	018	0	
9. Investment in real-estate	019	0	
III. NON-CURRENT FINANCIAL ASSETS (021 do 028)	020	1.211.731.342	1.093.601.539
1. Share in related parties	021	1.171.845.442	1.052.229.180
2. Loans given to related parties	022	0	
3. Participating interests (shares)	023	505.120	505.120
4. Loans given to companies in which the entity holds participating interest	024	0	
5. Investments in securities	025	38.327.774	39.876.290
6. Loans, deposits and similar assets	026	1.053.006	990.949
7. Other non-current financial assets	027	0	
8. Equity-accounted investments	028	0	
IV. RECEIVABLES (030 do 032)	029	3.039.708	368.042
1. Receivables from related parties	030	0	
2. Receivables arising from sales on credit	031	0	
3. Other receivables	032	3.039.708	368.042
V. DEFERRED TAX ASSETS	033	341.308	157.003
C) CURRENT ASSETS (035+043+050+058)	034	963.106.670	639.594.496
I. INVENTORIES (036 do 042)	035	181.464.451	109.142.872
1. Raw materials and supplies	036	98.883.386	52.186.466
2. Production in progress	037	1.256.313	1.682.511
3. Finished goods	038	31.360.885	22.453.173
4. Merchandise	039	46.757.903	32.095.010
5. Advances for inventories	040	3.205.964	725.712
6. Long term assets held for sale	041	0	
7. Biological assets	042	0	
II. RECEIVABLES (044 do 049)	043	198.845.897	152.646.284
1. Receivables from related parties	044	95.146.154	87.313.136
2. Receivables from end-customers	045	65.036.392	44.465.761
3. Receivables from participating entities	046	0	
4. Receivables from employees and members of the company	047	196.790	117.218
5. Receivables from government and other institutions	048	1.138.121	678.325
6. Other receivables	049	37.328.440	20.071.844
III. CURRENT FINANCIAL ASSETS (051 do 057)	050	580.035.900	376.312.770
1. Share in related parties	051	0	
2. Loans given to related parties	052	580.011.273	376.312.770
3. Participating interests (shares)	053	0	
4. Loans given to companies in which the entity holds participating interest	054	0	
5. Investments in securities	055	0	0
6. Loans, deposits and similar assets	056	24.627	
7. Other financial assets	057	0	
IV. CASH AND CASH EQUIVALENTS	058	2.760.422	1.492.570
D) PREPAYMENTS AND ACCRUED INCOME	059	442.296	622.333
E) TOTAL ASSETS (001+002+034+059)	060	2.394.616.481	1.934.189.043
F) OFF BALANCE SHEET ITEMS	061		

EQUITY AND LIABILITIES			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	**062**	1.932.888.514	1.456.986.511
I. SUBSCRIBED SHARE CAPITAL	**063**	119.289.600	119.289.600
II. CAPITAL RESERVES	**064**	713.232.769	713.232.769
III.RESERVES FROM PROFIT (066+067-068+069+070)	**065**	50.653.596	50.653.596
1. Legal reserves	**066**	5.964.480	5.964.480
2. Reserve for own shares	**067**	0	
3. Treasury shares and stakes (deductible items)	**068**	0	
4. Statutory reserves	**069**	0	
5. Other reserves	**070**	44.689.116	44.689.116
IV. REVALUATION RESERVES	**071**	50.487.073	51.601.889
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	**072**	836.281.587	865.806.931
1. Retained earnings	**073**	836.281.587	865.806.931
2. Accumulated loss	**074**	0	
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	**075**	162.943.889	-343.598.274
1. Net profit for the period	**076**	162.943.889	
2. Net loss for the period	**077**	0	343.598.274
VII. MINORITY INTEREST	**078**	0	
B) PROVISIONS (080 do 082)	**079**	1.591.900	1.546.869
1. Provisions for pensions, severance pay and similar liabilities	**080**	1.591.900	1.546.869
2. Provisions for tax liabilities	**081**	0	
3. Other provisions	**082**	0	
C) NON-CURRENT LIABILITIES (084 do 092)	**083**	165.641.382	162.640.047
1. Liabilites to related parties	**084**	152.701.000	151.155.800
2. Liabilities for loans, deposits, etc.	**085**	0	
3. Liabilities to banks and other financial institutions	**086**	0	
4. Liabilities for received advances	**087**	0	
5. Trade payables	**088**	0	
6. Commitments on securities	**089**	0	
7. Liabilities to companies in which the entity holds participating interest	**090**	0	
8. Other non-current liabilities	**091**	0	
9. Deferred tax liabilities	**092**	12.940.382	11.484.247
D) CURRENT LIABILITIES (094 do 105)	**093**	288.034.266	307.689.212
1. Liabilites to related parties	**094**	87.439.864	78.865.154
2. Liabilities for loans, deposits, etc.	**095**	0	
3. Liabilities to banks and other financial institutions	**096**	18.000.000	42.940.707
4. Liabilities for advances	**097**	13.451	1.600.000
5. Trade payables	**098**	127.630.436	121.744.614
6. Commitments on securities	**099**	32.285.439	19.221.765
7. Liabilities to companies in which the entity holds participating interest	**100**	0	
8. Liabilities to employees	**101**	5.755.863	6.342.335
9. Liabilities for taxes, contributions and similar fees	**102**	16.603.319	36.577.070
10. Liabilities to shareholders arising from share in the result	**103**	273.894	273.300
11. Liabilities arising from non-current assets held for sale	**104**	0	
12. Other current liabilities	**105**	32.000	124.267
E) ACCRUED EXPENSES AND DEFERRED INCOME	**106**	6.460.419	5.326.404
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	**107**	2.394.616.481	1.934.189.043
G) OFF BALANCE SHEET ITEMS	**108**		
ADDITION TO BALANCE SHEET (only for consolidated financial statements)			
ISSUED CAPITAL AND RESERVES			
1. Attributable to majority owners	**109**	0	0
2. Attributable to minority interest	**110**	0	0

INCOME STATEMENT
period 01.01.2016. to 31.12.2016.

Company: LEDO D.D.			
Position	AOP	Previous period	Current period
1	2	3	4
I. OPERATING INCOME (112 do 113)	111	1.214.880.825	1.201.816.369
1. Sales revenue	112	1.200.859.987	1.184.532.780
2. Other operating income	113	14.020.838	17.283.589
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	1.086.868.368	1.466.164.291
1. Change in inventories of work in progress and finished goods	115	-294.123	8.394.231
2. Material expenses (117 do 119)	116	830.763.328	822.938.309
a) Costs of raw materials	117	351.199.822	350.279.134
b) Cost of goods sold	118	353.641.110	348.143.756
c) Other material expenses	119	125.922.396	124.515.419
3. Staff costs (121 do 123)	120	122.461.863	121.872.521
a) Net salaries and wages	121	74.013.575	74.073.421
b) Tax and contributions from salary expenses	122	30.930.030	30.592.894
c) Contributions on gross salaries	123	17.518.258	17.206.206
4. Depreciation and amortisation	124	35.660.940	38.639.486
5. Other expenses	125	92.605.415	45.564.318
6. Write down of assets (127+128)	126	5.670.945	428.755.426
a) non-current assets (excluding financial assets)	127	0	0
b) current assets (excluding financial assets)	128	5.670.945	428.755.426
7. Provisions	129	0	0
8. Other operating costs	130	0	0
III. FINANCIAL INCOME (132 do 136)	131	87.607.070	103.125.941
1. Interest, foreign exchange gains, dividends and similar income from related parties	132	81.629.571	97.616.079
2. Interest, foreign exchange gains, dividends and similar income from third parties	133	5.977.499	5.509.862
3. Part of income from associates and participating interests	134	0	
4. Unrealised gains (income) from financial assets	135	0	
5. Other financial income	136	0	
IV. FINANCIAL EXPENSES (138 do 141)	137	21.547.756	144.300.816
1. Interest, foreign exchange losses, dividends and similar expenses from related parties	138	11.629.933	11.879.257
2. Interest, foreign exchange losses, dividends and similar expenses from third parties	139	7.417.823	7.153.717
3. Unrealised losses (expenses) from financial assets	140	0	125.267.842
4. Other financial expenses	141	2.500.000	
V. SHARE OF PROFIT FROM ASSOCIATED COMPANIES	142	0	
VI. SHARE OF LOSS FROM ASSOCIATED COMPANIES	143	0	
VII. EXTRAORDINARY - OTHER INCOME	144	0	
VIII. EXTRAORDINARY - OTHER EXPENSES	145	0	
IX. TOTAL INCOME (111+131+144)	146	1.302.487.895	1.304.942.310
X. TOTAL EXPENSES (114+137+143+145)	147	1.108.416.124	1.610.465.107
XI. PROFIT OR LOSS BEFORE TAXES (146-147)	148	194.071.771	-305.522.797
1. Profit before taxes (146-147)	149	194.071.771	0
2. Loss before taxes (147-146)	150	0	305.522.797
XII. CORPORATE INCOME TAX	151	31.127.882	38.075.477
XII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	162.943.889	-343.598.274
1. Profit for the period (149-151)	153	162.943.889	0
2. Loss for the period (151-148)	154	0	343.598.274
ADDITION TO PROFIT AND LOSS ACCOUNT (only for consolidated financial statements)			
XIV. PROFIT OR LOSS FOR THE PERIOD			
1. Attributable to majority owners	155		
2. Attributable to minority interest	156		
STATEMENT OF OTHER COMPREHENSIVE INCOME (only for IFRS adopters)			
I. PROFIT OR LOSS FOR THE PERIOD (=152)	157	162.943.889	-343.598.274
II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 TO 165)	158	-11.203.009	-157.014
1. Exchange differences from international settlement	159	0	
2. Changes in revaluation reserves of long-term tangible and intangible assets	160	-10.665.725	-991.312
3. Profit or loss from re-evaluation of financial assets held for sale	161	-537.284	834.298
4. Profit or loss from cash flow hedging	162	0	
5. Profit or loss on efficient hedge of net investments in foreign countries	163	0	
6. Share in other comprehensive income/loss of associatied companies	164	0	
7. Actuarial gains/losses from defined benefit plans	165		
III. TAXATION OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD	166	-2.240.602	-1.271.698
IV. NET OTHER COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (158 TO 166)	167	-8.962.407	1.114.684
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	168	153.981.482	-342.483.590
ADDITION TO STATEMENT OF OTHER COMPREHENSIVE INCOME (only for consolidated financial statements)			
VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD			
1. Attributable to majority owners	169		
2. Attributable to minority interest	170		

CASH FLOW STATEMENT - Indirect method
period 01.01.2016 to 31.12.2016

Company: LEDO D.D.			
Position	AOP	Previous period	Current period
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit before tax	001	194.071.771	-305.522.797
2. Depreciation and amortisation	002	35.660.940	38.639.486
3. Increase in current liabilities	003	44.541.436	
4. Decrease in current receivables	004		
5. Decrease of inventories	005		72.321.579
6. Other cash flow increases	006	30.321.312	573.719.361
I. Total increase of cash flow from operating activities	007	304.595.459	379.157.629
1. Decrease in current liabilities	008		1.665.685
2. Increase in current receivables	009	372.601.110	360.605.613
3. Increase of inventories	010	21.852.254	
4. Other cash flow decreases	011	125.804.859	140.639.395
II. Total decrease of cash flow from operating activities	012	520.258.223	502.910.693
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	013	0	0
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES	014	215.662.764	123.753.064
CASH FLOW FROM INVESTING ACTIVITIES			
1. Receipts from sale of non-current assets	015	175.877	2.730.238
2. Receipts from sale of non-current financial assets	016	2.500.000	0
3. Interest received	017	26.200.438	15.702.569
4. Dividend received	018	51.926.344	64.025.043
5. Other proceeds from investing activities	019	114.594.281	290.745.295
III. Total cash inflows from investing activities	020	195.396.940	373.203.145
1. Purchase of non-current assets	021	45.168.431	26.386.125
2. Purchase of non-current financial assets	022	496.912	
3. Other cash outflows from investing activities	023	59.354.626	277.408.590
IV. Total cash outflows from investing activities	024	105.019.969	303.794.715
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	025	90.376.971	69.408.430
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES	026	0	0
CASH FLOW FROM FINANCING ACTIVITIES			
1. Cash inflows from issuing equity and debt financial instruments	027	0	0
2. Cash inflows from loans, debentures, credits and other borrowings	028	440.429.121	314.492.837
3. Other proceeds from financing activities	029	0	0
V. Total cash inflows from financing activities	030	440.429.121	314.492.837
1. Repayment of loans and bonds	031	249.905.124	127.997.510
2. Dividends paid	032	67.445.712	133.418.545
3. Cash outflows for finance lease	033		
4. Purchase of treasury shares	034		
5. Other cash outflows from financing activities	035		
VI. Total cash outflows from financing activities	036	317.350.836	261.416.055
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	037	123.078.285	53.076.782
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	038	0	0
Total increases of cash flow	039	0	0
Total decreases of cash flow	040	2.207.508	1.267.852
Cash and cash equivalents at the beginning of the period	041	4.967.930	2.760.422
Increase of cash and cash equivalents	042	213.455.256	122.485.212
Decrease of cash and cash equivalents	043	215.662.764	123.753.064
Cash and cash equivalents at the end of period	044	2.760.422	1.492.570

STATEMENTS OF CHANGES IN EQUITY

period 1.1.2016 to 31.12.2016

Position	AOP	Previous period	Current period
1	2	3	4
1. Subscribed share capital	001	119.289.600	119.289.600
2. Capital reserves	002	713.232.769	713.232.769
3. Reserves from profit	003	50.653.596	50.653.596
4. Retained earnings or accumulated loss	004	836.281.587	865.806.931
5. Net profit or loss for the period	005	162.943.889	-343.598.274
6. Revaluation of tangible assets	006	51.761.527	52.317.125
7. Revaluation of intangible assets	007	0	
8. Revaluation of financial assets available for sale	008	-1.365.230	-715.236
9. Other revaluation	009	0	
10. Total equity and reserves (AOP 001 to 009)	010	1.932.797.738	1.456.986.510
11. Currency profit or loss arising from net investments in foreign operations	011		
12. Current and deferred taxes	012		
13. Cash flow hedge	013		
14. Change of accounting policies	014		
15. Correction of significant errors in prior periods	015	-46.130.169	
16. Other changes in capital	016		
17.Total increase or decrease of equity (AOP 011 to 016)	017	-46.130.169	0
17 a. Attributable to majority owners	018		
17 b. Attributable to minority interest	019		

Notes with financial statements

Notes to Financial Statements provide additional and supplementary informations which are not presented in the statement of financial position, income statement, cash flow statement and statement of changes in equity in accordance with the regulations of the relevant international financial reporting standards.

In the observed period there were no significant events that would affect the understanding of financial position and success of the Company.

Dioničko društvo
za proizvodnju i
promet sladoleda
i smrznute hrane
Čavićeva 1a, Zagreb

Declaration of key personnel responsible for preparation of financial statements

Financial statements for Ledo d.d. for the period from 1 January 2016 till 31 December 2016 are prepared in accordance with the International Financial Reporting Standards and they give a complete and true state of assets and liabilities, financial result and affairs of Ledo d.d.

Management report contains true and fair view of affairs and results of Ledo d.d. and all material significant transactions are stated appropriately.

Head of Accounting department

Jelena Lisjak

Finance Director

Ankica Slobođanac

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12

Contact

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ANNUAL REPORT FOR 2016 AND
INDEPENDENT AUDITOR'S REPORT

Contents

MANAGEMENT REPORT FOR 2016

Despite the relatively unfavourable weather conditions, in 2016, sales revenues in the ice cream category increased by 2%, while frozen food sales recorded a slight decline primarily in the category of fish due to a disruption in purchase prices and a significantly lower catch on the global level.

In 2016, the product assortment was consolidated. The products with the highest turnover and most profitable items were identified, with business operations focusing on them resulting in an increased gross margin. These were the grounds for achieving an increase in operating profit. Operating profit, excluding one-off costs of impairment of receivables and investments, recorded an increase of 23%. Excluding one-off costs of impairment, the operating profit realised in 2016 amounts to HRK 164.4 million, while in the previous year it amounted to HRK 133.7 million.

In 2016, a slight decrease in operating income of 1% was recorded, while operating expenses were lower by 5% compared to the previous year. In 2015, costs related to marketing and sales incentives directly linked to customer contracts were reclassified from the category of costs to decrease in sales revenue. This reclassification resulted in lower operating income, as well as lower operating expenses.

In 2016, Ledo d.d. realised a total revenue of HRK 1.304 million, which is at the level of last year. Total expenses, excluding one-off costs of impairment of receivables and investments, are lower by 4% compared to the previous year. Total expenses amounted to HRK 1,610 million and recorded an increase of 45%. The main reason for increased operating expenses can be traced back to one-off costs related to the high impairment of receivables from related companies and the impairment of investments performed in 2016.

As at 31 December 2016, the Company had receivables from related companies, members of the Agrokor Group, in the total amount of HRK 861 million. Due to the uncertainty of collection, which will depend on the outcome of the Settlement in the entire restructuring process of the Agrokor Group, the Management Board has made an impairment of the value of receivables in the amount of 50% of total receivables, which have not been collected up to the date of the report, amounting to HRK 424.7 million.

The Company also performed a new valuation of investments in subsidiaries. Compared to the preliminary results for the fourth quarter, an additional impairment of the investment in Ledo Kft was made in the amount of HRK 57.3 million. Preliminary valuations of investments are based on the planned significant investments in the Hungarian market in order to significantly increase the market share of Ledo. Due to the Extraordinary Administration procedure and the impossibility of investing in the Hungarian market, the Company has adjusted its initial budgets, which resulted in an additional impairment of the investment, and the total impairment of the investment for Ledo Kft amounted to HRK 105.4 million. Due to the new circumstances and changes in planned investments in individual markets, an assessment of the recoverability of investments and other Ledo companies was performed, and the investment in Ledo Slovenia was impaired in the amount of HRK 19.8 million. The value of investments in other Ledo companies has not changed.

One-off costs of impairment of receivables from the Agrokor Group members and the impairment of investments in subsidiaries resulted in a loss before tax of HRK 305.5 million in 2016. Normalised pre-tax profit excluding non-recurring costs amounted to HRK 248.5 million.

Expected future development of the Company

The Company's development is based on the mid-term business plan with a specific investment in manufacturing equipment, which would increase business efficiency, thereby improving domestic competitiveness and significantly boosting competitiveness in foreign markets where the Company's Management sees a lot of potential for growth and development. Development activities are based on assuming that the leading position in the regional market will be maintained, expanding to new foreign markets, entering the segment of private brand production for retail customers with revenue growth, optimisation of business processes and cost reduction, which would result in the Company's growth in profits. All the Company's activities will be based on maximising free cash flow, as one of the basic prerequisites for future business.

The development of the Company and the realisation of the goals set out in the business plans will also be significantly affected by the result of the Settlement implemented as part of the Extraordinary Administration procedure over companies of systemic importance for the Republic of Croatia. To the best of their knowledge and available information, the Company Management expects a successful conclusion of the Settlement, on which the business plans are based.

Research and development activities

Research and development activities at Ledo d.d. are based on market data, and they are conducted by certified research houses (Ipsos, Nielsen, Euromonitor, Mintel). Ledo, as the market leader in all key areas of its business, bases its product development on tracking global trends and consumer needs with a focus on quality and innovation.

The top quality and safety of Ledo products confirms and combines a certified integrated management system based on the principles of quality management, food safety and environmental protection in accordance with international standards ISO 9001, HACCP, ISO 14001, IFS, BRC and Koscher. At the end of 2016, the implementation of an energy efficiency management system was initiated in compliance with the requirements of ISO 50001 as well as the transition of an integrated management system according to the ISO 14001: 2015 and ISO 9001:2015 standards.

Operating risks

Risk of foreign currency exchange rate fluctuations - part of the loan liabilities and customer and supplier relations is based on foreign currencies (mostly EUR). Given the long-term policy of the Republic of Croatia related to maintaining the EUR exchange rate, the Company does not consider it to be significantly exposed to the negative impact of foreign currency risk.

Credit risk - The Company believes that the maximum exposure to credit risk relates to receivables from loans granted to related companies, which is why a value adjustment of part of these receivables as at 31 December 2016 was performed. The credit risk of other trade receivables is not significant since the Company minimises this collection risk as a result of its sales policy.

Liquidity risk - The Company monitors its cash flows and plans in detail cash flow movements and generates sufficient funds to meet its obligations. Liquidity risk is affected by the contingent liabilities of Ledo d.d. on the basis of co-debtor relations and guarantees (subsidiary and solidarity). All guarantees issued by the Company relate to companies within the Agrokor parent company. All guarantees relate to funds used to finance the entire Parent company, resulting in the growth and development of the Parent company. Through synergic effects, there were benefits for all business segments, including Ledo d.d. The financing of Agrokor d.d. was a centralised function and common for many years, so that legal affairs were contracted and monitored centrally by Agrokor d.d., whereby Ledo d.d. does not have complete insight into all contracted legal affairs.

The Company owns the 100% share in the registered capital of Frikom d.o.o. Belgrade, Republic of Serbia, the 100% share in the registered capital of Ledo d.o.o. Čitluk, Federation of Bosnia and Herzegovina, the 100% share in the registered capital of Ledo d.o.o. Podgorica, Montenegro, the 100% share in the registered capital of Ledo d.o.o. Ljubljana, Republic of Slovenia, the 100% share in the registered capital of Ledo Kft Budapest, Republic of Hungary, the 100% share in the registered capital of Ledo d.o.o. Pristina, Republic of Kosovo, the 100% share in the registered capital of Irida d.o.o. Daruvar, Republic of Croatia. Investments in the above stated companies are recognised at cost less impairment losses.

Events after the balance sheet date

Pursuant to the *Act on Extraordinary Administration Procedure in Companies of Systemic Importance for the Republic of Croatia* ("the Act"), on 7 April 2017, the Management Board of Agrokor d.d., Zagreb ("Agrokor") filed a request for initiating the Extraordinary Administration procedure to the Commercial Court in Zagreb.

The purpose of this Act is to protect the sustainability of business operations of companies of systemic importance for the Republic of Croatia while conducting business, financial and ownership restructuring, all with the aim of preventing negative consequences on the overall economic, social and financial stability in the Republic of Croatia that may arise from a sudden discontinuity in the operations of such companies.

On 10 April 2017 (amended on 21 April 2017), the Commercial Court in Zagreb issued a Decision on Initiating the Extraordinary Administration Procedure (St-1138/17) over Agrokor and its related companies and subsidiaries in the Republic of Croatia including the company Ledo d.d. On the basis of the aforementioned Decision, on 10 April 2017 the Extraordinary Commissioner took over the management of Agrokor d.d. as well as control over the Agrokor companies covered by the Extraordinary Administration.

As defined in Article 7 of the Act, during the Extraordinary Administration procedure it is not permitted to institute debtor liquidation proceedings. Also, as defined in Article 41 of the Act, from the day of initiating the Extraordinary Administration procedure until its completion, it is not allowed to institute civil, enforcement, administrative and insurance proceedings as well as out-of-court collection proceedings against Agrokor and its subsidiaries and related companies subject to the Extraordinary Administration.

Within 12 months from initiating the Extraordinary Administration procedure, with the possibility of extension for 3 months, the Extraordinary Commissioner may, with the consent of the council of creditors, propose a settlement to the creditors. The settlement process is defined by the Act, while its outcome cannot reasonably be estimated up to the date of this report.

In accordance with the Act, the Extraordinary Administration measure is implemented only when there is a reasonable probability of establishing a balance and continued operations on a more permanent basis. Otherwise, at any time during the course of the Extraordinary Administration procedure, the court may, at the request of the Extraordinary Commissioner and upon obtaining the consent of the council of creditors, decide to terminate the Extraordinary Administration procedure and to initiate bankruptcy proceedings if circumstances have arisen due to which there is no longer a reasonable probability of establishing economic balance and continued operations on a more permanent basis. To the best of our knowledge, such circumstances have not arisen so far and according to the information available until the date of this report, the Company's Management expects a successful conclusion of the Settlement. Accordingly, the financial statements have been prepared based on a going concern basis.

On 21 February 2017, a EUR 100 million loan agreement was concluded between Sberbank Russia as the loan provider and Agrokor d.d. as the loan recipient, with the guarantee of certain related companies including Ledo d.d. The agreement confirmed two tranches, one in the amount of EUR 60 million for meeting current operating requirements and another in the amount of EUR 40 million for refinancing purposes.

On 13 April 2017, following the consideration of the key provisions (amount, interest rate, maturity, co-debtor rights and obligations), the company signed the loan agreement as a co-debtor for the loan of the related company Agrokor d.d. A contract was signed between Agrokor d.d. as the loan recipient and Zagrebačka banka d.d., Privredna banka Zagreb d.d., ERSTE Steiermaerkische d.d. and Raiffeisen Bank Austria d.d. as the loan provider in the amount of EUR 80,000,000. The loan is repaid one-off at the expiration of 12 months from the date of initiating the Extraordinary Administration procedure or 15 months, if the Extraordinary Administration procedure is extended.

On 8 June 2017, the company signed, as a guarantor, an Loan Agreement with a priority right when settling concluded by Agrokor d.d., together with its related companies (Agrokor-trgovina d.o.o., Belje d.d. Darda, Jamnica d.d., Konzum d.d., Ledo d.d., Pik-Vinkovci d.d., Sarajevski Kiseljak d.d., Vupik d.d., Zvijezda d.d., PIK Vrbovec d.d., Velpro d.o.o. and others). This is a Loan Agreement with different international and domestic inventors up to EUR 1,060,000,000 the highest, divided in two tranches: first one up to EUR 960,000,000 and the second one up to EUR 100,000,000 (offered to existing suppliers to participate in financing the Agrokor group as investors). Loan Agreement matures at each day preceeding 10 July 2018 or the day of judicial validation of the Settlement or the day of starting the bankruptcy proceedings. The loan amount was used also for the early repayment of loan amounting to EUR 80 million granted as of 13 April. Loan was granted under the condition of refinancing (settlement) of part of old debt existing before the initiation of Extraordinary Administration procedure in the ratio of cash remaining at company’s disposal and cash used for refinancing (settlement) of part of old debt 1:1. As a security, the loan agreement defines a potential pledge over non-current tangible and intangible assets of all guarantors. Funds secured with this loan have allowed the Issuer to stabilise its operations, solve liquidity problems, and fund inventory and prepare for the tourist season.

Significant legal disputes against the Company

As at 7 June 2017, the Commercial Court in Belgrade issued a decision on a provisional measure prohibiting the Company from disposing and using the 100% share of the company Ledo d.d. in the company Frikom d.o.o. as security for receivables of Sberbank d.d. in the amount of EUR 100,000,000 (principal amount) and EUR 1,323,493.44 (accrued interest on 25 May 2017) arising from a guarantee on the basis of a loan agreement signed on 21 February 2017.

Encumbrance of Company assets

On 1 September 2017, Agrokor d.d., its related companies, including Ledo d.d., all as Opponents of the collateral on the one hand, and Madison Pacific Trust Limited as the Proponent of the collateral on the other, signed an Agreement on creating a lien against properties. This Agreement was concluded for the purpose of establishing and perfecting the collateral in favour of the Proponent of the collateral in order to secure the present and future claims that each Debtor owes to the Secured Parties, all as defined in and in accordance with the Agreement on the super-priority loan as of 8 June 2017 and with all the changes and amendments (13.06.2017., 18.06.2017., 28.06.2017., 04.07.2017., 10.07.2017. and 30.08.2017.)

The lien was created against properties of the company Ledo d.d., which comprise the following business facilities: administrative building, business buildings, commercial buildings (ice cream factory) and courtyard in Zagreb, M. Čavića 9, total area 23129 m2; two buildings, a shed and an industrial yard in Osijek, Ulica vukovarska 314, with a total area of 5051 m2; a building and yard in Slavonski Brod, Ljudevita Posavskog bb, total area of 5563 m2; the factory yard in Zagreb, Čavićeva 9, with a total area of 235 ftm2 or 845 m2.

Pledge over the company's (issuer) Mark (brand)

On 15.9.2017. the Agreement on the Establishment of a Pledged Right to Certain Marks (brands) of issuers between Agrokor d.d., its related companies including the issuer, all as insurance opposites on one side, and Madison Pacific Limited as the Proponent of Insurance on the other, for the purpose of establishing and perfecting insurance in the benefit of the Proponent of Insurance to secure the current and future claims that each borrower owes to the secured parties, as defined in accordance with the oldest loan agreement of 8 June 2017.

COMPANY'S DECLARATION ON THE APPLICATION OF THE CORPORATE GOVERNANCE CODE

Ledo d.d. applies most of the standards and recommendations of the Corporate Governance Code (hereinafter referred to as "the Code") that were jointly developed by the Croatian Financial Services Supervisory Agency and the Zagreb Stock Exchange, and as outlined in all the Codes published so far. Certain departures from some of the recommendations and guidelines were conditioned by a concentrated ownership structure, the internal bylaws of Ledo d.d. applicable at that time and the Company's Articles of Association.

The Management and Supervisory Board make significant efforts and gradually develop the Ledo d.d management system, directing it towards a comprehensive implementation of the Code, activities are especially devoted to the development of internal bylaws that will contribute to a better and more transparent monitoring and control of business processes. The Company will inform the investment public in detail on the implemented recommendations and standards of corporate governance by publishing the Code for 2017. The Code will be submitted to the Zagreb Stock Exchange, published on their website, as well as on the Company's website.

In this Statement the Company considers that publishing the Code for 2016 as well as individually stating all provisions of the Code that are not yet applied and explanations thereto is not practical and sufficiently transparent, since the Company is in an Extraordinary Administration procedure in accordance with the Act on Extraordinary Administration Procedure in Companies of Systemic Importance for the Republic of Croatia (OG 32/2017) whose purpose is somewhat opposed to certain principles of the Corporate Governance Code.

Namely, in the forthcoming period, the Management Board, together with the Extraordinary Commissioner and its expert teams, will, amongst other things, work intensively on a more efficient and transparent corporate governance system in the Company and by adopting internal bylaws it will regulate individual areas of corporate governance.

Since the shares of Ledo d.d. are quoted on the official market of the Zagreb Stock Exchange, in the course of 2016 Ledo d.d. met its obligations of informing the public, the Croatian Financial Services Supervisory Agency and the Zagreb Stock Exchange to the extent and in the manner stipulated by the Capital Market Act and relevant EU Regulations.

Corporate governance in the company is based on a dual system consisting of the Supervisory Board and the Management Board of the Company. Together with the General Assembly, these are the three basic governing bodies of the Company.

Internal control and control of operations is carried out continuously, through several business functions, i.e. organisational departments in Ledo d.d. (e.g. controlling services, internal control services, business intelligence department etc.), and internal accounting controls of the relevant employees and through the Audit Committee ensure the accuracy, validity, comprehensiveness of financial records and reports. Management functions are performed by the Management Board and the Supervisory Board performs the supervisory function in accordance with its authorities.

Shareholders of the Company execute their rights at the Company Assembly in accordance with the provisions of the Companies Act and the Company Articles of Association. Invitations to Assembly meetings together with the agenda and proposed decisions are

publicly announced on the web sites of the Company and the Stock Exchange, and the Assembly's decisions are also published in the same way. All shareholders, who register for participating in the Assembly’s work on time, have the right to attend the meetings. The General Assembly decides on changes to the Articles of Association; election and dismissal of members of the Supervisory Board, annual financial statements and utilisation of
profit; discharging members of the Management and Supervisory Board; appointment of the Company's auditor; increase and decrease of Company's share capital; listing and withdrawing securities from listing on a regulated market; the Company's termination. In 2016, the Company’s General Assembly was held on 31 August and adopted the following decisions: adoption of the Annual Financial Statements for 2015 of Ledo d.d. and the Ledo Group; on utilisation of profit; on dismissing the Management and Supervisory Board and appointing the Company's auditor for 2017. In the first half of 2017, two extraordinary sessions of the General Assembly were held on 15 May 2017 where PricewaterhouseCoopers d.o.o. was appointed as the new auditor for 2016 and on 5 June 2017 where decisions on changes regarding Supervisory Board members were adopted.

The Company’s Supervisory Board consists of seven members, one of which is the workers’ representative. The Supervisory Board acts in accordance with the provisions of the Companies Act, the Company's Articles of Association and the Rules of Procedure of the Supervisory Board. During 2016, nine Supervisory Board meetings were held. Among other things, the annual financial statements for 2015 and the proposed draft decisions for the General Assembly were considered. During 2017, there was a change in the membership of the Supervisory Board since on 15 February 2017, Mr. Kristijan Buk stopped being a Supervisory Board member at his own request, Mr. Srećko Žganec passed away on 19 April 2017, and in June 2017, based on the decision of the Company’s General Assembly, Ljerka Puljić, President of the Supervisory Board, the members Ante Todorić and Marica Guina Torres Dujsin were revoked, and new members, Vladimir Bošnjak, Teo Vujčić, Luka Cvitan and Zdravko Kačić, were appointed. At the time of writing the report, the **Supervisory Board is composed of: Vladimir Bošnjak – President, Mislav Galić - Vice President, Teo Vujčić, Luka Cvitan, Zdravko Kačić and Milenko Arapović – members.**

The **Company’s Management Board**, which consists of two members, represents the Company and manages the Company's business in accordance with the provisions of the Companies Act and the Articles of Association of the Company. At the time of writing of this Statement, the Management Board acts in accordance with the decisions of the Extraordinary Commissioner regarding all matters beyond the regular business framework, in line with the Act on the Extraordinary Administration Procedure in Companies of Systematic Importance for the Republic of Croatia (OG 32/2017).
In the past period, there has been no formally adopted diversity policy in the Company, but from the composition of the governing bodies it is evident that the principle of diversity related to age, gender and education is complied with.

Statement of the Management Board's responsibilities for the Annual report

Pursuant to the Croatian Accounting Act in force, the Management Board is responsible for ensuring that financial statements are prepared for each financial year in accordance with International Financial Reporting Standards as adopted in the European Union (IFRS), in order to give a true and fair view of the financial position and operating results of the Company for that period.

The Management Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the financial statements.

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

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

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and must also ensure that the financial statements comply with the Croatian Accounting Act in force. The Management Board 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.

Also, in accordance with the Accounting act, the Management is responsible for the preparation of the Annual report comprising financial statements, Management report and the Declaration on the application of the corporate governance code. Management report has been prepared in accordance with the requirements of article 21 of Accouting act, and the Declaration on the application of the corporate governance code were prepared in accordance with the requirements of article 22 of Accounting act.

The Annual Report was authorised for issue by the Management Board on 3 October 2017.

Dario Vrabec

President of the Management Board

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Ankica Slobođanac

Member of the Management Board

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Independent Auditor's Report

To the Shareholders and Management Board of LEDO d.d.:

Our opinion

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of LEDO d.d. (the "Company") as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted in European Union ("IFRS").

What we have audited

The Company's separate financial statements comprise:

- the statement of financial position as at 31 December 2016;
- the statement of income and the statement of other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate Financial Statements section of our report.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Material Uncertainty Relating to Going Concern

We draw attention to note 34 which indicates that the Company may face significant liquidity problems as a result of the events and conditions surrounding the Group to which the Company belongs. This along with the other conditions described in Note 34 indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Our audit approach

Overview

Materiality	• Overall materiality for separate financial statements as a whole: Croatian kuna (“HRK”) 11.8 million, which represents 1% of total operating revenue from continuing operations.
Key audit matters	• Valuation of construction land • Impairment of loans and related party trade receivables • Impairment of investment in subsidiaries

How we tailored our audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the separate financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the separate financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the separate financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the separate financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Company materiality for the separate financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the separate financial statements as a whole.

Overall materiality for separate financial statements as a whole	HRK 11.8 million
How we determined it	1% of total revenues from continuing operations.
Rationale for the materiality benchmark applied	We chose total revenue as the materiality benchmark because, in our view, it is the most appropriate benchmark in our view taking into consideration the significant fluctuation of results in past periods.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Valuation of construction land *Refer to note 2 Summary of accounting policies – Property, plant and equipment and note 15 – Property, plant and equipment.* The Company has HRK 69,088 thousands of construction land measured at fair value as at 31 December 2016. We focused our attention on the valuation of this land because it involves significant judgement about the assumptions used in the determination of fair value. Fair value was determined by an external valuator using the comparable market transaction approach.	Our procedures in relation to management's valuation of construction land included: - Our internal valuation experts assessing the methodologies used by the external valuator to estimate comparable market transactions and resale values; – Evaluating the independent external valuator's competence, capabilities and objectivity; – Considering the appropriateness of the comparable market transactions estimated by the external valuator based on our internal valuation experts knowledge of the comparable market transactions; – Considering the potential impact of reasonably possible downside changes in these comparable market transactions; and - Considering appropriate disclosures required by IAS 16 regarding assets measured at fair value. Based on the results of our procedures, we found no material exceptions in relation to management's assumptions in relation to the fair value of construction.

Key audit matter	How our audit addressed the Key audit matter
Impairment of loans and related party trade receivables *Refer to note 2 (Significant accounting policies) and note 19 Financial assets and note 20 Receivables* The Company's statement of financial position includes loans and related party trade receivables of HRK 463,626 thousands which includes HRK 424,707 thousand of impairment. As described in note 34 the Group to which the Company belongs faced significant liquidity problems which resulted in uncertainty regarding the collection of receivables from related parties. As a result, part of the Company's loans and related party trade receivables were impaired as at 31 December 2016. We focused on this area because the management makes complex and subjective judgements over both the timing of recognition of impairment based on estimated future cash flows and the estimation of the size of any such impairment.	We tested the detailed listings of loans and trade related party receivable substantively by examining a sample of loan contracts, bank statements and invoice and we determined that we could rely on these reports for the purposes of our audit. Where impairment had been identified, we examined the supporting documentation prepared by management to support the calculation of the impairment, challenging the assumptions and comparing estimates to external evidence where available. We found no material exceptions as a result of these procedures. For each judgement made, we compared the principal assumptions made with our own knowledge of external factors, other practices and actual experience. We considered the potential for impairment to be impacted by events which were not captured by management's estimation and noted no significant differences.

Key audit matter	How our audit addressed the Key audit matter
Impairment testing of investment in subsidiaries Refer to note 2 (Significant accounting judgements, estimates and assumptions) and note 16 (Investment in subsidiaries). The Company statement of financial position includes investment in subsidiaries of HRK 1,052,229 thousand (impairment losses in 2016 amount to HRK 125,268 thousand). When indicators have been identified, the Company is required to test investment in subsidiaries for impairment. We focused on this area because management's assessment of the 'fair value less costs of disposal' of the related cash-generating units involves significant judgement about future results of the business, particularly those relating to the cash flow forecast (revenue projections and growth rates) and the applied discount rate.	In the evaluation of the assumptions as disclosed in note 2 as well as methodologies used (discounted cash flow model) by management, we used internal valuation experts to assist us in evaluating the methodology used and underlying assumptions. We discussed with management their estimate of future cash flow forecasts, and the process by which they were drawn up. We noted no significant exceptions. We evaluated and challenged the discount rate used by comparing the rates used to comparable organisations and market information. We also reviewed management's sensitivity analysis on the key assumptions to ascertain the extent of change in those assumptions that either individually or collectively would cause the investment in the subsidiaries to be impaired. We found that the post-tax discount rate used by management was consistent with market data, and the growth rate assumption was consistent with historical results and did not exceed the industry forecasts. We agree with management's assessment that no significant impairment to the carrying amount of investment in subsidiaries was identified, based on available evidence.

Other information

Management is responsible for the other information. The other information comprises the Separate Annual Report of the Company, which includes the Management Report and Corporate Governance Statement, but does not include the separate financial statements and our independent auditor's report thereon.

Our opinion on the separate financial statements does not cover the other information, including the Management Report and Corporate Governance Statement.

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Management Report and Corporate Governance Statement, we also performed procedures required by the Accounting Act in Croatia. Those procedures include considering whether the Management Report includes the disclosures required by Article 21 of the Accounting Act, and whether the Corporate Governance Statement includes the information specified in Article 22 of the Accounting Act.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Management Report and the Corporate Governance Statement for the financial year for which the separate financial statements are prepared is consistent, in all material respects, with the separate financial statements;
- the Management Report has been prepared in accordance with the requirements of Article 21 of the Accounting Act; and
- the Corporate Governance Statement includes the information specified in Article 22 of the Accounting Act.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are also required to report if we have identified material misstatements in the Management Report and Corporate Governance Statement. We have nothing to report in this respect.

Responsibilities of management and those charged with governance for the separate financial statements

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

In preparing the separate 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.

Auditor's responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent 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 in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate 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 separate 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 independent auditor's report to the related disclosures in the separate 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 independent 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 separate financial statements, including the disclosures, and whether the separate 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our independent auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers d.o.o.
Ulica kneza Ljudevita Posavskog 31, Zagreb
5 October 2017

This version of our 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 our report takes precedence over this translation.

Statement of income of Ledo d.o.o.
For the year ended 31 December 2016

	Note	2016 In thousands of HRK	2015 In thousands of HRK Restated
Sales	4	1,184,533	1,200,860
Other income	5	17,284	14,021
		1,201,817	1,214,881
Change in value of inventories of finished goods		(8,394)	294
Cost of raw materials and supplies	6	(350,279)	(351,200)
Cost of goods sold		(348,144)	(353,641)
Service costs	7	(124,515)	(125,922)
Staff costs	8	(121,873)	(122,462)
Depreciation and amortisation	14,15	(38,639)	(35,661)
Impairment of receivables	9	(428,755)	(5,671)
Impairment of investments	9	(125,268)	-
Other costs	10	(45,566)	(92,606)
		(1,591,433)	(1,086,869)
Finance income	11	103,126	87,607
Finance costs	12	(19,033)	(21,547)
		84,093	66,060
(Loss)/Profit before tax		(305,523)	194,072
Income tax	26	(38,075)	(31,128)
Net (loss)/profit		(343,598)	162,944
(Loss)/Earnings per share (in HRK)			
(Loss)/Earnings per share – basic	13	(1,094.54)	519.06
(Loss)/Earnings per share – diluted	13	(1,094.54)	519.06

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

Statement of other comprehensive income of Ledo d.d.

For the year ended 31 December 2016

	Note	2016 In thousands of HRK	2015 In thousands of HRK Restated
NET (LOSS)/PROFIT FOR THE YEAR		(343,598)	162,944
Other comprehensive income			
Other comprehensive income which will be reclassified as profit or loss in future periods:			
Gains/(losses) on financial assets available for sale		834	(537)
Tax effect		(150)	108
Effect of change in tax rate		(34)	-
Net other comprehensive income which will be reclassified as profit or loss in future periods		650	(429)
Other comprehensive income which will not be reclassified as profit or loss in future periods			
Revaluation of land		(991)	(10,666)
Tax effect		178	2,133
Effect of change in tax rate		1,278	-
Net other comprehensive income/(loss) which will not be reclassified as profit or loss in future periods		465	(8,533)
Other comprehensive income/(loss) for the year, net		1,115	(8,962)
Total comprehensive (loss)/income for the year, net		(342,483)	153,982

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

Statement of financial position of Ledo d.d.
As at 31 December 2016

	Note	31 December 2016 In thousands of HRK	31 December 2015 In thousands of HRK Restated	1 January 2015 In thousands of HRK Restated
Non-current assets				
Intangible assets	14	4,895	6,314	7,856
Property, plant and equipment	15	194,950	209,642	210,026
Investments in subsidiaries	16	1,052,229	1,171,845	1,171,845
Financial instruments	17	40,382	38,833	44,389
Other receivables		1,359	4,093	3,934
Deferred tax assets		157	341	234
		1,293,972	1,431,068	1,438,284
Current assets				
Inventories	18	109,143	181,465	159,613
Financial assets	19	376,313	580,036	357,469
Receivables	20	135,146	166,561	218,764
Receivables on the basis of recourse rights	27	17,500	32,285	22,200
Other current assets		622	442	973
Cash and cash equivalents	21	1,493	2,760	4,968
		640,217	963,549	763,987
TOTAL ASSETS		**1,934,189**	**2,394,617**	**2,202,271**
Capital and reserves	22			
Share capital		119,290	119,290	119,290
Capital reserves		713,233	713,233	713,233
Reserves from profit		50,653	50,653	50,653
Revaluation reserves		51,602	50,487	59,358
Retained earnings		522,209	999,226	903,819
		1,456,987	1,932,889	1,846,353
Non-current liabilities				
Provisions	23	1,547	1,592	1,683
Loans from related parties	25	151,156	152,701	153,229
Deferred tax liabilities	26	11,484	12,940	15,073
		164,187	167,233	169,985
Current liabilities				
Trade payables	28	142,742	136,954	108,128
Borrowings	25	42,941	18,000	18,000
Loans from related parties	25	57,265	78,116	16,665
Income tax		15,982	9,885	1,590
Bills of exchange payable and liabilities based on recourse rights	27	19,824	32,285	22,200
Other current liabilities	29	34,261	19,255	19,350
		313,015	294,495	185,933
TOTAL EQUITY AND LIABILITIES		**1,934,189**	**2,394,617**	**2,202,271**

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

Statement of changes in equity of Ledo d.d.
For the year ended 31 December 2016

	Subscribed (share) capital In thousands of HRK	Premium In thousands of HRK	Reserves from profit In thousands of HRK	Revaluation reserves In thousands of HRK	Reserves for financial assets available for sale In thousands of HRK	Retained earnings In thousands of HRK	Total In thousands of HRK
Balance at 1 January 2015	**119,290**	**713,233**	**50,653**	**60,294**	**(936)**	**944,758**	**1,887,292**
Effect of correction (Note 3)	-	-	-	-	-	*(40,939)*	*(40,939)*
Balance at 1 January 2015 (restated)	**119,290**	**713,233**	**50,653**	**60,294**	**(936)**	***903,819***	**1,846,353**
Profit for 2015	-	-	-	-	-	168,135	168,135
Other comprehensive income for 2015	-	-	-	(8,533)	(429)	-	(8,962)
Total comprehensive income for 2015 before restatements	-	-	-	*(8,533)*	*(429)*	*168,135*	*159,173*
Effect of correction on net profit for 2015	-	-	-	-	-	*(5,191)*	*(5,191)*
Total comprehensive income for 2015 (restated)	-	-	-	*(8,533)*	*(429)*	*162,944*	*153,982*
Realised reserves	-	-	-	91	-	(91)	-
Dividends paid	-	-	-	-	-	(67,446)	(67,446)
Balance at 31 December 2015 (restated)	**119,290**	**713,233**	**50,653**	**51,852**	**(1,365)**	**999,226**	**1,932,889**
Loss for the year	-	-	-	-	-	*(343,598)*	*(343,598)*
Other comprehensive income	-	-	-	*465*	*650*	-	*1,115*
Total comprehensive loss	-	-	-	*465*	*650*	*(343,598)*	*(342,483)*
Dividends paid	-	-	-	-	-	(133,419)	(133,419)
Balance at 31 December 2016	**119,290**	**713,233**	**50,653**	**52,317**	**(715)**	**522,209**	**1,456,987**

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

Statement of cash flows of Ledo d.d.

For the year ended 31 December 2016

	2016 In thousands of HRK	2015 In thousands of HRK (restated)
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss)/profit before tax	(305,523)	194,072
Depreciation and amortisation	38,639	35,661
Impairment of receivables	428,450	5,671
Impairment of investments	125,268	-
Additional provisions	(45)	(91)
Loss/(gain) on sale of non-current assets	969	71
Loss on sale of financial assets	-	(2,500)
Finance income (interest and foreign exchange differences)	(103,126)	(87,607)
Finance costs (interest and foreign exchange differences)	19,033	24,047
Cash flow before adjustments for changes in working capital	203,665	169,324
Changes in inventories	72,322	(21,852)
Changes in receivables	(360,606)	(372,601)
Changes in trade payables	27,011	45,842
Changes in other current assets	(180)	531
Changes in other current liabilities	(28,677)	(1,300)
CASH GENERATED FROM OPERATIONS	(86,465)	(180,056)
Tax paid	(26,887)	(22,831)
Interest paid	(10,400)	(12,775)
NET CASH FLOW FROM OPERATING ACTIVITIES	**(123,752)**	**(215,662)**
CASH FLOW FROM INVESTING ACTIVITIES		
Change in long-term financial investments	(1,549)	5,556
Gains on sale of property, plant and equipment	2,730	176
Purchase of property, plant, equipment and intangible assets	(26,386)	(45,168)
Capital increase of subsidiary	(5,652)	-
Expenses for loans granted	(271,757)	(59,355)
Proceeds from loans repaid	292,294	108,541
Dividend received	64,025	51,926
Proceeds from sale of financial assets	-	2,500
Interest received	15,703	26,200
NET CASH FLOW FROM INVESTING ACTIVITIES	**69,408**	**90,376**
CASH FLOW FROM FINANCING ACTIVITIES		
Outflow from long-term borrowings	(1,545)	(528)
Inflow from bank borrowings	42,441	-
Inflow from short-term borrowings	272,052	440,429
Repayments of borrowings	(126,452)	(249,377)
Paid dividends	(133,419)	(67,446)
NET CASH FLOW FROM FINANCING ACTIVITIES	**53,077**	**123,078**
TOTAL NET CASH FLOW	**(1,267)**	**(2,208)**
Cash and cash equivalents at beginning of period	2,760	4,968
Cash and cash equivalents at end of period	1,493	2,760
Decrease in cash and cash equivalents	**(1,267)**	**(2,208)**

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

Notes to the financial statements
For the year ended 31 December 2016

1. Company profile

The company Ledo d.d. was registered as a joint-stock company at the Commercial Court in Zagreb on 4 January 1993 by the decision No. 2375/92. The statistical registration number of the entity is 080002964.
The majority shareholder of the company is Agrokor d.d., Zagreb, Trg D. Petrovića 3, with a 48.91% share. The ultimate owning company is Agrokor projekti d.o.o., and the Parent is Ivica Todorić.

As at 31 December 2016, the Supervisory Board of Ledo d.d. consisted of the following members:

Ljerka Puljić - President of the Supervisory Board - since 21 January 1999
Ante Todorić - Vice President of the Supervisory Board - since 3 July 2002
Marica Guina Torres Dujisin – Member of the Supervisory Board - since 27 June 1995
Mislav Galić – Member of the Supervisory Board – since 19 March 2013
Kristijan Buk – Member of the Supervisory Board – since 19 March 2013
Srećko Žganec – Member of the Supervisory Board – since 19 March 2013
Milenko Arapović – Member of the Supervisory Board (workers' representative) since 20 March 2015

As at 28 July 2017, the Supervisory Board of Ledo d.d. consists of the following members:

Vladimir Bošnjak – President of the Supervisory Board – since 5 June 2017
Mislav Galić – Vice President of the Supervisory Board – since 5 June 2017 – Member of the Supervisory Board since 19 March 2013
Teo Vujčić – Member of the Supervisory Board – since 5 June 2017
Luka Cvitan – Member of the Supervisory Board – since 5 June 2017
Zdravko Kačić – Member of the Supervisory Board – since 5 June 2017
Milenko Arapović – Member of the Supervisory Board (workers' representative) since 20 March 2015

The Company's registered office is in Zagreb, Ulica Marijana Čavića 1a.

The principal activity of the Company is the production of ice cream and other food products, wholesale and retail trade and commission trade, transport of goods, catering services and export and import of food products.

In 2016, the Company employed an average of 1,076 workers, in 2015, an average of 1,061 workers.

2. Summary of significant accounting policies

Basis of preparation of financial statements
These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

The financial statements of the Company have been prepared on a historical cost basis, except for a part of property, plant and equipment and non-current investments which are recorded based on an estimate as described in the following notes on accounting policies.

The accounting policies have been consistently applied and are identical to those applied in the previous year except as disclosed in Changes to the accounting policies.

The financial statements are presented in Croatian kuna (HRK), which is the Company's functional and presentation currency. The official foreign exchange rate published by the Croatian National Bank as at 31 December 2016 was HRK 7.557787 for EUR 1 (31 December 2015: HRK 7,635047 for EUR 1). The amounts disclosed in the financial statements are expressed in thousands of HRK unless otherwise stated.

The Company has also prepared consolidated financial statements in accordance with IFRS for the Company and its subsidiaries ("the Group"). In the consolidated financial statements, subsidiaries are fully consolidated. Users of these separate financial statements should read them together with the consolidated financial statements of the Group for the year ended 31 December 2016 in order to obtain complete information about the financial position, results of operations and changes in the financial position of the Group as a whole.

Going concern

In the current period, the Group incurred a loss after taxation of HRK 343,598 thousand, primarily due to impairment losses on receivables from related companies within Agrokor group. Net assets of the Group are positive and amount to HRK 1,456,987 thousand, whereby current assets exceed current liabilities by HRK 327,202 thousand. Additional considerations regarding going concern are presented in Note 34 Events after the balance sheet date. Based on the foregoing, Management believes that it is appropriate to use the going concern assumption in preparing these consolidated financial statements. However, due to the events and circumstances set out above and in note 34 there is a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

Revenue recognition

Revenue is recognised when it is probable that economic benefits will flow to the Company and when they can be reliably measured, regardless of when it will be charged. Revenue is measured at the fair value of the consideration received less discounts, rebates and taxes. The Company assesses its revenue transactions according to specific criteria to determine whether it acts in them as principal or as agent. The Company has concluded that it is acting as a principal in all of its revenue transactions. In order to be able to recognise revenue, the following criteria for revenue recognition must be observed:

Revenue on sales of products and goods is recognised when the significant risks and rewards of ownership are transferred to the buyer, and when there is no significant uncertainty with respect to sales, associated costs or possible return of goods.

When providing services, revenue is recognised according to the level of the service execution, or when there is no significant uncertainty regarding the provision of services or related expenses.

Interest resulting from the use of funds of the Company by others are recognised when it is probable that the economic benefits associated with the transaction will flow to the Company and the revenue can be measured reliably. Interest income is recognised as it accrues (taking into account the effective yield on the asset) unless the collection is uncertain.

Dividend income is recognised when the Company has established the right to a dividend.

Classification of current versus non-current

The Company presents the assets and liabilities in the statement of financial position on the basis of the breakdown into non-current and current. Assets are considered current when:

- expected to be realised or the intention is to sell or consume them in the normal operating cycle;
- held primarily for trading purposes;
- expected to be realised within 12 months after the reporting period; or
- cash and cash equivalent, unless there is a limit to dispose of them, or they will be used for the settlement of obligations for at least 12 months after the reporting period.

All other assets are considered non-current.

Liabilities are considered current when:

- expected to be settled within the normal operating cycle;
- held primarily for trading purposes;
- maturity is expected within 12 months after the reporting period; or
- there is no unconditional right of delay or payment obligation for at least 12 months after the reporting period.

All other liabilities are considered to be long-term.

Deferred tax assets and deferred tax liabilities are classified as non-current assets and non-current liabilities.

Financial instruments
A financial instrument is any contract that results in the creation of financial assets of one entity and a financial liability or equity of another entity.

Financial assets
Initial recognition and measurement
Financial assets are classified at initial recognition as financial assets at fair value through the income statement, loans and receivables, investments to maturity, financial assets available for sale or as derivatives held for hedging instruments for the effective protection, whichever is applicable.
All financial assets are initially recognised at fair value including transaction costs, except in the case of financial assets recorded at fair value through profit or loss.
Acquisitions or sales of financial assets that require delivery of assets within the time frame established by regulation or standard behaviour on the market (regular sales) are recognised on the trade date, i.e. the date when the Company commits to the purchase or sale of assets.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification and is described below:

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, as well as financial assets initially designated as at fair value through profit or loss. Financial assets are classified as held for trading if acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are intended for instruments of effective protection.
Financial assets at fair value through profit or loss are recognised in the statement of financial position at fair value with net changes in fair value reported in the income statement. Financial assets designated upon initial recognition as at fair value through profit or loss, are distributed on the day of their initial recognition and only if certain criteria are met. The Company has no financial assets designated at fair value through profit or loss.
Derivatives embedded in host contracts are recorded as separate derivatives and recognised at fair value if their economic characteristics and risks are not closely related to those of the host contract and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair scores, with changes in fair value recognised through profit or loss. Reassessment only occurs in the event of a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required, or in the event of reclassification of financial assets at fair value through profit or loss in another category.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement these financial assets are carried at amortised cost using the effective interest method less impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation method is included as interest income in the income statement. The losses arising from impairment are recognised in the income statement under Impairment of receivables and Impairment of investments.

Investments available for sale
Investments available for sale include equity and debt instruments. Equity instruments classified as available for sale are those that are not classified as held for trading nor distributed at fair value through profit or loss. Debt instruments in this category are those for which there is an intention to hold for an indefinite period of time which may be sold in response to needs for liquidity or in response to changes in market conditions.
After initial recognition, investments available for sale are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in reserves for instruments available for sale until the time of derecognition, when the cumulative gains or loses are recognised in other income, or when it is determined that an impairment of investments has occurred, whereby the cumulative loss reclassifies from reserves for instruments available for sale in the income statement. Interest earned during the holding of investments available for sale are reported as interest income using the effective interest rate.

Investments in equity instruments available for sale for which there is no quotation in an active market and for which fair value can not be reliably measured are measured at cost.
The Company evaluates whether the intention of selling its instruments available for sale in the near future is still appropriate. When, in rare situations, the Company is unable to trade these financial instruments because there is no active market, and there has been a change in the intention of the Board to do so in the foreseeable future, the Company may decide to reclassify this financial asset.
For financial assets reclassified from available-for-sale category, its present value at the date of reclassification (fair value of the instrument on the day) becomes the new amortised cost and all previous gains and losses recognised in equity are amortised in the income statement over the remaining life of investment using the effective interest rate. Any difference between the new amortised cost and the amount at maturity is also amortised over the remaining life of assets using the effective interest rate. If assets are subsequently impaired, the amount recorded in equity should be reclassified to the income statement.

Derecognition
Financial assets are derecognised when the rights to receive cash flows from these assets have expired, or when the Company has transferred the rights to receive cash flows from an asset or has assumed an obligation to pay received cash flows in full without material delay to a third party, and the Company has transferred substantially all the risks and rewards of the asset, or the Company has not transferred substantially all the risks and rewards of the assets, but has transferred control of the asset.

Impairment of financial assets
The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets has been impaired. A financial asset or group of financial assets has been impaired if there is objective evidence of impairment resulting from one or more events arising after the initial recognition of an asset and that event has an adverse impact on the estimated cash flows of a financial asset or group of financial assets that can be reliably estimated.
For financial assets valued at amortised cost: If there is objective evidence of impairment, the impairment loss is measured as the difference between the present value of the asset and the present value of the estimated future cash flows. The present value of estimated future cash flows is discounted using the original effective interest rate of financial assets. The present value of assets is impaired and a loss is recognised in the income statement.
For available-for-sale assets: when there is evidence of impairment, the cumulative loss, evaluated as the difference between the acquisition cost and the current fair value, less any impairment of investments that had previously been recognised in the income statement, is transferred from other comprehensive income and recognised in the income statement.

Financial liabilities
Initial recognition and measurement
Financial liabilities are classified as financial liabilities at fair value through profit or loss, borrowings and loans or as derivatives classified as hedging instruments in an effective hedge, whichever is applicable. The Company determines the classification of its financial instruments at initial recognition.
All financial liabilities are initially recognised at fair value and in the case of borrowings and loans, less directly attributable transaction costs.
Financial liabilities of the Company include trade payables and other liabilities as well as borrowings and loans.

Subsequent measurement
The measurement of financial liabilities depends on their classification and is described below:

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

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities that are on initial recognition included in the category of financial liabilities at fair value through profit or loss.
Financial liabilities are classified in the category for trading if they are acquired for the purpose of selling in the short term. This category includes derivative financial instruments that are not designated as hedges in a hedging relationship. Separated embedded derivatives are also classified in the category for trading unless they are intended for effective hedging instruments.
Gains or losses on liabilities held for trading are recognised in the income statement.
Financial liabilities which at initial recognition are included in liabilities at fair value through profit or loss may be included in this category only if certain conditions are met.
The Company has no financial liabilities which are classified as at fair value through profit or loss.

Borrowings and loans
After initial recognition, interest bearing borrowings and loans are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process using the effective interest rate.
Amortised cost is calculated taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation method is included as interest income in the income statement.

Derecognition
A financial liability is derecognised when the consideration linked to the liability is discharged or cancelled or expires. When an existing financial liability is replaced by a new form of the same creditor with substantially different terms, or the terms of existing obligations are substantially modified, such replacement or modification is considered a derecognition of the original liability and the recognition of a new liability. The difference in the respective current values is recognised in the income statement.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently valid legal basis to offset the recognised amounts and there is an intention of the settlement by a net basis for the realisation of assets and settlement of liabilities simultaneously.

Fair value measurement
The Company measures financial instruments and other non-financial assets (if required by other standards) at fair value on each reporting date.
Fair value is the price that could be received for assets sold or paid to settle the liabilities in an arm's length transaction between market participants at the value measurement date. Fair value is based on the assumption that the transaction for the sale of assets and transfer of liabilities is carried on: the primary market for the assets and liabilities or in the absence of the primary market, the most favourable market for the sale of assets or liabilities. The primary or most favourable market must be available to the Company.
The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants are working in their best economic interest.
Fair valuation of non-financial assets takes into account the ability of a market participant to generate benefits in such a way that it realises the greatest and best use of that asset or from selling the asset to another market participant that will use that asset in the best possible way.
The Company uses valuation techniques that are appropriate in the circumstances and for which there is sufficient data available to measure fair value, maximising the use of relevant publicly available inputs and minimising the use of inputs that are not publicly available.
All assets and liabilities that are measured at fair value or for which it has been published in the financial statements are categorised within the fair value hierarchy, as described below, assuming that the lowest category input is the one that is significant for the fair value measurement in its entirety:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2: Valuation techniques for which the lowest level of input that is significant for evaluating fair value is directly or indirectly publicly available
- Level 3: Valuation techniques for which the lowest level of input that is significant for evaluating fair value is not publicly available.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether there has been a transfer in hierarchy levels by re-categorisation (based on the lowest level of input that is significant to the fair valuation as a whole) at the end of each reporting period.

Intangible assets

Individually purchased intangible assets are stated at cost. The cost of intangible assets acquired in a business combination is its fair value at the acquisition date. After initial recognition, intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Internally developed intangible assets, excluding development costs, are not capitalised and expenditure of the amount recorded in the income statement when they are incurred. The useful lives of intangible assets are assessed to be either limited or unlimited.

Intangible assets with limited useful lives are amortised over their useful lives and any impairment of the assets is assessed whenever there is an indication that the value of such assets may be impaired, as described in the accounting policy Impairment of assets. Intangible assets with a limited useful life are amortised using the straight-line amortisation method over the expected useful life of the asset not exceeding ten years. The amortisation period and the amortisation method for an intangible asset with a limited useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or model of utilising future economic benefits embodied in the assets are recorded as a change in the amortisation period or method, whichever is applicable, and is treated as a change in accounting estimate.

Intangible assets with unlimited useful lives are not amortised, but are tested for impairment at least annually, either individually or at the cash-generating unit level. The rating of unlimited useful life is checked once a year to determine whether it is still possible to support such unlimited useful life. If this is not the case then the useful life is changed unlimited to limited from the moment of such determination onwards.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net proceeds realised and the present value of assets and are recognised in the income statement at the time of recognition of the asset.

Property, plant and equipment

Items of property, plant and equipment, other than land, are stated at historical cost less accumulated depreciation and permanent impairment losses.

Revaluation refers to land and is based on valuations performed by an independent appraiser. Valuations are carried out in sufficient frequency to ensure that the present value of revalued assets does not significantly differ from their fair value.

Valuations are made on the basis of comparable market prices. The increase in the carrying amount of the revaluation is recorded directly in the revaluation surplus within equity or appropriate obligations for deferred taxes, if applicable.

The corresponding part of revaluation reserves created from the earlier valuation is released from revaluation reserves directly to retained earnings upon the disposal of revalued assets.

Items of property, plant and equipment that are disposed of or sold are eliminated from the balance sheet together with the related accumulated depreciation. Any gain or loss arising from derecognising tangible assets (calculated as the difference between net sales receipts and the carrying value of the asset at the time of sale) is taken to the income statement in the year of derecognition.

When there is a periodic appearance of conditions in which significant elements of buildings, plant and equipment need to be replaced, the Company separately depreciates them on the basis of their specific useful life. Likewise, when major overhauls are carried out, their costs are recognised as the present value of buildings, plant and equipment as a replacement if the recognition criteria are met. All other repairs and maintenance costs are charged to the income statement when incurred.

Depreciation is recognised as an expense of the period and is calculated using the straight-line method over the expected useful life of assets. The expected useful lives by types of assets are as follows:

Buildings	25 years
Plant and equipment	3 to 15 years
Other assets	2 to 20 years

The useful life, depreciation method and residual values are reviewed at each financial year-end, and if expectations differ from previous estimates, the change(s) are accounted for as a change in an accounting estimate.

Impairment of assets
The Company assesses at each balance sheet date whether there are any indicators of impairment of assets. If any such indication exists, or when an annual test of loss in value is required, the Company estimates the recoverable value of assets.
The recoverable amount is estimated as the higher of fair value less costs of sales of an asset or cash-generating unit to which the asset belongs and the value of the property in use. The recoverable amount is estimated for each individual asset or, if this is not possible, for the cash-generating unit to which the asset belongs. Cash-generating units are determined on a company basis. Where the carrying amount exceeds the estimated recoverable amount, the asset is impaired to its recoverable amount.

Leases
Determining whether or not a certain transaction contains elements of a lease, is based on the substance of the transaction on the date of its inception. A contract is a lease contract or contains elements of a lease in case when the fulfilment of the contract depends on the use of a specific asset and the contract holds the right to use assets even if this right is not specifically defined in the contract.

The Company is the lessee
Assets leased under a contract transferring all the risks and rewards of ownership (finance lease) to the Company, are capitalised at the lower of the fair value of the asset or the present value of the minimum rent at the beginning of the lease period and are recorded as property, plant and equipment under lease. Lease payments are recorded as a finance cost and a decrease in lease obligations to achieve a constant interest up to the end of the contract period. Finance costs are recovered by recognising finance costs in the income statement.
Capitalised assets under lease are amortised over the shorter of the lease term and the useful life.
Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased asset are classified as operating leases. Payments made under operating leases are charged to the income statement over the period of the lease.
The accounting treatment of sales and lease transactions depends on the type of lease. If the transaction is a sale and lease resulting in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortised over the period of the lease. If the transaction is a sale and lease resulting in an operating lease, the transaction is carried at fair value and any profit or loss is recognised immediately.

The Company is the lessor
Leases where the Company does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred during the negotiating of an operating lease are added to the present value of the leased asset and recognized as rental income over the lease term. Contingent rentals are recognised as income at the time in which they are earned.

Inventories
Inventories are stated at the lower of cost or net realisable value.
Costs incurred in bringing each product to its present location and condition are stated as follows:
Raw materials - stated at the lower of cost or net realisable value. Cost is determined using the weighted average method.
Finished goods and work in progress are stated at the value which includes the cost of direct materials and labour and attributable production overheads based on normal production capacity.

Inventories of trade goods are stated at the lower of cost or net realisable value.
Net realisable value is the estimated net selling price in the normal course of business decreased by estimated cost of completion and estimated costs needed to complete the sale.

Receivables
Receivables due within 30-90 days are stated at original invoice amount decreased to their recoverable value through an allowance for doubtful receivables. The receivable allowance is estimated when the collection of the entire amount is uncertain. Bad debts are written off when determined.

Cash and cash equivalents
Cash and cash equivalents in the statement of financial position include cash on hand, demand deposits, short-term bank deposits with agreed maturity up to 3 months and balances with banks.

Taxes
The tax calculation is based on the accounting profit for the year and is adjusted for permanent and temporary differences between the taxable and accounting income. The income tax charge is calculated according to Croatian tax regulations. The tax returns of companies are subject to the tax authorities. Since the application of tax laws and regulations is subject to many types of transactions is susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date upon final determination by the Tax Authority.
Deferred taxes are calculated using the liability method for all temporary differences at the date of preparation of the financial statements due to differences in the treatment of certain items for taxation and accounting purposes within the financial statements. Deferred taxes are calculated at the tax rate applicable in the years in which it is expected that the temporary differences will be recovered.
Deferred tax assets are recognised when it is probable that sufficient taxable profits will be generated against which they can be utilised. At each balance sheet date, the Company reassesses unrecognised deferred tax assets and the appropriateness of the present value of the tax asset.

Transactions in foreign currencies
The financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (its functional currency).

Transactions and balances:
Transactions in foreign currencies are initially recognised using the exchange rates prevailing on the transaction date.
At the reporting date, monetary items denominated in foreign currencies are reported using the closing exchange rate. Non-monetary items measured at historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Foreign exchange differences arising from foreign currency transactions and translation of monetary and non-monetary assets and liabilities are recognised in comprehensive income for the period in which they arise.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of assets that take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the income statement during the period in which they are incurred. Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds.

Information on business segments
For management purposes, the Company is organised into business units based on their products and services and has the following segments:

- Ice cream – production of all kinds of ice cream
- Frozen foods – production of all kinds of frozen foods
- Other

None of these segments was created by merging other segments in order to obtain the above-mentioned business units.
Management, as the chief decision maker, monitors the operating results of individual business units for the purpose of making decisions about allocating resources and assessing whether set objectives are met. Meeting the set objectives of a segment is evaluated based on operating profit or loss and consistently compared with operating profit of the Company.
Segment results include revenue and expenses directly attributable to the segment and the relevant portion of general revenues and expenses on a reasonable basis can be assigned to the segment.

Pensions and employee benefits
In its normal course of business, the Company makes fixed contributions to mandatory pension funds on behalf of its employees. The Company does not participate in any other pension plans, and consequently, there are no legal or other obligations to make further contributions if the funds do not contain sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.
The Company pays benefits to employees including termination benefits and jubilee and scholarships for children of workers who died in a work-related accident. Liabilities and expenses of termination benefits and jubilee awards are determined using the projected unit credit method per employee. The projected unit credit method per employee considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.
Past service costs for employees are calculated on a straight-line basis over the average period until certain employee benefits become vested. Gains or losses on the curtailment or settlement of pension benefits are recognised when the curtailment or settlement occurs. The termination benefit obligation is measured at the present value of estimated future cash flows using a discount rate that is similar to the interest rate on government bonds where the terms of the government bonds are consistent with the currency and estimated terms of the benefit obligation.

Provisions
Provisions are recognised when there is a legal or other obligation which is a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the obligation can be made. When the Company expects that a part or the entire amount of provisions will be collected, for example, under a contract of insurance, such a fee is recognised as a separate asset but only when the collection is virtually certain. Costs associated with the provision are presented in the income statement as net of all fees.

Contingent liabilities
Contingent liabilities are not recognised in the financial statements. They are disclosed in notes except when there is a slight probability of an outflow of resources embodying economic benefits.
A contingent asset is not recognised in the financial statements but is disclosed in the Notes when an inflow of economic benefits is probable.

Financial guarantee contracts
Financial guarantee contracts issued by the Group are those contracts that require the execution of a payment as a compensation to the holder for a loss incurred due to the fact that a certain debtor has not timely settled his obligation in accordance with the provisions of the debt instrument. Financial guarantee contracts are initially recognised as a liability at fair value, adjusted for the higher of the best estimate of the expected expense for settlement of the present obligation at the reporting date or the recognised amount.

Events after the balance sheet date
Events after the balance sheet date, which provide additional information on the Company's position at the balance sheet date (adjusting events), are reflected in the financial statements. Events after the balance sheet date that are not adjusting events are presented in the notes when material.

Critical accounting judgements and estimates, assumptions

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the amounts reported in the financial statements and notes. Although these estimates are based on all available information of the Management about current events and actions, actual results may differ from these estimates.
The key assumptions concerning the future and other key sources of estimation uncertainty on the day of drafting the financial statements, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

a) Impairment of investments in subsidiaries:
   For investments in subsidiaries in which impairment indicators were identified, as at 31 December 2016 the Company performed an impairment test resulting in an impairment of investments in the total amount of HRK 125,268 thousand. The impairment mainly relates to the investment in the subsidiary Ledo Kft (HRK 105,409 thousand). Following the survey of Hungary's market and Ledo Kft's position, a new valuation of the Ledo d.d. share was made and the recoverable amount of the investment was determined based on the value in use.
   The remaining amount of the impairment of HRK 19,859 thousand relates to the investment in Ledo d.o.o. Slovenia.
   The investment valuation was performed on the basis of the actual discounted cash flows, i.e. the value of the asset in use using the EBITDA multiple of 13.4, i.e. 15.6. Had the used EBITDA multiple been lower by 10%, the loss would have been higher by HRK 4 million.

b) Impairment of regular receivables from Agrokor Group companies and receivables based on approved loans to Agrokor Group companies
   In 2016, the Company impaired the value of regular receivables and receivables based on loans granted to the Agrokor Group by a total amount of HRK 428,755 thousand on the basis of Management’s estimation of the impairment loss needed. Had the estimated impairment of receivables and loans granted been 10 percentage points higher, the loss would have increased by HRK 84,941 thousand and had the estimate been 10 percentage points lower, the loss would have been HRK 84,941 thousand lower in 2016.

c) Fair value of land
   The Company's records land at revalued value in accordance with the selected accounting policy, whereby fair value is determined on the basis of an estimate made by an independent valuer. An independent valuation of this land is performed every 4 years, and the average value per square meter in Euros is EUR 262.11 per m2.

d) Operating lease - the Company as the lessee.
   The Company has concluded significant operating lease agreements as the lessee. It has been established that almost all the significant risks and rewards of ownership of assets used by the Company in the operating lease are retained with the lessor.

Changes in accounting policies
The accounting policies adopted are consistent with those of the previous financial year unless otherwise stated and disclosed.

The Company has adopted the following new and amended IFRS and IFRIC interpretations during the year which were endorsed by the EU. When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Company, their impact is described below:

(a) New and amended standards – applicable as of 1 January 2016

The following standards and interpretations are applicable for the first time to financial reporting periods beginning on or after 1 January 2016:

Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11.

The amendments to IFRS 11 clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. The amendments require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business.
This includes:

- *measuring identifiable assets and liabilities at fair value*
- *expensing acquisition-related costs*
- *recognising deferred tax, and*
- *recognising the residual value as goodwill, and testing this for impairment annually.*

Existing interests in the joint operation are not remeasured on acquisition of an additional interest, provided joint control is maintained.
The amendments also apply when a joint operation is formed and an existing business is contributed.

Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38

The amendments clarify that a revenue-based method of depreciation or amortisation is generally not appropriate.
IASB has amended IAS 16 Property, Plant and Equipment to clarify that a revenue-based method should not be used to calculate the depreciation of items of property, plant and equipment.
IAS 38 Intangible Assets now includes a rebuttable presumption that the amortisation of intangible assets based on revenue is inappropriate. This presumption can be overcome if either

- *The intangible asset is expressed as a measure of revenue (i.e. where a measure of revenue is the limiting factor on the value that can be derived from the asset), or*
- *It can be shown that revenue and the consumption of economic benefits generated by the asset are highly correlated.*

Equity Method in Separate Financial Statements – Amendments to IAS 27.

IASB made amendments to IAS 27 Separate Financial Statements which will allow entities to use the equity method in their separate financial statements to measure investments in subsidiaries, joint ventures and associates.
IAS 27 currently allows an entity to account for investments in subsidiaries, joint ventures, and associates in its separate financial statements at cost or as financial assets. The amendments introduce the equity method as a third option. The recognition method can be chosen separately for each investment category (subsidiaries, joint ventures and associates). Entities who want to apply the equity method must do so retroactively.

Annual Improvements for the Reporting Cycle from 2012 to 2014

The latest annual improvements clarify the following:

- *IFRS 5 – when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution,' or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such.*
- *IFRS 7 – specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, therefore, whether the asset qualifies for derecognition.*
- *IFRS 7 – additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34.*
- *IAS 19 – when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, not the country where they arise.*
- *IAS 34 – what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'; entities taking advantage of the relief must provide a cross-reference from the interim financial statements to the location of that information and make the information available to users on the same terms and at the same time as the interim financial statements.*

Disclosure Initiative – Amendments to IAS 1

The amendments to IAS 1 Presentation of Financial Statements are determined in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including:

- *Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.*
- *Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.*
- *Notes – confirmation that the notes do not need to be presented in a particular order.*
- *OCI arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.*

According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards/accounting policies are not required for these amendments.

Investment entities: Applying the consolidation exception - Amendments to IFRS 10, IFRS 12 and IAS 28

Amendments made to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in associates and joint ventures clarify that:

- *The exception from preparing consolidated financial statements is also available to intermediate parent entities which are subsidiaries of investment entities.*
- *An investment entity should consolidate a subsidiary which is not an investment entity and whose main purpose and activity is to provide services in support of the investment entity's investment activities.*
- *Entities which are not investment entities but have an interest in an associate or joint venture which is an investment entity have a policy choice when applying the equity method of accounting. The fair value measurement applied by the investment entity associate or joint venture can either be retained, or a consolidation may be performed at the level of the associate or joint venture, which would then unwind the fair value measurement.*

(b) Forthcoming requirements

As at 31 May 2016, the following standards and interpretations have been issued but are not mandatory for annual reporting periods ending 31 December 2016.

IFRS 9 Financial instruments and associated amendments to various other standards (effective for annual periods beginning on or rafter 1 January 2018)

IFRS 9 replaces the multiple classification and measurement models in IAS 39 Financial instruments: Recognition and measurement with a single model that has initially only two classification categories: amortised cost and fair value.

The classification of debt assets will be driven by the entity's business model for financial assets management and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest.
All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognised at fair value.

All fair value movements on financial assets are taken through the statement of profit or loss, except for equity investments that are not held for trading, which may be recorded in the statement of profit or loss or in reserves (without subsequent recycling to profit or loss).
For financial liabilities that are measured under the fair value option entities will need to recognise the part of the fair value change that is due to changes in the their own credit risk in other comprehensive income rather than profit or loss.
The new hedge accounting rules (released in December 2013) align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.
In July 2014, IASB made further changes to the classification and measurement rules and also introduced a new impairment model. With these amendments, IFRS 9 is now complete. The changes introduce:

- *a third measurement category (FVOCI) for certain financial assets that are debt instruments*
- *a new expected credit loss (ECL) model which involves a three- stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (e.g. trade receivables). On initial recognition, entities will record a day-1 loss equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired.*

The new rules must be adopted in their entirety.

IFRS 15 Revenue from contracts with customer and associated amendments to various other standards (effective for annual periods beginning on or after 1 January 2018)

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer, so the notion of control replaces the existing notion of risks and rewards.

A new five-step process must be applied before revenue can be recognised:

- *identify contracts with customers*
- *identify the separate performance obligation*
- *determine the transaction price of the contract*
- *allocate the transaction price to each of the separate performance obligations, and*
- *recognise the revenue as each performance obligation is satisfied.*

Key changes to current practice are:

- *Any bundled goods or services that are distinct must be separately recognised and any discounts or rebates on the contract price must generally be allocated to the separate elements.*
- *Revenue may be recognised earlier than under current standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome, etc.) – minimum amounts must be recognised if they are not at a significant risk of reversal.*
- *The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.*
- *There are new specific rules on licenses, warranties, non-refundable upfront fees and consignment arrangements, to name a few.*
- *As with any new standard, there are also increased disclosures.*

These accounting changes may have flow-on effects on the entity’s business practices regarding systems, processes and controls, compensation and bonus plans, contracts, tax planning and investor communications.

Entities will have a choice of full retrospective application, or prospective application with additional disclosures.

IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019, early adoption is permitted only if IFRS 15 is adopted at the same time)

IFRS 16 will affect primarily lessee accounting and will result in the recognition of almost all leases on the balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.
The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change.
Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.
Lessor accounting will not change significantly. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 (effective for annual periods beginning on or after 1 January 2017)

Amendments made to IAS 12 in January 2016 clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that:

- *A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period.*
- *An entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit.*
- *Where tax legislation restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type.*
- *Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets.*

Disclosure initiative – Amendments to IAS 7 (effective for annual periods beginning on or after 1 January 2017)

Going forward, entities will be required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (e.g. drawdowns and repayments of borrowings) and non-cash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences.
Changes in financial assets must be included in this disclosure if the cash flows were, or will be, included in cash flows from financing activities. This could be the case, for example, for assets that hedge liabilities arising from financing liabilities.
Entities may include changes in other items as part of this disclosure, for example by providing a 'net debt' reconciliation. However, in this case the changes in the other items must be disclosed separately from the changes in liabilities arising from financing activities.
The information may be disclosed in tabular format as a reconciliation from opening and closing balances, but a specific format is not mandated.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28

IASB made limited scope amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures.
The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations).
Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's investments in the associate or joint venture. The amendments apply prospectively.
** In December, IASB decided to defer the application date of this amendment until such time as IASB has finalised its research project on the equity method.

Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018)

The amendments do not change the underlying principles of the standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue
from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new standard.

The Company has not earlier adopted any International Financial Reporting Standard, the application of which was not mandatory at the reporting date.

3. Comparative information and restatement of financial information of prior periods

The information as at 1 January 2015 and 31 December 2015 and for the period then completed have been restated (due to correction of errors) as follows:

Impact of reconciliation on equity (increase/(decrease))	31 December 2015 HRK'000	1 January 2015 HRK'000	Comment
Non-current assets			
Property, plant and equipment	(2,665)	(1,762)	3.1
Current assets			
Inventories	(58,996)	(54,633)	3.2
Receivables	19,909	19,909	3.2; 3.3
Receivables from rights of recourse	32,285	22,200	3.4
A. *TOTAL ASSETS*	(9,467)	(14,286)	
Current liabilities			
Bills of exchange payable and liabilities on the basis of recourse rights	32,285	22,200	3.4
Other liabilities	4,378	4,453	3.5
B. *TOTAL LIABILITIES*	36,663	26,653	
NET IMPACT ON EQUITY (A – B)	(46,130)	(40,939)	

Impact of reconciliation on the statement of comprehensive income (increase/(decrease))	2015 HRK'000	Comment
Sales	(54,957)	3.6
Other income	13,542	3.6
A. Effect on income	(41,415)	
Change in value of inventories of finished goods	4,363	3.2
Service costs	(32,833)	3.6
Staff costs	(75)	3.5
Depreciation expense	903	3.1
Other costs	(8,582)	3.6
B. Effect on expenses	(36,224)	
Net impact on profit for the period *(A – B)*	(5,191)	
Impact on earnings per share in HRK	*(16,64)*	

The reconciliation of results for the year 2015 in the amount of HRK 5,191 thousand reflected on the operating cash flow by the same amount.

3.1. Calculation of depreciation

The Company performed a detailed analysis of the carrying value of plant and equipment and identified a system error in the depreciation charge for a part of the plant in production. During 2016, the system error was corrected and the Company Management reconciled the amount of retained earnings at 1 January 2015 by the amount of HRK 1,762 thousand and the amount of retained earnings as at 31 December 2015 by HRK 2,665 thousand and the result for 2015 by the amount of HRK 903 thousand.

3.2. Correction of value of inventories

In 2016, the Company Management performed a detailed inventory analysis and identified that in previous periods a part of the inventories was overstated due to the non-compliance of the valuation of a part of inventories with the requirements of IAS 2 Inventories. In accordance with the performed analysis, the Company Management reconciled the amounts of inventories and retained earnings as of 1 January 2015 and 31 December 2015. In addition, as at 1 January 2015 and 31 December 2015, the Company corrected the classification of the amount of HRK 24,000 thousand initially classified in inventories, whereas in the restated balance sheet it is included in trade receivables in the same amount.

3.3. Impairment of trade and other receivables

In earlier periods, the Company used impairment criteria for trade and other receivables that did not fully include all the impairment indicators that were likely to have existed in previous periods. In 2016, the Company Management performed a detailed analysis of the recoverability of these receivables and in accordance with the performed tests, reconciled the amounts of trade receivables in the total amount of HRK 4,091 thousand and retained earnings as of 1 January 2015 and 31 December 2015.

3.4. Receivables and liabilities for bills of exchange with recourse rights

The Company has not recognised in previous periods receivables/liabilities in relation to bills of exchange with recourse rights. This correction resulted in an increase in receivables and liabilities on 1 January 2015 and 31 December 2015 in the same amount.

3.5. Liabilities for unused vacation

In earlier periods, the Company has not accrued a liability for unused vacation in the period which they relate. As a result, the Company reconciled its liability for unused vacation, retained earnings and current results as at 1 January 2015 and as at 31 December 2015 and for the year then ended.

3.6. Correction of presentation of revenues and expenses in the statement of comprehensive income

The Company has reclassified income related to insurance compensations, recharging invoices and similar income that is not directly related to sales of products or rendering services from sales to other operating income and therefore sales in 2015 are decreased by the amount of HRK 13,542 thousand and other income increased by the same amount.

Also, the Company transferred sales promotion costs (incentives to retailers) that can be directly linked to customer contracts from the category of costs to the decrease in sales revenue, resulting in a decrease in sales revenue of HRK 41,415 thousand in 2015, service costs in 2015 were decreased by the amount of HRK 32,833 thousand and other expenses in 2015 were decreased by HRK 8,582 thousand.

4. Segment reporting

Segment reporting is presented without the impact of one-off costs and is given below:

2016	Sales	Other income	Total expenses	Operating profit
	In thousands of HRK	In thousands of HRK	In thousands of HRK	In thousands of HRK
Ice cream	479,004	-	(357,754)	121,250
Frozen foods	689,192	-	(653,352)	35,840
Other	16,337	17,284	(26,304)	7,317
Total	1,184,533	17,284	(1,037,410)	164,407

2015	Sales	Other income	Total expenses	Operating profit
Restated	In thousands of HRK	In thousands of HRK	In thousands of HRK	In thousands of HRK
Ice cream	468,804	-	(353,894)	114,910
Frozen foods	691,726	-	(654,827)	36,899
Other	40,330	14,021	(72,477)	(18,126)
Total	1,200,860	14,021	(1,081,198)	133,683

In 2015 and 2016, the Company had a single customer with whom sales revenues realised exceeded 10% of total annual turnover. These revenues refer to the related company Konzum d.d.

The Company does not monitor assets and liabilities by segments.

	2016	2015
	In thousands of HRK	In thousands of HRK
		Restated
Operating profit by segment	164,407	133,683
One-off costs	(554,023)	(5,671)
Finance income – Note 11	103,126	87,607
Finance costs – Note 12	(19,033)	(21,547)
Income tax – Note 26	(38,075)	(31,128)
Total	(343,598)	162,944

Sales revenues by geographic segments:

	2016	2015
	In thousands of HRK	In thousands of HRK
Croatia	989,062	989,200
Rest of the world	195,471	211,660
Total	1,184,533	1,200,860

5. Other income

The structure of other income consists of:

	2016 In thousands of HRK	2015 In thousands of HRK (restated)
Insurance reimbursements	5,883	3,111
Recharged and other income	5,650	6,188
Food tastings	1,458	1,904
Income from sale of fixed assets	969	15
Income from previous periods	521	194
Suppliers' credit notes	475	670
Collected receivables written off	305	168
Inventory surplus	70	101
Other income	1,953	1,670
	17,284	14,021

6. Cost of raw materials and supplies

The structure of costs of raw materials and supplies consists of:

	2016 In thousands of HRK	2015 In thousands of HRK
Raw materials and supplies used	326,106	325,347
Energy consumed	17,528	18,891
Spare parts used	4,556	4,186
Write-off of small inventory and packaging	2,089	2,776
Total	350,279	351,200

7. Service costs

The structure of service costs consists of:

	2016 In thousands of HRK	2015 In thousands of HRK (restated)
Rentals	38,614	38,266
Marketing costs	19,713	23,990
External maintenance services	17,748	14,637
Cost of joint operations	15,589	15,959
Transport services	10,718	12,133
Agency services and student employment agency services	2,731	3,664
Postage, telephones	1,519	1,468
Other services	17,883	15,805
Total	124,515	125,922

8. Staff costs

The structure of staff costs consists of:

	2016 In thousands of HRK	2015 In thousands of HRK (restated)
Wages and salaries (net)	74,074	74,014
Taxes and surtaxes from salaries	9,880	10,124
Pension contributions	20,713	20,806
Contributions on salaries	17,206	17,518
Total	121,873	122,462

9. Impairment

The structure of impairment of investments is given below:

	2016 In thousands of HRK	2015 In thousands of HRK
Impairment receivables and financial assets:		
Impairment of trade receivables	2,046	1,354
Impairment resulting from pre-bankruptcy settlement	199	83
Write-off of receivables from Ledo Kosovo	-	4,214
Impairment of receivables from related parties	58,535	-
Impairment of loans granted to related parties	356,162	-
Impairment of interest receivable on loans granted to subsidiaries	10,010	-
Impairment of bills of exchange	1,800	-
Write-off of trade receivables	3	20
	428,755	5,671
Impairment of investments in subsidiaries:		
Impairment losses on investments	125,268	-
	554,023	5,671

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10. Other costs

The structure of other costs is given below:

	2016 In thousands of HRK	2015 In thousands of HRK (restated)
Cost of the Group	7,449	55,042
Other employee benefits	8,565	9,657
Recharged expenses	6,148	4,671
Insurance costs	5,269	4,226
Business travel expenses	2,070	2,461
Entertainment expenses	2,094	3,369
Bank and payment transaction charges	2,151	1,047
Contributions, fees and taxes independent of result	1,411	1,710
Costs of temporary service contracts and and authors' fees	1,134	1,028
Sanitary inspections of products and goods	737	1,565
Market research	770	1,007
Compensation to Supervisory Board members	686	696
Other costs	7,082	6,126
Total	45,566	92,605

11. Finance income

The structure of finance income consists of:

	2016 In thousands of HRK	2015 In thousands of HRK
Interest	32,309	29,673
Foreign exchange gains	6,792	6,008
Dividends	64,025	51,926
Total	103,126	87,607

12. Finance costs

The structure of finance costs consists of:

	2016 In thousands of HRK	2015 In thousands of HRK
Interest	14,877	13,047
Foreign exchange differences	4,156	6,000
Other finance costs	-	2,500
Total	19,033	21,547

13. (Loss)/Earnings per share

Basic (loss)/earnings per share
The basic earnings/(loss) per share is calculated by dividing the Company's net profit by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares.

	2016	2015 (restated)
Net (loss) in HRK	(343,598,274)	162,943,737
Weighted average number of shares	313,920	313,920
Basic (loss)/earnings per share in HRK	(1,094.54)	519.06

Diluted (loss)/earnings per share
Diluted earnings/(loss) per share equal basic earnings/(loss) per share, as there were no convertible potentially dilutive ordinary shares.

14. Intangible assets

Balances and changes in intangible assets are shown below:

	Software, patents and other rights	Assets under construction	Total
At 1 January 2015	In thousands of HRK	In thousands of HRK	In thousands of HRK
Cost	30,435	1,035	31,470
Accumulated amortisation	(23,614)	-	(23,614)
Net book amount	6,821	1,035	7,856
At 1 January 2015			
Opening net book amount	6,821	1,035	7,856
Investments during the year	-	2,345	2,345
Transfer from investments	3,380	(3,380)	-
Amortisation	(3,887)	-	(3,887)
Closing net book amount	6,314	-	6,314
At 31 December 2015			
Cost	33,809	-	33,809
Accumulated amortisation	(27,495)	-	(27,495)
Net book amount	6,314	-	6,314
At 1 January 2016			
Opening net book amount	6,314	-	6,314
Investments during the year	-	1,866	1,866
Transfer from investments	1,583	(1,583)	-
Amortisation	(3,285)	-	(3,285)
Closing net book amount	4,612	283	4,895
At 31 December 2016			
Cost	35,392	283	35,675
Accumulated amortisation	(30,780)	-	(30,780)
Net book amount	4,612	283	4,895

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15. Property, plant and equipment

Balances and changes in property, plant and equipment are shown below:

At 1 January 2015 (restated)	Land In thousands of HRK	Buildings In thousands of HRK	Plant, equipment and vehicles In thousands of HRK	Leasehold improvements In thousands of HRK	Assets under construction and other assets In thousands of HRK	Total In thousands of HRK
Cost	81,806	108,221	463,809	27,614	-	681,450
Accumulated depreciation	-	(73,341)	(374,501)	(23,582)	-	(471,424)
Net book amount	81,806	34,880	89,308	4,032	-	210,026
At 1 January 2015						
Opening net book amount	81,806	34,880	89,308	4,032	-	210,026
Investments during the year	-	-	-	-	42,205	42,205
Transfer from investments	111	1,139	38,920	1,221	(41,391)	-
Revaluation	(10,666)	-	-	-	-	(10,666)
Advances	-	-	-	-	98	98
Disposals	-	-	(247)	-	-	(247)
Depreciation (restated)	-	(4,203)	(27,164)	(407)	-	(31,774)
Closing net book amount	71,251	31,816	100,817	4,846	912	209,642
At 31 December 2015 (restated)						
Cost	71,251	109,030	478,623	28,760	912	688,576
Accumulated depreciation	-	(77,214)	(377,806)	(23,914)	-	(478,934)
Net book amount	71,251	31,816	100,817	4,846	912	209,642
At 1 January 2016 (restated)						
Opening net book amount	71,251	31,816	100,817	4,846	912	209,642
Investments during the year	-	-	-	-	23,565	23,565
Transfer from investments	(5)	469	23,857		(24,321)	-
Revaluation	(991)	-	-	-	-	(991)
Advances	-		-	-	(98)	(98)
Disposals	(1,167)	(238)	(409)	-	-	(1,814)
Depreciation		(4,159)	(30,724)	(471)	-	(35,354)
Closing net book amount	69,088	27,888	93,541	4,375	58	194,950
At 31 December 2016						
Cost	69,088	108,103	492,114	28,760	58	698,123
Accumulated depreciation	-	(80,215)	(398,573)	(24,385)	-	(503,173)
Net book amount	69,088	27,888	93,541	4,375	58	194,950

As at the balance sheet date, the Company's assets have not been mortgaged. The Company has adequate evidence of ownership of the above assets.

Land fair value at 31.12.2016	In thousands of HRK
Cost	5,181
Revaluation	63,907
Carrying vlaue	69,088

The last revaluation was carried out in 2016 by the independent appraiser Planko Consulting d.o.o. using the comparative method based on the assumption that the recently determined prices of similar properties in the same market, are a good indicator of the market value of properties; the law prescribes a recent period of 48 months.

16. Investments in subsidiaries

Shares in subsidiaries consist of:

	31 December 2016 In thousands of HRK	31 December 2015 In thousands of HRK
Frikom d.o.o. Serbia	761,680	761,680
Irida d.o.o. Croatia	9,603	9,603
Ledo d.o.o. Montenegro	150,100	150,100
Ledo Kft Hungary	124,585	124,585
Ledo d.o.o. Bosnia and Herzegovina	83,967	83,967
Ledo d.o.o. Slovenia	40,030	34,378
Ledo d.o.o. Kosovo	7,532	7,532
Impairment of investments	(125,268)	-
Total	1,052,229	1,171,845

As at 31 December 2016, the Company owned 100% shares in its subsidiaries.

17. Financial instruments

Financial instruments consist of:

	31 December 2016 In thousands of HRK	31 December 2015 In thousands of HRK
Available-for-sale financial assets	40,382	38,833
Total	40,382	38,833

Investment securities available for sale:

	31 December 2016 In thousands of HRK	31 December 2015 In thousands of HRK
Equity instruments at cost	505	505
Equity instruments at fair value	39,877	38,328
Total	40,382	38,833

Investments in equity instruments available for sale that are not quoted in an active market are measured at cost. During 2016, there was no impairment of the value of investments in available-for-sale securities.

18. Inventories

The structure of inventories is given below:

	31 December 2016 In thousands of HRK	31 December 2015 In thousands of HRK (restated)
Raw materials and supplies	52,186	98,884
Work in progress and unfinished goods	1,683	1,256
Trade goods	32,095	46,758
Finished goods	22,453	31,362
Advances	726	3,205
Total	109,143	181,465

In 2016, the cost of goods sold amounted to HRK 413,126 thousand (2015: HRK 407,267 thousand). The Company's inventories have not been pledged. Inventories have been valued in accordance with the stated accounting policy. During 2016, an inventory deficit was identified in the amount of HRK 196 thousand (2015: HRK 134 thousand).

19. Financial assets

	31 December 2016 In thousands of HRK	31 December 2015 In thousands of HRK
Loans given – Agrokor Group	742,482	580,011
Loans given	-	25
Impairment of loans given	(366,169)	-
Total	376,313	580,036

As at 31 December 2016, the Company had receivables from related companies, members of the Agrokor Group, in the total amount of HRK 742,482 thousand. Due to the uncertainty of collection which will depend on the outcome of the Settlement and the overall restructuring process (as described in more detail in Note 34. *Events after the balance sheet date),* Management impaired the value of the stated receivables in the total amount of HRK 366,169 thousand.

An overview of loans given to members of the Agrokor Group is as follows:

	31 December 2016 In thousands of HRK	31 December 2015 In thousands of HRK
<u>Parent:</u>		
Agrokor d.d.	20,297	13,018
<u>Parent's subsidiaries:</u>		
Konzum d.d.	350,751	563,576
A007 d.o.o.	318	-
Agrolaguna d.d.	1,560	-
Ledo d.o.o. Kosovo	3,387	3,285
Frikom d.o.o.	-	132
Total	376,313	580,011

20. Receivables

Trade receivables consist of the following:

	31 December 2016 In thousands of HRK	31 December 2015 In thousands of HRK (restated)
Trade receivables	65,341	84,691
Trade receivables – Agrokor Group	145,848	95,146
Receivables from the state	678	1,138
Due from employees	117	198
Investment securities – cheques, bills of exchange	210	1,055
Other receivables	2,426	3,988
Impairment of trade receivables (including Agrokor Group)	(79,474)	(19,655)
Total	135,146	166,561

Movements in the impairment of trade receivables are as follows:

	2016 In thousands of HRK	2015 In thousands of HRK
At 1 January	19,655	19,246
Increase	61,588	1,363
Decrease	(1,769)	(954)
At 31 December	79,474	19,655

The ageing structure of trade receivables which have not been impaired is given below:

	Not past due In thousands of HRK	0-90 days In thousands of HRK	90-180 days In thousands of HRK	180 – 270 days In thousands of HRK	Over 270 days In thousands of HRK	Total In thousands of HRK
2016	105,236	20,530	3,923	636	1,454	131,779
2015	108,471	18,389	7,225	1,520	24,577	160,182

Management believes that there are sufficient security instruments for these receivables and that their carrying amount is recoverable.

Trade receivables of members of the Agrokor Group are as follows:

	31 December 2016 In thousands of HRK	31 December 2015 In thousands of HRK
Parent company:		
Agrokor d.d.	-	1
Parent's subsidiaries:		
Frikom a.d.	126	1,633
Konzum d.d.	61,717	78,316
Ledo d.o.o. Bosnia and Herzegovina	4,085	1,786
Ledo d.o.o. Kosovo	5,784	6,794
Ledo d.o.o. Slovenia	12,471	6,542
Adriatica.net d.o.o.	3,354	-
Velpro centar d.o.o.	(80)	-
Roto dinamic d.o.o.	-	74
Tisak d.d.	(202)	-
Žitnjak d.d.	58	-
Total	87,313	95,146

The currency structure of trade receivables of members of the Agrokor Group is as follows:

	31 December 2016 In thousands of HRK	31 December 2015 In thousands of HRK
HRK	61,493	78,390
EUR	3,156	2,195
Total	64,649	80,585

21. Cash at bank and on hand

Cash at bank and on hand consists of:

	31 December 2016 In thousands of HRK	31 December 2015 In thousands of HRK
Cash at bank and on hand	1,493	2,760
Total	1,493	2,760

Almost all cash in the accounts refers to cash with major Croatian business banks which are subsidiaries of renowned Italian and Austrian banking groups with the most common credit rating being BBB.

The currency structure of cash is as follows:

	31 December 2016 In thousands of HRK	31 December 2015 In thousands of HRK
HRK	1,049	2,549
EUR	436	180
USD	1	13
CHF	7	17
GBP	0.4	0.5
	1,493	2,760

22. Capital and reserves

Capital includes own non-current assets intended for business. It includes the underlying equity capital together with capital reserves arising from the capital increase of the Company, mandatory legal reserves consisting of five percent of the share capital, other reserves, revaluation reserves for land and financial assets available for sale, retained earnings and loss for the current year. Retained earnings and other reserves are categories available for distribution to the Company's shareholders. Subscribed capital (shareholders' equity) in the court registry amounts to HRK 119,290 thousand. The total number of shares is 313,920 shares. The nominal value per share is HRK 380.00. The share capital has been fully paid.

The ownership structure as at 31 December 2016 is as follows:

	Number of shares	Nominal 1 share In HRK	Total Nominal value In thousands of HRK	Participation in share capital (%)
Agrokor d.d.	153,551	380	58,350	48.91%
Small shareholders	11,566	380	4,395	3.68%
Pension funds	83,200	380	31,616	26.50%
Others	65,603	380	24,929	20.90%
Total number of shares	313,920		119,290	100.00%

Gearing ratio:

		2016	2015
Leverage ratio	Total liabilities/total assets	0.25	0.19
Capital to assets ratio	Equity/total assets	0.75	0.81
Debt to equity ratio	Total debt/equity	0.33	0.24
Coverage level 1	Own capital/non-current assets	1.13	1.35
Coverage level 2	(own capital+non-current liabilities)/non-current assets	1.25	1.47

23. Provisions

Provisions for termination benefits
All employees are included in the state pension fund. Provisions for termination benefits are established for benefits paid on retirement, jubilee awards (length of service) and scholarships for children of workers who died in a work-related accident. The amount of termination benefit depends on whether the employee has met the required conditions for retirement, and the amount of the jubilee award depends on the number of years of service at the Company. The amount of compensation is determined on the basis of the employee's monthly remuneration.

Movements of liabilities for employee benefits stated in the balance sheet are as follows:

	2016 In thousands of HRK	2015 In thousands of HRK
Net liability at the beginning of the year	1,592	1,683
Net change during the year	(45)	1,180
Payments during the year	-	(1,271)
Net liability at the end of the year	1,547	1,592

The principal actuarial assumptions used to determine liabilities as at 31 December are as follows:

	2016	2015
Discount rate (annual)	4.00%	4.00%
Wage and salary increases (annual)	0.50%	0.50%

Other long-term employee benefits are determined using the projected unit credit method per employee. Gains and losses arising from changes in actuarial assumptions are recognised as income/expense in the period in which they are incurred.

24. Commitments

Operating lease liabilities
Operating lease liabilities include the lease of equipment and vehicles.

Maturity	31 December 2016 In thousands of HRK	31 December 2015 In thousands of HRK
Over 5 years	352	707
From 2 to 5 years	10,169	5,580
From 1 to 2 years	6,264	3,562
Within 1 year	10,713	6,464
Total	27,498	16,313

Capital commitments
The contractual capital commitments at the balance sheet date amounted to HRK 0 thousand, while as at 31 December 2015 they amounted to HRK 10,640 thousand.

25. Bank borrowings and loans

The structure of borrowings and loans is given below:

	31 December 2016 In thousands of HRK	31 December 2015 In thousands of HRK (restated)
Long-term loans		
Long-term loans – Ledo d.o.o. Bosnia and Herzegovina	151,156	152,701
Total long-term loans	151,156	152,701
Short-term borrowings and loans		
Bank borrowings	42,941	18,000
Short-term loans – Agrokor Group	57,265	78,116
Issued bills of exchange payable and rights of recourse	19,824	32,285
Total short-term borrowings and loans	120,030	128,401
Total borrowings and loans	271,186	281,102

The fair value of loans at the balance sheet date approximates their carrying amount.
The maturity of the long-term loan originally granted for a period of 8 years in the amount of EUR 20,000 thousand (expressed in EUR) at the interest rate of 4.5% is presented in the table below (the loan matures in December 2018):

Maturity	< 1 year	1 to 5 years	>5 years	Total
Ledo Čitluk	-	151,156	-	151,156
	-	151,156	-	151,156

Bank borrowings

Maturity in HRK	< 1 year	1 to 5 years	>5 years	Total
Splitska banka, interest rate 4.68%	-	-	18,000	18,000
HBOR, interest rate 3%	-	-	24,941	-
	-	-	42,941	18,000

An overview of short-term loans received from companies within the Agrokor Group is given below:

	2016 In thousands of HRK	2015 In thousands of HRK (restated)
Parent's subsidiaries:		
Agrokor-trgovina d.o.o.	304	-
Frikom d.o.o.	45,582	52,911
Kor Broker d.o.o.	2,292	-
Irida d.o.o.	-	4,781
Ledo d.o.o. Bosnia and Herzegovina	1,736	9,265
Ledo d.o.o. Montenegro	588	4,405
Ledo Kft Hungary	6,763	6,754
Total	57,265	78,116

Short-term loans are granted for a period up to 12 months at the annual interest rate prescribed by the Ministry of Finance.

The currency structure of short-term loans from Agrokor Group companies is as follows:

	31 December 2016 In thousands of HRK	31 December 2015 In thousands of HRK
EUR	54,673	73,335
HRK	2,592	4,781
Total	57,265	78,116

26. Taxes

The tax liability for one year is presented below:

	31 December 2016 In thousands of HRK	31 December 2015 In thousands of HRK
Domestic income tax	38,075	31,128
Total	38,075	31,128

The income tax paid in 2016 amounted to HRK 26,887 thousand (2015: HRK 22,831 thousand).
The reconciliation of the accounting (loss)/profit with the theoretical income tax expense based on the tax rate applicable to the profit for the years ended 31 December was as follows:

	2016 In thousands of HRK	2015 In thousands of HRK (restated)
(Loss)/Profit before tax	(305,523)	199,263
Income tax calculated by applying the prescribed income tax rate	(61,105)	39,853
Tax effects:		
Non-deductible items, net	10,930	1,708
Effect of non-taxable income	(12,893)	(10,433)
Unrecognised deferred tax assets based on tax loss	101,155	-
Income tax expense	38,086	31,128

The deferred tax liability relates to the deferred tax liability related to the revaluation of land, and the deferred tax liability related to the valuation of securities in the available-for-sale portfolio.
Movements in the deferred tax liability are as follows:

	2016 In thousands of HRK	2015 In thousands of HRK
Deferred tax liability at 1 January	12,940	15,073
Deferred tax resulting from revaluation of land	(178)	(2,133)
Effect of change in tax rate	(1,278)	-
Deferred tax liability at 31 December	11,484	12,940

The deferred tax liability for revalued land arose from the fact that under the currently applicable tax laws revaluation surplus is taxable in the year of implementation, and not in the year of revaluation.

27. Receivables and liabilities for bills of exchange and based on recourse rights

	31 December 2016 In thousands of HRK	31 December 2015 In thousands of HRK (restated)
Liabilities for discounted bills of exchange (i)	2,324	-
Liabilities and receivables on the basis of bills of exchange with recourse rights (ii)	17,500	32,285
Total	19,824	32,285

(i) This refers to bills of exchange issued to suppliers and that the supplier discounted for the purposes of the bank/factoring company.

(ii) The Company also accepts bills of exchange as a means of payment from customers and thus closes its receivables towards customers for the sale of goods and products. Bills of exchange received are with rights of recourse and in case of activating the recourse, the obligation of collecting bills of exchange is transferred to the Company, and then the Company exercises the right to the receivable for uncollected bills of exchange towards the initial issuer of the bills of exchange. As at 31 December 2016, the Company recorded a liability and receivable related to the right of recourse under the bills of exchange, discounted by financial institutions, in the total amount of HRK 17,500 thousand (31 December 2015: HRK 32,285 thousand).

Up to the date of this report, recorded liabilities arising from rights of recourse for bills of exchange have been duly settled on maturity. Both in this and in previous periods, there was no activation of recourse based on received bills of exchange.

28. Trade payables

Trade payables relate to the following:

	31 December 2016 In thousands of HRK	31 December 2015 In thousands of HRK
Domestic trade payables	62,392	52,925
Foreign trade payables	58,220	74,261
Suppliers – Agrokor Group	21,600	9,324
Uninvoiced goods payable	530	444
Total	142,742	136,954

The currency structure of trade payables is as follows:

	31 December 2016 In thousands of HRK	31 December 2015 In thousands of HRK
EUR	49,166	69,293
USD	9,054	4,978
HRK	83,992	62,249
Total	142,212	136,510

Trade payables to members of the Agrokor Group are as follows:

	2016 In thousands of HRK	2015 In thousands of HRK
Parent's subsidiaries:		
Agrokor AG Zug	5,730	-
Adriatica.net d.o.o.	6	-
Frikom a.d.	8,644	1,618
Irida d.o.o.	4,025	4,184
Jamnica d.d.	118	-
Ledo d.o.o. Ljubljana	40	-
Ledo Kft. Hungary	67	-
Mercator Grupa	9	-
mStart d.o.o.	1,298	1,523
Multiplus card d.o.o.	-	25
Tisak d.d.	343	1,023
Velpro-centar d.o.o.	1,320	-
Zvijezda d.d.	-	951
Total	21,600	9,324

29. Other current liabilities

Other current liabilities consist of:

	31 December 2016 In thousands of HRK	31 December 2015 In thousands of HRK (restated)
Taxes and contributions (other than income tax)	20,595	6,719
Due to employees	6,342	5,756
Liabilities for distribution of profit	273	273
Other current liabilities	1,725	45
Liabilities for unused vacation	5,326	6,461
Total	34,261	19,254

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30. Related party transactions

Transactions realised with members of the Agrokor Group are listed below, recorded in thousands of HRK:

	Income		Expenses	
	2016	2015	2016	2015
Parent company:				
Agrokor d.d.	248	111	(79,441)	(58,063)
Parent's subsidiaries:				
A007 d.o.o.	133	7	(554)	(169)
Agrolaguna d.d.	42	-	-	(4)
Belje d.d.	90	94	(4,259)	(4,286)
Jamnica d.d.	-	-	(281)	(343)
Jamnica d.o.o. Slovenia	-	-	-	(3)
Konzum d.d.	269,018	289,526	(52,361)	(70,702)
Kor Broker d.o.o.	-	-	(92)	-
360 Marketing d.o.o.	-	-	(1,868)	-
Mercator Grupa	-	441	(197)	(77)
mStart d.o.o.	19	-	(6,186)	(6,602)
Multiplus card d.o.o.	-	-	-	(40)
PIK Vinkovci d.d.	1,094	2,418	-	(21,842)
PIK Vrbovec d.d.	3,582	2,992	(9,238)	(5,653)
Projektgradnja d.o.o.	-	-	-	(264)
Roto dinamic d.o.o.	142	7	(2)	(44)
Roto ulaganja d.o.o.	-	-	(251)	(237)
Tisak d.d.	11,911	11,738	(2,694)	(4,175)
Velpro-centar	33,392	-	(16,188)	-
Velpro d.o.o. Sarajevo	-	-	(111)	-
Vupik d.d.	19	18	-	-
Zvijezda d.d.	712	421	(4,665)	(4,940)
Atlas d.d.	-	-	(232)	-
Žitnjak d.d.	506	387	-	(1)
Subsidiaries of Ledo d.d.:				
Frikom d.o.o.	55,272	56,643	(32,488)	(31,293)
Frikom Beograd dooel	617	-	-	-
Irida d.o.o.	622	609	(17,264)	(16,133)
Ledo d.o.o. Bosnia and Herzegovina	83,843	94,284	(7,166)	(7,293)
Ledo d.o.o. Slovenia	62,967	52,902	(46)	-
Ledo d.o.o. Montenegro	21,087	22,310	(437)	(146)
Ledo kft	16,420	16,209	(267)	(155)
Ledo d.o.o. Kosovo	7,352	6,303	-	(4,200)
Total	569,088	557,420	(236,288)	(236,665)

a) Income from related party transactions:

The Company sold its goods to related companies and provided services under arm's length conditions. With the largest buyer, Konzum d.d., the Company usually realises the following types of transactions: sales of own products, trade goods and distribution services.

b) Expenses from related party transactions:

During the year, the parent company Agrokor d.d. provided corporate governance services for which the Company was charged in the amount of HRK 7,449 thousand (2015: HRK 55,042 thousand).

During the year, the company Frikom d.d. invoiced delivered goods under arm's length conditions in the total amount of HRK 28.7 million, and Konzum d.d. in the amount of HRK 0.9 million (2015: Frikom d.d. HRK 31 million, and Konzum d.d. HRK 14.7 million).

c) Key management compensation:

Key management consisted of 2 members of the Management Board who received the following compensation in 2016 in the amount of HRK 1,896 thousand (2015: 2 members with one Member of the Management Board being an employee of Agrokor until 31 November 2015, the compensation amounted to HRK 811 thousand).

31. Contingent liabilities

The Company's contingent liabilities comprise guarantees on issued bonds, borrowings and revolving bank guarantees in which the original debtor is Agrokor d.d. and the related members of the Agrokor Group.

All guarantees relate to funds used to finance the entire Parent company, resulting in the growth and development of the Parent company. Through synergic effects, there were benefits for all business segments, including Ledo d.d. The financing of Agrokor d.d. was a centralised function and common for many years, so that legal affairs were contracted and monitored centrally by Agrokor d.d., whereby Ledo d.d. does not have complete insight into all contracted legal affairs.

Pursuant to the Act on the Extraordinary Administration Procedure in Companies of Systemic Importance for the Republic of Croatia, receivables are being reconciled with creditors in the extraordinary administration procedure and after determining the receivables of creditors and the principal debtor, the final receivable amount of individual creditors will be determined. As at 31 December 2016, total contingent liabilities of Ledo d.d. arising from guarantees and co-debtor relations amounted to HRK 19,572,508 thousand and as at 31 December 2015 amounted to HRK 18,589,486 thousand.

32. Fair value measurement

Based on calculations of their fair value, financial instruments are grouped into three levels:

- Level 1: financial instruments quoted in an active market
- Level 2: assets or liabilities that are not included in Level 1, whose value is determined directly or indirectly on the basis of comparable market data
- Level 3: assets or liabilities whose value is not based on active market data.

The fair value measurement hierarchy for assets and liabilities as at 31 December 2016:

(in thousands of HRK)

	Level 1	Level 2	Level 3	Total
Land	-	69,088	-	69,088
Available-for-sale securities	-	38,876	-	38,876

The fair value measurement hierarchy for assets and liabilities as at 31 December 2015:

(in thousands of HRK)

	Level 1	Level 2	Level 3	Total (restated)
Land	-	71,251	-	71,251
Available-for-sale securities	-	38,328	505	38,833

Available-for-sale assets also include investments valued at historical cost in the amount of HRK 505 thousand (2015: HRK 505 thousand).

33. Financial instruments and risk management

(a) Financial instruments

The Company has no derivative financial instruments or any financial instruments that could potentially subject the Company to concentrations of credit risk. The Company's policy is to enter into financial instruments with a diversity of creditworthy counterparties. Consequently, the Company does not expect to be exposed to material credit losses on financial instruments.

Fair value of financial assets and liabilities

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arm's length basis. As it is not possible to reach the reference market prices of a significant part of the Company's assets and liabilities, fair values are based on Management estimates with respect to the type of assets and liabilities. Management believes that the fair values of assets and liabilities (except if otherwise stated in this note) are not significantly different from their carrying values.

The Company used the following methods and assumptions in estimating the fair value of financial instruments:

Receivables and bank deposits

For assets that mature within 3 months, the carrying value approximates their fair value due to the short maturities of these instruments. For longer-term assets, the interest rate does not deviate significantly from the current market rates and, consequently, the fair value approximates the carrying value.

Loans given

Since almost all loans are short-term, the Management Board believes that their fair value is not materially different from their carrying value.

Investment securities

Securities are recorded in the balance sheet at their fair value. Securities whose fair value cannot be reliably measured, as they are not traded on an active market, are recorded at cost. The Management Board believes that their fair value is not materially different from their carrying value.

Borrowings

The fair value of current liabilities approximates their carrying value due to the short maturities of these instruments. For the remainder of long-term borrowings, which have been contracted at a fixed interest rate, the average contracted rate does not differ significantly from the market rate at the balance sheet date, and consequently, the fair values are not significantly different from their carrying values.

(b) Objectives and risk management policies

The main risks arising from the Company's financial instruments are credit risk, foreign currency risk and interest rate risk. Management reviews and agrees policies for managing each of these risks which are listed below. The Company is exposed to international markets. As a result, the Company may be affected by changes in foreign exchange rates. The Company also extends credit terms to its customers and is exposed to a risk of default. The significant risks, together with the methods used to manage these risks, are described below. The Company does not use derivative instruments either to manage risk or for speculative purposes.

Credit risk

The Company is exposed to credit risk, which is the risk that the debtor will not be able to meet the maturity obligations. The Company manages the level of risk by establishing credit risk exposure limits to one debtor or group of debtors. As there is no significant concentration of credit exposure, the Company does not consider to be significantly exposed to this risk.

The Company considers that its maximum exposure is reflected in the amount of receivables net of provisions for impairment recognised at the balance sheet date. The Company's assets, which potentially subject them to concentrations of credit risk, primarily include loans receivable, trade and other receivables. As at 31 December 2016, the credit risk of the Company was mainly concentrated on receivables from related companies. As set out in Notes 19 and 20 Receivables and Financial Assets, due to the uncertainty of collection, the Company impaired the value of a part of the above receivables.

The Company has policies in place to ensure that sales of products are made to customers with an appropriate credit history, within previously defined credit limits. The Company's credit risk is lower, since receivables are dispersed among a large group of customers.

In the reporting period, the Company has reduced credit risk by implementing strict policies for collection of receivables and delivery of goods, as well as securing receivables by standard collateral instruments (bills of exchange and promissory notes).

The Company considers that its maximum exposure is reflected in the amount of receivables net of provisions for impairment recognised at the balance sheet date.

Liquidity risk

Liquidity risk, also referred to as funding risk, is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company closely monitors its cash flows, and plans short-term inflows and outflows of cash. The remaining amount of funds received is placed by the Company as short-term deposits and available-for-sale assets.

The following table presents the maturity of financial liabilities of the Company as at 31 December 2016 in accordance with contracted undiscounted payments:

31 December 2016	Contracted cash flows	Up to 6 months	6 – 12 months	1-2 years	2-5 years	More than 5 years
Borrowings	43,473	532	42,941	-	-	-
Loans from related parties	59,066	7,479	51,587	-	-	-
Trade payables and liabilities related parties	142,742	138,478	4,248	16	-	-
Total	245,281	146,489	98,776	16	-	-

31 December 2015 (restated)	Contracted cash flows	Up to 6 months	6 – 12 months	1-2 years	2-5 years	More than 5 years
Borrowings	19,308	219	19,089	-	-	-
Loans from related parties	104,439	3,895	100,544	-	-	-
Trade payables and liabilities related parties	136,954	129,404	7,079	471	-	-
Total	260,701	133,518	126,712	471	-	

The following overview shows the maturity structure of trade payables, bills of exchange payable and other liabilities of the Company as of 31 December 2016 and 2015 expressed in thousands of HRK:

	< 90 days In thousands of HRK	90 – 180 days In thousands of HRK	180 – 270 days In thousands of HRK	> 270 days In thousands of HRK	Total
Trade payables					
At 31 December 2016	115,052	23,178	3,835	677	142,742
At 31 December 2015	121,845	7,384	7,289	436	136,954
Other liabilities					
At 31 December 2016	34,262	2,323	-	-	36,585
At 31 December 2015	6,993	7,883	-	-	14,876

Interest rate risk

Most of the interest-bearing assets and liabilities of the Company represent borrowings. As long-term loans have been received at a fixed interest rate, the Company is not significantly exposed to interest rate risk.

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates relative to the interest rates which apply to the financial instrument. Interest rate risk related to cash flow is the risk that the financial instrument interest expense will fluctuate over time.

Foreign currency risk

Most of the Company's assets are denominated in HRK. A part of trade payables is denominated in other currencies, primarily EUR. Consequently, the Company is exposed to the risk of exchange rate fluctuations. Given the long-term policy of the Republic of Croatia related to maintaining the EUR exchange rate, the Company does not consider it to be significantly exposed to further negative impact of this exposure.

The following table shows the sensitivity of the Company's profit before tax on a reasonably possible change in exchange rates, with other variables held constant, and due to a change in the fair value of monetary assets and liabilities:

	Increase/decrease in exchange rate	Effect on profit before tax in thousands of HRK
2016		
EUR	+/- 5%	2,365
USD	+/- 5%	453
GBP	+/- 5%	(0.02)
CHF	+/- 5%	(0.35)
2015		
EUR	+/- 5%	3,308
USD	+/- 5%	206
GBP	+/- 5%	-
CHF	+/- 5%	(1)

Capital management

The primary objective of the Company's capital management is to support the business and maximise shareholder value. The capital structure of the Company is applicable to share capital comprising subscribed capital, reserves and retained earnings.

The Company manages its capital structure and makes adjustments in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2016, and on 31 December 2015.

34. Events after the balance sheet date

Pursuant to the *Act on Extraordinary Administration Procedure in Companies of Systemic Importance for the Republic of Croatia* ("the Act"), on 7 April 2017, the Management Board of Agrokor d.d., Zagreb ("Agrokor") filed a request for initiating the Extraordinary Administration procedure to the Commercial Court in Zagreb.

The purpose of this Act is to protect the sustainability of business operations of companies of systemic importance for the Republic of Croatia while conducting business, financial and ownership restructuring, all with the aim of preventing negative consequences on the overall economic, social and financial stability in the Republic of Croatia that may arise from a sudden discontinuity in the operations of such companies.

On 10 April 2017 (amended on 21 April 2017), the Commercial Court in Zagreb issued a Decision on Initiating the Extraordinary Administration Procedure (St-1138/17) over Agrokor and its related companies and subsidiaries in the Republic of Croatia including the company Jamnica d.d. On the basis of the aforementioned Decision, on 10 April 2017 the Extraordinary Commissioner took over the management of Agrokor d.d. as well as control over the Agrokor companies covered by the Extraordinary Administration.

As defined in Article 7 of the Act, during the Extraordinary Administration procedure it is not permitted to institute debtor liquidation proceedings. Also, as defined in Article 41 of the Act, from the day of initiating the Extraordinary Administration procedure until its completion, it is not allowed to institute civil, enforcement, administrative and insurance proceedings as well as out-of-court collection proceedings against Agrokor and its subsidiaries and related companies subject to the Extraordinary Administration.

Within 12 months from initiating the Extraordinary Administration procedure, with the possibility of extension for 3 months, the Extraordinary Commissioner may, with the consent of the council of creditors, propose a settlement to the creditors. The settlement process is defined by the Act, while its outcome cannot reasonably be estimated up to the date of this report.

In accordance with the Act, the Extraordinary Administration measure is implemented only when there is a reasonable probability of establishing a balance and continued operations on a more permanent basis. Otherwise, at any time during the course of the Extraordinary Administration procedure, the court may, at the request of the Extraordinary Commissioner and upon obtaining the consent of the council of creditors, decide to terminate the Extraordinary Administration procedure and to initiate bankruptcy proceedings if circumstances have arisen due to which there is no longer a reasonable probability of establishing economic balance and continued operations on a more permanent basis. To the best of our knowledge, such circumstances have not arisen so far and according to the information available until the date of this report, the Company's Management expects a successful conclusion of the Settlement. Accordingly, the financial statements have been prepared based on the going concern principle.

On 21 February 2017, a EUR 100 million loan agreement was concluded between Sberbank Russia as the loan provider and Agrokor d.d. as the loan recipient, with the guarantee of certain related companies including Ledo d.d. The agreement confirmed two tranches, one in the amount of EUR 60 million for meeting current operating requirements and another in the amount of EUR 40 million for refinancing purposes.

On 13 April 2017, following the consideration of the key provisions (amount, interest rate, maturity, co-debtor rights and obligations), the company signed the loan agreement as a co-debtor for the loan of the related company Agrokor d.d. A contract was signed between Agrokor d.d. as the loan recipient and Zagrebačka banka d.d., Privredna banka Zagreb d.d., ERSTE Steiermaerkische d.d. and Raiffeisen Bank Austria d.d. as the loan provider in the amount of EUR 80,000,000. The loan is repaid one-off at the expiration of 12 months from the date of initiating the Extraordinary Administration procedure or 15 months, if the Extraordinary Administration procedure is extended.

On 8 June 2017, the company signed, as a guarantor, an Loan Agreement with a priority right when settling concluded by Agrokor d.d., together with its related companies (Agrokor-trgovina d.o.o., Belje d.d. Darda, Jamnica d.d., Konzum d.d., Ledo d.d., Pik-Vinkovci d.d., Sarajevski Kiseljak d.d., Vupik d.d.,Zvijezda d.d., PIK Vrbovec d.d., Velpro d.o.o. and others). This is a Loan Agreement with different international and domestic inventors up to EUR 1,060,000,000 the highest, divided in two tranches: first one up to EUR 960,000,000 and the second one up to EUR 100,000,000 (offered to existing suppliers to participate in financing the Agrokor group as investors). Loan Agreement matures at each day preceeding 10 July 2018 or the day of judicial validation of the Settlement or the day of starting the bankruptcy proceedings. The loan amount was used also for the early repayment of loan amounting to EUR 80 million granted as of 13 April. Loan was granted under the condition of refinancing (settlement) of part of old debt existing before the initiation of Extraordinary Administration procedure in the ratio of cash remaining at company's disposal and cash used for refinancing (settlement) of part of old debt 1:1. As a security, the loan agreement defines a potential pledge over non-current tangible and intangible assets of all guarantors.

Funds secured with this loan have allowed the Issuer to stabilise its operations, solve liquidity problems, and fund inventory and prepare for the tourist season.

Significant legal disputes against the Company

On 7 June 2017, the Commercial Court in Belgrade issued a decision on a provisional measure prohibiting the Company from disposing and using the 100% share of the company Ledo d.d. in the company Frikom d.o.o. as security for receivables of Sberbank d.d. in the amount of EUR 100,000,000 (principal amount) and EUR 1,323,493.44 (accrued interest on 25 May 2017) arising from a guarantee on the basis of a loan agreement signed on 21 February 2017.

Encumbrance of Company assets

On 1 September 2017, Agrokor d.d., its related companies, including Ledo d.d., all as Opponents of the collateral on the one hand, and Madison Pacific Trust Limited as the Proponent of the collateral on the other, signed an Agreement on creating a lien against properties. This Agreement was concluded for the purpose of establishing and perfecting the collateral in favour of the Proponent of the collateral in order to secure the present and future claims that each Debtor owes to the Secured Parties, all as defined in and in accordance with the Agreement on the super-priority loan as of 8 June 2017 and with all the changes and amendments (13.06.2017, 18.06.2017, 28.06.2017, 04.07.2017, 10.07.2017 and 30.08.2017).

The lien was created against properties of the company Ledo d.d., which comprise the following business facilities: administrative building, business buildings, commercial buildings (ice cream factory) and courtyard in Zagreb, M. Čavića 9, total area 23129 m2; two buildings, a shed and an industrial yard in Osijek, Ulica vukovarska 314, with a total area of 5051 m2; a building and yard in Slavonski Brod, Ljudevita Posavskog bb, total area of 5563 m2; the factory yard in Zagreb, Čavićeva 9, with a total area of 235 ftm2 or 845 m2.

Pledge over the Company's (issuer) Mark (brand)

On 15.9.2017. the Agreement on the Establishment of a Pledged Right to Certain Marks (brands) of issuers between Agrokor d.d., its related companies including the issuer, all as insurance opposites on one side, and Madison Pacific Limited as the Proponent of Insurance on the other, for the purpose of establishing and perfecting the collateral in favour of the Proponent of the collateral in order to secure the present and future claims that each Debtor owes to the Secured Parties, all as defined in and in accordance with the Agreement on the super-priority loan as of 8 June 2017.