

HRVATSKE AUTOCESTE d.o.o.
Širolina 4, Zagreb

Financial Statements
and
Independent auditor's report
for the year ended 31 December 2015

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The tax liability is measured at the current tax rate, according to reported income tax. Deferred tax assets and liabilities are measured at the corporate income tax rates that are expected to apply in period of cancellation of the differences.

2.11. Leases

Leases are classified as finance leases whenever all the risk and rewards of ownership are transferred to the lessee. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Finance leases are recognized at the beginning of the lease period as the assets and liabilities by an amount equal to the fair value of the leased property, plant or equipment, or the present value of minimum payments, determined at the beginning of the lease, whichever value is lower.

All initial direct costs of lessee are added to the amount that is recognized as an asset.

The assets under finance leases are depreciated in the same manner as defined for intangible assets, i.e. property, plant and equipment. However, if there is uncertainty as to the lessee to acquire ownership at the end of the lease, the assets are fully depreciated in a period shorter than the lease period.

Operating leases are recognized as expense on straight-line basis during the lease period.

2.12. Government Grants and Disclosure of Government Assistance

Due to the specific role of the Company, and the specific methods of evaluation, billing and finance the core activities of the company Hrvatske autoceste d.o.o., established under the Act on public roads with the aim of construction and maintaining public roads, some of the inflows needed to finance the activities, is provided from the proceeds of fees from oil products from which it finances primarily construction of public roads, and the return of borrowed funds.

Road as a public good over which one cannot acquire ownership rights, which are given to the management of the Company, are recorded in the long-term assets of the Company and recorded as public capital.

Construction and renovation of public goods (roads) are funded by fees from oil products, the surplus of own income, assets depreciation of public goods (roads), loans and dedicated grants.

Public capital is increased by the proceeds of fees from oil derivatives. According to the Roads Act, receipts from fees from oil products are paying producers and importers of oil products, and the competent government authority for commodity stocks per litre delivered, and imported refined oil products at the expense of the Company. Proceeds from the fees for oil derivatives are used to cover part or the total depreciation of public goods (roads), if the Company's own resources are not available for their coverage, and to finance road construction in a broader sense.

Public capital is increased by other income and receipts that are directly attributable to public capital, such as donations and dedicated grants for the construction of public goods, foreign exchange gains related to public goods and interest on dedicated deposits formed by public capital funds.

Public capital is reduced by the impairment (depreciation) of public goods (roads) for difference of the amount of depreciation uncovered by the Company's own revenues.

Public capital is reduced by amounts that are directly attributable to public capital, such as financial expenses (cost of loan processing, credit fees and guarantees, foreign exchange differences, interest expenses in the period of repayment, the interest expense up to the beginning of the repayment period, default interest, etc.), which is not included in the purchase value of the public good.

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Review of investments in progress is shown as follows:

DESCRIPTION	31 December 2014	Increase	Decrease	31 December 2015
	HRK '000	HRK '000	HRK '000	HRK '000
Investments in progress for lands – dispossession	623,039	12,010	(544,858)	90,191
Investments in progress for lands – conclusions	25,615	1,026	(16,467)	10,174
Investments in progress for lands – works	78,263	11,979	(36,201)	54,041
Investments – incomplete dispossession	19,889	362	(18,655)	1,596
a) Total investment in land	746,806	25,377	(616,181)	156,002
Construction objects - Motorways under construction - changes of installation	65,315	3,157	(46,382)	22,090
Construction objects - Motorways under construction - clearing of mines	14,399	0	(26)	14,373
Construction objects - Motorways under construction - projects	598,636	10,254	(342,574)	266,316
Construction objects - Motorways under construction - construction	3,061,497	312,425	(1,699,976)	1,673,946
Construction objects - Motorways under construction - supervision	77,878	10,839	(44,040)	44,677
b) Total investments in construction objects	3,817,725	336,675	(2,132,998)	2,021,402
c) Construction objects - Motorways under construction - toll payment system and equipment	5,394	7,484	(7,570)	5,308
d) Investments in investment and improvement maintenance	39,564	52,910	(44,031)	48,443
Total (a + b + c + d)	4,609,489	585,506	(878,556)	2,231,155

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/i-a/ Movements in liabilities to banks and other financial institutions are shown as follows:

DESCRIPTION	2015
	HRK '000
1 January 2015	23,727,928
Loan repayments	(3,216,055)
New loans	2,893,475
Foreign exchange differences	(8,088)
31 December 2015	23,397,260
Current portion of principal	(3,954,021)
31 December 2015	19,443,239

Maturity of long-term liabilities, except other long-term is shown as follows:

Year	Amount
	HRK '000
2016 (current portion)	3,552,716
2016 (liabilities reclassification)	401,296
2017	4,703,829
2018	4,614,787
2019	5,267,585
2020	1,900,127
After 2021	2,956,920
Total	23,397,260

Since the Company did not meet all contracted operating indicators pursuant to the Loan Contracts approved by the EBRD (the total amount of liabilities for these loans is HRK 482,773 thousand as at 31 December 2015), the stated loans which mature by years 2017, 2021 and 2025 have been entirely classified as short-term. The amount of HRK 401,296 thousand HRK matures after 31 December 2016 while in April 2016, the creditor issued a document in which they renounce their right based on unmet contracted requirements at the end of 2015.

