ANNUAL YEAR REPORT OF GROUP

AD PLASTIK

FOR YEAR 2010.

Summary:

1. General report

a) ADDRESS TO SHAREHOLDERS: MR. JOSIP BOBAN, PRESIDENT OF THE BOARD AD PLASTIK d.d.

Dear shareholders,
Another challenging, but also successful year is behind us. During 2010 operations were still taking place in complex economic conditions in which AD Plastik showed strength and ability not only for maintaining operations, but also for further development and facing new challenges.
Despite challenging market conditions in 2010 Group AD Plastik also achieved good business results. All indicators of profitability and financial stability are improved. In 2010 Group AD Plastik accomplished revenues from sales of products and services to the amount of Kuna 696.9 million. Consolidated net profit of the Group after taxation and minority interests amounts Kuna 54.7 million. Given the severe financial and economic conditions in Croatia and abroad, we can be extremely proud of the achieved results.
During 2010 the complete adjustment was made in accordance with international financial reporting standards. During 2010 Group AD Plastik made reservations to the amount of Kuna 15.5 million. These reservations are related to reservations for severance pays and pensions, short-term reservations for unused vacation days, pending litigations.
At end of 2010 Group's balance sheet amounted Kuna 1.073 million and was increased by 4% compared to the previous year. Item of capital and reserve assets was cumulatively increased by 9%, and at the end of the period amounted Kuna 668 million. Item of total liabilities for the loans was decreased by 17% and amounted Kuna 199 million, while other liabilities decreased by 23% and amounted Kuna 13 million.
Production in Croatia was increased by 14% compared to the previous year, primarily as a result of plans to increase sales of Renault customer. At the same time the planned reduction of activities of all operating expenses continued.
Production in Romania is stable and is constantly growing. Dacia continues the trend of constant launch of new models on the market. Thus, during the past year a new vehicle Duster was presented on the market, which had sales over the set plans.
In Russia there has been a significant market recovery in the second half of the year which resulted in increased deliveries on location in Togliatti. AD Plastik received significant recognition from Renault for the company ZAO PHR as the best supplier for the territory of Eurasia. We are confident that this award is the best confirmation of current cooperation, and a very good recommendation for getting new business. In addition, significant commercial activities were implemented, which brought new orders for this location.
At another location in Russia in Luga in late April a joint venture project with Faurecia was implemented where AD Plastik is present with a share of 40%.
Due to the increased production Revoz Company in Novo Mesto in Slovenia also achieved better results than the previous year.
Among other events it is important to stress the official release to the Zagreb Stock Exchange on October 01, 2010, where shares of largest Croatian companies are quoted. Listing on "higher" stock exchange is the proof that we are completely open and transparent to all shareholders.
Finally, I will use this opportunity to express my appreciation to my colleagues and to all employees of the Group AD Plastik for their hard work and excellent results in 2010. I also express gratitude for the trust of our customers and business partners.
Special thanks to members of the Supervisory Board for their support and cooperation.

President of the Board
Josip Boban

3

b) ESTABLISHMENT AND DEVELOPMENT OF AD PLASTIK AND SUBSIDIARIES

Data on Parent body

Company AD Plastik Inc. Solin, a joint stock company for the manufacture of parts and accessories for motor vehicles and plastic products was established by a decision of the Constituent Assembly on June 15th, 1994 after the conversion process of social enterprise Auto Parts - Solin, based on the decision on conversion and Resolution of the Croatian Privatization Fund number 01.02/92-06/392 dated on December 06th, 1993.

Reconciliation of general acts of the Company with the Companies Act was carried out on December 18th, 1995 by the decision of the Company's Assembly, and the registration in the Commercial Court was conducted on March 22nd, 1996 under the number Tt-95/5567-2 with value of the share capital to the amount of kuna 223.180.430. Extraordinary Assembly on April 28th, 1997 reached the decision on increasing the share capital of the Company by investment in assets to the value of kuna 23.827.200, so the share capital amounted kuna 246.993.900. By the decision of the General Assembly on April 15th, 2002 the share capital was increased to the amount of kuna 293.970.900 based on a capital injection of the company Prevent. The share capital is divided into 2.939.709 shares of nominal value of kuna 100.00.
By the decision of the Company's General Assembly on June 21st, 2007 the Company amended the Statute of July 08th, 2004 and the decision on the recapitalization was reached. By the decision number Tt-07/2145-3 dated on September 25th, 2007 the capital increase in cash was registered for the amount of kuna 125. 987.500 (by the payment of OAO Sankt-Petersburg investment company), and a total registered capital amounts kuna 419.958.400 and is divided into 4.199.584 shares of nominal value of kuna 100.00.

Data on Company's subsidiaries included in consolidation

PHR Russia

A company with foreign investments PHR closed joint stock company was established in April 25th, 1995 and operates in accordance with the Constitution of the Russian Federation and federal law on the "joint stock companies." Headquarters of the Company is in Russia, Samara, Krasnoglinski rayon, village Vintaj. Company's main business activity is manufacturing of plastic parts for automobiles, and the realization is intended for car manufacturers VAZ, Ford and Renault in Russia. Share of AD Plastik Inc. Solin at the end of 2010 amounted 99.9%.

AD PLASTIK Slovenia

Company ADP Novo Mesto Ltd. Slovenia was established in 1997 and is 100% owned by Ad Plastik Inc. Solin. Company's main business activity is the product assembly and synchronous delivery to the assembly line of the car manufacturer Renault in Novo Mesto.

ZAO ADP LUGA

Closed joint-stock company "ADP Luga" was established by the Contract on establishing of the closed joint stock company ADP LUGA on March 26th, 2008. Share of AD Plastik Inc. Solin is 100%.

DATA ON COMPANY'S SUBSIDIARIES

EURO APS Romania

Company EURO Auto Plastik Systems s.r.l. Romania was founded on August 20th, 2002 as a limited liability company with its headquarters in Romania, the city of Mioveni, street Uzinei, no. 2A.
Company's main business activity is production of vehicle parts, and complete deliveries are realized for Dacia. Owner's share of AD PLASTIK Inc. Solin is 50%.

SG PLASTIK

Company SG Plastik Ltd. Solin, was founded by the founder AD Plastik Inc. Solin and SG Technologies GmbH, Buschfeld, Germany, for market research and intermediation, which is registered in the court registry of the Commercial Court in Split under number Tt-06/1310-4 on June 27th, 2006. The main objective is the development and manufacture of extruded products for the automotive market. Owner's share of AD PLASTIK Inc. Solin is 50.00%

FAURECIA ADP HOLDING S.A.S.

Company FAURECIA ADP HOLDING S.A.S., Nanterre, France, was founded by the founders AD PLASTIK Inc. Solin and company FAURECIA AUTOMOTIVE HOLDINGS S.A.S., France. Owner's share of AD PLASTIK Inc. Solin in the said company is 40%. Company FAURECIA ADP HOLDING S.A.S., France is 100% in the ownership of the company OOO FAURECIA ADP, Luga, Russia, whose main business activity is manufacturing of plastic parts for automobiles for customers in the Russian market.

c) OWNERSHIP STRUCTURE

The share capital of the parent company AD Plastik Inc. amounts kuna 419.958.400, and is divided into 4.199.584 shares with a nominal value of kuna 100.
Shareholders are legal and natural persons from Croatia and abroad, who exercise their rights through the General Assembly and the Supervisory Board in accordance with laws of the Republic of Croatia.

The ownership structure of the Group AD Plastik on December 31st, 2010:

Shareholder	Number of shares	%
OAO Grupe Aerokosmicheskoe Oborudovanie, Sankt Petersburg	1.259.875	30,00%
Natural persons, banks, funds	1.716.323	40,86%
Prevent Global Inc.	1.081.770	25,76%
AD Plastik Inc. Solin	124.310	2,96%
AD Plastik ESOP Ltd.	17.135	0,41%
Croatian fund for privatization	171	0,01%
Total	4.199.584	100,0%

d) MANAGEMENT

In accordance with the Companies Act and the Statute of the Company, Company's management structure is consisted of Supervisory Board and Management Board.
These are two separate bodies, and no one can be a member of both Boards.
The Company's Management Board has five members who are responsible for specific areas of business. They meet at least twice a month and reach management decisions.
The Management Board is elected for a term of 5 years, and this session of the Board is mandated until October 01st, 2011.

Company's Management Board

Josip Boban	President of the Board
Ilija Pokrajac	Member
Ivica Tolić	Member
Katija Klepo	Member
Nenad Marković	Member

Supervisory Board

Borut Meh	President of the Supervisory Board
Ivka Bogdan	Member
Nijaz Hastor	Member
Dimitrij Drandin Leonidovič	Member
Valerij Pavlovič Kiseljevič	Member
Nikola Zovko	Member
Tomislav Dulić	Member

Meeting of shareholders of the Company is acting in accordance with the Law on companies of the Republic of Croatia the Statute.

e) INFORMATION ON THE PURCHASE OF OWN SHARES

During 2010 AD Plastik Inc. did not acquire its own shares. In total there are 124.310 shares in the treasury, which represents 2.96% of total shares.

f) INFORMATION FOR INVESTORS

Shares

AD Plastik Inc. issued a total of 4.199.584 ordinary shares to the name, each with a nominal value of kuna 100.
The shares are listed on the official market on the Zagreb Stock Exchange. Mark of the stock is ADPL-R-A.
In 2010 the stock price ranged from:
- Lowest Price: kuna 76.01;
- Highest price: kuna 119.00;
- The closing price on December 31st, 2010: kuna 117.00.

Total turnover in 2010 amounts kuna 39.454.152,80.

Dividend

In 2010 the Company paid dividend to the amount of kuna 1,5 per one share.

Financial calendar

Announcement of results for 2010: April 30th, 2011.
Announcement of results for the first quarter of 2011 (Consolidated report): April 30th, 2011.
General Assembly of AD Plastik, Inc. will take place (orientation): July 15th, 2011.
Announcement of results for the second quarter and first six months in 2011 (Consolidated report): July 30th,

2011.
Announcement of results for the third quarter and first nine months in 2011 (Consolidated report): October 29th, 2011.

Note: these data are subject to change.

Contact persons for investors

Ivica Tolić, member of the Board, Phone: 021/206486, Fax: 021/206489, e-mail: ivica.tolic@adplastik.hr

Katija Klepo, member of the Board, Phone: 021/206483, Fax: 021/206489, e-mail: katija.klepo@adplastik.hr

g) DECLARATION ON THE IMPLEMENTATION OF THE CODE OF CORPORATE MANAGEMENT

APPLICATION OF THE CODE

Ad Plastik Inc. Solin (hereinafter: Company) apply the Code of Corporate Management, which was written by the Croatian Agency for Supervision of Financial Services (hereinafter referred to as: Hanfa) and the Zagreb Stock Exchange Inc. Zagreb, and was adopted by the decision of Hanfa on April 26th, 2008 and published in the Official Gazette of the Republic of Croatia no. 46/07, as well as on the website of the Zagreb Stock Exchange (hereinafter referred to as: Code).
With the mentioned Code, from April 01st, 2010 the Company also applies its own Code of corporate management that was adopted at the session of the Supervisory Board on February 20th, 2008, and is published on the website of the Company.

DEVIATIONS FROM THE APPLICATION OF THE CODE OF CORPORATE MANAGEMENT MADE BY HANFA AND ZAGREB STOCK EXCHANGE

In 2010 the Company complied with the provisions of the Code, with certain exceptions, occurred primarily because of the process of coordinating practices of the Company with the rules of the Code. Deviations from the Code are as follows:

- Information on the securities of the members of the Board and of the Supervisory Board, the Company did not publish on its website. These data are published on the web sites of the Zagreb Stock Exchange.
- The Supervisory Board is not composed of independent members.
- The Supervisory Board did not establish the committee for nominations in accordance with the Code.
- The Supervisory Board did not make an evaluation of its work in the preceding period.
- Record of all income and benefits received by a member of the Board from the Company were not publicly published in the Annual Report of the Company.
- The Company did not publish the amount of compensation for the independent external auditor for the executed audit.

Description of certain deviations from the Code and reasons for the stated discrepancies the Company explains in detail in the answers to the annual questionnaire that is part of the Code and which has been delivered and published on the web sites of the Zagreb Stock Exchange, as well as on the Company's own web site.

In the future the Company plans to comply with the provisions of the Code, taking into account the acceptability of certain provisions of the Code, all in accordance with the legal regulations and distinctive international standards of corporate management.

INTERNAL SUPERVISION AND RISK MANAGEMENT

Internal supervision in the Company is conducted by the Controlling department and informs the Management Board through the report on the conducted monitoring (findings and suggestions of improvement).

Supervision and coordination of Management business reporting on the business results include:

- encouraging communication between the functions of the Company, and coordination with the preparation of report and analysis of business results;
- evaluating the overall business efficiency, and proposing guidelines for improvement;
- giving orders and determination of preventive and corrective activities;
- forecasting the impact of external and internal change in the overall business of the Company.

SIGNIFICANT SHAREHOLDERS IN THE COMPANY

The Company has no majority owner. The largest shareholder is the Open joint stock company, Group "Aerokosmicheskoe oborudovanie" from Sankt-Petersburg, Russian Federation, which owns 1.259.875 shares which represents 30% of the share capital of the Company. The company Prevent Global Inc. from Slovenj Gradec, Slovenia, owns 1.081.770 shares which represents 25.76% of the share capital of the Company.

STRUCTURE, PERFORMANCE AND POWERS OF THE MANAGEMENT BOARD

Supervisory Board appoints and recalls the Board Members of the Company and its President. In accordance with the Articles of association, Management Board may have from five to seven members. The mandate of the Board members lasts 5 years with the possibility of reappointment. Management Board manages the Company's operations at its own risk, and each member of the Board is authorized to represent the company individually.
Currently the Management Board is composed of five members: President of the Board, Board Member responsible for the development, sale and purchase, Board Member responsible for controlling, accounting and finance, Board member responsible for human resources, legal department, organization and IT and Board member responsible for logistics, quality, and manufacturing and production functions.
In accordance with the Statute of the Company, the Management Board needs to require the consent of the Supervisory Board for misappropriation and/or acquisition of real estates, misappropriation and/or acquisition of shares, i.e. shares in companies, adoption of annual business plan, including the Company's budget.
The Company’s Management Board is not authorized to reach the decision on shares issuing. Management Board may decide to acquire its own shares in the manner and under the conditions as prescribed by the Companies Act.

COMPOSITION AND OPERATIONS OF THE SUPERVISORY BOARD

The Supervisory Board consists of seven members (since February 20th, 2008). The mandate of the Supervisory Board members lasts for four years and they may be re-elected, i.e. appointed. Four members are elected by the General Assembly, one member of the Supervisory Board is appointed by the Company's works council, while two members, in accordance with the Statute of the Company, is appointed by the shareholder of the Open joint stock company Group "Aerokosmicheskoe oborudovanie" from Saint-Petersburg, Russian Federation.
The Supervisory Board is responsible for the appointment and dismissal of members of the Management Board, and supervision of the management of the Company's business.

AMENDMENTS TO THE STATUTE

Company’s General Assembly decides on the amendments to the Statute. Proposal to amend the Statute may be given by the Management Board, Supervisory Board and Company’s shareholders who individually or collectively hold shares with a nominal amount greater than 15% of the share capital of the Company.

ACQUISITION OF OWN SHARES

During 2010 the Company did not purchase their own shares. On December 31st, 2010 the Company had 124.310 own shares, which represents equity in the share capital to the amount of 2.96%.

2. Events during 2010 and business overview

a) BUSINESS OVERVIEW IN 2010 AND KEY INDICATORS

RESULTS OF THE GROUP

The main business activity of the Group AD Plastik is production of plastic parts for the automobile industry. In addition, the Company also produces packaging for food industry, household products, etc.

Business audit of Group AD Plastik was done by Deloitte audit company, and complete adjustment in accordance with International accounting standards was done.

- By implementation of International accounting standards adjustments were made (reservations):
    - Parent company
        - Kuna 3,3 million for severance payments and pensions
        - Kuna 3,2 million for short-term reservations for unused vacation days
        - Kuna 3,7 million for litigations
        - Kuna 10,2 million total reservations of the Parent company
    - Group
        - ADP Luga – Kuna 5,4 million in respect of VAT refunds to FADP, and according the tax procedure which final realization will be done in the first quarter of 2011.

- When booking shares in company's subsidiaries Equity method was replaced with cost method

    - In the parent company the biggest change is in the way of recognition and measurement of shares in subsidiaries. The former way of representing by the equity method has been replaced by the cost method in accordance with IAS 27 and 28. Until now, total result (net profit/loss) of subsidiaries was represented in the parent company, and now this is harmonized in a way that dividend approved by the body (assembly) authorized for the adoption of the decision is represented in the parent company.

Total realized consolidated revenues amount kuna 857 million, from which kuna 857 million represent operating revenues.

Consolidation of financial reports for 2010 was conducted for the following subsidiaries: PHR - Russia, ADP LUGA - Russia and ADP Novo Mesto - Slovenia. Mutual transactions in the balance sheet, profit and loss account and cash flow with subsidiaries have been eliminated in the consolidated financial statements.

Profit after taxation amounts kuna 54.2 million, and is represented in the sources of assets on the item capital and reserves. Consolidated net income includes income of the parent company with subsidiaries to the amount of kuna 20.7 million, profit from PHR Russia to the amount of kuna 16.4 million, profit from AD Plastik Novo Mesto kuna 2.1 million and loss of ADP LUGA to the amount of kuna 0.2 million. On the end of 2010 assets of the Group amounted kuna 1.073 million.

At the end of 2010 in the sources of assets, item Capital and reserves, was larger by kuna 55.6 million, compared to the year 2009. Long-term liabilities were decreased by kuna 28.1 million and short-term liabilities were increased by kuna 15.5 million, compared to the previous year.

On December 31st, 2010 the coefficient of total indebtedness decreased compared to the previous year and now amounts 0.377.

Solvency of the Company is good, and all obligations towards customers, suppliers, employees, government, banks and other counterparties are properly executed.
During 2010 the tax audit was executed. AD Plastik filed a complaint to the first instance decision which was subsequently canceled and the new solution is expected.

All financial indicators during 2010 were improved. We can conclude that the Group has a stable balance with well-balanced coefficients in the balance sheet. Implemented measures for rationalization of the cost of operations have yielded positive results and created good conditions for increased profit in the future.

Financial indicators of the Group AD Plastik in 2010:

		2010.	2009.
Indebtedness coefficient	Total liabilities / Total assets	**0,377**	**0,405**
Coefficient of own financing	Capital / Total assets	**0,622**	**0,595**
Coefficient of financing	Total liabilities / Capital	**0,606**	**0,681**
Coefficient of profitability	Net profit / Total assets	**0,051**	**0,016**
Coefficient of financial stability	Fixed assets / Capital +Long-term liabilities	**0,865**	**0,813**
Coefficient of indebtedness on own capital	Liabilities-capital and reserves / Capital and reserves	**0,606**	**0,681**
Coefficient of solvency	Current assets / Current liabilities	**1,139**	**1,470**

b) MARKET AND EXPECTED DEVELOPMENT OF THE COMPANY

Realization plan for 2010 was made on the basis of forecasts of car manufacturers which were conservative as a result of previous years. Since the realization of the plan was much better than the forecasts, the achieved result for 2010 has exceeded all expectations.

Vehicle Program which is most represented in our plans was achieved more than planned by 20% in the parent company. Renault, PSA, Ford and Hella achieved realization that allowed better capacitating of production while achieving better financial results.
Decline in standards and reduced demand caused the program to the outside of the car industry not to realize the planned implementation. The management of this program sets measures with the aim of resolving the positioning of these programs in future development.

In 2010 in EAPS in Romania the above planning results were achieved. Positioning and good sales of Dacia cars on the market has resulted in demand for new lines of vehicles. For such a good result, special emphasis must be placed on the Duster program and the production of spare parts for other markets.

On the Russian market situation has improved compared to 2009. All car manufacturers have increased their announced orders that were used in preparing the plan for 2010. Such a positive change resulted with the fact that the achieved result was beyond all expectations.

Global strategic objectives of AD Plastik are not substantially changed from the previous year.

In late April 2010 the Company AD Plastik and the French company Faurecia Automotive Holdings (FAH) realized the joint venture agreement due to joint operations in the Russian market of manufacturing and selling of automobiles.

In the framework of the program Renault Croatia projects were successfully realized, especially in the exterior part, which convinced Renault in the reactivity of ADP and the ability of project management in complex conditions. This was the basis for the nomination of ADP and direct collaboration with RSA on the project X44ph2 (interiors in collaboration with Visteon).

In Romania, ADP was nominated by Renault/Dacia for the independent development of the roof lining X52 with the modification and transfer of blinds manufacturing X90, all for production site EAPS (start of production in 2012).
Joint commercial-development performance of ADP and Faurecia in front of RSA provided stable future of this site in the following period.

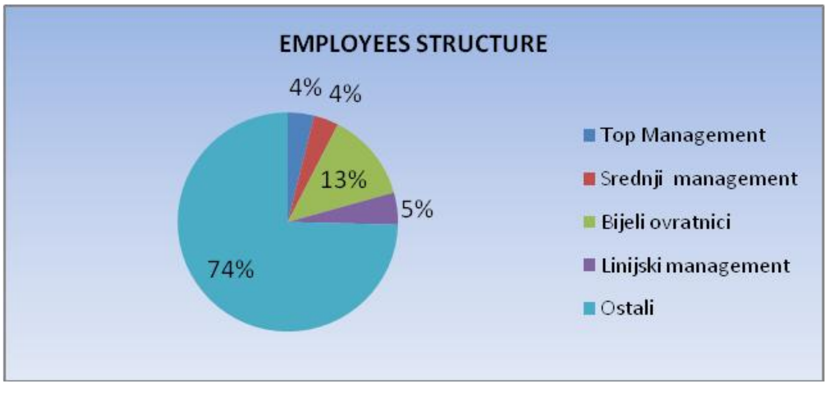
In Russia, in the frame of the program Renault-Avtoframos ADP was nominated for the independent development and localization of interior production in PHR, by which ADP created a basis for the production of interior modules, technologies of thermo-shaping and injection molding, providing prerequisites for mastering production of new vehicle X52, and further production expansion (production starts in 2011).
Also, in the program Nissan Russia in 2010, ADP expanded the number of products, and customers in the Russian market by the nomination for the project LB1A (start of production in 2012).
For the same project, but in cooperation with Faurecia, ADP has been nominated for the localization of production in the PHR for wallpapers, side trims in the luggage compartment and the trunk lid trim (start of production in 2012).
It is important to stress that ADP in collaboration with the French company Sealynx was nominated for the development of a new vehicle sealing module VAZ 2190. Besides, in the Russian market ADP was also nominated for joint programs Avtovaza (Renault) and Peugoet.

In mid 2010 in program FIAT-Serbia began sales and development activities in preparing, submitting and explaining the bid for a new Fiat car in Serbia (Idea, Multipla, Musa), project 330. Activities are still in progress. Nominations are expected in the first half of 2011.

c) EMPLOYEES

People integrated into the system of AD PLASTIK make a strong and competent unit for the automotive industry, who, in addition to professional knowledge and skills, possess the required personality traits.

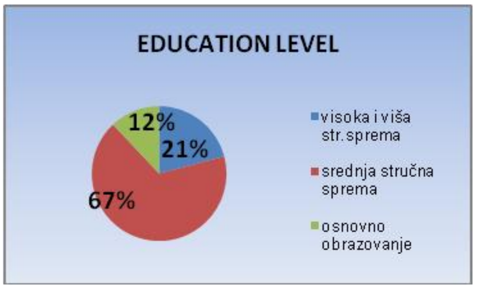
AD Plastik Inc. in Croatia has 875 employees. The average age is 40 years.
The Company and all its employees are oriented towards the customer and the market in general, not forgetting at the same corporate interests of other interested parties.



The concept of continuous development

Furthermore, instead of the insurance concept for permanent job the concept of continuous development is being offered, as well as permanent training and education, which provide employment for all the time through which people develop along with the company.
We are giving up from the concept of treating human resources as a cost. We consider human resources as the most valuable assets of the company, and invest in them as in any other property.

As a company which along the manufacturing segment sees its progress also in developmental activities, 21% of our employees are highly educated staff who possess specific expertise applicable in the automotive industry, and they are particularly developmentally oriented, ethical, hardworking, creative and communicative.
Therefore, the primary responsibility of the Company is to ensure continuous training of personnel with the aim of monitoring the dynamic and technological development and increasing the satisfaction of all employees.



Thus, during 2010 the management had education at the topics of financial management and control over the operations.
Professional staff development programs was realized through approximately 20 themes customized for business areas, with special emphasis on the themes "How to work with key customers (Key account management) - PSA" and "Lean Management". Along with technical and professional training, they also worked on raising the level of knowledge of foreign languages and computer literacy. As a holder of the certificate of quality management ISO/TS and certificate for environmental protection ISO 14001, we continuously work to raise awareness of employees on the role of individual worker to the total result of the Company.

The aim is to increase knowledge sharing among workers, and in 2010 the share of internal training in the overall educational process was 43%.

Social awareness

The Company regularly, on an annual basis, measures and assesses the degree of motivation and satisfaction of its workers. Significant resources are invested for improving indicators of motivation and satisfaction, according to the measurement results. Therefore, the rate of voluntary fluctuations is low, and for 2010 the monthly average is 0.15%.

The company has developed system of recognition, evaluation and rewarding of improvements. Since we work in a competitive environment that is fast developing in technology, this development can be traced, and sometimes anticipated in a way that we include more employees in the process of improvement, not just those whose technical and technological improvement is a direct job.

The Company has social peace and respect for the social partners. The Company has provided all the conditions for the operation of the Workers' Council and Management Board regularly cooperates with the council within the law. Cooperation with trade unions is productive, especially in terms of collective bargaining and the implementation and monitoring of the implementation of the Collective Agreement.

d) ENVIRONMENTAL PROTECTION

Total quality management and sustainable development represent basic business principles of the Company. Conservation and prevention of environmental pollution, in order to permanently reduce the negative environmental impact of our products, activities and services is an ongoing process and obligation of every employee.

During 2010 there was no supervision by the environmental inspection.

Training of workers

Ensuring working conditions without danger to health and safety of employees, among other measures, is conducted continuously through the training in the field of occupational safety and fire protection.

3. Financial report

a) AD Plastik d.d., Solin and its subsidiaries

Consolidated financial statements and

Independent Auditor's Report

For the year ended

31 December 2010

b) RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Pursuant to the Accounting Act of the Republic of Croatia, the Management is responsible for ensuring that financial statements are prepared for each financial year in accordance with International Financial Reporting Standards ("the IFRSs"), which give a true and fair view of the financial position and results of operations of AD Plastik Ltd. Solin (the "Company") and its subsidiaries (the "Group) for that year.

After making appropriate enquiries, the Management has a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management continues to prepare the financial statements on a going-concern basis.

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

- Suitable accounting policies are selected and then applied consistently;
- Judgments 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 the going concern basis, unless it is inappropriate to assume that the Company and the Group will continue as a going concern.

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 the Group and must also ensure that the financial statements comply with the Accounting Act. The Management is also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the Management Board by:

Josip Boban, President of the Management Board

AD Plastik Ltd. Solin
Matoševa 8
21210 Solin
Republic of Croatia

c) INDEPENDENT AUDITOR'S REPORT

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

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

Independent Auditor's Report

To the Owners of AD Plastik d.d., Solin

We have audited the accompanying consolidated financial statements of AD Plastik d.d. Solin ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position at 31 December 2010, and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

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

Matters affecting the opinion

The Group did not disclose related party transactions for the year ended 31 December 2010 as required by International Accounting Standard 24 – Related Party Disclosures.

Qualified opinion

In our opinion, except for the matter discussed in the previous paragraph, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group at 31 December 2010, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matters

The consolidated financial statements of the Group for the year ended 31 December 2009 were audited by another auditor, whose report dated 29 April 2010 expressed an unqualified opinion on the consolidated financial statements of the Group for the year then ended.

Branislav Vrtačnik, Certified Auditor and Member of the Board

Deloitte d.o.o., Zagreb

Zagreb, 30 March 2011

d) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (all amounts are expressed in thousands of kunas)

	Notes	31/12/2010	31/12/2009 (as restated)
Sales	6	696,952	597,178
Other income	7	105,325	15,936
Total income		**802,277**	**613,114**
Decrease/(Increase) in the value of work in progress and finished products		(2,020)	6,309
Cost of raw material and supplies	8	320,854	241,594
Cost of goods sold	9	65,171	65,434
Service costs	12	59,859	58,441
Staff costs	10	134,634	125,200
Depreciation and amortisation	11	55,208	51,882
Other external charges	13	37,463	42,008
Other operating expenses	14	77,700	-
Provisions for risks and charges	15	15,545	-
Total operating expenses		**764,414**	**590,868**
Profit from operations		**37,863**	**22,246**
Finance revenue	16	55,087	41,316
Finance cost	17	(48,453)	(59,274)
Share in the profit of an associate	16	15,146	11,825
Profit / (loss) from financing activities		**21,780**	**(6,133)**
Profit before taxation		**59,643**	**16,113**
Income tax expense	18	5,402	-
Profit for the year		**54,241**	**16,113**
Other comprehensive income		1,697	-
Total comprehensive income		**55,938**	**16,113**
Profit attributable to:			
Equity holders of the Company		54,225	16,268
Non-controlling interests		16	(155)
Total comprehensive income attributable to:			
Equity holders of the Company		55,922	16,268
Non-controlling interests		16	(155)

The accompanying accounting policies and notes form an integral part of these financial statements.

e) CONSOLIDATED STATEMENT OF FINANCIAL POSITION (all amounts are expressed in thousands of kunas)

ASSETS	Notes	31/12/2010	31/12/2009 (as restated)
Non-current assets			
Intangible assets	20	43,568	59,379
Tangible assets	21	515,419	512,536
Investments in subsidiaries	22	72,841	27,262
Other financial assets	23	28,628	64
Deferred tax assets	18	771	-
Total non-current assets		**661,227**	**599,241**
Current assets			
Inventories	25	57,466	57,308
Trade receivables	26	152,395	172,461
Other receivables	27	49,714	60,225
Current financial assets	28	11,587	24,035
Cash	29	64,951	58,445
Prepaid expenses and accrued income	24	75,549	58,542
Total current assets		**411,622**	**431,016**
TOTAL ASSETS		**1,072,889**	**1,030,257**

The accompanying accounting policies and notes form an integral part of these financial statements.

	Notes	31/12/2010	31/12/2009 (as restated)
Equity			
Share capital	30	419,958	419,958
Reserves		193,657	175,732
Profit for the year		54,225	16,269
Non-controlling interests		25	768
Total equity		**667,865**	**612,727**
Long-term provisions	31	3,332	-
Long-term loans	32	92,831	124,239
Other non-current liabilities	32	74	68
Total non-current liabilities		**96,237**	**124,307**
Advances received	34	82,414	55,424
Trade payables	35	93,148	102,903
Short-term loans	36	106,257	116,592
Other current liabilities	37	13,050	16,943
Short-term provisions	32	12,213	-
Accrued expenses and deferred income	33	1,705	1,361
Total current liabilities		**308,787**	**293,223**
Total liabilities		**405,024**	**417,530**
TOTAL EQUITY AND LIABILITIES		**1,072,889**	**1,030,257**

The accompanying accounting policies and notes form an integral part of these financial statements.

f) CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (all amounts are expressed in thousands of kunas)

	Share capital	Capital reserves	Legal reserves	Reserves for own shares	Own shares	Retained earnings	Total equity attributable to the equity holders of the Company	Non-controlling interests	Total
Balance at 31 December 2008	**419,958**	**220,080**	**5,042**	**8,995**	**(8,995)**	**(34,341)**	**610,739**	**390**	**611,129**
Transfer to Capital Reserves covering prior year losses	-	(2,748)	(3)	-	-	2,751	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	533	533
Purchase of treasury shares	-	(2,202)	-	2,768	(2,768)	(566)	(2,768)	-	(2,768)
Exchange differences on investments in foreign subsidiaries	-	(20,123)	-	-	-	8,319	(11,804)		(11,804)
Profit for the year	-	-	-	-	-	16,269	16,269	(155)	16,114
Balance at 31 December 2009, before corrections	**419,958**	**195,007**	**5,039**	**11,763**	**(11,763)**	**(7,568)**	**612,436**	**768**	**613,204**
Correction of the result for the current year (see Note 5)	-	-	-	-	-	(477)	(477)	-	(477)
Balance at 31 December 2009 - as restated	**419,958**	**195,007**	**5,039**	**11,763**	**(11,763)**	**(8,045)**	**611,959**	**768**	**612,727**
Transfer of the prior-year profit	-	-	1,001	-	-	(1,001)	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	(759)	(759)
Exchange differences on investments in foreign subsidiaries	-	5,466	-	-	-	-	5,466	-	5,466
Dividends paid	-	-	-	-	-	(6,103)	(6,103)		(6,103)
Revaluation of fixed assets	-	1,696	-	-	-	-	1,696	-	1,696
Valuation of treasury shares	-	-	-	194	(194)	-	-	-	-
Dividends paid to employees	-	-	-	(597)	597	597	597	-	597
Profit for the year	-	-	-	-	-	54,225	54,225	16	54,241
Balance at 31 December 2010	**419,958**	**202,169**	**6,040**	**11,360**	**(11,360)**	**39,673**	**667,840**	**25**	**667,865**

The accompanying accounting policies and notes form an integral part of these financial statements.

f) CONSOLIDATED STATEMENT OF CASH FLOW (all amounts are expressed in thousands of kunas)

Cash flows from operating activities	31/12/2010	31/12/2009
Profit for the year	**54,241**	**16,113**
Income tax	5,402	-
Deferred taxes	(771)	-
Depreciation and amortization charge	55,208	51,882
Gains from sale of tangible assets	61,022	1,554
Impairment for trade receivables	1,016	175
Provisions	15,560	-
Profit/(loss) from operations before working capital changes	**191,678**	**69,724**
Decrease in inventories	(158)	18,317
Decrease/(increase) in trade receivables	19,110	(61,321)
Decrease in receivable from the state	(5,402)	3,294
(Increase)/decrease in other receivable	10,511	4,535
Decrease in trade payables	(9,755)	1,023
Increase in liabilities for advances received	26,990	(823)
Decrease in other short term payables	2,738	53,093
Decrease in accrued expenses and deferred income	344	(434)
Increase in prepaid expenses	(17,007)	9,384
Cash flows provided from operating activities	**219,049**	**96,792**
Treasury shares acquired	-	(2,768)
Increase in investments in associates	(45,579)	(3,424)
Increase in tangible and intrangible assets	(102,405)	(21,601)
Increase in investment funds	(11,078)	-
Decrease in short term loans	23,526	(34,312)
Decrease/(increase) in long term loans	(28,564)	23,933
Cash flows from investing activities	**(164,100)**	**(38,172)**
Dividends paid	(6,103)	-
Bonuses paid to employees	(597)	-
Increase in short term borrowings	(11,719)	43,393
Decrease in long term borrowings	(30,024)	(56,715)
Cash flows from financing activities	**(48,443)**	**(13,322)**
Net cash flows for the year	**6,506**	**45,298**
Cash and cash equivalents at 1 January	58,445	13,147
Net cash flows for the year	6,506	45,298
Cash and cash equivalents at 31 December	64,951	58,445

The accompanying accounting policies and notes form an integral part of these financial statements.

h) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (all amounts are expressed in thousands of kunas)

1. GENERAL INFORMATION

The company AD Plastik d.d., Solin, a public limited company for the production of motor vehicle spare parts and accessories and of plastic masses (abbreviated firm: AD PLASTIK d.d.), was established by a decision of the Founding Assembly dated 15 June 1994 following the transformation of the socially-owned entity Autodijelovi – Solin pursuant to the decision on the transformation of ownership and the Decision of the Croatian Privatisation Fund No. 01-02/92-06/392 of 6 December 1993. The Company is a legal successor of the socially-owned entity Autodijelovi and, according to the decision of the Commercial Court in Split No. Fi 6215/94 of 28 June 1994, assumed all of its assets and liabilities as of the date of registration in the court register.

By decision of the General Shareholders' Assembly dated 21 June 2007, the Statute of the Company of 8 July 2004 was amended and a decision was made to increase the share capital of the Company in cash. Pursuant to the Decision No. Tt-07/2145-3 of 25 September 2007, the increase of the share capital by HRK 125,987,500.00, effected by OAO Saint Petersburg Investment Company was registered, and the total subscribed capital now amounts to HRK 419,958,400.00 and consists of 4,199,584 shares, with a nominal amount of HRK 100.00 each. By the agreement on transfer of shares from 29 June 2009 OAO Spik transferred shares of the Company to OAO Group Aerokosmicheskoe Oborudovanie from St. Petersburg.

The Company shares were included in the listing of public limited companies on the Official Market of the Zagreb Stock Exchange on 1 October 2010.

1.1. Activity

- The primary activity of the Company comprises manufacture of motor vehicle spare parts and accessories. The registered activities of the Company comprise the following:
- manufacture of motor vehicle spare parts and accessories;
- production and trade in medical supplies for one-off application made of plastic masses: plastic syringes for one-off application; infusion sets; transfusion sets; hemodialysis needles; urine bags, and others.
- representation of foreign firms
- international forwarding and shipping
- production of finished textile products other than clothing;
- production of synthetic rubber in primary forms;
- production of glues and jellies;
- production of rubber and plastic products;
- production of metal products other than machinery and equipment;
- construction and repair of leisure and sports boats;
- production of chairs and seats;
- production of sports equipment;
- recycling of non-metal waste and scrap;
- computer and related activities;
- providing advice, guidance and operational assistance to legal entities;
- designing of accounting systems, materials accounting software, budgeting control procedures;
- advice and assistance to legal entities in connection with planning, organisation, efficiency and controls, management information, etc.;
- management consulting (agronomists and agroeconomicsts, on farms, etc.);
- purchase and sale of goods;
- trade mediation on domestic and international markets;
- use of hazardous chemicals; and
- treatment of hazardous and non-hazardous waste.
-

1.2. Consolidated subsidiaries

1) The closed-end company ADP Luga, established by an Articles of Association of the Closed-end Company ADP LUGA of 26 March 2007. The registered seat of ADP LUGA is at the address Lenjingradska oblast, Luga, Boljšaja Zarečnaja 1a. Ad Plastik d.d., Solin, holds all the Company's shares and is the sole owner of the Company.

The Company's registered activities comprise the following:

- development, manufacture and delivery of production parts for automotive industry;
- manufacture and delivery of plastic products
- commercial (retail and wholesale trade, commission sales) and other activities.

2) The closed-end foreign investment company PHR (abbreviated firm: ZAO PHR), established on 25 April 1995 and operating under the Constitution of the Russian Federation and the Federal Act on Incorporations. Its registered seat is in Russia, Samara, Krasnoglinski Raion, the village of Vintaj.

The company AD Plastik d.d., Solin, has an equity share of 99.90 percent.

The subsidiary's registered activities comprise the following:

- production of node and accessory sets for cars as ordered by AO Avto VAZ and other legal entities;
- transportation services;
- brokerage, dealer, distribution, consignment, commission, agency and acquisition sale services, and other activities;

3) The company ADP Novo Mesto, d.o.o., Slovenia, established in 1997 and fully owned by Ad Plastik d.d., Solin.

The registered activities of the subsidiary comprise the following:

- - production of various products made of plastic masses;
- - production of vehicle parts;
- - wholesale and retail trade, and trade mediation.

1.3. Associated companies:

1) The company EURO Auto Plastik Systems s.r.l., Romania, established on 20 August 2002 as a limited liability company with its registered seat in Romania, Mioveni, ul. Uzinei, No. 2A.

The company AD Plastik d.d., Solin, has an equity share of 50 percent.

The principal activities of the associate are as follows:
- manufacture of motor vehicle and motor parts and accessories;
- production of items made of plastics;
- trade mediation in vehicles, industrial equipments, ships and aircraft;
- services of other transport agencies;
- business and management consulting services.

2) The company SG Plastik d.o.o., Solin, was established by AD Plastik d.d. Solin, and SG Technologies GmbH, Buschfeld, Germany, for market research and mediation services, as registered in the court register of the Commercial Court in Split under the number Tt-06/1310-4, on 27 June 2006.
The company AD Plastik d.d., Solin, has an equity share of 50 percent.

The registered activities of the associate comprise the following:

- trade mediation on domestic and international markets;
- purchase and sale of goods;
- representation of foreign firms
- market research and public opinion polling;
- consulting and mediation in the design, construction, production and distribution of products and services.

3) The company FADP Holding, Nanterre, established on 30 April 2010 by Faurecia Automotive Holding S.A.S., Nanterre, France, and AD Plastik d.d. Solin, Croatia.

The company AD Plastik d.d., Solin, has an equity share of 40 percent.

The principal activities of the associate are as follows:

- holding all the shares of the Russian incorporation OOO FAURECIA, renamed to OOO Faurecia ADP in 2010,
- performance of all legal, commercial, financial, industrial and operational activities directly or indirectly for the benefit of the principal purpose of the Company.

4) The company Faurecia AD Plastik Automotive Romania SRL, Mioveni, established on 26 November 2003 by Faurecia Automotive Holding S.A.S., Nanterre, France, and AD Plastik d.d. Solin, Croatia.

The company AD Plastik d.d., Solin, has an equity share of 49 percent.

The principal activities of the associate are as follows:

- trade in motor vehicle and motor parts and accessories;
- market research;
- business and management consulting.

An associate is an entity over which the Company has significant influence but which it does not control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Commonly, an equity share from 20 to 50 percent represents an investment in an associate.

In these consolidated financial statements, investments in associates are presented under the equity method.

1.4. Number of staff

At 31 December 2010, the number of staff employed was 2,375 (2009: 2,120).

	2010	**2009**
Ad Plastik d.d.	875	924
ZAO ADP Luga	3	135
ZAO PHR	536	300
AD Plastik d.o.o.	36	39

Euro APS	734	722
FADP Holding	191	-

1.5. Corporate governance

	Mandate	
Members of the Supervisory Board:		
Borut Meh (Chairman)	From 03/10/2008	To 03/10/2012
Nijaz Hastor	From 16/07/2009	To 16/07/2013
Nikola Zovko	From 18/07/2008	To 18/07/2012
Tomislav Dulić	From 11/09/2008	To 11/09/2012
Ivka Bogdan	From 20/07/2010	To 20/07/2014
Drandin Dmitrij Leonidovič	From 19/10/2007	To 19/10/2011
Valerij Pavlovič Kiseljevič	From 19/10/2007	To 19/10/2011
Marin Milišić	From 16/07/2009	To 05/05/2010 (resigned)
Members of the Management Board:		
Josip Boban (President)	From 01/10/2006	To 01/10/2011
Ilija Pokrajac	From 01/10/2006	To 01/10/2011
Ivica Tolić	From 01/10/2006	To 01/10/2011
Katija Klepo	From 20/02/2008	To 01/10/2011
Nenad Marković	From 30/05/2008	To 01/10/2011

2. ADOPTION OF NEW AND REVISED STANDARDS

Standards and Interpretations effective in the current period

The following amendments to the existing standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) are effective in the current period:

- **IFRS 1 (revised)** ***First-time Adoption of IFRSs*** (effective for annual periods beginning on or after 1 July 2009),
- **IFRS 3 (revised)** ***Business Combinations*** (effective for annual periods starting on or after 1 July 2009);
- **Amendments to IFRS 1** ***First-time Adoption of IFRS*****-** Additional Exemptions for First-time Adopters (effective for annual periods beginning on or after 1 January 2010)on or after 1 January 2010);
- **Amendments to IFRS 2** ***Share-based Payment*** **-** Group cash-settled share-based payment transactions (effective for annual periods beginning on or after 1 January 2010),
- **Amendments to IAS 27** ***Consolidated and Separate Financial*** *Statements* (effective for annual periods beginning on or after 1 July 2009);
- **Amendments to IAS 39** ***Financial Instruments: Recognition and Measurement*** **-** Eligible hedged items (effective for annual periods beginning on or after 1 July 2009),
- **Amendments to various standards and interpretations "Improvements to IFRSs (2009)"** resulting from the annual improvement project of IFRS published on 16 April 2009, (IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9 and IFRIC 16) primarily with a view to removing inconsistencies and clarifying wording, (most amendments are to be applied for annual periods beginning on or after 1 January 2010),
- **IFRIC 17 Distributions of Non-cash Assets to Owners** (effective for annual periods beginning on or after 1 July 2009),
- **IFRIC 18** ***Transfers of Assets from Customers*** **(**effective for transfers of assets received on or after 1 July 2009)

The amendments and revisions to the existing standards and interpretations and the interpretations and standards effective in the current year did not have a significant impact on the financial statements of the Group.

Standards and Interpretations in issue not yet adopted

At the date of authorization of these financial statements the following Standards, revisions and Interpretations were in issue but not yet effective:

- **IFRS 9 *Financial Instruments*** (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to IFRS 1 *First-time Adoption of IFRS*- Limited Exemption from Comparative IFRS 7 *Disclosures* for First-time Adopters** (effective for annual periods beginning on or after 1 July 2010),
- **Amendments to IFRS 1 *First-time Adoption of IFRS* - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters** (effective for annual periods beginning on or after 1 July 2011),
- **Amendments to IFRS 7 *Financial Instruments: Disclosure*** - Transfer of financial assets (effective for annual periods beginning on or after 1 July 2009)
- **Amendments to IAS 12 *Income Taxes* - Deferred Tax: Recovery of Underlying Assets** (effective for annual periods beginning on or after 1 January 2012),
- **Amendments to IAS 24 *Related-party Disclosures* – Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party (effective for annual periods beginning on or after 1 January 2011), ;**
- **Amendments to IAS 32 *Financial Instruments: Presentation* -** Accounting for rights issues (effective for annual periods beginning on or after 1 February 2010);
- **Amendments to various standards and interpretations "Improvements to IFRSs (2009)"** resulting from the annual improvement project of IFRS published on 6 May 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) primarily with a view to removing inconsistencies and clarifying wording (most amendments are to be applied for annual periods beginning on or after 1 January 2011),
- **Amendments to IFRIC 14 IAS 19 — *The Limit on a defined benefit Asset, Minimum Funding Requirements and their Interaction*** - Prepayments of a Minimum Funding Requirement (effective for annual periods beginning on or after 1 January 2011),
- **IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (effective for annual periods beginning on or after 1 July 2010).**

The Group has elected not to adopt these Standards, revisions and Interpretations in advance of their effective dates and anticipates that their adoption will have no material impact on the financial statements of the Group in the period of initial application.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Set out below are the principal accounting policies consistently applied in the preparation of the financial statements for the current and prior years.

3.1. Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards and Croatian laws.

3.2. Basis of preparation

The financial statements of the Group have been prepared on the historical cost basis, in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and Croatian laws.

The Group maintains its accounting records in the Croatian language, in Croatian Kuna and in accordance with Croatian laws and the accounting principles and practices observed by enterprises in Croatia.

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRSs) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4. These consolidated financial statements have been prepared under the assumption that the Group will continue as a going concern.

The consolidated financial statements of the Group represent aggregate amounts of assets, liabilities, capital and reserves of the Group as of 31 December 2010, and the results of its operations for the year then ended. Some of the financial captions have been reclassified in these financial statements compared to the prior year, as the management is of the opinion that the reclassification provides a better presentation of the financial statements as a whole.

The accounting policies are consistently applied by all the Group entities.

3.3. Basis of consolidation

The consolidated financial statements of the Group comprise the consolidated financial statements of the Company and its subsidiaries.

Subsidiaries are entities controlled by the Company. Control is present when the Company is entitled to determine, directly or indirectly, the financial and business policies of the investee so as to derive benefits from its operations. The financial statements of the subsidiaries are included in the Group financial statements on a consolidated basis from the date that control commences until the date that control ceases.

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

3.4. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for products, goods or services sold in the regular course of operations.

Revenues are stated net of value added tax, estimated returns, discounts and rebates. Revenue is recognised when the amount of the revenue can be measured reliably and when future economic benefits are expected to flow into the Group.

Product sales are recognised when the products are delivered to, and accepted by the customer and when the collectability of the receivables is virtually certain.

Income from the manufacture of tools for a known customer

Income from the manufacture of tools is recognised using the stage-of-completion method to determine the amount of income and costs attributable to a certain period.

Interest income

Interest income is recognised on a time basis, using the effective interest method. Interest earned on balances with commercial banks (demand and term deposits) is credited to income for the period as it accrues. Interest on trade debtors is recognised as income upon settlement.

3.5. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are included in profit or loss in the period in which they are incurred.

3.6. Foreign currency transactions

Transactions in foreign currencies are translated into Croatian kunas at the rates of exchange in effect at the dates of the transactions. Cash, receivables and payables denominated in foreign currencies are retranslated at the rates of exchange in effect at the date of the statement of financial position. Gains and losses arising on translation are included in the statement of comprehensive income for the year. At 31 December 2010, the official exchange rate of the Croatian kuna against 1 euro (EUR) was HRK 7.385173 (31 December 2009: HRK 7.306199 for EUR 1).

3.7. Income tax expense

Income tax expense represents the sum of the tax currently payable and deferred tax. Income tax is recognised in the income statement, except where it relates to items recognised directly in equity, in which case it is also recognised in equity. Current tax represents tax expected to be paid on the basis of taxable profit for the year, using the tax rate enacted at the balance sheet date, adjusted by appropriate prior-period items.

Under Croatian tax regulations, group entities are not subject to taxation on a consolidated bases, and tax losses cannot be transferred within group entities. Subsidiaries are subject to taxation in their respective jurisdictions.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates in effect at the balance sheet date.

The measurement of deferred tax liabilities and assets reflects the amount that the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred taxes are not discounted and are classified in the balance sheet as non-current assets and/or non-current liabilities. Deferred tax assets are recognised only to the extent that it is probable that the related tax benefit will be realised. At each balance sheet date, the Company reviews the unrecognised potential tax assets and the carrying amount of the recognised tax assets.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities.

In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

3.8. Property, plant and equipment, and intangible assets

Tangible fixed assets are recognised initially at cost and subsequently at cost less accumulated depreciation. The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable sales taxes and any directly attributable costs of bringing an asset to its working condition and location for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Where it is obvious that expenses incurred resulted in increase of expected future economic benefits to be derived from the use of an item of tangible or intangible assets in excess of the originally assessed standard performance of the asset, they are added to the carrying amount of the asset. Gains or losses on the retirement or disposal of tangible fixed assets are included in the statement of comprehensive income in the period they occur. Depreciation commences on putting an asset into use. Depreciation is provided so as to write down the cost or revalued amount of an asset over the estimated useful life of the asset using the straight-line method as follows:

	Depreciation rate (in %) 2010	Depreciation rate (in %) 2009
1. **Tangible assets**		
Buildings	1.50-4.00	1.50-4.00
Machinery	7.00-10.00	7.00-10.00
Tools, furniture, office and laboratory equipment and accessories, measuring and control instruments	10,00-20,00	10,00-20,00
Vehicles	20.00	20.00
IT equipment	20.00	20.00
Other	10.00	10.00
2. **Intangible assets**	20.00	20.00

3.9. Impairment

At each reporting date the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that the assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3.10. Investments in associates

An associate is an entity over which the Company has significant influence but which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under this method, the Company's share in the profit or loss of associates is recognised in the income statement from the date of acquisition of significant influence until the date on which significant influence is lost.

Investments are recognised initially at cost and are subsequently adjusted by the changes in the acquirer's share of the net profit of the investee. Where the Company's share of losses in an associate is equal to or higher than the equity investment in the associate, no further losses are recognised, except where the Company' has assumed an obligation or committed to make a payment on behalf of the associate.

3.11. Inventories

Inventories of raw material and spare parts are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less all variable selling costs.

Cost of work in progress and finished products comprises the cost of raw material and supplies, direct labour and other costs and the portion of overheads directly attributable to work in progress.

Small inventory is written off when put in use.

The cost of product inventories i.e. the production costs is based on direct material used, the cost of which is determined using the weighted average cost method, then direct labour costs, and fixed overheads at the actual level of production which approximates the normal capacities, as well as variable overheads that are based on the actual use of the production capacities. Merchandise on stock is recognised at purchase cost.

3.12. Trade debtors and prepayments

Trade debtors and prepayments are carried at nominal amounts less an appropriate allowance for impairment for uncollectible amounts.

Impairment is made whenever there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, the probability of bankruptcy proceedings at the debtor, or default or delinquency in payment are considered objective evidence of impairment. The amount of the impairment loss is determined as the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The impairment losses on trade receivables are recognised in the income statement within 'Expenses'.

Management provides for doubtful receivables based on a review of the overall ageing of all receivables and a specific review of significant individual amounts receivable. The allowance for amounts doubtful of collection is charged to the statement of comprehensive income for the year.

3.13. Cash and cash equivalents

Cash comprises account balances with banks, cash in hand, deposits and securities at call or with maturities of less than three months.

3.14. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of discounting is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation, determined using the estimated risk free interest rate as the discount rate. Where discounting is used, the reversal of such discounting in each year is recognised as a financial expense and the carrying amount of the provision increases in each year to reflect the passage of time.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the date of the statement of financial position, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

3.15. Termination, long-service and other employee benefits

(a) Obligations in respect of retirement and other post-employment benefits
In the normal course of business the Company makes payments, through salary deductions, to mandatory pension funds on behalf of its employees as required by law. All contributions made to the mandatory pension funds are recognised as salary expense when accrued. The Company does not have any other retirement benefit plan and, consequently, has no other obligations in respect of the retirement benefits for its employees. In addition, the Company is not obliged to provide any other post-employment benefits.

(b) Termination benefits
Termination benefits are payable when employment is terminated by the Company before the normal retirement date. The Company recognises its termination benefit obligations in accordance with applicable union agreements.

(b) Regular termination benefits
Benefits falling due more than 12 months after the reporting date are discounted to their present value.

(d) Long-term employee benefits
For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each reporting date. Actual gains and losses are recognised in the period in which they arise.

Past service cost is recognised immediately to the extent that the benefits are already vested. Otherwise, it is amortised on a straight-line basis over certain period until the benefits become vested

3.16. Financial instruments

Financial assets and financial liabilities included in the accompanying financial statements consist of cash and cash equivalents, marketable securities, trade and other receivables, trade and other payables, long-term receivables, loans, borrowings and investments. The details of the recognition and measurement of those items are presented in the corresponding policies.

Investments are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Financial assets available for sale

Financial assets available for sale are classified as current assets if the management intends to realise those assets within 12 months from the date of the statement of financial position. Every purchase and sale transaction in recognised on the settlement date. Investments are recognised initially at cost, which represents the fair value of the consideration given, including transaction costs. Available-for-sale investments are subsequently measured at fair value, with no deduction of transaction costs, by reference to their market prices prevailing at the date of the statement of financial position. Investments whose fair values cannot be determined are carried at cost and reviewed for impairment at each reporting date.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or liability, and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial asset or liability, or, where appropriate, a shorter period.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each date of the statement of financial position. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of a financial asset is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account.

Derecognition of financial assets

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

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3.17. Contingencies

Contingent liabilities have not been recognised in these financial statements. They are not disclosed unless the possibility of outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but it is disclosed when the inflow of economic benefits becomes probable.

3.18. Events subsequent to the reporting date

Events after the date of the statement of financial position that provide additional information about the Company's position at that date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on past experience and other factors that are considered to be relevant. Actual results may differ from those estimates.

The estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Areas of estimation include, but are not limited to, depreciation periods and residual values of property, plant and equipment, and of intangible assets, value adjustment of inventories, impairment of receivables, and litigation provisions. The key areas of estimation in applying the Company's accounting policies that had a most significant impact on the amounts recognized in the financial statements were as follows:

Useful life of property, plant and equipment

As described in the Note 3.8, the Company reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. Property, plant and equipment are recognised initially at cost, less accumulated depreciation. Property, plant and equipment have not been revalued i.e. their carrying amounts correspond with their cost less accumulated depreciation, and the management is satisfied that the market value of the property, plant and equipment is significantly higher than the amounts recognised in the accompanying financial statements.

Availability of taxable profits against which the deferred tax assets could be recognised

A deferred tax asset is recognized only to the extent that it is probable that the related tax benefit will be realised. In determining the amount of deferred taxes that can be recognised significant judgements are required, which are based on the probable quantification of time and level of future taxable profits, together with the future tax planning strategy. In 2009, deferred tax assets on available tax differences were recognised.

Impairment allowance on trade receivables

Management provides for doubtful receivables based on a review of the overall ageing of all receivables and a specific review of significant individual amounts receivable. The allowance for amounts doubtful of collection is charged to the statement of comprehensive income for the year.

Actuarial estimates used in determining the retirement benefits

The cost of defined benefits is determined using actuarial estimates. Actuarial estimates involve assumptions about discount rates, future salary increases and the mortality or fluctuation rates. Because of the long-term nature of those plans, there is uncertainty surrounding those estimates.

5. CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS OF PRIOR-PERIOD FINANCIAL STATEMENTS

During 2010 t he Company thoroughly reviewed the reported items of tangible assets and found that the construction in progress was overstated at 31 December 2009 for the total amount of HRK 477 thousand. By the same amount the Company restated 2009 financial statements by decreasing tangible assets and increasing expenses.

6. SALES

Sales represent amounts receivable (excluding excise and similar duties) for goods sold and services rendered.

	31/12/2010	31/12/2009
Foreign sales	676,098	573,630
Domestic sales	20,854	23,548
	696,952	**597,178**

Business segments are defined according to internal reports about components of the Group. Management Board as decision-making, body regularly reviews reports to allocate resources to segments and evaluate the success of their business.

Segment revenue analysis by country:

Country	**2010**	**2009**
Slovenia	237,991	168,839
Russia	168,721	127,743
Germany	159,231	167,847
France	87,077	87,179
Croatia	20,853	23,548
Romania	9,375	16,655
Spain	5,115	354
Turkey	3,110	1,965
Slovakia	2,146	2,272
Brazil	1,520	172
Austria	479	31
Czech Republic	437	249
Belgium	364	215
Kazakhstan	325	109
Italy	146	-
Bosnia and Herzegovina	59	-
Hungary	3	-
TOTAL	**696,952**	**597,178**

7. OTHER INCOME

	31/12/2010	31/12/2009
Income from sale of assets	67,992	1,554
Income from sale of inventories	19,559	-
Income from recharged service costs	4,794	-
Income from bonuses provided by suppliers	4,786	4,290
Income from consumption of own products, goods and services	1,858	1,322
Prior-period income	1,330	3,347
Credit notes - early cash payment discount	-	1,718
Income upon execution of distress	167	612
Income from co-financing	600	794
Income from damages	504	-
Rental income	69	127
Other operating income	3,666	2,172
	105,325	**15,936**

Other income mainly comprise income from the sale of the building, land and inventories of the Russian subsidiary ADP Luga to the associated company OOO Faurecia that continued the production at those facilities.

8. COST OF RAW MATERIAL AND SUPPLIES

	31/12/2010	31/12/2009
Direct materials	294,130	217,832
Electricity	19,760	17,234
Other expenses	6,964	6,528
	320,854	**241,594**

9. COST OF GOODS SOLD

	31/12/2010	31/12/2009
Cost of goods sold	59,988	62,834
Cost of direct material sold	2,193	1,494
Cost of spare parts sold	2,093	193
Other costs of goods sold	897	913
	65,171	**65,434**

10. STAFF COSTS

	31/12/2010	31/12/2009
Net wages and salaries	73,606	68,491
Taxes and contributions out of salaries	27,431	28,538
Contributions on salaries	20,585	17,123
Other staff costs	13,012	11,048
	134,634	**125,200**

Costs reimbursed to employees include per diems, overnight accommodation and business travel costs, a portion of costs for the use of personal cars for business purposes and other business related costs.

11. DEPRECIATION AND AMORTISATION

	31/12/2010	31/12/2009
Depreciation (Note 20)	36,109	31,666
Amortisation (Note 19)	19,099	20,216
	55,208	**51,882**

12. SERVICE COSTS

	31/12/2010	31/12/2009
Transport	28,621	25,220
Rental costs	6,862	8,186
Regular and preventive maintenance costs - machinery	5,360	7,146
Commissions	2,829	3,000
Tool modification costs	2,016	377
Forwarding and shipping costs	1,396	1,433
Telecommunications	1,275	1,365
Communal fees	1,155	1,240
Water supply	1,031	1,100

Other expenses	9,314	9,374
	59,859	**58,441**

13. OTHER EXTERNAL CHARGES

	31/12/2010	31/12/2009
Temporary service costs - tools	10,842	19,995
Net book value of disposed intangible fixed assets	3,675	7,384
Professional service cost	2,865	1,290
Bank charges	2,282	1,191
Insurance premiums	1,686	1,612
Communal fees for the use of construction plots	1,425	1,408
Cost of goods provided free of charge	1,309	1,018
Customer complaints	1,220	1,087
Net book value of disposed intangible fixed assets	1,199	1,087
Payment operation charges	546	844
Forest reproduction levies	362	383
Entertainment	350	294
Occupational Health and Safety service costs	312	253
Professional training costs	273	371
Other fees (Supervisory Board)	284	224
Gifts for employees' children	227	268
Water management fee	216	218
Translation service costs	181	197
Other non-material costs	1,757	1,299
Other expenses	6,452	1,585
	37,463	**42,008**

Most of other external costs comprise manufacturing of tools for the production of car spare parts per orders of the ultimate car manufacturers and include the cost of the tools, tool modification services, transportation and other handling charges.

14. OTHER OPERATING EXPENSES

	31/12/2010	31/12/2009
Selling expenses	54,887	-
Sale of inventories	19,055	-
Other expenses	3,758	-
	77,700	**-**

Other operating expenses comprise mainly the expenses incurred in the sale of the building, land and inventories of ADP Luga, Russia (see Note 7).

15. PROVISIONS FOR RISKS AND CHARGES

	31/12/2010	31/12/2009
Provisions under actuarial calculations	3,332	-
Provisions for tax disputes	5,320	
Vacation accruals	3,163	-
Litigation provisions	3,730	-
	15,545	**-**

16. FINANCE REVENUE

	31/12/2010	31/12/2009
Interest income	4,846	5,312
Foreign exchange gains	48,428	36,004
Dividend income	15,146	11,825
Other finance revenue	1,813	-
	70,233	**53,141**

17. FINANCE COSTS

	31/12/2010	31/12/2009
Interest expense	11,134	15,235
Foreign exchange losses	36,414	44,039
Other finance cost	905	-
	48,453	**59,274**

18. INCOME TAX

Income tax comprises the following:

	31/12/2010	31/12/2009
Current tax	6,069	-
Deferred tax	(667)	-
	5,402	**-**

The Company is entitled to tax incentive measures, which it utilised in 2010 in accordance with the Act on the Promotion of Investments.

The Ministry of Economy, Labour and Entrepreneurship issued on 28 October 2008 a certificate certifying that the Company, as the Applicant, meets the terms and conditions specified in the Act on the Promotion of Investments (Official Gazette No. 138/06) and is awarded the status of the incentive measure beneficiary.

Under the Investment Project reported in the period of the incentive measure beneficiary status (2008 – 2010), the Company invested into the construction of production facilities, purchases of new Renault part production equipment, opened new jobs and provided advanced training to its employee under the Advanced Training Programme that is a part of the Investment Project.
The reported deferred tax assets arised from temporary differences in the provisions for severance payments and jubilee awards.

19. EARNINGS PER SHARE

Basic earnings per share are determined, by dividing the Company's net profit by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares redeemed and held by the Company as treasury shares. There were no circumstances that would give rise to a dilution of the earnings per share reported above.

	31/12/2010	**31/12/2009**
Net profit attributable to the Company shareholders	54,225	16,268
Weighted average number of shares	4,075,805	4,069,087
Basic earnings per share (in HRK)	**13.30**	**4.00**

20. INTANGIBLE ASSETS

	Licences	Software	Projects	Total
Cost				
Balance at 31 December 2008	**67**	**393**	**101,181**	**101,641**
Additions	-	2,350	6,212	**8,562**
Disposals and retirements			(7,384)	**(7,384)**
Balance at 31 December 2009	**67**	**2,743**	**100,009**	**102,819**
Additions	-	365	6,598	**6,963**
Disposals and retirements	-	-	(3,675)	**(3,675)**
Balance at 31 December 2010	**67**	**3,108**	**102,932**	**106,107**
Accumulated depreciation				
Balance at 31 December 2008	-	**393**	**22,831**	**23,224**
Charge for the year	-	-	20,216	**20,216**
Balance at 31 December 2009		**393**	**43,037**	**43,440**
Charge for the year	-	305	18,794	**19,099**
Balance at 31 December 2010		**698**	**61,841**	**62,539**
Net book value				
At 31 December 2010	**67**	**2,410**	**41,091**	**43,568**
At 31 December 2009	**67**	2,350	**56,952**	**59,379**

Projects comprise investments in the development of new products that are expected to generate revenue in future periods. Consequently, the costs are amortised over the period in which the related economic benefits flow into the Company.

21. TANGIBLE ASSETS

	Land	Buildings	Plant and equipment	Assets under construction	Other	Total
Cost						
Balance at 31 December 2008	**83,785**	**186,267**	**346,369**	**104,263**	**136**	**720,820**
Additions	-	18,350	-	23,840	-	42,190
Transfer from assets under development	40,818	40,515	33,655	(115,292)	304	-
Disposals and retirements	-	(452)	(7,387)	-	-	(7,839)
Balance at 31 December 2009	**124,603**	**244,680**	**372,637**	**12,811**	**440**	**755,171**
Additions	2,017	28,988	10,873	53,071	1,390	96,339
Transfer from assets under development	8,573	33,230	18,485	(62,086)	1,798	-
Disposals and retirements	(573)	(46,061)	(10,707)	-	(6)	(57,347)
Balance at 31 December 2010	**134,620**	**260,837**	**391,288**	**3,796**	**3,622**	**794,163**
Accumulated depreciation						
Balance at 31 December 2008	-	**48,856**	**161,977**	-	**136**	**210,969**
Charge for the year 2009	-	2,765	28,689	-	212	31,666
Balance at 31 December 2009	-	**51,621**	**190,666**	-	**348**	**242,635**
Charge for the year 2010	-	3,240	32,631	-	238	36,109
Balance at 31 December 2010	-	**54,861**	**223,297**	-	**586**	**278,744**
Net book value						
At 31 December 2010	**134,620**	**205,976**	**167,991**	**3,796**	**3,036**	**515,419**
At 31 December 2009	**124,603**	**193,059**	**181,971**	**12,811**	**92**	**512,536**

In 2010, the company ZAO ADP Luga, Russia sold its land and building to the company OOO Faurecia, owned by FADP Holding.

At 31 December 2010, the net book value of tangible assets pledged as collateral with commercial banks amounts to HRK 255,668, and the balance of short-term and long-term loans secured by those assets is HRK 197,930.

22. INVESTMENTS IN ASSOCIATES

Name of associate	Principal activity	Country of incorporation and business	Ownership interest in %		Amount of equity investment, HRK'000	
			2010	2009	2010	2009
EURO AUTO PLASTIC SYSTEMS	Manufacture of other vehicle spare parts and accessories	Mioveni, Romania	50.00%	50.00%	50,786	26,279
FAURECIA AD PLASTIK ROMANIA (FAAR)	Manufacture of other vehicle spare parts and accessories	Mioveni, Romania	49.00%	49.00%	258	123
SG PLASTIK d.o.o.	Business and other management consultancy	Solin, Republic of Croatia	50.00%	50.00%	240	860
FAURECIA ADP HOLDING	Manufacture of other vehicle spare parts and accessories	Nanterre, France	40.00%	-	21,557	-
					72,841	**27,262**

Name of associate	Country of incorporation and business	Amount of equity investment 31/12/2009	Additional investments in 2010	Share in the result for the year	Amount of equity investment 31/12/2010
EURO AUTO PLASTIC SYSTEMS	Mioveni, Romania	26,279	-	24,507	50,786
FAURECIA AD PLASTIK ROMANIA (FAAR)	Mioveni, Romania	123	213	(78)	258
SG PLASTIK d.o.o.	Solin, Republic of Croatia	860	-	(620)	240
FAURECIA ADP HOLDING	Nanterre, France	-	30,220	(8,663)	21,557
		27,262	**30,433**	**15,146**	**72,841**

23. OTHER FINANCIAL ASSETS

	31/12/2010	31/12/2009
Long-term loans to associates	28,564	-
Long-term loans to unrelated companies	432	21,958
Other financial assets	64	64
Current portion of long-term loan receivables	(432)	(21,958)
	28,628	**64**

A long-term investment loan with a variable interest and maturity in 2014 was granted to an associate.

24. PREPAID EXPENSES AND ACCRUED INCOME

Accrued income in the amount of HRK 69,250 thousand (2009: HRK 54,069 thousand) represent amounts relating to the manufacture of tools for a known customer. Income from the manufacture of tools is recognised using the stage-of-completion method to determine the amount of income and costs attributable to a certain period.

	31/12/2010	31/12/2009
Other accrued income on tools	69,250	54,069
Other accrued income	3,400	1,633
Prepaid operating expenses	2,877	2,840
	75,527	**58,542**

25. INVENTORIES

	31/12/2010	31/12/2009
Raw material and supplies on stock	42,629	45,387
Work in progress	2,806	2,610
Finished products	8,624	7,953
Merchandise	3,407	1,358
	57,466	**57,308**

26. TRADE RECEIVABLES

	31/12/2010	31/12/2009
Domestic trade receivables	17,117	23,761
Foreign trade receivables	141,491	148,377
Impairment allowance on receivables	(11,458)	(10,501)
	147,150	**161,637**

The average credit period on sales is 75 days. The Company has provided for all for all sued debtors, regardless of the past due period, as well as for all receivables that are past due and assessed as doubtful of collection.

The Company seeks and obtains from its domestic customers debentures as collaterals in the amount of the receivables.

Set out below is an analysis of major trade receivables:

	31/12/2010	31/12/2009
Revoz, Slovenia	49,110	45,070
Visteon Deutschland, Germany	31,575	34,521
OAO Avtovaz, Russia	23,790	14,644
Peugeot Citroen Automobiles, France	5,931	2,486
Renault S.A.S.	5,297	14,404
Other debtors	36,692	61,336
	152,395	**172,461**

Movements in the impairment allowance on domestic trade receivables were as follows:

	31/12/2010	31/12/2009
Balance at beginning of the year	9,115	8,662
Additionally impaired during the year	697	812
Amounts collected or eliminated during the year	(93)	(359)
Total impairment allowance on domestic trade receivables	**9,719**	**9,115**
Balance at beginning of the year	1,386	664
Additionally impaired during the year	1,074	-
Amounts collected or eliminated during the year	(721)	(278)
Total impairment allowance on foreign trade receivables	**1,739**	**1,386**
Total impairment allowance	**11,458**	**10,501**

All receivables provided against are under litigation or included in bankruptcy estate. Ageing analysis of impaired receivables

	31/12/2010	31/12/2009
0 - 731 days	125	765
732 - 1096 days	1,751	107
1097 - 1827 days	751	3,265
Over 1827 days	8,831	6,364
	11,458	**10,501**

Ageing analysis of receivables past due but not impaired

	31/12/2010	31/12/2009
1 - 365 days	7,750	17,442
Over 365 days	1,636	8,887
	9,386	**26,329**

Receivables from associated companies

	31/12/2010	31/12/2009
Trade receivables	3,033	10,824
Interest receivable	2,211	-
	5,244	**10,824**

27. OTHER RECEIVABLES

	31/12/2010	31/12/2009
Receivables from the State and state institutions institutions	24,370	30,247
Prepayments made	20,588	26,384
Amounts due from employees and owners	932	815
Other receivables	3,824	2,779
	49,714	**60,225**

Amounts due from the State and state institutions comprise receivables from the State Budged in respect of VAT refund, refunds from the Croatian Health Insurance Fund and similar.

Foreign prepayments comprise prepayments made for purchases of production equipment and tools.

28. CURRENT FINANCIAL ASSETS

	31/12/2010	31/12/2009
Short-term investments in investment funds	11,078	-
Other short-term loans	-	2,000
Other deposits	77	77
	11,155	**2,077**

29. CASH

	31/12/2010	31/12/2009
Current account balance	9,562	13,147
Deposits with a term of up to 3 months	55,389	45,298
	64,951	**58,445**

30. SHARE CAPITAL

Subscribed capital amounts to HRK 419,958 thousand and consists of 4,199,580 shares, with a nominal value of HRK 100.00 per share (2009: HRK 419,958 thousand, 4,199,580 shares, with a nominal value of HRK 100 each).
The shareholders with over 2 percent of the shares at 31 December 2010 were as follows:

Shareholder	Headquarters	Number of shares	Ownership in %	Type of account
Aerokosmicheskoe Oborudovanie Group	Saint Petersburg, Russia	1,259,875	30.00%	Primary account
Prevent global d.d.	Slovenj Gradec, Slovenia	1,081,770	25.76%	Primary account
Hrvatska poštanska banka d.d.	Zagreb, Croatia	134,108	3.19%	Custody account
Bakić Nenad	Zagreb, Croatia	127,652	3.04%	Primary account
Ad Plastik d.d.	Solin, Croatia	123,779	2.95%	Treasury shares

Out of 123,779 treasury shares, 25,571 are kept off the balance sheet, as they were acquired without a consideration. The fair value of these treasury shares at 31 December 2010 amounted to HRK 2,958 thousand.

31. PROVISIONS

	Short-term:		Long-term:	
	At 31 December 2010	At 31 December 2009	At 31 December 2010	At 31 December 2009
Jubilee awards (long-service benefits)	-	-	1,936	-
Termination benefits	-	-	1,396	-
Legal actions	3,730	-	-	-
Tax disputes	5,320			
Vacation accrual	3,163	-	-	-
	12,213	-	**3,332**	-

Long-service and termination benefits

Defined benefit plan

According to the Union Agreement, the Company has the obligation to pay long-service (jubilee awards), retirement and other benefits to employees. The Company operates a defined benefit plan for qualifying employees. Retirement and long-service benefits are defined in the Union Agreement. No other post-retirement benefits are provided.

Long-service benefits are paid for full years of service in the month of the current year in which the service is determined as completed.

The present value of defined benefit obligations and the related current and past service cost have been determined using the Projected Credit Unit method.

Key assumptions used in calculating the required provisions are the discount rate of 6.21% and the rate of fluctuation of 1.07%.

32. NON-CURRENT LIABILITIES

	31/12/2010	31/12/2009
Long-term borrowings	123,170	153,194
Current portion of long-term borrowings	(30,339)	(28,955)
	92,831	124,239
Other non-current liabilities	74	68
	92,905	**124,307**

Long-term borrowings comprise HBOR investment loans and bear interest at a rate of 4 percent, as well as long-term loans from commercial banks with interest rates ranging from 3.16 to 6 percent. AD Plastik d.d. services regularly all of its obligations under those borrowings, in line with the terms and conditions of the underlying loan agreements.

Movements in long-term borrowigs during the year:

	2010	**2009**
Balance at 1 January	153,194	212,101
New loans raised	-	-
Amounts repaid	(30,024)	(31,907)
Long-term loans refinanced using short-term loans	-	(27,000)
Total long-term borrowings	**123,170**	**153,194**

33. ACCRUED EXPENSES AND DEFERRED INCOME

	31/12/2010	**31/12/2009**
Due to the State and State institutions	593	709
Amounts due to employees	56	-
Other current liabilities	1,056	652
	1,705	**1,361**

34. ADVANCES RECEIVED

	31/12/2010	**31/12/2009**
Domestic customers	2,481	-
Foreign customers	79,933	55,424
	82,414	**55,424**

35. TRADE PAYABLES

	31/12/2010	**31/12/2009**
Domestic trade payables	16,741	25,325
Foreign trade payables	76,407	77,578
	93,148	**102,903**

36. CURRENT FINANCIAL LIABILITIES

	31/12/2010	31/12/2009
Short-term loans - principal payable	75,000	84,118
Short-term loans - interest payable	916	2,073
Current portion of long-term borrowings	30,339	28,955
Other current financial liabilities	2	1,446
	106,257	**116,592**

Short-term loans represent revolving facilities provided by commercial banks and short-term HBOR loans for export and import preparation, with the interest rate of 5 percent.

37. OTHER CURRENT LIABILITIES

	31/12/2010	31/12/2009
Due to the State and State institutions	6,097	4,207
Amounts due to employees	6,553	8,354
Dividends payable	16	368
Other current liabilities	258	4,014
	12,924	**16,943**

38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

38.1 Gearing ratio

The Company's gearing ratio, expressed as the ratio of net debt to equity, can be expressed as follows:

	31/12/2010	31/12/2009
Short-term borrowings	106,257	116,592
Long-term borrowings	92,831	124,239
Cash and cash equivalents	64,951	58,445
Net debt	134,137	182,386
Equity	667,865	612,727
Net debt-to-equity ratio	20.08%	29.77%

38.2 Categories of financial instruments

	31/12/2010	31/12/2009
Financial assets		
Loans and receivables	176,210	185,736
Financial assets at fair value through profit or loss	11,154	-
Cash and cash equivalents	64,951	58,445
Financial liabilities		
Trade payables	93,148	102,903
Borrowings	199,088	240,831

At the reporting date there are no significant concentrations of credit risk for loans and receivables designated at fair value through the statement of comprehensive income.

38.3. Financial risk management objectives

Treasury function of the Group provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effects of these risks. The Group does not enter into, or trade in financial instruments, including derivative financial instruments, for speculative purposes.

38.4. Price risk management

The largest markets on which the Group provides its services and sells its products comprise the EU market and the market of the Russian Federation. The management determines the prices of its products separately for domestic and foreign markets by reference to the market prices.

38.5. 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 rate, which applies to the financial instrument. Interest rate cash flow risk is the risk that the interest cost of an instrument will fluctuate over time. The interest rate risk exposure is low, as there are no financial instruments at variable rates.

38.6. Credit risk

The Group is exposed to credit risk through loans and trade receivables. Loans are granted to the subsidiaries of the Company and as such credit risk is under the control of the Company. Trade receivables are presented net of allowance for bad and doubtful accounts.
The five largest customers of the Group are Revoz, Slovenia; Renault, France; Visteon, Germany, Peugeot Citroen Automobiles, France; and OAO Avtovaz, Russia. Revenues generated by the sales to these business partners make up 75% and 68% of the total sales in 2010 and 2009, respectively.

It is the policy of the Group to transact with financially sound companies where there is no risk of collection.

38.7. Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The carrying amounts of the Group's foreign-currency denominated monetary assets and monetary liabilities at the reporting date are provided in the table below using exchange rates of the Croatian National Bank:

As at 31 December	Assets		Liabilities		Net currency position	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
EUR	201,526	207,047	234,776	268,895	(33,250)	(61,848)
RUR	67,726	64,213	27,028	20,792	40,698	43,421
USD	645	354	1,406		(761)	354
GBP	9			7	9	(7)
CHF			20		(20)	-
	269,906	**271,614**	**263,230**	**289,874**	**6,676**	**(18,080)**

Foreign currency sensitivity analysis

The Group is mainly exposed to the countries using euro as their currency. The following table details the Group's sensitivity to a 2-percent decrease of the Croatian kuna in 2010 and 2009 against the euro. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end. A positive number below indicates an increase in profit where the Croatian kuna changes against the relevant currency for the percentage specified above.

	EUR impact	
	2010	**2009**
Change in exchange differences	814	864

38.8. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Management Board. The Group manages its liquidity using banking facilities (overdrafts) and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial assets and liabilities. The tables have been drawn up based on the undiscounted cash flows of financial assets and liabilities based on the earliest date on which the Group can require payment i.e. can be required to pay.

2010	**Average interest rate**	**Up to 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
Assets							
Non-interest bearing		131,502	80,066	533	-	-	212,101
Interest bearing	11%	11,155	774	2,864	39,021	-	53,814
		142,657	**80,840**	**3,397**	**39,021**	**-**	**265,915**
Liabilities							
Non-interest bearing		59,880	39,836	-	-	-	99,716
Interest bearing	4.7 %	3,917	2,764	82,468	84,824	17,100	191,073
		63,797	**42,600**	**82,468**	**84,824**	**17,100**	**290,789**
Difference		**78,860**	**38,240**	**(79,071)**	**(45,803)**	**(17,100)**	**(24,874)**

2009							
Assets							
Non-interest bearing		133,809	85,554	719	-	-	220,082
Interest bearing	9%	2,077	377	23,154	-	-	25,608
		135,866	**85,931**	**23,873**	**-**	**-**	**245,690**
Liabilities							
Non-interest bearing		71,728	39,528	-	-	-	82,274
Interest bearing	6%	3,206	7,646	114,577	107,848	35,438	268,598
		74,934	**47,174**	**114,577**	**107,848**	**35,438**	**350,872**
Difference		**60,952**	**38,757**	**(90,704)**	**(107,848)**	**(35,438)**	**(134,281)**

38.9. Fair value of financial instruments

Financial instruments held to maturity in the ordinary course of business are carried at the lower of cost and net amount less repaid portion.

The fair value represents the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction, except in the event of a forced sale or liquidation. The fair value of a financial instrument is its quoted market price, or the amount obtained using the discounted cash flow method.

At 31 December 2010, the carrying amounts of cash, receivables, short-term liabilities, accrued expenses, short-term borrowings and other financial instruments approximate their fair values due to the short-term maturity of these financial instruments.

39. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Management Board of AD Plastik d.d. and authorised for issue on 30 March 2011.

For **AD Plastik d.d.**, Solin:

Josip Boban
President of the Managing Board

i) AD Plastik d.d., Solin

Unconsolidated financial statements

and Independent Auditor's Report

For the year ended

31 December 2010

j) RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Pursuant to the Accounting Act of the Republic of Croatia, the Management is responsible for ensuring that financial statements are prepared for each financial year in accordance with International Financial Reporting Standards ("the IFRSs"), which give a true and fair view of the financial position and results of operations of AD Plastik d.d., Solin (the "Company") for that year.

The Company has also prepared its consolidated financial statements in accordance with International Financial Reporting Standards.

After making appropriate enquiries, the Management has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management continues to prepare the financial statements on a going-concern basis.

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

- suitable accounting policies are selected and then applied consistently;
- judgments 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 the going concern basis, unless it is inappropriate to assume that the Company will continue as a going concern.

The Management Board of the Company 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 Accounting Act. The Management is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the Management Board by:

Josip Boban, President of the Management Board

AD Plastik d.d., Solin
Matoševa 8
21210 Solin
Republic of Croatia

30 March 2011

K) INDEPENDENT AUDITOR'S REPORT

Deloitte.

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

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

Independent Auditor's Report

To the Owners of AD Plastik d.d., Solin

We have audited the accompanying unconsolidated financial statements of AD Plastik d.d. Solin ("the Company"), which comprise the statement of financial position at 31 December 2010, and the related statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

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

Matters affecting our opinion

The Company did not disclose the compensation received by key management personnel during the year as required by International Accounting Standard 24 – *Related Party Disclosures*.

Qualified opinion

In our opinion, except for the matter discussed in the previous paragraph, the financial statements present fairly, in all material respects, the financial position of the Company at 31 December 2010, and the results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matters

The unconsolidated financial statements of the Company for the year ended 31 December 2010 were audited by another auditor, whose report dated 29 April 2010 expressed an unmodified opinion on those financial statements.

Branislav Vrtačnik, Certified Auditor and Member of the Board

Deloitte d.o.o., Zagreb

Zagreb, 30 March 2011

I) UNCONSOLIDATED STATEMENT OF COMPRENHESIVE INCOME (all amounts are expressed in thousands of Kunas)

	Notes	31/12/2010	31/12/2009 (as restated)
Sales	6	541,305	496,716
Other income	7	20,568	14,129
Total income		**561,873**	**510,845**
Decrease/(Increase) in the value of work in progress and finished products		(1,925)	6,343
Cost of raw material and supplies	8	274,840	223,647
Cost of goods sold	9	23,389	30,905
Service costs	12	46,545	44,374
Staff costs	10	106,002	101,715
Depreciation and amortisation	11	41,073	45,488
Other operating expenses	13	39,787	38,801
Provisions for risks and charges	14	10,225	-
Total operating expenses		**539,936**	**491,273**
Profit from operations		**21,937**	**19,572**
Finance revenue	15	34,660	29,124
Finance cost	16	35,820	38,095
Profit / (loss) from financing activities		**(1,160)**	**(8,971)**
Profit before taxation		**20,777**	**10,601**
Income tax expense	17	34	
Profit for the year		**20,743**	**10,601**
Other comprehensive income		1,696	-
Total comprehensive income		**22,439**	**10,601**

The accompanying accounting policies and notes form an integral part of these financial statements.

m) UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION (all amounts are expressed in thousands of kunas)

ASSETS	Notes	31/12/2010	31/12/2009 (as restated)	01/01/2009 (as restated)
Non-current assets				
Intangible assets	19	41,069	54,660	68,228
Tangible assets	20	440,520	414,535	432,908
Investments in subsidiaries and associates	21	127,240	93,018	69,503
Other financial assets	22	66,016	44,423	67,876
Deferred tax assets	17	667		
Total non-current assets		**675,512**	**606,636**	**638,515**
Current assets				
Inventories	24	37,165	37,297	49,709
Trade receivables	25	149,383	196,482	158,507
Other receivables	26	37,412	31,164	38,590
Current financial assets	27	19,037	41,616	69,288
Cash and bank balances	28	58,618	50,771	39,501
Prepaid expenses	23	75,527	58,540	40,224
Total current assets		**377,142**	**415,870**	**395,819**
TOTAL ASSETS		**1,052,654**	**1,022,506**	**1,034,334**

	Notes	31/12/2010	31/12/2009 (as restated)	01/01/2009 (as restated)
Equity				
Share capital	30	419,958	419,958	419,958
Reserves		207,597	200,806	240,804
Profit / (loss) for the year		20,743	10,601	(37,230)
Total equity		**648,298**	**631,365**	**623,532**
Long-term provisions	30	3,332		
Long-term loans	31	92,831	124,239	212,101
Total non-current liabilities		**96,163**	**124,239**	**212,101**
Advances received	33	80,430	55,658	27,458
Trade payables	34	66,327	82,274	85,830
Short-term loans	35	143,223	116,673	59,155
Other current liabilities	36	9,615	10,947	24,976
Short-term provisions	30	6,893	-	-
Accrued expenses and deferred income	32	1,705	1,350	1,282
Total current liabilities		**308,193**	**266,902**	**198,701**
Total liabilities		**404,356**	**391,141**	**410,802**
TOTAL EQUITY AND LIABILITIES		**1,052,654**	**1,022,506**	**1,034,334**

The accompanying accounting policies and notes form an integral part of these financial statements.

n) Unconsolidated Statement of Changes in Shareholders' Equity (all amounts are expressed in thousands of kunas)

	Share capital	Capital reserves	Legal reserves	Treasury shares reserves	Treasury shares	Retained earnings	Total
Balance at 31 December 2008	**419,958**	**194,081**	**4,984**	**8,995**	**(8,995)**	**(2,182)**	**616,841**
Change in accounting policy (see Note 5)	-	-	-	-	-	6,691	6,691
Balance at 31 December 2008 – as restated	**419,958**	**194,081**	**4,984**	**8,995**	**(8,995)**	**4,509**	**623,532**
Transfer to Capital Reserves covering prior year losses	-	(2,748)	-	-	-	2,748	-
Acquisition of Treasury shares	-	(2,202)	-	2,768	(2,768)	(566)	(2,768)
Current year net profit	-	-	-	-	-	22,903	22,903
Balance at 31 December 2009 – originaly reported	**419,958**	**189,131**	**4,984**	**11,763**	**(11,763)**	**29,594**	**643,667**
Change in accounting policy and correction of accounting error (see Note 5)	-	-	-	-	-	(12,302)	(12,302)
Balance at 31 December 2009 – as restated	**419,958**	**189,131**	**4,984**	**11,763**	**(11,763)**	**17,292**	**631,365**
Transfer of distributable profits to legal reserves	-	-	1,145	-	-	(1,145)	-
Dividend paid	-	-	-	-	-	(6,103)	(6,103)
Revaluation of assets	-	1,696	-	-	-	-	1,696
Treasury shares revaluation	-	-	-	194	(194)	-	-
Bonuses to employees settled by Treasury Shares	-	-	-	(597)	597	597	597
Profit for the year	-	-	-	-	-	20,743	20,743
Balance at 31 December 2010	**419,958**	**190,827**	**6,129**	**11,360**	**(11,360)**	**31,384**	**648,298**

The accompanying accounting policies and notes form an integral part of these financial statements.

o) UNCONSOLIDATED STATEMENT OF CASH FLOW (all amounts are expressed in thousands of kunas)

Cash flows from operating activities	31/12/2010	31/12/2009
Profit for the year	**20,743**	**10,601**
Income tax	34	-
Deferred taxes	(667)	-
Depreciation and amortization charge	41,073	45,488
Gains from sale of tangible assets	6,689	1,146
Impairment for trade receivables	957	10,501
Interest expense	11,475	15,194
Interest income	(10,119)	(8,559)
Provisions	10,225	(14,029)
Profit/(loss) from operations before working capital changes	**80,410**	**60,342**
Decrease in inventories	132	12,412
Decrease/(increase) in trade receivables	46,142	(48,476)
Decrease in receivable from the state	6,399	815
(Increase)/decrease in other receivable	(12,647)	6,611
Decrease intrade payables	(15,947)	(3,556)
Increase in liabilities for advances received	24,772	28,200
Decrease in other short term payables	(585)	(1,450)
Decrease in accrued expenses and deferred income	355	68
Increase in prepaid expenses	(16,987)	(18,316)
Interest paid	(12,256)	(13,744)
Cash flows provided from operating activities	**99,788**	**22,906**
Treasury shares acquired	-	(2,768)
Increase in investments in subsidiarie and associates	(34,222)	(23,038)
Interest collected	10,119	8,559
Increase in tangible and intrangible assets	(58,459)	(15,170)
Increase in investment funds	(11,078)	-
Decrease in short term loans	33,657	27,672
Decrease/(increase) in long term loans	(21,593)	23,453
Cash flows from investing activities	**(81,576)**	**18,708**
Dividends paid	(6,103)	-
Bonuses paid to employees	597	-
Increase in short term borrowings	44,342	30,518
Decrease in short term borrowings	(19,177)	-
Decrease in long term borrowings	(30,024)	(60,862)
Cash flows from financing activities	**(10,365)**	**(30,344)**
Net cash flows for the year	**7,847**	**11,270**
Cash and cash equivalents at 1 January	50,771	39,501
Net cash flows for the year	7,847	11,270
Cash and cash equivalents at 31 December	58,618	50,771

The accompanying accounting policies and notes form an integral part of these financial statements.

The accompanying accounting policies and notes form an integral part of these financial statements.

q)NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (all amounts are expressed in thousands of kunas)

1. GENERAL INFORMATION

The company AD Plastik d.d., Solin, (the Company) is a public limited company, involved in the production of motor vehicle spare parts and accessories and of plastic masses in the automotive industry (abbreviated firm: AD PLASTIK d.d.). The company was established by a decision of the Founding Assembly dated 15 June 1994 following the transformation of the socially-owned entity Autodijelovi – Solin pursuant to the decision on the transformation of ownership and the Decision of the Croatian Privatisation Fund No. 01-02/92-06/392 of 6 December 1993. The Company is a legal successor of the socially-owned entity Autodijelovi and, according to the decision of the Commercial Court in Split No. Fi 6215/94 of 28 June 1994, assumed all of its assets and liabilities as of the date of entry in the court register.

By the decision of the General Shareholders' Assembly dated 21 June 2007, the Statute of the Company of 8 July 2004 was amended and a decision was made to increase the share capital of the Company in cash. Pursuant to the Decision No. Tt-07/2145-3 of 25 September 2007, the increase of the share capital by HRK 125,987,500.00, effected by OAO Saint Petersburg Investment Company ("OAO SPIK") was registered, and the total subscribed capital now amounts to HRK 419,958,400.00 and consists of 4,199,584 shares, with a nominal amount of HRK 100.00 each. By the agreement on transfer of shares from 29 June 2009 OAO Spik transferred shares of the Company to OAO Group Aerokosmicheskoe Oborudovanie from St. Petersburg

The Company shares were included in the listing of public limited companies on the Official Market of the Zagreb Stock Exchange on 1 October 2010.

1.1. Activity

The primary activity of the Company comprises manufacture of motor vehicle spare parts and accessories.
The registered activities of the Company comprise the following:

- manufacture of motor vehicle spare parts and accessories;
- production and trade in medical supplies for one-off application made of plastic masses: plastic syringes for one-off application; infusion sets; transfusion sets; hemodialysis needles; urine bags, and others.
- representation of foreign firms
- international forwarding and shipping
- production of finished textile products other than clothing;
- production of synthetic rubber in primary forms;
- production of glues and jellies;
- production of rubber and plastic products;
- production of metal products other than machinery and equipment;
- construction and repair of leisure and sports boats;
- production of chairs and seats;
- production of sports equipment;
- recycling of non-metal waste and scrap;
- computer and related activities;
- providing advice, guidance and operational assistance to legal entities.
- designing of accounting systems, materials accounting software, budgeting control procedures;
- advice and assistance to legal entities in connection with planning, organisation, efficiency and controls, management information, etc.;
- management consulting;
- purchase and sale of goods;
- trade mediation on domestic and international markets;
- use of hazardous chemicals; and
- treatment of hazardous and non-hazardous waste.

1.6. Number of staff

At 31 December 2010, the number of staff employed by the Company was 875 (2009: 924).

1.7. Corporate governance

	Mandate	
Members of the Supervisory Board:		
Borut Meh (Chairman)	From 03/10/2008	To 03/10/2012
Nijaz Hastor	From 16/07/2009	To 16/07/2013
Nikola Zovko	From 18/07/2008	To 18/07/2012
Tomislav Dulić	From 11/09/2008	To 11/09/2012
Ivka Bogdan	From 20/07/2010	To 20/07/2014
Drandin Dmitrij Leonidovič	From 19/10/2007	To 19/10/2011
Valerij Pavlovič Kiseljevič	From 19/10/2007	To 19/10/2011
Marin Milišić	From 16/07/2009	To 05/05/2010 (resigned)
Members of the Management Board:		
Josip Boban (President)	From 01/10/2006	To 01/10/2011
Ilija Pokrajac	From 01/10/2006	To 01/10/2011
Ivica Tolić	From 01/10/2006	To 01/10/2011
Katija Klepo	From 20/02/2008	To 01/10/2011
Nenad Marković	From 30/05/2008	To 01/10/2011

2. ADOPTION OF NEW AND REVISED STANDARDS

Standards and Interpretations effective in the current period

The following amendments to the existing standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) are effective in the current period:

- **IFRS 1 (revised) First-time Adoption of IFRSs** (effective for annual periods beginning on or after 1 July 2009),
- **IFRS 3 (revised) Business Combinations** (effective for annual periods starting on or after 1 July 2009);
- **Amendments to IFRS 1 First-time Adoption of IFRS- Additional Exemptions for First-time Adopters** (effective for annual periods beginning on or after 1 January 2010)on or after 1 January 2010);
- **Amendments to IFRS 2 Share-based Payment - Group cash-settled share-based payment transactions** (effective for annual periods beginning on or after 1 January 2010),
- **Amendments to IAS 27 Consolidated and Separate Financial Statements** (effective for annual periods beginning on or after 1 July 2009);
- **Amendments to IAS 39 Financial Instruments: Recognition and Measurement - Eligible hedged items** (effective for annual periods beginning on or after 1 July 2009),
- **Amendments to various standards and interpretations "Improvements to IFRSs (2009)"** resulting from the annual improvement project of IFRS published on 16 April 2009 (IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9 and IFRIC 16) primarily with a view to removing inconsistencies and clarifying wording, (most amendments are to be applied for annual periods beginning on or after 1 January 2010),
- **IFRIC 17 Distributions of Non-cash Assets to Owners** (effective for annual periods beginning on or after 1 July 2009)
- **IFRIC 18 Transfers of Assets from Customers** (effective for transfers of assets received on or after 1 July 2009)

The amendments and revisions to the existing standards and interpretations and the interpretations and standards effective in the current year did not have a significant impact on the financial statements of the Company.

Standards and Interpretations in issue not yet adopted

At the date of authorization of these financial statements the following Standards, revisions and Interpretations were in issue but not yet effective:

- **IFRS 9 *Financial Instruments*** (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to IFRS 1 *First-time Adoption of IFRS*- Limited Exemption from Comparative IFRS 7 *Disclosures* for First-time Adopters** (effective for annual periods beginning on or after 1 July 2010),
- **Amendments to IFRS 1 *First-time Adoption of IFRS* - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters** (effective for annual periods beginning on or after 1 July 2011),
- **Amendments to IFRS 7 *Financial Instruments: Disclosure* - Transfer of financial assets** (effective for annual periods beginning on or after 1 July 2009)
- **Amendments to IAS 12 *Income Taxes* - Deferred Tax: Recovery of Underlying Assets** (effective for annual periods beginning on or after 1 January 2012),
- **Amendments to IAS 24 *Related-party Disclosures* –** Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party (effective for annual periods beginning on or after 1 January 2011), ;
- **Amendments to IAS 32 *Financial Instruments: Presentation*** - Accounting for rights issues (effective for annual periods beginning on or after 1 February 2010);
- **Amendments to various standards and interpretations "Improvements to IFRSs (2009)"** resulting from the annual improvement project of IFRS published on 6 May 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) primarily with a view to removing inconsistencies and clarifying wording (most amendments are to be applied for annual periods beginning on or after 1 January 2011),
- **Amendments to IFRIC 14 IAS 19 — *The Limit on a defined benefit Asset, Minimum Funding Requirements and their Interaction*** - Prepayments of a Minimum Funding Requirement (effective for annual periods beginning on or after 1 January 2011),
- **IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*** (effective for annual periods beginning on or after 1 July 2010),

The Company has elected not to adopt these Standards, revisions and Interpretations in advance of their effective dates and anticipates that their adoption will have no material impact on the financial statements of the Company in the period of initial application.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Set out below are the principal accounting policies consistently applied in the preparation of the financial statements for the current and prior years.

3.1. Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards and Croatian laws.

3.2. Basis of preparation

The financial statements of the Company have been prepared on the historical cost basis, in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and Croatian laws.

The Company maintains its accounting records in the Croatian language, in Croatian Kuna and in accordance with Croatian laws and the accounting principles and practices observed by enterprises in Croatia.

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRSs) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

The financial statements of the Company represent aggregate amounts of assets, liabilities, capital and reserves of the Company as of 31 December 2010, and the results of operations for the year then ended. Some of the financial captions have been reclassified in these financial statements compared to the prior year, as the management is of the opinion that the reclassification provides a better presentation of the financial statements as a whole.

The Company also prepares its consolidated financial statements in accordance with International Financial Reporting Standards, which include the financial statements of the Company as the parent and the financial statements of the subsidiaries controlled by the Company. In these financial statements, investments in entities controlled by the Company or in which the Company has significant influence are carried at cost less impairment if any. For a full understanding of the financial positions of the Company and its subsidiaries as a group, and the results of their operations and their cash flows for the year, users are advised to read the consolidated financial statements of the Group AD Plastik d.d. Details of the investments are presented in Note 21.

3.3. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for products, goods or services sold in the regular course of the Company’s operations.

Revenues are stated net of value added tax, estimated returns, discounts and rebates. Revenue is recognised when the amount of the revenue can be measured reliably and when future economic benefits are expected to flow into the Company.

Product sales are recognised when the products are delivered to, and accepted by the customer and when the collectability of the receivables is virtually certain.

Income from the manufacture of tools for a known customer

Income from the manufacture of tools is recognised using the stage-of-completion method to determine the amount of income and costs attributable to a certain period.

Interest income

Interest income is recognised on a time basis, using the effective interest method. Interest earned on balances with commercial banks (demand and term deposits) is credited to income for the period as it accrues. Interest on trade debtors is recognised as income upon settlement.

3.4. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are included in profit or loss in the period in which they are incurred.

3.5. Foreign currency transactions

Transactions in foreign currencies are translated into Croatian kunas at the rates of exchange in effect at the dates of the transactions. Cash, receivables and payables denominated in foreign currencies are retranslated at the rates of exchange in effect at the date of the statement of financial position. Gains and losses arising on translation are included in the statement of comprehensive income for the year. At 31 December 2010, the official exchange rate of the Croatian kuna against 1 euro (EUR) was HRK 7.385173 (31 December 2009: HRK 7.306199 for EUR 1).

3.6. Income tax expense

Income tax expense represents the sum of the tax currently payable and deferred tax. Income tax is recognised in the income statement, except where it relates to items recognised directly in equity, in which case it is also recognised in equity. Current tax represents tax expected to be paid on the basis of taxable profit for the year, using the tax rate enacted at the balance sheet date, adjusted by appropriate prior-period items.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates in effect at the balance sheet date.

The measurement of deferred tax liabilities and assets reflects the amount that the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred taxes are not discounted and are classified in the balance sheet as non-current assets and/or non-current liabilities. Deferred tax assets are recognised only to the extent that it is probable that the related tax benefit will be realised. At each balance sheet date, the Company reviews the unrecognised potential tax assets and the carrying amount of the recognised tax assets.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities.

In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

3.7. Property, plant and equipment, and intangible assets

Tangible fixed assets are recognised initially at cost and subsequently at cost less accumulated depreciation. The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable sales taxes and any directly attributable costs of bringing an asset to its working condition and location for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Where it is obvious that expenses incurred resulted in increase of expected future economic benefits to be derived from the use of an item of tangible or intangible assets in excess of the originally assessed standard performance of the asset, they are added to the carrying amount of the asset. Gains or losses on the retirement or disposal of tangible fixed assets are included in the statement of comprehensive income in the period they occur. Depreciation commences on putting an asset into use. Depreciation is provided so as to write down the cost or revalued amount of an asset over the estimated useful life of the asset using the straight-line method as follows:

	Depreciation rate (in %) 2010	Depreciation rate (in %) 2009
1. **Tangible assets**		
Buildings	1.50	1.50
Machinery	7.00	7.00
Tools, furniture, office and laboratory equipment and accessories, measuring and control instruments	10.00	10.00
Vehicles	20.00	20.00
IT equipment	20.00	20.00
Other	10.00	10.00
2. Intangible assets	20.00	20.00

3.8. Impairment

At each reporting date the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that the assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3.9. Investments in associates

An associate is an entity over which the Company has significant influence but which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity cost of accounting.

3.10. Inventories

Inventories of raw material and spare parts are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less all variable selling costs.

Cost of work in progress and finished products comprises the cost of raw material and supplies, direct labour and other costs and the portion of overheads directly attributable to work in progress.

Small inventory is written off when put in use.

The cost of product inventories i.e. the production costs is based on direct material used, the cost of which is determined using the weighted average cost method, then direct labour costs, and fixed overheads at the actual level of production which approximates the normal capacities, as well as variable overheads that are based on the actual use of the production capacities.

Merchandise inventory is recognised at purchased cost.

3.11. Trade debtors and prepayments

Trade debtors and prepayments are carried at nominal amounts less an appropriate allowance for impairment for uncollectible amounts.

Impairment is made whenever there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, the probability of bankruptcy proceedings at the debtor, or default or delinquency in payment are considered objective evidence of impairment. The amount of the impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The impairment losses on trade receivables are recognised in the income statement within 'Expenses'.

Management provides for doubtful receivables based on a review of the overall ageing of all receivables and a specific review of significant individual amounts receivable. The allowance for amounts doubtful of collection is charged to the statement of comprehensive income for the year.

3.12. Cash and cash equivalents

Cash comprises account balances with banks, cash in hand, deposits and securities at call or with maturities of less than three months.

3.13. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of discounting is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation, determined using the estimated risk free interest rate as the discount rate. Where discounting is used, the reversal of such discounting in each year is recognised as a financial expense and the carrying amount of the provision increases in each year to reflect the passage of time.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the date of the statement of financial position, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

3.14. Termination, long-service and other employee benefits

(a) Obligations in respect of retirement and other post-employment benefits

In the normal course of business the Company makes payments, through salary deductions to mandatory pension funds on behalf of its employees as required by law. All contributions made to the mandatory pension funds are recognised as salary expense when accrued. The Company does not have any other retirement benefit plan and, consequently, has no other obligations in respect of the retirement benefits for its employees. In addition, the Company is not obliged to provide any other post-employment benefits.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date. The Company recognises its termination benefit obligations in accordance with applicable union agreements.

(c) Regular termination benefits

Benefits falling due more than 12 months after the reporting date are discounted to their present value.

(d) Long-term employee benefits

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each reporting date. Actual gains and losses are recognised in the period in which they arise.

Past service cost is recognised immediately to the extent that the benefits are already vested. Otherwise, it is amortised on a straight-line basis over the average period until the benefits become vested

3.15. Financial instruments

Financial assets and financial liabilities included in the accompanying financial statements consist of cash and cash equivalents, marketable securities, trade and other receivables, trade and other payables, long-term receivables, loans, borrowings and investments. The details of the recognition and measurement of those items are presented in the corresponding policies.

Investments are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Financial assets available for sale

Financial assets available for sale are classified as current assets if the management intends to realise those assets within 12 months from the date of the statement of financial position. Every purchase and sale transaction in recognised on the settlement date. Investments are recognised initially at cost, which represents the fair value of the consideration given, including transaction costs. Available-for-sale investments are subsequently measured at fair value, with no deduction of transaction costs, by reference to their market prices prevailing at the date of the statement of financial position. Investments whose fair values cannot be determined are carried at cost and reviewed for impairment at each reporting date.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or liability, and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial asset or liability, or, where appropriate, a shorter period.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each date of the statement of financial position. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of a financial asset is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account.

Derecognition of financial assets

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

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3.16. Contingencies

Contingent liabilities have not been recognised in these financial statements. They are not disclosed unless the possibility of outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but it is disclosed when the inflow of economic benefits becomes probable.

3.17. Events subsequent to the reporting date

Events after the date of the statement of financial position that provide additional information about the Company's position at that date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 3, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on past experience and other factors that are considered to be relevant. Actual results may differ from those estimates.

The estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Areas of estimation include, but are not limited to, depreciation periods and residual values of property, plant and equipment, and of intangible assets, value adjustment of inventories, impairment of receivables, and litigation provisions. The key areas of estimation in applying the Company's accounting policies that had a most significant impact on the amounts recognized in the financial statements were as follows:

Useful life of property, plant and equipment

As described in the Note 3.8, the Company reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. Property, plant and equipment are recognised initially at cost, less accumulated depreciation. Property, plant and equipment have not been revalued i.e. their carrying amounts correspond with their cost less accumulated depreciation, and the management is satisfied that the market value of the property, plant and equipment is significantly higher than the amounts recognised in the accompanying financial statements.

Availability of taxable profits against which the deferred tax assets could be recognised

A deferred tax asset is recognized only to the extent that it is probable that the related tax benefit will be realised. In determining the amount of deferred taxes that can be recognised significant judgments are required, which are based on the probable quantification of time and level of future taxable profits, together with the future tax planning strategy. In 2009, deferred tax assets on available tax differences were recognised.

Impairment allowance on trade receivables

Management provides for doubtful receivables based on a review of the overall ageing of all receivables and a specific review of significant individual amounts receivable. The allowance for amounts doubtful of collection is charged to the statement of comprehensive income for the year.

Actuarial estimates used in determining the retirement benefits

The cost of defined benefits is determined using actuarial estimates. Actuarial estimates involve assumptions about discount rates, future salary increases and the mortality or fluctuation rates. Because of the long-term nature of those plans, there is uncertainty surrounding those estimates.

5. CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS OF THE PREVIOUS PERIODS FINANCIAL STATEMENTS

The Company has in 2010 changed its accounting policy for investments in associates. Up to 2010, investments in associates were accounted for using the equity method of accounting and from 2010, the Company adopted the cost method in these financial statements. In accordance with the requirements of International Accounting Standard 8 - *Accounting Policies, Changes in Accounting Estimates and Accounting Errors* the Company has retrospectively applied the new policy and have made the following changes to the financial statements of previous years.

For the effects of applying the old accounting policy up to 31 December 2008 the Company restated retained earnings and investments in associates by increasing them for HRK 6,691 thousand.

The financial statements for the year ended 31 December 2009 were restated by decreasing financial revenue and investments in associates for a total of HRK 11,825 thousand.

Furthermore, during 2010 the Company has thoroughly reviewed the reported items of tangible assets and found that the construction in progress was overstated at 31 December 2009 for the total amount of HRK 477 thousand. By the same amount the Company restated 2009 financial statements by decreasing tangible assets and increasing expenses.

6. SALES

Sales represent amounts receivable (excluding excise and similar duties) for goods sold and services rendered.

	31/12/2010	31/12/2009
Domestic sales	20,853	23,548
Foreign sales	520,452	473,168
	541,305	**496,716**

7. OTHER INCOME

	31/12/2010	31/12/2009
Income from sale of assets	9,506	1,554
Income from bonuses provided by suppliers	4,786	4,290
Income from consumption of own products, goods and services	1,858	1,322
Prior-period income	1,330	3,347
Credit notes - cash discount	-	1,718
Income upon execution of distress	167	612
Income from co-financing	600	794
Income from damages	504	-
Rental income	69	127
Other operating income	1,748	365
	20,568	**14,129**

8. COST OF RAW MATERIAL AND SUPPLIES

	31/12/2010	31/12/2009
Direct materials	145,753	136,898
Indirect materials	92,913	49,707
Energy	13,350	13,874
Direct packaging	10,147	9,973
Other materials	2,067	2,297
Preventive maintenance of machinery	2,075	2,060
Regular maintenance of machinery	1,208	1,289
Gas for heating in the production process	2,099	1,493
Other expenses	6,964	6,528
	274,840	**223,647**

9. COST OF GOODS SOLD

Cost of goods sold in the amount of HRK 23,388 thousand (2009: HRK 30,905 thousand) represents the cost of merchandise on stock sold to third parties.

	31/12/2010	31/12/2009
Re-export costs	16,246	26,573
Cost of merchandise	1,960	1,732
Cost of direct material sold	2,193	1,494
Cost of spare parts sold	2,093	193
Other costs of goods sold	897	913
	23,389	**30,905**

10. STAFF COSTS

	31/12/2010	31/12/2009
Wages and salaries	55,794	54,400
Contributions and personal income taxes from salaries	23,248	22,667
Contributions charged on salaries	13,948	13,600
Reimbursement of costs to employees	13,012	11,048
	106,002	**101,715**

Reimbursement of costs to employees comprises per diems, overnight accommodation costs and business travel costs, reimbursement of a portion of costs for the use of personal cars for business purposes and other business related costs.

11. Depreciation and amortisation

	31/12/2010	31/12/2009
Depreciation (Note 20)	22,442	25,708
Amortisation (Note 21)	18,631	19,780
	41,073	**45,488**

12. SERVICE COSTS

	31/12/2010	31/12/2009
Transport	23,855	22,406
Rental costs	5,341	5,719
Regular and preventive maintenance costs - machinery	4,409	3,851
Commissions	2,829	3,000
Tool modification costs	2,016	377
Telecommunications	1,158	1,326
Communal fees	1,145	1,240
Forwarding and shipping costs	1,162	1,168
Water supply	967	1,079
Regular and preventive maintenance costs - buildings	608	1,032
Other expenses	3,055	3,176
	46,545	**44,374**

13. OTHER EXTERNAL CHARGES

	31/12/2010	31/12/2009
Temporary service costs - tools	10,842	19,995
Insurance premiums	1,686	1,612
Communal fees for the use of construction plots	1,425	1,408
Other non-material costs	1,757	1,299
Professional service cost	2,350	1,126
Customer complaints	1,220	1,087
Cost of goods provided free of charge	1,309	1,018
Net book value of disposed tangible fixed assets	6,619	1,087
Net book value of disposed intangible fixed assets	1,924	
Bank charges	1,559	815
Payment operation charges	546	844
Forest reproduction levies	362	383
Entertainment	270	226
Gifts for employees' children	227	268
Other fees (Supervisory Board)	284	224
Water management fee	216	218
Translation service costs	181	197
Occupational Health and Safety service costs	223	190
Professional training costs	140	188
Other external charges	6,647	6,616
	39,787	**38,801**

Most of other external costs comprise manufacturing of tools for the production of car spare parts per orders of the ultimate car manufacturers and include the cost of the tools, tool modification services, transportation and other handling charges.

14. PROVISIONS FOR RISKS AND CHARGES

	31/12/2010	31/12/2009
Provisions under actuarial calculations	3,332	-
Vacation accruals	3,163	-
Litigation provisions	3,730	-
	10,225	**-**

15. FINANCE REVENUE

	31/12/2010	31/12/2009
Interest income	10,119	8,559
Foreign exchange gains	22,728	20,565
Other finance revenue	1,813	
	34,660	**29,124**

16. FINANCE COSTS

	31/12/2010	31/12/2009
Interest expense	11,475	15,194
Foreign exchange losses	23,440	22,901
Other finance costs	905	-
	35,820	**38,095**

17. INCOME TAX

Income tax comprises the following:

	31/12/2010	31/12/2009
Current tax	701	-
Deferred tax	(667)	-
	34	**-**

The relationship between the accounting profit and tax losses carried forward can be shown as follows:

	31/12/2010	31/12/2009
Profit for the year	**20,777**	**22,903**
70% of entertainment expenses	198	163
30 % of expenses for the use of personal cars for business purposes	445	490
Taxable deficits	16	23
Fines and penalties	77	70
Interest from related-party relationships	-	1,412
Written-off receivables	1,163	3,098
Provisions	3,954	-
Other revenues	1,696	-
Tax base increasing items (PD Return Form)	**7,549**	**5,256**
Dividend income	-	11,825
Subsequent collection of written-off receivables	241	-
Government grants for training and education	123	114
Tax base decreasing items (PD Return Form)	**364**	**11,939**
Taxable income before tax losses	27,962	16,220
Tax losses	(4,605)	(16,220)
Taxable income for the year	**23,357**	**-**
Income tax 20%	4,671	-
Tax incentives	(3,970)	-
Current income tax	**701**	**-**

17. INCOME TAX (CONTINUED)

Movements in tax losses could be shown as follows:

	2010	2009
Balance at 1 January	4,605	20,825
Utilisation of tax losses	(4,605)	(16,220)
Balance at 31 December	**-**	**4,605**

The income tax rate effective in the Republic of Croatia for the years 2010 and 2009 was 20%.

The Company is entitled to tax incentive measures, which it utilised in 2010 in accordance with the Act on the Promotion of Investments.

The Ministry of Economy, Labour and Entrepreneurship issued on 28 October 2008 a certificate certifying that the Company, as the Applicant, meets the terms and conditions specified in the Act on the Promotion of Investments (Official Gazette No. 138/06) and is awarded the status of the incentive measure beneficiary.

Under the Investment Project reported in the period of the incentive measure beneficiary status (2008 – 2010), the Company invested into the construction of production facilities, purchases of new Renault part production equipment, opened new jobs and provided advanced training to its employee under the Advanced Training Programme that is a part of the Investment Project..

In Croatia there is no formal procedure for verifying finite amount of taxes when filing tax returns for income tax and VAT. However, the tax liability is subject to review by the relevant tax authorities at any time during the three years after the year in which tax returns were filed.

The reported deferred tax assets arised from temporary differences in the provisions for severance payments and jubilee awards.

18. EARNINGS PER SHARE

Basic earnings per share are determined, by dividing the Company's net profit by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares redeemed and held by the Company as treasury shares.

	31.12.2010	31.12.2009
Net profit attributable to the shareholders (in HRK'000)	20,743	10,601
Weighted average number of shares	4,075,805	4,069,087
Basic earnings per share (in HRK)	**5,09**	**2,61**

19. INTANGIBLE ASSETS

	Licenses	Software	Projects	Total
Cost				
Balance at 31 December 2008	**67**	**393**	**89,958**	**90,418**
Additions	-	-	6,212	**6,212**
Balance at 31 December 2009	**67**	**393**	**96,170**	**96,630**
Additions	-	365	6,598	**6,963**
Disposals and retirements	-	-	(1,923)	(1,923)
Balance at 31 December 2010	**67**	**758**	**100,845**	**101,670**
Accumulated amortisation				
Balance at 31 December 2008	-	**393**	**21,797**	**22,190**
Charge for the year	-	-	19,780	**19,780**
Balance at 31 December 2009		**393**	**41,577**	**41,970**
Charge for the year	-	30	18,601	**18,631**
Balance at 31 December 2010		**423**	**60,178**	**60,601**
Net book value				
At 31 December 2010	**67**	**335**	**40,667**	**41,069**
At 31 December 2009	**67**	-	**54,593**	**54,660**

Projects relate to investments in developing new products which generate revenue in future periods. Accordingly, costs incurred are amortised over a period of achieving economic benefits for the Company

20. TANGIBLE ASSETS

	Land	Buildings	Plant and equipment	Assets under construction	Other	Total
Cost						
Balance at 31 December 2008	**83,785**	**186,088**	**308,734**	**52,375**	**333**	**631,315**
Additions	-	-	-	8,481	-	**8,481**
Transfer from assets under development	40,245	11,820	5,040	(57,212)	107	**-**
Disposals and retirements	-	(1)	(7,375)	-	-	**(7,376)**
Balance at 31 December 2009	**124,030**	**197,907**	**306,399**	**3,644**	**440**	**632,420**
Additions	2,017	-	-	51,176	-	**53,193**
Transfer from assets under development	8,573	27,120	16,626	(54,097)	1,778	**-**
Disposals and retirements	-	-	(14,608)	-	(3)	**(14,611)**
Balance at 31 December 2010	**134,620**	**225,027**	**308,417**	**723**	**2,215**	**671,002**
Accumulated depreciation						
Balance at 31 December 2008	-	**48,676**	**149,418**	-	**313**	**198,407**
Charge for the year	-	2,912	22,761	-	35	**25,708**
Disposals and retirements	-	-	6,230	-	-	**(6,230)**
Balance at 31 December 2009	-	**51,588**	**165,949**	-	**348**	**217,885**
Charge for the year	-	2,976	19,338	-	128	**22,442**
Disposals and retirements	-	-	(9,842)	-	(3)	**9,845**
Balance at 31 December 2010	-	**54,564**	**175,445**	-	**473**	**230,482**
Net book value						
At 31 December 2010	**134,620**	**170,463**	**132,972**	**723**	**1,742**	**440,520**
At 31 December 2009	**124,030**	**146,319**	**140,450**	**3,644**	**92**	**414,535**

The net book value of land and buildings pledged as collateral with commercial banks as at 31 December 2010 amounts to HRK 255,668 thousand, and the balance of short-term and long-term loans secured by those assets as od the same date was HRK 197,930 thousand.

21. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Name of subsidiary	Principal activity	Country of incorporation and business	Ownership interest in %		Amount of equity investment, HRK'000	
			2010	2009	2010	2009
AD PLASTIK d.o.o.	Manufacture of other vehicle spare parts and accessories	Novo Mesto, Slovenia	100.00%	100.00%	204	204
ZAO PHR	Manufacture of other vehicle spare parts and accessories	Samara, Russian Federation	99.90%	89.79%	13,462	9,673
ZAO ADP LUGA	Manufacture of other vehicle spare parts and accessories	Luga, Russian Federation	100.00%	100.00%	61,013	61,013
					74,679	**70,890**

Name of associate	Principal activity	Country of incorporation and business	Ownership interest in %		Amount of equity investment, HRK'000	
			2010	2009	2010	2009
EURO AUTO PLASTIC SYSTEMS	Manufacture of other vehicle spare parts and accessories	Mioveni, Romania	50.00%	50.00%	21,755	21,755
FAURECIA AD PLASTIK ROMANIA (FAAR)	Manufacture of other vehicle spare parts and accessories	Mioveni, Romania	49.00%	49.00%	336	123
SG PLASTIK d.o.o.	Business and other management consultancy	Solin, Republic of Croatia	50.00%	50.00%	250	250
FAURECIA ADP HOLDING	Manufacture of other vehicle spare parts and accessories	Nanterre, France	40.00%	-	30,220	-
					52,561	**22,128**
Total investments in subsidiaries and associates					**127,240**	**93,018**

Set out below is a summary of financial information about the subsidiaries:

AD PLASTIK d.o.o., Novo Mesto, Slovenia	**31/12/2010**	**31/12/2009**
Total assets	61,325	57,315
Total liabilities	59,306	57,381

Net assets	2,019	(66)
Share in the net assets of the subsidiary	**100.00%**	**100.00%**

21. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES (CONTINUED)

ZAO PHR, Samara, Russian Federation	**31/12/2010**	**31/12/2009**
Total assets	126,810	98,386
Total liabilities	98,129	90,809
Net assets	28,681	7,577
Share in the net assets of the subsidiary	**99.90%**	**89.79%**

ZAO ADP LUGA, Luga, Russian Federation	**31/12/2010**	**31/12/2009**
Total assets	48,924	84,128
Total liabilities	487	44,513
Net assets	48,437	39,615
Share in the net assets of the subsidiary	**100.00%**	**100.00%**

22. OTHER FINANCIAL ASSETS

	31/12/2010	**31/12/2009**
Long-term loans to subsidiaries	44.839	48.534
Long-term loans to associates	28.564	-
Long-term loans to unrelated companies	432	21.958
Other financial assets	64	64
Short term portion of long term loans	(7.883)	(26.133)
	66.016	**44.423**

Long-term loans to subsidiaries and associates comprise long-term investment loans which bear interest at a rate of 11 percent and mature from four up to eight years.

23. PREPAID EXPENSES

Prepaid expenses in the amount of HRK 69,250 thousand (2009: HRK 54,069 thousand) represents amounts in respect of the manufacture of tools for a particular customer. Income from the manufacture of tools is recognised using the stage-of-completion method to determine the amount of income and costs attributable to a certain period.

	31/12/2010	31/12/2009
Other accrued income on tools	69,250	54,069
Other accrued income	3,400	1,631
Prepaid operating expenses	2,877	2,840
	75,527	**58,540**

24. INVENTORIES

	31/12/2010	31/12/2009
Raw material and supplies on stock	21,218	20,629
Spare parts	6,309	8,705
Small items and packaging	12	24
Work in progress	2,430	1,792
Finished products	7,184	5,902
Merchandise	12	245
	37,165	**37,297**

25. TRADE RECEIVABLES

	31/12/2010	31/12/2009
Domestic trade receivables	17,117	23,761
Foreign trade receivables	143,724	183,222
Impairment allowance on receivables	(11,458)	(10,501)
	149,383	**196,482**

The average credit period on sales is 75 days. The Company has provided for all for all sued debtors, regardless of the past due period, as well as for all receivables that are past due and assessed as doubtful of collection.

The Company seeks and obtains from its domestic customers debentures as collaterals in the amount of the receivables.

Set out below is an analysis of major trade receivables:

	31/12/2010	31/12/2009
AD PLASTIK d.o.o., Slovenia	48,472	51,725
ZAO PHR, Russia	32,002	28,302
Visteon Deutschland, Germany	31,575	34,521
Revoz , Slovenia	6,913	6,212
Hella Saturnus, Slovenia	4,641	3,137
Belje, Croatia	2,527	3,667
Euro Auto Plastic Systems, Romania	2,506	8,035
Ford, Germany	2,389	3,450
Mecaplast , France	2,219	4,077
Faurecia Interior Systemes, France	2,212	-
Peugeot Citroen Automobiles, France	1,325	1,337
Zvijezda, Croatia	1,080	1,578
Other debtors	11,522	50,441
	149,383	**196,482**

Movements in the impairment allowance on domestic trade receivables were as follows:

	31/12/2010	31/12/2009
Balance at beginning of the year	9,115	8,662
Additionally impaired during the year	697	812
Amounts collected or eliminated during the year	(93)	(359)
Total impairment allowance on domestic trade receivables	**9,719**	**9,115**
Balance at beginning of the year	1,386	1,664
Additionally impaired during the year	1,074	-
Amounts collected or eliminated during the year	(721)	(278)
Total impairment allowance on foreign trade receivables	**1,739**	**1,386**
Total impairment allowance	**11,458**	**10,501**

All receivables provided against are under litigation or included in bankruptcy estate. Ageing analysis of impaired receivables:

	31/12/2010	31/12/2009
0 - 731 days	125	765
732 - 1096 days	1,751	107
1097 - 1827 days	751	3,265
Over 1827 days	8,831	6,364
	11,458	**10,501**

Ageing analysis of receivables past due but not impaired

	31/12/2010	31/12/2009
1 - 365 days	26,683	66,136
Over 365 days	4,700	11,387
	31,383	**77,523**

Total trade receivables include receivables from subsidiaries as follows:

	31/12/2010	31/12/2009
Trade receivables	80,475	103,685
Interest receivable	-	448
	80,475	**104,133**

26. OTHER RECEIVABLES

	31/12/2010	31/12/2009
Domestic prepayments made	5,004	4,773
Foreign prepayments made	15,583	3,457
Due from the state	15,433	21,832
Amounts due from employees	930	815
Other receivables	462	287
	37,412	**31,164**

Amounts due from the State and state institutions comprise receivables from the State Budged in respect of VAT refund, refunds from the Croatian Health Insurance Fund and similar.

Foreign prepayments comprise prepayments made for purchases of production equipment and tools.

27. CURRENT FINANCIAL ASSETS

	31/12/2010	31/12/2009
Short-term investments in investment funds	11,078	-
Short-term loans to subsidiaries	-	13,407
Other short-term loans	-	2,000
Transit guarantee deposit funds	72	72
Other deposits	4	4
Short term portion of long term loans	7.883	26.133
	19,037	**41,616**

28. CASH

	31/12/2010	31/12/2009
Current account balance	221	1,241
Foreign account balance	3,002	4,177
Transitory account	-	32
Cash in hand	6	23
Deposits with a term of up to 3 months	55,389	45,298
	58,618	**50,771**

29. SHARE CAPITAL

Subscribed capital amounts to HRK 419,958 thousand and consits of 4,199,580 shares, with a nominal value of HRK 100.00 per share (2009: HRK 419,958 thousand, 4,199,580 shares, with a nominal value of HRK 100 each).
The shareholders with over 2 percent of the shares at 31 December 2010 were as follows:

Shareholder	Headquarters	Number of shares	Ownership in %	Type of account
Aerokosmicheskoe Oborudovanie Group	Saint Petersburg, Russia	1,259,875	30.00%	Primary account
Prevent global d.d.	Slovenj Gradec, Slovenia	1,081,770	25.76%	Primary account
Hrvatska poštanska banka d.d.	Zagreb, Croatia	134,108	3.19%	Custody account
Bakić Nenad	Zagreb, Croatia	127,652	3.04%	Primary account
Ad Plastik d.d.	Solin, Croatia	123,779	2.95%	Treasury shares

Out of 123.779 treasury shares, 25.571 are kept off the balance sheet as they were acquired without compensation. Fair value of these treasury shares at 31 December 2010 amounted to HRK 2,958 thousand.

30. PROVISIONS

	Short-term:		Long-term:	
	At 31 December 2010	At 31 December 2009	At 31 December 2010	At 31 December 2009
Jubilee awards (long-service benefits)	-	-	1,936	-
Termination benefits	-	-	1,396	-
Legal actions	3,730	-	-	-
Vacation accrual	3,163	-	-	-
	6,893		**3,332**	

Long-service and termination benefits

Defined benefit plan

According to the Union Agreement, the Company has the obligation to pay long-service (jubilee awards), retirement and other benefits to employees. There are no other compensations to the employees after retirement.

Long-service benefits are paid for full years of service in the month of the current year in which the service is determined as completed.

The present value of defined benefit obligations and the related current and past service cost have been determined using the Projected Credit Unit method.

Key assumptions used in calculating the necessary provisions are discount rate of 6.21% and the rate of fluctuation of 1.07%.

31. LONG-TERM BORROWINGS

	31/12/2010	31/12/2009
Long-term borrowings	123,170	153,194
	123,170	**153,194**
Current portion of long-term borrowings	(30,339)	(28,955)
Total long-term borrowings	**92,831**	**124,239**

Long-term borrowings comprise investment loans from Croatian bank for reconstruction and development ("the HBOR") which bear interest rate of 4 percent, as well as long-term loans from commercial banks with interest rates ranging from 3.16 to 6 percent. AD Plastik d.d. services regularly all of its obligations under those borrowings, in line with the terms and conditions of the underlying loan agreements.

Movements in long-term borrowings during the year:

	2010	**2009**
Balance at 1 January	153,194	212,101
New loans raised	-	-
Amounts repaid	(30,024)	(31,907)
Long-term loans refinanced using short-term loans		(27,000)
Total long-term borrowings	**123,170**	**153,194**

32. ACCRUED EXPENSES AND DEFERRED INCOME

	31/12/2010	**31/12/2009**
Due to the State and State institutions	593	709
Amounts due to employees	56	-
Other current liabilities	1,056	641
	1,705	**1,350**

33. ADVANCES RECEIVED

	31/12/2010	**31/12/2009**
Domestic customers	2,481	-
Foreign customers	77,949	55,658
	80,430	**55,658**

34. TRADE PAYABLES

	31/12/2010	31/12/2009
Domestic trade payables	16,741	25,325
Foreign trade payables	49,586	56,949
	66,327	**82,274**

35. CURRENT FINANCIAL LIABILITIES

	31/12/2010	31/12/2009
Short-term loans - principal payable	111,621	84,118
Short-term loans - interest payable	1,261	2,073
Current portion of long-term borrowings	30,339	28,955
Other short-term financial liabilities	2	1,527
	143,223	**116,673**

Short-term loans represent revolving facilities provided by commercial banks and short-term HBOR loans for export and import preparation, with the interest rate of 5 percent.

36. OTHER CURRENT LIABILITIES

	31/12/2010	31/12/2009
Due to the State and State institutions	4,376	3,001
Amounts due to employees	5,227	7,090
Other current liabilities	12	856
	9,615	**10,947**

37. RELATED-PARTY TRANSACTIONS

	Receivables		Liabilities	
Trade receivables and liabilities	2010	2009	2010	2009
AD PLASTIK d.o.o. , Slovenia	48,472	51,725	14	83
ZAO PHR, Russia	76,841	76,683	289	654
ZAO ADP LUGA , Russia	-	38,066	36,966	253
	125,313	**166,474**	**37,269**	**990**

	Revenue		Expenses	
Operating income and expenses	2010	2009	2010	2009
AD PLASTIK d.o.o. , Slovenia	156,820	142,030	94	185
ZAO PHR, Russia	25,192	16,497	2,534	2,494
ZAO ADP LUGA , Russia	13,688	21,844	929	674
	195,700	**180,371**	**3,557**	**3,353**

	Revenue		Expenses	
Financial income and expenses	2010	2009	2010	2009
AD PLASTIK d.o.o. , Slovenia	1,300	799	609	1,176
ZAO PHR, Russia	7,225	3,726	1,581	1,909
ZAO ADP LUGA , Russia	4,880	1,749	3,383	883
	13,405	**6,274**	**5,573**	**3,968**

38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

38.1. Gearing ratio

The Company's gearing ratio, expressed as the ratio of net debt to equity:

	31/12/2010	31/12/2009
Short-term borrowings	143,223	116,673
Long-term borrowings	92,831	124,239
Cash and cash equivalents	58,618	50,771
Net debt	177,436	190,141
Equity	648,348	631,365
Net debt-to-equity ratio	27.37%	30.12%

38.2. Categories of financial instruments

	31/12/2010	31/12/2009
Financial assets		
Investments in subsidiaries and associates	127,240	93,018
Loans	73,899	70,556
Trade receivables	149,383	196,482
Other receivables	22,055	9,408
Financial assets at fair value through profit or loss	11,078	-
Cash and cash equivalents	58,617	50,771
Financial liabilities		
Borrowings	236,054	240,912
Trade payables	66,331	83,165
Other liabilities	85,669	63,604

At the reporting date there are no significant concentrations of credit risk for loans and receivables designated at fair value through the statement of comprehensive income.

38.3. Financial risk management objectives

Company's Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Company seeks to minimise the effects of these risks. The Company does not enter into, or trade in financial instruments, including derivative financial instruments, for speculative purposes.

38.4. Price risk management

The largest markets on which the Company provides its services and sells its products comprise the EU market and the market of the Russian Federation. The management determines the prices of its products separately for domestic and foreign markets by reference to the market prices.

38.5. 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 rate, which applies to the financial instrument. Interest rate cash flow risk is the risk that the interest cost of an instrument will fluctuate over time. The interest rate risk exposure is low, as there are no financial instruments at variable rates.

38.6. Credit risk

The Company is exposed to credit risk through loans and trade receivables. Loans are granted to its subsidiaries and as such credit risk is under the control of the Company. Trade receivables are presented net of allowance for bad and doubtful accounts.
The five largest customers of the Company are AD Plastik, Slovenia, Visteon Germany, Hella Saturnus Slovenia, Revoz Slovenia and Ford Motor Germany. Revenues generated by the sales to these business partners makes 74% and 68% of total sales in 2010 and 2009, respectively.
It is the policy of the Company to transact with financially sound companies where there is no risk of collection.

38.7. Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters. The carrying amounts of the Company's foreign-currency denominated monetary assets and monetary liabilities at the reporting date are provided in the table below using exchange rates of the Croatian National Bank:

As at 31 December	**Assets**		**Liabilities**		**Net position**	
	2010.	**2009.**	**2010.**	**2009.**	**2010.**	**2009.**
EUR	270,178	320,587	224,246	264,268	45,932	56,319
RUR	28,619	-	36,971	-	(8,352)	-
USD	645	354	1,406	1,290	(761)	(936)
GBP	9	-	-	7	9	(7)
CHF	-	-	20	-	(20)	-
	299,451	**320,941**	**262,643**	**265,565**	**36,808**	**55,376**

Foreign currency sensitivity analysis

The Company is mainly exposed to the countries using euro as their currency. The following table details the Company's sensitivity to a 2-percent change of the Croatian kuna in 2010 and 2009 against the EUR. The sensitivity analysis includes only outstanding monetary items denominated in foreign currencies and their conversion at the end of the period. A positive number below indicates an increase in profit where the Croatian kuna strengthens against the relevant currency for the percentage specified above.

	EUR impact	
	2010	**2009**
Positive exchange rate difference	918	1,126

In the opinion of the management, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk.

38.8. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Management Board. The Company manages its liquidity using banking facilities (overdrafts) and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Company's remaining contractual maturity for its non-derivative financial assets and liabilities. The tables have been drawn up based on the undiscounted cash flows of financial assets and liabilities based on the earliest date on which the Company can require payment i.e. can be required to pay.

2010	**Interest rate**	**Up to 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
Assets							
Non-interest bearing		127,306	69,210	11,485	-	-	208,001
Interest bearing	11%	-	3,817	23,451	76,690	11,357	115,315
		127,306	**73,027**	**34,936**	**76,690**	**11,357**	**323,316**
Liabilities							
Non-interest bearing		40,527	31,030	-	-	-	71,557
Interest bearing	4.7 %	3,917	27,875	98,585	84,735	17,026	232,138
		44,444	**58,905**	**98,585**	**84,735**	**17,026**	**303,695**
Diff.		**82,862**	**14,122**	**(63,649)**	**(8,045)**	**(5,669)**	**19,621**
2009							
Assets							
Non-interest bearing		175,766	68,738	2,749	-	-	247,253
Interest bearing	9%	4,302	6,153	33,843	42,966	18,016	105,280
		180,068	**74,891**	**36,592**	**42,966**	**18,016**	**352,533**
Liabilities							
Non-interest bearing		49,102	33,172	-	-	-	82,274
Interest bearing	6%	3,206	7,646	114,460	107,848	35,438	268,598
		52,308	**40,818**	**114,460**	**107,848**	**35,438**	**350,872**
Diff.		**127,760**	**34,073**	**(77,868)**	**(64,882)**	**(17,432)**	**1,651**

38.9. Fair value of financial instruments

Financial instruments held to maturity in the ordinary course of business are carried at the lower of cost and net amount less repaid portion.

The fair value represents the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction, except in the event of a forced sale or liquidation. The fair value of a financial instrument is its quoted market price, or the amount obtained using the discounted cash flow method.

At 31 December 2010, the carrying amounts of cash, receivables, short-term liabilities, accrued expenses, short-term borrowings and other financial instruments approximate their fair values due to the short-term maturity of these financial instruments.

39. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Management Board of AD Plastik d.d. and authorised for issue on 30 March 2011.

For **AD Plastik d.d.**, Solin:

Josip Boban
President of the Management Board

4.Address book

Board

JOSIP BOBAN, President of the Management Board
Matoševa 8, 21210 Solin, Croatia
Tel. +385 21 20 65 00, Fax. + 385 21 20 64 95
E-mail: josip.boban@adplastik.hr

ILIJA POKRAJAC, Board member
Matoševa 8, 21210 Solin, Croatia
Tel. +385 21 20 64 88, Fax. + 385 21 20 64 89
E-mail: ilija.pokrajac@adplastik.hr

IVICA TOLIĆ, Board member for human resources, law, organization and informatics
Matoševa 8, 21210 Solin, Croatia
Tel. +385 21 20 64 88, Fax. + 385 21 20 64 89
E-mail: ivica.tolic@adplastik.hr

KATIJA KLEPO, Board member
Matoševa 8, 21210 Solin, Croatia
Tel. +385 21 20 64 88, Fax. + 385 21 20 64 89
E-mail: katija.klepo@adplastik.hr

NENAD MARKOVIĆ, Board member
Matoševa 8, 21210 Solin, Croatia
Tel. +385 21 20 64 88, Fax. + 385 21 20 64 89
E-mail: neno.markovic@adplastik.hr

Subsidiaries abroad

ZAO PHR
443057 SAMARA
Krasnoglinski rajon
Zas. Vintai
Russian Federation
Tel. +7 846 978 1234, Fax. + 7 846 978 1231
E-mail: osim@zaophr.ru

AD PLASTIK d.o.o.
Belokranjska 4, 8000 Novo Mesto,
Republic of Slovenia
Tel. +386 7 337 9820, Fax. + 386 7 337 9821
E-mail: mladen.sopcic@siol.net

EURO APS s.r.l.
115400 Mioveni, Judetul Arges, Strada Uzinei 2A,
Romania

Tel. +40 755 016 858
E-mail: euroaps@euroaps.ro

ZAO ADP LUGA
188230 LUGA
Lenjingradska oblast
Ul. Bolshaya Zarechnaya 1A
RUSKA FEDERACIJA
Tel. + 7 1372 218 10
Mob. +385 91 200 99 17
E-mail: ante.racic@adplastik.hr

FAURECIA ADP HOLDING S.A.S
Rue Heinnape 2
Nanterre
FRANCUSKA
Tel. +33 1 72 36 73 07
E-mail: rosette.freguin@faurecia.com

Subsidiaries in Croatia

SG PLASTIK d.o.o.
Matoševa 8, 21210 Solin,
Croatia
Tel. +385 21 206 640, Fax. + 385 21 20 64 89
E-mail: zvonimir.paradzik@adplastik.hr