



ANNUAL REPORT







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POLYCOM ŠKOFJA LOKA D.O.O. Poljane nad Škofjo Loko, June 2017

FOR THE FUTURE

MISSION

r mission is to meet the expectations and demands of customers, and to build long-term partnerships with them.

VISION

We want to become a system supplier to the automotive industry, and to strengthen the cooperation in all the existing programs.

VALUES

We build customer satisfaction responsibly We care about the development of employees With the growth of the company we enable the progress and development of the social environment and provide security to our employees.

FINANCIAL REPORT

Prepared by: *Mateja K. Šenk* Reviewed and approved by: *Iztok Stanonik*

Poljane nad Škofjo Loko, May 2017

IMPORTANT DATA OF THE COMPANY

COMPANY ADDRESS:

Company name: Polycom Škofja Loka d.o.o. **Company headquarters:** Poljane nad Škofjo Loko 76, 4223 Poljane nad Škofjo Loko

Tel: 04/ 50 70 600 Fax: 04/50 70 626 http: www.polycom.si e-mail: info@polycom.si

Activity code: 22.290

- Manufacture of other plastic products
- Manufacture of other plastic packaging
- Manufacture of machine tools

Registration number of the company: 5399815

Tax identification number: 90076362

Persons authorized to represent the company:

Iztok Stanonik; Chairman of the Board **Tel:** 04/50 70 612 **e-mail address:** iztok.stanonik@polycom.si

Igor Stanonik; Vice-president of the Board **Tel:** 04/50 70 613 **e-mail address:** igor.stanonik@polycom.si

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1. PRESENTATION OF THE COMPANY, PRODUCTS AND SERVICES

1.1 PRESENTATION OF THE COMPANY

Polycom Škofja Loka d.o.o. (hereinafter referred to as the company) is a limited liability company, registered in the court register in Kranj, SRG 199403972, under entry number 064/10132800 with registration number 5399815.

The company was created from company Polycom Iztok Stanonik s.p. and it was founded in 1985 as a craft, and operated in such a form until 1999. After that, the company was transformed into a limited liability company.

The company is owned by two founders; the company's associates on 31 December 2016 are Iztok Stanonik with 60% of the nominal capital, and Igor Stanonik with 40% of nominal capital.

The company's activity is processing of thermoplastics and tool making. The strategic orientation of the company is the internationalization of services; development of new tools and injection moulding of demanding technical products for the automotive industry, compression technology, electrotechnology and electronics.

The competitive advantages of the company are product quality assurance and rapid technological progress of the company, which enables low-cost and environmentally friendly production. The important competitive advantages are also knowledge and the environment created for innovation. In addition to the above, one of our advantages is also product quality assurance. We have adapted our business to the ISO/TS 16949 and ISO 9001 quality standards, and the ISO 14001 environmental management standard.

PLASTIC INJECTION MOULDING

The area is equipped with 72 plastic injection moulding machines (21 machines in Črnomelj, 51 machines in Poljane) with closing force from 20 to 500 tons.

The production process is fully automated; in addition to the central feeding of machines with the material, the standard machine equipment includes also a robot gripper, a mill and a conveyor belt.



MANUFACTURE OF TOOLS

The production process of tool making is divided in five production units: Wire EDM Machine Department, Wire Erosion Department, Processing Centres, Grinding Shop and Hand Tool Shop.

The production process is equipped with state-of-the-art equipment.



In 2012, we bought out the production hall in Črnomelj at the location Ulica Heroja Stariha 24, 8340 Črnomelj. On 31 December 2016, 47 employees were employed and 21 machines were located on that site.



1.2 PRODUCTS AND SERVICES

Plastic parts can be considered as highly demanding technical products and they are intended for further installation. The majority of technical granulates from POM, PP, PA, PBT and others are processed in the injection moulding production. The products are intended for customers in the field of automotive industry, compression technology, electrotechnology and electronics.

The products are divided into the following groups:

- Plastic parts for small household appliances: housings, buttons, mounting plates;
- Plastic components for the automotive industry: window closing parts, handbrake kits, gas and clutch kits, plastic parts of the windscreen washer mechanism, shock absorber parts, filter parts ...;
- Products of precision measuring technique: parts of electricity meters, connectors for computer connections;
- Hand power tools (hand drills, grinders);
- Electro-thermostatic and switching technique (thermostat housing, switch buttons);
- Compressor technology.





Tool Shop Services

• Development and production of tools from construction to prototype production and transfer to the production.

1.3 DEVELOPMENT OF THE COMPANY

The volume of business is growing every year. Last year, the turnover of EUR 25,045,219 was achieved, which is by 8% better than in the previous year. Net profit amounted to EUR 1,459,059, long-term liabilities amounted to EUR 4,064,085, and investment in 2016 amounted to EUR 1,044,300.

	2013 (EUR)	2014 (EUR)	2015 (EUR)	2016 (EUR)
Net Sales Revenue	17.839.421	21.618.913	23.100.803	25.045.219
Total profit	699.322	756.126	861.511	1.459.059
Current Assets	5.921.474	6.781.962	6.461.523	7.904.200
Long-term Liabilities	5.540.326	4.963.369	4.983.167	4.064.085
Equity	5.020.487	5.752.253	6.938.876	7.948.556
Net Cash Flow (profit + depreciation)	1.769.822	2.011.342	2.217.230	2.786.671
Investments	790.198	2.183.463	1.251.363	1.044.300
	2013	2014	2015	2016
Return of Equity	0,15	0,15	0,14	0,20
Number of Employees	Per hours 147.20	Per hours 160.92	Per hours 179.32	Per hours 189.89
	As at 31.Dec 2013: 159	As at 31.Dec 2014: 171	As at 31.Dec 2015: 187	As at 31.Dec 2016: 199

The table below displays Balance Sheet data for he past four years.

1.4 CORPORATE GOVERNANCE STATEMENT

The Management of the company POLYCOM Škofja Loka d.o.o. declares that the management of the company was in compliance with the Companies Act and other applicable regulations during the financial year 2016.

Corporate Governance Statement is an integral part of the Annual Report 2016.

The Leadership and Management System of POLYCOM Škofja Loka d.o.o. provides guidance and enables control of the company. It sets out the distribution of rights and responsibilities among managing authorities; it sets the rules and procedures for deciding on corporate affairs of the company; it provides a framework for setting up, achieving and monitoring the achievement of business objectives, and enforces the values, principles and standards of fair and responsible decision-making and conduct in all aspects of our business. The Leadership and Management System is a means of achieving the long-term strategic goals of the company and the way in which the management of POLYCOM Škofja Loka d.o.o. carries out the responsibilities towards the company members and other stakeholders of the company. The vision and goals of POLYCOM Škofja Loka d.o.o. are the introduction of modern leadership and management principles and the most perfect compliance with advanced domestic and foreign practices as possible.

Explanations in accordance with the Companies Act

On the basis of paragraph 5 of Article 70 of the Companies Act, which specifies the minimum content of the Corporate Governance Statement, company POLYCOM Škofja Loka d.o.o. provides the following explanations:

1. Description of key characteristics of internal control systems and risk management in the company in connection with the financial reporting procedure

Company POLYCOM Škofja Loka d.o.o. manages risks and carries out internal control procedures at all levels. The purpose of internal controls is to ensure the accuracy, reliability, transparency and visibility of all processes as well as the management of risks associated with financial reporting. At the same time, the internal control system establishes mechanisms that prevent irrational use of property and cost-effectiveness. The internal control system includes procedures that ensure that:

- The events are recorded on the basis of credible book-keeping documents, on the basis of which the events are recorded accurately and fairly, and they provide guarantee that the company disposes of its assets fairly,
- The events are recorded and the financial statements are prepared in accordance with the applicable legislation,
- Any eventual unauthorized acquisition, use and disposal of the company's assets that would have a significant impact on the financial statements are prevented or detected in time.

The internal control of the company is carried out by the finance and accounting area, which is responsible for book-keeping and the preparation of financial statements in accordance with the accounting, tax and other regulations in force. The adequacy of the existence and functioning of internal controls is reviewed annually by certified external auditors.

2. Significant direct and indirect ownership of the company's shares in terms of achieving a qualifying holding as laid down by the act regulating takeovers

There is no holder who would reach a qualifying holding as defined in the Takeovers Act.

3. Explanations on each holder of shares that awards special control rights

Individual company members of POLYCOM Škofja Loka d.o.o. have no special control rights based on ownership.

4. Explanations on all restrictions of voting rights

The company members of POLYCOM Škofja Loka d.o.o. have no restrictions on the exercise of voting rights.

5. Company rules on the appointment and replacement of members of management and supervisory bodies and amendments to the Contract of Members

Articles of Associations do not specifically regulate the appointment and replacement of members of management or supervisory bodies and amendments to the Contract of Members. We fully apply the applicable legislation.

6. Authorizations of members of the management, in particular authorizations to issue or purchase own shares

In 2016, there were no such authorizations in company POLYCOM Škofja Loka d.o.o.

7. Functioning of the company's General Meeting and its key competences

In 2016, the General Meeting of company members was held once. The competencies of the General Meeting and the rights of company members are stated in the law and are exercised in the manner set out by the Contract of Members.

8. Information on the composition and functioning of the management and supervisory bodies

The managing bodies of the company are the General Meeting and two CEOs. The company's CEOs are Iztok Stanonik and Igor Stanonik.

Statement of compliance with the Corporate Governance Code for non-listed companies

In accordance with the provision of paragraph 5 of Article 70 of the Companies Act (ZGD-1), company POLYCOM Škofja Loka d.o.o. issues a Corporate Governance Statement. This Corporate Governance Statement relates to the period from 1 January 2016 to 31 December 2016. The management of the company POLYCOM Škofja Loka d.o.o. declares that the annual report of POLYCOM Škofja Loka d.o.o. for the year 2016, including the Corporate Governance Statement, is compiled and published in accordance with the provisions of the Companies Act (ZGD-1), the Slovenian Accounting Standards (SRS 2016) and the implementing regulations, adopted on their bases.

a. Statement of Compliance with the Principles of the Corporate Governance Code

The company uses the Corporate Governance Code for non-listed companies in its operations, which was formulated and adopted by mutual consent by the Chamber of Commerce and Industry of Slovenia, the Ministry of Economic Development and Technology and the Slovenian Directors' Association in May 2016 (hereinafter referred to as the »Code«), and it is published on the website www.gzs.si.

The company complies with the provisions of the Code (the basic level), with the exception of certain provisions listed below for which the explanation is given. In terms of sound corporate governance, the company and its bodies comply with the applicable legislation in all areas of the company's operation. Management holders are: General Meeting and two CEOs.

b. Derogation from the Corporate Governance Code

Corporate Governance Framework

Section 2.1.1.: Company POLYCOM Škofja Loka d.o.o. has no goals written in the Contract of Members. The company management strives to operate with the basic goal - maximizing the value of the company.

Section 2.4.: The company does not have a publically published Contract of Members on its website, but insights are provided to interested parties on the Ajpes portal. *Section 2.5.3.:* The CEOs of the company POLYCOM Škofja Loka d.o.o. are also company members.

Composition of the Supervisory Body Section 4.1.: The company has no supervisory body.

Audit and Internal Control System

Section 11.1.3.: The company replaces the key audit partner at least once every seven years.

Poljane nad Škofjo Loko, 13 June 2017

Iztok Stanonik Chief Executive Officer

2. BUSINESS OPERATION

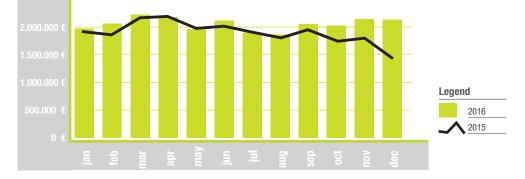
2.1 SALES, MARKETING AND CUSTOMERS

We achieve 80 % of turnover with ten major customers.

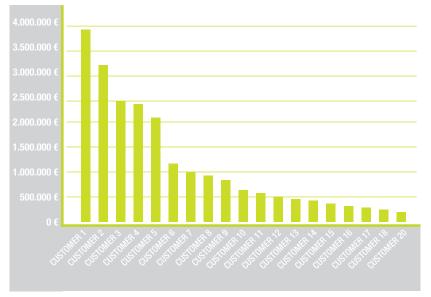
The largest turnover is generated in the automotive industry, followed by compressor technology, electrical industry, household appliances and hand power tools.

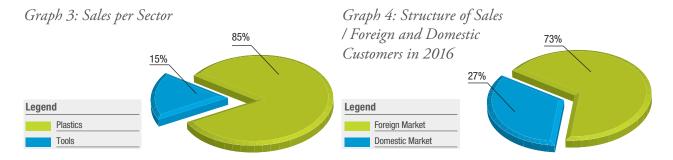
70 % of turnover is generated on the foreign market.

Graph 1: Monthly sales revenue in 2016



Graph 2: 20 largest customers in 2016





The sales of serial plastics products were slightly lower than expected. The demand for new vehicles was good last year, but we can conclude that buyers still had some stock. Last year, we carried out very many new development projects for new vehicle models, all of which will be reflected in sales in the next years. The new development cycle is reflected in the tool making sales, which was higher than planned. The gross value added per employee reached the value of \in 46,991.

Goals 2016					
Name of indicator	PLAN 2016				
Sales	26.000.000 €				
Plastic injection moulding	22.400.000 €				
Toolmaking (internal and external)	3.600.000 €				
Value added per amployee	46.000 €				
GVA Plastics manufacturing	46.000 €				
GVA Tool manufacturing	46.000 €				
	Name of indicator Sales Plastic injection moulding Foolmaking (internal and external) /alue added per amployee GVA Plastics manufacturing				

2.2 PLANS FOR 2017 AND FORWARD

In 2017 we plan a 10% increase in sales revenues to EUR 27.5 million, i.e. EUR 23,500,000 in the field of plastics and EUR 4,000,000 in the field of toolmaking. The gross value added per employee is expected to reach at least EUR 44,328 in the current year. This year, the planned structure of market realization is expected to reach 73% of the generated turnover on foreign markets and 27% of turnover on the domestic market. In the field of innovation, we plan to continue with the activities of collecting useful proposals; this means one useful proposal or one technical improvement per employee.

Goals 2017					
No.of	Ind. Name of indicator	PLAN 2017			
1.	Sales	27.500.000 €			
	Plastic injection moulding	23.500.000 €			
	Toolmaking (internal and external)	4.000.000 €			
2.	Value added per amployee	44.328 €			
	GVA Plastics manufacturing	44.328 €			
	GVA Tool manufacturing	44.328 €			

Goals 2017

The company is building a new business and production unit in Dobje. Moving to new premises is planned in the beginning of 2018. We will realize 40 new jobs at the new location. In the first quarter of 2017, we already employed 20 new workers. If the sales continue in such a rhythm as in the first four months, at the end of the year we can expect \in 30 million turnover, which is almost 10% more than planned.

2.3 EMPLOYEES

Company Motto

The main company motto is the orientation to development from both business and human resources aspects. Achieving employee satisfaction and developing the potential for development of our employees is a long-term and one of the essential tasks of the personnel policy of our company. In order to achieve the commitment of employees to the company, we constantly strive to maintain good working conditions, reliability of employment and open possibilities of education. Only in this way, the quality of our employees' work can meet the high demands of the market.

Development Orientations of the Company

One of the main orientations of the company Polycom is the concern for a successful development of human resources.

The activities for achieving the successful development of the company's employees are regularly monitored through the promotion of employees and the realization of their potentials through internal and external education experts. Each year, the company thus defines educational and developmental needs for each employee and the resources that will enable this education. Great attention is paid to the responsibilities of managers for the development of all employees through education. Each individual is also responsible for their own education and also for finding opportunities for continuous learning.

Areas of Education

Employees were trained in various areas. Great attention was paid to internal and also other training in the field of professional, language, computer training, quality training and continuous improvements. The attitude to achieve a high level of employee competence is also reflected in paying attention to training and educating young personnel.

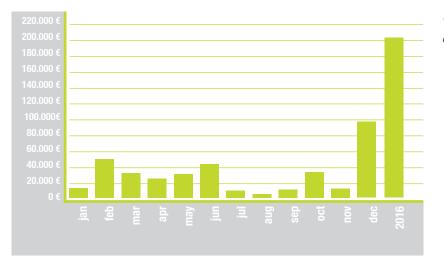
Funds for Education

Funds for education increase each year according to the increase in the number of employees.

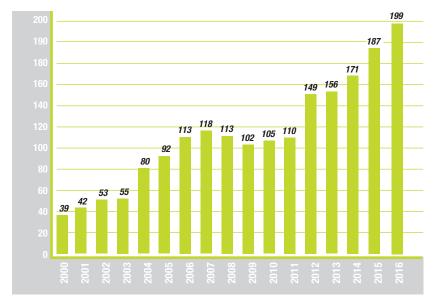
The overview of training costs by months is given in the chart above.

Employment

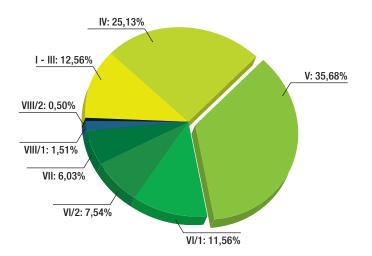
At the end of 2016, company Polycom Škofja Loka d.o.o. employed 199 persons.



Graph 5: Cost of training and education in 2016



Graph 6: Growth in the number of employees



Graph 7: Structure of staff level of education in 2016



2.4 PURCHASE AND SUPPLIERS

In 2016, we also focused our efforts on improving partner cooperation with suppliers, just like in 2015. We defined the terms of cooperation in the field of quality of delivered materials, price and payment conditions, compliance with ecological criteria, responses to market conditions, education and informing.

Most materials are purchased from domestic agents who buy raw materials from major European corporate groups such as DU PONT, BASF, TICONA, BAYER, etc.

We are currently cooperating with five major domestic suppliers of materials.

Last year, the total quantity of purchased granulate amounted to 2,786 tons, these were mainly technical polymers.

We purchase the majority of tool parts from domestic agents.

2.5 INVESTMENTS

We continually invest the operating profit in the purchase of new production equipment. In 2016, we allocated EUR 1,044,300 for new production equipment.

2.6 RESEARCH AND DEVELOPMENT IN 2016

The company has a registered own development group, which, in addition to processing thermoplastics and tool making, represents the third organizational centre that will carry out research and development activities for both mentioned organizational units.

Internal development projects, which are carried out in the company, refer mainly to the acquisition of new injection moulding technologies and the introduction of ecologically and economically more acceptable materials into products.

We pay special attention to development projects in the field of toolmaking, i.e. the development of new tools.

4% of sales revenue is the share of total revenue for development. These are the costs of consulting, equipment, in particular scales, development of processes and products.



Stabilus Award for the best supplier 2013

GZS Award for Exceptional Economic and Business Achievements, 2014

2.7 QUALITY ASSURANCE

The goal of planning and changing all factors of the quality system is optimization of business and production processes. The assessment of effects and possible corrective and preventive measures are the engine of continuous improvement.

We meet the requirements of the ISO 9001 quality standard and the ISO/TS 16949 automotive quality standard.

In addition to quality and care for the environment, we pay much attention to continuous improvement. In 2002 we started introducing the project of continuous improvement using the method of 20 keys; we intend to continue with the introduction of the methodology also in the next two year period.

With the new ISO 9001 quality standard, we identified processes in the company and divided them to management, basic and support processes. Their interaction is essential for the operation.

When implementing the quality management system we ensure:

- The operation of the processes required for the quality management system and their use in the company,
- Resources and information needed to support the operation and control of processes,
- Controlling, measuring and analysis of processes,
- Implementing the measures necessary to achieve the planned results and continuous improvement of processes,
- Compliance with the requirements of the customer to fulfil customer's satisfaction.

2.8 ENVIRONMENTAL ACTIVITY

We have committed ourselves to take care of the environment with the environmental policy. We confirm our intention also with the ISO 14001 standard. In 2002, we upgraded our efforts for the environment also with the methodology »Clean Production 2002-2003«, which we implemented together with the National Institute of Chemistry Ljubljana, the Ministry of the Environment and Spatial Planning and the Ministry of the Economy. We monitor environmental performance through three eco-indicators: electricity consumption per kilogram of processed material, water consumption per employee, quantity of waste per employee.

2.9 CORPORATE SOCIAL RESPONSIBILITY

The company is aware of the importance of corporate social responsibility, which is also proved by the activities in the near and far environment. These include sponsorships, material contributions, participation in community events and care for the environment.

Important sports events we participated in:

- Gorenjska My Planet, a series of running events in Gorenjska,
- 16th Cycling Race to Stari vrh
- 18th Visoko Run,
- 4th Christmas and New Year Chess Tournament Poljane 2016 ...

Sponsorships and donations (selection):

- Cultural Society Poljane,
- Volunteer Firemen Societies Poljane, Trata and Petrova vas,
- Sports Society Poljane,
- Primary School Poljane and Kindergarten Agata,
- Primary School of Commander Stane, Dragatuš,
- Mountaineering Society Gorenja vas,
- Sožitje Society,
- Red Cross Škofja Loka,
- Vid Institute,
- RIC Bela krajina ...

ANNUAL REPORT

Prepared by: *Barbara Stanonik* Reviewed and approved by: *Iztok Stanonik*

Poljane nad Škofjo Loko, June 2017



UHY Revizija in svetovanje d.o.o. Vurnikova ulica 2 1000 Ljubljana, Slovenija tel.: +386 1 300 00 40 fax: +386 1 300 00 50 e-mail: uhy@uhy.si

INDEPENDENT AUDITOR'S REPORT

To the shareholders POLYCOM Škofja Loka d.o.o. Poljane nad Škofjo Loko, Slovenia

Opinion

We have audited the accompanying financial statements of the company **POLYCOM Škofja Loka d.o.o.**, which comprise the balance sheet as at December 31, 2016 and the statement of total 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 information. We have also reviewed the business report.

In our opinion, the financial statements present fairly, in all material respect, the financial position of the company **POLYCOM Škofja Loka d.o.o.** as at December 31, 2016, and its comprehensive income and its cash flows for the year then ended in accordance with *Slovene Accounting Standards*.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Slovenia and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Other Information

Management is responsible for the other information. The other information comprises the business report which is integral part of annual report of the company **POLYCOM Škofja Loka d.o.o.** but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information

and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with *Slovene Accounting Standards*, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the

matična številka: 2060167, ID za DDV: SI62702670, št. transakcijskega računa: DBS d.d., 1910 0001 0161 677, št. registrskega vložka: 1/41215/00 pri Okrožnem sodišću v Ljubljani, št. vpisa v register revizijskih družb: RD-A-073/05

UHY Revizija in svetovanje d.o.o. je član Urbach Hacker Young International Limited, podjetja v Združenem Kraljestvu, in je del mednarodnega združenja neodvisnih računovodskih in svetovalnih podjetij UHY. UHY je blagovna znamka mednarodnega združenja UHY. Storitve, ki jih nudi UHY Revizija in svetovanje d.o.o., niso storitve UHY ali kateregakoli drugega člana. UHY ali katerikoli drugi član ne odgovanja za storitve drugih članov. going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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



UHY Revizija in svetovanje d.o.o.

Dragan Martinović Certified Auditor N

Ljubljana, June 13, 2017

UHU Revizija in svetovanje d.o.o.

3. FINANCIAL STATEMENTS

BALANCE SHEET as at 31 December 2016

				in EUR
A	SSETS	Note	31.12.2016	31.12.2015
A. FD	XED ASSETS		10.570.859	10.738.118
I. Int	angible fixed assets and long-term deferred costs and accrued revenues	10	262.619	278.206
1. Ot	her intangible assets		240.394	278.206
2. Lo	ng-term deferred costs and accrued revenues		22.225	0
II. Ta	ngible fixed assets	11	10.123.575	10.286.470
1. La	nd and buildings		5.406.141	5.347.999
a)	Land		1.321.463	1.239.783
b)	Buildings		4.084.678	4.108.216
2. Ma	anufacturing plant and equipment		3.868.677	4.184.587
3. Ot	her plant and equipment		697.859	720.280
4. Ta	ngible fixed assets being acquired		150.898	33.604
a)	Advances for tangible fixed assets		20.466	0
b)	Tangible fixed assets in course of construction		130.432	33.604
III. Inv	vestment property		0	0
IV. Lo	ng-term investments	12	71.324	71.323
1. Lo	ng-term investments, excluding loans		41.324	41.323
a)	Other shares and holdings		41.324	41.323
2. Lo	ng-term loans		30.000	30.000
a)	Long-term loans given to others		30.000	30.000
V. Lo	ng-term operating receivables	13	76.059	76.059
VI. De	ferred tax assets	14	37.283	26.060
B. CU	JRRENT ASSETS		7.904.200	6.461.523
	esets (disposal groups) available for sale		0	0.401.525
	ventories	15	3.363.519	2.649.466
	aterials		903.879	726.105
	prk in progress		1.008.082	706.715
	oducts and merchandise		1.451.558	1.216.646
	nort-term investments		0	0
IV. Sh	nort-term operating receivables	16	4.494.633	3.416.318
	lort-term trade receivables		4.181.221	3.220.684
	ort-term operating receivables from others		313.412	195.634
	ish	17	46.048	395.739
C. SH	IORT-TERM DEFERRED COSTS AND ACCRUED REVENUES	18	11.038	16.556
TO	OTAL ASSETS		18.486.098	17.216.197

				in EUR
	LIABILITIES	Note	31.12.2016	31.12.2015
A.	EQUITY CAPITAL	19	7.948.557	6.938.877
I.	Called-up capital		1.043.232	1.043.232
1.	Share capital		1.043.232	1.043.232
II.	Capital reserves		4.692	4.692
III.	Revenue reserves		104.323	104.323
1.	Legal reserves		104.323	104.323
IV.	Revaluation reserves		1.787.249	1.831.379
V.	Fair value reserves		-48.223	-46.042
VI.	Net profit brought forward		3.598.225	3.139.782
VII.	Net profit for the financial year		1.459.059	861.511
B.	PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUES		791.925	809.324
1.	Provisions for pensions and similar liabilities	20	350.875	258.804
2.	Long-term accrued costs and deferred revenues	21	441.050	550.520
C.	LONG-TERM LIABILITIES	22	4.064.086	4.983.167
Ι.	Long-term financial liabilities		3.644.855	4.608.066
1.	Long-term financial liabilities to banks		3.326.074	4.277.722
2.	Other long-term financial liabilities		318.781	330.344
II.	Long-term operating liabilities		0	0
1.	Long-term trade payables		0	0
III.	Deferred tax liability		419.231	375.101
D.	SHORT-TERM LIABILITIES	23	5.605.624	4.416.502
Ι.	Short-term financial liabilities		1.542.334	1.386.682
1.	Short-term financial liabilities to banks		1.236.461	1.183.822
2.	Other short-term financial liabilities		305.873	202.860
II.	Short-term operating liabilities		4.063.290	3.029.820
1.	Short-term trade payables		3.178.911	2.434.344
2.	Other short-term operating liabilities		884.379	595.476
Č.	ACCRUED COSTS AND DEFERRED REVENUES	24	75.906	68.327
	TOTAL LIABILITIES		18.486.098	17.216.197

STATEMENT OF TOTAL COMPREHENSIVE INCOME for 2016

				in EUR
		Note	31.12.2016	31.12.2015
1.	Net sales revenues	1	25.045.219	23.100.802
	a) On the domestic market		6.658.158	6.155.054
	b) On foreign markets		18.387.061	16.945.748
2.	Changes in inventories of products and work in process		536.279	156.089
3.	Capitalized own products and services	2	0	90.475
4.	Other operating revenues	3	489.746	440.691
5.	Costs of goods, materials and services	4	-17.145.978	-16.340.322
	a) Cost of goods and materials sold and cost of materials used		-13.633.179	-12.531.139
	b) Costs of services		-3.512.799	-3.809.183
6.	Labour costs	5	-5.829.559	-5.237.819
	a) Wages and salaries		-4.377.088	-3.949.128
	b1) Retirement insurance costs		-428.686	-386.466
	b2) Social insurance costs		-320.289	-288.503
	c) Other labour costs		-703.496	-613.722
7.	Write-offs		-1.332.400	-1.363.189
	a) Depreciation and amortisation		-1.327.612	-1.363.189
	b) Operating expenses from revaluation of tang. and intang. fixed assets	6	-4.788	0
	c) Operating expenses from revaluation of operating current assets		0	0
8.	Other operating expenses	7	-63.711	-103.362
9.	Financial revenue from shares		0	0
10.	Financial revenues from loans given		0	0
11.	Financial revenue from operating receivables		1.545	970
	a) Fin. revenue from operating receivables from others		1.545	970
12.	Financial expenses from impairment and investment write-offs		0	0
13.	Financial expenses from financial liabilities	8	-143.481	-181.295
	a) Fin. expenses from loans received from banks		-95.776	-138.032
	b) Fin. Expenses from other financial liabilities		-47.705	-43.263
14.	Financial expenses from operating liabilities	9	-559	-152
15.	Other revenues		1.615	291.961
16.	Other expenses		-3.117	0
17.	Income tax	10	-107.044	-808
18.	Deferred taxes		10.504	7.470
19.	NET PROFIT OR LOSS FOR THE PERIOD		1.459.059	861.511
20.	Changes in revaluation reserves from reval. of tan. fixed assets		-44.130	353.609
21.	Changes in fair value reserve		-5.249	-28.496
22.	Total comprehensive income for the period		1.409.680	1.186.624

CASH FLOW STATEMENT for 2016

			in EUR
		2016	2015
A.	Cash flows from operating activities		
a)	Profit-and-loss-account items	3.626.592	2.913.081
	Operating revenues (except from revaluation) and financial revenues from operating receivables	25.526.281	23.818.264
	Operating expenses excluding depr. (amort.) expense (except for revaluation) and finan. expenses from oper. liab.	-21.803.149	-20.911.844
	Income taxes and other taxes not included in operating expenses	-96.540	6.661
b)	Changes in net operating assets of balance sheet items (including accruals and deferrals, provisions and deferred tax assets and liabilities)	-1.447.804	-1.043.027
	Opening less closing operating receivables	-1.078.316	595.896
	Opening less closing deferred costs and accreud revenues	-16.707	12.448
	Opening less closing deferred tax assets	-11.223	-5.292
	Opening less closing assets (disposal groups) held for sale	0	0
	Opening less closing inventories	-714.053	-350.588
	Closing less opening operating liabilities	1.029.837	-616.770
	Closing less opening accrued costs and deferred revenues and provisions	-701.472	-673.902
	Closing less opening deferred tax assets	44.130	-4.819
c)	Net cash from operating activities (a + b)	2.178.788	1.870.054
B.	Cash flows from investing activities		
a)	Inflows from investing activities	14.754	9.828
	Interest and dividends received from investing activities	0	0
	Cash receipts from disposal of intangible assets	0	0
	Cash receipts from disposal of tangible fixed assets	14.754	9.828
	Cash receipts from disposal of intangible assets investment property	0	0
	Cash receipts from disposal of financial investments	0	0
b)	Outflows from investing activities	-1.042.670	-1.222.210
	Payments to purchase intangible assets	-61.699	-113.526
	Payments to purchase tangible fixed assets	-980.971	-1.108.684
	Payments to purchase investment property	0	0
	Payments to purchase financial investments	0	0
c)	Net cash from investing activities (a + b)	-1.027.916	-1.212.382
C.	Cash flows from financing activities		
a)	Cash receipts from financing activities	3.308.130	883.582
	Cash proceeds from paid-in capital	-49.379	0
	Cash proceeds from increase in financial liabilities	3.357.509	883.582
b)	Cash disbursements from financing activities	-4.808.693	-1.542.890
	Interest paid on financing activities	-145.300	-183.953
	Cash repayments of equity	0	0
	Cash repayments of financial liabilities	-4.263.393	-1.358.937
	Cash repayments of dividends and other shares in profit	-400.000	0
c)	Net cash from financing activities (a + b)	-1.500.563	-659.308
Č.	Closing balance of cash	46.048	395.739
	Net cash inflow or outflos for the period (sum total of net cash Ac, Bc and Cc)	-349.691	-1.636
X)			

STATEMENT OF CHANGES IN EQUITY for 2016 and 2015

	Year 2016									in EUR
		Share capital	Capital reserves	Legal reserv		letained let profit	Net profit for the financial year	Revaluat. reserve		Total equity
A.	Opening balance 31.12.2015	1.043.23	2 4.6	92 10	04.323	3.139.782	2 861.51	1 1.831.379	-46.042	6.938.876
B.1.	Changes in equity - transactions with owners		0	0	0	-400.00	D (0 () (-400.000
a)	Dividend payment		0	0	0	-400.000) (0 () (-400.000
B.2.	Total comprehensive income for the reporting period		0	0	0	(0 1.459.05	9 -44.130) -5.249	1.409.680
a)	Net profit or loss for the financial year		0	0	0	(0 1.459.05	9 () () 1.459.059
b)	Changes in surplus from reval. of intan. assets		0	0	0	() (0 -44.130) () -44.130
C)	Other components of total comprehensive income		0	0	0	() (0 () -5.249	-5.249
B.3.	Changes in equity		0	0	0	858.44	3 -861.51 ⁻	1 () 3.068	3 0
a)	Distribution of the remaining net profit of the compared period to other components of equity capital		0	0	0	861.51	1 -861.51	1 () () ()
b)	Other changes in equity		0	0	0	-3.068	3 (0 (3.068	3 0
D.	Closing balance 31.12.2016	1.043.23	2 4.6	92 10	4.323	3.598.22	5 1.459.05	9 1.787.249	-48.223	7.948.556

	Year 2015									in EUR
			Capital reserves	Legal reserves		etained et profit	Net profit for the financial year	Revaluat. reserve	Fair value reserves	Total equity
A.	Opening balance 31.12.2014	1.043.232	4.69	2 104.3	323	2.360.46	4 756.12	6 1.501.30	1 -17.883	3 5.752.253
B.1.	Changes in equity - transactions with owners	0		0	0		0	0	0 (D 0
a)	Dividend payment	0		0	0		0	0	0 (0 0
B.2.	Total comprehensive income for the reporting period	0		0	0		0 861.51	1 353.60	9 -28.490	6 1.186.624
a)	Net profit or loss for the financial year	0		0	0		0 861.51	1	0 (0 861.511
b)	Changes in surplus from reval. of intan. assets	0		0	0		0	0 353.60	19 (0 353.609
C)	Other components of total comprehensive income	0		0	0		0	0	0 -28.496	6 -28.496
B.3.	Changes in equity	0		0	0	779.31	9 -756.12	6 -23.53	1 338	B 0
a)	Distribution of the remaining net profit of the compared period to other components of equity capital	0		0	0	756.12	6 -756.12	6	0 (0 0
b)	Other changes in equity	0		0	0	23.19	3	0 -23.53	338	8 0
D.	Closing balance 31.12.2015	1.043.232	4.69	2 104.3	323	3.139.78	2 861.51	1 1.831.37	9 -46.042	2 6.938.876
	Addition to Statement of Ch	ongoo in Equ								in EllP

	Addition to Statement of Changes in Equity	in EUR
a)	Net profit or loss for the financial year	1.459.059
b)	Retained net profit	3.598.225
C)	Decrease in reserves from profit	0
Č)	Increase in reserves from profit	0
d)	Distributable net profit	5.057.284

NOTES ON THE ACCOUNTS

Summary of accounting policies and assumptions

In the preparation of financial statements for the financial year, ended on 31 December 2016, the provisions of the Slovenian Accounting Standards (SRS 2016) and underlying accounting assumptions have been complied with – occurrence of business events, continuity assumption. The categories such as understand-ability, relevance, reliability and comparability are considered.

The financial statements have the form of a balanced bilateral balance sheet. The statement of comprehensive income has the columnar form and it is prepared according to Version I. The cash flow statement is prepared according to Version II (indirect method) and has the columnar form, which contains real and fair changes in the balance of cash and cash equivalents. Statement of changes in equity, which contains real and fair changes in equity components, has the form of a composite table o changes in all equity components.

The rules and procedures used by the management for the preparation and presentation of financial statements are based on the above bases, and some of the accounting policies are optional, and the management can independently decide to use one of the possible versions. A summary of general accounting policies and the accounting policies applied by the company in relation to the valuation of individual balance sheet items is as follows:

1. Intangible Fixed Assets

Intangible fixed assets are valued at cost. The amortization method used by the company is the straight-line method.

The company periodically reviews the useful life of intangible fixed assets, and the amortisation rates are recalculated for present and future periods according to this, if expectations are significantly different from previous estimates.

2. Tangible Fixed Assets and Depreciation

Fixed assets, acquired before 1 January 2002, are valued at cost of purchase and revalued with the respective valid price index up to and including 31 December 2001. Value adjustments are also revalued, using the same indexes. Fixed assets, acquired after 1 January 2002, are valued at cost of purchase, consisting of purchase price, import duties and other non-refundable charges, direct purchasing cost and cost associated with qualification for use.

As a result of impairment, the company must revalue tangible fixed assets as a rule immediately or at least when their carrying amount exceeds the recoverable amount by more than 10%. The recoverable amount is the higher of the net sales value or the value of the asset in use.

The company annually assesses potential strengthening in property. It is assisted by authorized asset valuers. The strengthening is recorded, if the fair value of property exceeds the carrying amount by more than 20% on the same day. If the company purchases certain tangible fixed assets abroad, it will revalue them for changes in the exchange rate in which they will be procured.

Depreciation (amortization) is accounted individually for all assets. The company depreciates fixed assets by the straight-line method of depreciation (amortization) over the estimated useful life of an individual fixed asset. The company periodically reviews the useful life of tangible fixed assets, and recalculates depreciation rates according to this to present and future periods, if the expectations are significantly different from the estimates.

Below there is a review of the annual depreciation rates applied and the proportion of the residual value by individual asset categories in 2016:

Depreciation group	Depreciation rate
Software	12,5%
Construction facilities	2-6,67%
Equipment	10-20%
Computer equipment	20%

The residual value of assets is not determined.

Depreciation rates did not change in 2016 and remained the same as in 2015.

3. Inventories

In inventories, the company discloses inventory of materials, inventories of unfinished products, inventories of finished products and inventory of merchandise.

At the initial recognition, the quantity unit of inventories material is valued at the purchase price, which consists of the purchase price, import and other non-refundable charges and direct costs of acquisition. Non-refundable purchase charges also include the value added tax that is not refundable. The purchase price is reduced by the discounts received.

At the initial recognition, a quantity unit of a product or work in progress is valued at cost of production, which include costs of direct material, costs of direct labour, costs of direct depreciation, costs of direct services and an appropriate part of general costs of production.

Inventories of all types are revalued due to impairment, if their book value exceeds market value; the market value is the replacement value, unless it is lower than the net realisable value, decreased by the gross profit margin.

The consumption of inventories is kept by the fifo method.

4. Operating Receivables

Receivables are primarily composed of accounts receivable arising from the normal operating flow. In the balance sheet, receivables are disclosed in net value, which means that they are reduced by value adjustment for disputed and doubtful receivables. The adjustment is formed individually.

5. Cash

Cash relates to euro assets on the company's trading accounts, euro cash in hand and foreign currency balances with banks.

6. Equity Capital

The total equity of the company consists of called-up capital, capital reserves, statutory reserves, reserves from profit, revaluation reserves, fair value reserves, net profit (loss) brought forward from previous years and transitionally undistributed net profit or unsettled net loss for the financial year.

7. Provisions

The company makes provisions for jubilee benefits and retirement benefits on the basis of calculation using actuarial methods and assumptions.

8. Long-term Debts

Long-term liabilities are disclosed in the balance sheet in amounts arising from the relevant book-keeping documents. Before compiling the annual financial statements, the company assesses the fair value of long-term debts on the basis of contracts. If the carrying amounts are less than the fair values established, it shall inform the responsible person about the size of mandatory strengthening. The company does not establish nor disclose impairments of long-term debts.

9. Short-term Debts

Short-term debts are disclosed in the balance sheet in amounts arising from the relevant book-keeping documents. Before compiling the annual financial statements, the company assesses the fair value of short-term debts on the basis of contracts. It informs the responsible person about the size of mandatory strengthening. The company does not establish nor disclose impairments of short-term debts.

10. Short-term Deferred Costs and Accrued Revenues

Deferred costs and accrued revenues include short-term deferred costs (expenses) and accrued revenues, and accrued costs and deferred revenues include accrued costs (expenses) and short-term deferred revenues.

11. Revenues

The company breaks down revenues to operating, financial and other revenues, and capitalized own products and services.

Revenue from the sale of semi-finished goods, finished products and materials are recognised on the basis of agreed sales prices, indicated in invoices and other documents, reduced by discounts granted at the time of sale or later, also due to earlier payment (financial discounts or discounts for early payment).

Financial revenues arise in connection with long-term and short-term financial investments, consisting of interest received, dividends or other profit shares and other financial revenues,

if there is no doubt regarding their size, maturity and payability. Financial revenues also arise in relation to receivables, especially in the form of interest.

Other revenues are unusual items and items from previous accounting periods, which in the accounting period increase the profit or loss over that of the regular company operations.

12. Expenses

The company breaks down expenses to operating expenses, operating expenses from revaluation, financial and other expenses.

• Costs of materials and services comprise all costs of goods sold, material, production and non-productive services that were incurred in connection with the implementation of the company's business process.

• Labour costs comprise the costs of gross wages and salaries and allowances, contributions, taxes and other personnel costs – for ex. holiday allowance, meal allowance, transport allowance, severance pays.

• Financial expenses comprise financial expenses (primarily interest and exchange differences) and investment expenses (primarily financial expenses from revaluation).

• Other expenses include unusual items, as well as provisions to cover potential losses and any outstanding loss from previous years, which is settled by write-off of liabilities or with received grants.

13. Taxation

In accordance with the Slovenian legislation, income tax is calculated from the taxable income of the company. The tax liability is charged to the period during which the tax liability was incurred. The company has no time differences between the financial statements for business purposes and the financial statements for tax purposes.

Company POLYCOM Škofja Loka d.o.o. is a taxable person for value added tax.

14. Operations with Foreign Currencies

Assets and liabilities denominated in foreign currencies were converted to EUR at the ECB exchange rate at the balance sheet date. All positive and negative exchange rate differences are shown in the Profit and Loss Account for the current financial year.

15. Related Parties

The company does not have direct capital investments in which it would have a majority ownership interest.

The relationship between the company members has not changed. The associated companies are companies Skupina Inkom d.o.o. and STA Polimer d.o.o.

16. Business Segments

The company does not sell different types of products and it does not provide services with different levels of profitability, potentials for growth, expectations regarding the future and risks. This is the reason why the company does not disclose separate operation by business segments.

NOTES TO THE FINANCIAL STATEMENTS AS OF 31.12.2016

1. Net sales revenue

Net sales revenue includes:		in EUR
	2016	2015
Revenues from the sale of products and services on the domestic market	6.497.089	5.815.982
Revenues from the sale of products and services on foreign markets	18.362.477	16.916.680
Revenues from the sale of merchandise and materials on the domestic market	161.069	339.072
Revenues from the sale of merchandise and materials on foreign markets	24.584	29.068
Total net sales revenue	25.045.219	23.100.802

Revenues from the sale of merchandise and materials on the domestic market disclose revenues from the sale of merchandise and materials of subcontractors.

2. Capitalized own products

	2016 / in EUR	2015 / in EUR
Capitalized own products	0	90.475

3. Other operating revenues

Other operating revenues are composed of:		v EUR
	2016	2015
Revenues from reversal of provisions	11.844	6.162
Other revenues associated with products and ser.	477.902	425.428
Revaluation operating revenues	0	9.101
Total other operating revenues	489.746	440.691

Other operating revenues include non-refundable funds from state institutions for investments in research and development activity, employment and purchase of equipment (EUR 477,902) and revenues from reversal of provisions for long-service benefits and severance pays upon retirement (EUR 11,844).

4. Cost of goods, materials and services

Breakdown of costs by functional groups:		in EUR
	2016	2015
Cost of products and services sold	19.085.909	18.687.743
Selling cost	1.073.203	1.041.297
Cost of general activities / with depreciation	3.477.561	2.817.481
Cost of capitalized own products and services	0	90.475
Cost of goods, materials and services include:		
Cost of goods and materials sold	193.909	251.607
Cost of materials	13.439.270	12.279.532
Cost of services	3.512.799	3.809.183
Total cost of goods, materials and services	17.145.978	16.340.322

5. Labour costs

Labour costs consist of:		in EUR
	2016	2015
Wages and salaries	4.377.088	3.949.128
Social and retirement insurance costs	707.670	638.001
Supplementary pension insurance costs	41.305	36.968
Other labour costs	703.496	613.722
Total labour costs	5.829.559	5.237.819

In 2016, the receipts of the Management Board amounted to EUR 372,479, while retirement insurance costs (24.35%) for employees amounted to EUR 1,065,821.

The table below shows the number of employees on 31 December 2016 by education groups:

	2016	2015
Primary school	25	21
Vocational school	50	47
Secondary school	70	65
Short-cycle college	23	24
Institution of higher education	31	30
Total	199	187

The company does not implement a diversity policy in terms of representation in the company's management or supervisory bodies regarding the aspects of gender, age or education.

6. Operating expenses from revaluations

In 2016, operating expenses from revaluation amounted to EUR 4,788, and were incurred in the sale of a fixed asset.

7. Other operating expenses

Other operating expenses include:		in EUR
	2016	2015
Charges, not depending on lab. cost and other cost	32.301	76.831
Rewards for sec. school stud. and students placement with charges	31.155	24.937
Provisions for long-service ben. and sev. pay at ret.	0	0
Other costs	255	1.594
Total other operating expenses	63.711	103.362

8. Financial expenses

Financial expenses for interest and from other li- abilities include:		in EUR
	2016	2015
Interest expense	127.159	166.573
Exp.from reval. of liab. and receiv. due to maintenance of value	596	31
Other financial expenses	1.938	2.324
Expenses for other operating liabilities	14.347	12.519
Total fin. expen. for interest and for other liab.	144.040	181.447

9. Tax on profit

For the year 2016, the company will pay EUR 107,044 for tax on profit. In 2016, we claimed tax reliefs for investments in the purchase of fixed assets (EUR 289,278), a relief for research and development (EUR 714,169) and a relief for employing persons with disabilities EUR 3,735.

10. Intangible fixed assets

Intangible fixed assets include investments in computer software and long-term deferred costs and accrued revenues.

The carrying amount of software is EUR 240,394. In 2016, the amortization was accounted in the amount of EUR 75,409, and investments in new software amounted to EUR 37,598 (improvement of the logistics information system and NAV Professional).

Long-term deferred costs and accrued revenues in the amount of EUR 22,225 were formed for tools that will be paid through pieces.

11. Tangible fixed assets

Fixed assets are composed as follows:		in EUR
	2016	2015
Land	1.321.463	855.875
Buildings	4.769.832	5.167.610
Value adjustment of buildings	-685.154	-675.485
Equipment and spare parts	13.379.728	12.637.703
Value adjustment of equipment and spare parts	-8.813.192	-7.732.836
Equipment and other tan. fixed assets under constr.	130.432	33.604
Advances for tangible fixed assets	20.466	0
Total tangible fixed assets	10.123.575	10.286.470

The following table shows changes in the tangible fixed assets of POLYCOM Škofja Loka d.o.o. in the year ending on 31 December 2016.

The increased value of the company's equipment is represented by the purchase of plastic injection moulding machines with robots, a grinding machine and computer equipment.

							in EUR
		tion	Equipment for carrying out produc- tion activity	transport	Other equip- ment	in acquisi-	Total tan- gible fixed assets
Cost of purchase							
Balance as of 1.1.2016	1.239.783	4.783.700	10.883.177	526.776	1.227.751	33.604	18.694.791
Acquisitions	81.680	99.530	571.515	98.000	140.830	96.828	1.088.383
Revaluation	0	C) 0	0	() (C
Decrease	0	C) 0	-67.000	-1.320) (-68.320
Strengthening/impairments	; 0	C) 0	0	() (C
Balance as of 31.12.2016	1.321.463	4.883.230	11.454.692	557.776	1.367.261	130.432	19.714.854
Value adjustment							
Balance as of 1.1.2016	0	675.484	6.684.993	331.714	716.130) (8.408.321
Depreciation for the year	0	123.068	935.305	50.092	143.738	3 0	1.252.203
Revaluation	0	C) 0	0	() (C
Increase	0	C) 0	0	() C	C
Decrease	0	C) 0	-47.459	-1.320) (-48.779
Strengthening/impairments	; O	C) 0	0	() (C
Balance as of 31.12.2016	0	798.552	7.620.298	334.347	858.548	3 0	9.611.745
Carrying amount							
Balance as of 1.1.2016	1.239.783	4.108.216	6 4.198.184	195.062	511.621	33.604	10.286.470
Balance as of 31.12.2016	1.321.463	4.084.678	3.834.394	223.429	508.7 1	130.432	10.103.109

The company also discloses equipment that is in financial lease among tangible fixed assets. The carrying amount of equipment in financial lease as of 31 December 2016 amounted to EUR 977,084.

The company's properties with carrying amount of EUR 5,198,827 are mortgaged for the bank loans obtained. The equipment of the company with carrying amount of EUR 735,722 has been pledged for the bank loans obtained.

In 2016, the depreciation rate for construction works amounted to 2%, machines 12.5%, furniture 10%, and computer equipment 20%. All rates are the same as in 2015.

12. Long-term financial investments

The company invested EUR 16,324 in company Sieva d.o.o. as an investment in equity, representing an 18.57% share of equitable interest on the MAHO Deckel machine, and cash in the amount of EUR 25,000 (Total EUR 41,324).

In 2014, the company transferred a deposit in the amount of EUR 30,000 to Abanka Vipa d.d. up to the year 2017 – the insurance for bank guarantee (production of tools for the customer BSH).

13. Long-term operating receivables

In 2014, the company paid a security for business lease in the amount of two monthly rents (EUR 1,666). Long-term trade receivables amount to EUR 74,393.

14. Deferred tax assets

The item represents deferred tax assets from provisions for severance pays upon retirement and long-service benefits, which amounted to EUR 37,283 as of 31 December 2016.

15. Inventoires

		in EUR
	2016	2015
Inventories of raw mat. and materials in warehouse	903.879	726.105
Work in progress/tools	1.008.082	706.715
Products in own warehouse	1.451.558	1.216.646
Inventory of merchandise	/	/
Total inventories	3.363.519	2.649.466

The net realisable value of inventories as of 31 December 2016 is: EUR 3,363,519.

'- material 903.879 EUR / '- products 1.451.558 EUR / '- work in prog. 1.008.082 EUR Value adjustments of inventories are disclosed due to the lower recoverable value of inventories of finished goods in the amount of EUR 41,729.

Inventory deficit was EUR 5,919.

16. Short-term operating receivables

Short-term operating receivables:		in EUR
	2016	2015
Short-term accounts receivable in the country	613.966	530.214
Short-term accounts receivable abroad	3.567.255	530.214
Short-term advances given for services not rendered	43.217	12.155
Receivables for input VAT	72.209	67.156
Other short-term receiv. from state and other instit.	195.321	114.559
Other short-term receivables	2.665	1.765
Total short-term operating receivables	4.494.633	3.416.318

17. Cash

Cash as of 31 December 2016 in the total amount of EUR 46,048 (2015 = EUR 395,739) represents balances with banks and cash in hand.

18. Deferred expenses and accrued revenues

As of 31 December 2016, deferred expenses and accrued revenues amounted to EUR 11,038 and include: heating cost, insurance premium costs, school fees costs and professional literature cost.

19. Equity capital

The initial capital of the company amounts to EUR 1,043,232, and statutory reserves amount to EUR 104,323. The distributable profit in the amount of EUR 5,057,284 remains unallocated. For the financial year 2016, the company recorded a net profit of EUR 1,459,059 in the Profit and Loss Account.

20. Provisions

In accordance with the Slovenian legislation, employees receive long-service benefits and severance pays upon retirement. Employees who have been employed by the employer for at least five years and who retire shall be entitled to the payment of severance pay before retirement in the amount of two average monthly salaries in the Republic of Slovenia for the past three months, or in the amount of two average monthly salaries of the employee for the past three months, if the latter is more favourable for the employee, in a single amount. Employees are also entitled to receive long-service benefits for every completed ten years of service with the last employer in accordance with the law or collective agreement (EUR 460 for 10 years, EUR 689 for 20 years, EUR 919 for 30 years, and EUR 919 for 40 years).

The calculation model assumes the expected real wage growth in the company from 0.5% per year. Discount interest rate of 1.25% per year (2015: 1.52%) is applied.

Staff turnover decreases according to the age of employees and thus is the following:

- 6% for employees up to the age of 30
- 1% for employees up to the age of 40
- 0.5% for employees, aged 40 and over.

Provisions for these purposes as of 31 December 2016 amounted to EUR 350,875. Costs of current and past service amounted to EUR 80,879, interest cost amounted to EUR 14,347, actuarial gains and losses were recognized among reserves, formed as a result of valuation at fair value in the amount of EUR 5,968.

21. Long-term accrued expenses and deferred revenues

The company draws the deferred amount of subsidies into revenue in proportion to the depreciation of purchased machines (in 2016: EUR 109,469). As of 31 December 2016, long-term accrued expenses and deferred revenue amounted to EUR 441,050.

	2016	in EUR 2015
Long-term operating liabilities		
Long-term debts to domestic suppliers	0	0
Other long-term operating liabilities	0	0
Deferred tax liabilities	419.231	375.101
Total long-term operating liabilities	419.231	375.101
Long-term financial liabilities		
Long-term loans, obtained from banks in the country	3.326.074	4.277.722
Long-term debts for financial lease	318.780	330.344
Total long-term financial liabilities	3.644.854	4.608.066
Total long-term fin. and operating liabilities	4.064.085	4.983.167

22. Long-term financial and operating liabilities

Deferred tax liabilities (EUR 419,231) are disclosed in relation to revalued fixed assets – properties, and increased in the current year due to a change in the tax rate (from 17% to 19%). The company has concluded finance lease contracts for equipment with the lessor. Finance lease debts as of 31 December 2016 amounted to EUR 624,654 (2015 = EUR 526,327), of which the short-term part amounted to EUR 305,873 (2015 = EUR 195,984). Annual instalments are paid monthly. The last instalment under finance lease contracts will be due in 2020.

The fair value of debts is equal to their carrying amount.

23. Short-term liabilities

		in EUR
	2016	2015
Short-term operating liabilities		
Short-term accounts payable in the country	2.279.489	1.705.136
Short-term accounts payable abroad	899.422	729.209
Short-term part of long-term debt to dom.suppliers	0	0
Short-term advances received	194.166	104.532
Short-term liabilities to employees	471.989	432.635
Short-term interest accounts payable for loans with bank	4.737	6.555
Liabilities to government and other institutions	213.487	51.754
Total short-term operating liabilities	4.063.290	3.029.821
Short-term financial liabilities		
Short-term loans, obtained from banks in the country	0	0
Short-term part of long-term liab. from fin. lease	305.873	202.860
Short-term part of long-term loan from banks	1.236.461	1.183.822
Other short-term financial liabilities	0	0
Total short-term financial liabilities	1.542.334	1.386.682
Total short-term fin. and operating liabilities	5.605.624	4.416.503

Short-term liabilities to employees in the amount of EUR 471,989 as of 31 December 2016 arise from the payroll accounting in December 2016.

Short-term and long-term loans, obtained from the bank, represent loans received from commercial banks. Interest is charged and paid monthly. Interest rates are 6-month EURIOBR + 0.8% to 2.0%. The loans received are secured with blank bills and a mortgage on the property of the company.

The unused amount of the limit on the transaction account amounts to EUR 209,000. The fair value of debts is equal to their carrying amount.

24. Accrued expenses and deferred revenues

In 2016, accrued expenses and deferred costs include the remaining audit cost for the year (EUR 3,000), urban land cost (EUR 4,159), in-company placement cost (EUR 370), covering the loss of GIZ ACS (EUR 3,117) and deferred revenue from the sale of tool for which costs will be incurred in 2017 (EUR 65,260).

25. Ratios

		in EUR
	2016	2015
equity financing rate = equity / liabilities	0,43	0,40
long-term financing rate = capital + long-term liabilities + long-term provisions	0,69	0,74
operating fixed assets rate = tangible fixed assets / assets	0,55	0,60
long-term assets rate = tan.fixed assets + long-t.inv. + long-t. oper. receivables / assets	0,56	0,61
equity to operating fixed assets ratio = capital / tangible fixed assets	0,79	0,67
immediate solvency ratio = liquid assets / short-term liabilities	0,01	0,09
quick ratio = liquid assets + short-term receivables / short-term liabilities	0,81	0,86
current ratio = short-term assets / short-term liabilities	1,41	1,46
operating efficiency ratio = operating revenues / operating expenses	1,07	1,03
net return on equity ratio = net profit for the financial year / average capital	0,22	0,15
payout ratio = dividends for the financial year / net income	-0,10	1

26. Other disclosures

In the course of auditing the financial statements, EUR 6,000 was spent in 2016.

In 2011, the company granted security for a loan to company SIEVA d.o.o. with a mortgage on the company property, cadastral community Dobje, plot no. 413/3 to a maximum amount of EUR 100,000.

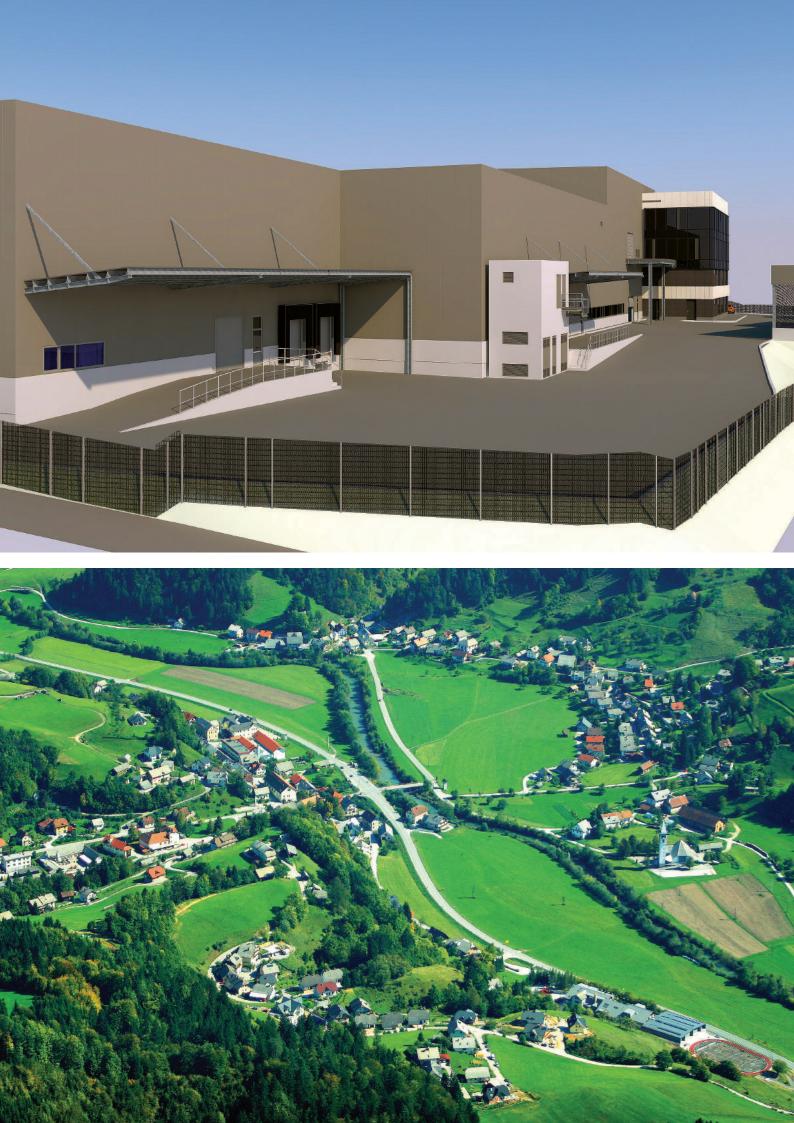
As of 31 December 2016, the company has foreign stocks of material in its own warehouse in the amount of EUR 418,355 and a received performance guarantee from the commercial bank in the amount of EUR 58,040, which is insured with a deposit with the bank.

Except for the aforementioned, the company has no other potential liabilities that would not be adequately recorded in the balance sheet as of 31 December 2016.

From the date of the financial statements to the date of preparation of this report, no events were identified that would affect the true and fair presentation of financial statements for 2016.

In 2016, purchases in the amount of EUR 278,984 were made with company Skupina Inkom d.o.o., and with company STA Polimer d.o.o. in the amount of EUR 127,792 (including VAT).

No sales were made to companies Skupina Inkom d.o.o. and STA Polimer d.o.o.





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