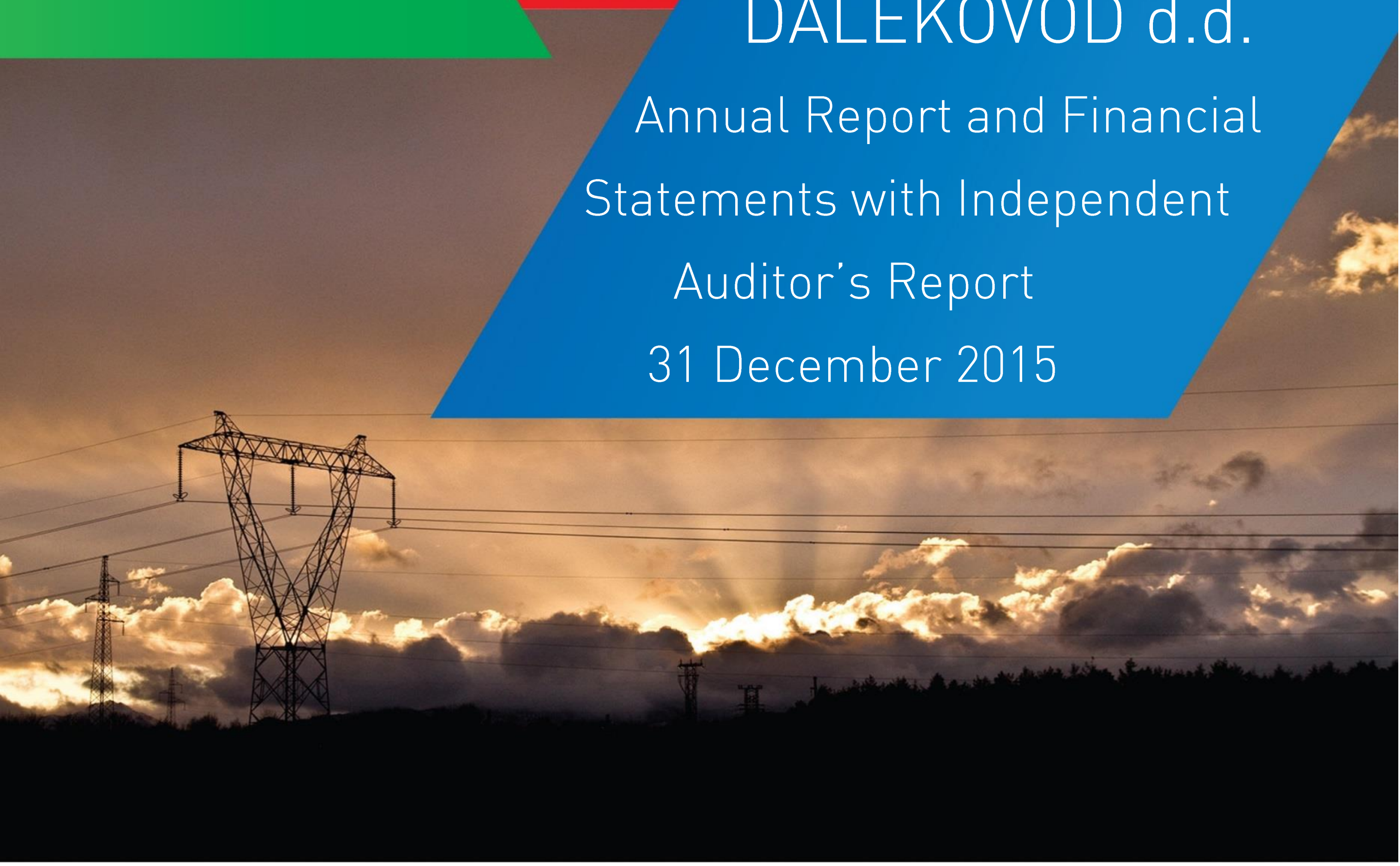
Zagreb, 26 April 2016

DALEKOVOD d.d.

Annual Report and Financial Statements with Independent Auditor's Report

31 December 2015



DALEKOVOD

www.dalekovod.hr

Povezujemo svjetove, gradimo budućnost.

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I. GENERAL INFORMATION

MANAGEMENT BOARD

Alen Premužak – President of the Management Board

Branimir Alujević – Member of the Management Board

Helena Jurčić Šestan – Member of the Management Board

Marko Jurković – Member of the Management Board

Mirko Leko – Member of the Management Board

SUPERVISORY BOARD

Marko Lesić – Chairman of the Supervisory Board

Ivan Peteržilnik – Deputy Chairman of the Supervisory Board

Krešimir Ruždak – Member of the Supervisory Board

Vlado Čović – Member of the Supervisory Board

Hrvoje Markovinović – Member of the Supervisory Board

Uwe Heiland – Member of the Supervisory Board

Marko Makek – Member of the Supervisory Board

Mirela Tomljanović Radović – Member of the Supervisory Board

Anton Pernar – Member of the Supervisory Board

Dalekovod Joint Stock Company for engineering, production and construction

Marijana Čavića 4, 10 000 Zagreb, Croatia

10001 Zagreb, P.P. 128

URL: www.dalekovod.hr, www.dalekovod.com

E-mail: dalekovod@dalekovod.hr

Subscribed capital: HRK 247,193,050.00. Number of shares: 24,719,305

IBAN: HR8323600001101226102 ZABA Zagreb

Company's registration number (MBS): 080010093, Commercial Court in Zagreb

Taxpayer's number (MB): 3275531

VAT registration number (OIB): 47911242222

Activity code: 4222 (Construction of electricity and telecommunication lines)

II. ANNUAL REPORT

1. KEY INDICATORS

Business results achieved in 2015 are the indicator of a strong recovery of the Company's and Group's operation after exiting the pre-settlement negotiation, which is indicated by a significant growth in sales revenue and improved cash flow.
Financial stability of the Group and the Company is based on four key areas, and these are profitable growth, cost efficiency, cash flow and risk management.

According to the final audited data for 2015, EBIDTA of Dalekovod Group ("Group") is HRK 95.6 million. In the same period last year, the Group recorded the operating loss in the amount of HRK 98.6 million. Sharp increase of EBIDTA is primarily the result of sales revenue increase in 2015, which was HRK 1,202 million or 25 % more in relation to 2014. The achieved net profit of Dalekovod Group for 2015 is HRK 4.0 milllion.

DALEKOVOD GROUP
OPERATIING PROFIT (EBITDA) (mil HRK)

95.6

DALEKOVOD GROUP
SALES REVENUE (mil HRK)

1,202.0

DALEKOVOD GROUP
NET PROFIT (mil HRK)

4.0

DALEKOVOD d.d.
OPERATIING PROFIT (EBITDA) (mil HRK)

80.0

DALEKOVOD d.d.
SALES REVENUE (mil HRK)

928.3

DALEKOVOD d.d.
NET PROFIT (mil HRK)

31.1

During the same period, Dalekovod d.d. ("Company") obtained unaudited EBITDA of HRK 80.0 million, compared to a significant loss of HRK 103.5 million in 2014. Sharp increase of the Company's EBIDTA is primarily the result of sales revenue increase in 2015, which was HRK 928 million or 34% more than in 2014. The Company's achieved net profit for 2015 is HRK 31.1 million.
The Group and the Company's performance is mostly the result of achieved operating revenue obtained from the projects awarded on the international markets (Norway, Ukraine, Kosovo). Furthermore, the Group and the Company's performance was also influenced by the positive outcome's effect of arbitration settlement regarding the project in Albania and the positive financial effect on retained earnings from previous periods in the total amount of HRK 28.1 million arisen from a change in the estimation of average projects margins.

In addition to the improvement of income, one has constantly also worked on the cost optimization by means of the business processes reorganization and the operation's rationalization. Despite the increased costs at the Company's level for 10.9%, due to sharp increase of income, EBIDTA margin was achieved in the amount of 8.6%, while at the same period last year it was negative and amounted to -14.9%. Costs also increased at the Group's level in accordance with the income increase for 14.9%, while EBIDTA margin of 8.0% was achieved, which was negative and amounted to -10.3% in the same period last year.

	Dalekovod d.d.		Dalekovod Group	
in HRK thousand except for earnings per share	2015.	2014.	2015.	2014.
Profitability:				
Sales revenue	928.317	692.927	1.202.046	957.796
EBITDA	80.062	(103.535)	95.652	(98.653)
EBITDA margin (%)	8,6%	(14,9%)	8,0%	(10,3%)
Profit for the year	31.150	35.648	4.019	(32.211)
Earnings per share	1,26	2,08	0,17	(1,86)
Financial position and cash flow				
Total assets	1.711.900	1.579.013	2.091.854	1.997.861
Cash, cash equivalents and financial assets	150.203	97.783	161.275	118.782
Capital employed	984.263	1.004.042	926.502	979.900
Capital and reserve	325.083	293.976	302.299	298.741
Operating cash flow	61.598	(88.428)	79.487	(68.040)
Indicators				
Return on invested capital	9,6%	12,1%	1,3%	(10,8%)
Return on capital employed	3,2%	3,6%	0,4%	(3,3%)
Return on sales	3,4%	5,1%	0,3%	(3,4%)
Equity ratio	19,0%	18,6%	14,5%	15,0%
Capital turnover	3,0	5,4	4,0	5,6
Current ratio	1,0	0,9	0,8	0,8
Price-to-earnings ratio	10,7	6,8	78,1	(7,6)

The Company's business in 2015 was marked by positive developments in the Company's and Group's operations:

- The Company is being restructured as planned;
- Strong focus on obtaining new contracts abroad;
- Appointment of new Management Board members in the Company;

2. SIGNIFICANT ENGAGEMENTS OBTAINED

During the past period, the Company used additional efforts to obtain projects on the international market. In a very demanding market environment, new projects were contracted the value of which amounts to EUR 171.8 million.

Market	EUR mil.
Norway	67.7
Kosovo	8.5
Ukraine	53
Poland	4
Finland	17.6
Croatia	21
TOTAL	171.8

On international markets, projects are implemented in Norway, Finland, Ukraine, Kosovo, Poland, Slovenia, Montenegro, Macedonia, and Bosnia and Herzegovina, while the Group and the Company are competing in a number of tenders in the country and abroad to contract new works and meet the plan for sustainable growth of revenue in the upcoming years.

In late October 2015, Dalekovod d.d. participated, as a member of a consortium, in a procedure for the public procurement of works on the reconstruction of the existing and construction of the second railway line track on the Dugo Selo – Križevci section (Procurement record number 14-EU/15-JP). The tender submitted by the consortium comprising DIV d.o.o., Dalekovod d.d. and Zagreb-montaža d.o.o. was selected as a valid tender with the lowest price. The client is HŽ Infrastruktura d.o.o. and the value of works is HRK 1.239 billion, VAT exclusive.

3. STRATEGY– GUIDING PRINCIPLES FOR THE UPCOMING PERIODS

A key focus in the future period will be in the following areas:

1. Efficiency in the execution of projects and continuous improvement of the gross margin
2. Opening of new long-term projects and markets
3. Further cost optimization
4. Developments of human resources and supporting company culture

At the same time, Dalekovod's Management Board will prepare in the following few months the business strategy for the following mid-term period, which will then be communicated to all Company's stakeholders.

4. CHANGES IN MANAGEMENT

In December 2015, there were changes in the Company's Management Board. Mr. Alen Premužak became the President of the Management Board, while the elected members of the Management Board are Mr. Branimir Alujević, Mr. Mirko Leko and Mr. Marko Jurković, who was also the member of the Management Board in the previous term of office. In January 2016, Mrs. Helena Jurčić Šestan became the member of the Management Board.

5. TREASURY SHARES

In the year 2015, the Company acquired 3,172 own shares at the price of HRK 13.60 per share.

6. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES AND JOINT VENTURES

Investments in subsidiaries are detailed in note 20 of the financial statements.

Investments in associated companies are detailed in note 21 of the financial statements.

Investments in joint ventures are detailed in note 22 of the financial statements.

7. SUBSEQUENT EVENTS

Subsequent events are detailed in note 39 of the financial statements.

8. GOALS AND POLICIES RELATED TO MANAGEMENT OF FINANCIAL RISKS AND CAPITAL RISK

The Company and the Group are exposed to market, price, credit and liquidity risk, which is, together with the management of capital risk, detailed in note 3 of the financial statements.

9. CODE OF CORPORATE GOVERNANCE

The Company voluntarily applies the Code of corporate governance issued by the Croatian Financial Services Supervisory Agency (HANFA) and the Zagreb Stock Exchange jsc.

In the year 2015, the Company for the essential part followed and applied the recommendations set by the Code, by publishing any information whose disclosure is provided by positive requirements and information that are in the interests of the Company's stakeholders. Explanations related to significant deviations, if any, of certain recommendations of the Code, the Company published in its Annual Questionnaire addressed to the Zagreb Stock Exchange.

In accordance with the provisions of the Companies Act, the Supervisory Board oversees the Company's operations by holding regular meetings at which the Management Board presents relevant reports. At the meetings of the Supervisory Board it is discussed and decided on all matters within the jurisdiction of that body prescribed by the Companies Act and the Company's Articles of Association.

The report of the Supervisory Board on the review of the operations is a part of the Company's annual report to be submitted to the General Assembly. In addition, the Supervisory Board performs internal control and supervision by the Audit Subcommittee, which provides technical support to the Supervisory Board and the Management Board in the effective execution of the obligations of corporate governance, risk management, financial reporting and control of the Company.

In addition to the Audit Subcommittee, the Supervisory Board includes the Subcommittee on appointment and remuneration and the Subcommittee on strategy. The Management is required to monitor that the Company maintains business and other books and business records, prepares accounting documents, realistically estimates assets and liabilities, drafts financial and other statements in accordance with accounting regulations and standards and applicable laws and regulations.

10. OWNERSHIP STRUCTURE (as at 31.12.2015):

In accordance with the Company's Articles of Association, the shareholders voting rights are not limited to a certain percentage or number of votes, and there are no time limits for the exercise of voting rights. Each ordinary share carries the right to one vote at the General Assembly.

The Company's rights and obligations arising from the acquisition of own shares are exercised in accordance with the provisions of the Companies Act and the Articles of Association of the Company.

Konsolidator d.o.o.	15,000,000
Individuals	3,848,142
Pension funds	3,604,748
Banks	1,229,719
Others	989,590
Treasury shares	47,106
TOTAL	**24,719,305**

The Company's Management Board is composed of five members, the President and four members of the Board. The duty of the President of the Board performs Alen Premužak, while the four remaining members of the Board are Helena Jurčić Šestan, Branimir Alujević, Marko Jurković and Mirko Leko.

The Management Board manages the operations of the Company in accordance with applicable regulations, the Company's Articles of Association and the Rules of Procedure of the Management Board.

The Management Board is appointed and dismissed by the Supervisory Board, which on 31 December 2015 was composed of the following members: Marko Lesić, Chairman, Ivan Peteržilnik, Deputy Chairman and the members of the Supervisory Board Vlado Čović, Uwe Heiland, Marko Makek, Hrvoje Markovinović, Anton Pernar, Krešimir Ruždak and Mirela Tomljanović Radović.

11. DESCRIPTION OF PRODUCTS AND SERVICES

Dalekovod d.d has gradually specialized in carrying out contract works based on turn-key solutions in the following areas:

- electrical power utilities, especially the 0.4 to 750 kV transmission lines
- substations of all types and voltage levels up to 500 kV
- air, underground and marine cables rated up to 110 kV
- telecommunication utilities, all types of networks and antennas
- production of suspension and jointing equipment for all types of transmission lines and substations between 0.4 to 750 kV
- development and construction of all metal parts for roadways, especially for road lighting, protective fencing and traffic signalization, tunnel lighting and traffic management
- electrification of railway and tramway lines

Zagreb, 26 April 2016

Alen Premužak

President of the Management Board

Dalekovod d.d.

DALEKOVOD
dioničko društvo za inženjering, proizvodnju i izgradnju
Zagreb, Republika Hrvatska, p.p. 128, MB 3275531 3

III. DECLARATION ON RESPONSIBILITIES OF THE MANAGEMENT BOARD

The Management Board is responsible for preparing financial statements and consolidated financial statements for each financial year, which give a true and fair view of the financial position, results of operations and cash flows for the period in accordance with applicable accounting standards and is responsible for maintaining proper accounting records to enable the preparation of such financial statements and consolidated financial statements at any time. The Management Board has a general responsibility for taking such steps that are reasonably available to it to safeguard the assets of the Company and to prevent and detect frauds and other irregularities.

The Management Board is responsible for selecting suitable accounting policies to conform to the applicable accounting standards and then apply them consistently; make decisions and estimates that are reasonable and prudent; and prepare the financial statements on a going concern basis.

The Management Board is responsible for the submission of the financial statements and consolidated financial statements to the Supervisory Board. After that, the Supervisory Board is required to approve the annual financial statements and consolidated financial statements for submission to the General Assembly of Shareholders for adoption.

The financial statements and consolidated financial statements on pages 14 to 97 were authorized by the Management Board for submission to the Supervisory Board on 26 April 2016 and are signed below to confirm this.

Alen Premužak

President of the
Management Board

Dalekovod d.d.

IV. INDEPENDENT AUDITOR'S REPORT

BAKER TILLY

Revizorska tvrtka d.o.o.
Ulica grada Vukovara 269G
10000 Zagreb
Croatia

INDEPENDENT AUDITORS' REPORT

To the Management Board and shareholders of Dalekovod d.d. and Dalekovod Group:
We have audited the accompanying unconsolidated financial statements of the company Dalekovod d.d. (further on: "Dalekovod" or "the Company") and the consolidated financial statements of the company Dalekovod d.d. and its subsidiaries (further on: "the Group"), which comprise the unconsolidated and consolidated statements of financial position as at 31 December 2015, unconsolidated and consolidated income statements, unconsolidated and consolidated statements of comprehensive income, unconsolidated and consolidated statements of changes in equity, unconsolidated and consolidated statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information (together further on: "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 the International Financial Reporting Standards as adopted by the European Union, 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.

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 the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 internal control relevant to the entity's 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 control of the Company and the Group. An audit also includes evaluating the appropriateness of the 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 qualified audit opinion.

In addition, we have examined Annual Report of the Company and the Group for the year ended 31 December 2015, as presented on pages 2 to 7, to reach a conclusion on whether the Annual Report of the Company and the Group are consistent with the audited unconsolidated and consolidated financial statements of the Company and the Group for the year ended 31 December 2015.

Basis for Qualified Opinion

Land and buildings

1.1. As disclosed in the Note 18 to the consolidated financial statements, as of 31 December 2015 the Group reported land and buildings in the carrying amount of HRK 453,474 thousand, measured at amounts revalued in 2010 based on the valuation report of an independent valuator. The accounting policy of the Group for measuring land and buildings states that revaluation of land and buildings should be performed every three years. As of 31 December 2015, the Group did not perform revaluation of land and buildings, and some subsidiaries reported land and buildings at historical cost in the consolidated financial statements. Accordingly, we were unable to gain assurance neither into fair values of land and buildings reported in the consolidated financial statements as of 31 December 2015 in the carrying amount of HRK 453,474 thousand, nor into the amount of the revaluation reserve of HRK 40,015 thousand, reported within the equity of the consolidated financial statements of the Group as of 31 December 2015.

1.2. As disclosed in the Note 18 to the unconsolidated financial statements, as of 31 December 2015 the Company reported land and buildings in the carrying amount of HRK 221,246 thousand, measured at amounts revalued in 2010 based on the valuation report of an independent valuator. The accounting policy of the Group for measuring land and buildings states that revaluation of land and buildings should be performed every three years. As of 31 December 2015, the Company did not perform revaluation of land and buildings. Accordingly, we were unable to gain assurance neither into fair values of land and buildings reported in the unconsolidated financial statements as of 31 December 2015 in the carrying amount of HRK 221,246 thousand, nor into the amount of the revaluation reserve of HRK 40,015 thousand, reported within the equity of the unconsolidated financial statements of the Company as of 31 December 2015.

Current liabilities for borrowings and paid guarantees

2. As disclosed in the Note 32 to the financial statements, as of 31 December 2015 the Company and the Group reported HRK 161,771 thousand of current liabilities for borrowings and paid guarantees which, according to the pre-bankruptcy plan should be repaid through the enforcement of the pledged asset. As of 31 December 2015, the Company and the Group did not prepare an estimate of the expected future receipts from the sale of the pledged assets. Accordingly, we were unable to gain assurance into the fair value of financial liabilities reported in the financial statements in the total amount of HRK 122,077 thousand.

Investment property

3. As disclosed in the Note 19 to the unconsolidated financial statements, as of 31 December 2015, the Company reported Investment property (land and buildings) in the carrying amount of HRK 214,182 thousand, valued in accordance with the accounting policy at historical cost. However, within the position Investment property, the Company revalued land and buildings one of the locations in the carrying amount of HRK 86,578 thousand, according to the valuation report of an independent valuator from 2011. This represents departure from IAS 40 *Investment property*, according to which the Company should choose either cost or fair value model as its accounting policy and apply it consistently. Based on the review of the accounting records, we were unable to gain assurance how much of the Company's Investment property is overstated because the Company applied fair value model instead of the cost model for the valuation of Investment property.

Impact of the predecessor auditor's findings to the comparability of the financial statements

4. As of 31 December 2014, the Company recognised an impairment loss related to the investment in the subsidiary Dalekovod ulaganja d.o.o., Zagreb (gross carrying amount of HRK 77,688 thousand) in the amount of HRK 67,694 thousand and an impairment loss related to the Investment property of the Group in the amount of HRK 67,694 thousand (gross carrying amount of HRK 433,530 thousand). Given that the Company and the Group did not perform impairment tests of those investments in 2013, which are required at each reporting date in accordance with IAS 36 *Impairment of assets*, it was not possible to determine how much of the impairment loss recognised in 2014 in the unconsolidated and consolidated income statements should had been recognised in the unconsolidated and consolidated income statements for the year ended 31 December 2013. Accordingly, it was not possible to conclude neither on the accuracy of the impairment loss presented in the unconsolidated and consolidated income statements for the year ended 31 December 2014, nor on the amount of the required adjustments of equity as of 31 December 2014 due to the impact on prior periods.

The finding presented above impacts the comparability of disclosed impairment losses in the unconsolidated and consolidated statements of income of the current period in relation to the prior period.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* paragraph, unconsolidated and consolidated financial statements present fairly, in all material respects, the financial position of the Company and the Group as of 31 December 2015, their financial performance and their cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Other Matter

Unconsolidated and consolidated financial statements as of 31 December 2014 were audited by another auditor, whose report, issued on 22 May 2015 expressed qualified audit opinion on those unconsolidated and consolidated financial statements.

Report on Other Legal and Regulatory Requirements

Management Board of the Company has prepared Annual Report as set on pages 2 to 7. The Management Board is responsible for the preparation of the Annual Report in accordance with the Croatian Accounting Law and for its accuracy. Our responsibility is to perform procedures we consider necessary to reach a conclusion on whether the Annual Report is consistent with the audited unconsolidated and consolidated financial statements. Our work as an auditor was limited to checking the Annual Report within the aforementioned scope and did not include review of any information other than those derived from the audited accounting records of the Company and the Group. In our opinion, the accounting information presented in the Annual Report of the Company and the Group for the year ended 31 December 2015, are consistent, in all material respects, with the audited unconsolidated and consolidated financial statements of the current year as presented on pages 14 to 97.

Zagreb, 26 April 2016

Baker Tilly d.o.o.
Ulica grada Vukovara 269G
10000 Zagreb
Croatia

For and on behalf of Baker Tilly d.o.o.:

BAKER TILLY
Revizorska tvrtka d.o.o.
Ulica grada Vukovara 269G
10000 Zagreb

Olivio Discordia

President of the Management Board, Certified auditor

/This version of Auditors' report represents an unofficial translation of the Auditors' report which has been originally prepared in Croatian language./

V. INCOME STATEMENT
VI. STATEMENT OF COMPREHENSIVE INCOME
VII. STATEMENT OF FINANCIAL POSITION
VIII. STATEMENT OF CHANGES IN EQUITY
IX. STATEMENT OF CASH FLOWS

DALEKOVOD d.d.

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are expressed in thousands of HRK)	Note	Dalekovod Group 2015	Dalekovod Group 2014	Dalekovod d.d. 2015	Dalekovod d.d. 2014
Sales revenue	7	1,202,046	957,796	928,317	692,927
Other income	7, 8	82,927	15,664	81,935	13,574
Change in work in progress and finished goods		(10,646)	14,305	(76)	(90)
Cost of trade goods sold		(143,224)	(92,297)	(127,534)	(59,833)
Cost of materials and services	9	(598,172)	(494,749)	(526,107)	(390,024)
Staff costs	10	(264,681)	(230,828)	(156,598)	(123,118)
Depreciation and amortisation	17, 18, 19	(50,907)	(50,264)	(33,950)	(33,153)
Other operating expenses	11	(175,895)	(238,232)	(129,910)	(208,624)
Other gains/(losses) – net	12	3,297	(30,312)	10,035	(28,347)
Operating gain/(loss)		44,745	(148,917)	46,112	(136,688)
Finance income	13	6,272	186,391	17,410	216,071
Finance costs	13	(38,251)	(37,328)	(24,403)	(20,960)
		(31,979)	149,063	(6,993)	195,111
Share in profit/(loss) of associates and joint ventures	21, 22	14	(7,287)	-	-
Profit / (loss) before tax		**12,780**	**(7,141)**	**39,119**	**58,423**
Income tax	14	(8,761)	(25,070)	(7,969)	(22,775)
Net profit / (loss)		**4,019**	**(32,211)**	**31,150**	**35,648**
Net profit / (loss) attributable to:					
Equity holders of the Company		4,282	(31,812)	31,150	35,648
Non-controlling interests		(263)	(399)	-	-
Net profit / (loss)		**4,019**	**(32,211)**	**31,150**	**35,648**
Basic and diluted profit / (loss) per share (in HRK)	15	**0.17**	**(1.86)**		

The financial statements set out on pages 14 to 97 were approved by the Management Board on 26 April 2016.

Alen Premužak
President of the Management Board

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are expressed in thousands of HRK)	Note	Dalekovod Group 2015	Dalekovod Group 2014	Dalekovod d.d. 2015	Dalekovod d.d. 2014
Net profit / (loss)		**4,019**	**(32,211)**	**31,150**	**35,648**
Other comprehensive income / (loss):					
Foreign exchange differences		(632)	(4,236)	-	-
Total other comprehensive income / (loss)		**(632)**	**(4,236)**	-	-
Total comprehensive income / (loss)		**3,387**	**(36,447)**	**31,150**	**35,648**
Comprehensive income / (loss) attributable to:					
Equity holders of the Company		3,650	(36,015)	31,150	35,648
Non-controlling interests		(263)	(432)	-	-
Total comprehensive income / (loss)		**3,387**	**(36,447)**	**31,150**	**35,648**

The financial statements set out on pages 14 to 97 were approved by the Management Board on 26 April 2016.

Alen Premužak
President of the Management Board

DALEKOVOD
dioničko društvo za inženjering, proizvodnju i izgradnju
Zagreb, Republika Hrvatska, p.p. 128, MB 3275531 3

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

(all amounts are expressed in thousands of HRK)	Note	Dalekovod Group 2015	Dalekovod Group 2014	Dalekovod d.d. 2015	Dalekovod d.d. 2014
ASSETS					
Intangible assets	17	17,711	22,183	14,869	19,143
Property, plant and equipment	18	564,734	596,264	273,397	281,861
Investment property	19	363,433	365,835	214,182	215,646
Investments in subsidiaries	20	-	-	285,998	287,782
Investments in associates	21	14,668	14,654	20,241	20,241
Investments in joint ventures	22	-	-	-	-
Financial assets available-for-sale	23	4,537	10,269	4,254	9,854
Embeded derivatives	5	127,141	127,495	150,230	151,358
Loans and receivables	25	47,183	77,664	50,831	83,066
Non-current assets		1,139,407	1,214,364	1,014,002	1,068,951
Inventories	26	117,733	146,626	20,489	20,313
Trade and other receivables	27	634,728	461,069	565,183	407,234
Income tax receivable		2,489	3,691	-	575
Financial assets at fair value through profit or loss	28	30,377	40,680	30,377	40,178
Cash and cash equivalents	29	102,077	66,388	81,849	41,762
Assets held for sale	30	65,043	65,043	-	-
Current assets		952,447	783,497	697,898	510,062
Total assets		**2,091,854**	**1,997,861**	**1,711,900**	**1,579,013**

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

DALEKOVOD d.d.

STATEMENT OF FINANCIAL POSITION (continued)

AS AT 31 DECEMBER 2015

(all amounts are expressed in thousands of HRK)	Note	Dalekovod Group 2015	Dalekovod Group 2014	Dalekovod d.d. 2015	Dalekovod d.d. 2014
EQUITY AND LIABILITIES					
Share capital	31	247,193	247,193	247,193	247,193
Share premium	31	86,142	86,142	86,142	86,142
Legal reserves	31	11,652	11,652	11,487	11,487
Treasury shares	31	(7,816)	(7,773)	(7,816)	(7,773)
Statutory and other reserves	31	75,584	72,701	40,654	40,654
Revaluation reserves	31	40,015	40,015	40,015	40,015
Translation reserves		(3,114)	(2,482)	-	-
Accumulated loss		(146,661)	(148,060)	(92,592)	(123,742)
Shareholders' equity		302,995	299,388	325,083	293,976
Non-controlling interests		(696)	(647)	-	-
Total equity		**302,299**	**298,741**	**325,083**	**293,976**
Borrowings	32	393,641	422,622	399,826	406,681
Mezzanine debt	33	149,307	148,607	176,421	176,421
Provisions	35	13,297	8,389	10,718	5,605
Trade and other payables	34	47,275	91,537	62,211	111,355
Deferred tax liability	14	10,004	10,004	10,004	10,004
Non-current liabilities		613,524	681,159	659,180	710,066
Borrowings	32	494,408	471,212	153,531	150,664
Mezzanine debt	33	58,509	58,419	62,000	62,000
Provisions	35	16,329	1,070	15,751	569
Trade and other payables	34	598,061	464,768	487,699	341,032
Income tax payable		8,724	22,492	8,656	20,706
Current liabilities		1,176,031	1,017,961	727,637	574,971
Total liabilities		**1,789,555**	**1,699,120**	**1,386,817**	**1,285,037**
Total equity and liabilities		**2,091,854**	**1,997,861**	**1,711,900**	**1,579,013**

The financial statements set out on pages 14 to 97 were approved by the Management Board on 26 April 2016.

Alen Premužak
President of the Management Board

DALEKOVOD
dioničko društvo za inženjering, proizvodnju i izgradnju
Zagreb, Republika Hrvatska, p.p. 128, MB 3275531

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

Group

(all amounts are expressed in thousands of HRK)	Note	Share capital	Share premium	Legal reserves	Treasury shares	Statutory and other reserves	Revaluation reserves	Translation reserve	Accumulated loss	Total	Non-controlling interests	Total
At 1 January 2014		286,726	80,479	11,652	(7,773)	177,735	40,015	1,721	(549,760)	40,795	(215)	40,580
Net loss (restated)*		-	-	-	-	-	-	-	(31,812)	(31,812)	(399)	(32,211)
Other comprehensive income/(loss)		-	-	-	-	-	-	(4,203)	-	(4,203)	(33)	(4,236)
Total comprehensive income/(loss)		-	-	-	-	-	-	(4,203)	(31,812)	(36,015)	(432)	(36,447)
Transactions with owners												
Reinvestment of profits	14	-	-	-	-	7,729	-	-	(7,729)	-	-	-
Covering losses	31	(258,054)	(70,424)	-	-	(112,763)	-	-	441,241	-	-	-
Share capital increase	31	218,521	76,087	-	-	-	-	-	-	294,608	-	294,608
At 31 December 2014		**247,193**	**86,142**	**11,652**	**(7,773)**	**72,701**	**40,015**	**(2,482)**	**(148,060)**	**299,388**	**(647)**	**298,741**
Net loss		-	-	-	-	-	-	-	4,282	4,282	(263)	4,019
Other comprehensive income/(loss)		-	-	-	-	-	-	(632)	-	(632)	-	(632)
Total comprehensive income/(loss)		-	-	-	-	-	-	(632)	4,282	3,650	(263)	3,387
Transactions with owners												
Reinvestment of profits	14	-	-	-	-	8,274	-	-	(8,274)	-	-	-
Covering losses	31	-	-	-	-	(5,391)	-	-	5,391	-	-	-
Disposal of subsidiary	38	-	-	-	-	-	-	-	-	-	214	214
Share capital increase	31	-	-	-	(43)	-	-	-	-	(43)	-	(43)
At 31 December 2015		**247,193**	**86,142**	**11,652**	**(7,816)**	**75,584**	**40,015**	**(3,114)**	**(146,661)**	**302,995**	**(696)**	**302,299**

* For the effect of restatement please see note 6.

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

STATEMENT OF CHANGES IN EQUITY (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

Company

(all amounts are expressed in thousands of HRK)	Note	Share capital	Share premium	Legal reserves	Treasury shares	Statutory and other reserves	Revaluation reserves	Accumulated loss	Total
At 1 January 2014		286,726	80,479	11,487	(7,773)	153,417	40,015	(600,631)	(36,280)
Net loss (restated)*		-	-	-	-	-	-	35,648	35,648
Other comprehensive income/(loss)		-	-	-	-	-	-	-	-
Total comprehensive income/(loss)		-	-	-	-	-	-	35,648	35,648
Transactions with owners									
Covering losses	31	(258,054)	(70,424)	-	-	(112,763)	-	441,241	-
Share capital increase	31	218,521	76,087	-	-	-	-	-	294,608
At 31 December 2015		**247,193**	**86,142**	**11,487**	**(7,773)**	**40,654**	**40,015**	**(123,742)**	**293,976**
Net profit/(loss)		-	-	-	-	-	-	31,150	31,150
Other comprehensive income/(loss)		-	-	-	-	-	-	-	-
Total comprehensive income/(loss)		-	-	-	-	-	-	31,150	31,150
Transactions with owners									
Covering losses	31	-	-	-	(43)	-	-	-	(43)
At 31 December 2015		**247,193**	**86,142**	**11,487**	**(7,816)**	**40,654**	**40,015**	**(92,592)**	**325,083**

* For the effect of restatement please see note 6.

The financial statements set out on pages 14 to 97 were approved by the Management Board on 26 April 2016.

Alen Premužak
President of the Management Board

DALEKOVOD
dionička društva za inženjering, proizvodnju i izgradnju
Zagreb, Republika Hrvatska, p.p. 128, MB 3275531 3

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

DALEKOVOD d.d.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are expressed in thousands of HRK)	Note	Dalekovod Group 2015	Dalekovod Group 2014	Dalekovod d.d. 2015	Dalekovod d.d. 2014
Profit/(loss) before tax		**12,780**	**(7,141)**	**39,119**	**58,423**
Adjustments:					
Depreciation and amortisation	17, 18, 19	50,907	50,264	33,950	33,153
Property, plant and equipment writte-off	11	415	3,206	29	578
Intangible assets write-off		-	116	-	-
Impairment of investment property	11	766	67,694	-	-
Loss/(gain) on sale of property, plant and equipment	12	(623)	747	(494)	(1,013)
Fair value measurement loses of financial assets available for sale	12	134	49,307	2	49,299
Gain on disposal of financial assets available for sale	12	(531)	-	(531)	-
Gain on change in fair value of financial assets trough profit and loss	12	(199)	(149)	(199)	(149)
Loss on sale of subsidiary	12, 38	5,804	-	-	-
Impairment of trade receivables and loans receivable	8, 11	(10,702)	36,688	(9,692)	41,775
Impairment of other financial assets	11	2,370	4,049	-	3,973
Impairment of investments in subsidiaries	11	-	-	-	71,845
Impairment of inventories	11	(8,397)	(2,223)	(3,009)	-
Net change in provisions	35	20,585	(3,662)	20,295	(3,891)
Dividend income	13	-	-	(12,966)	(1,532)
Share in loss/(gain) of associates and joint ventures	21, 22	(14)	7,287	-	-
Unrealised foreign exchange differences		2,781	(3,882)	(1,247)	777
Interest income	8, 13	(5,433)	(3,313)	(3,633)	(3,572)
Income from discount of long term liabilities	13	-	(157,384)	-	(185,448)
Income from interest and fees write-offs	13	-	(22,394)	-	(22,394)
Income from unwinding of discount	13	(807)	(1,363)	(807)	(1,363)
Other finance income	13	(105)	(2,082)	-	(1,818)
Interest expense	11, 13	38,783	39,391	24,891	21,445
		108,514	55,156	85,708	60,088
Changes in working capital:					
Trade and other receivables		(104,854)	(178,489)	(81,755)	(193,107)
Inventories		33,509	(26,234)	2,833	(10,869)
Trade and other payables		87,083	111,761	96,880	80,173
Net cash generated from operating activities		**124,252**	**(37,806)**	**103,666**	**(63,715)**
Interest paid		(23,438)	(26,789)	(22,624)	(22,333)
Tax paid		(21,327)	(3,445)	(19,444)	(2,380)
Net cash flows from operating activities		**79,487**	**(68,040)**	**61,598**	**(88,428)**

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

STATEMENT OF CASH FLOWS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

		Dalekovod Group		Dalekovod d.d.	
(all amounts are expressed in thousands of HRK)	Note	2015	2014	2015	2014
Cash flows from investing activities					
Acquisition of intangible assets	17	(1,445)	(589)	(1,165)	(165)
Acquisition of property, plant and equipment	18	(20,810)	(40,151)	(9,090)	(1,205)
Acquisition of investment property	19	(6,983)	-	(6,983)	(2,890)
Proceeds from sale of property, plant and equipment		1,448	259	540	1,452
Deposits given		(6,877)	(9,305)	(8,241)	(2,106)
Loans given		(22,652)	(13,192)	(44,951)	(38,455)
Repayments of loans given		1,331	447	14,408	4,949
Investments in subsidiaries	20	-	-	(45)	-
Proceeds from sale of subsidiary	20, 38	1,581	-	2,000	-
Proceeds from share in profits		-	-	14,498	-
Proceeds from sale of available-for-sale financial assets		5,000	-	5,000	-
Investments in cash funds		10,000	(40,652)	10,000	(40,150)
Interest received		4,649	1,589	3,091	4,152
Net cash flows used in investing activities		**(34,758)**	**(101,594)**	**(20,938)**	**(74,418)**
Cash flows from financing activities					
Proceeds from issuance of shares		-	209,391	-	209,391
Acquisition of own shares		(43)	-	(43)	-
Proceeds from borrowings		30,011	14,253	7,548	4,500
Repayment of borrowings		(30,765)	(8,392)	-	(5,710)
Repayment of finance lease liabilities		(8,243)	(9,299)	(8,078)	(9,120)
Net cash flows from / (used in) financing activities		**(9,040)**	**205,953**	**(573)**	**199,061**
Net increase / (decrease) in cash and cash equivalents		**35,689**	**36,319**	**40,087**	**36,215**
Cash and cash equivalents at beginning of year		66,388	30,069	41,762	5,547
Cash and cash equivalents at end of year	29	102,077	66,388	81,849	41,762
Net increase / (decrease) in cash and cash equivalents		**35,689**	**36,319**	**40,087**	**36,215**

The financial statements set out on pages 14 to 97 were approved by the Management Board on 26 April 2016.

Alen Premužak
President of the Management Board

DALEKOVOD
dioničko društvo za inženjering, proizvodnju i izgradnju
Zagreb, Republika Hrvatska

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

X. NOTES TO FINANCIAL STATEMENTS

NOTE 1 – GENERAL INFORMATION

The Dalekovod Group (the Group) comprises the parent company Dalekovod d.d., Zagreb and 24 subsidiaries owned by the parent company and additional three companies owned by subsidiary (2014: 19 subsidiaries owned by the parent company and additional five companies owned by two subsidiaries) – note 20.

Dalekovod d.d., Zagreb (the Company) was incorporated in compliance with the laws and regulations of the Republic of Croatia. The registered office of the Company is in Zagreb, Marijana Čavića 4 street. The Company's shares are listed on the public joint stock company listing on the Zagreb Stock Exchange.

The Company's principal activity is the engineering, production, construction and installation of electric power facilities, facilities for road, railroad and mass transit and telecommunication infrastructure.

Management Board members of the Company during 2015 were: Mr. Paško Vela (President of the Management Board, resigned on 1 December 2015), Mr. Marko Jurković (Member of the Management Board), Mr. Željko Lakić (Member of the Management Board, resigned on 1 December 2015), Ms. Adrijana Raković (Member of the Management Board, resigned on 1 December 2015), Mr. Alen Premužak (President of the Management Board, appointed on 1 December 2015), Mr. Branimir Alujević (Member of the Management Board, appointed on 1 December 2015), Mr. Mirko Leko (Member of the Management Board, appointed on 1 December 2015) and Ms. Helena Jurčić Šestan (Member of the Management Board, appointed on 1 January 2016).

Going concern

The Company went through the pre-bankruptcy settlement procedure, which also includes the financial and operational restructuring plan. Taking into account the Commercial court's approval of the pre-bankruptcy settlement between the Company as debtor and its creditors from 29 January 2014 and the subsequent increase in share capital financial statements have been prepared under the going concern principle.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies are applicable to both the Group and to the Company and they have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group and the unconsolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) under the historical cost convention, as modified by the revaluation of land, buildings, financial assets at fair value through profit or loss and available for sale financial assets.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's and the Company's 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

Standards issued but not yet effective and not early adopted

IAS 16 Property, Plant & Equipment and IAS 38 Intangible assets (Amendment): Clarification of Acceptable Methods of Depreciation and Amortization

The amendment is effective for annual periods beginning on or after 1 January 2016. This amendment clarifies the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendment has not yet been endorsed by the EU. However it is not expected that this amendment will have any impact on the separate financial statements of the Company or consolidated financial statements of the Group as they are not using revenue as a basis for depreciation or amortization.

IAS 19 Employee benefits (Amended): Employee Contributions

The amendment is effective for annual periods beginning on or after 1 July 2015. The amendment applies to contributions from employees or third parties to defined benefit plans. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. Management has assessed impact of this amendment to financial statements and concluded that the impact will not be significant as the Company or the Group does not provide contributions which are independent of the number of years of employee service.

IFRS 9 Financial Instruments – Classification and measurement

The standard is applied for annual periods beginning on or after 1 January 2018 with early adoption permitted. The final phase of IFRS 9 reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The standard has not yet been endorsed by the EU. Management plans to adopt it once it becomes effective in EU and is currently assessing its impact.

IFRS 11 Joint arrangements (Amendment): Accounting for Acquisitions of Interests in Joint Operations

The amendment is effective for annual periods beginning on or after 1 January 2016. IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions. The amendment has not yet been endorsed by the EU. Management has assessed the impact of the new amendment to financial statements and concluded that the impact will not be significant to the Company or the Group.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

IFRS 14 Regulatory Deferral Accounts

The standard is effective for annual periods beginning on or after 1 January 2016. The aim of this interim standard is to enhance the comparability of financial reporting by entities that are engaged in rate-regulated activities, whereby governments regulate the supply and pricing of particular types of activity. This can include utilities such as gas, electricity and water. Pending the outcome of this comprehensive Rate-regulated Activities project, the IASB decided to develop IFRS 14 as an interim measure. IFRS 14 permits first-time adopters to continue to recognize amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognize such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. This standard has not yet been endorsed by the EU. Management has assessed that it will not have any impact on the financial statements of the Company or the Group as they are already presenting IFRS financial statements.

IFRS 15 Revenue from Contracts with Customers

The standard is effective for annual periods beginning on or after 1 January 2017. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard’s requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity’s ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The standard has not been yet endorsed by the EU. Management is currently assessing the impact of the introduction of this new standard on the financial statements of the Company or the Group.

IAS 27 Separate Financial Statements (amended)

The amendment is effective from 1 January 2016. This amendment will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements and will help some jurisdictions move to IFRS for separate financial statements, reducing compliance costs without reducing the information available to investors. This amendment has not yet been endorsed by the EU. The amendments will not have influence on the Company as the Company does not intend to account for investments in subsidiaries using the equity method. Management is currently assessing the impact of the introduction of this new standard on the financial statements of the Company.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments will be effective from annual periods commencing on or after 1 January 2016. The amendments have not yet been endorsed by the EU. Management is currently assessing the impact of the introduction of this new standard.

The IASB issued the Annual Improvements 2012 – 2014 Cycle, which is a collection of amendments to IFRSs. The amendments are effective from 1 January 2016. These annual improvements have not yet been endorsed by the EU. Management has assessed that these amendments will not have significant influence on the financial reporting of the Company and of the Group.

- *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations:* The amendment clarifies that changing from one of the disposal methods to the other (through sale or through distribution to the owners) should not be considered to be a new plan of disposal; rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
- *IFRS 7 Financial Instruments: Disclosures:* The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. Also, the amendment clarifies that the IFRS 7 disclosures relating to the offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.
- *IAS 19 Employee Benefits:* The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- *IAS 34 Interim Financial Reporting:* The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (Amendments)

The amendments address three issues arising in practice in the application of the investment entities consolidation exception. The amendments are effective for annual periods beginning on or after 1 January 2016. The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Also, the amendments clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. Finally, the amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments have not yet been endorsed by the EU.

IAS 1: Disclosure Initiative (Amendment)

The amendments to IAS 1 Presentation of Financial Statements further encourage companies to apply professional judgment in determining what information to disclose and how to structure it in their financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016. The narrow-focus amendments to IAS clarify, rather than significantly change, existing IAS 1 requirements. The amendments relate to materiality, order of the notes, subtotals and disaggregation, accounting policies and presentation of items of other comprehensive income (OCI) arising from equity accounted Investments. These amendments have not yet been endorsed by the EU.

2.2 Consolidation

(a) Subsidiaries

In the non-consolidated financial statements, the Company carries investments in subsidiaries at cost less impairment. Investments are tested annually for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Investments in subsidiaries that suffered an impairment in previous periods are reviewed for possible reversal of the impairment at each reporting date.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group (acquisition date). They are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The date of exchange is the acquisition date where a business combination is achieved in a single transaction, and is the date of each share purchase where a business combination is achieved in stages by successive share purchases.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated, unless there is evidence of impairment of transferred assets. Accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Changes in ownership of subsidiaries without loss of control

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(d) Associates

Associates are all entities over which the Group or the Company have significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. The Group accounts for investments in associates using the equity method and the Company accounts for them at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

(d) Associates

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates are been changed where necessary to ensure consistency with the policies adopted by the Group.

(e) Mergers

The predecessor method of accounting is used to account for the merger of entities under common control. The carrying value of assets and liabilities of the predecessor entity are transferred as balances in the merged entity. On the date of the merger, inter-company transactions, balances and unrealised gains and losses on transactions between the two entities merging are eliminated. Any difference between the carrying value of net assets merged and net assets given up is recorded as equity.

(f) Joint ventures

The Group's interest in a jointly controlled entity is accounted for using the equity method of accounting and is initially recognised at cost. Under the equity method, the Group's share of post-acquisition profits or losses is recognised in the income statement, whereas its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, responsible for allocating resources and assessing performance of the operating segments, has been identified as the Management Board of the Company.

2.4 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Croatian Kuna (HRK), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Foreign currencies (continued)

(c) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
(ii) income and expenses for each income statement are translated at average exchange rates; and
(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to 'Cumulative foreign exchange differences' within shareholders' equity. When a foreign operation is partially disposed of or sold and control over the subsidiary is lost, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

2.5 Property, plant and equipment

Land and buildings are carried at fair value based on periodic, but at least triennial, valuations by external independent assessors. Other tangible assets are carried in the balance sheet at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount of land and buildings arising on revaluation are credited to other comprehensive income and presented in equity under revaluation reserves. Decreases that offset previous increases of the same asset are charged against revaluation reserves directly in equity; all other decreases are charged to the income statement.

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

	Useful lives in years
Buildings	20 – 40
Equipment	5 – 10
Machinery	25

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Property, plant and equipment (continued)

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.8).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. Gains and losses are included in the line item "other (losses)/gains – net" in the income statement.

2.6 Investment property

Investment property, principally comprising office buildings and land, is held for long-term rental yields or appreciation and is not occupied by the Group. Investment property is treated as a long-term investment unless it is intended to be sold in the next year and a buyer has been identified, in which case it is classified within current assets.

Investment property is carried at historical cost less accumulated depreciation and provision for impairment, where required. Depreciation for buildings is calculated using the straight-line method to allocate cost over estimated useful life (20 to 40 years).

Subsequent costs are capitalised only when it is probable that future economic benefits associated with it will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Intangible assets

(a) Goodwill

Goodwill represents the excess of the acquisition cost over the carrying value of the Group's share of the net identifiable assets of the acquired business sector at the acquisition date. Goodwill on acquisition is included in intangible assets.

Separately recognised goodwill is tested annually for impairment, or whenever there are indications of impairment, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified by business segment. If a part or the whole cash generating unit is sold, the related goodwill is included in the carrying amount of net assets sold when determining gain or loss on the transaction.

(b) Computer software

Computer software is capitalised on the basis of the costs incurred to bring to use the specific software. These costs are amortised over their estimated useful lives (5 years).

2.8 Impairment of non-financial assets

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Financial assets

The Group and the Company classify their financial assets in the following categories: at fair value through profit or loss, available-for-sale financial assets and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets valued at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category is classified as current assets.

Financial assets valued at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within the line item 'other (losses)/gains – net' in the period in which they arise.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Available-for-sale financial assets are carried at fair value and the transaction costs are recorded in the income statement.

Changes in the fair value of monetary securities and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement in line item 'other (losses)/gains – net'.

Interest on available-for-sale securities calculated using the effective interest rate method is recognised in the income statement. Dividends on available-for-sale securities are recognised in the income statement when the right to receive payment is established.

The Group and the Company assess at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Financial assets (continued)

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are carried at amortised cost using the effective interest method.

Trade and loan receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group and the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement within "other operating expenses". Subsequent recoveries of the provision for impairment of trade receivables are recorded in the income statement within "other operating expenses".

2.10 Leases

(a) The Group and the Company are the lessee

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

Leases in which a significant portion of risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

(b) The Group and the Company are the lessor

Assets under an operating lease where the Group and the Company are the lessor are depreciated over their expected useful lives on a basis consistent with similar owned assets. Rental income is recognised on a straight-line basis over the lease term, even if the proceeds are not balanced, unless there is an alternative basis representing the time frame in which the benefits of the lease and the depreciation of the leased property are matched.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Inventories

Inventories of raw materials and spare parts are stated at the lower of cost, determined using the weighted average method, or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

The cost of work-in-process and finished goods comprise raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity).

Small inventory and tools are expensed when put into use.

2.12 Construction contracts

Contract costs are recognised when incurred.

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

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

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

The Group and the Company present as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within ‘trade and other receivables’.

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

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term highly liquid instruments with original maturities of three months or less.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where the Company purchases its equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Other borrowing costs are recognised as an expense in the income statement.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan extent that it is probable that some or all of the facility will be drawn down.

Borrowings are classified as current liabilities unless the Group or the Company have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.16 Income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. The tax base represents the difference between income and expenses, as determined by the applicable law. Management of the Group periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and consider establishing provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is legally enforceable right to offset current tax assets against current tax liabilities and when deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.18 Trade and other payables

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

2.19 Employee benefits

(a) Pension obligations and post-employment benefits

In the normal course of business through salary deductions, the Group and the Company make payments to mandatory pension funds on behalf of its employees as required by law. All contributions made to the mandatory pension funds are recorded as salary expense when incurred.

Furthermore, according to the Collective bargaining agreement, the Group and the Company have an obligation to make severance payments to employees at the time of the employees’ retirement. The liability recognised in the balance sheet is the present value of defined benefit obligation at the balance sheet date less past service costs with adjustments for unrecognised actuarial gains or losses. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of governmental bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related retirement severance payment.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Employee benefits (continued)

(b) Termination benefits

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

(c) Other long-term employee benefits

The Group recognises a liability for long-term employee benefits (jubilee awards) evenly over the period the benefit is earned based on actual years of service. The long-term employee benefit liability is determined using assumptions regarding the likely number of staff to whom the benefit will be payable, estimated benefit cost and the discount rate.

2.20 Provisions

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.21 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group’s and the Company’s activities. Revenue is shown net of value-added tax, estimated returns, rebates and discounts. The Group and the Company recognise revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group’s and the Company’s activities as described below.

(a) Revenue from construction contracts

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract (note 2.12).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Revenue recognition (continued)

(b) Sales of goods

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

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group and the Company reduce the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.22 Dividend distributions

Dividend distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends are approved by the General Assembly of the Company's shareholders.

2.23 Earnings per share

Earnings per share is determined by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of participating shares outstanding during the reporting year.

2.24 Value added tax

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Mezzanine debt

Mezzanine debt is initially recognized as financial liability recognized at fair value (host contract). Within the host contract, according to IAS 39 the Company has identified embedded derivatives options, for (a) option for holder of the mezzanine instrument to require issuance of additional senior debt for no additional proceeds should the Company achieve certain pre-defined debt-to-EBITDA (D/E) ratios in 7^{th} year and (b) option for early repayment of the mezzanine debt after 7^{th} year for a maximum amount up to 48m HRK. Option (b) is separated from the total liability and treated as derivatives at fair value and recognized as an assets in statement of financial position. Remaining host contract is treated as an ordinary financial liability.

Managements estimates in assessing the mezzanine debt were as follow:

i. Part of mezzanine debt for which there is an obligation to pay proceeds from the sale of the investment in the creditor agreement (to a maximum of HRK 62 million) will be paid in full amount, i.e. estimated proceeds from sale of investment is in line with the maximum amount of HRK 62 million and higher.
ii. pre-defined debt-to-EBITDA ratio (2.5) in 7th year will not be achieved. The management estimates that EBITDA will not be on the level which would result that D/E ratio is below the 2.5.
iii. the management plans to use early repayment option after 7^{th} year and the Company will repay remaining outstanding mezzanine debt amounting HRK 176.4 million (note 33) with a maximum amount of HRK 35.5 million.

Part of mezzanine debt for which there is an obligation to pay proceeds from the sale of the investment identified in the creditor agreement (to a maximum of HRK 62 million) is accounted for as a financial liability initially recognised at fair value and classified as other financial liabilities and subsequently would be measured at amortised cost using the effective interest method, taking into consideration changes in future expected future cash flows in accordance with IAS 39.

2.26 Assets held for sale

Non-current assets are classified as held for sale if their carrying value will be largely compensated through sale rather than through its continuing use; if these assets are available for immediate sale in their existing state under conditions frequent and common for sale of such assets, and if the sale is probable.

Assets held for sale are stated at the lower of net book value and fair value less cost to sell. Loss on impairment from reduction to fair value less cost to sell, is charged to profit or loss.

Investments in associates and joint ventures that meet the criteria for classification as assets held for sale at a certain time ceased to be measured using the equity method and are measured at lower of carrying value based on equity method and fair value less cost to sell.

NOTE 3 – FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Company's and the Group's activities expose them to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), price risk, credit risk and liquidity risk. The Group and the Company do not have a written risk management programme, but overall risk management in respect of these risks is carried out by the Company's finance department.

(a) Market risk

(i) Currency risk

The majority of foreign sales revenue is denominated in EUROs. Domestic sales revenue is denominated in HRK. The majority of long-term and short-term loans were agreed with a currency clause, i.e. they are linked to the EURO. Along EUR, the Company is exposed to the movement in exchange rates between NOK, UAH and Croatian Kuna. Although any movement in exchange rates between the EURO against the Croatian Kuna will have an impact on the Group's and the Company's operating results, the Company does not use financial instruments to protect against currency risk.

At 31 December 2015, if the EURO had weakened/strengthened by 1.00% against the HRK (2014: 1.00%), with all other variables held constant, the net loss for the reporting period after tax would have been HRK 1,517 thousand (2014: HRK 2,406 thousand) lower/(higher), mainly as a result of foreign exchange gains/(losses) on translation of EURO-denominated trade receivables, trade payables, borrowings and foreign cash funds.

According to the Management Board estimation, the impact of changes in other currencies does not have significant effect on the financial statements of the Group and the Company.

(ii) Price risk

The Group is exposed to equity securities fair value and price risk because of investments held by the Group classified on the consolidated balance sheet either as available for sale or at fair value through profit or loss. Equity investments classified as available for sale are not listed, while those classified as fair value through profit or loss are publicly traded but do not have a significant effect on the financial position. To manage its fair value and price risk arising from investments in equity securities, the Group monitors market transactions and performance of investment entities.

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(iii) Cash flow interest rate risk

The Group has no significant interest-bearing assets, therefore the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's and the Company's interest rate risk arises from long-term borrowings and commercial papers. Borrowings issued at variable rates expose the Group and the Company to cash flow interest rate risk.

The Group and the Company analyse their interest rate changes on a regular basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group and the Company calculate the impact on profit and loss of a defined interest rate shift. As at 31 December 2015, if the effective interest rate on borrowings had increased/decreased by 0.82% on an annual level (2014: 0.82%), the loss after tax would have been higher/lower by HRK 107 thousand (2014: HRK 115 thousand) as a result of a higher/lower interest expense.

(b) Credit risk

The Group's and the Company's assets which potentially subject them to concentrations of credit risk primarily include cash, trade and other receivables. The Group and the Company has policies in place to ensure that sales of products are made to customers with an appropriate credit history, within previously defined credit limits. A favourable structure of buyers (major buyers are mainly state-owned companies) and the fact that, if necessary, collection from buyers is regulated by bank payment guarantees, bills of exchange, letters of credit and other types of security, almost completely diminishes the risk arising from the collection of trade receivables. A detailed analysis and maximum exposure to credit risk are shown in note 28. Further, judgements and estimates in respect of credit risk exposure and related impairment provisions are described in more detail in note 4(b).

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to meet all obligations. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

With the legal validity of the pre-bankruptcy settlement on 14 February 2014 conditions for enforcement of financial restructuring were met which had significant affect over the Company's debt and their maturity. Part of trade payables is converted into share capital (note 31), part is converted into mezzanine debt (note 5) and part is reclassified into long-term liabilities in accordance with the adopted plan. Borrowings are also partly converted into mezzanine debt, and partly reprogrammed. The maturity of borrowings is presented in note 32.

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital risk management

The Company's and Group's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company and the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company and the Group monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including long-term and short-term borrowings, as shown in the balance sheet) less cash and cash equivalents and short-term deposits given. Total capital is calculated as equity, as shown in the balance sheet, plus net debt.

The Company's gearing ratio was as follows:

(in thousands of HRK)	**31 December 2015**	**31 December 2014**
Borrowings (note 32)	553,357	557,345
Cash and cash equivalents (note 29)	(81,849)	(41,762)
Net debt	471,508	515,583
Equity	325,083	293,976
Total equity and net debt	**796,591**	**809,559**
Gearing ratio - Company	**59.2%**	**63.7%**

The Group's gearing ratio was as follows:

(in thousands of HRK)	**31 December 2015**	**31 December 2014**
Borrowings (note 32)	888,049	893,834
Cash and cash equivalents (note 29)	(102,077)	(66,388)
Net debt	785,972	827,446
Equity	302,299	298,741
Total equity and net debt	**1,088,271**	**1,126,187**
Gearing ratio - Group	**72.2%**	**73.5%**

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation

Effective 1 January 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value. IFRS 7 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The table below present the Group's assets at fair value as at 31 December 2015 and 2014:

(in thousands of HRK)	Level 1	Level 2	Level 3	Total
Group				
31 December 2015				
Property, plant and equipment				
Land and buildings	-	-	453,474	453,474
Available for sale financial assets				
Listed entities	296	-	5	301
Unlisted entities	-	4,236	-	4,236
Embeded derivatives				
Embeded derivatives	-	-	127,141	127,141
Financial asstes at fair value through profit and loss				
Investments in cash funds	30,377	-	-	30,377
Total	**30,673**	**4,236**	**580,620**	**615,529**
31 December 2014				
Property, plant and equipment				
Land and buildings	-	-	475,874	475,874
Available for sale financial assets				
Listed entities	430	336	5	771
Unlisted entities	-	9,498	-	9,498
Embeded derivatives				
Embeded derivatives	-	-	127,495	127,495
Financial asstes at fair value through profit and loss				
Investments in cash funds	40,680	-	-	40,680
Total	**41,110**	**9,834**	**603,374**	**654,318**

There were no transfers between level 1 and level 2 during 2015 and 2014.

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

The table below present the Company's assets at fair value as at 31 December 2015 and 2014:

(in thousands of HRK)	Level 1	Level 2	Level 3	Total
Company				
31 December 2015				
Property, plant and equipment				
Land and buildings	-	-	221,246	221,246
Available for sale financial assets				
Listed entities	18	-	-	18
Unlisted entities	-	4,236	-	4,236
Embeded derivatives				
Embeded derivatives	-	-	150,230	150,230
Financial asstes at fair value through profit and loss				
Investments in cash funds	30,377	-	-	30,377
Total	**30,395**	**4,236**	**371,476**	**406,107**
31 December 2014				
Property, plant and equipment				
Land and buildings	-	-	218,654	218,654
Available for sale financial assets				
Listed entities	20	336	-	356
Unlisted entities	-	9,498	-	9,498
Embeded derivatives				
Embeded derivatives	-	-	151,358	151,358
Financial asstes at fair value through profit and loss				
Investments in cash funds	40,178	-	-	40,178
Total	**40,198**	**9,834**	**370,012**	**420,044**

There were no transfers between level 1 and level 2 during 2015 and 2014.

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

The tables below present the fair value liabilities of the Group and Company as at 31 December 2015 and 2014:

(in thousands of HRK)	Level 1	Level 2	Level 3	Total
Group				
31 December 2015				
Finance lease	-	-	110,829	110,829
Mezzanine debt	-	-	207,816	207,816
Trade payables	-	-	98,799	98,799
Total	**-**	**-**	**417,444**	**417,444**
31 December 2014				
Finance lease	-	-	117,491	117,491
Mezzanine debt	-	-	207,026	207,026
Trade payables	-	-	142,844	142,844
Total	**-**	**-**	**467,361**	**467,361**

(in thousands of HRK)	Level 1	Level 2	Level 3	Total
Company				
31 December 2015				
Finance lease	-	-	110,829	110,829
Mezzanine debt	-	-	238,421	238,421
Trade payables	-	-	113,735	113,735
Total	**-**	**-**	**462,985**	**462,985**
31 December 2014				
Finance lease	-	-	117,491	117,491
Mezzanine debt	-	-	238,421	238,421
Trade payables	-	-	167,680	167,680
Total	**-**	**-**	**523,592**	**523,592**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(a) Revenue recognition

The Group uses the percentage-of-completion method in accounting for its revenue from construction contracts to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract (note 7).

(b) Impairment of loans and receivables

The Group and the Company review the portfolio of loans and receivables on an annual basis to assess impairment. While assessing the recognition of impairment in the statement of comprehensive income, the Group and the Company assess whether there is observable data indicating the existence of a measurable decrease in future cash flows of the portfolio of loans and receivables before establishing the impairment of certain loans and receivables in the stated portfolio (note 11).

(c) Useful life of property, plant and equipment

The Company's and the Group companies' managements determine and reassess the useful lives and related depreciation charge for tangible assets. This assessment is based on the estimated remaining useful life of assets and could significantly change as a result of technical innovation and activities of competitors. Management will increase the depreciation charge if it assesses that the useful life of assets is lower than prior to estimates, or it will write off obsolete and discarded property (note 2.5).

(d) Legal claims and disputes

Provisions for legal claims and disputes are recorded based on Management's best estimate of probable losses after consultation with legal counsel (note 35).

(e) Sale of assets held for sale

Sale of asset held for sale, which is one of the measures of the pre-bankruptcy settlement, is expected within a defined time period (note 2.26).

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(f) Mezzanine debt

Estimates related to the recognition of mezzanine debt are described in the summary of significant accounting policies for the recognition and measurement of mezzanine debt (note 2.25).

NOTE 5 – PRE-BANKRUPTCY SETTLEMENT

The pre-bankruptcy settlement procedure ("the Settlement"), which the Company initiated on 20 December 2012, was formally completed at 14 February 2014 by issuance of the final legally valid decision.

As a part of pre-bankruptcy settlement the Company prepared financial and operating restructuring plan which was the basis for negotiations with creditors and which was accepted by creditors on 2 April 2013 by more than 90% votes indicating the commitment of the Company's creditors; suppliers, banks, tax authorities and other stakeholders to support completion of administrative proceedings.

The restructuring plan prepared by the Company, and adopted by the creditors, incorporate financial and operational measures with the objective of deleveraging the Company and thus improving profitability and EBITDA to achieve a long term sustainable business case.

Financial restructuring is focused on ensuring liquidity, through disposal of non-core assets and debt restructuring and reduction, with the objective of creating conditions for recapitalisation and achieving financial stability.

Following the date on which the Settlement became legally effective the Company implemented the following measures with the accompanying effect on the financial position and financial performance of the entity for the year ended 31 December 2014:

- As of 28 March 2014, the share capital was decreased from HRK 286,726 thousand by HRK 258,054 thousand to HRK 28,672 thousand to cover the losses by reducing the nominal value of share from HRK 100 to HRK 10. Simultaneously, the share capital was increased from HRK 28,672 thousand by HRK 158,522 thousand to HRK 187,194 thousand by cash payment of HRK 150,000 thousand and a contribution in rights/conversion of debt of HRK 8,522 thousand by issuing 15,852,168 new shares. Phase I of the cash injection into the share capital was available to a Croatian equity fund.

- As of 21 August 2014, the share capital was increased from HRK 187,194 thousand by cash payment of HRK 59,999 thousand to HRK 247,193 thousand by issuing 5,999,872 new shares. Phase II of the cash contribution was available to existing shareholders and limited to the HRK 60,000 thousand.

- Conversion of the debt in the amount of HRK 238,421 thousand in mezzanine debt. Mezzanine is a subordinated low-interest hybrid instrument with equity and debt conversion right subject to EBITDA and net debt targets. Mezzanine lenders are not shareholders of the Company these are banks who are not related to the Company in the amount of HRK 207,026 thousand and entities who are related parties of the Company in the amount of HRK 31,395 thousand.

Mezzanine debt is financial liability initially recognized at fair value (host contract) within which the Company identified embedded derivative, which is then separated from total liability and treated as derivative at fair value.

NOTE 5 – PREBANKRUPTCY SETTLEMENT (continued)

Estimates applied in recognition and measurement of mezzanine debt are disclosed under section Summary of significant accounting policy (note 2.25).

Embedded derivative is separated from host contract and recognized at fair value. Fair value gain on initial measurement of embedded derivative in the amount of HRK 151,908 thousand was recognised as finance income in statement of comprehensive income.

- Transfer of trade payables and liabilities towards tax authorities to long term payables – since the terms of these debts are substantially modified in accordance with the Settlement, the renegotiation of the liabilities in the amount of HRK 176,448 thousand is accounted for as an extinguishment of the original liabilities. The new modified financial liabilities recognised at fair value amounted to HRK 158,176 thousand. The difference, between the consideration paid and the carrying amount of the original liabilities which are derecognised, is recognised in finance income within profit or loss in the amount of HRK 18,272 thousand.

These financial liabilities are subsequently measured at amortised cost using the effective interest method, with the unwinding of the discount on the long-term payables in the amount of HRK 3,498 thousand accounted for as an interest expense in profit and loss. Renegotiated maturity date of these long term payables is 31 March 2018.

- New repayment plan, substantially different from the original, have been agreed with lessor for the finance lease arrangement. Fair value gain on initial recognition on new financial liability in the amount of HRK 15,269 thousand was realised and recognised as finance income in profit or loss.

Expected repayment date for this portion of mezzanine principle 31 December 2022 which is the period for the unwinding of the discount realised at initial recognition.

- Repayment terms of loans received, other than those transferred to mezzanine, did not change significantly so no fair value gains or losses have been recognised. The liabilities have been reclassified to reflect the loans repayment plans. All liabilities from the pre-bankruptcy settlement to financial institutions are regularly settled and the payment of the first instalment to suppliers was made in accordance with the Settlement.

- Also, in compliance with the Settlement, the liabilities for interest and fees were written off and the Company realised income on release of liabilities for interest and fees in the amount of HRK 19,188 thousand. Income on release of liabilities from interest and fees have been recognised as finance income in the profit or loss.

- Furthermore, three creditors (banks) decided to settle their receivables outside the pre-bankruptcy settlement through future proceeds from the sale of assets under foreclosure (pledged as security for payment), as explained in note 31 of the financial statements.

- Additionally, the Company's debt on the basis of joint debt, joint and several liability or warranty was relived in full.

NOTE 6 – RESTATEMENT OF COMPARATIVE BALANCES

During the year the Company restated certain balances for the purpose of comparability of financial statements data in 2015 and 2014.

Reclassifications in the income statement are as follows:

(in thousands of HRK)	Previously published 2014	Income from share in profits	Interest income	Other staff costs	Interest expenses	Restated 2014
Group						
Other income	18,660	-	(2,996)	-	-	15,664
Financial income	183,395	-	2,996	-	-	186,391
Staff cost	(221,827)	-	-	(9,001)	-	(230,828)
Other operating costs	(246,962)	-	-	9,001	(271)	(238,232)
Financial costs	(37,599)	-	-	-	271	(37,328)
Company						
Other income	18,548	(1,532)	(3,442)	-	-	13,574
Financial income	211,097	1,532	3,442	-	-	216,071
Staff cost	(114,117)	-	-	(9,001)	-	(123,118)
Other operating costs	(217,354)	-	-	9,001	(271)	(208,624)
Financial costs	(21,231)	-	-	-	271	(20,960)

Reclassifications in the balance sheet are as follows:

(in thousands of HRK)	Previously published 2014	Advances given - net	Advances received - net	Restated 2014
Group				
Advances given	44,641	(3,665)	-	40,976
VAT receivable	16,540	-	(8,237)	8,303
Advances received	103,832	-	(8,237)	95,595
Accruals and other liabilities	29,795	(3,665)	-	26,130
Company				
Advances given	48,475	(3,665)	-	44,810
VAT receivable	14,915	-	(8,237)	6,678
Advances received	100,166	-	(8,237)	91,929
Accruals and other liabilities	18,316	(3,665)	-	14,651

NOTE 6 – RESTATEMENT OF COMPARATIVE BALANCES (continued)

Furthermore, during the year the comparative balances have been restated as a consequence of error in calculating the percentage of completion of projects. Change in retained earnings from the year 2014 in the amount of HRK 28,088 thousand arose due to changes in expected average project margins that changed the effects of IAS 11 at the period end.

Since the deviation occurred during 2014 restatement of the income statement for the year 2014 and statement of financial position at the end of 2014 have been made, while restatement of the statement of financial position as at 1 January 2014 was not required.

The effect of changes in comparative balances is as follows:

(in thousands of HRK)	Previously published 2014	Restatement of comparative balances	Restated 2014
Group			
Sales revenue	985,884	(28,088)	957,796
Net profit / (loss)	(4,123)	(28,088)	(32,211)
Receivable from customers for contract work	60,056	(28,088)	31,968
Accumulated loss	(119,972)	(28,088)	(148,060)
Company			
Sales revenue	721,015	(28,088)	692,927
Net profit / (loss)	63,736	(28,088)	35,648
Receivable from customers for contract work	60,056	(28,088)	31,968
Accumulated loss	(95,654)	(28,088)	(123,742)

NOTE 7 – SEGMENT INFORMATION

The Group separately monitors and presents business results of basic business segments, Production and Construction, whose operating activities are interrelated for the purpose of realising profit for the Group.

1. The Production segment includes forging works, the casting plant and the laboratory for quality control and the production and sales of metal frames/structures, as well as the manufacture and sales of suspension and jointing equipment.

2. The Construction segment includes the services of construction and project documentation preparation of power and distribution facilities, transformer stations, laying submarine and subterranean energy and telecommunication cables, posting public lighting, installing antenna, television and telecommunication posts as well as work relating to the construction of motorways.

NOTE 7 – SEGMENT INFORMATION (continued)

Management monitors the operating results of the business segments to make decisions on the allocation of resources and performance assessment. Segment performance assessment is based on the gross segment revenue and realised profit from regular operations, as explained in the following table. The Group manages finance income and costs, share of profit of joint ventures and income tax and they are not allocated by operating segments.

Operating results by business segments for the Group

(in thousands of HRK)	Construction	Production	Other	Total
Year ended 31 December 2015				
Gross revenues	1,050,627	270,176	31,189	1,351,992
Inter-segment revenues /i/	(46,635)	(103,311)	-	(149,946)
Total revenues	**1,003,992**	**166,865**	**31,189**	**1,202,046**
Operating profit/(loss) before depreciation and amortisation	82,269	(650)	14,033	95,652
Depreciation and amortisation	(35,244)	(7,305)	(8,358)	(50,907)
Operating profit/(loss)	**47,025**	**(7,955)**	**5,675**	**44,745**
Total assets	**1,362,569**	**262,424**	**466,861**	**2,091,854**
Total liabilities	**1,239,800**	**154,303**	**395,452**	**1,789,555**
Year ended 31 December 2014				
Gross revenues	891,042	214,147	24,935	1,130,124
Inter-segment revenues /i/	(83,565)	(88,739)	(24)	(172,328)
Total revenues	**807,477**	**125,408**	**24,911**	**957,796**
Operating profit/(loss) before depreciation and amortisation	(14,816)	(26,518)	(57,319)	(98,653)
Depreciation and amortisation	(34,472)	(9,205)	(6,587)	(50,264)
Operating loss	**(49,288)**	**(35,723)**	**(63,906)**	**(148,917)**
Total assets	**1,221,465**	**302,447**	**473,949**	**1,997,861**
Total liabilities	**1,125,949**	**178,181**	**394,990**	**1,699,120**

Out of the total gross revenues within segment ‘Other’, amount of HRK 25,789 thousand refers to the income from rent realized from investment property (2014: HRK 19,511 thousand).

NOTE 7 – SEGMENT INFORMATION (continued)

/i/ Inter-segment sales are eliminated on consolidation.

	2015	2014
	(in thousands of HRK)	
Segment sales revenue	1,320,803	1,105,189
Inter-segment receivables	(149,946)	(172,304)
Unalocated:		
Other	31,189	24,935
Inter-segment receivables	-	(24)
Total revenues	**1,202,046**	**957,796**

/ii/ Sales are allocated based on the country in which the customer is located.

	2015		2014	
	(in thousands of HRK)	%	*(in thousands of HRK)*	%
Norway	323,077	26.88	156,186	16.31
Croatia	328,491	27.33	256,121	26.74
Ukraine	247,289	20.57	264,886	27.66
Kosovo	148,547	12.36	67,191	7.02
Bosnia and Herzegovina	49,289	4.10	69,457	7.25
Slovenia	28,926	2.41	59,444	6.21
Saudi Arabia	17,777	1.48	4,615	0.48
Poland	10,440	0.87	7,711	0.81
Pakistan	9,226	0.77	15	-
Slovakia	5,142	0.43	298	0.03
Serbia	3,188	0.27	1,182	0.12
Montenegro	1,034	0.09	5,619	0.59
Marocco	232	0.02	12,472	1.30
Iraq	-	-	12,596	1.32
Other abroad	29,388	2.42	40,003	4.16
Total	**1,202,046**	**100.00**	**957,796**	**100.00**

NOTE 7 – SEGMENT INFORMATION (continued)

/iii/ Sales revenues by sectors are as follows:

	2015	2014
	(in thousands of HRK)	
Energetics	886,621	685,214
Roads	61,955	60,649
Properties	48,988	14,554
Telecomunications	2,996	2,217
Railroads	-	1,755
Sale of metal constructions	74,608	67,369
Sale of suspension and jointing equipment	89,396	59,515
Other	37,482	66,523
Total	**1,202,046**	**957,796**

Revenue from construction contracts amounts to HRK 1,003,992 thousand (2014: HRK 835,565 thousand).

Advances received for projects under construction that are active at the reporting date are presented within advances in note 34 and amounts to HRK 105,507 thousand (2014: HRK 99,960 thousand).

Out of total amount of guarantee deposits shown within notes 25 and 27, HRK 109,156 thousand relates to guarantee deposits (retentions) for contracts under construction that are active at the reporting date (2014: HRK 74,134 thousand).

NOTE 8 – OTHER INCOME

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	2015	2014	2015	2014
Court settlement income	51,825	-	51,825	-
Change in provision for impairment of trade receivables and loans - net	10,702	-	9,692	-
Rental income	1,238	207	5,793	4,897
Insurance claims proceeds	428	180	420	87
Income from reversal of provisions	3,029	2,904	57	2,709
Income from penalty interest	72	56	30	56
Inventory surpluses	2,286	1,063	7	1
Other operating income	13,347	11,254	14,111	5,824
	82,927	**15,664**	**81,935**	**13,574**

Rental income of the Company are realised based on investment property (note 19). Other operating income of the Company is related to the provision of technical support services to its subsidiaries.

NOTE 9 – COST OF MATERIALS AND SERVICES

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2015**	**2014**	**2015**	**2014**
Raw materials and supplies				
Raw materials and supplies	217,505	124,201	171,756	68,840
Energy	20,297	20,919	9,493	10,529
Spare parts and small inventory	7,022	5,657	4,217	3,190
	244,824	150,777	185,466	82,559
External services				
Subcontractor services	299,496	299,245	312,091	284,896
Transportation	19,037	14,413	7,648	6,983
Repairs and maintenance	12,519	12,343	6,044	6,479
Advertising and promotion	222	376	38	182
Rental expense	17,499	11,506	12,670	6,877
Other	4,575	6,089	2,150	2,048
	353,348	343,972	340,641	307,465
Total cost of materials and services	**598,172**	**494,749**	**526,107**	**390,024**

NOTE 10 – STAFF COSTS

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2015**	**2014**	**2015**	**2014**
Net salaries	152,119	136,705	95,845	75,273
Taxes and contributions on and from salaries	79,057	72,561	42,361	34,890
Severance costs	3,385	3,928	2,726	1,900
Unused vacation days	4,469	938	1,648	-
Other staff costs	24,977	15,840	13,373	10,318
Supervisory Board compensation	674	856	645	737
	264,681	**230,828**	**156,598**	**123,118**

Taxes and contributions include contributions paid into mandatory pension funds in the amount of HRK 30,619 thousand (2014: HRK 28,462 thousand) for the Group, and HRK 15,972 thousand for the Company (2014: HRK 13,653 thousand). Contributions are calculated as a percentage of the employees' gross salaries.

Other staff costs include gifts, jubilee awards and other benefits.

As at 31 December 2015, the Group had 1,335 employees (2014: 1,397 employees), and the Company had 645 employees (2014: 548 employees).

NOTE 11 – OTHER OPERATING EXPENSES

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2015**	**2014**	**2015**	**2014**
Intellectual and non-production services	36,912	58,212	14,307	38,982
Daily allowances and travel cost	25,299	24,437	24,035	18,017
Bank charges	10,161	8,241	8,532	6,684
Entertainment	1,910	1,982	964	833
Taxes and contributions	6,640	3,013	3,348	2,745
Insurance	15,940	4,253	13,873	2,926
Sponsorships, donations and other aids	695	604	568	465
Impairment and write-off of property, plant and equipment	1,181	70,900	29	578
Impairment of trade receivables and loans – net (note 25 and note 27)	-	36,688	-	41,775
Impairment of other financial assets (note 25 and note 27)	2,370	4,049	-	3,973
Impairment of investments in subsidiaries (note 20)	-	-	-	71,845
Impairment of inventories	8,397	2,223	3,009	-
Inventory shortages	2,189	1,588	3	84
Interest from suppliers	665	1,246	488	1,118
Fines and penalties	522	4,329	278	1,577
Court settlement agency cost	8,245	-	8,245	-
Court cases	19,679	3,539	19,303	3,325
Other	35,090	12,928	32,928	13,697
	175,895	**238,232**	**129,910**	**208,624**

NOTE 12 – OTHER GAINS/(LOSSES) – NET

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2015**	**2014**	**2015**	**2014**
Net foreign exchange loss from operating activities	7,882	19,593	8,813	19,790
Gains/(loss) on sale of available-for-sale financial assets	531	-	531	-
Gains from fair value changes of the assets at fair value through profit and loss (note 28)	199	149	199	149
Fair value losses of financial assets available-for-sale (note 23)	(134)	(49,307)	(2)	(49,299)
Net gain on sale of property, plant and equipment	623	(747)	494	1,013
Loss from slae of subsidiary (note 38)	(5,804)	-	-	-
	3,297	**(30,312)**	**10,035**	**(28,347)**

NOTE 13 – FINANCE INCOME AND COSTS – NET

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2015**	**2014**	**2015**	**2014**
Income from shares in profit	-	-	12,966	1,532
Interest income	4,811	2,996	3,411	3,442
Interest income on bank deposits	550	172	192	74
Income from discount of long term liabilities	-	157,384	-	185,448
Income from interest and fees write-offs	-	22,394	-	22,394
Income from unwinding of discount	806	1,363	807	1,363
Net foreign exchange differences from financing activities	-	-	34	-
Other finance income	105	2,082	-	1,818
Finance income	6,272	186,391	17,410	216,071
Net foreign exchange differences (financing activities)	(131)	(810)	-	-
Interest expense	(38,118)	(38,241)	(24,403)	(20,960)
Less capitalised interest (note 18)	-	1,829	-	-
Other financial expenses	(2)	(106)	-	-
Finance costs	(38,251)	(37,328)	(24,403)	(20,960)
	(31,979)	**149,063**	**(6,993)**	**195,111**

NOTE 14 – INCOME TAX

The reconciliation of accounting income and taxable income is detailed in the table below:

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2015**	**2014**	**2015**	**2014**
Profit/(loss) before tax	**12,780**	**(7,141)**	**39,119**	**58,423**
Tax calculated at the domestic tax rate applicable to profits in the respective countries	11,457	15,596	14,082	35,846
Effect of non-taxable income	(6,484)	(1,353)	(5,709)	(392)
Effect of non-deductible expenses	10,937	46,995	6,679	30,053
Effect of reinvestment of profit /i/	-	(1,695)	-	-
Effect of tax losses not recognised as deferred tax assets	1,796	8,449	-	-
Utilisation of tax losses for whic deferred tax assets was not recognised	(8,945)	(42,922)	(7,083)	(42,732)
Income tax expense	**8,761**	**25,070**	**7,969**	**22,775**
Effective tax rate	***68.6%***	***-***	***20.4%***	***39.0%***

/i/ In 2013, one member of the Group utilised a tax exemption pursuant to the reinvestment of profit and as a result of utilising the incentive it was obliged to increase its share capital in 2014 by HRK 7,729 thousand. The same member of the Group utilised a tax exemption in 2014, and as a result increased share capital by HRK 8,274 thousand.

In accordance with the regulations of the Republic of Croatia, the Tax Authority may at any time inspect the Company's books and records within 3 years following the year in which the tax liability is reported, and may impose additional tax assessments and penalties. The same regulations apply to other subsidiaries of the Group in Croatia. Foreign subsidiaries abroad must comply with tax regulations of the country in which they operate. During the year there were no changes in tax rates in countries where members of the Group operate. Reported income tax expense in the Company includes income tax expense recorded in separate business units abroad in accordance with the tax laws of the countries in which the units operate.

Overview of tax losses for which deferred tax asset has not been recognised is as follows:

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2015**	**2014**	**2015**	**2014**
Unutilised tax losses				
Tax loss from 2010 - expires 2015	-	5,878	-	-
Tax loss from 2011 - expires 2016	12,738	58,347	12,357	47,771
Tax loss from 2012 - expires 2017	351,705	352,035	351,073	351,073
Tax loss from 2013 - expires 2018	73,197	82,500	45,157	45,157
Tax loss from 2014 - expires 2019	29,729	32,654	-	-
Tax loss from 2015 - expires 2020	13,630	-	-	-
	480,999	**531,414**	**408,587**	**444,001**

NOTE 14 – INCOME TAX (continued)

The Company and the Group did not recognise deferred tax asset as it is not probable that future taxable profits will be available to utilize the tax losses.

During the year the Company and the Group recognised deferred tax liability on revaluation of assets (note 31).

Movement in deferred tax liability

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2015**	**2014**	**2015**	**2014**
At beginning of year	10,004	10,004	10,004	10,004
Charged to revaluation reserves	-	-	-	-
At end of year	**10,004**	**10,004**	**10,004**	**10,004**

NOTE 15 – BASIC AND DILUTED LOSS PER SHARE

Basic earnings per share are calculated on the basis of the Company's net profit attributable to the Company shareholders and the weighted average number of ordinary shares in issue, excluding treasury shares. There are no dilutable potential ordinary shares.

	Dalekovod Group	
	2015	**2014**
Net loss attributable to shareholders *(in thous. of HRK)*	4,282	(31,812)
Weighted average number of shares	24,675,354	17,126,722
Basic/diluted loss per share *(in HRK)*	0.17	(1.86)

NOTE 16 – DIVIDEND PER SHARE

Unpaid dividends in the amount of HRK 101 thousand (2014: HRK 1,900 thousand) are presented as dividend payable within "trade and other payables" (note 34), and it relates to dividends for shareholders who did not submit the required data for payment.

NOTE 17 – INTANGIBLE ASSETS

Group

(in thousands of HRK)	Goodwill	Usage rights	Software	Assets under construction	Total
At 1 January 2014					
Cost	4,559	-	40,811	-	45,370
Accumulated amortisation and impairment losses	(3,346)	-	(31,789)	-	(35,135)
Net book value	**1,213**	**-**	**9,022**	**-**	**10,235**
Year ended 31 December 2014					
At 1 January	1,213	-	9,022	-	10,235
Additions	-	15,511	461	128	16,100
Disposals and write-offs	-	-	(116)	-	(116)
Foreign exchange differences	-	-	(1)	-	(1)
Amortisation	-	(1,034)	(3,001)	-	(4,035)
Impairment loss	-	-	-	-	-
At 31 December	**1,213**	**14,477**	**6,365**	**128**	**22,183**
At 31 December 2014					
Cost	4,559	15,511	40,819	128	61,017
Accumulated amortisation and impairment losses	(3,346)	(1,034)	(34,454)	-	(38,834)
Net book value	**1,213**	**14,477**	**6,365**	**128**	**22,183**
Year ended 31 December 2015					
At 1 January	1,213	14,477	6,365	128	22,183
Additions	-	-	280	1,165	1,445
Transfer	-	-	435	(435)	-
Amortisation	-	(3,102)	(2,815)	-	(5,917)
At 31 December	**1,213**	**11,375**	**4,265**	**858**	**17,711**
At 31 December 2015					
Cost	2,024	15,511	39,458	858	57,851
Accumulated amortisation and impairment losses	(811)	(4,136)	(35,193)	-	(40,140)
Net book value	**1,213**	**11,375**	**4,265**	**858**	**17,711**

NOTE 17 – INTANGIBLE ASSETS (continued)

Group (continued)

Goodwill is allocated entirely to the Production segment.

Goodwill is tested annually for impairment as stated in note 2.8.

The recoverable amount of cash generating units is determined based on value-in-use calculations. These calculations use cash flow projections from financial budgets approved by the management covering a five-year period. The terminal growth rate used to extrapolate the cash flows beyond the five-year period is 3.00%, and the present value of future cash flows is calculated using a discount rate of 7.24%. The growth rate assumption was based on the historical data and the management's expectations for market development. The discount rate used is based on the Group's weighted average cost of capital.

During 2013 goodwill impairment loss in the amount of HRK 3,346 thousand have been recognised in the income statement. As a result of the sale of subsidiary, goodwill in the amount of HRK 2,535 thousand that has been fully impaired has been written-off.

NOTE 17 – INTANGIBLE ASSETS (continued)

Company

(in thousands of HRK)	Usage rights	Software	Assets under construction	Total
At 1 January 2014				
Cost	-	36,181	-	36,181
Accumulated amortisation	-	(29,159)	-	(29,159)
Net book value	**-**	**7,022**	**-**	**7,022**
Year ended 31 December 2014				
At 1 January	-	7,022	-	7,022
Additions	15,511	165	-	15,676
Amortisation	(1,034)	(2,521)	-	(3,555)
At 31 December	**14,477**	**4,666**	**-**	**19,143**
At 31 December 2014				
Cost	15,511	36,249	-	51,760
Accumulated amortisation	(1,034)	(31,583)	-	(32,617)
Net book value	**14,477**	**4,666**	**-**	**19,143**
Year ended 31 December 2015				
At 1 January	14,477	4,666	-	19,143
Additions	-	-	1,165	1,165
Transfer	-	435	(435)	-
Amortisation	(3,102)	(2,337)	-	(5,439)
At 31 December	**11,375**	**2,764**	**730**	**14,869**
At 31 December 2015				
Cost	15,511	36,587	730	52,828
Accumulated amortisation	(4,136)	(33,823)	-	(37,959)
Net book value	**11,375**	**2,764**	**730**	**14,869**

NOTE 18 – PROPERTY, PLANT AND EQUIPMENT

Group

(in thousands of HRK)	Land	Buildings	Plant and equipment	Assets under construction	Total
At 1 January 2014					
Cost or deemed cost	284,409	462,597	380,253	384,490	1,511,749
Accumulated depreciation	-	(223,548)	(255,935)	-	(479,483)
Net book value	**284,409**	**239,049**	**124,318**	**384,490**	**1,032,266**
Year ended 31 December 2014					
At 1 January	284,409	239,049	124,318	384,490	1,032,266
Additions	-	2,890	2,281	34,980	40,151
Branch offices	-	-	7,864	-	7,864
Transfer	-	402,001	2,040	(404,041)	-
Transfer to investment property	(38,096)	(402,001)	-	-	(440,097)
Disposals and write-offs	-	(599)	(985)	-	(1,584)
Foreign exchange differences	13	76	(196)	60	(47)
Depreciation	-	(11,868)	(27,793)	-	(39,661)
Impairment loss	-	-	-	(2,628)	(2,628)
At 31 December	**246,326**	**229,548**	**107,529**	**12,861**	**596,264**
At 31 December 2014					
Cost or deemed cost	246,326	464,133	370,641	12,861	1,093,961
Accumulated depreciation and impairment losses	-	(234,585)	(263,112)	-	(497,697)
Net book value	**246,326**	**229,548**	**107,529**	**12,861**	**596,264**
Year ended 31 December 2015					
At 1 January	246,326	229,548	107,529	12,861	596,264
Additions	1,158	3,946	7,192	11,099	23,395
Transfer	-	-	12,261	(12,261)	-
Disposals and write-offs	-	(23)	(297)	-	(320)
Disposal of subsidiary	(974)	(15,500)	(595)	-	(17,069)
Foreign exchange differences	(15)	27	(191)	(66)	(245)
Depreciation	-	(11,019)	(25,352)	-	(36,371)
Impairment loss	-	-	-	(920)	(920)
At 31 December	**246,495**	**206,979**	**100,547**	**10,713**	**564,734**
At 31 December 2015					
Cost or deemed cost	246,495	441,997	363,163	10,713	1,062,368
Accumulated depreciation and impairment losses	-	(235,018)	(262,616)	-	(497,634)
Net book value	**246,495**	**206,979**	**100,547**	**10,713**	**564,734**

NOTE 18 – PROPERTY, PLANT AND EQUIPMENT (continued)

Company

(in thousands of HRK)	Land	Buildings	Plant and equipment	Assets under construction	Total
At 1 January 2014					
Cost or deemed cost	164,914	113,021	248,493	-	526,428
Accumulated depreciation	-	(59,281)	(185,286)	-	(244,567)
Net book value	**164,914**	**53,740**	**63,207**	**-**	**281,861**
Year ended 31 December 2014					
At 1 January	164,914	56,635	73,740	-	295,289
Additions	-	-	1,205	-	1,205
Branch offices	-	-	7,864	-	7,864
Disposals and write-offs	-	(539)	(478)	-	(1,017)
Depreciation	-	(2,356)	(19,124)	-	(21,480)
At 31 December	**164,914**	**53,740**	**63,207**	**-**	**281,861**
At 31 December 2014					
Cost or deemed cost	164,914	113,021	248,493	-	526,428
Accumulated depreciation	-	(59,281)	(185,286)	-	(244,567)
Net book value	**164,914**	**53,740**	**63,207**	**-**	**281,861**
Year ended 31 December 2015					
At 1 January	164,914	53,740	63,207	-	281,861
Additions	1,158	3,946	6,571	-	11,675
Disposals and write-offs	-	(23)	(52)	-	(75)
Depreciation	-	(2,489)	(17,575)	-	(20,064)
At 31 December	**166,072**	**55,174**	**52,151**	**-**	**273,397**
At 31 December 2015					
Cost or deemed cost	166,072	116,924	243,656	-	526,652
Accumulated depreciation	-	(61,750)	(191,505)	-	(253,255)
Net book value	**166,072**	**55,174**	**52,151**	**-**	**273,397**

NOTE 18 – PROPERTY, PLANT AND EQUIPMENT (continued)

In 2015, there were not capitalised interest (2014: capitalized interest on assets under construction amounted HRK 1,829 thousand using a rate of 4.79%). At the Company level there were not any capitalized interest.

Had revaluation not been performed, the carrying amount of land and buildings of the Group would have amounted to HRK 389,030 thousand at 31 December 2015 (2014: HRK 411,430 thousand), while the carrying amount of land and buildings of the Company would have amounted to HRK 171,227 thousand (2014: HRK 168,635 thousand).

As at 31 December 2015, land, buildings and equipment of the Group and the Company with a net book value of HRK 316,729 thousand (2014: HRK 310,860 thousand) were pledged as security for borrowings (note 32).

At 31 December 2015, assets under a finance lease where the Company are the lessee amounted to HRK 30,843 thousand (2014: HRK 40,920 thousand) – see note 32.

NOTE 19 – INVESTMENT PROPERTY

Group

(in thousands of HRK)	Land	Buildings	Total
At 1 January 2014			
Cost	-	-	-
Accumulated depreciation	-	-	-
Net book value	-	-	-
Year ended 31 December 2014			
At 1 January	-	-	-
Transfer from property, plant and equipment	38,096	402,001	440,097
Depreciation	-	(6,568)	(6,568)
Impairment loss	-	(67,694)	(67,694)
At 31 December	**38,096**	**327,739**	**365,835**
At 31 December 2014			
Cost	38,096	402,001	440,097
Accumulated depreciation	-	(74,262)	(74,262)
Net book value	**38,096**	**327,739**	**365,835**
Year ended 31 December 2015			
At 1 January	38,096	327,739	365,835
Additions	-	6,983	6,983
Depreciation	-	(8,619)	(8,619)
Impairment loss	-	(766)	(766)
At 31 December	**38,096**	**325,337**	**363,433**
At 31 December 2015			
Cost	38,096	408,984	447,080
Accumulated depreciation and impairment losses	-	(83,647)	(83,647)
Net book value	**38,096**	**325,337**	**363,433**

Investment property mainly relates to Sky office.

Land and buildings with a net book value of HRK 356,712 thousand (2014: HRK 356,835 thousand) have been pledged as security for the repayment of the finance lease (note 32).

NOTE 19 – INVESTMENT PROPERTY (continued)

Company

(in thousands of HRK)	Land	Buildings	Total
At 1 January 2014			
Cost	72,209	270,475	342,684
Accumulated depreciation	-	(121,810)	(121,810)
Net book value	**72,209**	**148,665**	**220,874**
Year ended 31 December 2014			
At 1 January	72,209	148,665	220,874
Additions	-	2,890	2,890
Depreciation	-	(8,118)	(8,118)
At 31 December	**72,209**	**143,437**	**215,646**
At 31 December 2014			
Cost	72,209	273,366	345,575
Accumulated depreciation	-	(129,929)	(129,929)
Net book value	**72,209**	**143,437**	**215,646**
Year ended 31 December 2015			
At 1 January	72,209	143,437	215,646
Additions	-	6,983	6,983
Depreciation	-	(8,447)	(8,447)
At 31 December	**72,209**	**141,973**	**214,182**
At 31 December 2015			
Cost	72,209	280,349	352,558
Accumulated depreciation and impairment losses	-	(138,376)	(138,376)
Net book value	**72,209**	**141,973**	**214,182**

Land and buildings with a carrying amount of HRK 113,943 thousand (2014: HRK 118,517 thousand) have been pledged as security for the repayment of the finance lease (note 32).

NOTE 20 – INVESTMENTS IN SUBSIDIARIES

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2015**	**2014**	**2015**	**2014**
At 1 January	-	-	287,782	314,079
Additions /i/	-	-	5,508	45,548
Decrease /ii/	-	-	(7,292)	-
Impairment /iii/	-	-	-	(71,845)
Transfer of shares /iv/	-	-	-	-
At 31 December	**-**	**-**	**285,998**	**287,782**

/i/ During 2015 by transfer of loans receivable investment in subsidiary Dalekovod Polska S.A was increases by HRK 5,463 thousand and also companies POLDAL ENERGIE, POLDAL CONNECT, POLDAL TOWERS, POLDAL KV and POLDAL THE BRIDGE were established with the share capital of HRK 9 thousand each (2014: by transfer of loans receivable investment in subsidiary Dalekovod Ulaganja d.o.o. was increased by HRK 39,548 thousand and investment in subsidiary Dalekovod.Polska S.A. by HRK 3,984 thousand while investment in subsidiary Dalekovod Norge AS in the amount of HRK 2,016 thousand was result of transfer of share from Norwegian business unit to Dalekovod d.d.).

/ii/ Decrease of investement referes to the sale of the company Dalekovod TIM Topusko d.d.

/iii/ During 2015 there was no impairment of investment in subsidiaries. Change in impairment is related to the sale of the company Dalekovod TIM Topusko d.d. (previously impaired investment was written-off). During 2014 the Company partially impaired investment in subsidiaries Dalekovod Ulaganja in the amount of HRK 67,694 thousand and Dalekovod TIM Topusko d.d. in the amount of HRK 4,151 thousand. During 2013 the Company fully impaired investments in subsidiaries Dalekovod TKS a.d., Doboj i Cindal d.o.o., Doboj and partially impaired investments in subsidiaries Dalekovod Proizvodnja d.o.o. i Dalekovod TIM d.d. During 2012, the Company impaired investments in subsidiaries Denacco Namibia (PTY) Ltd, Dalekovod-Adria d.o.o. and Dalekovod Libya, while investment in Dalekovod-Polska S.A. had been impaired in 2009. The impairment in 2014 of HRK 71,845 thousand was recorded in the income statement (note 11).

/iv/ During 2015 the Company took over underlying share in the company Dalekovod ESCO (renamed from Dalekovo OIE) from the subsidiary Dalekovod Professio. The share is transferred without any fees and is recorded in the share capital of subsidiary and identical impairment.

Impairment of investments in subsidiaries, i.e. calculation of recoverable amount is based on approved plans. Future cash flows derived from those plans are discounted using the weighted average cost of capital between 8.50% and 8.81% depending on the industry in which the individual entity operates.

NOTE 20 – INVESTMENTS IN SUBSIDIARIES (continued)

At 31 December, the Company owns shares in the following subsidiaries:

Name	Country of incorporation	Primary activity	2015	2014	2015	2014
			Holding in %		*(in thousands of HRK)*	
Dalekovod d.o.o., Ljubljana	Slovenia	Construction	100.00	100.00	2,075	2,075
Dalekovod d.o.o., Mostar	Bosnia and Herzegovina	Construction	100.00	100.00	210	210
Dalekovod Proizvodnja d.o.o., Dugo Selo	Croatia	Production	100.00	100.00	222,758	222,758
Dalekovod-projekt d.o.o., Zagreb	Croatia	Construction	100.00	100.00	4,614	4,614
Dalcom Engineering GmbH, Freilassing	Germany	Construction	100.00	100.00	372	372
Dalekovod-Polska S.A., Warsaw /i/, /iii/	Poland	Construction	100.00	100.00	12,044	6,581
Dalekovod TKS a.d., Doboj /iii/	Bosnia and Herzegovina	Production	97.25	97.25	20,344	20,344
Dalekovod Professio d.o.o., Zagreb	Croatia	Other	100.00	100.00	77,029	77,029
Denacco Namibia (PTY) Ltd /iii/	Namibia	Construction	60.00	60.00	18	18
Dalekovod TIM Topusko d.d. /ii/, /iii/	Croatia	Production	95.81	95.81	-	28,059
Dalekovod – ulaganja d.o.o. Zagreb /i/, /iii/	Croatia	Other	100.00	100.00	77,668	77,668
Cindal d.o.o. Doboj /iii/	Bosnia and Herzegovina	Production	95.01	95.01	5,191	5,191
Dalekovod-Adria d.o.o. Zagreb /iii/	Croatia	Other	100.00	100.00	32,098	32,098
Dalekovod EMU d.o.o. Zagreb	Croatia	Construction	100.00	100.00	11,063	11,063
EL-RA d.o.o.. Zagreb	Croatia	Other	100.00	100.00	492	492
Dalekovod Libya za inženjering, zajedničko poduzeće, Libya /iii/	Libya	Construction	65.00	65.00	879	879
Dalekovod Ukrajina d.o.o.	Ukraine	Construction	100.00	100.00	74	74
Dalekovod ApS, Grenland	Grenland	Construction	100.00	100.00	124	124
Dalekovod Norge AS /i/	Norway	Construction	100.00	100.00	2,072	2,072
Dalekovod ESCO d.o.o., Zagreb /iv/	Croatia	Other	100.00	-	20	-
POLDAL ENERGIE Sp. z o.o. /i/	Poland	Construction	100.00	-	9	-
POLDAL CONNECT Sp. z o.o. /i/	Poland	Construction	100.00	-	9	-
POLDAL TOWERS Sp. z o.o. /i/	Poland	Construction	100.00	-	9	-
POLDAL KV Sp. z o.o. /i/	Poland	Construction	100.00	-	9	-
POLDAL THE BRIDGE 7 Sp. z.o.o. /i/	Poland	Construction	100.00	-	9	-
Impairment of investments /iii/					(183,192)	(203,939)
					285,998	**287,782**

NOTE 20 – INVESTMENTS IN SUBSIDIARIES (continued)

A Group member (Dalekovod Professio d.o.o.) owns shares in the following subsidiaries:

Name	**Country of incorporation**	**2015**	**2014**
		Holding in %	
Dalekovod ESCO d.o.o. , Zagreb	Croatia	-	100.00
Voštane j.d.o.o., Zagreb	Croatia	100.00	100.00
Dalekovod breze j.d.o.o., Zagreb	Croatia	100.00	100.00
Otrić j.d.o.o., Zagreb	Croatia	100.00	100.00

Business of the companies is related to the renewable energy. The companies Voštane j.d.o.o., Dalekovod breze j.d.o.o. and Otrić j.d.o.o. are not included in consolidation due to immaterial assets and operating volume.

During the 2015 subsidiary DalProizvodnja d.o.o. Doboj, Bosnia and Herzegovina, which was 100% owned by the subsidiary Dalekovod Proizvodnja d.o.o., was liquidated. DalProizvodnja d.o.o. did not have significant operations or assets.

NOTE 21 – INVESTMENTS IN ASSOCIATES

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2015**	**2014**	**2015**	**2014**
At beginning of year	14,654	16,478	20,241	20,241
Share in profit/(loss)	14	(1,824)	-	-
At end of year	**14,668**	**14,654**	**20,241**	**20,241**

Associates are as follows:

	Dalekovod Group		Holding in %	
(in thousands of HRK)	**2015**	**2014**	**2015**	**2014**
TLM Group Members	7	7	25-47	25-47
Unidal d.o.o., Vinkovci	14,661	14,647	44.65	44.65
Total	**14,668**	**14,654**		

Financial information about associate is summarised below:

(in thousands of HRK)	**Assets**	**Liabilities**	**Revenues**	**Net gain / (loss)**
At 31 December 2015				
Unidal d.o.o.	60,491	44,909	75,548	31
At 31 December 2014				
Unidal d.o.o.	57,139	41,584	63,777	(4,085)

NOTE 22 – INVESTMENTS IN JOINT VENTURES

	Dalekovod Group	
(in thousands of HRK)	**2015**	**2014**
At beginning of year	-	70,514
Share in profit/(loss)	-	(5,463)
Other	-	(8)
Transfer to assets held for sale	-	(65,043)
At end of year	**-**	**-**

Financial information of joint ventures is summarised below:

(in thousands of HRK)	**Assets**	**Liabilities**	**Revenues**	**Net gain / (loss)**
At 31 December 2015				
Velika Popina d.o.o.	97,271	68,147	18,037	(3,556)
Eko d.o.o.	384,468	299,381	87,459	(7,364)
OIE Makedonija	13	-	-	(6)
	481,752	**367,528**	**105,496**	**(10,926)**

NOTE 23 – AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2015**	**2014**	**2015**	**2014**
At beginning of year	10,269	28,273	9,854	28,260
Increase	-	414	-	4
Decrease /i/	(5,598)	-	(5,598)	-
Transfer from other receivables	-	30,889	-	30,889
Adjustment to fair value /ii/	(134)	(49,307)	(2)	(49,299)
At end of year	**4,537**	**10,269**	**4,254**	**9,854**

/i/ During the year the Company sold part of available-for-sale financial assets. Gains from the sale amounting HRK 531 thousand are disclosed in note 12.

/ii/ At 31 December 2015, the Company performed a valuation of available for sale financial assets and adjusted them to fair value. The fair value loss at the Company level of HRK 2 thousand and on the Group level of HRK 134 thousand (2014: HRK 49,299 thousand on the Company level and HRK 49,307 on the Group level) was recognised in the income statement (note 12).

NOTE 24 – FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

Group

(in thousands of HRK)	Note	Loans and receivables	Financial assets at fair value through profit or loss	Available for sale financial assets	Total
31 December 2015					
Financial assets					
Trade receivables	25, 27	291,391	-	-	**291,391**
Receivables by construction contracts	27	107,358	-	-	**107,358**
Loans receivable and deposits	25, 26	180,525	-	-	**180,525**
Interest receivable	27	903	-	-	**903**
Other receivables	27	33,755	-	-	**33,755**
Available for sale financial assets	23	-	-	4,537	**4,537**
Financial assets at fair value through profit or loss	28	-	30,377	-	**30,377**
Cash and cash equivalents	29	102,077	-	-	**102,077**
Total		**716,009**	**30,377**	**4,537**	**750,923**

(in thousands of HRK)	Note	Other financial liabilities
31 December 2015		
Financial liabilities		
Loans	32	740,833
Bonds	32	20,891
Finance lease	32	126,325
Mezzanine debt	33	207,816
Trade payables	34	323,525
Other payables	34	146,210
Total		**1,565,600**

Financial instruments do not include transactions with employees, receivables/payables for contributions, taxes and receivables/payables for advances received.

NOTE 24 – FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Group

(in thousands of HRK)	Note	Loans and receivables	Financial assets at fair value through profit or loss	Available for sale financial assets	Total
31 December 2014					
Financial assets					
Trade receivables	25, 27	309,786	-	-	**309,786**
Receivables by construction contracts	27	31,968	-	-	**31,968**
Loans receivable and deposits	25, 27	135,117	-	-	**135,117**
Interest receivable	27	371	-	-	**371**
Other receivables	27	6,938	-	-	**6,938**
Available for sale financial assets	23	-	-	10,269	**10,269**
Financial assets at fair value through profit or loss	28	-	40,680	-	**40,680**
Cash and cash equivalents	29	66,388	-	-	**66,388**
Total		**550,568**	**40,680**	**10,269**	**601,517**

(in thousands of HRK)	Note	Other financial liabilities
31 December 2014		
Financial liabilities		
Loans	32	740,558
Commercial papers	32	20,144
Finance lease	32	133,132
Mezzanine debt	33	207,026
Trade payables	34	312,873
Other payables	34	91,350
Total		**1,505,083**

Financial instruments do not include tax payables, payables to employees, taxes and contributions and advances received.

NOTE 24 – FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Company

(in thousands of HRK)	Note	Loans and receivables	Financial assets at fair value through profit or loss	Available for sale financial assets	Total
31 December 2015					
Financial assets					
Trade receivables	25, 26	248,163	-	-	**248,163**
Receivables by construction contracts	27	86,399	-	-	**86,399**
Loans receivable and deposits	25, 27	187,444	-	-	**187,444**
Interest receivable	27	1,491	-	-	**1,491**
Other receivables	27	32,553	-	-	**32,553**
Available for sale financial assets	23	-	-	4,254	**4,254**
Financial assets at fair value through profit or loss	28	-	30,377	-	**30,377**
Cash and cash equivalents	29	81,849	-	-	**81,849**
Total		**637,899**	**30,377**	**4,254**	**672,530**

(in thousands of HRK)	Note	Other financial liabilities
31 December 2015		
Financial liabilities		
Loans	32	400,383
Bonds	32	27,580
Finance lease	32	125,394
Mezzanine debt	33	238,421
Trade payables	34	312,804
Other payables	34	94,903
Total		**1,199,485**

Financial instruments do not include tax payables, payables to employees, taxes and contributions and advances received.

NOTE 24 – FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Company

(in thousands of HRK)	Note	Loans and receivables	Financial assets at fair value through profit or loss	Available for sale financial assets	Total
31 December 2014					
Financial assets					
Trade receivables	25, 26	276,431	-	-	**276,431**
Receivables by construction contracts	27	31,968	-	-	**31,968**
Loans receivable and deposits	25, 26	129,874	-	-	**129,874**
Interest receivable	27	882	-	-	**882**
Receivables from subsidiaries for share in profits	27	1,532	-	-	**1,532**
Other receivables	27	3,219	-	-	**3,219**
Available for sale financial assets	23	-	-	9,854	**9,854**
Financial assets at fair value through profit or loss	28	-	40,178	-	**40,178**
Cash and cash equivalents	29	41,762	-	-	**41,762**
Total		**485,668**	**40,178**	**9,854**	**535,700**

(in thousands of HRK)	Note	Other financial liabilities
31 December 2014		
Financial liabilities		
Loans	32	398,697
Bonds	32	26,537
Finance lease	32	132,111
Mezzanine debt	33	238,421
Trade payables	34	294,842
Other payables	34	43,039
Total		**1,133,647**

Financial instruments do not include tax payables, payables to employees, taxes and contributions and advances received.

NOTE 25 – LOANS AND RECEIVABLES

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2015**	**2014**	**2015**	**2014**
Long-term deposits	13,962	3,448	7,805	1,867
Long-term guarantee deposits	31,281	73,015	29,315	67,819
Long-term trade receivables	721	1,156	11	11
Other long-term receivables	3	-	3	-
Long-term loans receivable:				
- loans to subsidiaries	-	-	13,730	13,921
- housing loans and other loans to employees	2,645	2,324	686	1,017
- loans to other companies	8,551	8,551	8,551	8,551
Impairment of long-term deposits and loans receivable	(9,820)	(10,627)	(9,110)	(9,917)
Impairment of long-term deposits and loans receivable	-	-	-	-
Total long-term deposits and loans receivable	47,343	77,867	50,991	83,269
Current portion of long-term loans and deposits (note 27)	(160)	(203)	(160)	(203)
Long-term loans and deposits given	**47,183**	**77,664**	**50,831**	**83,066**

Deposits

Deposits are denominated in HRK. During the year, the effective interest rates for deposits ranged from 0.01% to 1.75%. Long-term deposits mature in 2017 and 2020.

Housing loans

Housing loans to employees carry an average effective interest rate of 6%, and are repayable over 2 to 25 years through deductions from employee salaries. Housing loans are denominated in HRK with currency clauses (EUR).

Loans to other companies

During 2008, the Company concluded a Loan Agreement with TPN Sportski grad from Split, according to which a revolving loan facility was agreed in the total amount of HRK 9,000 thousand, and the debtor drew down HRK 8,660 thousand on this facility. The loan was granted with a discount rate which was 9% annually at the date of Agreement. The loan matures in one instalment in 2028, while interest is calculated over the entire period and will be repaid from 31 October 2010. Due to the uncertainty of receivables collection under this loan, the Company impaired this loan during 2012.

NOTE 25 – LOANS AND RECEIVABLES (continued)

Movements in the provision for impairment of long-term deposits and loans receivable are as follows:

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2015**	**2014**	**2015**	**2014**
At 1 January	10,627	10,765	9,917	10,055
Collection of impaired receivables (note 11)	-	(49)	-	(49)
Unwinding of discount og guarantee deposits	(807)	(89)	(807)	(89)
At 31 December	**9,820**	**10,627**	**9,110**	**9,917**

NOTE 26 – INVENTORIES

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2015**	**2014**	**2015**	**2014**
Raw materials	62,601	81,493	16,259	18,440
Finished and semi-finished goods and work in progress	39,059	54,123	266	581
Spare parts and small inventories	5,999	1,620	2,216	1,285
Trade goods	9,016	8,535	1,748	7
Advances for inventories	1,058	855	-	-
	117,733	**146,626**	**20,489**	**20,313**

Cost of raw materials and supplies recognised in the income statement is disclosed in note 9.

Impairment of inventories recognised in the income statement is disclosed in note 11.

NOTE 27 – TRADE AND OTHER RECEIVABLES

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2015**	**2014**	**2015**	**2014**
Domestic trade receivables	243,097	290,040	218,043	249,407
Foreign trade receivables	173,284	158,485	148,901	155,483
Impairment of trade receivables	(125,711)	(139,895)	(118,792)	(128,470)
	290,670	308,630	248,152	276,420
Receivable from customers for contract work	107,358	31,968	86,399	31,968
Guarantee deposits – current portion	88,072	29,956	79,838	12,079
Short-term deposits /iii/	11,986	15,623	5,108	2,805
Current portion of long-term loans (note 25)	160	203	160	203
Loans to subsidiary	-	-	44,626	32,628
Other short-term loans /i/	39,988	16,471	23,576	15,788
Interest receivable	9,204	8,441	11,431	10,910
Dividend receivable	-	-	-	1,532
Other receivables	42,624	15,807	41,422	12,088
Impairment of other financial assets	(23,313)	(20,583)	(35,493)	(35,581)
Total financial assets	566,749	406,516	505,219	360,840
Advances /ii/	44,558	40,976	43,065	44,810
Receivable from employees	323	177	255	100
VAT receivable	23,693	8,303	20,180	6,678
Outstanding VAT receivable	3,251	4,541	813	810
Prepaid expenses	2,401	6,803	1,898	243
Impairment of non-financial assets (note 11)	(6,247)	(6,247)	(6,247)	(6,247)
Total non-financial assets	67,979	54,553	59,964	46,394
	634,728	**461,069**	**565,183**	**407,234**

/i/ Other short-term loans and loans to subsidiaries represent primarily trade receivables converted to loans and loans given to sports organisations with annual interest rates from 4.5%-7%. The loans are generally granted for periods from 3 to 12 months and are secured by bills of exchange and promissory notes.

/ii/ Advances were granted to suppliers for the purchase of material and equipment, as well as for project design services.

NOTE 27 – TRADE AND OTHER RECEIVABLES (continued)

/iii/ Short-term deposits are contracted with fixed maturities and variable interest rates that are approximately equal to market rates. All deposits have maturities of one year after the balance sheet date. During the year, the effective interest rate for deposits ranged from 0.01% to 1.75%.

The ageing of trade receivables is as follows:

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2015**	**2014**	**2015**	**2014**
Not due	191,906	200,534	193,763	177,026
Up to 90 days	34,267	46,357	8,658	31,486
From 91 to 180 days	10,677	14,861	2,685	13,025
Over 180 days	53,820	46,878	43,046	54,883
	290,670	**308,630**	**248,152**	**276,420**

Movements on the provision for impairment of trade receivables and other financial assets are as follows:

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2015**	**2014**	**2015**	**2014**
At 1 January	160,478	126,496	164,051	119,955
Impairment of trade receivables and other financial assets (note 11)	4,916	43,551	1,606	46,110
Collected amounts (note 11)	(13,248)	(6,029)	(11,298)	(336)
Sale of subsidiary	(1,556)	-	-	-
Receivables written-off during the year as uncollectible	(1,566)	(3,540)	(74)	(1,678)
At 31 December	**149,024**	**160,478**	**154,285**	**164,051**
Direct write-off of trade receivables and other financial assets (note 11)	-	3,264	-	23

NOTE 27 – TRADE AND OTHER RECEIVABLES (continued)

The carrying amounts of the Group's and the Company's financial assets are denominated in the following currencies:

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2015**	**2014**	**2015**	**2014**
HRK	225,571	189,865	200,905	160,347
EUR	181,750	112,750	161,374	105,865
NOK	53,197	4,908	51,363	2,868
UAH	88,077	93,274	88,018	88,464
Other currencies	18,154	5,719	3,559	3,296
Total	**566,749**	**406,516**	**505,219**	**360,840**

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group or the Company hold collaterals as security.

The fair value of trade receivables approximates their carrying amount.

NOTE 28 – FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss relate to investment in domestic cash funds.

As at 31 December 2015, the fair value of these assets in the Group amounted to HRK 30,377 thousand (2014: HRK 40,680 thousand), and in the Company to HRK 30,377 thousand (2014: HRK 40,178 thousand).

During the year the Company realized gain amounted to HRK 199 thousand (2014: HRK 149 thousand) – note 13.

NOTE 29 – CASH AND CASH EQUIVALENTS

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2015**	**2014**	**2015**	**2014**
Cash at bank and petty cash in domestic currency	15,920	15,930	4,674	8,526
Cash at bank and petty cash in foreign currency	86,157	50,458	77,175	33,236
	102,077	**66,388**	**81,849**	**41,762**

As at 31 December 2015 there was no deposits on a period less than 3 months held at bank (2014: no deposits on a period less than 3 months held at bank).

Cash and cash equivalents are denominated in the following currencies:

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2015**	**2014**	**2015**	**2014**
EUR	48,231	20,155	41,250	10,693
NOK	19,100	17,456	19,053	10,929
UAH	16,771	10,643	16,208	10,063
Other currencies	2,055	2,204	664	1,551
Total	**86,157**	**50,458**	**77,175**	**33,236**

NOTE 30 – ASSETS HELD FOR SALE

	Dalekovod Group	
(in thousands of HRK)	**2015**	**2014**
Velika Popina d.o.o.	16,298	16,298
Eko d.o.o.	48,740	48,740
OIE Makedonija	5	5
Total	**65,043**	**65,043**

In accordance with the pre-bankruptcy settlement, investments in joint ventures have been classified as assets held for sale. Fair value of the investments in joint ventures less cost to sell is higher than book value of the investment in joint ventures so there is no need for impairment.

NOTE 31 – SHAREHOLDERS' EQUITY

Share capital

The share capital as at 31 December 2015 amounts to HRK 247,193 thousand (2014: HRK 247,193 thousand) and consists of 24,719,305 shares (2014: 24,719,305 shares). Nominal value of a share amounts to HRK 10 (31 December 2014: HRK 10).

As of 28 March 2014, based on General Assembly decision, the share capital was decreased from HRK 286,726,500 by HRK 258,053,850 to HRK 28,672,650 to cover the losses by reducing the nominal value of share from HRK 100 to HRK 10. Simultaneously, the share capital was increased from HRK 28,672,650 by HRK 158,521,680 to HRK 187,194,330 by cash payment of HRK 150,000,000 and a contribution in rights/conversion of debt of HRK 8,521,680 by issuing new shares.

Additionally, during August 2014, the share capital was increased from HRK 187,194,330 by cash payment of HRK 59,998,720 to HRK 247,193,050 by issuing 5,999,872 new shares whose nominal value is HRK 10.00.

The structure of shareholders as at 31 December is as follows:

	Number of shares		Holding	
	2015	**2014**	**2015**	**2014**
Konsolidator d.o.o.	15,000,000	15,000,000	60.68%	60.68%
Individuals	3,848,142	3,273,166	15.57%	13.24%
Pension funds	3,604,748	3,955,632	14.58%	16.00%
Banks	1,229,719	1,303,407	4.97%	5.27%
Others	989,590	1,143,166	4.00%	4.62%
Treasury shares	47,106	43,934	0.19%	0.18%
	24,719,305	**24,719,305**	**100.00%**	**100.00%**

Share premium

Share premium as at 31 December 2015 amounts to HRK 86,142 thousand (2014: HRK 86,142 thousand). Share premium arose by issuance of shares in 2011 when the Company realised a premium of HRK 83,151 thousand, which was reduced by the cost of issuing new shares of HRK 2,672 thousand. During 2014 part of share premium in the amount of HRK 70,424 thousand is used to cover losses. Furthermore, during 2014 share premium was increased as a result of increase in share capital, i.e. transfer of debts towards suppliers into share capital as a part of the pre-bankruptcy settlement in the amount of HRK 76,695 thousand and decreased by the cost of issuing new shares in the amount of HRK 608 thousand.

NOTE 31 – SHAREHOLDERS' EQUITY (continued)

Legal reserves

The legal reserve is required under Croatian law and must be built up at a minimum of 5% of the profit for the year until the total legal reserve reaches 5% of the Company's share capital. Legal reserves are not distributable.

Treasury shares

As at 31 December 2015, the Company owns 47,106 treasury shares (2014: 43,934 treasury shares). The Company acquired 3,172 shares on 30 December 2015 at a price of HRK 13.60 per share.

Statutory and other reserves

Statutory and other reserves consist of statutory reserves in the amount of HRK 32,838 thousands (2014: HRK 32,881 thousands) and reserves for own shares in the amount of HRK 7,816 thousand (2014: HRK 7,773 thousand). During 2014, according to the decision of the Company's General Assembly, other reserves in the amount of HRK 112,763 thousand were used to cover losses.

Revaluation reserves

During 2011, the Group and the Company performed a revaluation of land and buildings on the sites in Velika Gorica and Žitnjak based on the assessment of an authorised external appraiser. The fair value of land and buildings at the site in Velika Gorica was determined using the revenue method based on future rental fees, while the fair value of land and buildings at the site in Žitnjak was determined using the cost method based on active market prices and recent arm's length market transactions. The increase in the value of land and buildings in the amount of HRK 50,019 thousand was recorded in other comprehensive income. Deferred tax liability related to revaluation in the amount of HRK 10,004 thousand have been recognised resulting with the revaluation reserve of HRK 40,015 thousand.

NOTE 32 – BORROWINGS

(in thousands of HRK)	Average interest rate	Dalekovod Group 2015	Dalekovod Group 2014	Dalekovod d.d. 2015	Dalekovod d.d. 2014
Non-current					
Loans from banks and subsidiaries	4.00%	259,041	280,624	259,010	259,010
Bonds	4.00%	20,891	20,144	27,580	26,537
Finance lease /i/	4.66%	113,709	121,854	113,236	121,134
		393,641	**422,622**	**399,826**	**406,681**
Current					
Loans from banks and subsidiaries	4.00%	481,792	459,934	141,373	139,687
Finance lease /i/	4.69%	12,616	11,278	12,158	10,977
		494,408	**471,212**	**153,531**	**150,664**
Total borrowings		**888,049**	**893,834**	**553,357**	**557,345**

/i/ Gross liabilities under the finance lease – minimum lease payments:

(in thousands of HRK)	Dalekovod Group 2015	Dalekovod Group 2014	Dalekovod d.d. 2015	Dalekovod d.d. 2014
Up to 1 year	20,723	13,486	20,225	13,135
Between 1 to 5 years	52,880	60,189	52,376	59,502
Over 5 years	67,905	74,251	67,905	74,251
	141,508	147,926	140,506	146,888
Future finance costs under finance lease	(15,183)	(14,794)	(15,112)	(14,777)
Present value of liabilities under finance lease	**126,325**	**133,132**	**125,394**	**132,111**

/ii/ Out of total amount of loans from banks and subsidiaries that the Company and the Group presented as at 31 December 2015, the amount of HRK 139,129 thousand relates to loans received from three banks that decided to collect their receivables outside the pre-bankruptcy settlement through sale of assets under foreclosure. Furthermore, the Company has liability based on a paid guarantees in the amount of HRK 22,642 thousand as of 31 December 2015 (presented in note 34), that will also be closed with proceeds from sale of assets under foreclosure. The Company and the Group have shown liability towards banks relating to loans and guarantees that will be settled with proceeds from sale of assets under foreclosure in the amount HRK 161,771 thousand. Part of the liability was settled after the reporting date (note 39).

NOTE 32 – BORROWINGS (continued)

As of 31 December 2015, the Company and the Group did not prepare assessment of expected future cash proceeds from sale of assets under foreclosure which is the reason why the fair value of these loan liabilities and liabilities to banks arising on collection of guarantees were not calculated.

Bank borrowings are secured with bills of exchange and by mortgage over property, plant and equipment and investment property (notes 18 and 19).

The Group's borrowings totalling HRK 345,324 thousand (2014: HRK 351,109 thousand) are exposed to interest rate changes, since the contracted interest rate is variable. Other borrowings in the amount of HRK 542,725 thousand (2014: HRK 542,725 thousand) have fixed interest rates (loan amounting HRK 425,234 thousand with the fixed rate of 4%, and finance lease amounting HRK 117,491 thousand with the fixed rate of 4,5%, according to pre-bankruptcy settlement).

The borrowings are denominated in the following currencies:

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2015**	**2014**	**2015**	**2014**
EUR	542,943	543,607	220,021	222,156
HRK	344,959	349,833	333,336	335,189
Other	147	394	-	-
Total	**888,049**	**893,834**	**553,357**	**557,345**

The maturity of long-term borrowings is as follows:

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2015**	**2014**	**2015**	**2014**
Between 1 to 5 years	88,902	67,022	78,192	57,111
Over 5 years	180,818	213,602	180,818	201,899
	269,720	**280,624**	**259,010**	**259,010**

NOTE 33 – MEZZANINE DEBT

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2015**	**2014**	**2015**	**2014**
Long-term	149,307	148,607	176,421	176,421
Short-term	58,509	58,419	62,000	62,000
	207,816	**207,026**	**238,421**	**238,421**

The mezzanine debt of the Group and the Company is denominated in the following currencies:

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2015**	**2014**	**2015**	**2014**
HRK	122,952	122,162	153,557	153,557
EUR	84,864	84,864	84,864	84,864
	207,816	**207,026**	**238,421**	**238,421**

NOTE 34 – TRADE AND OTHER PAYABLES

Long-term

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2015**	**2014**	**2015**	**2014**
Trade payables	47,275	91,537	62,211	111,355
	47,275	**91,537**	**62,211**	**111,355**

Short-term

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2015**	**2014**	**2015**	**2014**
Domestic trade payables	134,650	144,637	128,470	112,242
Foreign trade payables	141,600	76,699	122,123	71,245
	276,250	221,336	250,593	183,487
Interest payable	45,631	38,882	2,123	2,050
Bills of exchange	-	-	-	-
Dividends payable (note 15)	101	1,900	101	1,900
Contracted liabilities from acquisition	1,672	1,672	1,672	1,672
Other accruals and liabilities	76,053	26,130	68,254	14,651
Due to banks arising from collected guarantees	22,753	22,766	22,753	22,766
Financial liabilities	**422,460**	**312,686**	**345,496**	**226,526**
Advances	109,296	95,595	106,683	91,929
Deferred income	14,506	10,884	14,506	10,884
Due to employees	34,449	29,010	13,292	6,086
VAT payable	2,707	3,011	-	-
Taxes and contributions	7,401	7,784	3,408	2,942
Unused vacation days	7,242	5,798	4,314	2,665
Non-financial liabilities	**175,601**	**152,082**	**142,203**	**114,506**
	598,061	**464,768**	**487,699**	**341,032**

NOTE 34 – TRADE AND OTHER PAYABLES (continued)

The Group's and the Company's long-term financial liabilities are denominated as follows:

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2015**	**2014**	**2015**	**2014**
HRK	44,080	78,658	57,622	101,530
EUR	3,019	7,330	4,413	9,295
NOK	11	106	11	27
UAH	-	4,940	-	-
Other currencies	165	503	165	503
Total	**47,275**	**91,537**	**62,211**	**111,355**

The Group's and the Company's short-term financial liabilities are denominated as follows:

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2015**	**2014**	**2015**	**2014**
HRK	160,502	167,242	141,631	129,758
EUR	82,875	66,370	45,002	40,853
NOK	26,872	1,768	26,872	1,768
UAH	133,392	54,766	129,976	51,336
Other currencies	18,819	22,540	2,015	2,811
Total	**422,460**	**312,686**	**345,496**	**226,526**

NOTE 35 – PROVISIONS

Group

(in thousands of HRK)	Jubilee awards	Severance payments	Other provisions	Total
At 1 January 2015	3,547	2,547	3,365	9,459
Increase	32	1,250	19,467	20,749
Decrease	(171)	-	-	(171)
Disposal of subsidiary	(235)	(176)	-	(411)
At 31 December 2015	**3,173**	**3,621**	**22,832**	**29,626**

Analysis:	**2015**	**2014**
Non-current portion	13,297	8,389
Current portion	16,329	1,070
Total	**29,626**	**9,459**

Company

(in thousands of HRK)	Jubilee awards	Severance payments	Other provisions	Total
At 1 January 2015	1,760	1,088	3,326	6,174
Increase	-	1,159	19,301	20,460
Decrease	(165)	-	-	(165)
At 31 December 2015	**1,595**	**2,247**	**22,627**	**26,469**

Analysis:	**2015**	**2014**
Non-current portion	10,718	5,605
Current portion	15,751	569
Total	**26,469**	**6,174**

Provisions for jubilee awards and severance payments

These provisions relate to estimated long-term employee benefits for jubilee awards and severance payments at the time of retirement according to the Collective bargaining agreement. The liability is calculated by independent actuaries. Significant assumptions used by the actuary are as follows: an annual leaver's rate of 4.27% for the Group, and 2.0% for the Company (2014: Group 5.11%, Company 2.00%), an annual discount rate of 4.0% (2014: 4.0%); the age of retirement is determined for each individual employee taking into account their present age and the overall realised years of service (the average age of retirement used in the calculation is 61 years for men and 60 years for women).

NOTE 35 – PROVISIONS (continued)

Other provisions

Other provisions relate to provisions for court cases. The most significant part of provision in the mount of HRK 14,098 relates to litigation with Podravska banka d.d., which is utilized in 2016 (note 39).

NOTE 36 – RELATED PARTY TRANSACTIONS

Parties are considered to be related if one of the parties has the power to exercise control over the other party, if it is under common control or if it has significant influence over the other party's operations.

In the ordinary course of business operations, the Company enters into related party transactions, which include the purchase of goods and services and loans. The nature of services with related parties is based on arm’s length terms. In addition to the subsidiaries presented in note 20, associates presented in note 21 and joint ventures presented in note 22, the Company’s related parties include its Management Board, Executive Directors, owners and ultimate owner fund Nexus FGS.

The Company has no transactions with the ultimate owner.

Items in the income statement for the year and balances in the statement of financial position at the end of the year that relates to subsidiaries are as follow:

Revenues and expenses

(in thousands of HRK)	**2015**	**2014**
Sales revenue	26,839	56,117
Rental income	4,613	4,669
Interest income	649	2,615
Income from discount of long-term liabilities	-	28,064
Dividend income	12,966	1,532
Other operating income	7,946	-
	53,013	**92,997**
Cost of goods sold	26,740	25,862
Cost of raw materials and supplies	29,013	15,703
Subcontractor services	14,258	13,714
Other operating expenses	1,741	1,009
Interest expesne and foreign exchange losses	2,006	1,503
	73,758	**57,791**

NOTE 36 – RELATED PARTY TRANSACTIONS (continued)

Receivables, payables and loans

(in thousands of HRK)	**2015**	**2014**
Trade receivables	32,876	48,178
Dividends receivable	-	1,532
Interest receivable	2,927	2,688
Advances	544	4,629
Loans receivable	43,839	31,429
	80,186	**88,456**
Trade payables	59,905	52,210
Mezzanine debt	30,605	31,395
Interest payable	123	-
Bonds	6,689	6,393
Advances	732	-
Loans payable	2,072	353
	100,126	**90,351**

Items in the income statement for the year and balances in the statement of financial position at the end of the year that relates to associates are as follow:

Revenues and expenses

(in thousands of HRK)	**2015**	**2014**
Sales revenue	301	350
Income from discount of long-term liabilities	-	103
	301	**453**
Interest expense	36	30
	36	**30**

NOTE 36 – RELATED PARTY TRANSACTIONS (continued)

Receivables, payables and loans

(in thousands of HRK)	2015	2014
Trade receivables	715	1,109
	715	**1,109**
Trade payables	669	3,112
	669	**3,112**

Items in the income statement for the year and balances in the statement of financial position at the end of the year that relates to joint venture, which are classified as assets held for sale, are as follow:

Revenues and expenses

(in thousands of HRK)	2015	2014
Sales revenue	39	-
	39	**-**

Receivables, payables and loans

(in thousands of HRK)	2015	2014
Trade receivables	39	-
	39	**-**

NOTE 36 – RELATED PARTY TRANSACTIONS (continued)

In addition to the Company, other Group members have dealings with associates. Items in the income statement for the year and balances in the statement of financial position of the Group at the end of the year that arise from transactions with associates are as follow:

Revenues and expenses

(in thousands of HRK)	**2015**	**2014**
Sales revenue	2,367	2,656
Income from discount of long-term liabilities	-	103
	2,367	**2,759**
Cost of raw materials and supplies	6,279	6,015
Interest expense	36	30
	6,315	**6,045**

Receivables, payables and loans

(in thousands of HRK)	**2015**	**2014**
Trade receivables	799	1,336
	799	**1,336**
Trade payables	2,240	3,699
	2,240	**3,699**

NOTE 36 – RELATED PARTY TRANSACTIONS (continued)

Certain Group members have dealings with joint ventures as well, which are classified as assets held for sale. Items in the income statement for the year and balances in the statement of financial position of the Group at the end of the year that arise from transactions with joint ventures are as follow:

Revenues and expenses

(in thousands of HRK)	**2015**	**2014**
Sales revenue	5,439	5,400
	5,439	**5,400**

Receivables, payables and loans

(in thousands of HRK)	**2015**	**2014**
Trade receivables	1,414	1,388
	1,414	**1,388**
Loans payable	2,000	-
	2,000	**-**

Transactions with key management

Key management consists of Management Board and Executive Directors. Remuneration to key management at Group's level amounted to HRK 18,018 thousand (2014: HRK 15,973 thousand), while remuneration at the level of the Company amounted to HRK 14,255 thousand (2014: 10,453 thousand).

NOTE 37 – CONTINGENCIES AND COMMITMENTS

As at 31 December 2015, the Group has numerous contracts which have commenced, but have not been completed. Costs to be incurred in the future arising from these contracts are estimated in the amount of HRK 911,213 thousand (2014: HRK 733,317 thousand).

Future minimum lease payments under non-cancellable operating lease are as follows:

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2015**	**2014**	**2015**	**2014**
Up to 1 year	3,117	3,273	2,974	2,862
Between 1 to 5 years	3,439	3,450	3,323	3,110
Over 5 years	-	-	-	-
	6,556	**6,723**	**6,297**	**5,972**

As at 31 December 2015, the Group and the Company are exposed to potential liabilities arising from issued bank guarantees (as collateral for collection and security for the quality of work performed) in the total amount of HRK 612,461 thousand and HRK 588,957 thousand (2014: HRK 440,392 thousand Group and HRK 401,903 thousand Company). The Company is additionally exposed as subsidiaries' co-debtors in the total amount of HRK 2,253 thousand (2014: HRK 529 thousand).

In the ordinary course of operations, the Group was plaintiff and defendant in several legal disputes. Based on Management Board and legal counsel believes, provision have been created for those court cases that will result with losses and were those losses can be estimated (note 35). In addition to those court cases for which provision have been made there are some legal disputes will not result in significant losses.

NOTE 38 – DISPOSAL OF SUBSIDIARY

On 13 February 2015 an agreement on the sale and transfer of 254,056 shares of subsidiary Dalekovod TIM d.d. Topusko was conducted.

Disposal of subsidiary had the following effect:

(in thousands of HRK)	**2015**
Property, plant and equipment	17,069
Loans and receivables	3
Inventories	3,781
Trade and other receivables	2,215
Cash and cash equivalents	419
Assets	**23,487**
Provisions	418
Borrowings	3,134
Trade and other payables	6,839
Liabilities	**10,391**
Disposed net assets	**13,096**
Income from sale of subsidiary	7,292
Loss on disposal of subsidiary	**(5,804)**

NOTE 39 – EVENTS AFTER THE BALANCE SHEET DATE

After 31 December 2015, there were no events that have material impact on financial statements as of and for the year ended or that are of such impact on business operations of the Company or the Group that should require the disclosure in the notes to the financial statements.

On 8 March 2016, County Court in Zagreb on the occasion of the appeal of the Company, and related to the enforcement proceedings initiated in 2012 by Podravska Banka d.d., issued decision which rejects the Company's appeal and confirmed the decision of the Municipal Civil Court in Zagreb, which determines implementation of the enforcement proceedings. Consequently, on 14 March 2016, enforcement was carried out and liability towards Podravska Banka d.d. was settled.