INSTITUT IGH, d.d., Zagreb

Consolidated financial statements
for the year ended 31 December 2014
together with the Independent Auditor’s Report

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Pursuant to the Croatian Accounting Act, the Management Board is responsible for ensuring that consolidated financial statements are prepared for each financial year in accordance with International Financial Reporting Standards as adopted in the European Union (IFRS), which give a true and fair view of the consolidated financial position and financial performance of the company Institut IGH d.d. and its subsidiaries (the "Group") for that period.

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

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

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

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group and must also ensure that the financial statements comply with the Croatian Accounting Act in force. The Management Board is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Management Board is responsible for the submission to the Supervisory Board of its annual report on the Company together with the consolidated and separate financial statements, following which the Supervisory Board is required to approve the annual financial statements for submission to the General Assembly of Shareholders for adoption.

The Company separately prepares and issues its annual report in accordance with legal and regulatory requirements.

The separate financial statements of the Company are published separately and issued simultaneously with these consolidated financial statements.

The consolidated financial statements were authorised by the Management Board for issue to the Supervisory Board and are signed below to signify this:

President of the Management Board

Ivan Paladina

Institut IGH d.d.

Janka Rakuše 1
10 000 Zagreb
Republic of Croatia

Zagreb, 27 April 2015

Independent Auditor's Report

To the Shareholders and Management of Institut IGH d.d.

We have audited the accompanying consolidated financial statements of Institut IGH d.d. (the "Company") and its subsidiaries ("Group"), which comprise consolidated statement of financial position as at 31 December 2014 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted in 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 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

1. The Group has not applied the provisions of International Accounting Standard 11 *Construction contracts* ("IAS 11"), which requires an assessment of contract revenue and costs, which are recognised according to the stage of completion of the project. IAS 11 also requires fully recognising losses expected on long-term projects, regardless of the stage of completion, immediately after being identified. Given the aforementioned, we were unable to assess the impact of not applying IAS 11 on the Group's consolidated financial statements for the year ended 31 December 2014. Also, since the Group did not apply the above provisions of IAS 11 in previous periods, we were unable to assess the impact on comparative figures for the year ended 31 December 2013.
2. The Group has not disclosed information on operating segments for years ended 31 December 2013 and 31 December 2014. International Financial Reporting Standard 8 *Operating segments* requires presentation of summary information on profit or loss of an operating segment, including specific types of income and expenses included in profit or loss, assets and liabilities and basis of measurement as a part of the financial statements.

Qualified Opinion

In our opinion, except for the effects of the matters described in the “Basis for Qualified Opinion” paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014, its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted in the European Union.

Emphasis of Matter

We draw attention to Note 2 (v) *Going concern* and the fact that the Company entered into a pre-bankruptcy settlement agreement, which became legally valid in late 2013, with the aim of restructuring commitments and being able to continue as a going concern. Note 42 *Effects of the pre-bankruptcy settlement agreement* sets out the Company’s and the Group’s activities for the purpose of realising the pre-bankruptcy settlement plan.

PricewaterhouseCoopers d.o.o.
Zagreb, 27 April 2015

This version of our report is a translation from the original, which was prepared in Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014	2013
		(in thousands of HRK)	
Revenues	8	224,088	261,579
Other operating income	9	43,718	22,050
Total income		267,806	283,629
Change in inventories		(482)	157
Raw materials, consumables and services used	10	(76,816)	(88,566)
Employee expenses	11	(116,838)	(134,791)
Depreciation and amortisation		(9,754)	(17,711)
Remeasurement of financial assets at fair value	12	(22,763)	(44,984)
Other operating expenses	13	(19,915)	(28,125)
Total operating expenses		(246,568)	(314,020)
Results from operating activities		21,238	(30,391)
Finance income	14	20,876	42,964
Finance expenses	14	(28,762)	(59,587)
Net finance costs		(7,886)	(16,623)
Share in loss of associates	20	(9,013)	(15,195)
(Loss)/profit before tax		4,339	(62,209)
Tax expense	15	1,033	678
(Loss)/profit for the year		**5,372**	**(61,531)**
Minority interest		242	(1,161)
(Loss)/Profit of equity holders		5,130	(60,370)
Basic (loss)/profit per share (in HRK)	16	10.38	(232.21)
Other comprehensive income			
Revaluation of land and buildings, net of tax		(715)	(16,352)
Change in fair value of financial asstes, net of tax		-	(1,988)
Foreign exchange translation		452	633
Other comprehehensive income		**(263)**	**(17,707)**
Comprehensive income for the year		**5,109**	**(79,238)**
Attributable to equity holders of the parent		4,867	(77,903)
Attributable to non controlling interest		242	(1,335)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Note	2014	2013
		(in thousands of	
ASSETS			
Intangible assets and goodwill	17	6,762	8,594
Property,plant and equipment	18	242,856	252,048
Investment property	19	143,038	142,341
Investments in related parties	20	37,140	46,172
Other investments	21	8,900	8,167
Loans given	24	26,934	-
Trade receivables and other receivables	23	1,681	2,289
NON-CURRENT ASSETS		467,311	459,611
Inventories	22	89,440	89,088
Trade receivables and other receivables	26	115,919	250,110
Loans given	23	70,081	85,067
Current tax receivable	24	3,311	5,443
Cash and cash equivalents	25	8,273	5,646
Accrued income and prepaid expenses	27	8,980	8,976
CURRENT ASSETS		296,004	444,330
TOTAL ASSETS		763,315	903,941
EQUITY AND LIABILITIES			
Share capital	28	116,605	105,668
Share premium	29	-	23,506
Statutory reserves	30	-	-
Own shares	30	(3,816)	(3,862)
Reserves for own shares	30	1,446	1,446
Revaluation reserves	31	136,115	141,506
(Accumulated losses)/retained earnings		(151,374)	(234,100)
Equity attributable to holders of the parent		98,976	*34,164*
Non-controlling interest	32	1,336	1,912
TOTAL EQUITY		100,312	36,076
Borrowings	33	319,879	385,968
Provisions	34	13,089	12,962
Other long-term liabilities	35	38,296	42,928
Deferred tax liabilites	15	34,028	36,128
LONG-TERM LIABILITIES		405,292	477,986
Loans and borrowings	33	162,993	235,271
Financial liabilities through profit and loss		-	5,495
Trade payables and other liabilities	35	77,430	131,176
Current tax payable		-	-
Advances receivable	36	2,794	5,603
Provisions	34	5,396	4,464
Accrued expenses and deferred income	37	9,098	7,801
SHORT-TERM LIABILITIES		257,711	389,810
		-	-
TOTAL EQUITY AND LIABILITIES		763,315	903,872

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

(in thousands of HRK)	Share capital	Capital reserves	Statutory reserves	Vlastite dionice	Reserves for own shares	Revaluation reserves	Accumulated losses	Capital attributable to equity holders of the parent	Minority intrest	Total
At 1 January 2013	**105,668**	**52,011**	**3,172**	**(3,966)**	**6,343**	**164,127**	**(239,357)**	**87,998**	**2,785**	**90,783**
Transactions with the owners										
Conversion of liabilities (note 45)	-	23,506	-	-	-	-	-	23,506	-	23,506
Sale of own shares	-	-	-	104	-	-	-	104	-	104
Coverage of losses	-	(52,011)	(3,172)	-	(4,897)	-	60,080	-	-	-
Transfer from liabilites to retained earnings	-	-	-	-	-	-	383	383	-	383
Acquisition and disposal of shares in related parties	-	-	-	-	-	-	76	76	462	538
Total transactions with the owners	-	(28,505)	(3,172)	104	(4,897)	-	60,539	24,069	462	24,531
Comprehensive income										
Net change in fair value of financial assets available for sale	-	-	-	-	-	(1,988)	-	(1,988)	-	(1,988)
Transfer from revaluation reserves	-	-	-	-	-	(4,455)	4,455	-	-	-
Revaluation of land and buildings, net of tax	-	-	-	-	-	(16,178)	-	(16,178)	(174)	(16,352)
Foreign exchange difference	-	-	-	-	-	-	633	633		633
Loss for the year	-	-	-	-	-	-	(60,370)	(60,370)	(1,161)	(61,531)
Total comprehensive income/(loss)	-	-	-	-	-	(22,621)	(55,282)	(77,903)	(1,335)	(79,238)
At 31 December 2013	**105,668**	**23,506**	**-**	**(3,862)**	**1,446**	**141,506**	**(234,100)**	**34,164**	**1,912**	**36,076**
Transactions with the owners										
Share of minority interest in revaluation reserves	-	-	-	-	-	387	-	387	(387)	-
Share capital decrease	(64,829)	-	-	-	-	-	64,829	-	-	-
Share capital increase	57,950	-	-	-	-	-	-	57,950	-	57,950
Acquisition of own shares	-	-	-	46	-	-	(46)	-	-	-
Conversion of liabilities	17,816	(23,506)	-	-	-	-	-	(5,690)	-	(5,690)
Acquisition and disposal of shares in related parties	-	-	-	-	-	-	7,298	7,298	(431)	6,867
Total transactions with the owners	10,937	(23,506)	-	46	-	387	72,081	59,945	(818)	59,127
Comprehensive income										
Transfer from revaluation reserves	-	-	-	-	-	(1,960)	1,960	-	-	-
Revaluation of land and buildings, net of tax	-	-	-	-	-	(715)	-	(715)	-	(715)
Sale of revalued assets, net	-	-	-	-	-	(3,103)	3,103	-	-	-
Foreign exchange difference	-	-	-	-	-	-	452	452	-	452
Profit for the year	-	-	-	-	-	-	5,130	5,130	242	5,372
Total comprehensive income/(loss)	-	-	-	-	-	(5,778)	10,645	4,867	242	5,109
At 31 December 2014	**116,605**	**-**	**-**	**(3,816)**	**1,446**	**136,115**	**(151,374)**	**98,976**	**1,336**	**100,312**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014	2013
		(in thousands of HRK)	
Cash generated from operating activites			
Profit/(loss) for the year		4,339	(62,209)
Adjustments:			
Depreciation and amortisation		9,754	17,711
Impairment losses	12	22,763	40,028
Interest income	14	(2,788)	(22,584)
Unrealised loss from interest rate swap	14	(5,526)	(2,386)
Interest expense	14	21,082	39,298
Increases/ (decreases) in provisions	34	1,059	(5,688)
Unrealised exchange differences (net)	14	549	6,169
Net income from disposal of non-current assets		1,488	6,608
Net change in fair value of investment property	9	-	4,956
Unrealised loss from equity method		9,013	15,195
Unrealised loss from financial assets		1,379	5,562
Income from recovery of receivables previously written off	9	(35,080)	(6,738)
Other financial expenses	14	4,642	
Other financial income	14	(1,656)	(11,038)
Expenses from previous periods		2,429	2,056
Cash generated from operations before working capital adjustments		**33,447**	**26,940**
(Increase)/decrease in inventories		(353)	1,370
Increase in trade receivables		15,501	50,443
Increase/(decrease) in trade payables		(60,271)	(50,458)
Cash generated from operating activites		**(11,676)**	**28,295**
Income taxes paid		(527)	(367)
Interest paid		(23,474)	(10,071)
Net cash used in operating activities		**(35,677)**	**17,857**
Cash flows from investing activities			
Proceeds from sale of tangible and intangible assets		45,410	291
Proceeds from sale of equity and debt instruments		1,300	694
Other cash inflows from investing activities		4,265	-
Purchase of tangible and intangible assets		(1,339)	(7,506)
Purchase of equity and debt instruments		(30,589)	-
Net cash used in investing activities		**19,047**	**(6,521)**
Cash flows from financing activities			
Proceeds from issue of equity and debt financial instruments		57,950	-
Proceeds from loans, debentures, borrowings and other		3,510	1,961
Repayment of borrowings and bonds		(42,113)	(10,015)
Repayment of financial leases		(90)	(171)
Net cash from financing activities		**19,257**	**(8,225)**
Net decrease in cash and cash equivalents		2,627	3,111
Cash and cash equivalents at beginning of year	25	**5,646**	**2,535**
Cash and cash equivalents at the end of year	25	**8,273**	**5,646**

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

NOTE 1 – GENERAL INFORMATION

History and incorporation

Institut IGH d.d., Zagreb, Janka Rakuše 1, ("the Company"), OIB 79766124714, is registered in the Register of Companies of the Commercial Court in Zagreb under the entity number 080000959.

The Company shares, ticker IGH-R-A, ISIN: HRIGH0RA0006 are quoted on the Zagreb Stock Exchange.

The Company is engaged in the professional and scientific research in the field of construction, which includes: designing, conducting studies, supervision, counselling, investigations, detection, laboratory testing and calibration. The Company is certified for these activities in accordance with the standards of sustainable development, namely: EN ISO 9001, EN ISO 14001, OHSAS 18001 certified.

The Company's registered office is in Zagreb, Croatia, Janka Rakuše 1.

Management Board

General Assembly

President	Jure Radić

Members of the General Assembly are individual Company shareholders or their proxies.

Supervisory Board
Members of the Supervisory Board at 31 December 2014 are as follows:

Jure Radić, president	from 7 May 2014 - until 7 May 2018
Veniamin Mezhibovskiy, vice president	from 7 May 2014 - until 7 May 2018
Dušica Kerhač, member	from 2 April 2013 - until 11 April 2017
Vlado Čović, member	from 20 December 2012 - until 20 December 2016
Sergej Gljadelkin, member	from 7 May 2014 - until 7 May 2018
Sergej Gljadelkin, member	from 28 August 2014 - until 28 August 2018
Igor Tkach, member	from 28 August 2014 - until 28 August 2018

On 28 August 2014, the General Assembly made the following decisions:

- the Supervisory Board members, Tomislav Alpeza and Branka Kincl, are revoked
- two new Supervisory Board members, Sergej Gljadelkin and Igor Tkach, are appointed.

NOTE 1 – GENERAL INFORMATION (CONTINUED)

Management Board (continued)

As at 31 December 2014, the Management Board consists of three members:

President	Željko Grzunov, from 7 May 2014
Member	Jelena Bleiziffer, from 16 December 2013
Member	Ivan Paladina, from 2 October 2014

On 13 February 2015, the Supervisory Board issued a decision, based on which as of 1 March 2015 the Management Board consists of four members as follows:

President	Ivan Paladina, from 1 March 2015
Member	Željko Grzunov, from 1 March 2015
Member	Jelena Bleiziffer, from 16 December 2013
Member	Oliver Kumrić, from 1 March 2015

NOTE 2 – BASIS OF PREPARATION

(i) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

The financial statements are presented for the Group. The Group consists of the Company and its subsidiaries. The financial statements of the Group include the consolidated financial statements of the Company and its subsidiaries. The separate financial statements of the Company, which the Company is required to prepare in accordance with IFRS, are published separately and issued simultaneously with these consolidated financial statements. Items included in the consolidated statement of financial position are presented as at 31 December 2014 unless otherwise stated.

These consolidated financial statements were authorised for issue by the Management Board on 27 April 2015.

(ii) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the following:

- Revaluation of land and buildings as stated in Note 3.9 (i)
- Investment property as stated in Note 3.11
- Assets available for sale as stated in Note 3.19
- Liabilities at fair value through profit or loss as stated in Note 3.19

The methods used for fair value measurement are set out in Note 6.

(iii) Functional and presentation currency

These financial statements are presented in Croatian kuna (“HRK”), which is the Group’s functional currency, rounded to the nearest thousand.

(iv) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the values of assets and liabilities that are not readily apparent from other sources.

NOTE 2 – BASIS OF PREPARATION (CONTINUED)

Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis.

Judgements made by Management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in Note 5.

(v) Going concern

In the year ended 31 December 2014, the IGH Group incurred a consolidated net profit of HRK 5,372 thousand (2013: a loss of HRK 61,531 thousand), while consolidated current assets exceeded its consolidated current liabilities by HRK 38,293 thousand (2013: HRK 54,457 thousand).

The Company`s Management Board considers that the Group has met the requirements to continue as a going concern. In previous periods, the Group has operated in difficult liquidity conditions and are at risk of a permanent inability to refinance short-term financial liabilities towards banks. Precisely for this reason, the Company, by means of a pre bankruptcy settlement, reached an agreement with its creditors and restructured its debt. The going concern basis is certainly affected by the fact that, as part of the pre-bankruptcy settlement, the Company limited its exposure arising from co-debtorship towards certain related companies which, if activated, would prevent the Company's operational business activities. Regardless of the financial restructuring, the Company performed a capital increase by issuing new shares and is in the process of selling certain assets in order to ensure the necessary liquidity.

The parent company Institut IGH d.d., and the subsidiaries Geotehnika Inženjering d.o.o., Sportski grad TPN d.o.o. and MBM Termoprojekt d.o.o. submitted proposals to the Financial agency (“FINA”) to initiate pre-bankruptcy settlement procedures.

Based on the Decision of the Commercial Court in Zagreb no. 72. Stpn-305/13 dated 5 December 2013 the pre-bankruptcy agreement was approved between the debtor IGH d.d. and the creditors of the pre-bankruptcy settlement. The pre-bankruptcy settlement became legally valid as of 28 December 2013.

On 3 March 2014, the Commercial Court in Zagreb issued Decision no. 4 Stpn-267/13 approving the pre-bankruptcy agreement between the debtor Geotehnika Inženjering d.o.o. and the creditors of the pre-bankruptcy settlement. The pre-bankruptcy settlement of the company Geotehnika Inženjering became legally valid as of 3 June 2014.

On 22 May 2014, the Commercial Court in Zagreb issued Decision no. 20 Stpn-152/14 approving the pre-bankruptcy agreement between the debtor MBM Termoprojekt d.o.o. and the creditors of the pre-bankruptcy settlement.

In line with the Decision dated 14 August 2014, the Settlement Council suspended the pre-bankruptcy settlement procedure of Sportski grad TPN d.o.o. due to the fact that the financial restructuring plan was not accepted by the creditors. The Council submitted to the Commercial Court in Split a proposal for initiating bankruptcy proceedings. Based on the Decision of the Commercial Court in Split, no. 5 St-138/2014 of 7 October 2014, bankruptcy proceedings were initiated against the company Sportski grad TPN d.o.o.

In 2014, the Group also recognised significant adjustments in the statement of financial position.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

3.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of Institut IGH d.d. ("the Company") and entities controlled by Institut IGH d.d. (its subsidiaries) as at and for the year ended 31 December 2014. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

a) Subsidiaries

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 and are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.
The excess of consideration transferred the amount of any non-controlling interest in the acquiree and acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of bargain purchase, the difference is recognised directly in the statement of comprehensive income.

b) Associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. In the consolidated financial statements of the Company, investments in associates are stated by using the equity method. According to the equity method, the Company's share in gains and losses of associated companies are recognised through the Statement of comprehensive income, from the date the significant influence commences until the date that the significant influence ceases. The investment is initially recognized at cost and subsequently adjusted for the change in investor's share in the net profit of the investee.
In the separate financial statements, investments in associates are accounted for initially at cost and subsequently at cost less impairment losses.

c) Transactions eliminated at consolidation

Balances and transactions between Group members and any unrealised gains arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains from transactions with entities in which the Company has shares and entities in which the Company shares control with other owners is eliminated up to the level of the Company's share in these entities. Unrealised gain from the transactions with the entities in which the Company has share is eliminated by the impairment of investments in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that does not represent permanent impairment.

3.1 Basis of consolidation (continued)

d) Loss of control

After losing control over the subsidiary the Group ceases to recognize its assets and liabilities, minority interests in the entity and other components of equity and reserves. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any share in the subsidiary, such share is measured at fair value at the date that control ceases. After that, this is reported as an investment valued using the equity method or as available-for-sale financial assets, depending on the level of influence retained.

3.2 Goodwill

Goodwill arising in a business combination is recognized at cost, determined at the date of the acquisition of the entity, less any impairment losses. For purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of units) that are expected to benefit from the synergies of the combination. Cash generating units to which goodwill has been allocated are tested for impairment annually or more frequently if there are indications of possible impairment. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly through profit and loss in the consolidated statement of comprehensive income. An impairment loss once recognised will not be reversed in subsequent periods.

On disposal of the cash generating unit, the attributable amount of goodwill is included in determining the profit or loss on disposal.

3.3 Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the operations. Revenue is shown, net of value-added tax, volume rebates and sales discounts.

The Group recognises 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 activities as described below.

(i) Sale of services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(ii) Finance income and costs

Finance income and costs comprise interest on loans calculated using the effective interest rate method, receivables for interest on investments, revenues from dividends, gains and losses from exchange rate differences, gains and losses from financial assets at fair value through profit and loss.

Interest income is recognised in the income statement on an accrual basis using the effective interest rate. Dividend income is recognised in the income statement at the date when the Company's right to receive payment is established.

Finance costs comprise interest on loans, changes of fair value of financial assets at fair value through the profit and loss, impairment losses of financial assets and foreign exchange losses. Borrowing costs are recognised in profit or loss using the effective interest method.

3.4 Leases

The Group leases certain plant and equipment. Leases where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the inception of the lease 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 profit or loss over the lease period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Leases where the significant portion of risks and rewards of ownership are not retained by the Group are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

3.5 Foreign currencies

Transactions and balances in foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency at the reporting date are translated into the functional currency at the foreign exchange rate prevailing at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary assets and items that are measured in terms of historical cost of a foreign currency are not retranslated.

Non-monetary assets and liabilities denominated in foreign currency that are stated at historical cost are translated into the functional currency at the foreign exchange rate prevailing at the date of the transaction.

As at 31 December 2014, the official exchange rate was HRK 7.661471 for EUR 1 (2013: HRK 7.637643 for EUR 1). The average EUR exchange rate used to translate the Statements of comprehensive income of foreign entities into the Croatian currency was HRK 7.629972 for EUR 1 (2013: HRK 7.573320 for EUR 1).

Group members

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 each Group member operates ('the functional currency'). The consolidated financial statements have been presented in Croatian kuna ("HRK"), which is the Company's functional currency.

Income and expenses and cash flows of foreign operations are translated into the functional currency of the Company at rates approximating the exchange rate on the day of transaction, and their assets and liabilities are translated at exchange rates valid at the year end.

Exchange differences on translation of foreign currency, due to their immaterial amount of HRK 452 thousand (2013: HRK 663 thousand) are included in accumulated losses.

Net investments in Group members

Exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is sold, exchange differences are recognised in profit or loss as part of the gain or loss on sale.

3.6 Borrowings and borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.
Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in gain or loss in the period in which they arise.

3.7 Dividend

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

3.8 Taxation

Income tax

The income tax charge comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly to equity, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using the tax rates enacted or substantially enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

(i) Deferred tax assets and liabilities

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit as well as differences relating to investments in subsidiaries when it is likely that the situation will not change in the near future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

(ii) Tax exposures

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Value added tax (VAT)

The Tax Authorities require the settlement of VAT on a net basis. VAT related to sales and purchases is recognised and disclosed in the statement of financial position 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.

3.9 Property, plant and equipment

(i) Land and buildings

Following initial recognition at cost, land and buildings are carried at revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is based on the market value, being the estimated amount for which an asset could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction.

When the carrying amount is increased as a result of revaluation, the increase should be recognised in equity under revaluation reserves. The revaluation increase is recognised as income to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense.

When the carrying amount is decreased as a result of revaluation, this decrease is recognised as an expense. The revaluation decrease is recognised directly in the revaluation reserves to the extent that the decrease does not exceed the amount held in the revaluation reserve for the same asset.

A valuation is performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Certain land and buildings are derecognised upon disposal or when no future benefits are expected from its use or disposal. Gains or losses arising from derecognition of lands and buildings (calculated as the difference between the net disposal proceeds and the carrying amount of the item) are included in profit or loss when they are derecognised.

The relevant portion of the revaluation surplus realised in the previous valuation is released to profit or loss from the surplus of the valued assets, on the disposal of the revaluated asset and during its use.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Based on the revaluation performed by independent evaluators, the Group has revalued its properties and created revaluation reserves that are transferred to retained earnings/accumulated losses in accordance with the adopted depreciation policy.

Gains and losses on the disposal of land and buildings are recognised within other income in the income statement. When revalued assets are sold, the amounts included in revaluation reserves are transferred to retained earnings.

(ii) Plant and equipment

Plant and equipment are included in the statement of financial position at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items.

(iii) Subsequent costs

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 profit or loss during the financial period in which they are incurred.

(iv) Depreciation

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

Buildings	20 years
Plant and equipment	1 to 5 years
Other	10 years

3.9 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 assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting 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

Gains and losses on disposals are determined as the difference between the income from the disposal and the carrying amount of the asset disposed, and are recognised in profit or loss within other income/expenses.

3.10 Intangible assets and goodwill

Patents, licenses and software

(i) Ownership of intangible assets

Patents, licenses and software are capitalised on the basis of the costs incurred to acquire and bring to use the specific asset.

(ii) Subsequent costs

Subsequent costs are capitalised only if they increase future economic benefits arising from the asset. All other costs are treated as costs in the income statement as incurred.

(iii) Amortisation

Intangible assets under construction are not amortised. Amortisation of other intangible assets is calculated using the straight-line method to allocate their cost over their estimated useful lives as follows:

Right to use third-party property	1 to 2 years

3.11 Investment property

Investment property is recognised as an asset when it is likely that future economic benefits will arise from the investment and when the cost of investment can be reliably measured.

Investment property includes property held either to earn rental income or for capital appreciation or both. Investment property is initially recognised at cost including transaction costs incurred. Subsequently investment property is measured at fair value reflecting market conditions at the balance sheet date. Profit or loss from changes in fair value of investment property is recognised in the income statement of the period in which they are incurred.

3.12 Impairment of property, plant and equipment and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its property, plant, equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest company of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately as an expense, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease in accordance with the relevant Standard containing requirements for revaluation of the underlying asset(s).

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years.

3.13 Inventories

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

Trade goods are carried at the lower of of purchase cost and selling price (less applicable taxes and margins).

Small inventory and tools are expensed when put into use.

3.14 Trade receivables

Trade receivables are recognised initially at cost which is equal to fair value at the moment of recognition and subsequently measured at amortised cost using the effective interest method, if material, and if not at par value less an allowance for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group 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 trade receivable may be 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 computed at the date of initial recognition.

3.15 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. In the consolidated statement of financial position, bank overdrafts are included within borrowings in current liabilities.

3.16 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. Any excess of the fair value of the consideration received over the par value of the shares issued is presented in the notes as a share premium.

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 shareholders until the shares are cancelled or reissued or disposed of. Where such shares are subsequently sold or 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.

3.17 Employee benefits

(i) Pension obligations and post-employment benefits

In the normal course of business through salary deductions, the Group makes 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. The Group is not obliged to provide any other post-employment benefits.

(ii) 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.

(iii) Regular retirement benefits

Benefits falling due more than 12 months after the reporting date are discounted to their present value based on the calculation performed at each reporting date by an independent actuary, using assumptions regarding the number of staff likely to earn regular retirement benefits, estimated benefit cost and the discount rate of the Croatian National Bank. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in profit or loss.

(iv) Long-term employee benefits

Up to October 2012, the Group has recognised 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 annually by an independent actuary, using assumptions regarding the likely number of staff to whom the benefits will be payable, estimated benefit cost and the discount rate which is determined as the weighted average interest rate on the Group’s debt. Upon the expiry of the collective agreement in October 2012, the Group is no longer obliged to pay jubilee awards to employees and ceased to recognize a liability for long-term employee benefits.

3.18 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of discounting is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation, determined using the estimated risk free interest rate as the discount rate. Where discounting is used, the reversal of such discounting in each year is recognized as a financial expense and the carrying amount of the provision increases in each year to reflect the passage of time.

3.19 Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in shares and bonds, trade and other receivables, cash and cash equivalents, loans and borrowings, commercial papers and trade and other payables.

Non-derivative financial instruments are initially recognised at fair value, increased by transaction costs, in the case of financial instruments not measured at fair value through profit or loss. Non-derivative financial instruments are subsequently measured in a way described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group’s contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular purchases and sales of investments are recognised on trade-date, i.e. the date on which the Group commits to purchase or sell the asset. Financial liabilities are derecognised if the Group’s obligations specified in the contract expire or are discharged or cancelled.

Available-for-sale financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Unlisted shares and listed redeemable notes held by the Group that are traded in an active market are classified as being AFS and are stated at fair value. Fair value is determined in the manner described in Note 6. Gains and losses arising from changes in fair value are recognised directly in equity in the investments revaluation

3.19 Financial instruments (continued)

reserve with the exception of impairment loss, interest calculated using the effective interest method and foreign exchange gains and loss on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or losses previously recognised in the investments revaluation reserve are included in the statement of comprehensive income for the period.

Dividends on AFS equity instruments are recognised in profit or loss when the right to receive the dividends is established.

The fair value of AFS financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and loss that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in equity.

Held-to-maturity investments

When the Group has a positive intention and ability to hold the debt securities until maturity they are classified as investments held to maturity. Held-to-maturity investments are carried at amortised cost using the effective interest method less any impairment losses.

Loans given and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans, trade receivables and other receivables with fixed or determinable payments are measured at amortised cost using the effective interest method, less any cumulative impairment losses.

Interest income is recognised by applying the effective interest rate, except for current receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those measured at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it is becoming probable that the borrower will enter bankruptcy or financial restructuring; or
- the disappearance of an active market for that financial asset due to financial difficulties.

For certain categories of financial assets, such as trade receivables, i.e. assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 360 days, as well as observable changes in national or local economic conditions that correlate with the default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account.

3.19 Financial instruments (continued)

Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss for the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised under investments revaluation reserve. In respect of AFS debt securities, impairment loss are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Derecognition of financial assets

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified either as financial liabilities measured at fair value through profit and loss or as other financial liabilities.

Financial liabilities at fair value through profit or loss

A financial liability is classified as measured at fair value through profit or loss if it is held for trading or it is designated as such upon initial recognition.

A financial liability is classified as a liability held for trading if:

• it has been incurred principally for the purpose of repurchasing in the near future or

• it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking or

• it is a derivative that is not designated and effective as a hedging instrument.

3.19 Financial instruments (continued)

Financial liabilities not held for trading may upon initial recognition be designated as measured at fair value with changes in fair value stated through profit or loss when:

• such designation eliminates or significantly reduces inconsistency in measurement or recognition that would otherwise arise or

• if the financial liability forms part of the group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and if internal information about the grouping is presented on that basis or

• if an integral part of the contract contains one or more embedded derivatives, and IAS 39 "Financial instruments: Recognition and Measurement" permits the entire combined contract (asset or liability) to be designated as at fair value in a way that changes in fair value are recognised in the statement of comprehensive income.

Financial liabilities at fair value for which the change in fair value is recognised in profit or loss, where any gain or loss is recognised in the statement of comprehensive income. The net gain or loss recognised in the statement of comprehensive income incorporates any interest paid on the financial liability. Fair value is determined in the manner described in Note 6.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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

Financial guarantee contracts

A financial guarantee contract is a contract under which the issuer is obliged to pay the holder a certain sum as compensation for losses suffered by the owner because the borrower has not fulfilled its obligation to pay under the terms of a debt instrument.

Financial guarantee contracts issued by the Company are initially measured at fair value and subsequently, if they are not designated to be measured at fair value through profit or loss, by the higher of:

- the amount of the obligation under the contract, which is determined in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”,
- the original amount less the accumulated amortisation, if any, are recognised in accordance with revenue recognition policies.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company’s obligations are discharged, cancelled or they expire.

3.20 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic and diluted earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

NOTE 4 – NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

This note includes details on (a) new and amended standards, which are effective for the first time for periods beginning on 1 January 2014 and (b) forthcoming requirements - that is, new and amended standards that have been issued and are not effective for periods beginning on 1 January 2014, but will be in effect in subsequent periods.

a) New and amended standards

Below is a list of standards/interpretations that have been issued and are effective for periods beginning on or after 1 January 2014.

IFRS 10 Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2014)
The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity (an entity that controls one or more other entities) to present consolidated financial statements. It defines the principle of control, and establishes controls as the basis for consolidation and sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements.

IFRS 11 Joint Arrangements (effective for annual periods beginning on or after 1 January 2014)
IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

IFRS 12 Disclosures of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2014)
IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special-purpose vehicles and other off-balance sheet vehicles.

IAS 27 (revised 2011) Separate Financial Statements (effective for annual periods beginning on or after 1 January 2014)
IAS 27 (revised 2011) includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

IAS 28 (revised 2011) Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2014)
IAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

Amendment to IFRSs 10, 11 and 12 on Transition Guidance (effective for annual periods beginning on or after 1 January 2014)
These amendments provide additional transition relief to IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied.

Amendments to IFRS 10, 12 and IAS 27 on consolidation for investment entities (effective for annual periods beginning on or after 1 January 2014)
These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through comprehensive income. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made IFRS 12 to introduce disclosures that an investment entity needs to make.

Amendment to IAS 32, 'Financial Instruments: Presentation' on asset and liability offsetting (effective for annual periods beginning on or after 1 January 2014)
These amendments are to the application guidance in *IAS 32, 'Financial instruments: Presentation'*, and clarify some of the requirements for offsetting financial assets and financial liabilities at the balance sheet date.

Amendment to IAS 36, 'Impairment of assets' on recoverable amount disclosures (effective for annual periods beginning on or after 1 January 2014)
This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

Amendment to IAS 39, 'Financial instruments: recognition and measurement' on novation of derivatives (effective for annual periods beginning on or after 1 January 2014)
This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counter party meets specified criteria.

IFRIC 21, 'Levies' (effective for annual periods beginning on or after 1 January 2014)
This is an interpretation of IAS 37 'Provisions, contingent liabilities and contingent assets'. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation addresses what the obligating event is that gives rise to the payment of a levy and when a liability should be recognised.

b) Forthcoming requirements

Below is a list of standards/interpretations that have been issued and are not effective for periods starting on 1 January 2014, but will be effective for later periods.

Annual improvements 2012 (effective for annual periods beginning on or after 1 July 2014)

These annual improvements amend standards from the 2010 - 2012 reporting cycle. It includes changes to:

- IFRS 2 'Share based payments,' and clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'.
- IFRS 3, 'Business combinations,' and clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or equity, on the basis of the definitions in IAS 32, 'Financial instruments: Presentation'. It also clarifies that all non-equity contingent consideration is measured at fair value at each reporting date, with changes in value recognised in profit and loss.
- IFRS 8, 'Operating segments' which is amended to require disclosure of the judgements made by management in aggregating operating segments. It is also amended to require a reconciliation of

segment assets to the entity's assets when segment assets are reported.

- IFRS 13, 'Fair value' which amended the basis of conclusions to clarify that it did not intend to remove the ability to measure short-term receivables and payables at invoice amounts where the effect of discounting is immaterial.
- IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.
- IAS 24, 'Related party disclosures' is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the 'management entity'). Disclosure of the amounts charged to the reporting entity is required.

Annual improvements 2013 (effective for annual periods beginning on or after 1 July 2014)

These annual improvements amend standards from the 2011 - 2013 reporting cycle. It includes changes to:

- IFRS 1, 'First time adoptions of IFRSs,' basis of conclusions is amended to clarify that where a new standard is not mandatory but is available for early adoption a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented.
- IFRS 3, 'Business combinations' is amended to clarify that IFRS 3 does not apply to the accounting for the formation of any joint venture under IFRS 11.
- IFRS 13, 'Fair value measurement' is amended to clarify that the portfolio exception in IFRS 13 applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9.
- IAS 40, 'Investment property' is amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. IAS 40 assists users to distinguish between investment property and owner-occupied property. Preparers also need to consider the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination.

Amendment to IAS 19, 'Employee benefits' regarding employee or third party contributions to defined benefit plans (effective for annual periods beginning on or after 1 July 2014).

The amendment applies to contributions from employees or third parties to defined benefit plans and clarifies the treatment of such contributions. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period.

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.

Entities with plans that require contributions that vary with service will be required to recognise the benefit of those contributions over employee's working lives.

Amendment to IFRS 11, 'Joint arrangements' regarding acquisition of an interest in a joint operation (effective for annual periods beginning on or after 1 July 2016)
This amendment provides new guidance on how to account for the acquisition of an interest in a joint venture operation that constitutes a business. The amendments require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business'. The amendments are applicable to both the acquisition of the initial interest in a joint operation and the acquisition of additional interest in the same joint operation. However, a previously held interest is not re-measured when the acquisition of an additional interest in the same joint operation results in retaining joint control.

Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' regarding depreciation and amortisation (effective for annual periods beginning on or after 1 January 2016)
This amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.
This has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.
The presumption may only be rebutted in certain limited circumstances. These are where the intangible asset is expressed as a measure of revenue; or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are correlated.

Amendments to IAS 16, 'Property, plant and equipment' and IAS 41, 'Agriculture' regarding bearer plants (effective for annual periods beginning on or after 1 January 2016)
These amendments change the reporting for bearer plants, such as grape vines, rubber trees and oil palms. Bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. The amendments include them in the scope of IAS 16 rather than IAS 41.

The produce on bearer plants will remain in the scope of IAS 41.

Amendments to IFRS 10 and IAS 28 regarding the sale or contribution of assets between an investor and its associate or joint venture (effective for annual periods beginning on or after 1 January 2016)
These amendments address an inconsistency between IFRS 10 and IAS 28 in the sale or contribution of assets between an investor and its associate or joint venture.

A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

Amendment to IAS 27, 'Separate financial statements' regarding the equity method (effective for annual periods beginning on or after 1 January 2016)
The amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

IFRS 14, 'Regulatory deferral accounts' (effective for annual periods beginning on or after 1 January 2016)
This standard permits first-time adopters of IFRS to continue to recognise 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 recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.

Annual improvements 2014 (effective for annual periods beginning on or after 1 July 2016)

These annual improvements amend standards from the 2012 - 2014 reporting cycle. It includes changes to:

- IFRS 5, 'Non-current assets held for sale and discontinued operations' – The amendment clarifies that, when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution,' or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. This means that the asset (or disposal group) does not need to be reinstated in the financial statements as if it had never been classified as 'held for sale' or 'held for distribution' simply because the manner of disposal has changed. The amendment also explains that the guidance on changes in a plan of sale should be applied to an asset (or disposal group) which ceases to be held for distribution but is not reclassified as 'held for sale'.
- IFRS 7, 'Financial instruments: Disclosures' – There are two amendments:
    - Servicing contracts – If an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognise the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. The standard provides guidance about what is meant by continuing involvement. The amendment is prospective with an option to apply retrospectively. There is a consequential amendment to IFRS 1 to give the same relief to first time adopters.
    - Interim financial statements – the amendment clarifies that the additional disclosure required by the amendments to IFRS 7, 'Disclosure – Offsetting financial assets and financial liabilities' is not specifically required for all interim periods unless required by IAS 34. This amendment is retrospective.
- IAS 19, 'Employee benefits' – The amendment clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used. The amendment is retrospective but limited to the beginning of the earliest period presented.
- IAS 34, 'Interim financial reporting' – the amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. The amendment also amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information. This amendment is retrospective.

IFRS 15, 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 January 2017)
This is the converged standard on revenue recognition. It replaces IAS 11, 'Construction contracts,' IAS 18, 'Revenue' and related interpretations.

Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

IFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2018)
Earlier application is permitted. If an entity elects to early apply it must apply all of the requirements at the same time with the following exception:
Entities with a date of initial application before 1 February 2015 continue to have the option to apply the standard in phases.

The complete version of IFRS 9 replaces most of the guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss.

IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

NOTE 5 – KEY ACCOUNTING JUDGEMENTS AND ESTIMATES

Critical judgements in applying accounting policies

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(i) Recognition of deferred tax assets

Deferred tax assets represent income taxes recoverable through future deductions from taxable profits and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. In determining future taxable profits and the amount of tax benefits that are probable in the future, management makes judgements and applies estimation based on previous years taxable profits and expectations of future income that are believed to be reasonable under the existing circumstances.

(ii) Consequences of certain legal disputes

Group is involved in a number of legal disputes which have arisen from the regular course of operations. Management makes estimates of probable outcomes of the legal disputes, and the provisions for the Group's obligations arising from these legal actions are recognised on a consistent basis.

(iii) Useful lives of property, plant and equipment

The Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. There were no changes in estimated useful lives of non-current assets.

(iv) Impairment of assets

The Group regularly reviews the recoverability of each asset individually and if there is any indication of impairment, it shall be impaired to the estimated recoverable amount.

(v) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

(vi) Investment property

Investment property is initially carried at cost. After initial recognition, investment property is carried at fair value. Profit or loss from changes in fair value of investment property is recognised in profit or loss in the period in which they are incurred.

(vii) Going concern

The Group considers all relevant information on all the key risk factors, assumptions and uncertainties that it is aware of and that are essential to the ability of the Group to continue as going concern.

NOTE 6 – DETERMINATION OF FAIR VALUE

Effective as of the reporting date, the Company adopted IFRS 13: Fair value measurement which represents a single framework for measuring fair value and making disclosure about fair value measurements when such measurements are required or permitted by other IFRSs. IFRS 13 unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurement in other IFRSs. As a result, the Company has included additional disclosures with respect to fair value measurement as explained below.

In accordance with the transitional provisions of IFRS 13, the Company applied the new fair value measurement guidance prospectively and has not any comparative information of new disclosures. Notwithstanding the above, the change had no significant impact on the measurement of the Company's assets and liabilities.

Furthermore, the Company has an established control framework with respect to fair value measurement which assumes the overall responsibility of the Management Board and the Finance Department in relation to monitoring all significant fair value measurements, consultation with external experts and the responsibility to report, with respect the above, to those charged with corporate governance.

Fair values are measured using information collected from third parties in which case the Management Board and the Finance Department assess whether the evidence collected from third parties support the conclusion that such valuations meet the requirements of IFRSs, including the level in the fair value hierarchy where such valuations should be classified.

All significant issues related to fair values estimates are reported to the Supervisory Board.

Fair values are categorised into different levels in the fair value hierarchy based on the inputs used in valuation techniques as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – 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 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting 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.

The fair value of financial instruments that are not traded in an active market 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 fair value estimate is included in level 3.

In preparing these financial statements, the Company has made the following significant fair value estimates while preparing the financial statements as further explained in detail in the following notes:

- Note 18: Property, plant and equipment
- Note 19: Investment property
- Note 20: Investments in associates, other investments and available-for-sale financial assets
- Note 26: Non-current assets held for sale

NOTE 7 – SUBSIDIARIES

The consolidation includes the Company and its subsidiaries as follows:

	Share in ownership and voting rights (%)			
	2014	Acquisition cost in '000 HRK	2013	Acquisition cost in '000 HRK
Geotehnika-inženjering d.o.o., Zagreb	100	62,790	100	55,803
IGH Mostar d.o.o., Mostar	100	6,005	100	6,005
IGH Energija d.o.o., Zagreb	100	222	100	222
Incro d.o.o., Zagreb	100	20	100	20
Forum centar d.o.o., Zagreb	100	30,748	100	30,748
IGH Turizam d.o.o. , Zagreb	0	0	100	49,104
Projekt Šolta d.o.o., Zagreb	100	58,544	100	58,544
IGH Projektiranje d.o.o., Zagreb	100	6,103	100	6,103
Radeljević d.o.o., Zagreb	100	116,827	100	116,827
Gratius Projekt d.o.o.	100	100	100	100
Marterra d.o.o., Zagreb	100	20	100	20
DP AQUA d.o.o., Zagreb	100	452	100	452
Novi Črnomerec centar d.o.o., Zagreb	100	151,988	100	151,988
Slavonija Centar, poslovna zona, Velika Kopanic	100	20	0	0
Vođenje projekata d.o.o., Zagreb	90	900	90	900
ETZ d.d., Osijek	80	6,511	80	6,511
Projektni biro Palmotićeva 45 d.o.o., Zagreb	77	15,632	77	15,632
IGH Kosova Sha, Priština	75	40	75	40
Tehničke konstrukcije d.o.o., Zagreb	60	900	60	900
MBM Termoprojekt d.o.o., Zagreb	60	1,200	60	1,200
Hidroinženjering d.o.o., Zagreb	0	0	55	1,200
		459,022		**502,319**

NOTE 7 – SUBSIDIARIES (CONTINUED)

BUSINESS COMBINATIONS

a) Sale of existing investments in subsidiaries

IGH Turizam d.o.o.

During 2014, the Group sold 100% of its shareholding in IGH Turizam d.o.o., and lost its right to govern the financial and operating policies of the company. The shareholding was sold to third parties during May 2014. After the sale the Company has no shareholding in IGH Turizam d.o.o.

Hidroinženjering d.o.o.

During 2014, the Group sold 55% of its shareholding in Hidroinženjering d.o.o., and lost its right to govern the financial and operating policies of the company. The shareholding was sold to third parties. After the sale the Company has no shareholding in Hidroinženjering d.o.o.

The Group recorded the disposal of net assets as an income for the period.

The sale of shareholdings had an effect on the Group as follows:

(in thousands HRK)	**2014**	**2013**
Influence of share disposal on minority interests	356	(39)
Net assets of equity holders of the parent	(8,057)	(577)
Goodwill at acquisition	(1,170)	(728)
	(9,227)	**(1,305)**
Consideration	1,300	675
Net influence of share disposal on equity holders of the parent	**6,959**	**(591)**

b) Acquisition of new shareholdings

Geotehnika Inženjering d.o.o.

Based on the Decision of the Commercial Court in Zagreb no. 4 Stpn-267/13 dated 3 March 2014, the debt of the subsidiary Geotehnika Inženjering d.o.o. is converted into equity, and after the capital increase the Company acquired an increase in the business share in the nominal amount of HRK 6,987,235 which provides 34,936 votes, and carries rights that correspond to the nominal amount of share capital. Up to the date of accepting this report, the stated transaction was not entered into the register of the Commercial Court.

Metronet Telekomunikacije d.d

50% of the receivables of the parent company arising from issued corporate bonds of Metronet Telecommunications d.d. are converted into equity in the pre-settlement proceedings against the debtor, and the parent company acquired shares worth HRK 1,062 thousand. The parent company has no significant impact or control over the company.

Industrogradnja Grupa d.d

In the process of the pre-bankruptcy settlement of Industrogradnja Group d.d., a part of the receivables of the parent company in the amount of HRK 372 thousand is converted into equity, and the parent company acquired shares in the stated value.

NOTE 8 – SALES REVENUE

	2014	2013
	(in thousands of HRK)	
Revenue from services	222,766	259,703
Sale of apartments	1,322	122
Sale of goods	-	1,754
	224,088	**261,579**

NOTE 9 – OTHER OPERATING INCOME

	2014	2013
	(in thousands of HRK)	
Income from reversal of provisions	1,077	8,120
Gain on sale of property,plant and equipment	183	291
Rental income	4,423	3,025
Income from recovery of receivables previously written off	9,409	2,408
Income form reimbursement of damages	-	211
Compensation and grant income	299	37
Income from liabilites written off	24,625	4,330
Other income	3,702	3,628
	43,718	**22,050**

By writing off liabilities of creditors primarily through pre-bankruptcy settlement procedures, the Company and its subsidiaries generated income totalling HRK 24,625 thousand (*2013: HRK 4,330 thousand*).

NOTE 10 – RAW MATERIALS, CONSUMABLES AND SERVICES USED

	2014	2013
	(in thousands of HRK)	
Raw materials and consumables used	2,799	6,539
Energy costs	6,973	9,356
Inventory and spare parts used	747	1,078
Transportation, telephone, postal services	3,498	3,116
Subcontractors	41,418	43,643
Manufacturing services	6,041	10,663
Municipial services and fees	2,115	1,762
Maintenance costs	3,968	4,616
Rental expense	6,045	6,141
Other external expenses	2,309	798
Cost of goods sold	903	854
	76,816	**88,566**

NOTE 11 – STAFF COSTS

	2014	2013
	(in thousands of HRK)	
Net salaries	58,999	68,750
Tax, contributions and other charges	44,194	49,479
Reimbursement of expenses (travel expenses, wages, transportation)	12,258	13,119
Termination, support and other benefits	1359	3443
Compensations, termination and support benefits	28	-
	116,838	**134,791**

At 31 December 2014, the Company and its subsidiaries had 654 employees (2013: 746 employees). In 2014, non-taxable termination benefits have been paid for 40 employees in the amount of HRK 1,884 thousand.
During the period, the Group accounted for contributions for the compulsory pension fund for 700 employees amounting to HRK 17,152 thousand *(2013: for 935 employees amounting to HRK 19,848 thousand).*

NOTE 12 – IMPAIRMENT

	2014	2013
	(in thousands of HRK)	
Impairment of trade receivables	21,870	18,356
Impairement of other receivables	389	5,518
Impairment of inventories	37	3,921
Impairment of minority interests investments	-	383
Impairment of loans given and other financial assets	467	6,310
Impairment of non current material assets	-	5,540
Impairment of investment in properties	-	4,956
	22,763	**44,984**

Within impairment of loans given and other financial assets, HRK 32 thousand of impairment relates to impairment of loans given and the corresponding interest from associates.

NOTE 13 – OTHER OPERATING EXPENSES

	2014	2013
	(in thousands of HRK)	
Legal, consultancy and other services	4,884	4,377
Entertainment	811	922
Insurance premiums	1,648	2,157
Education and training expenses	340	291
Bank fees and charges	1,967	3,105
Other taxes	365	2,412
Contributions to public bodies	1,364	1,355
Other expenses	2,305	6,234
Carrying value of disposed assets	1,488	2,553
Penalties and similar expenses	115	280
Other costs	2,314	2,464
Provisions for unused holiday	708	0
Provisions for retirement and jubilee awards	632	123
Provisions for legal cases	974	1,452
Warranty provision	0	400
	19,915	**28,125**

NOTE 14 – NET FINANCE COSTS

	2014	2013
Finance income	*(in thousands of HRK)*	
Gain on foreign exchange differences	1,110	6,956
Interest income	2,788	3,438
Profit from investment disposal	1,616	-
Gain on intrerest write offs	9,796	19,146
Unrealised gains from currency swap	5,526	2,385
Other finance income	40	11,039
	20,876	**42,964**
Finance expenses		
Loss on foreign exchange differences	1,659	13,125
Interest expense	21,082	39,298
Change in fair value of available for sale financial assets	1,379	5,597
Other finance expense	4,642	1,567
	28,762	59,587
Net finance costs	**(7,886)**	**(16,623)**

Income from the reversal of accrued interest payable arose from the write-off of interest payable from the pre-bankruptcy settlement procedures and the reduction of financial liabilities at fair value.

NOTE 14 – NET FINANCE COSTS (CONTINUED)

Other finance costs include HRK 4,104 thousand relating to the reversal of the discount of non-current liabilities and other unspecified finance costs.

In 2014, the Company and its subsidiaries capitalised interest in the total amount of HRK 1,053 thousand (2013: HRK 746 thousand).

NOTE 15 – INCOME TAX

Tax income consists of:

	2014	2013
	(in thousands of HRK)	
Current income tax	(196)	(436)
Deferred tax	1,229	1,114
	1,033	**678**

Reconciliation of the effective tax rate

A reconciliation of tax expense per the statement of comprehensive income and taxation at the statutory rate is detailed in the table below:

	2014	2013
	(in thousands of HRK)	
Profit/(loss) before taxation	**4,339**	**(62,209)**
Income tax at 20% (2013: 20%)	868	(12,442)
Non-deductible expenses and non-taxable income	1,690	12,582
Tax incentives	(217)	(11)
Tax losses not recognised as deferred tax assets	565	6,092
Tax from realised profit	(1,924)	(6,112)
Effect of different tax rates	51	569
Income tax	**1,033**	**678**
Effective tax rate	24%	0%

Unrealised tax losses relate to the tax loss for the current year. Unused tax losses are not recognised as deferred tax assets in the statement of financial position, as it is unlikely that there will be sufficient taxable profits realised for the utilisation of these deferred tax assets.

NOTE 15 – INCOME TAX (CONTINUED)

Tax losses are available as follows:

	2014	2013
	(in thousands of HRK)	
Up to 2014	-	2,945
Up to 2015	1,573	2,932
Up to 2016	325	1,330
Up to 2017	21,846	22,113
Up to 2018	3,239	6,092
Up to 2019	565	-
	27,548	**35,412**

The deferred tax liability arises from the following:

2014	Opening balance	Recognised in profit or loss	Recognised in equity	Closing balance
Temporary differences:				
Revaluation of land and buildings	36,128	(1,229)	(871)	34,028
	36,128	**(1,229)**	**(871)**	**34,028**

2013	Opening balance	Recognised in profit or loss	Recognised in equity	Closing balance
Temporary differences:				
Revaluation of land and buildings	41,286	(1,114)	(4,044)	36,128
	41,286	**(1,114)**	**(4,044)**	**36,128**

NOTE 16 – EARNINGS PER SHARE

	2014	2013
	(in thousands of HRK)	
Profit/(loss) attributable to equity holders of the parent (in thousands of HRK)	5,130	(60,370)
Weighted average number of shares	494,049	259,975
Basic (loss)/earnings per share (in HRK)	**10.38**	**(232.21)**

As stated in Notes 29 and 42, as part of the pre-bankruptcy settlement a portion of the Company's debt cannot be converted into equity 3 years after the settlement will have become legally valid, up to 20% of the share capital at the time of conversion. Due to the uncertainty of significant variables in the calculation, the Group did not calculate diluted earnings per share in the event of conversion of the stated portion of debt into equity.

NOTE 17 – INTANGIBLE ASSETS AND GOODWILL

(in thousand of HRK)	Right to use property of third parties (Patents, licences and similar)	Assets under construction	Goodwill	Total
Cost				
As at 1 January 2013	35,394	3,863	13,587	52,844
Sale or disposal	(166)	-	-	(166)
Additions	1,374	-	-	1,374
Imapirment	(402)	-	(71)	(473)
Disposal of subsidiaries	-	-	(657)	(657)
As at 31 December 2013	**36,200**	**3,863**	**12,859**	**52,922**
Accumulated amortization				
As at 1 January 2013	(31,691)	(1,268)	(9,844)	(42,803)
Amortization for the year	(1,691)	-	-	(1,691)
Sale or disposal	166	-	-	166
As at 31 December 2013	**(33,216)**	**(1,268)**	**(9,844)**	**(44,328)**
Cost				
As at 1 January 2014	36,200	3,863	12,859	52,922
Reclassification	(55)	55	-	-
Additions	46	1,217	-	1,263
Transfer	1,214	(1,214)	-	-
Impairment	(728)	-	-	(728)
Disposal of subsidiaries	-	-	(1,171)	(1,171)
As at 31 December 2014	**36,677**	**3,921**	**11,688**	**52,286**
Accumulated amortization				
As at 1 January 2014	(33,216)	(1,268)	(9,844)	(44,328)
Amortization for the year	(1,198)	-	-	(1,198)
Sale or disposal	2	-	-	2
As at 31 December 2014	**(34,412)**	**(1,268)**	**(9,844)**	**(45,524)**

Assets under construction relate to investments in an access road as a leasehold improvement.

Impairment of goodwill

The Group has calculated the present value using the discounted free cash flows and share of ownership. The cash flow calculation was based on the earnings before interest, taxes, depreciation and amortisation (EBITDA) generated in 2014 assuming growth of 5% in the first 5 years and no growth thereafter. The discount rate of 9% was used in discounting the projected free cash flow.

NOTE 18 – PROPERTY, PLANT AND EQUIPMENT

(in thousand of HRK)	Land	Buildings	Plant and equipment	Assets under constructio n	Other	Advances for tangibles	Total
Cost or fair value							-
As at 1 January 2013	139,810	341,526	195,933	28,936	1,192	104	707,501
Increase due to revaluation	9,887	1,369	-	-	-	-	11,256
Foreign exchange differences	21	89	76	-	-	-	186
Additions	-	444	649	3,766	-	1,276	6,135
Transfer to use	-	380	728	(1,108)	-	-	-
Disposals	-	-	(252)	-	-	(1,272)	(1,524)
Disposal of subsidiaries	-	-	-	-	-	-	-
Sale or dsiposal	-	-	(13,188)	-	-	-	(13,188)
Transfer to assets for sale	(43,676)	(194,626)	-	-	-	-	(238,302)
As at 31 December 2013	**106,042**	**149,182**	**183,946**	**31,594**	**1,192**	**108**	**472,064**
Accumulated depreciation							-
As at 1 January 2013	-	(25,715)	(176,562)	-	(827)	-	(203,104)
Charge for the year		(12,266)	(3,754)	-	-	-	(16,020)
Value adjustments	(11,179)	(22,223)	-	(2,918)	-	-	(36,320)
Sale or dsiposal	-	-	6,455	-	-	-	6,455
Transfer to assets for sale	7,931	21,042	-	-	-	-	28,973
As at 31 December 2013	**(3,248)**	**(39,162)**	**(173,861)**	**(2,918)**	**(827)**	**-**	**(220,016)**
Cost or fair value							
As at 1 January 2014	106,042	149,182	183,946	31,594	1,192	108	472,064
Foreign exchange differences	5	20	-	-	-	-	25
Additions	1,024	-	244	1,356	-	830	3,454
Reclassification	5,977	(5,977)	-	-	-	-	-
Transfer to use	-	381	3,684	(4,065)	-		-
Disposals	-	-	(175)	-	-	(735)	(910)
Disposal of subsidiaries	-	-	(720)	-	-	-	(720)
Sale or disposal	-	-	(7,681)	-	-	-	(7,681)
As at 31 December 2014	**113,048**	**143,606**	**179,298**	**28,885**	**1,192**	**203**	**466,232**
Accumulated depreciation							-
As at 1 January 2014	(3,248)	(39,162)	(173,861)	(2,918)	(827)	-	(220,016)
Charge for the year	-	(5,548)	(3,003)	-	-	-	(8,551)
Value adjustments	-	374	100	-	-	(33)	441
Disposal of subsidiaries	-	-	142	-	-	-	142
Sale or disposal	-	-	4,608	-	-	-	4,608
As at 31 December 2014	**(3,248)**	**(44,336)**	**(172,014)**	**(2,918)**	**(827)**	**(33)**	**(223,376)**
Net carrying amount							
31 December 2013	102,794	110,020	10,085	28,676	365	108	252,048
31 December 2014	**109,800**	**99,270**	**7,284**	**25,967**	**365**	**170**	**242,856**

NOTE 18 – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Land, buildings and assets under construction of the Group with a net carrying amount of HRK 235,037 thousand (2013: HRK 241,490 thousand) have been pledged as security for borrowings from commercial banks.

The cost of property, plant and equipment that is fully depreciated amounts to HRK 179,395 thousand (2013: HRK 169,193 thousand). The net carrying amount of revalued assets before revaluation would have amounted to HRK 98,261 thousand (2013: HRK 100,482 thousand).

Assets under construction relate to the investment in the construction of commercial buildings at Janka Rakuše 1 in Zagreb and other assets under construction.

The estimated market value for revaluation purposes was determined based on the independent valuer's report that was based on the cost method, the comparative method and/or the income method depending on the type of property.

Leased equipment where the Company and its subsidiaries are the lessee under a finance lease relates to cars and comprise the following:

	2014	2013
	(in thousands of HRK)	
Cost of capitalised financial leases	153	1,094
Accumulated depreciation	(143)	(741)
Net book value	**10**	**353**

(i) Valuation techniques and significant inputs

The following table summarizes the valuation methods and techniques used in measuring the fair value and significant inputs used in the valuation:

Valuation methods and techniques	Significant unobservable inputs
Land and buildings	
Fair value measurement of land and buildings was performed by certified property valuers. Depending on the intended use of the assets the methods used were the market value method (by further developing the cost method), the income method and the residual method.	Correction factors used in calculating the market price. Average yield: 7-9%
The calculation of the market value by further developing the cost method is performed by calculating the value of a newly built property and its impairment due to the passage of time, construction. furnishing, etc. The resulting price is adjusted to the market price through a number of factors specific to the observed building or land.	Among other factors, the estimated discount rate considers the underlying quality of the property, its location and the currently realisable rent conditions for similar locations and the comparative type of property.
The income method considers the present value of net cash flows that the assets could generate from rent taking into account the expected net rent based on comparable transactions.	Specific expenses used in determining the net cash flow in the income method.
The residual method is based on an analysis of a specific investment and is focused on determining the value of land planned for development. The method is applied in the context of developing a project, if the investor wishes to determine the maximum price to pay for land in order to profitably realise a project.	Specific information related to costs of construction, periods of financing, interest rates, required profit margins and other expenses in calculating the residual method.

NOTE 19 – INVESTMENT PROPERTY

	2014	2013
Cost	*(in thousands of HRK)*	
As at 1 January	142,341	81,669
Additions	-	106,409
Transfer to assets held for sale	-	(40,781)
Reclassification	697	-
Fair value changes	-	(4,956)
As at 31 December	**143,038**	**142,341**

Investment property mainly relates to investment in land. Business premises recorded as investment property have been leased for an indefinite period. Overheads, which annually amount to approximately HRK 100 thousand are borne by the lessee. In 2014, the Group generated income from the rental of business premises in the amount of HRK 528 thousand.

Investment property with a net carrying value of HRK 139,421 thousand (2013: HRK 138,724 thousand) is pledged as security for borrowings from commercial banks.

Investment property with a net carrying amount of HRK 33,011 thousand (2013: HRK 33,011 thousand) has been pledged as security for a third-party borrowing from commercial banks. The cost of investment property amounts to HRK 81,811 thousand. Since the property is encumbered by a lien on third-party borrowing liabilities, the fair value of the property was reduced by the amount of the subscribed lien of HRK 48,800 thousand to the carrying amount of HRK 33,011 thousand.

(i) Valuation techniques and significant inputs

The following table summarizes the valuation methods and techniques used in measuring the fair value and significant inputs used in the valuation:

Valuation methods and techniques	Significant unobservable inputs
Land and buildings Valuation methods and techniques used are identical to those used in determining fair value of land and buildings in Note 18 (i).	Significant unobservable inputs are described in Note 18 (i).

NOTE 20 – INVESTMENTS IN ASSOCIATES

2014 (in thousand HRK)	Ownership	Investement	Assets	Liabilities	Net assets/(liabilities)	Revenues	Profit/(loss)	Group share in net assets/(liabilities)	Group share in profit/(loss)
Centar Bundek d.o.o. Zagreb	35%	31,960	418,439	479,134	(60,695)	64,983	(44,051)	(21,243)	(15,418)
Centar Gradski Podrum d.o.o.	38%	21,533	458,394	453,570	4,824	61,347	(23,978)	1,809	(8,992)
Sportski grad TPN d.o.o. u stečaju	40%	8	418,316	725,686	(307,370)	50	(4,213)	(122,948)	(1,685)
IGH Lux Energija d.o.o.	30%	14,918	10,774	137	10,637	-	(9)	3,191	(3)
Elpida d.o.o.	50%	31,300	62,644	134	62,510	-	(36)	31,255	(18)
Institut za infrastrukturne projekte d.o.o.	50%	9	-	-	-	-	-	-	-
Autocesta Bar-Boljare d.o.o.	40%	8	-	-	-	-	-	-	-
Prvi Crnogorski Autoput d.o.o. Podgorica	25%	-	-	-	-	-	-	-	-
Ispravak vrijednosti		(62,596)							
		37,140	**1,368,567**	**1,658,661**	**(290,094)**	**126,380**	**(72,287)**	**(107,936)**	**(26,116)**
Unrealised loss (related to Sportski grad TPN d.o.o. and Centar Bundek d.o.o. above the value of share)									(17,103)
									(9,012)

Investments in Centar Gradski Podrum d.o.o. were pledged by the Group as a security for borrowings from commercial banks.

NOTE 20 – INVESTMENTS IN ASSOCIATES (CONTINUED)

(i) Valuation techniques and significant inputs

The following table summarizes the valuation methods and techniques used in measuring the fair value and significant inputs used in the valuation:

Valuation methods and techniques	Significant unobservable inputs
The fair value of investments in related parties was estimated using methods applicable to each individual company. The following methods were used: • The valuation of properties was carried out by authorised independent valuers (methods described in Note *18 (i)*) • The estimation of the recoverable amount of assets, liabilities and equity of the Company as at 31 December	Significant unobservable inputs are described in Note 18 (i).

2013 (in thousand HRK)	Ownership	Investement	Assets	Liabilities	Net assets/(liabilities)	Revenues	Profit/(loss)	Group share in net assets/(liabilities)	Group share in profit/(loss)
Centar Bundek d.o.o. Zagreb	35%	31,960	481,588	498,231	(16,643)	146,838	(53,377)	(5,825)	(18,682)
Centar Gradski Podrum d.o.o.	38%	21,533	530,131	501,329	28,802	32,240	(2,354)	10,801	(883)
Sportski grad TPN d.o.o.	40%	8	360,579	601,025	(240,446)	19,684	(68,348)	(96,178)	(27,339)
IGH Lux Energija d.o.o.	30%	14,918	10,774	128	10,646	-	(10)	3,194	(27)
Elpida d.o.o.	50%	31,300	62,631	85	65,546	1	(43)	32,773	(35)
Institut za infrastrukturne projekte d.o.o.	50%	9	-	-	-	-	-	-	-
Autocesta Bar-Boljare d.o.o.	40%	8	-	-	-	-	-	-	-
Prvi Crnogorski Autoput d.o.o. Podgorica	25%	0	-	-	-	-	-	-	-
Ispravak vrijednosti		(53,584)							
		46,152	**1,445,703**	**1,600,798**	**(152,095)**	**198,763**	**(124,132)**	**(55,236)**	**(46,966)**
TPN d.o.o. and Centar Bundek d.o.o. above the value of share)									(31,771)
									(15,195)

NOTE 21 – OTHER INVESTMENTS

	2014	2013
	(in thousands of HRK)	
Shares in investment funds	3,099	4,478
Other investments	4,147	153
Bonds	688	2,151
Deposits and guarantees given	966	1,385
	8,900	**8,167**

Shares in investment funds

	2014	2013
	(in thousands of HRK)	
Quaestus private equity kapital	2,825	4,195
Nexus private equity	274	282
	3,099	**4,477**

The decrease in fair value of shares in investment funds was recognised through loss as part of finance cost in the amount of HRK 1,379 thousand. The fair valuation of shares in investment funds classified as available-for-sale financial assets was carried out using quoted market prices (unadjusted) in an active market - Level 1.

Participating interests

	2014	2013
	Acquisition cost	**Acquisition cost**
	(in thousands of HRK)	
Grupacija Biotoplifikacija d.o.o . "u likvidaciji"	15	15
Viktor Lenac d.d. Rijeka	47	47
Hrvatski farmer d.d., Zagreb	-	1
GP Dubrovnik d.d., Dubrovnik	2,694	2,694
Zagrebačka banka d.d., Zagreb	136	16
Jadranska autocesta d.d., Zagreb	1	1
Adriastar hoteli i ljetovališta d.o.o.	-	10
Međimurje Beton d.d., Čakovec	383	383
Projektgradnja d.d., Slavonski Brod	126	126
Metronet Telekomunikacije d.d.	1,062	-
Industrogradnja Grupa d.d.	372	-
PB Palmotićeva 45 d.o.o., Zagreb	2,822	2,822
Value adjustments	(3,511)	(5,962)
	4,147	**153**

NOTE 22 – INVENTORIES

	2014	2013
	(in thousands of HRK)	
Raw materials	-	80
Work in progress	154,517	153,422
Finished goods	2,704	3,238
Merchandise	593	593
Advances	-	1,008
Less: Impairment of inventories	(68,374)	(69,253)
	89,440	**89,088**

Inventories with a carrying amount of HRK 88,724 thousand have been pledged as security for borrowings from commercial banks. Inventories of finished goods relate to unsold commercial property. Work in progress relates to commercial and residential premises under construction.

NOTE 23 – TRADE AND OTHER RECEIVABLES

Non current receivables	2014	2013
	(in thousands of HRK)	
Receivables for apartments sold and equipment with deferred payment	1,665	1,890
Receivables from pre-bankruptcy settlements	16	399
	1,681	**2,289**
Current receivables		
Domestic trade receivables	121,283	131,973
Foreign trade receivables	25,426	15,282
Less: Impairment	(84,692)	(70,718)
Receivables from state and other institutions	3,800	2,756
Receivables from employees	838	783
Receivables form related parties	265	259
Receivables from recharged interest	7,444	7,444
Advances given	2,695	4,025
Other receivables	3,676	3,438
Less: Impairment of other receivables	(10,654)	(10,174)
	70,081	**85,068**
	71,762	**87,357**

Movements in provisions for impairment of trade receivables are as follows:

	2014	2013
	(in thousands of HRK)	
At 1 January	70,718	71,219
Increase	21,870	18,356
Amounts collected	(2,976)	(2,408)
Written off as uncollectable	(4,920)	(16,449)
At 31 December	**84,692**	**70,718**

NOTE 23 – TRADE AND OTHER RECEIVABLES (continued)

The ageing analysis of trade receivables that were not impaired was as follows:

	2014	2013
	(in thousands of HRK)	
Undue	35,475	30,391
0-90 days	13,540	16,506
91-180 days	5,179	19,648
181-360 days	6,047	8,927
over 360 days	1,776	1,065
	62,017	**76,537**

NOTE 24 – LOANS GIVEN

	2014	2013
Non current	*(in thousands of HRK)*	
Loans given to third parties	26,934	-
Loans given to related parties	28,120	28,120
Less: Impairment	(28,120)	(28,120)
	26,934	**-**
Current		
Loans given to associates	2,320	2,280
Loans given to third parties	1,150	1,369
Deposits given	5,827	5,106
Receivables for interests	6,778	9,102
Less: Impairment	(12,764)	(12,414)
	3,311	**5,443**
	30,245	**5,443**

Interest on loans given to related parties is calculated using the interest rate of 7% per year, or 7.5% per year for other loans. To certain subsidiaries loans were granted free of interest.

Loans to unrelated parties were granted at an interest rate of 4.5% per year, with a maturity of three years and a pledge over the property registered as collateral for the loan.

NOTE 25 – CASH AND CASH EQUIVALENTS

	2014	2013
	(in thousands of HRK)	
Current accounts	6,124	4,317
Cash in hand	8	34
Foreign currency account	778	1,295
Term deposits	1,363	-
	8,273	**5,646**

NOTE 26 – NON-CURRENT ASSETS HELD FOR SALE

	2014	2013
Cost	*(in thousands of HRK)*	
As at 1 January	250,110	-
Land	-	71,183
Buildings	-	178,927
Sale	(133,494)	-
Reclassification	(697)	-
As at 31 December	**115,919**	**250,110**

Non-current assets held for sale are intended to settle the secured debt of financial institutions that have not waived their right to a separate settlement in the process of the pre-bankruptcy settlement. During 2014, properties were sold in the amount of HRK 133,494 thousand, whereby liabilities were settled with respect to a borrowing from commercial banks.

Liabilities to secured creditors (Note 33) increased by underlying interest in the amount of HRK 3,700 thousand carry a total amount of HRK 116,616 thousand.

(i) Valuation techniques and significant inputs

The following table summarizes the valuation methods and techniques used in measuring the fair value and significant inputs used in the valuation:

Valuation methods and techniques	Significant unobservable inputs
The fair value of investments was estimated using methods applicable to each individual asset. The following methods were used: • The valuation of properties was carried out by authorised independent valuers (methods described in Note *18 (i)*) • Review of rights of secured creditors	Significant unobservable inputs are described in Note 18 (i). Amount of secured debt.

NOTE 27 – ACCRUED INCOME AND PREPAID EXPENSES

	2014	2013
	(in thousands of HRK)	
Prepaid expenses	6,134	8,273
Accrued income	2,591	117
VAT on advances received	255	586
	8,980	**8,976**

At 31 December 2014, the Group has accrued revenues arising from construction contracts in the amount of HRK 2,591 thousand (2013: HRK 117 thousand).

NOTE 28 – SHARE CAPITAL

	Number of shares	Share of ownership	Number of shares	Share of ownership
	2014		2013	
	(u tisućama kuna)		*(u tisućama kuna)*	
Gljadelkin Sergej	315,000	51.33%	-	0.00%
Mezhibovskiy Veniamin	50,000	8.15%	60,000	22.71%
Akcionar d.o.o.	20,086	3.27%	20,086	7.60%
ZM d.o.o. (ex Zagreb-Montaža d.o.o.)	15,000	2.44%	15,000	5.68%
Zm-Montag d.o.o.	15,000	2.44%	15,000	5.68%
IGH-Esop d.o.o.	2,840	0.46%	3,715	1.41%
Dalekovod-Projekt d.o.o.	2,661	0.43%	-	0.00%
IPRO-INŽENJERING d.o.o.	2,512	0.41%	2,000	0.76%
Own shares	539	0.09%	539	0.20%
Other shareholders	190,071	30.97%	147,830	55.96%
	613,709	**100%**	**264,170**	**100%**

At the Management Board meeting held on 15 April 2014, the decision was made on increasing share capital. This decision was supported by the Supervisory Board at its meeting held on the same day. The share capital increase arose from the legally valid pre-bankruptcy settlement as of 28 December 2013 whereby 30% of total supplier claims in the amount of HRK 23,506 thousand are settled through Company shares. Suppliers have subscribed shares in the amount of HRK 17,815 thousand, and the Company share capital was increased from HRK 105,668 thousand by the amount of HRK 17,815 thousand to the amount of HRK 123,486 thousand by issuing 44,539 new ordinary shares, ticker IGH-R-C, with a nominal amount of HRK 400.00 per share.

After the share capital increase the Company's share capital amounts to HRK 123,483 thousand and is divided among 264,170 ordinary shares, ticker IGH-R-A, and 44,539 ordinary shares, ticker IGH-R-C, in the nominal amount of HRK 400.00 per share.

At the General Assembly held on 7 May 2014, the Company made a decision to reduce the share capital from the amount of HRK 123,483 thousand by the amount of HRK 64,829 thousand to the amount of HRK 58,755 thousand by reducing the nominal amount of ordinary shares, ticker IGH-R-A and IGH-R-C, from the amount of HRK 400.00 by the amount of HRK 210.00 to the amount of HRK 190.00 per share.

At the same meeting, the decision was made on increasing the share capital from the amount of HRK 58,655 thousand by the amount of HRK 57,950 thousand to the amount of HRK 116,605 thousand by issuing 305,000 thousand ordinary shares, ticker IGH-R-C with a nominal amount of HRK 190.00 per share.

After the share capital increase the Company's share capital amounts to HRK 116,605 thousand and is divided among 264,170 ordinary shares, ticker IGH-R-A, and 349,539 ordinary shares, ticker IGH-R-C, in the nominal amount of HRK 190.00 per share.

On 21 January 2015, 349,539 shares, ticker: IGH-R-C ISIN HRIGH0RC00004 with a nominal amount of HRK 190.00 per share were converted to 349,539 shares, ticker: IGH-R-A ISIN HRIGH0RC00006 with a nominal amount of HRK 190.00 per share.

Based on the decision of the Zagreb Stock Exchange Class:UP/I-451-01/15-01/12 Reg. no.: 536-15-2 dated 19 January 2015, 349,539 shares with a nominal amount of HRK 190.00 per share, ticker IGH-R-A, ISIN: HRIGH0RA00006 were listed on the Official ZSE quotation. The listing was performed on 21 January 2015.

After the listing, the Company's share capital comprises 613,709 shares, ticker IGH-R-A, ISIN: HRIGH0RA0006 and amounts to HRK 116,605 thousand.

NOTE 29 – CAPITAL RESERVES

Based on the decision of the General Assembly, capital reserves in the amount of HRK 52,011 thousand relating to gains on acquisition and sale of own shares in the amount of 13,999 thousand and realised capital gains from the issue of new shares in the amount of 38,012 thousand were used to cover losses generated in 2012. Based on the final pre-bankruptcy settlement agreement of 28 December 2013 the Company recognised in capital reserves an amount of HRK 23,506 thousand relating to 30% of total creditors' claims registered during the pre-bankruptcy settlement agreement. The above amount is subject to registration into share capital during 2014 as agreed in the pre-bankruptcy settlement.

Based on the final pre-bankruptcy settlement agreement of 28 December 2013 creditors transferred into the PIK and junior debt have the right, upon the maturity period of six years, to convert its remaining claims into share capital and thus become a part of the ownership structure of the Company. The PIK debt represents 63.6 % of debt towards banks in the pre-bankruptcy settlement and is to be paid in one instalment after six years at a fixed interest rate of 4.5% per annum, which will also be paid upon maturity. After three years, creditors have the right to exercise an option to convert debt into equity up to a maximum of 20% of the share capital at the time of conversion. The details of the pre-bankruptcy settlement agreement are described in Note 43.

Given the above, the Company has an obligation to calculate the probability and amount of conversion of debt into equity. Due to the significant uncertainty of key variables in the calculation the Company did not calculate and recognize the equity component as at 31 December 2014.

NOTE 30 – RESERVES

	2014	**2013**
	(in thousands of HRK)	
Legal reserves	-	-
Reserves for own shares	1,446	1,446
Own shares	(3,816)	(3,862)
	(2,370)	**(2,416)**

Under Croatian regulations, the legal reserve must be built up to a minimum of 5% of the profit for the year until total reserves together with the share premium reach 5% of the Company's share capital. Both legal reserves and reserves for own shares are non-distributable.

The Company and its subsidiaries have 3,909 own shares. Own shares are recorded at cost and are released using the weighted average price method.

NOTE 31 – REVALUATION RESERVES

	2014	2013
	(in thousands of HRK)	
As at 1 January	141,506	164,127
Decrease in value of non current material and non material assets	(328)	9,006
Inrease in value of non current material and non material assets	(3,103)	(25,184)
Transfer to accumulated losses	(1,960)	(4,455)
Change in value of assets available for sale	-	(1,988)
As at 31 December	**136,115**	**141,506**

Revaluation reserves are not distributable to shareholders.

NOTE 32 – NON-CONTROLLING INTEREST

	2014	2013
	(in thousands of HRK)	
As at 1 January	1,912	2,785
Disposal and acquisition of new entities	(431)	462
Share of non controlling interests in revaluation reserves	(387)	(174)
(Loss)/profit of the year relating to non controlling interests	242	(1,161)
As at 31 December	**1,336**	**1,912**

NOTE 33 – BORROWINGS

	2014	2013
	(in thousands of HRK)	
Non-current		
Bank loans (secured)	21,621	75,516
Bank loans - PIK debt	182,908	182,439
Bank loans - junior debt	7,898	12,391
Bank loans - senior debt	107,316	108,545
Other liabilities	71	7,077
Finance lease	65	-
	319,879	**385,968**
Current		
Bonds	70,973	76,376
Bank loans (secured)	88,877	155,631
Finance lease	521	510
Other liabilities	2,622	2,754
	162,993	**235,271**
Total loans and borowings	**482,872**	**621,239**

Bank borrowings in the amount of HRK 408,620 thousand (2013: HRK 534,522 thousand) and liabilities arising from issued bonds in the amount of HRK 70,973 thousand are secured with the Group's land and buildings, shares in the associate Centar gradski podrum d.o.o. and inventories of the Group.
In accordance with the pre-bankruptcy settlement agreement creditors are classified into the following categories:

NOTE 33 – BORROWINGS (CONTINUED)

The “PIK debt” represents claims that will be settled by selling pledged assets of the Group and its related parties.

The final maturity of the PIK claims is 6 years from the day the pre-bankruptcy settlement became final and it incorporates a fixed interest rate of 4.5% per annum.

The “Senior debt” comprises a portion of creditor claims which will be settled by payment in semi-annual instalments which fall due 30 June and 31 December in accordance with the provisions of the settlement agreement and with an interest rate set at 4.5% per annum. The first instalment becomes due on the first of the above dates 24 months after the settlement becomes legally valid.

The “Junior debt” relates to part of creditor claims which will be settled in accordance with the provisions of the pre-bankruptcy settlement agreement. Final maturity of junior claims is 6 years from the day the pre-bankruptcy settlement becomes legally valid.

Interest amounting to 4.5% is calculated annually and becomes due in one instalment upon final maturity of the junior debt.

Issued bonds

On 6 June 2012 the Company issued convertible bonds in the amount of EUR 10 million for a partial rescheduling of liabilities arising from previously issued financial instruments and financing of the working capital. Bonds are convertible into the Company's shares and are issued as annuity bonds with 9% interest per annum with a due date on 6 June 2017. Payments of annuities are semi-annual.

On 6 June 2012 the Central Depository and Clearing Company included the bonds in depository and settlement services. In order to ensure payment of all bond obligations, pledges have been created for specific properties which was under ownership of the bond issuer at time the financial documents were finalised.

On 10 June 2013, the Settlement Council of the Financial Agency adopted the Decision on initiating pre-bankruptcy settlement proceedings over INSTITUT IGH d.d. Owners of convertible bonds as secured creditors have not waived their right for separate settlement in the pre-bankruptcy settlement proceedings, and have the right to initiate separate enforcement procedures to enforce real estate sales and settlement of their claims. If the sale of pledged assets does not generate sufficient funds to settle secured claims, bond holders are not entitled to settlement of outstanding claims in full, but their claims are considered to be settled entirely through the sale of the pledged assets.

Pledged land and buildings amount to HRK 70,973 thousand and the value of bond payables was reduced to the stated amount.
The finance lease liability is as follows:

	Minimum lease payments		Finance cost		Present value of min. lease payments	
	2014	2013	2014	2013	2014	2013
	(in thousands of HRK)		(in thousands of HRK)		(in thousands of HRK)	
Do jedne godine	521	550	(46)	(40)	475	510
Od jedne do pet godina	65	-	(7)	-	58	-
Ukupno	**586**	**550**	**(53)**	**(40)**	**533**	**510**

NOTE 33 – BORROWINGS (CONTINUED)

The analytical review of borrowings is as follows:

(in thousands of HRK)	Currency	Interest rate	2014	Up to 1 year	1-2 years	2-5 years	Over 5 years
Financial liabilities							
Comercial bank	EUR	4,5%-6%	231,684	15,905	12,129	36,388	167,262
Comercial bank	EUR	4.50%	78,335	-	3,564	10,693	64,078
Comercial bank	EUR	4.50%	12,476	-	568	1,703	10,205
Comercial bank	EUR	4.50%	9,578	-	299	898	8,381
Comercial bank	HRK	6.50%	3,500	875	875	1,750	-
Comercial bank	EUR	3 mj. EURIBOR+6,60 p.p.	25,512	25,512	-	-	-
Comercial bank	EUR	1 mj. EURIBOR+5,95 p.p.	7,008	7,008	-	-	-
Loans from other parties	HRK	8%	954	-	30	90	834
Other borrowings from third parties	HRK	7%	252	252	-	-	-
Other borrowings	RUB	4.00%	71	-	71	-	-
Finance lease	EUR	7,13-11%	586	521	65	-	-
Total financial liabilities			*369,956*	*50,073*	*17,601*	*51,522*	*250,760*
Liabilities towards secured creditors							
Comercial bank	EUR	8%	7,229	7,229	-	-	-
Comercial bank	EUR	6 mj. EURIBOR+6,25 p.p.	32,346	32,346	-	-	-
Borrowings from other finacnial institutions	HRK	3 mj. EURIBOR+7,20 p.p.	2,368	2,368	-	-	-
Bonds	EUR	9%	70,973	70,973	-	-	-
Other liabilities towards secured creditors			*112,916*	*112,916*	-	-	-
Total			**482,872**	**213,062**	**35,202**	**103,044**	**501,520**

NOTE 34 – PROVISIONS

(in thousands of HRK)	Jubilee awards	Unused holiday accrual	Retirement benefits	Waranty provision	Legal cases	Total
as at 31 December 2013:						
Non-current	974	-	303	1,271	10,414	12,962
Current	-	4,112	317	-	35	4,464
	974	**4,112**	**620**	**1,271**	**10,449**	**17,426**
Increase in provisions	-	709	1,606	-	974	3,289
Utilised during the year	(974)	-	(25)	(1,218)	(13)	(2,230)
At 31 December 2014	**-**	**4,821**	**2,201**	**53**	**11,410**	**18,485**
as at 31 December 2014:						
Non-current	-	-	1,648	53	11,388	13,089
Current	-	4,821	553	-	22	5,396
	-	**4,821**	**2,201**	**53**	**11,410**	**18,485**

(i) Jubilee awards

According to the Collective Agreement the Company had an obligation to pay jubilee awards. After the expiry of the Collective Agreement according to which the Company had an obligation to pay jubilee awards, jubilee awards are no longer paid and the provisions for jubilee awards were terminated.

(ii) Unused vacation days

In 2014, the provision for unused vacation days was accrued based on the expectations that unused vacation days holiday will be used in 2015.

(iii) Termination benefits

The Group recognised a long-term provision for regular retirement benefits for all employees in the non-taxable amount of HRK 8 thousand per employee. By applying a rate of 7%, the present value of termination benefits of all employees was determined in the amount of HRK 1,648 thousand.

(iv) Warranty provision

The Group reversed previously recognised warranty provisions as the warranty periods expired. At the same time, warranty provisions were not recognized for the current period as the Company had no indication of the potential corrective costs.

(v) Legal disputes

Legal provisions relate to a number of legal disputes initiated against the Group. Based on the expert opinion of legal counsel, the Company's Management believes that the outcome of these legal disputes will not give rise to any significant loss beyond the amount provided for as at 31 December 2014.

NOTE 35 – TRADE AND OTHER PAYABLES

	2014	2013
	(in thousands of HRK)	
Non-current		
Trade payables - rescheduled	24,020	25,080
Related parties liabilities - rescheduled	548	731
Other non-current liabilties- rescheduled tax debt	12,669	15,744
Other liabilities	1,059	1,373
	38,296	**42,928**
Current		
Domestic creditors	31,419	60,603
Foreign creditors	916	3,058
Other current liabilties- rescheduled tax debt	7,080	4,965
Liabilities to government	8,219	16,769
Liabilities toward employees	9,768	16,071
Liabilities toward shares in profit and rewards to management	1,765	1,765
Cessions payable	1,684	1,684
Interest payable	11,424	15,125
Municipal charges	2,787	2,787
Related parties liabilities	183	183
Other liabilities	2,185	8,166
	77,430	**131,176**

Non-current liabilities for the rescheduled tax debt are carried at fair value using discounted cash flows. The liabilities will be repaid in 10 equal semi-annual instalments, without interest. As at 31 December 2014, the carrying value of current liabilities approximates their fair value, due to the short-term maturity of these liabilities. Non-current trade payables are measured at fair value using discounted cash flows and relate to creditors who will, based on the pre-bankruptcy settlement, be repaid in 10 equal semi-annual instalments without interest. The rate used to discount the long-term debt is 7%.

The ageing structure of trade payables is as follows:

	2014	2013
	(in thousands of HRK)	
undue	39,510	33,681
0-90 days	8,031	5,329
91-180 days	1,208	3,889
181-360 days	2,789	3,783
over 360 days	4,817	16,979
	56,355	**63,661**

The Group’s exposure to foreign currency risk and liquidity risk is presented in Note 38.

NOTE 36 – ADVANCES AND DEPOSITS RECEIVED

	2014	2013
	(in thousands of HRK)	
Advances from domestic debtors	1,335	1,753
Advances from foreign debtors	1,144	3,731
Deposits and guarantees received	315	119
	2,794	**5,603**

NOTE 37 – ACCRUED EXPENSES AND DEFERRED INCOME

	2014	2013
	(in thousands of HRK)	
Accrued expenses	9,098	7,801
Deferred income	-	-
	9,098	**7,801**

NOTE 38 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial risk factors

The Group is exposed to various financial risks related to foreign currency, interest rate, credit and liquidity risk. The Group monitors these risks and seeks to minimize their potential impact on the Group's financial exposure. The Group does not use derivative instruments to actively hedge its financial risk exposure.

Market risk

Market risk relates to financial instruments. IFRS defines market risk as the risk of fluctuation of fair value or future cash flows of financial instruments due to changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risks.

The Group operates on the Croatian and international markets. Management determines the cost of its services based on the market price of the relevant market.

a) Price risk

The Group is engaged in the professional and scientific research in the field of construction, the area where the financial crisis has had a significant impact causing relative market inactivity.

Currently an industry in which the Group operates is highly illiquid, and despite the significant decrease in prices, a significant drop in the volume of business also occurred. Price reductions and market illiquidity have a negative effect on the recoverability of the Group's assets and the timing of projects realization.

b) Foreign exchange risk

The Company's official currency is the Croatian kuna (HRK). However, the Group has invested in financial instruments and entered into transactions denominated in currencies that do not represent its functional currency. Accordingly, the Group is exposed to currency risk of its currency in relation to other currencies in a way that may adversely affect the result and value of the Group.

Transactions denominated in foreign currencies are translated into Croatian kuna by applying the exchange rates in effect at the balance sheet date. The resulting exchange differences are credited or charged to the income statement. Changes in exchange rates may affect the profits mainly as a result of foreign exchange gains or losses arising on translation of receivables in foreign currency (EUR) and borrowings and obligations contracted with foreign currency clause (EUR).

Due to part of its income being earned in foreign markets and liabilities denominated in other currencies, the Group is exposed to exchange rate risk primarily through EUR and therefore the expected changes are not significant.

NOTE 38 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

The total exposure of the Group to changes in foreign exchange rates at the reporting date was as follows:

	Obveze		Imovina	
	2014.	2013.	2014.	2013.
	(u tisućama kuna)		*(u tisućama kuna)*	
Europska Unija (EUR)	405.711	557.478	74.331	34.072
Bosna i Hercegovina (BAM)	347	2.259	10.569	15.322
SAD (USD)	2.443	2.148	1.445	1.274

Foreign currency sensitivity analysis

The Group is mainly exposed to fluctuations in the exchange rate of the Croatian kuna to the Euro.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a percentage change in foreign currency rates. The sensitivity analysis includes monetary assets and monetary liabilities in foreign currencies. A negative number indicates a decrease in profit where the Croatian kuna changes against the relevant currency by the percentage specified above. In case of a reverse proportional change of the Croatian kuna against the relevant currency, there would be an equal and opposite impact on the profit.

The exposure to the 1% fluctuation in the exchange rates for the currencies presented above is mainly attributable to borrowings, trade payables and related party receivables denominated in Euro (EUR).

	EUR currency effect		USD currency effect	
	2014	2013	2014	2013
	(in thousands of HRK)		*(in thousands of HRK)*	
Net result decrease	(4,358)	(5,234)	(147)	(9)

	BAM currency effect	
	2014	2013
	(in thousands of HRK)	
Net result increase	134	131

The mid-market exchange rates against the Croatian kuna were as follows:

	31 December 2014	31 December 2013
EUR	7.66147	7.63764
BAM	3.91725	3.90506
USD	6.302	5.549

NOTE 38 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

c) Interest rate risk

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

Due to the fact that the Group uses loans with fixed and variable interest rates, the Group is exposed to interest rate risk.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company in whole or in part, at the time of maturity. Failure to fulfil obligations would endanger the Group's liquidity and reduce the value of its assets. As at 31 December 2014, the Group's financial assets that may potentially expose the Group to credit risk consist primarily of loans receivable, trade and other receivables.

The value of financial assets at the reporting date represents the maximum exposure to credit risk. The Group regularly monitors the risk that a counterparty will default on its obligations.

Trade and other receivables and loans receivable have been adjusted for the allowance for bad and doubtful debts.

Liquidity risk

Liquidity risk is the risk that the Group could face difficulties in settling its liabilities. Liquidity risk arises in the general funding activities of the Group and the management of assets. It includes the risk of being unable to fund assets under appropriate maturities and prices and the risk of being unable to sell its assets at a reasonable price and in an appropriate time frame. Financial instruments include investments that may be illiquid and that the Group is not able to turn into cash to meet its liquidity requirements.

Table analysis of liquidity risk

The tables have been drawn up based on the undiscounted cash outflows of financial liabilities at their due date. The tables include both principal and interest cash flows.

2014 in thousand of HRK	Net carrying value	Contractual cash flow	Up to 1 year	1-2 years	2-5 years	Over 5 years
Non derivative financial liabilities						
Borrowings, finance lease and bonds	482,872	578,965	184,759	24,467	63,103	306,636
Trade and other payables	118,520	125,590	82,781	16,148	25,313	1,348
	601,392	**704,555**	**267,540**	**40,615**	**88,416**	**307,984**

2013 in thousand of HRK	Net carrying value	Contractual cash flow	Up to 1 year	1-2 years	2-5 years	Over 5 years
Non derivative financial liabilities						
Borrowings, finance lease and bonds	621,239	765,329	276,600	17,646	83,381	387,702
Trade and other payables	193,072	204,040	134,247	22,120	47,673	-
	814,311	**969,369**	**410,847**	**39,766**	**131,054**	**387,702**

NOTE 38 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Non-interest bearing liabilities payable up to one month mainly consist of trade payables and other current liabilities.

Interest bearing liabilities include short-term and long-term loans and finance lease.

Table analysis of liquidity risk

The tables have been drawn up based on the undiscounted cash inflows of financial assets at their due date. The tables include both principal and interest cash flows.

	Net carrying value	Contractual cash flow	Up to 1 year	1-2 years	2-5 years	Over 5 years
2014 in thousand of HRK						
Non derivative financial assets						
Loans given	30,245	33,262	3,311	-	29,951	-
Trade and other receivables	71,762	71,762	70,081	470	1,211	-
	102,007	**105,024**	**73,392**	**470**	**31,162**	**-**
2013 in thousand of HRK						
Non derivative financial assets						
Loans given	5,443	5,824	5,824	-	-	-
Trade and other receivables	96,332	96,332	96,332	-	-	-
	101,775	**102,156**	**102,156**	**-**	**-**	**-**

Fair value of financial instruments

The fair value of financial assets and financial liabilities is determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and which are traded on active liquid markets is determined with reference to quoted market prices,
- The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models, based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Financial instruments held to maturity in the ordinary course of business are recorded at the lower of cost and net amount less the portion repaid. The fair value represents the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction, except in the event of a forced sale or for liquidation purposes. The fair value of a financial instrument is its quoted market price, or the amount obtained using the discounted cash flow method.

NOTE 38 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

At 31 December 2014, the reported amounts of cash, short-term deposits, receivables, current liabilities, calculated expenses, short-term borrowings and other financial instruments approximate their fair values due to the short-term nature of those assets and liabilities.

Management believes that the carrying value of long-term deposits, receivables and borrowings as at 31 December 2014 approximates their fair value due to the application of liabilities with variable interest rates.

Capital risk management

Net debt-to-equity ratio (Gearing ratio)

The net-debt-to-equity ratio at the reporting date was as follows:

	2014	**2013**
	(in thousands of HRK)	
Debt (long term and short term loans)	369,956	621,239
Cash and cash equivalents	(8,273)	(5,646)
Net debt	**361,683**	**615,593**
Equity	100,312	36,076
Debt/Equity ratio	361%	1706%

Debt is defined as a financial liability for long-term and short-term borrowings and bonds. Equity includes all capital and reserves of the Company. In addition to monitoring the ratio of net debt to equity, the Group also monitors the ratio of operating profit before depreciation and amortisation (EBITDA) and debt.

The Group monitors its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

NOTE 39 – RELATED PARTY TRANSACTIONS

The Group considers that its direct related party relationship is with its key shareholders and entities under their control or influence (subsidiaries and associates), key management, close family members of key management and legal entities that are controlled or significantly influenced by key management personnel and their close family members, in accordance with the provisions set out in International Accounting Standard 24 - *Related Party Disclosures.*

	Prinicipal	Interest	Prinicipal	Interest
	2014		2013	
	(in thousands of HRK)			
Sportski grad TPN d.o.o. u stečaju , Split	2,280	16,060	30,400	13,376
Elpida d.o.o., Zagreb	40	2	10	1
Less: Impairment	(2,320)	(16,062)	(30,410)	(13,377)
	-	-	-	-

During the year, HRK 31 thousand of impairment of receivables for loans given and accrued interest was recognised in profit or loss.

Interest income on loans given to associates - non-current:

	2014	2013
	(in thousands of	
Sportski grad TPN d.o.o., Split	28,120	28,120
Less: Impairment of loans given	(28,120)	(28,120)
	-	-

Receivables from associates:

	2014	2013
	(in thousands of	
Sportski grad TPN d.o.o. u stečaju , Split	475	475
Centar Gradski podrum d.o.o.	265	259
Less: Impairment of trade receivables	(475)	(475)
	265	**259**

Revenues from services to associates

	2014	2013
	(in thousands of	
Centar Bundek d.o.o.	-	735
Centar Gradski podrum d.o.o.	750	1,037
	750	**1,772**

NOTE 39 – RELATED PARTY TRANSACTIONS (continued)

Income from loan interests to related parties

	2014	2013
	(in thousands of HRK)	
Sportski grad TPN d.o.o., Split	-	1,874
Elpida d.o.o., Zagreb	2	1
	2	**1,875**

Information on co-debtorships and guarantees issued to related parties are stated in Note 41.

Management and Supervisory Board compensation:

	2014	2013
	(in thousands of HRK)	
Gross salaries and other compensations	2,687	4,662
Compensations to Supervisory board	1,346	430
	4,033	**5,092**

As at 31 December 2014, the Company had a liability towards members of the Management Board and the Supervisory Board in the amount of HRK 865 thousand (*2013: HRK 2,551 thousand).*

NOTE 40 – CONTINGENCIES

	2014	2013
	(in thousands of HRK)	
Court cases	76,910	76,043
Guarantees given and warranties-external	40,732	49,513
	117,642	**125,556**

Other court cases and guarantees given are not disclosed as contingent liabilities in the statement of financial position as at 31 December due to the Management Board's estimates that it is not probable that liabilities will arise for the Group.

NOTE 41 – COMMITMENTS

As at 31 December 2014, future payments under operating leases for transport vehicles, office equipment and software are as follows:

	2014	2013
	(in thousands of HRK)	
Up to 1 year	6,603	4,375
1 - 5 years	19,971	21,893
	26,574	**26,268**

NOTE 42 – EFFECTS OF THE PRE-BANKRUPTCY SETTLEMENT AGREEMENT

On 17 May 2013 the Company submitted a Proposal to initiate pre-bankruptcy settlement proceedings. On 5 December 2013 the Commercial Court in Zagreb accepted the Proposal and approved the settlement. In April 2014, the Court ruled that the pre-bankruptcy settlement became legally valid as of 28 December 2013.

I. *Settlement with creditors*

An agreement was reached according to which 30% of claims is converted into the Company's share capital. 20% of claims will be repaid in cash after the share capital increase or the sale of the Company's assets. The remaining 50% of claims will be repaid in 10 equal semi-annual instalments over the period of 5 years. During 2014, the Company settled trade payables totalling HRK 50,503 thousand as prescribed in the provisions of the pre-bankruptcy settlement.

II. *Settlement with banks*

PIK debt

Of the total debt, 63.6% was converted into the PIK debt. The PIK debt is to be repaid in one instalment 6 years after the pre-bankruptcy settlement became legally valid. Up to the maturity date, a fixed interest rate of 4.5% per annum is included in the calculation, which is also payable in one instalment 6 years after the pre-bankruptcy settlement became legally valid. The PIK debt will be settled through the sale of assets which are pledged as collateral. All gains on sale in excess of the claims are attributable to the Company.

Three years after the settlement will have become legally valid, the Company is obliged to proportionally convert the PIK debt to the senior debt until the senior debt reaches the net indebtedness limit which is equal to 3.5 times of the prior years' EBITDA.

Three years after the settlement will have become legally valid and through the process of converting the PIK debt to the senior debt, the creditors have the right to convert their claims into equity at a price of HRK 400 per share. If the General Assembly does not invite a creditor to subscribe for the shares, then the outstanding PIK debt is due upon the creditors' call.

If the sale of pledged assets is realised, the PIK debt (including interest) is settled first and the remainder of receipts is used to settle parts of the senior debt which had liens on that particular asset. If the sales results in a surplus of cash over the creditors' claims, then the surplus belongs to the debtor i.e. the Company.

Senior debt

The first instalment becomes due 24 months from the date the pre-bankruptcy settlement will have become legally valid. The repayment dates are 30 June and 31 December. Payments are semi-annual with a fixed interest rate of 4.5% per annum and are paid throughout the settlement period. During 2014, interest was paid in the amount of HRK 4,834 arising from senior debt.

Junior debt

The junior debt has the same repayment schedule as the PIK debt the only difference being that junior debt holders have no liens on the Company`s assets. Final maturity of junior debt is also 6 years from the date the pre-bankruptcy settlement will have become legally valid with a fixed interest rate of 4.5% per annum which becomes due in one instalment after 6 years.

During 2014, proposals for initiating pre-bankruptcy settlement procedures were filed by the related parties Geotehnika Inženjering d.o.o. and MBM Termoprojekt d.o.o.

NOTE 42 – EFFECTS OF THE PRE-BANKRUPTCY SETTLEMENT AGREEMENT (CONTINUED)

Pursuant to the Decision on the conclusion of the pre-bankruptcy settlement agreement with the creditors of Geotehnika Inženjering d.o.o., the following settlements have been reached.

I. *Settlement with creditors*

An agreement was reached according to which 50% of claims is written off. The remaining amount of the claims will be settled in a period of 7 years with a one-year grace period and 6 years of payment from the date of concluding the pre-bankruptcy settlement agreement, and no later than 30 September 2021, without interest in equal six-month instalments.

II. *Settlement with banks*

The debt is fully rescheduled over a period of 8 years with a two-year grace period and 6 years of payment from the date of concluding the pre-bankruptcy settlement agreement, and no later than 30 September 2022, without interest in equal six-month instalments.

III. *Settlement with the Ministry of Finance of the Republic of Croatia, Tax Authority*

The debt is fully rescheduled over a period of 5 years in equal six-month instalments from the date of concluding the pre-bankruptcy settlement agreement, and no later than 30 September 2019, without interest.

Based on the Decision of the Commercial Court in Zagreb no. 20 Stpn-152/14 dated 22 May 2014 the related party MBM Termoprojekt d.o.o. reached the following settlement with creditors:

I. *Settlement with the Ministry of Finance of the Republic of Croatia, Tax Authority*

The established claim is paid at an interest of 4.5% p.a. in 24 equal monthly instalments starting from 23 June 2014.

Set out below is a short overview of the effects of the pre-bankruptcy settlement agreement on the statement of financial position:

	2014	**2013**
	(in thousands of HRK)	
Conversion of liabilities to equity (note 29)	17,816	23,506
PIK debt (note 33)	182,908	182,439
Senior debt (note 33)	107,316	108,545
Junior debt (note 33)	7,898	12,391
Liabilities towards secured creditors (note 33)	112,916	246,251
	428,854	**573,132**

Set out below is a short overview of the effects of the pre-bankruptcy settlement agreement on the statement of comprehensive income:

	2014	**2013**
	(in thousands of HRK)	
Write off of trade payables	13,771	-
Write off of interest and fees	2,400	19,146
Value adjustment of bonds	12,738	-
Discount of long term liabilities	(4,104)	11,037
Interest not accrued	-	13,811
	24,805	**43,994**

NOTE 42 – EFFECTS OF THE PRE-BANKRUPTCY SETTLEMENT AGREEMENT (CONTINUED)

The debt towards creditors who have not waived their right to separate settlement in the process of the pre-bankruptcy settlement agreement (secured creditors) is classified as short-term and is presented in Note 33 in the amount of HRK 112,916 thousand.

Pledged assets are intended to cover the secured debt and are classified as non-current assets held for sale as presented in Note 26 in the amount of HRK 115,919 thousand.

Since the legally valid pre-bankruptcy settlement until 31 December 2014, the Company settled an amount of HRK 91,589 thousand, incurred before initiating the pre-bankruptcy settlement, by payments in cash, issuing registered shares, converting a part of receivables of a part of creditors into equity, payment of priority claims and other claims of employees with accompanying taxes and contributions, and write-off in accordance with the provisions of the pre-bankruptcy settlement.

Attachment 1.
Reporting period: 01.01.2014 do 31.12.2014

ANNUAL FINANCIAL STATEMENTS OF THE ENTREPERNEUR - GFI-POD

Tax number (MB): 03750272

Company registration number (MBS): 80000959

Personal identification number (OIB): 79766124714

Issuing company: INSTITUT IGH d.d.

Postal code and place: 10000 ZAGREB

Street and house number: JANKA RAKUŠE 1

E-mail adress: igh@igh.hr

Internet adress: http://www.igh.hr

nicipality/city code and name: 133 ZAGREB

County code and name: 133 GRAD ZAGREB

Number of employees (quarter end): 654

Consolidated report: YES

NKD code: 7219

mpanies of the consolidation subject (according to IFR:	Seat:	MB:
IGH MOSTAR D.O.O.	MOSTAR, BIŠĆE POLJE BB	4227060470005
GEOTEHNIKA INŽENJERING D.O.O.	ZAGREB, GRADIŠĆANSKA 26	01517597
IGH PROJEKTIRANJE D.O.O.	ZAGREB, JANKA RAKUŠE 1	02441918
INCRO D.O.O.	ZAGREB, BRANIMIROVA 71	01982516
IGH ENERGIJA D.O.O.	ZAGREB, JANKA RAKUŠE 1	01819585
FORUM CENTAR D.O.O.	ZAGREB, JAGODNJAK 17	01960229
PROJEKT ŠOLTA D.O.O.	ZAGREB, JANKA RAKUŠE 1	02592363
RADELJEVIĆ D.O.O.	ZAGREB, JANKA RAKUŠE 1	01938533
VOĐENJE PROJEKATA D.O.O.	ZAGREB, BIJENIČKA CESTA 8	02427648
EKONOMSKO TEHNIČKI ZAVOD D.D.	OSIJEK, DRINSKA 18	03013669
PROJEKTNI BIRO PALMOTIĆEVA 45 D.O.O.	ZAGREB, PALMOTIĆEVA 45	03222853
IGH KOSOVA Sha	PRIŠTINA, KOSOVO	
GRATIUS PROJEKT D.O.O.	ZAGREB, JANKA RAKUŠE 1	02462478
DP AQUA D.O.O.	ZAGREB, SREDNJACI 16	01907522
TEHNIČKE KONSTRUKCIJE D.O.O.	ZAGREB, VLAŠKA 79	02405865
MBM TERMOPROJEKT D.O.O.	ZAGREB, NIKOLE PAVIĆA 20	00335967
NOVI ČRNOMEREC CENTAR D.O.O.	ZAGREB, JANKA RAKUŠE 1	04102258
SLAVONIJA CENTAR, POSLOVNA ZONA VELIKA K(	ZAGREB, JANKA RAKUŠE 1	02349671

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Family name and name: IVAN PALADINA
(person authorized to represent the company)

Documents for publishing:

1. Audited Annual Financial Statements with Audit Report
2. Management Board Report
3. Statement form persons responsible for preparation of Annual statement,
4. Decision by the authorized body (proposal) on the establishment of Annual F. Stateme
5. Decision on the Proposal for distribution of profit or loss coverage

Institut IGH dioničko društvo za istraživanje i razvoj u graditeljstvu Zagreb 01

Seal

Paladina

(signature of the person authorized to represent the company)

BALANCE SHEET
as of 31.12.2014

Legal entity: INSTITUT IGH D.D.

Position	AOP	Previous year (net)	Current year (net)
1	2	3	4
A) RECEIVABLES FOR SUBSCRIBED AND NON - PAID CAPITAL	001		
B) LONG - TERM ASSETS (003+010+020+029+033)	002	459.613.585	467.311.079
I. INTANGIBLE ASSETS (004 to 009)	003	8.593.358	6.762.209
1. Assets development	004	0	0
2. Concessions, patents, licence fees, merchandise and service brands, software and other rights	005	2.984.536	2.266.062
3. Goodwill	006	3.015.395	1.844.505
4. Prepayments for purchase of intangible assets	007	0	0
5. Intangible assets in preparation	008	2.593.427	2.651.642
6. Other intangible assets	009	0	0
II. TANGIBLE ASSETS (011 to 019)	010	394.390.805	385.893.754
1. Land	011	102.793.895	109.799.865
2. Buildings	012	109.932.086	99.270.095
3. Plant and equipment	013	5.899.452	5.988.182
4. Instuments, plant inventories and transportation assets	014	4.274.678	1.295.937
5. Biological assets	015		0
6. Prepayments for tangible assets	016	108.895	170.042
7. Tangible assets in preparation	017	28.676.181	25.967.312
8. Other material assets	018	364.625	364.645
9. Investment in buildings	019	142.340.993	143.037.676
III. LONG-TERM FINANCIAL ASSETS (021 to 028)	020	54.340.353	72.973.689
1. Shares (stocks) in related parties	021	0	0
2. Loans given to related parties	022	0	0
3. Participating interests (shares)	023	153.413	4.146.826
4. Loans to entrepreneurs in whom the entity hold participating interests	024	0	0
5. Investment in securities	025	2.151.439	687.761
6. Loans, deposits and similar assets	026	1.385.484	27.900.564
7. Other long - term financial assets	027	4.478.131	3.099.152
8. Investments accounted by equity method	028	46.171.886	37.139.386
IV. RECEIVABLES (030 to 032)	029	2.289.069	1.681.427
1. Receivables from related parties	030	0	0
2. Receivables based on trade loans	031	2.289.069	1.665.320
3. Other receivables	032	0	16.107
V. DEFERRED TAX ASSETS	033	0	0
C) SHORT TERMS ASSETS (035+043+050+058)	034	435.355.059	287.023.529
I. INVENTORIES (036 to 042)	035	339.197.756	205.359.483
1. Row material	036	80.060	0
2. Work in progress	037	86.777.746	88.724.385
3. Finished goods	038	629.512	147.746
4. Merchandise	039	592.963	568.162
5. Prepayments for inventories	040	1.007.624	0
6. Long - term assets held for sale	041	250.109.851	115.919.190
7. Biological assets	042	0	0
II. RECEIVABLES (044 to 049)	043	85.068.351	70.080.056
1. Receivables from related parties	044	259.038	264.654
2. Accounts receivable	045	76.537.318	62.016.908
3. Receivables from participating entrepreneurs	046	0	0
4. Receivables from employees and shareholders	047	782.892	837.709
5. Receivables from government and other institutions	048	2.755.778	3.799.898
6. Other receivables	049	4.733.325	3.160.887
III. SHORT - TERM FINANCIAL ASSETS (051 to 057)	050	5.443.683	4.673.207
1. Shares (stocks) in related parties	051	0	0
2. Loans given to related parties	052	0	0
3. Participating interests (shares)	053	0	0
4. Loans to entrepreneurs in whom the entity hold participating interests	054	0	0
5. Investments in securities	055	0	0
6. Loans, deposits and similar assets	056	5.269.725	3.310.380
7. Other financial assets	057	173.958	1.362.827
IV. CASH AT BANK AND IN CASHIER	058	5.645.269	6.910.783
D) PREPAID EXPENSES AND ACCRUED INCOME	059	8.976.263	8.979.013
E) TOTAL ASSETS (001+002+034+059)	060	903.944.907	763.313.621
F) OFF-BALANCE SHEET NOTES	061	49.512.554	40.731.657

LIABILITIES AND CAPITAL			
A) **CAPITAL AND RESERVES** (063+064+065+071+072+075+078)	062	36.076.269	100.311.797
I. SUBSCRIBED CAPITAL	063	105.668.000	116.604.710
II. CAPITAL RESERVES	064	0	0
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	21.089.209	-2.369.900
1. Reserves prescribed by law	066		
2. Reserves for treasury stocks	067	1.446.309	1.446.309
3. Treasury stocks and shares (deduction)	068	3.862.700	3.816.209
4. Statutory reserves	069		0
5. Other reserves	070	23.505.600	0
IV. REVALUATION RESERVES	071	141.756.915	136.307.756
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	072	-173.980.088	-156.698.339
1. Retained earnings	073	0	0
2. Accumulated loss	074	173.980.088	156.698.339
VI. PROFIT / LOSS FOR THE CURRENT YEAR (076-077)	075	-60.369.788	5.130.844
1. Profit for the current year	076	0	5.130.844
2. Loss for the current year	077	60.369.788	0
VII. MINORITY INTEREST	078	1.912.021	1.336.726
B) **PROVISIONS** (080 to 082)	079	12.961.680	13.087.823
1. Provisions for pensions, severance pay and similar liabilities	080	1.277.055	1.701.268
2. Reserves for tax liabilities	081	0	0
3. Other reserves	082	11.684.625	11.386.555
C) **LONG TERM LIABILITIES** (084 to 092)	083	465.024.114	392.203.711
1. Liabilities to related parties	084	730.775	548.081
2. Liabilities for loans, deposits etc.	085	101.700	71.280
3. Liabilities to banks and other financial institutions	086	385.866.457	319.742.709
4. Liabilities for received prepayments	087	0	0
5. Accounts payable	088	25.080.381	23.898.804
6. Liabilities arising from debt securities	089	0	0
7. Liabilities to entrepreneurs in whom the entity holds participating interests	090	0	186.109
8. Other long-term liabilities	091	17.117.083	13.728.052
9. Deferred tax liability	092	36.127.718	34.028.676
D) **SHORT - TERM LIABILITIES** (094 to 105)	093	377.617.927	243.217.276
1. Liabilities to related parties	094	182.693	182.693
2. Liabilities for loans, deposits etc.	095	3.261.325	3.142.722
3. Liabilities to banks and other financial institutions	096	155.630.526	88.876.629
4. Liabilities for received prepayments	097	5.603.735	2.794.099
5. Accounts payable	098	63.661.989	32.255.414
6. Liabilities arising from debt securities	099	76.376.430	70.973.241
7. Liabilities to entrepreneurs in whom the entity holds participating interests	100	0	79.651
8. Liabilities to employees	101	16.071.173	9.768.221
9. Liabilities for taxes, contributions and similar fees	102	21.802.394	15.298.981
10. Liabilities to share - holders	103	1.765.024	1.765.024
11. Liabilities for long term assets held for sale	104		0
12. Other short - term liabilities	105	33.262.638	18.080.601
E) DEFERRED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE PERIOD	106	12.264.917	14.493.014
F) TOTAL CAPITAL AND LIABILITIES (062+079+083+093+106)	107	903.944.907	763.313.621
G) OFF-BALANCE SHEET NOTES	108	49.512.554	40.731.657
APPENDIX TO BALANCE SHEET (only for consolidated financial statements)			
A) CAPITAL AND RESERVES			
1. Attributed to equity holders of parent company	109	34.164.248	98.975.071
2. Attributed to minority interests	110	1.912.021	1.336.726

Note 1: Annex to the Balance Sheet to be filled in by enterpreneurs preparing teh Consolidated Annual Financial Statements.

PROFIT AND LOSS ACCOUNT
for period 01.01.2014 to 31.12.2014

Legal entity: INSTITUT IGH D.D.

Position	AOP	Previous year	Current year
1	2	3	4
I. OPERATING REVENUES (112+113)	111	283.630.334	267.806.517
1. Sales revenues	112	261.579.898	224.087.892
2. Other operating revenues	113	22.050.436	43.718.625
II. OPERATNG EXPENSES (115+116+120+124+125+126+129+130)	114	314.021.031	246.568.659
1. Changes in the value of work in progress and finished goods	115	-156.750	481.766
2. Material costs (117 to 119)	116	88.566.083	76.815.896
a) Raw material and material costs	117	16.972.932	10.519.221
b) Costs of goods sold	118	854.241	903.424
c) Other external costs	119	70.738.910	65.393.251
3. Staff costs (121 to 123)	120	118.229.045	103.192.331
a) Net salaries and wages	121	68.749.807	59.018.540
b) Costs for taxes and contributions from salaries	122	33.746.969	29.135.065
c) Contributions on gross salaries	123	15.732.269	15.038.726
4. Depreciation	124	17.711.188	9.754.461
5. Other costs	125	37.415.439	27.330.105
6. Impairment (127+128)	126	33.334.781	22.295.737
a) Impairment of long-term assets (excluding financial assets)	127	5.540.134	0
b) Impairment of short-term assets (excluding financial assets)	128	27.794.647	22.295.737
7. Provisions	129	1.974.877	2.314.223
8. Other operating expenses	130	16.946.368	4.384.140
III. FINANCIAL INCOME (132 to 136)	131	42.963.689	20.876.129
1. Interest income, foreign exchange gains, dividends and similar income from related	132	250.150	1.505
2. Interest income, foreign exchange gains, dividends and similar income from non-related	133	10.143.198	3.895.591
3. Share in income from affiliated entrepreneurs and participating interests	134	0	0
4. Unrealized gains (income) from financial assets	135	0	0
5. Other financial income	136	32.570.341	16.979.033
IV. FINANCIAL EXPENSES (138 to 141)	137	59.587.405	28.761.554
1. Interest expenses, foreign exchange losses and similar expenses from related parties	138	0	0
2. Interest expenses, foreign exchange losses and similar expenses from non - related	139	52.423.675	22.740.899
3. Unrealized losses (expenses) on financial assets	140	5.596.893	1.378.980
4. Other financial expenses	141	1.566.837	4.641.675
V. INCOME FROM INVESTMENT SHARE IN PROFIT OF ASSOCIATED ENTREPRENEURS	142	0	0
VI. LOSS FROM INVESTMENT SHARE IN LOSS OF ASSOCIATED ENTREPRENEURS	143	15.194.539	9.012.500
VII. EXTRAORDINARY - OTHER INCOME	144	0	0
VIII. EXTRAORDINARY - OTHER EXPENSES	145	0	0
IX. TOTAL INCOME (111+131+142 + 144)	146	326.594.023	288.682.646
X. TOTAL EXPENSES (114+137+143 + 145)	147	388.802.975	284.342.713
XI. PROFIT OR LOSS BEFORE TAXATION (146-147)	148	-62.208.952	4.339.933
1. Profit before taxation (146-147)	149	0	4.339.933
2. Loss before taxation (147-146)	150	62.208.952	0
XII. PROFIT TAX	151	-678.304	-1.033.203
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	-61.530.648	5.373.136
1. Profit for the period(149-151)	153	0	5.373.136
2. Loss for the period (151-148)	154	61.530.648	0

APPENDIX TO PROFIT AND LOSS ACCOUNT (only for consolidated financial statements)			
XIV. PROFIT OR LOSS FOR THE PERIOD			
1. Attributed to equity holders of parent company	**155**	-60.369.788	5.130.844
2. Attributed to minority interests	**156**	-1.160.860	242.292
STATEMENT OF COMPREHENSIVE INCOME (IFRS)			
I. PROFIT OR LOSS FOR THE PERIOD (= 152)	**157**	-61.530.648	5.373.136
II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX(159 to 165)	**158**	-21.686.937	-331.740
1. Exchange differences on translation of foreign operations	**159**	450.785	561.113
2. Movements in revaluation reserves of long-term tangible and intangible assets	**160**	-20.149.299	-892.853
3. Profit or loss from revaluation of financial assets available for sale	**161**	-1.988.423	0
4. Gains or losses on efficient cash flow hedging	**162**	0	0
5. Gains or losses on efficient hedge of a net investment in foreign countries	**163**	0	0
6. Share in other comprehensive income / loss of associated companies	**164**	0	0
7. Actuarial gains / losses on defined benefit plans	**165**	0	0
III. TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD	**166**	-3.979.582	-66.348
IV. NET OTHER COMPREHENSIVE INCOME/ LOSS FOR THE PERIOD (158-166)	**167**	-17.707.355	-265.392
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD(157+167)	**168**	-79.238.003	5.107.744
APPENDIX to Statement of comprehensive income (only for consolidated financial statements)			
VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD			
1. Attributed to equity holders of parent company	**169**	-77.900.713	4.865.452
2. Attributed to minority interests	**170**	-1.337.290	242.292

STATEMENT OF CASH FLOWS - Indirect method

period 01.01.2014 to 31.12.2014

Legal entity: INSTITUT IGH D.D.

Position	AOP	Previous year	Current year
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit before tax	001	-62.208.952	4.339.933
2. Depreciation	002	17.711.188	9.754.461
3. Increase in short-term liabilities	003	0	0
4. Decrease in short term receivables	004	65.095.491	15.500.570
5. Decrease in inventories	005	2.551.424	0
6. Other cash flow increases	006	45.372.661	0
I. Total increase in cash flow from operating activities (001 to 006)	007	68.521.812	29.594.964
1. Decrease in short - term liabilities	008	50.664.692	60.271.549
2. Insrease in short - term receivables	009		0
3. Increase in inventories	010		352.386
4. Other cash flow decreases	011		4.646.798
II. Total decrease in cash flow from operating activities (008 to 011)	012	50.664.692	65.270.733
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	17.857.120	0
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)	014	0	35.675.769
CASH FLOW FROM INVESTING ACTIVITIES			
1. Cash flow from sale of long - term tangible and intangible assets	015	291.385	45.410.535
2. Cash inflows from sale of equity and debt financial instruments	016	694.462	1.300.001
3. Interest receipts	017		265.323
4. Dividend receipts	018		0
5. Other cash inflows from investing activities	019	3.000	4.000.000
III. Total cash inflows from investing activities(015 to 019)	020	988.847	50.975.859
1.Cash outflows for purchase of long - term tangible and intangible assets	021	7.510.653	1.339.415
2. Cash outflows for purchase of equity and debt financial instruments	022		0
3. Other cash outflows from investing activities	023		30.589.014
IV. Total cash outflows from investing activities (021 to 023)	024	7.510.653	31.928.429
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES(020-024)	025	0	19.047.430
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES(024-020)	026	6.521.806	0
CASH FLOW FROM FINANCING ACTIVITIES			
1. Cash receipts from issuance of equity and debt financial instruments	027	0	57.950.000
2. Cash inflows from loans, debentures, credits and other borrowings	028	1.961.001	3.510.000
3. Other cash inflows from financing activities	029	0	0
V. Total cash inflows from financing activities (027 to 029)	030	1.961.001	61.460.000
1. Cash outflows for repayment of loans and bonds	031	10.014.605	42.112.977
2. Dividends paid	032	0	0
3. Cash outflows for finance lease	033	171.421	90.344
4. Cash outflows for purchase of own stocks	034	0	0
5. Other cash outflows from financing activities	035	0	0
VI. Total cash outflows from financing activities (031 do 035)	036	10.186.026	42.203.321
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES (030-036)	037	0	19.256.679
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES (036-030)	038	8.225.025	0
Total increases of cash flows (013 – 014 + 025 – 026 + 037 – 038)	039	3.110.289	2.628.340
Total decreases of cash flows (014 – 013 + 026 – 025 + 038 – 037)	040	0	0
Cash and cash equivalents at the beginning of period	041	2.534.981	5.645.270
Increase in cash and cash equivalents	042	3.110.289	2.628.340
Decrease in cash and cash equivalents	043	0	0
Cash and cash equivalents at the end of period	044	5.645.270	8.273.610

STATEMENT OF CHANGES IN EQUITY

from 01.01.2014 to 31.12.2014

Position	AOP	Previous year	Current year
1	2	3	4
1. Subscribed capital	001	105.668.000	116.604.710
2. Capital reserves	002		
3. Reserves from profit	003	21.089.209	-2.369.900
4. Retained earnings or accumulated loss	004	-173.980.088	-156.698.339
5. Profit / loss for the current year	005	-60.369.788	5.130.844
6. Revaluation of long - term tangible assets	006	141.505.530	136.114.682
7. Revaluation of intangible assets	007		
8. Revaluation of financial assets available for sale	008		
9. Other revaluation	009		
10. Total capital and reserves (AOP 001 to 009)	010	33.912.863	98.781.997
11. Currency gains and losses arising from net investments in foreign operations	011	251.385	193.074
12. Current and deferred taxes (part)	012		
13. Cash flow hedging	013		
14. Changes in accounting policies	014		
15. Correction of significant errors in prior periods	015		
16. Other changes in capital	016		
17. Total increase or decrease in capital (AOP 011 to 016)	017	251.385	193.074
17 a. Attributed to equity holders of parent company	018	34.164.248	98.975.071
17 b. Attributed to minority interst	019	1.912.021	1.336.726

Items decreasing the capital are entered with a negative number sign

Data entered under AOP marks 001 to 009 are entered as situation on the Balance Sheet date