INGRA INC AND ITS SUBSIDIARIES

Consolidated financial statements as at

31 December 2013 together with

Independent Auditor's report

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Responsibility for the consolidated financial statements

The Management presents financial statements for the Ingra Inc. (the Company) and its subsidiaries (the Group) for the year ended 31 December 2013. Pursuant to the Croatian Accounting Law (Official Gazette 109/07, 54/13), the Board is responsible for ensuring that consolidated financial statements are prepared for each financial year in accordance with International Financial Reporting Standards endorsed for use in the European Union which give a true and fair view of the financial position and results of the Group for that period.

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

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

- appropriate 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 financial statements; and
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The 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 Law (Official Gazette 109/07, 54/13). The Board is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

By order of the Management Board:

Igor Oppenheim

Director

INGRA
DIONIČKO DRUŠTVO ZA IZGRADNJU INVESTICIJSKIH OBJEKATA, UVOZ, IZVOZ I ZASTUPSTVA
5 ZAGREB

Ingra Inc.

Alexandera von Humboldta 4 B

10000 Zagreb

Croatia

Zagreb, 31 March 2014

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Independent Auditor's report

To the Management Board and Shareholders of Ingra Inc.

We have audited the accompanying consolidated financial statements of Ingra Inc. Zagreb and its subsidiaries (hereinafter: the Group), which comprise the consolidated statement of financial position as at 31 December 2013, the consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes as presented on pages 4 to 57.

Management's Responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 the Qualified Opinion

Recoverable amount of assets

Within the process of pre-bankruptcy procedure described in note 36, the Group has decreased the carrying amount of its assets and in the same time reconciled its liabilities with the creditors claims determined in this process, including the liabilities for regular and penalty interests. During the determination of the recoverable amount of certain assets, the Group has taken into consideration the amount of stated liabilities for interests which will be written off in accordance with the accepted plan

On the basis of the resolution to be brought by Commercial court on the enforcement of pre-bankruptcy settlement, the Group will recognize revenues on the basis of written-off interest liabilities and it will additionally decrease the carrying amount of assets related to Dvori Lapad and its commercial building by HRK 117 million. In accordance with previously described, stated carrying value of assets related to Dvori Lapad and commercial building as at 31 December 2013 is overestimated in relation to determined fair value of those real estates by the amount of HRK 117 million.

Sale of shares in subsidiary Lanište Ltd

In the case of possible sale of the Company's share in its subsidiary Lanište Ltd, the realised fair value could be significantly lower than the carrying amount of net assets of this subsidiary stated at the consolidation level. We were not able to estimate the probability of the sale and the amount of possible adjustment, if any, which would arise from the sale of the subsidiary Lanište Ltd.

Qualified Opinion

In our opinion, except for the effect on the consolidated financial statements of the matters described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material aspects the Group's financial position as at 31 December 2013 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards endorsed for use in European Union.

Emphasis of matter

Going concern

Without qualifying our opinion, we draw your attention to the note 36 which described the process and the adoption of pre-bankruptcy settlement plan on 26 March 2014 and its main provisions. The Management is confident that the adoption of plan has created conditions for sustainable business for the Group and that the Group will continue as a going concern. The final enforcement of this settlement is a subject to final resolution of competent Commercial court.

Since the pre-bankruptcy settlement plan is adopted, these financial statements do not include any adjustments relating to the recoverability and classification of assets' carrying amounts or the amount and classification of liabilities that might result should the Group is unable to continue as a going concern.

Long-term receivable from Zagrebački Holding Ltd

As described in note 18, the Group has stated long-term receivable from Zagrebački holding Ltd. in relation to the construction project of Arena Zagreb. In case that Zagrebački holding Ltd. exercises the option of early redemption of Arena Zagreb, internal rate of return of long term receivable would be lower than market interest rate for placements with similar credit characteristics. We were not able to estimate certainty of early redemption by Zagrebački holding Ltd.

Grant Thornton Audit Ltd.
Ivana Lučića 2A, 10000 Zagreb
Zagreb, 31 March 2014

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Ivica Smiljan
Certified auditor, Director

Consolidated statement of comprehensive income

	Notes	2013 HRK'000	*Restated* 2012 HRK'000
Sales	3	94,277	146,007
Other operating income	4	57,764	4,793
Operating revenues		**152,041**	**150,800**
Changes in work in progress and finished goods		(6,889)	(43,120)
Cost of material and services	5	(67,201)	(68,479)
Personnel costs	6	(26,893)	(28,530)
Depreciation		(4,775)	(4,878)
Impairment losses	7	(57,258)	(43)
Provisions	8	(27,428)	(2,618)
Other operating expenses	9	(42,562)	(82,948)
Operating loss		**(80,965)**	**(79,816)**
Financial revenues		49,200	35,109
Financial expenses		(176,650)	(92,806)
Net financial result	10	**(127,450)**	**(57,697)**
Profit/(loss) before taxation		**(208,415)**	**(137,513)**
Corporate income tax	11	(150)	(821)
Net profit / (loss) for the year		**(208,565)**	**(138,334)**
Other comprehensive income:			
Items reclassified to profit or loss:			
Available-for-sale financial assets			
- gains/(losses) for the year		28	(671)
- reclassification in profit or loss		961	79
Exchange differences on translating foreign operations		14	(3)
Other comprehensive income/(loss) for the year, net		**1,003**	**(595)**
Total comprehensive income/(loss) for the year		**(207,562)**	**(138,929)**
Profit/(loss) for the year attributable to:			
Owners of the parent		(208,649)	(138,312)
Non-controlling interests		84	(22)
		(208,565)	**(138,334)**
Total comprehensive income/(loss) for the year attributable to:			
Owners of the parent		(207,646)	(138,907)
Non-controlling interests		84	(22)
		(207,562)	**(138,929)**
Earnings/(loss) per share (in Croatian kuna)			
Basic loss per share	25	(15.40)	(10.21)
Diluted loss per share	25	(15.40)	(10.21)

Consolidated statement of financial position

Assets	***Notes***	**31/12/2013**	*Restated* **31/12/2012**
Non-current assets		**HRK'000**	**HRK'000**
Goodwill	12	-	5,080
Property, plant and equipment	13	86,205	92,266
Investment property	14	127,896	136,319
Investment in associates	16	45	9,689
Other financial assets	17	28,911	28,912
Other receivables	18	701,938	740,176
		944,995	**1,012,442**
Current assets			
Inventories	19	196,917	218,269
Trade and other receivables	20	106,291	134,368
Gross amount due from customers for construction contracts	21	15,597	7,681
Other financial assets	17	55,686	55,165
Loans granted	22	6,299	12,078
Cash and cash equivalents	23	3,934	6,692
		384,724	**434,253**
Prepayments and accrued income	24	28,065	3,481
Total assets		**1,357,784**	**1,450,176**
Off-balance-sheet items	33	**197,625**	**202,107**
Equity			
Share capital		270,904	270,904
Share premium		-	85,140
Reserves for treasury shares		-	9,000
Revaluation reserves		38,840	39,049
Reserves and retained earnings		(44,474)	(3,667)
Net profit / (loss) for the year		(208,649)	(138,312)
	25	**56,621**	**262,114**
Non-controlling interest		**(504)**	**(588)**
Liabilities			
Non-current liabilities			
Interest-bearing liabilities	26	270,184	237,218
Other non-current liabilities	27	54,422	50,962
Provisions	28	3,898	16,362
Deferred tax liability	29	12,012	12,311
		340,516	**316,853**
Current liabilities			
Trade and other payables	30	194,903	150,919
Provisions		4,460	-
Gross amount due to customers for construction contracts	31	108	2,738
Interest-bearing liabilities	26	586,242	641,471
		785,713	**795,128**
Accrued expenses and deferred income	32	175,438	76,669
Total liabilities		**1,301,667**	**1,188,650**
Total equity and liabilities		**1,357,784**	**1,450,176**
Off-balance-sheet items	33	**197,625**	**202,107**

Consolidated statement of cash flows

	2013	*Restated* 2012
Cash flows from operating activities	**HRK'000**	**HRK'000**
Profit / (loss) for the year before taxes	(208,415)	(137,513)
Adjustments:		
Depreciation of property, plant and equipment	2,853	3,111
Depreciation of investment property	1,922	1,767
Impairment of non-current assets	14,817	-
(Gain)/loss on sale of plant and equipment	(687)	464
(Gain)/loss on sale of investment property	(964)	-
Treasury shares transactions	-	(1,371)
Impairment of goodwill	5,080	-
Revenue recognition according to IFRIC 12	(10,427)	(14,510)
Changes on other reserves	-	(4,070)
Impairment of other financial assets	9,644	-
Interest expenses	120,999	72,847
Interest income	(151)	(1,348)
Impairment of inventories	8,384	-
Fair value gains/(losses) on "Fair value through P&L" financial assets	(6)	-
Impairment losses on available-for-sale financial assets	961	84
Movement in provisions	(8,004)	2,617
Impairment of loans granted	10,051	-
Impairment of trade and other receivables	29,693	-
Receivables written-off	-	53,527
Net foreign exchange gains/losses and other	(4,115)	(13,386)
	180,050	*99,732*
Result from operating activities before changes in working capital	**(28,365)**	**(37,781)**
Decrease/increase in current assets:		
Decrease (increase) in inventories	6,780	43,115
Decrease (increase) in receivables	(3,774)	(8,740)
Decrease (increase) in prepayments and accrued income	(24,583)	(428)
Increase/decrease in current liabilities:		
Increase/decrease in current liabilities	44,065	23,217
Increase/decrease in accrued expenses	(7,843)	(24,751)
Net cash flow from operating activities before interest and taxes	**(13,720)**	**(5,368)**
Interests received	151	1,348
Interests paid	(14,441)	-
Net cash flow from operating activities	**(28,010)**	**(4,020)**
Investing activities		
Purchase of property, plant and equipment	-	(152)
Proceeds from disposals of property, plant and equipment	1,730	64
Proceeds from disposals of investment property	1,000	-
Decrease/(increase) in investment property	-	(6,123)
Decrease/(increase) in non-current financial assets	-	(1,865)
Decrease/(increase) in non-current receivables	-	4,417
Net cash flow from rent of Arena Zagreb	54,511	54,630
Decrease/(increase) in current financial assets	(4,786)	(5,470)
Net cash from/used in investing activities	**52,455**	**45,501**
Financing activities		
(Increase) in non-current interest-bearing liabilities	(27,203)	(39,313)
Net cash flow from/(used in) financial assets	**(27,203)**	**(39,313)**
Net change in cash and cash equivalents	**(2,758)**	**2,168**
Cash and cash equivalents at the beginning of the period	6,692	4,524
Cash and cash equivalents at the end of the period	**3,934**	**6,692**

Notes are integral part of consolidated Statement of Cash Flows

Consolidated statement of changes in equity

	Share capital	Share premium	Reserves for treasury shares	Revaluation reserves	Unrealised gains/(losses) on available-for-sale financial assets	Legal reserves	Reserves and retained earnings	Total	Non-controlling interest
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
As at 1 January 2012	**270,904**	**160,634**	**9,000**	**40,979**	**(395)**	**8,258**	**(82,962)**	**406,418**	**(522)**
Transactions with owners:									
Transfer from revaluation reserve to retained earnings	-	-	-	(943)	-	-	943	**-**	-
Covering of Loss incurred in 2011	-	(75,494)	-	-	-	-	75,494	**-**	-
Decrease in reserves of branch	-	-	-	-	-	-	(1,371)	**(1,371)**	-
Disposal of subsidiaries and change in ownership's structure	-	-	-	-	-	-	(4,070)	**(4,070)**	-
Transfer	-	-	-		-	-	44	**44**	(44)
Loss for the current year (restated)	-	-	-	-	-	-	(138,312)	**(138,312)**	(22)
Other comprehensive income/(loss):									
Available-for-sale financial assets									
- current year gains/(losses)	-	-	-	-	(671)	-	-	**(671)**	-
- reclassification to profit or loss	-	-	-	-	79	-	-	**79**	-
Translation of foreign operation	-	-	-	-	-	(3)	-	**(3)**	-
Total comprehensive income/(loss) for the year	**-**	**-**	**-**	**-**	***(592)***	***(3)***	***(138,312)***	**(138,907)**	***(22)***
As at 31 December 2012 (restated)	**270,904**	**85,140**	**9,000**	**40,036**	**(987)**	**8,255**	**(150,234)**	**262,114**	**(588)**

	Share capital	Share premium	Reserves for treasury shares	Revaluation reserves	Unrealised gains/(losses) on available-for-sale financial assets	Legal reserves	Reserves and retained earnings	Total	Non-controlling interest
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
As at 1 January 2013 (restated)	**270,904**	**85,140**	**9,000**	**40,036**	**(987)**	**8,255**	**(150,234)**	**262,114**	**(588)**
Transactions with owners:									
Transfer from revaluation reserve to retained earnings	-	-	-	(943)	-	-	943	-	-
Covering of Loss incurred in 2012	-	(85,140)	(9,000)	-	-	-	94,140	-	-
Increase in branch reserves	-	-	-	-	-	-	2,781	**2,781**	-
Decreases	-	-	-	(255)	-	-	(373)	**(628)**	-
Loss for the current year	-	-	-	-	-	-	(208,649)	**(208,649)**	84
Other comprehensive income/(loss):									
Available-for-sale financial assets									
- current year gains/(losses)	-	-	-	-	28	-	-	**28**	-
- reclassification to profit or loss	-	-	-	-	961	-	-	**961**	-
Translation of foreign operation	-	-	-	-	-	14	-	**14**	-
Total comprehensive income/(loss) for the year	-	-	-	-	***989***	***14***	***(208,649)***	**(207,646)**	***84***
As at 31 December 2013	**270,904**	**-**	**-**	**38,838**	**2**	**8,269**	**(261,392)**	**56,621**	**(504)**

1. Notes to the consolidated financial statements

General data on the Company and the Group

Ingra Inc. Zagreb (the "Company" or the "parent Company") is a company registered and domiciled in Zagreb, Aleksandra Von Humboldta 4/b, in the Republic of Croatia. The Company is registered with the Commercial Court in Zagreb.

As at 31 December 2013 the Group had 104 employees, while as at 31 December 2012 it had 99 employees.

Within the scope of its various present business activities, the INGRA group operates in four different business segments:

- Construction engineering
- Energetic and Industrial engineering
- Project development through self-funded investment projects and
- Public-private partnerships as separate segment of project development in the field of public infrastructure

Supervisory Board

The members of the Supervisory Board:

- Stjepan Mesić, president
- PhD Danijel Režek, vice president
- Marijan-Antun Kostrenčić, member
- Davor Štern, member

Management Board

The sole member of the Management board:

- Igor Oppenheim, director, represents the company individually and independently

Companies within the Group

Financial statements of the following subsidiaries are included in the consolidated financial statements of Ingra Inc. and its subsidiaries („Group“):

	State	Ownership' share 31 December 2013 %	Ownership' share 31 December 2012 %
Lanište Ltd.	Croatia	100%	100%
Ingra Mar Ltd.	Croatia	100%	100%
Ingra M.E. Ltd.	Croatia	100%	100%
Bioadria Ltd.	Croatia	95%	95%
Ingra Bioren Ltd.	Croatia	60%	60%
Posedarje Rivijera	Croatia	100%	100%
Ingra Energo Ltd.	Bosnia and Herzegovina	100%	100%
Južni Jadran Nautika Ltd.	Croatia	51%	51%
Ingra Sarl Alžir	Algeria	99%	99%
Dubrovačke lučice Ltd.	Croatia	51%	51%
Geotehnika Ltd.	Croatia	100%	100%
Domovi dalmatinske rivijere Ltd.	Croatia	100%	100%
Primani Ltd.	Croatia	51%	51%
Marina Slano Ltd.	Croatia	62%	62%
Dvori Lapad Ltd.	Croatia	100%	100%
Tiha nekretnine Ltd.	Croatia	100%	100%
Ingra zajednički servis Ltd.	Croatia	100%	100%
Ingra poslovna zajednica Inc.	Croatia	100%	100%

The ownership's structure as at 31 December 2013 and 31 December 2012 was as follows:

	31 December 2013		31 December 2012	
	Number of shares	**Shares %**	**Number of shares**	**Shares %**
Igor Oppenheim	773,908	5.71%	773,908	5.71%
Hypo Alpe Adria Bank	157,784	1.16%	603,877	4.46%
Societe Generale (Splitska bank)	564,324	4.17%	564,324	4.17%
Valamar Adria Holding Inc.	516,658	3.81%	516,658	3.81%
Tehnika Inc.	438,600	3.24%	438,600	3.24%
Tromont Ltd.	319,970	2.36%	319,970	2.36%
Ingra Gradnja Ltd.	-	-	248,271	1.83%
Zagrebačka bank	48,871	0.36%	227,968	1.68%
Elektroprojekt Inc.	207,450	1.53%	207,450	1.53%
Puharić Lara	193,356	1.43%	-	-
Carek Vladimir	176,303	1.30%	155,677	1.15%
Hidroelektra Niskogradnja Inc.	171,300	1.27%	171,300	1.27%
Others	9,976,676	73.65%	9,317,197	68.79%
	13,545,200	**100%**	**13,545,200**	**100%**

2. Summary of significant accounting policies

Basis of preparation

Statement of compliance

Consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards endorsed for use in the European Union.

Accounting policies have not been changed during the reporting period compared to the previous year. During the year the Group has not adopted new and revised IFRS and their interpretations that could materially impact the Company's financial position, results of its operations or require additional disclosures in the financial statements.

The financial statements have been prepared using the historical cost convention except for any financial assets and liabilities stated at fair value.

The accounting policies have been consistently applied, except where disclosed otherwise. The financial statements are prepared on a going concern basis.

The financial statements are denominated in Croatian Kuna (HRK). At 31 December 2013, the exchange rate for USD 1 and EUR 1 was HRK 5.55 and HRK 7.64, respectively (31 December 2012: HRK 5.73 and HRK 7.55 respectively)

Standards, Amendments and Interpretations issued by IASB, adopted by the European Union and effective

For the year ended 31 December 2013 the Group has adopted the following amendments which are or have become effective during the year, and in accordance with the requirements, presented comparative data. The application of new standards had no effect on the equity as at 1 January 2013:

- Changes in IAS 1 – Presentation of Financial statements – amendments effective for annual periods beginning on or after 1 July 2012 and amendments effective for annual periods beginning on or after 1 January 2013. As a result of „Presentation of other comprehensive income items“ as part of amendments of IAS 1, certain points have been amended, revised or deleted for the following standards: IAS 1, 12, 20, 21, 32, 33, 34 and IFRS 1, 5 and 7;
- IFRS 1 First time adoption of IFRS – replacement of fixed dates for certain exceptions – effective for annual periods beginning on or after 1 January 2013;
- IFRS 1 First time adoption of IFRS – additional exemptions for entities ceasing to suffer from severe hyperinflation – effective for annual periods beginning on or after 1 January 2013;
- IAS 12 Income taxes (revised) – limited scope amendments effective for annual periods beginning on or after 1 January 2013;
- IFRS 13 – Fair value measurement - new standard effective for annual periods beginning on or after 1 January 2013;
- IAS 19 Employee benefits (revised) – amendments effective for annual periods beginning on or after 1 January 2013. As a result of revised IAS 19 the following standards have been also amended: IAS 24, IFRS 1, IFRS 8, IFRS 13 and IFRIC 14;
- FRS 7 Financial instruments: Disclosures – offsetting Financial Asset and Financial Liabilities – amendments effective for annual periods beginning on or after 1 January 2013;
- Amendments to IFRS 1 - Government Loans – effective for annual periods beginning on or after 1 January 2013;
- Annual Improvements to IFRSs 2009 - 2011 Cycle (IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34) – effective for annual periods beginning on or after 1 January 2013;
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine - effective for annual periods beginning on or after 1 January 2013.

Standards, amendments and interpretations to existing standards which are not yet effective

At the approval date of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective for the year ended 31 December 2013:

- IFRS 10 Consolidated financial statements – new standard effective for annual periods beginning on or after 1 January 2014;

- IFRS 11 Joint arrangements – new standard effective for annual periods beginning on or after 1 January 2014;
- IFRS 12 Disclosure of interests in other entities – new standard effective for annual periods beginning on or after 1 January 2014;
- Amendments to IFRS 10, IFRS 11 and IFRS 12 – Transition Guidance effective for the annual periods beginning on or after 1 January 2014;
- Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment entities effective for the annual periods beginning on or after 1 January 2014;
- IAS 27 and IAS 28 – consequential amendments due to above mentioned new consolidation standards - effective for annual periods beginning on or after 1 January 2014;
- IAS 32 – Financial instruments: Presentation – amendments to application guidance on the offsetting of financial assets and financial liabilities – effective for annual periods beginning on or after 1 January 2014;
- IFRS 7 Financial instruments: Disclosures – amendments requiring disclosures about the initial application of IFRS 9 for which mandatory effective date is deferred;
- IFRS 9 Financial Instruments – new standard for which mandatory effective date is deferred;
- Amendments to IAS 36 – Impairment of assets – amendments arising from recoverable amount disclosures for non-financial assets - effective for annual periods beginning on or after 1 January 2014;
- Amendments to IAS 39 – Financial instruments: Recognition and Measurement – amendments for novations of derivatives - effective for annual periods beginning on or after 1 January 2014;
- Annual Improvements to IFRSs 2010 - 2012 Cycle (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) – effective for annual periods beginning on or after 1 July 2014 by IASB, not endorsed for use by EU yet;
- Annual Improvements to IFRSs 2011 - 2013 Cycle (IFRS 1, IFRS 3, IFRS 13 and IAS 40) – effective for annual periods beginning on or after 1 July 2014 by IASB, not endorsed for use by EU yet.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's consolidated financial statements for the first period beginning after the effective date of the pronouncement and its application should not have a material impact on the Group's financial statements.

Use of estimates and judgements

During the preparation of financial statements, the management used certain judgements, estimates and assumptions that affect the carrying amount of assets and liabilities, disclosures of contingent items at the balance sheet date and income and expenses for that period.

Estimations have been used, but are not limited on: calculation of depreciation and useful lives, residual value of property, plant and equipment and tangible assets, impairment losses estimation, value adjustment for inventories and doubtful receivables, provisions for employee benefits and legal cases.

More details on the accounting policies for these estimations are presented in other parts of notes. Future events and their effects cannot be estimated with a certainty. Due to that accounting estimates require judgement, and estimates that are used in the preparation of the financial statements are subject to changes from future events, additional experience, new additional information and changes in environment in which the Group operates. Actual results can differ from estimated results.

The basis of consolidated financial statements

The consolidated financial statements include parent company and subsidiaries after elimination of all material transactions between companies within the Group. Subsidiary is a legal entity under the control of parent Company, in which parent company directly or indirectly owns more than 50 percent of the voting rights or associate over which parent company has management control.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases (at the date of their sale or liquidation).

Acquisitions of subsidiaries are recorded using the acquisition method.

The financial statements of subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies. Adjustments are made where they became the difference in the change in accounting policy that possibly exists.

Non-controlling interests in equity and results of the companies that control the parent Company are presented separately in the consolidated financial statements.

Basis of consolidation:

a. Only companies in which the parent Company has control are consolidated on the basis of individual position of balance sheet or income statement. Investments in associates are accounted for by using the equity method.
b. Companies that are purchased during the year are included in the consolidated financial statements from the date of acquisition or up to date of sales.
c. The difference between the consideration paid and equity (net assets) on the same date, the parent Company distributed on the basis of assessment of the Board on the assets and liabilities included in the investment and the remaining amount is considered as goodwill.
d. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Summary of significant accounting policies used for the preparation of the financial statements for the year is presented as follows.

a) Goodwill

Goodwill is determined as a difference between:

- the aggregate of the consideration transferred, any non-controlling interest in the acquiree and, in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquire and

- net identifiable assets acquired.

Costs related to the acquisition (consulting costs) are recognized in the profit or loss in the period in which incurred.

Goodwill is recognized as an asset at the acquisition date. If the acquirer has made a gain from a bargain purchase the gain is recognized in profit or loss account.

Goodwill is subject to testing for impairment at each reporting date.

b) Property, plant and equipment

Items of property, plant and equipment, except for land and buildings, are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Subsequent expenditures relating to an item of property, plant and equipment are added to the carrying amount of the asset when it is probable that additional future economic benefits will flow to the Group because of the subsequent expenditure and when the expenditure improves the condition of the asset beyond its originally assessed standard of performance. All other subsequent expenditure is recognized as an expense in the period when incurred.

Following initial recognition at cost, land is carried at a revaluated amount which is the fair value at the date of the revaluation less any subsequent accumulated impairment losses. Independent evaluation of land value is performed when carrying value significantly differ from fair value. Any revaluation surplus is credited to the revaluation reserve included in the equity unless, and limited to the amount in which, it cancels the decrease in the value of the same asset which was previously recognized as and expenses and then it is recognized as income.

If the carrying amount of the item decreased as a result of revaluation, this decrease should be recognized as an expense. Related part of revaluation reserves created from the earlier asset revaluation is transferred from revaluation reserves directly to retained earnings, after asset derecognition.

Following initial recognition at cost, buildings are carried at a revaluated 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 determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm’s length transaction as at the valuation date.

Any revaluation surplus is credited to the asset revaluation reserve included in the other comprehensive income. If the carrying amount of the item increased as a result of revaluation, this increase should be recognised as an income in the amount for which it cancels revaluation decrease of the same asset, which was previously recognized as an expense.

If the carrying amount of the item decreased as a result of revaluation, this decrease should be recognized as an expense. Revaluation decrease is recognised directly in the revaluation reserve within other comprehensive income unless it exceeds the revaluation reserve of the same asset.

An annual transfer from other comprehensive income (revaluation reserve) is made to retained earnings for the depreciation relating to the revaluation surplus. In addition, any accumulated depreciation at revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revaluated amount of the asset.

Upon derecognition of an asset or disposal, any revaluation reserve relating to the particular asset is transferred to retained earnings.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Depreciation of an asset starts when the assets are available for use. Land and assets in the course of construction are not depreciated. The estimated useful lives are as follows:

Buildings	40 years
Plant and equipment	2-10 years
Vehicles, furniture and office equipment	4 years

Depreciation is calculated on the separate asset items until they are fully depreciated.

Any gain or loss arising from disposal of the asset is included in the profit or loss account under the other operating income or expenses.

Impairment of property, plant and equipment

At each balance sheet date, the Group reviews the carrying amount of its tangible 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 in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of the individual asset, the Group estimated the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Group's cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is 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 recognized immediately in profit or loss, unless the relevant asset is carried at a revaluated amount, in which case the impairment loss is treated as a revaluation decrease.

c) Investment property

Investment property is property held either to earn rental income or for capital appreciation or both. Investment property is initially measured at cost. After initial recognition, investment property is measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes purchase price and expenditure that is directly attributable to the acquisition of the asset. Investment property in progress is classified as property, plant and equipment, except land which is immediately recognised as investment property. After putting into use, investment property will be depreciated over the useful economic life.

d) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligations so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

e) Investment in subsidiaries

Subsidiaries are entities in which the parent Company has the power, directly or indirectly, to exercise control over their operations. Control is achieved where the parent Company has the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities. Investments in subsidiaries are stated at cost in standalone financial statements of the Company.

Financial statements of subsidiaries are included in consolidated financial statements from the date that the control commences until the date that control ceases. List of members of the Group is set out on page 10.

Transactions eliminated during the consolidation

All intra-group transactions, balances and unrealised gains on transactions between Group entities are eliminated in full on consolidation, unrealised losses are also eliminated but to the extent that there is no evidence of impairment.

f) Investment in associates

Associates are entities in which the Group has significant influence, but which it does not control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Investments in associates are accounted for by the equity method of accounting. Under this method the Group’s share of profits or losses of associates is recognised in the income statement from the date that significant influence commences until the date that significant influence ceases. The investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor’s share of net assets of the investee.

Unrealised profits on transactions with associates are eliminated to the extent of the investor’s interest in the associate. The cumulative movements are adjusted against the cost of the investment. When the Group’s share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group has incurred obligations or made payments on behalf of the associate.

g) Inventories

Inventories are stated at the lower of cost and net realisable value. Raw materials, spare parts and small tools are stated at purchase price. The cost of materials is based on the weighted average method. Small tools are written off as they are put into use.

Inventories of work in progress and trading goods are stated at the lower of cost, or net realisable value.

Cost includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location.

h) Receivables

Receivables represent the right to collect determined amounts from customers or other debtors with regard to the Group's operations. Receivables are reported in the total amount and decreased by the provisions for doubtful and bad debts. Bad debt provisions are made when collection of a part or a total of this receivable is uncertain based on the Management’s estimation.

i) Cash and cash equivalents

Cash and cash equivalents consist of deposits, balances in banks and similar institutions and cash on hand. This item includes cash immediately available and utilizable and is characterized by its absence of collection risk and collection accessory charges.

j) Foreign currency translation

Transactions in foreign currencies are translated into the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated into the functional currency at the foreign exchange rate ruling 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 the income statement.

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 currencies, which are stated at historical cost, are translated into functional currency at foreign exchange rates ruling at the dates at which the values were determined.

Group companies

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

Income and expense items and cash flows of foreign operations that have a functional currency different from the presentation currency are translated into the Group presentation currency at the foreign exchange rates ruling at the dates of the transactions and their assets and liabilities are translated at the exchange rates ruling at the reporting date. All resulting exchange differences are recognised in a separate component of equity.

Net investment in Group companies

Exchange differences arising from the translation of the net investment in foreign operations are taken to equity. When a foreign operation is sold, such exchange differences are released in the income statement as part of the gain or loss on sale

k) Loans received

Interest-bearing bank loans and overdrafts are recorded on the basis of received amount decreased for direct cost needed for their approval. Financial costs, including premium paid on the settlement or withdrawals are recorded on accrual basis and added to the carrying value of the instrument, only for the un-settled amount in period in which they occurred.

l) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

m) Employee benefits

(i) Defined pension fund contributions

Obligations for defined contributions to pension funds are recognised as an expense in the income statement when incurred.

(ii) Bonus plans

A liability for employee benefits is recognised in provisions based on the Group's formal plan and when past practice has created a valid expectation by the Management Board/key employees that they will receive a bonus and the amount can be determined before the time of issuing the financial statements. Liabilities for bonus plans are expected to be settled within 12 months of the balance sheet date and are measured at the amounts expected to be paid when they are settled.

(iii) Share based payment transactions

The Group operates a number of equity-settled, share-based compensation plans. The total amount to be expensed over the vesting period and the amount that is credited to the share capital is determined by reference to the fair value of the options granted. The fair value of the equity accounted instruments is measured at the grant date. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest.

n) Revenue recognition

Sales, which are reported net of returns, discounts and bonuses, as well as net of taxes directly connected with the sale of products and services rendered, represent amounts invoiced to third parties. Revenue is recognized at the time delivery has taken place and transfer of risks and rewards has been completed.

Revenues from construction contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract are recognized as revenue and expenses respectively by the reference to the stage of completion of the contract activity at the end of the reporting period, on the basis of the share of costs incurred to that date in total estimated contract costs.. Variations in contract work, claims and incentive payments are included in contract revenue to the extent agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, revenues are recognized only to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expense in the period in which are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Income from services is recognized in the period when the services are rendered on the basis of the stage of completion.

o) Finance income and expenses

Finance income and expenses comprises interest income on loans and borrowings using the effective interest method, interest income on funds invested, dividend income, foreign currency losses and gains, gains and losses from changes in the fair value of financial assets at fair value through profit or loss.

Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised on the date that the Group’s right to receive payment is established.

Finance expenses comprise interest expense on borrowings, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period which is necessary for the finalization and preparation of the asset for its intended use or sale. Other borrowing costs are recognized in the income statement using the effective interest rate method.

p) Taxes

The Group provides for taxation liabilities in accordance with applicable local rules and regulations. Corporate tax for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date.

Deferred tax reflects the net tax effect of the temporary differentials between the book values of the assets and the liabilities for the purpose of the financial reporting and the values used for the purpose of establishing profit tax. A deferred tax asset for the carry-forward of unused tax losses and unused tax credits is recognized to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. Deferred tax assets and liabilities are calculated using the tax rate applicable to the taxable profit in the years in which these assets and liabilities are expected to be collected or paid.

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity.

q) Segment reporting

During the identification of business segments, the Management mostly follows the Group’s service lines. Each of these business segments are separately managed as each of these service lines require specific needs.

Policies of valuation/measurement which the Group uses for the segment reporting are the same as those used during the preparation of the financial statements.

Furthermore, assets which are not directly attributable to certain business activities of any operating segment are not allocated to a segment.

There have not been any changes in the valuation methods used in the determination of profit or loss of business segment in comparison to previous periods.

r) Earnings per share

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

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 decreased by weighted average number of treasury shares.

s) Financial assets and financial liabilities

Financial assets

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

Financial assets are classified into the following specified categories:

“At fair value through profit or loss” (FVTPL)“

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL. Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. All derivative financial instruments are included in this category, except if designated and effective as hedge instruments in which case the hedge accounting is applied.

o “Held-to-maturity “

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortized cost using the effective interest method less any impairment, with revenue recognized on an effective yield basis.

o “Available for sale” (AFS)“

Financial assets available for sale is non-derivative financial assets which is designated as such or it cannot be included in none of the above mentioned categories. AFS is stated at fair value Gains and losses arising from changes in fair value are recognized directly in equity in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognized directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the investment revaluation reserve is included in profit or loss for the period.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognized in profit or loss, and other changes are recognized in equity.

o “Loans and receivables “

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

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows or the investment have been impacted.

For unlisted shares classifies as AFS 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, including redeemable notes classifies as AFS and finance lease receivables, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently 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 number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with 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 flow, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial assets 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. 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.

With the exception of AFS equity instruments, 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 trough 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 through profit or loss are not reversed trough profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income.

De-recognition 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 reward ownership of a transferred financial asset, the Group continues for recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments issued by the Group

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 instruments 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.

Share capital

a. Ordinary shares

Share capital represents the nominal value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Incremental costs associated with the issuing of shares are recognised as a deduction from equity.

b. Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies (dividend and interest revenue).

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTLP where the financial liability is either held for trading or it is designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities

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

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 estimate future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

De-recognition of financial liabilities

The Group derecognise financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

t) Contingent assets and liabilities

Contingent liabilities are not recognised in financial statements but disclosed in notes if it is not probable that the outflow of resources embodying economic benefits will be required to settle the obligation.

Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realised. However, when the realisation of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate.

u) Subsequent events

Post-year-end events that provide additional information about the Group's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when they are important.

v) Comparative information, reclassifications and correction of opening balances

Comparative figures have been reclassified in order to achieve consistency in disclosures with current financial year amounts and other data, where necessary.

The Group made the following restatements in its consolidated financial statements:

- Loan interests liabilities as at 31 December 2012 and the loss for the year then ended are increased by the amount of HRK 13,360 thousand on the basis of accrued interests calculated until 31 December 2012 in the Statement of financial position for the year 2012
- Adjustment to receivables and liabilities of the German branch, ie receivables were decreased by the amount of HRK 2,100 thousand and liabilities were increased by the amount of HRK 5,376 thousand followed by decease in reserves in the amount of HRK 3,276 thousand.

3. Sales

	2013	*Restated* 2012
	HRK'000	HRK'000
Revenue from construction contracts (domestic)	23,466	11,360
Other domestic sales	16,425	49,136
Revenue from construction contracts (abroad)	40,892	73,903
Other foreign sales	13,494	11,608
	94,277	**146,007**

Segment reporting

Segment information is presented in respect of the Group's geographical segments. The information is based on the Group's management and internal reporting structure.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Description	**2013**			*Restated* **2012**		
	Croatia HRK'000	Abroad HRK'000	**Total HRK'000**	Croatia HRK'000	Abroad HRK'000	**Total HRK'000**
Sales	40,640	53,637	**94,277**	60,162	85,845	**146,007**
Total revenues	73,570	78,471	**152,041**	63,793	87,007	**150,800**
Profit/loss from operating activities	(75,751)	(5,214)	**(80,965)**	(36,729)	(43,087)	**(79,816)**
Net financial result	(127,587)	137	**(127,450)**	(57,537)	(160)	**(57,697)**
Profit/(loss) before taxation	(203,338)	(5,077)	**(208,415)**	(94,266)	(43,247)	**(137,513)**
Corporate income tax	(150)	-	**(150)**	(821)	-	**(821)**
Loss for the year	(203,488)	(5,077)	**(208,565)**	(95,087)	(43,247)	**(138,334)**
Other segments information						
Depreciation	4,714	61	**4,775**	4,713	165	**4,878**

Since the Group does not allocate assets and liabilities based on individual business segments, the Management Board has not presented information on assets and liabilities based on geographical segments.

4. Other operating income

	2013	*Restated* 2012
	HRK'000	HRK'000
Revenues from previous years	24,834	138
Release of provisions	13,101	-
Liabilities written-off	13,285	-
Rent income	3,645	2,809
Income from penalties collected	-	14
Net gain on sale of property, plant and equipment	1,714	195
Collected written-off receivables	-	20
Other	1,185	1,617
	57,764	**4,793**

5. Costs of materials and services

	2013	*Restated* 2012
	HRK'000	HRK'000
Cost of materials		
Raw materials	388	1,128
Energy	3,599	4,457
Small inventory cost	13	94
	4,000	**5,679**
Cost of services		
Subcontractor services on construction project	56,603	55,640
Rent	738	1,103
Transport services	590	1,057
Maintenance services	1,522	1,007
Other service	3,748	3,993
	63,201	**62,800**
	67,201	**68,479**

6. Personnel costs

	2013	*Restated* 2012
	HRK'000	HRK'000
Net salaries and wages	16,245	16,608
Taxes and contributions	9,426	10,342
Compensation to employees	1,222	1,580
	26,893	**28,530**

7. Value adjustments (impairment losses)

	2013	*Restated* 2012
	HRK'000	HRK'000
Value adjustment of non-current assets		
Value adjustment of property, plant and equipment	4,661	-
Value adjustment of investment property	9,407	-
Value adjustment of goodwill	5,079	-
	19,147	***-***
Value adjustment of current assets		
Value adjustment of trade receivables	29,727	43
Value adjustment of inventories	8,384	-
	38,111	***43***
	57,258	**43**

8. Provisions

During 2013 the Group made provision for expenses related to legal proceedings and penalty interests in the amount of HRK 27,428 thousand (during 2012 the Group made provision for penalty interests for court cases in the amount of HRK 2,618 thousand). The provision amount mostly relates to provision made in accordance with the final judgement brought in relation to legal case with bankruptcy estate Međimurje Visokogradnja Inc.

9. Other operating expenses

	2013 HRK'000	*Restated* 2012 HRK'000
Expenses in relation to pre-bankruptcy settlement procedure	27,114	-
External services	6,289	8,923
Other taxes and contributions	2,741	1,850
Bank charges	2,286	4,787
Insurance premiums	836	1,247
Compensations to employees	616	577
Entertainment costs	580	410
Receivables written-off	-	53,484
Cost of called-in guarantee	-	5,610
Penalties	8	2,684
Other expenses	2,092	3,376
	42,562	**82,948**

Expenses in relation to pre-bankruptcy settlement procedure in the amount of HRK 27,114 thousand relates to reconciliation of Company's liabilities with creditors claims during the pre-bankruptcy settlement procedure.

10. Financial revenues and expenses

	2013 HRK'000	*Restated* 2012 HRK'000
Financial income		
Foreign exchange gains	38,615	21,572
Financial revenues in accordance with IFRIC 12	10,427	11,071
Income from loans granted, written off financial liabilities and interests	-	785
Interest income	151	1,348
Net profit on sale of "at fair value through profit or loss" financial asset	4	61
Dividend income	-	200
Net change in investments "at fair value through profit or loss"	3	72
Total financial income	**49,200**	**35,109**

Financial revenues and expenses (continued)	2013 HRK'000	*Restated* 2012 HRK'000
Financial expenses		
Interest expense (including penalty interests)	120,999	72,847
Foreign exchange losses	33,262	19,874
Value adjustment of non-current financial assets	9,644	-
Value adjustment of loans granted and interest receivables	11,784	-
The impairment loss on available-for-sale financial assets - reclassification from other comprehensive income to the profit and loss	961	84
Other financial expenses	-	1
Total financial expenses	**176,650**	**92,806**
Net financial result	**(127,450)**	**(57,697)**

11. Corporate income tax

Recognized in the profit or loss:

	2013 HRK'000	*Restated* 2012 HRK'000
Current tax	150	821
Corporate income tax in the profit and loss	**150**	**821**

A reconciliation of tax expense in the profit and loss account and taxation at the statutory rate is detailed in the table below:

	2013 HRK'000	*Restated* 2012 HRK'000
(Loss) before taxation	(208,415)	(137,513)
Tax calculated at the statutory rate of 20%	**(41,683)**	**(27,503)**
Expenses not deductible for tax purposes	20,562	4,774
Non-taxable income	-	(23)
Reinvested profit	-	(1,776)
Incentives	-	(21)
Tax on depreciation calculated on revalued amount	300	236
Consolidation adjustments	(970)	(836)
Corporate income tax	**150**	**821**
Unrecognized tax asset in current period	**(21,941)**	**(25,970)**
Unrecognized deferred tax asset from previous period	(51,313)	(25,470)
Unused deferred tax asset which expired	3,198	127
Unrecognized deferred tax asset	**(70,056)**	**(51,313)**

Due to the uncertainty regarding the utilisation of tax losses within 5 years, the Group has not recognized deferred tax assets based on these losses at the reporting date. Unrecognised tax assets on tax losses to be carried forward expire as follows:

	2013 HRK'000	*Restated* 2012 HRK'000
Within 1 year	2,092	3,198
Within 2 years	5,402	2,092
Within 3 years	15,005	5,402
Within 4 years	25,616	15,005
Within 5 years	21,941	25,616
	70,056	**51,313**

Tax regulations in Croatia are subject to changes. There is also inconsistency in the application of tax regulations and significant uncertainty in the area of tax laws interpretations of various taxes and transactions which result in tax effects. Tax balances of the Group are subject to examination by regulatory bodies and possible disputes, and accordingly the potential tax effect is uncertain in case the tax authorities apply interpretations different from the Group's interpretations.

In accordance with local regulations, Tax authorities can review the Group's business books and documentation and additional tax liabilities and potential penalties can be imposed to the Group.

12. Goodwill

Movement in goodwill arisen from the acquisition of subsidiaries was as follows:

	Goodwill HRK'000
Cost or valuation	
As at 31 December 2011	**5,080**
Increases/decreases	-
As at 31 December 2012	**5,080**
Impairment of goodwill	(5,080)
As at 31 December 2013	**-**

13. Property, plant and equipment

	Land	Buildings	Plant and equipment	Vehicles and other assets	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
As at 1 January 2012	**13,915**	**108,005**	**6,984**	**7,353**	**136,257**
Additions	-	-	63	89	152
Foreign exchange gains/losses	-	(39)	1	(1)	(39)
Disposals	-	-	(6)	(1,084)	(1,090)
As at 31 December 2012	**13,915**	**107,966**	**7,042**	**6,357**	**135,280**
Additions	-	-	27	11	38
Foreign exchange gains/losses	-	-	(1)	(11)	(12)
Disposals	-	(1,207)	-	-	(1,207)
As at 31 December 2013	**13,915**	**106,759**	**7,068**	**6,357**	**134,099**
Accumulated depreciation					
As at 1 January 2012	**-**	**27,502**	**6,644**	**6,729**	**40,875**
Foreign exchange gains/losses	-	(4)	-	-	(4)
Depreciation for the year	-	2,699	112	344	3,155
Disposals	-	-	(4)	(1,088)	(1,012)
As at 31 December 2012	**-**	**30,197**	**6,752**	**6,065**	**43,014**
Foreign exchange gains/losses	-	-	-	-	-
Depreciation for the year	-	2,669	117	78	2,864
Disposals	-	(149)	-	-	(149)
Impairment	676	1,489	-	-	2,165
As at 31 December 2013	**676**	**34,206**	**6,869**	**6,143**	**47,894**
Net carrying value					
31 December 2012	13,915	77,769	290	292	92,266
31 December 2013	**13,239**	**72,553**	**199**	**214**	**86,205**

Revaluation

Land and buildings are stated at revalued value less accumulated depreciation. The valuation has made by an independent evaluator.

Leased assets

Total area of the building is 4,700 m^2, and includes an area of 1,855.12 m^2 rented to third parties as at 31 December 2013 (2012: 1,725.61 m^2). Total carrying value of the building together with related land amounts to HRK 82,018 thousand (2012: HRK 84,578 thousand).

The Company leases office and storage premises under cancellable operating leases. The lease typically runs for an unlimited number of years with a termination notice period. Contingent rents are not calculated.

At 31 December 2013 the pledge in favour of Splitska bank is registered over the Company's commercial building.

As at 31 December 2013 the gross carrying amount of fully depreciated assets still in use amounts to HRK 11,615 thousand (2012: HRK 10,093 thousand).

14. Investment property

	Land	**Buildings**	**Assets under construction**	**Total**
	HRK'000	HRK'000	HRK'000	HRK'000
Cost				
As at 1 January 2012	**48,331**	**62,735**	**27,539**	**138,605**
Reclassification to assets under construction	-	174	-	174
Additions	8,475	22,718	5,949	37,142
Disposals	-	-	(31,193)	(31,193)
As at 31 December 2012	**56,806**	**85,627**	**2,295**	**144,728**
Transfer from inventories	-	6,188	-	6,188
Additions	-	-	-	-
Decrease charged to revaluation reserves	(318)	-	-	(318)
Disposals	-	(35)	-	(35)
As at 31 December 2013	**56,488**	**91,780**	**2,295**	**150,563**
Accumulated depreciation				
As at 1 January 2012	-	**6,271**	**-**	**6,271**
Depreciation for the year	-	2,138	-	2,138
Impairment	-	-	-	-
As at 31 December 2012	-	**8,409**	**-**	**8,409**
Depreciation for the year	-	1,922	-	1,922
Impairment	1,960	8,081	2,295	12,336
As at 31 December 2013	**1,960**	**18,412**	**2,295**	**22,667**
Net carrying value				
31 December 2012	56,806	77,218	2,295	136,319
31 December 2013	**54,528**	**73,368**	**-**	**127,896**

Carrying value of investment property pledged as collateral for bank loans as at 31 December 2013 amounts to HRK 124,369 thousand (2012: HRK 130,430 thousand). Carrying value of assets for which enforcement procedures from creditors have been initiated amounts to HRK 47.7 million at the balance sheet date.

Rent amount recognized in the profit and loss account from the lease of investment property in 2013 amounts to HRK 1,818 thousand (2012: HRK 396 thousand). Direct operating costs which derive from lease of investment property which resulted with rent income amount to HRK 674 thousand (2012: HRK 268 thousand). Direct operating costs which derive from leased investment property which has not resulted with rent income amount to HRK 102 thousand (2012: HRK 144 thousand).

15. Acquisition of subsidiaries, non-controlling interest and loss of control over subsidiaries

In the year 2013 as in the 2012 there were no acquisitions or disposals of subsidiaries.

16. Investments in associates

	31 December 2013 HRK'000	Ownership %	*Restated* 31 December 2012 HRK'000	Ownership %
Mavrovo inženjering dooel	9,644	50%	9,644	50%
Ingra Pro d.o.o.	8	40%	8	40%
Ingra inženjering in izgradnja d.o.o., Kranj Slovenia	37	50%	37	50%
	9,689		**9,689**	
Impairment loss on investment in associates	(9,644)		-	
	45		**9,689**	

17. Other financial assets

	31 December 2013 HRK'000	*Restated* 31 December 2012 HRK'000
Non-current		
Shares in companies (up to 20%)	26,935	26,935
Deposits and guarantees	1,948	1,948
Held-to-maturity investments	28	29
	28,911	**28,912**
Current		
Available-for-sale financial assets	169	141
Financial assets at fair value through profit or loss	639	775
Deposits and guarantees	54,878	54,249
	55,686	**55,165**

Investments in the companies in which the Group has ownership's share up to 20% at 31 December 2013 relate to investments in Opatija Nekretnine Ltd. in the amount of HRK 7 million (20%) and P.B. Žitnjak Ltd. (20%) amounting to HRK 20 million. The pledge in favour of Erste bank is registered over these Company's investments.

Available-for-sale financial asset relate to investments in the investments funds and shares. Financial assets at fair value through profit and loss relate to investments in cash funds.

18. Other non-current receivables

	31 December 2013 HRK'000	*Restated* 31 December 2012 HRK'000
Long term receivable from Zagrebački holding (Arena Zagreb)	701,938	738,871
Retention for construction contracts	-	1,305
	701,938	**740,176**

Long-term receivable toward the company Zagrebački holding Ltd. relates to Agreement on long-term lease of Arena Zagreb. The project was carried by Lanište Ltd. which has signed with Zagrebački holding Ltd. Agreement on long-term lease of Arena Zagreb. Lease agreement is contracted for a period of 28 years, until 2036, with a rental fee in the amount of EUR 7.2 million per year increased by VAT. In accordance with the Agreement, Zagrebački holding Ltd. has the option of early redemption of Arena Zagreb in 2015, and in case that the option is not realised, contracted rent fee is indexed annually in accordance with CPI index, starting from the beginning of the lease (December 2008) until the end of the lease. Receivable is denominated in EUR.

19. Inventories

	31 December 2013 HRK'000	*Restated* 31 December 2012 HRK'000
Finished goods	185,149	198,601
Value adjustment of finished goods	(5,699)	-
Work in progress (own projects construction)	20,027	19,652
Value adjustment of work in progress	(2,685)	-
Raw materials	125	16
	196,917	**218,269**

Finished goods mostly relate to constructed commercial and residential building Dvori Lapad in Dubrovnik. Value of inventories under pledge as collateral for bank loans amount to HRK 175,719 thousand (2012: HRK 213,164 thousand). Value of inventories for which enforcement procedures have been initiated by creditors amounts to HRK 17,342 thousand at the reporting date.

20. Trade and other receivables

	31 December 2013	*Restated* 31 December 2012
	HRK'000	HRK'000
Receivables from related parties		
Advances given to related parties	2,008	1,850
Value adjustment of given advances	(2,008)	-
Receivables from related parties- trade debtors	2,085	1,882
Value adjustment of receivables	(1,106)	-
Other receivables from related parties	1,673	875
Value adjustment of receivables	(830)	-
	1,822	**4,607**
Receivables from third parties		
Trade receivables	96,948	166,197
Value adjustment of trade receivables	(21,536)	(61,979)
Receivables for other taxes	1,397	814
Advances given	20,475	22,117
Other receivables	7,005	2,612
	104,469	**129,761**
	106,291	**134,368**

21. The gross amount due from customers for construction contracts

	31 December 2013	*Restated* 31 December 2012
	HRK'000	HRK'000
Costs incurred plus recognized profits less the sum of recognized losses, less	367,271	68,764
Invoiced during the year	(351,674)	(61,083)
	15,597	**7,681**

Revenues related to the construction contracts are recognized in accordance with the stage of completion method.

The method for determining the stage of completion: the share of contract costs incurred until balance sheet date in the estimated total contract costs.

The amount of construction contract revenues, which are recognized as revenues in 2013 amounts to HRK 64,358 thousand (2012: HRK 85,263 thousand). The aggregate amount of costs incurred and recognized profits (less recognized losses) to the balance sheet date amounted to HRK 380,127 thousand (2012: HRK 384,375 thousand).

Total amount of retentions for contracts which are not completed as at 31 December 2013 amounts to HRK 6,460 thousand (31/12/2012: HRK 7,240 thousand). The total amount of advances received for contracts which are not completed as at 31 December 2013 amounted to HRK 25,451 thousand (31/12/2012: HRK 26,279 thousand).

22. Loans granted

	31 December 2013 HRK'000	*Restated* 31 December 2012 HRK'000
Current loans		
Loans granted to related companies	9,115	7,999
Impairment losses on loans granted to related companies	(6,003)	-
Loans granted to third parties	8,057	5,214
Impairment losses on loans granted to third parties	(4,870)	(1,135)
	6,299	**12,078**

23. Cash and cash equivalents

	31 December 2013 HRK'000	*Restated* 31 December 2012 HRK'000
Cash at bank	3,815	6,633
Petty cash	119	59
Total cash at bank and petty cash	**3,934**	**6,692**
Cash in the cash flow statement	**3,934**	**6,692**

24. Prepaid expenses and accrued income

	31 December 2013 HRK'000	31 December 2012 HRK'000
Accrued income	27,802	3,387
Other prepaid expenses	263	94
	28,065	**3,481**

Accrued income in the amount of HRK 27,802 thousand mostly related to accrued income on the basis of receivables arising from foreign joint ventures in previous years in the amount of HRK 24,600 thousand.

25. Equity

	31 December 2013	*Restated* 31 December 2012
	HRK'000	HRK'000
Share capital	270,904	270,904

Treasury shares

As at 31 December 2013 the Group did not hold treasury shares neither had reserves for treasury shares.

Revaluation reserve

A revaluation reserve as at 31 December 2013 in the amount of HRK 38,840 thousand (31/12/2012: HRK 39,049 thousand) relates to revaluation of land and buildings of the Company carried out in 2006 in the amount HRK 38,838 thousand (31/12/2012: HRK 40,046 thousand) and revaluation of available-for-sale financial assets in the amount of HRK 2 thousand (2012: HRK (987) thousand). The release of revaluation reserves to retained earnings in the amount of HRK 943 thousand (2012: HRK 943 thousand) represents the difference between depreciation based on the revaluated carrying amount of property, plant and equipment and depreciation based on property, plant and equipment's original cost. During 2013 the revaluation reserves are additionally reduced for HRK 254 thousand as a result of the revaluation of land classified as investment property to its recoverable amount.

Legal reserves

A legal reserve has been created in accordance with Croatian law, which requires 5% of the profit for the year to be transferred to this reserve until it reaches 5% of issued share capital. The legal reserve, in the amount of up to 5% issued share capital, can be used for covering current and prior year losses.

Basic and diluted earnings/(loss) per share

	2013	*Restated* 2012
	HRK'000	HRK'000
Net loss for the year attributable to ordinary shareholders	(208,649)	(138,312)
Weighted average number of issued ordinary shares decreased by average number of treasury shares in thousands	13,545	13,545
Basic earnings/(loss) per share (in HRK)	**(15.40)**	**(10.21)**

26. Interest-bearing loans and borrowings

	31 December 2013	*Restated* 31 December 2012
	HRK'000	HRK'000
Non-current interest bearing loans and borrowings		
Bank loans	270,184	237,218
	270,184	**237,218**
Current interest bearing loans and borrowings		
Bank loans	389,808	432,124
Bonds	162,426	162,236
Commercial bills	33,949	26,279
Liabilities toward factoring company	-	17,084
Other	59	3,748
	586,242	**641,471**
	856,426	**878,689**

Interest rates and repayment terms as at 31 December 2013 were as follows:

	Total HRK'000	Less than 1 year HRK'000	1 – 2 years HRK'000	2 – 3 years HRK'000	More than 3 years HRK'000
Loans from banks					
Loan 1 – variable interest; 3-m EURIBOR + 5%	115,617	115,617	-	-	-
Loan 2 - variable interest; 3-m EURIBOR + 4.85%	158,287	158,287	-	-	-
Loan 3 - variable interest; 3-m EURIBOR + 5.75%,	25,640	25,640	-	-	-
Loan 4 - variable interest; 3-m EURIBOR + 7%	5,093	5,093	-	-	-
Loan 5 - variable interest; 10%	955	955	-	-	-
Loan 6 - variable interest; 4%	9,707	9,707	-	-	-
Loan 7 - variable interest; 8.5%	32,034	32,034	-	-	-
Loan 8 - variable interest; 8%	12,181	12,181	-	-	-
Loan 9 – EUR 6,500 thousand; variable interest: 4.9%	49,645	49,645	-	-	-
Loan 10 - EUR 31,549 thousand; variable interest; 4.48%	240,958	20,738	35,059	36,844	148,317
Non-interest bearing liability – Tutunska bank	9,875	9,875	-	-	-
Total	**659,992**	**439,772**	**35,059**	**36,844**	**148,317**
Bonds			-	-	-
HRK 162,173 thousand, fixed 6.125%	**162,426**	162,426	-	-	-
Commercial bills	**33,949**	33,949	-	-	-
Loan from other companies and other financial liabilities	**39**	39	-	-	-
Liabilities for deposit received	**20**	20	-	-	-
As at 31 December 2013	**856,426**	**636,206**	**35,059**	**36,844**	**148,317**

Collateral

Loans and borrowings are secured by a pledge over the Group's asset classified as investment property with the carrying value of HRK 124,687 thousand as well by pledge of real estate included in inventories in the amount of HRK 193,061 thousand. Also, rent receivables from Zagrebački holding related to Agreement on long-term lease described in note 18, are ceded in favour of BKS bank.

27. Other non-current liabilities

Other long-term liabilities in the amount of HRK 54,422 thousand (31/12/2012: HRK 50,962 thousand) relate to:

- HRK 49,645 thousand (2012: HRK 49,047 thousand) for guarantee deposit paid by Zagrebački holding Ltd as insurance for timely rent payment for Arena Zagreb, according to the Agreement on long-term lease of Arena Zagreb
- HRK 4,331 thousand for long-term liabilities towards employees
- HRK 446 thousand (2012: HRK 1,446 thousand) relate to rescheduled liabilities toward the State related to taxes.
- In 2012 HRK 469 thousand related to non-current liabilities toward suppliers – retained deposit related to construction contracts.

28. Provisions

	2013 HRK'000	*Restated* 2012 HRK'000
As at 1 January	16,362	13,745
Provisions made during the year	1,024	2,617
Provisions released during the year	(13,101)	-
Reclassification to current provisions	(387)	-
As at 31 December	**3,898**	**16,362**

29. Deferred tax liability

	2013 000'HRK	Recognized in P&L HRK'000	2012 000'HRK	*Restated* Recognized in P&L HRK'000
Property, plant and equipment	12,012	300	12,311	236
Deferred tax liability	**12,012**	**300**	**12,311**	**236**

30. Trade and other payables

	Restated	
	31 December 2013	31 December 2012
	HRK'000	HRK'000
Liabilities toward related parties		
Trade payables	2,180	776
Other liabilities	692	-
Liabilities toward key shareholders	-	382
	2,872	**1,158**
Liability toward third parties		
Trade payables	127,119	83,489
Advances received	36,414	38,409
Taxes, contributions and other charges	6,492	7,053
Liabilities to employees	1,125	1,847
Dividends payable	1,013	1,013
Liability for value added tax	891	4,118
Other liabilities	18,977	13,832
	192,031	**149,761**
	194,903	**150,919**

As at 31 December 2013 and 2012 the aging structure of trade payables and related parties was as follows:

	Total	**Undue**	**< 60 days**	**60-90 days**	**Due 90-120 days**	**120-180 days**	**> 180 days**
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
2013	**129,991**	11,975	6,701	2,672	826	34,547	73,270
2012	**84,647**	3,086	6,450	1,097	1,708	1,794	70,512

31. The gross amount due to customers for construction contracts

		Restated
	31 December 2013	31 December 2012
	HRK'000	HRK'000
Invoiced during the year, less	12,857	315,611
Costs incurred plus recognized profits less the sum of recognized losses	12,965	318,349
	108	**2,738**

32. Accrued expenses and deferred income

	31 December 2013 HRK'000	*Restated* 31 December 2012 HRK'000
Accrued interest expenses on loans	90,099	55,749
Accrued interest expenses on debentures and commercial bills	28,592	11,948
Accrued penalty interests on trade payables	55,426	-
Accrued compensations to Supervisory board	895	415
Accrued personnel costs	279	4,314
Accrued costs of subcontractors	147	4,243
	175,438	**76,669**

33. Commitments and contingencies

The following table presents the contractual amounts of the Group's off balance sheet financial instruments:

	31 December 2013 HRK'000	*Restated* 31 December 2012 HRK'000
Guarantees		
- in HRK	7,238	13,328
- in foreign currency	190,387	177,694
Liabilities for unsecured guarantees and letter of credit in foreign currency	-	11,085
	197,625	**202,107**

Commitments for operating lease (lessor):

The Group leases office and storage premises under cancellable operating leases. During 2013, HRK 1,550 thousand was recognized as income in the Income statements in respect to uncancellable operating lease (2012: HRK 1,107 thousand).

34. Related party transactions

The Group considers that it has related party relationship with its key shareholders (note 1) and entities under their control or influence; its subsidiaries and associates; key management personnel, close family members of key management personnel; and entities controlled, jointly controlled or significantly influenced by key management personnel and their close family members, in accordance with the definitions contained in International Accounting Standard 24 "Related Party Disclosures" ("IAS 24").

Key management personnel comprise members of the Management and Supervisory Boards. Members of the Management and Supervisory Board took part in the ownership structure as stated in note 1.

During the year remuneration in the amount of HRK 2,253 thousand (2012: HRK 2,097 thousand) was paid to the Management Board. The total remuneration to the Management Board was included in personnel expenses. During the year 2013 remuneration was not paid to the Supervisory Board. (2012: HRK 246 thousand).

Significant transactions with related parties were as follows:

		Restated
	31 December 2013	31 December 2012
	HRK'000	HRK'000
Sales to related parties		
Sales to related companies	124	119
	124	**119**
Purchase from related parties		
Purchase from related companies	1,901	71
Purchase from member of Management Board	-	100
	1,901	**171**
Receivables		
Receivables from related companies	1,822	4,607
	1,822	**4,607**
Loans granted		
Loans granted to related companies	3,112	7,999
	3,112	**7,999**
Payables to related parties		
Payables to related companies	2,872	1,158
	2,872	**1,158**

35. Financial instruments

The Group is exposed to credit, interest and currency risk in its business activities.

Amounts stated in this note are restated according to note 2 v.

The Group does not use derivative financial instruments. The risk management policy regarding risks linked to short-term and long-term financing of buyers, management of the funds, loans and liabilities can be summarised as follows:

a) Capital risk management

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

The Group's equity structure consists from liabilities, cash and cash equivalents and equity from shareholders, which include share capital, reserves and retained earnings.

The Group manages capital and for the purpose of proper capital structure, in accordance with the economic conditions present on the market, decides if the retained earnings should be distributed to shareholders, if the capital needs increase or decrease, etc. Goals, policies and processes have not been changed during the period ending 31 December 2013 nor for the period ending 31 December 2012.

	31 December 2013 HRK'000	*Restated* 31 December 2012 HRK'000
Interest-bearing liabilities	856,426	878,689
Decrease for cash and cash equivalents (deposits)	(3,934)	(6,692)
Net debt	**852,492**	**871,997**
Equity	56,621	262,114
Equity and net debt	909,113	1,134,111
Gearing	**93.77%**	**76.89%**

b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

Accounting policies for financial instruments are applied on the following Balance sheet items:

2013

	Loans and receivables	At fair value through P&L	Available for sale	Held to maturity	Total financial assets under MRS 39
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
31 December					
Non-current fin. assets	701,938	-	26,963	1,948	**730,849**
Current financial assets	6,299	639	169	54,878	**61,985**
Trade and other receivables	85,815	-	-	-	**85,815**
Cash	3,934	-	-	-	**3,934**
	797,986	**639**	**27,132**	**56,826**	**882,583**

2012

	Loans and receivables	At fair value through P&L	Available for sale	Held to maturity	Total financial assets under MRS 39
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
31 December					
Non-current fin. assets	740,176	-	26,935	1,977	769,088
Current fin. assets	12,078	774	141	54,250	67,243
Trade and other receivables	134,368	-	-	-	134,368
Cash	6,692	-	-	-	6,692
	893,314	**774**	**27,076**	**56,227**	**977,391**

All of the Group's liabilities have been classified as „Liabilities at amortized cost“. The Group does not have liabilities which are classified as „Liabilities at „Fair value through Profit and Loss “.

Fair value of financial instruments

The following table represents financial assets and liabilities valued at fair value in the Statement of financial position according to the fair value hierarchy. This hierarchy groups financial assets and liabilities in three levels, depending on the significance of input variables used in the measurement of their fair values. The fair value hierarchy has the following levels:

- level 1: quoted market prices for identical assets or liabilities traded on active markets
- level 2: input variables that do not represent the above stated prices from level 1 but are visible for assets or liabilities, be it directly (like prices) or indirectly (derived from prices for example)
- level 3: input variables for assets or liabilities which are not based on available market data

The level within which a financial asset/liability is classified is based on the lowest level of a significant input variable used in the fair value measurement. Financial assets and liabilities measured at fair value in the Statement of financial position are grouped within the hierarchy as follows:

31 December 2013

	1st level	2nd level	3rd level	Total
Assets				
Shares in unlisted companies (up to 20%)	-	-	26,935	26,935
Listed securities and shares in investment funds	169	-	-	169
Cash funds	639	-	-	639
	808	**-**	**26,935**	**27,743**

31 December 2012

	1st level	2nd level	3rd level	Total
Assets				
Shares in unlisted companies (up to 20%)	-	-	26,935	26,935
Listed securities and shares in investment funds	141	-	-	141
Cash funds	775	-	-	775
	916	**-**	**26,935**	**27,851**

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quote market price;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices for observable current market transactions and dealer quotes for similar instruments;
- the fair value of derivative instruments is calculated using quoted prices, Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives; and
- the fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default.

The Group used the following methods and assumptions during its financial asset fair value estimation:

Receivables and deposits at banks

For assets due within three months, the accounting value is approximate to their fair value due to the shortness of the assets. For longer term assets, the contracted interest rates do not significantly deviate from the current market rates and their fair value is, therefore, approximate to their accounting value.

Liabilities per loans received

Current liability fair value is approximate to their accounting value due to the short-termness of these instruments. The Management Board believes that their fair value doesn't differ significantly from their accounting value.

Other financial instruments

Financial instruments of the Group that are not valued at fair value are trade receivables, other receivables, trade payables and other current liabilities. The historical accounting value of receivables and liabilities, including provisions, which are in line with the usual terms of business, is approximately equal to their fair value.

c) Financial risk management

The Group's Management monitors and manages the financial risks relating to the operations of the Group through internal risk reports provided to Ingra group which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk management

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group. The currencies in which these transactions primarily are denominated are EUR and USD. The Group does not hedge itself against this risk.

Exposure of the Group to the foreign currency risk is as follows:

31 December 2013	EUR HRK'000	USD HRK'000	Other currency HRK'000	Total foreign currency HRK'000	HRK HRK'000	Total HRK'000
Long-term receivables	701,938	-	-	701,938	-	701,938
Loans granted	3,147	-	-	3,147	3,152	6,299
Deposits and guarantees	54,222	-	-	54,222	1,464	55,686
Trade and other receivables	69,278	341	3,029	72,648	33,643	106,291
Cash and cash equivalents	2,841	8	350	3,199	735	3,934
Other long-term liabilities (deposits and similar)	(49,859)	-	-	(49,859)	(4,563)	(54,422)
Trade and other payables	(12,060)	(346)	(7,177)	(19,583)	(349,437)	(369,020)
Financial liabilities	(290,605)	-	-	(290,605)	(565,821)	(856,426)
	478,902	**3**	**(3,798)**	**475,107**	**(880,827)**	**(405,720)**

31 December 2012	EUR HRK'000	USD HRK'000	Other currency HRK'000	Total foreign currency HRK'000	HRK HRK'000	Total HRK'000
Long-term receivables	691,466	573	-	692,039	48,137	740,176
Loans granted	6,036	-	50	6,086	5,992	12,078
Deposit and guarantees	55,165	-	-	55,165	-	55,165
Trade and other receivables	61,882	103	12,837	74,822	59,546	134,368
Cash and cash equivalents	3,815	-	2,438	6,253	439	6,692
Other long-term liabilities (deposits and similar)	(49,047)	-	-	(49,047)	(1,915)	(50,962)
Trade and other payables	(77,610)	(893)	(13,531)	(92,034)	(126,582)	(218,616)
Financial liabilities	(712,646)	-	(807)	(713,453)	(165,236)	(878,689)
	(20,939)	**(217)**	**987**	**(20,169)**	**(179,619)**	**(199,788)**

	Short term exposure			**Long term exposure**		
	EUR HRK'000	USD HRK'000	Other HRK'000	EUR HRK'000	USD HRK'000	Other HRK'000
2013						
Financial assets	129,488	349	3,379	701,938	-	-
Financial liabilities	(352,524)	(346)	(7,177)	-	-	-
Total exposure	**(223,036)**	**3**	**(3,798)**	**701,938**	**-**	**-**

	Short term exposure			Long term exposure		
	EUR HRK'000	USD HRK'000	Other HRK'000	EUR HRK'000	USD HRK'000	Other HRK'000
2012						
Financial assets	126,898	103	15,325	691,466	573	-
Financial liabilities	(553,038)	(893)	(14,338)	(286,265)	-	-
Total exposure	**(426,140)**	**(790)**	**987**	**405,201**	**573**	**-**

Sensitivity analysis

A strengthening of the kuna against the following currencies for the average changes at reporting date would increase /(decrease) profit before tax as follows:

	2013 Effect on income before taxes HRK'000	2012 Effect on income before taxes HRK'000
EUR - 1%	5,840	(144)
USD – 3 %	(2)	(20)
DZD – 4 %	(231)	(241)
MKD – 1 %	7	340

This analysis assumes that all other variables, in particular interest rates, remain constant.

A weakening of kuna against the above mentioned currencies for the same changes of currency at reporting date would have had the equal but opposite effect on the profit before tax, if all other variables remain constant.

Relating to contracting works in Algeria (part relating to local currency DZD) contract date is considered to be term contract with agreed exchange rates, so exchange differences arising during the year are invoiced and recovered so it can be said that currency risk exposure is covered.

During the year, the Group has regulated possible currency risks by converting contracts to EUR.

b) Interest rate risk

The Group is exposed to interest rate risk as loans are agreed at floating rates while majority of the assets bear no interest. The Group does not hedge exposure to interest rate risk.

The following table shows sensitivity of changes of interest rates relating to Group's loans as of 31 December 2013 and as at 31 December 2012, with the assumptions that all other variables are constant, on income before taxes.

2013	**Increase/ Decrease in percentage**	**Effect on income before taxes HRK'000**
HRK	+1%	(6,501)
HRK	-1%	6,501

2012	**Increase/ Decrease in percentage**	**Effect on income before taxes HRK'000**
HRK	+1%	(6,866)
HRK	-1%	6,866

c) Other price risk

The Group is not significantly exposed to other price risks.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss form defaults. The Group only transacts with entities with good credibility. The Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transaction concluded is spread amongst approved counterparties.

The grand part of credit risk is based on trade receivables.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before standard payment and delivery terms and conditions are offered. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments.

Loan receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. At the balance sheet date, the Group had loans receivables approved to related parties including employees and third parties. The loans to related parties are granted with an interest rate of 0% to 4.5% per annum. Loans are secured by collaterals. Exposure to credit, interest and currency risk arise from ordinary Group's operations.

The Group has not used derivative instruments in order to hedge itself from these risks.

The maximum exposure to credit risk for trade receivables and related party receivables at the reporting date by regions was as follows:

	2013 HRK'000	*Restated* 2012 HRK'000
Croatia	55,521	83,288
Foreign	21,038	22,812
	76,559	**106,100**

Impairment losses

The ageing of trade receivables at the reporting date was as follows:

	2013 HRK'000	*Restated* 2012 HRK'000
Less than 1 month	58,071	55,540
1 – 3 months	10	4,596
3 – 12 months	5,915	36,411
Receivables older than 360 days	12,575	9,553
	76,571	**106,100**

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2013 HRK'000	*Restated* 2012 HRK'000
Balance as at 1 January	61,979	62,134
Impairment loss recognised	20,000	-
Collected in the period	-	(155)
Written-off in the period	(59,516)	-
Balance as at 31 December	**22,463**	**61,979**

The movement in the allowance for impairment in respect of current financial asset during the year was as follows:

	2013 HRK'000	*Restated* 2012 HRK'000
Balance as at 1 January	1,135	3,322
Impairment loss recognised	10,051	-
Collected in the period	(313)	(2,187)
Balance as at 31 December	**10,873**	**1,135**

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group activities on improvement of the liquidity's position are mentioned in note 36.

The following are the contractual maturities of financial liabilities of the Group as at 31 December 2013 in accordance with contracted undiscounted payments:

Expressed in HRK thousand (HRK'000) **31 December 2013**	Carrying value	Contractual cash flows	0 - 12 months	1 – 5 years	More than 5 years
Secured bank loans	659,992	347,401	34,510	191,376	121,515
Bonds	162,426	162,426	162,426	-	-
Commercial bills	33,949	33,949	33,949	-	-
Liability to other companies and other financial liabilities	59	59	59	-	-
Liability for guarantee deposit	49,645	49,645	-	-	49,645
Other non-current liabilities	4,776	4,776	-	4,776	-
Trade and other payables	333,926	333,926	333,926	-	-
	1,244,773	**932,182**	**564,870**	**196,152**	**171,160**

Expressed in HRK thousand (HRK'000) **31 December 2012**	Carrying value	Contractual cash flows	0 - 12 months	1 – 5 years	More than 5 years
Secured bank loans	669,342	754,804	482,811	163,095	108,898
Bonds	162,236	173,332	173,332	-	-
Commercial bills	26,279	26,944	26,944	-	-
Liability toward factoring company	17,084	17,344	17,344	-	-
Liability to other companies and other financial liabilities	3,728	3,728	3,728	-	-
Liability for guarantee deposit	49,067	49,067	20	-	49,047
Other non-current liabilities	1,915	1,915	-	1,915	-
Trade and other payables	189,177	189,177	189,177	-	-
	1,118,828	**1,216,311**	**893,356**	**165,010**	**157,945**

36. Going concern and post-balance-sheet events

In order to solve its difficult financial position and to continue as a going concern, the parent Company submitted a request for the pre-bankruptcy settlement procedure, in accordance with the Act on Financial Operations and Pre-bankruptcy settlement procedure. The procedure officially started on 27 August 2013, initiated by Croatian Financial Agency.

The parent Company's Management has developed operating and financial restructuring plan based on its subsidiary Lanište Ltd. and its cash flows on the basis of Long Term Lease Agreement for Arena Zagreb. Cash flows on the basis of Arena lease, after the settlement of liabilities toward BKS bank (bank which directly financed the construction project of Arena Zagreb), will be used to settle the major part of outstanding debt toward creditors. This will be achieved by issuing long-term bonds by the subsidiary Lanište Ltd.

The restructuring plan was adopted on 26 March 2014, and the Resolution on the acceptance of the financial restructuring plan was reached. Final enforcement of pre-bankruptcy settlement is subject to the decision of the competent Commercial Court.

Main provisions of the adopted financial restructuring plan are as follows:

- Receivables in the amount less than HRK 5 thousand, after interests write-off, will be settled from regular business operations;
- All liabilities toward the Ministry of finance will be settled from business operations until the end of the year 2015;
- Guarantees and counter-guarantees issued for regular business operations stay in force until due date, and in case of activation will be converted in long-term loan with fixed interest rate of 5% per annum and quarterly payments within the period of 6 years;
- Parent Company's co-debt toward BKS bank stays in force.

The parent Company will refinance all its liabilities larger than HRK 5 thousand as follows:

1. By extracting the debt covered by collateral
2. By bonds issued by a subsidiary Lanište Ltd.

1. Extraction of debt covered by collateral

Creditors with the primary lien over the Group's property shall refinance part of its claim until the point of sale or takeover of property, in accordance with one of the following models:

a) PIK instrument ("payment in kind")
b) debt-to-asset (activation of secured rights)

Refinancing through the PIK instrument ("payment in kind") implies that assets remain in Group's ownership and that the creditors retain part of its claims over the Group in the amount of appraised fair value of assets.

The parent Company is obliged to pay “service charge” on PIK instruments value amounting to 0.5% per annum, in order to cover the costs of active real estate sale for the purpose of faster sales realization and debt reduction. In the moment of the sale of the property, regardless of the realized price, total amount of refinanced debt will be considered to be settled. PIK instrument matures on 31 December 2018 and annual interest rate amounts to 4%. Interest is calculated during the duration of the instrument, but remains unpaid. During the duration of the instrument creditors with secured rights and its subsidiaries have “call” option for earlier takeover of property in remaining PIK instrument value.

Refinance through debt to asset means that creditors with secured rights (creditors who have not waived their right to a separate settlement) will be settled on the basis of their liens over the real estates.

2. Issuing bonds by a subsidiary Lanište Ltd.

Liabilities toward creditors which shall refinance part of its claims through PIK instrument, which are without collateral, will be refinanced through bonds issued by a subsidiary Lanište Ltd.

Liabilities toward all other creditors with claims larger than HRK 5 thousand (except from creditors with secured rights) will also be refinanced through bonds issued by a subsidiary Lanište Ltd.

Nominal value of bonds amounts to EUR 57,366,242. Bonds will be issued within 9 months from the date of Commercial court resolution on concluded settlement. Grace period on bond payment is until 15 October 2020, since the liability toward BKS Bank which partially financed construction project of Arena Zagreb has to be fully settled. Repayment of bonds will last by the end of fourth quarter of 2031. Coupon rate amounts to 4.5% per annum and “step-up” to 5.5% per annum starting from 2025 under the condition that HICP index (published by Eurostat) until 2025 is not less that 1.0%. During the period from issuing to the beginning of bond payment (“grace period”) interest rate will be calculated, but not paid. Fixed quarterly bond annuities amount EUR 2 million, while from 2025, depending on the fulfilment of abovementioned condition, annuity can be increased by “step-up” amount. After the beginning of bond repayment, accumulated interest which was calculated during the grace period will be settled first.

The parent Company’s Solidarity guarantee will be established In favour of bond holders. Also, the following instruments will be contracted as collateral for bonds:

- Assignment on the payments made by Zagrebački Holding for the rent of Arena Zagreb, but after the repayment of liability toward BKS Bank;
- Lien (mortgage) over Arena Zagreb after the removal of lien registered in favour of BKS Bank (after the repayment of liability toward BKS Bank).

In case of non-issuing the bonds within the period of 9 months from the date of Commercial court Decision of concluded settlement, claims of those creditors shall be settled by long-term reprograming of claims ie loan. Maximum loan amount is EUR 57,366,107.65 whereby the subsidiary Lanište Ltd. undertakes to meet all the parent Company’s obligations toward its creditors on the basis of the loan. All the terms of the loan are the same as the above described terms of bonds.

In case that Zagrebački Holding exercises the option of early redemption of Arena Zagreb in the year 2015 and/or in the case of the sale of Lanište Ltd. or in the case of the sale of real estate Arena Zagreb, the cash inflow will be allocated in the following order:

- settlement of debt toward BKS bank and settlement of liabilities of Lanište Ltd. from regular operations (liabilities toward the Ministry of finance, public administration bodies and suppliers);
- on the basis of Splitska bank lien over the 25% share in the company Lanište Ltd, 25% of remaining cash inflow will be used to settle the remaining debt toward Splitska bank (debt exceeding the PIK instrument amount) decreased by 10%;
- other bond holders shall be settled pro-rata with the 10% discount.

In case of early redemption and/or sale of the subsidiary Lanište Ltd or sale of Arena Zagreb, the cash inflow will be used for the repayment of bonds/loan.

In accordance with the purpose of the pre-bankruptcy settlement procedure to ensure adequate financial restructuring for the parent Company as well for the Group which would enable the liquidity, the Management considers, on the basis of the accepted abovementioned plan, the usage of a going concern assumption in the preparation of these consolidated financial statements for the year 2013 as appropriate.

Except for the above mentioned, after the reporting date and until the approval date of these financial statements there were no events that would significantly influence the financial statements of the Group as at 31 December 2013, and that should, consequently, be disclosed.

37. Contingent liabilities

Legal proceeding has been initiated by Tempo Inc against the parent Company, claim amounts to HRK 186 million and is based on construction work performed on the project for constructing 2,870 residential units in Tripoli. Amount of HRK 186 million relates to the following: principal amounting to HRK 81 million, penalty interests amounting to HRK 95 million and legal expenses amounting to HRK 10 million. Legal case was initiated in 1990, and after several abolished judgements, the proceeding has been returned to First-instance body and it is still in process. Tempo submitted this claim in the pre-bankruptcy settlement procedure (note 36), and the claim was defined as disputed claim and therefore it was not subject to consideration within this process. Tempo Inc. appealed on this resolution but the Second-instance body overruled the appeal.

38. Approval of the consolidated financial statements

The consolidated financial statements were approved by the Management Board and authorized for issue on 31 March 2014.

Signed on behalf of the Management Board:

INGRA
DIONIČKO DRUŠTVO ZA IZGRADNJU INVESTICIJSKIH
OBJEKATA, UVOZ, IZVOZ I ZASTUPSTVA
5 ZAGREB

Igor Oppenheim
President of the Board