INGRA INC.

Financial statements as at 31 December 2013

together with the Independent auditor's report

Content

Responsibility for the financial statements

Pursuant to the Croatian Accounting Law (Official Gazette 109/07, 54/13), the Board is responsible for ensuring that 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 Ingra Inc., Zagreb. (the "Company") for that period.

The Board has a reasonable expectation that the Company 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 Company 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 Company and must 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 Company 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

Independent Auditor’s report

To the Management Board and Shareholders of Ingra Inc.

We have audited the accompanying separate financial statements of Ingra Inc. Zagreb (hereinafter: the Company), which comprise the unconsolidated statement of financial position as of 31 December 2013, the unconsolidated statement of comprehensive income, unconsolidated statement of cash flows and unconsolidated 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 54.

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

<u>Recoverable amount of assets</u>

Within the process of pre-bankruptcy procedure described in note 34, the Company 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 Company 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 Company 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.

Investment 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 Company's investment in its subsidiary Lanište Ltd. 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 this subsidiary.

Qualified Opinion

In our opinion, except for the effects on the unconsolidated financial statements of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material aspects, the financial position of the Company 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

We draw your attention to the note 34 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 Company and that the Company 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 has been 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 Company is unable to continue as a going concern.

Investment in subsidiary Lanište Ltd

In note 14, investment in the subsidiary Lanište Ltd. is described which carried 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 the total investment and 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.

Consolidated financial statements

The Company has subsidiaries and in accordance with the requirements of IAS 27 "Consolidated and Separate Financial Statements", has prepared and separately published consolidated financial statements on 31 March 2014.

Grant Thornton Audit Ltd.

Ivana Lučića 2a, 10000 Zagreb

Zagreb, 31 March 2014

GRANT THORNTON
revizija d.o.o.
ZAGREB

Ivica Smiljan

Certified auditor, Director

Statement of Comprehensive Income

	Note	2013 HRK'000	*Restated* 2012 HRK'000
Sales	3	58,186	93,384
Other operating income	4	55,449	4,589
Operating revenues		**113,635**	**97,973**
Changes in work in progress and finished goods		(6,888)	(43,120)
Cost of material and services	5	(41,430)	(41,268)
Personnel costs	6	(8,135)	(17,490)
Depreciation		(4,648)	(4,640)
Impairment losses	7	(48,343)	(43)
Provisions	8	(23,838)	(2,818)
Other operating expenses	9	(37,625)	(74,175)
Operating loss		**(170,907)**	**(183,554)**
Net operating loss		**(57,272)**	**(85,581)**
Financial revenues		10,362	10,828
Financial expenses		(146,581)	(62,992)
Net financial result	10	**(136,219)**	**(52,164)**
Loss before taxation		**(193,491)**	**(137,745)**
Corporate income tax		-	-
Net loss for the year		**(193,491)**	**(137,745)**
Other comprehensive income:			
Items reclassified to profit or loss:			
Available-for-sale financial assets			
- current year gains/(losses)		28	(671)
- reclassification to profit or loss		961	79
Other comprehensive income for the year, net		**989**	**(592)**
Total comprehensive loss for the year		**(192,502)**	**(138,337)**
Loss per share (in Croatian kuna)			
Basic and diluted loss per share	23	(14.29)	(10.17)

Statement of Financial Position

	Notes	31/12/2013 HRK'000	Restated 31/12/2012 HRK'000
Assets			
Non-current assets			
Property, plant and equipment	12	85,925	90,822
Investment property	13	107,116	112,926
Investment in subsidiaries	14	521,257	526,691
Investment in associates	15	45	9,689
Other financial assets	16	28,901	28,903
Loans granted	17	5,818	5,818
		749,062	**774,849**
Current assets			
Inventories	18	196,917	218,269
Trade and other receivables	19	44,471	59,722
Gross amount due from customers for construction contracts	20	12,203	6,449
Other financial assets	16	316	321
Loans granted	17	3,667	13,118
Cash and cash equivalents	21	3,311	5,350
		260,885	**303,229**
Prepayments and accrued income	22	**28,065**	**3,482**
Total assets		**1,038,012**	**1,081,560**
Off-balance-sheet items	30	**435,617**	**457,677**
Equity			
Share capital		270,904	270,904
Share premium		-	85,140
Reserves for treasury shares		-	9,000
Revaluation reserves		39,094	39,049
Legal reserves		8,250	8,250
Other reserves and accumulated losses		(42,762)	(2,937)
Net loss for the year		(193,491)	(137,745)
	23	**81,995**	**271,661**
Non-current liabilities			
Provisions	24	3,898	15,975
Deferred tax liability	25	9,773	10,009
Trade and other payables		3,704	-
		17,375	**25,984**
Current liabilities			
Interest-bearing liabilities	26	582,696	573,572
Trade and other payables	27	184,677	137,603
Gross amount due to customers for construction contracts	28	108	937
		767,481	**712,112**
Accrued expenses and deferred income	29	**171,161**	**71,803**
Total equity and liabilities		**1,038,012**	**1,081,560**
Off-balance-sheet items	30	**435,617**	**457,677**

Statement of cash flows

	2013	*Restated* 2012
Cash flows from operating activities	**HRK'000**	**HRK'000**
Profit / (loss) for the year before taxes	(193,491)	(137,745)
Adjustments:		
Depreciation of property, plant and equipment	2,726	2,873
Depreciation of investment property	1,922	1,767
Impairment of assets	12,240	-
(Gain)/loss on sale of plant and equipment	59	(64)
Impairment of investments in subsidiaries	5,435	3,438
Impairment of investments in associates	9,644	-
Impairment of financial assets	12,546	-
Transactions with treasury shares	-	(1,720)
Interest expenses	107,006	56,019
Interest income	(2)	(2,637)
Fair value gains/(losses) on "fair value through P&L" financial assets	(2)	84
Fair value gains/(losses) on available-for-sale financial assets	961	-
Movement in provisions	(12,077)	1,726
Impairment and write-off of trade receivables	29,382	43
Impairment of inventories	8,384	-
Impairment of other receivables	-	53,484
Net foreign exchange gains/losses and other	867	(3,955)
	179,091	*111,058*
Result from operating activities before changes in working capital	**(14,400)**	**(26,687)**
Decrease/increase in current assets:		
Decrease (increase) in inventories	6,780	43,115
Decrease (increase) in receivables	(17,598)	(6,560)
Decrease (increase) in prepayments and accrued income	(24,583)	(386)
Increase/(decrease) in current liabilities:		
Increase/(decrease) in current liabilities	49,949	15,226
Increase/(decrease) in accrued expenses	(7,057)	(6,825)
Net cash flow from operating activities before interest and taxes	**(6,909)**	**17,883**
Interests received	2	2,637
Interests paid	(453)	-
Net cash flow from/(used in) operating activities	**(7,360)**	**20,520**
Investing activities		
Purchase of property, plant and equipment	(52)	(19)
Proceeds from disposals of property, plant and equipment	-	64
Purchase of investment property	-	(5,752)
Decrease/(increase) in financial assets	(2,746)	(2,191)
Net cash from/(used in) investing activities	**(2,798)**	**(7,898)**
Financing activities		
Increase/(decrease) in non-current interest-bearing liabilities	-	4,018
Increase/(decrease) in current interest-bearing liabilities	8,119	(14,759)
Net cash flow from/(used in) financial assets	**8,119**	**(10,741)**
Net change in cash and cash equivalents	**(2,039)**	**1,881**
Cash and cash equivalents at the beginning of the period	5,350	3,469
Cash and cash equivalents at the end of the period	**3,311**	**5,350**

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
	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)**	**8,250**	**(73,586)**	**415,786**
Transactions with owners:	-	-	-	-	-	-	-	**-**
Transfer from revaluation reserve to retained earnings	-	-	-	(943)	-	-	943	**-**
Covering of loss incurred in 2011	-	(75,494)	-	-	-	-	75,494	**-**
Purchase/sale of treasury shares	-	-	-	-	-	-	(1,720)	**(1,720)**
Decrease in branch reserves	-	-	-	-	-	-	(4,068)	**(4,068)**
Loss for the current year (restated)	-	-	-	-	-	-	(137,745)	**(137,745)**
Other comprehensive income/(loss):								
Available-for-sale financial assets								
- current year gains/(losses)	-	-	-	-	(671)	-	-	**(671)**
- reclassification to profit or loss	-	-	-	-	79	-	-	**79**
Total comprehensive income/(loss) for the year	**-**	**-**	**-**	**-**	***(592)***	**-**	***(137,745)***	***(138,337)***
As at 31 December 2012 (restated)	**270,904**	**85,140**	**9,000**	**40,036**	**(987)**	**8,250**	**(140,682)**	**271,661**

Notes are integral part of Statement of changes in equity

Statement of changes in equity (continued)

	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
	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)**	**8,250**	**(140,682)**	**271,661**
Transactions with owners:								
Transfer from revaluation reserve to retained earnings	-	-	-	(944)	-	-	944	**-**
Covering of loss incurred in 2012	-	(85,140)	(9,000)	-	-	-	94,140	**-**
Increase in branch reserves	-	-	-	-	-	-	2,781	**2,781**
Loss for the current year	**-**	-	-	-	-	-	(193,491)	**(193,491)**
Other comprehensive income/(loss):								
Available-for-sale financial assets								
- current year gains/(losses)	-	-	-	-	28	-	-	**28**
- reclassification to profit or loss	-	-	-	-	961	-	-	**961**
Total comprehensive income for the year	**-**	**-**	-	-	*989*	-	-	***989***
As at 31 December 2013	**270,904**	**-**	**-**	**39,092**	**2**	**8,250**	**(236,308)**	**81,940**

Notes are integral part of Statement of changes in equity

1. Notes to the financial statements

General data on the Company

Ingra Inc. Zagreb (the 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 Company had 9 employees, while as at 31 December 2012 the Company had 14 employees.

Within the scope of its various business activities, the Company 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 Supervisory Board were as follows:

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

Management Board

The sole member of board of directors is as follows:

- Igor Oppenheim, president, represents the Company individually and independently

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 Inc.	157,784	1.16%	603,877	4.46%
Societe Generale (Splitska banka Inc.)	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 banka Inc.	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	**100.00%**	**13,545,200**	**100.00%**

2. Summary of significant accounting policies

Basis of preparation

Statement of compliance

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

Accounting policies applied have not been changed during the reporting period compared to the previous year. During the year the Company has not adopted new and revised IFRS and their interpretations that could materially affect 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 instruments 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)

The consolidated financial statements of the Company and its subsidiaries which the Company has to prepare in accordance with IFRS and the Croatian law, are issued as a separate document at the same date as the publication of these unconsolidated financial statements.

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

For the year ended 31 December 2013 the Company 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 Company's 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 Company'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 Company operates. Actual results can differ from estimated results.

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 company 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 Company 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 Company 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 Company'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 Company 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 Company has the power, directly or indirectly, to exercise control over their operations. Control is achieved where the 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 less impairment losses, if any.

f) Investment in associates

Associates are those entities in which the Company has significant influence, but not control. Significant influence is presumed to exist when the Company has influence over the financial and operating policies of the associate, but does not have control or joint control on chosen policies. Associates are stated at cost less impairment losses, if any.

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 company'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

Assets and liabilities reported in foreign currencies are translated into Kuna’s by using Croatian National Bank’s mid exchange rate as of the end of the year. Foreign exchange gains or losses are included in the profit and loss statement as incurred.

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 Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company 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 Company'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 Company 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 Company'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 Company provides for taxation liabilities in accordance with Croatian law. 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 Company'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 Company 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 Company 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 Company 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 Company 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 Company’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 Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and reward ownership of a transferred financial asset, the Company continues for recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments issued by the Company

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 Company are recorded at the proceeds received, net of direct issue costs.

Share capital

a. *Ordinary shares*

Share capital represents the nominal value of shares 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 Company derecognise financial liabilities when, and only when, the Company'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 Company'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 significant.

v) Comparative information and reclassifications

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

Restatement of opening balances

The Company made the following restatements in these financial statements:

- Loan interests liabilities as at 31 December 2012 and 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 HRK'000	*Restated* 2012 HRK'000
Revenue from construction contracts (domestic)	23,466	11,360
Other domestic sales	5,571	35,632
Revenue from construction contracts (abroad)	16,404	34,802
Other foreign sales	12,745	11,590
	58,186	**93,384**

Segment reporting

Segment information is presented in respect of the Company's geographical segments. The information is based on the Company'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**			**2012 (restated)**	
	Croatia	Abroad	**Total**	Croatia	Abroad	**Total**
	HRK'000	HRK'000	**HRK'000**	HRK'000	HRK'000	**HRK'000**
Sales	29,037	29,149	**58,186**	46,992	46,392	**93,384**
Total revenues	59,652	53,983	**113,635**	50,624	47,349	**97,973**
Profit/loss from operating activities	(56,225)	(1,047)	**(57,272)**	(31,469)	(54,112)	**(85,581)**
Net financial result	(135,832)	(387)	**(136,219)**	(52,100)	(64)	**(52,164)**
Profit/(loss) before taxation	(192,057)	(1,434)	**(193,491)**	(83,569)	(54,176)	**(137,745)**
Corporate income tax	-	-	**-**	-	-	**-**
Profit/(loss) for the year	(192,057)	(1,434)	**(193,491)**	(83,569)	(54,176)	**(137,745)**
Other segments information						
Depreciation	4,600	48	**4,648**	4,486	154	**4,640**

Since the Company 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
Income from previous years	24,834	201
Release of provisions	13,101	-
Liabilities written-off	13,025	-
Rent income	3,477	2,804
Income from penalties collected	-	14
Net gain on sale of property, plant and equipment	-	65
Collection of previously impaired trade receivables	-	20
Other	1,012	1,485
	55,449	**4,589**

5. Costs of materials and services

	2013	*Restated* 2012
	HRK'000	HRK'000
Costs of materials and energy		
Energy	444	602
Raw materials	255	526
Small inventory	2	71
	701	**1,199**
Costs of services		
Sub-contractors	37,573	35,353
Telecommunications	697	909
Rent	361	866
Transportation	318	347
Maintenance	209	374
Other services	1,571	2,220
	40,729	**40,069**
	41,430	**41,268**

6. Personnel costs

	2013	*Restated* 2012
	HRK'000	HRK'000
Net salaries and wages	6,256	10,845
Taxes and contributions	1,497	5,736
Compensation to employees	382	909
	8,135	**17,490**

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	2,165	-
Value adjustment of investment property	9,407	-
	11,572	***-***
Value adjustment of current assets		
Value adjustment of trade receivables	28,387	43
Value adjustment of inventories	8,384	-
	36,771	***43***
	48,343	**43**

8. Provisions

During 2013 the Company made provision for expenses related to legal proceedings and penalty interests in the amount of HRK 23,838 thousand (during 2012 the Company made provision for penalty interests for court cases in the amount of HRK 2,818 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	*Restated* 2012
	HRK'000	HRK'000
Expenses in relation to pre-bankruptcy settlement procedure	27,114	-
External services	3,879	4,670
Bank charges	1,707	2,565
Taxes non-dependable on results	1,451	1,771
Compensations to employees	256	314
Entertainment costs	221	250
Insurance premiums	110	315
Other taxes and contributions	29	33
Receivables written-off	-	53,484
Costs of initiated bank guarantees	-	5,610
Penalties	-	2,684
Other expenses	2,858	2,479
	37,625	**74,175**

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	*Restated* 2012
	HRK'000	HRK'000
Financial income		
Foreign exchange gains	10,359	7,202
Interest income	2	2,637
Net gain on sale of financial asset "at fair value through profit or loss"	-	1
Net change in investments "at fair value through profit or loss"	1	3
Dividend income	-	200
Income from loans granted, written off financial liabilities and interests	-	785
Total financial income	**10,362**	**10,828**

Financial revenues and expenses (continued)	2013 HRK’000	*Restated* 2012 HRK’000
Financial expenses		
Interest expense (including penalty interests)	(107,006)	(56,019)
Value adjustment of loans granted	(13,541)	-
Foreign exchange losses	(9,994)	(3,450)
Value adjustment of investments in associates	(9,644)	-
Value adjustment of investments in subsidiaries	(5,435)	(3,438)
The impairment loss on available-for-sale financial assets - reclassification from other comprehensive income to the profit or loss	(961)	(84)
Other financial expenses	-	(1)
Total financial expenses	**(146,581)**	**(62,992)**
Net financial result	**(136,219)**	**(52,164)**

11. Corporate income tax

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	2012 HRK’000
Loss before taxation	(193,491)	(138,337)
(Loss)/profit taxed abroad	1,695	(2,641)
Adjusted loss	(195,186)	(135,696)
Tax calculated at the statutory rate of 20%	(39,037)	(27,139)
Expenses not allowable for tax purposes	18,495	4,836
Tax on depreciation calculated on revaluated amount	236	236
Non-taxable income	-	(40)
Incentives	-	(2)
Corporate income tax	-	**-**
Unrecognized deferred tax asset on current tax loss	(20,306)	(22,109)
Unrecognized deferred tax asset from previous period	(44,121)	(22,012)
Unrecognized deferred tax asset	**(64,427)**	**(44,121)**

Due to the uncertainty regarding the utilisation of tax losses within 5 years, the Company 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	2012
	HRK'000	HRK'000
Within 5 years	20,306	22,109
Within 4 years	22,109	12,604
Within 3 years	12,604	7,392
Within 2 years	7,392	2,016
Within 1 year	2,016	-
	64,427	**44,121**

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 Company 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 Company’s interpretations.

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

12. Property, plant and equipment

Restated	Land	Buildings	Plant and equipment	Vehicles and other assets	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Cost/revaluated amount					
As at 1 January 2012	**13,915**	**106,757**	**6,482**	**5,733**	**132,887**
Correction of opening balances	-	-	*5*	-	5
Additions	-	-	21	-	21
Disposals	-	-	(6)	(463)	(469)
As at 31 December 2012	**13,915**	**106,757**	**6,502**	**5,270**	**132,444**
Additions	-	-	16	-	16
As at 31 December 2013	**13,915**	**106,757**	**6,518**	**5,270**	**132,460**
Accumulated depreciation					
As at 1 January 2012	-	**27,378**	**6,328**	**5,505**	**39,211**
Correction of opening balances	-	-	*9*	*(4)*	*5*
Depreciation for the year	-	2,668	50	155	2,873
Disposals	-	-	(6)	(461)	(467)
As at 31 December 2012	**-**	**30,046**	**6,381**	**5,195**	**41,622**
Depreciation for the year	-	2,669	61	18	2,748
Impairment	676	1,489	-	-	2,165
As at 31 December 2013	**676**	**34,204**	**6,442**	**5,213**	**46,535**
Net carrying value					
31 December 2012	13,915	76,711	121	75	90,822
31 December 2013	**13,239**	**72,553**	**76**	**57**	**85,925**

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 11,128 thousand (2012: HRK 10,011 thousand).

13. Investment property

Restated	**Land**	**Buildings**	**Assets under construction**	**Total**
	HRK'000	**HRK'000**	**HRK'000**	**HRK'000**
Cost				
As at 1 January 2012	**27,234**	**60,640**	**25,244**	**113,118**
Additions	8,475	22,718	5,949	37,142
Reclassification to assets under construction	-	174	-	174
Decreases	-	-	(31,193)	(31,193)
As at 31 December 2012	**35,709**	**83,532**	**-**	**119,241**
Transfer from inventories	-	6,188	-	6,188
As at 31 December 2013	**35,709**	**89,720**	**-**	**125,429**
Accumulated depreciation				
As at 1 January 2012	-	**4,177**	-	**4,177**
Additions	-	1,767	-	1,767
Depreciation for the year	-	371	-	371
As at 31 December 2012	**-**	**6,315**	-	**6,315**
Additions	-	1,922	-	1,922
Depreciation for the year	1,959	8,117	-	10,076
As at 31 December 2013	**1,959**	**16,354**	**-**	**18,313**
Net carrying value				
31 December 2012	35,709	77,217	-	112,926
31 December 2013	**33,750**	**73,366**	**-**	**107,116**

Carrying value of assets which are pledged as collateral for bank loans at 31 December 2013 amounts to HRK 99,835 thousand (2012: HRK 109,332 thousand). Carrying value of assets for which enforcement procedures from creditors have been initiated amounts to HRK 27 million at the reporting date.

14. Investment in subsidiaries

		31 December 2013 HRK'000	Ownership %	*Restated* 31 December 2012 HRK'000	Ownership %
1.	Ingra Mar Ltd.	20	100%	20	100%
2.	Ingra M.E. Ltd.	20	100%	20	100%
3.	Bioadria Ltd.	91	95%	91	95%
4.	Ingra Bioren Ltd.	12	60%	12	60%
5.	Posedarje Rivijera	160	100%	160	100%
6.	Ingra Energo Ltd.	7	100%	7	100%
7.	Mavrovo ADG	54,214	79%	54,214	79%
8.	Južni Jadran Nautika Ltd.	255	51%	255	51%
9.	Ingra Algeresarl	37	99%	37	99%
10.	Dubrovačke lučice Ltd.	45	51%	45	51%
11.	Geotehnika Sudan Ltd.	1,443	100%	1,443	100%
12.	Geotehnika Ltd.	20	100%	20	100%
13.	Lanište Ltd.	524,343	100%	524,343	100%
14.	Domovi dalmatinske rivijere Ltd.	13,215	100%	13,215	100%
15.	Primani Ltd.	2,200	51%	2,200	51%
16.	Marina Slano Ltd.	49	62%	49	62%
17.	Ingra autoservis Ltd.	20	100%	20	100%
18.	Dvori Lapad Ltd.	20	100%	20	100%
19.	Tiha nekretnine Ltd.	20	100%	20	100%
	Total	**596,191**		**596,191**	
	Impairment losses on investment in subsidiaries	*(74,934)*		*(69,500)*	
		521,257		**526,691**	

15. Investments in associates

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

16. Other financial assets

	31 December 2013 HRK'000	*Restated* 31 December 2012 HRK'000
Non-current		
Shares in companies (up to 20% of capital)	26,936	26,936
Deposits and guarantees	1,938	1,938
Held-to-maturity investments	27	29
	28,901	**28,903**
Current		
Available-for-sale financial assets	169	141
Financial assets at fair value through profit or loss	138	135
Deposits and guarantees	9	45
	316	**321**

Investments in the companies in which the Company has ownership's share up to 20% at 31 December 2013 relate to investments in Opatija Nekretnine Ltd. amounting to 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.

17. Loans granted

	31 December 2013 HRK'000	*Restated* 31 December 2012 HRK'000
Non-current loans		
Loans granted to related parties	5,818	5,818
	5,818	**5,818**
Current loans		
Loans granted to related parties	12,640	12,686
Impairment loss on loans granted to related parties	(12,145)	(3,647)
	495	*9,039*
Loans granted to other companies	8,041	5,214
Impairment losses on loans granted to third parties	(4,869)	(1,135)
	3,172	*4,079*
	3,667	**13,118**

Current loans granted to related parties are interest-free.

18. Inventories

	31 December 2013	*Restated* 31 December 2012
	HRK'000	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.

19. Trade and other receivables

	31 December 2013	*Restated* 31 December 2012
	HRK'000	HRK'000
Receivables from related parties		
Advances given to related parties	2,000	1,850
Value adjustment of given advances	(2,000)	-
Receivables from related parties- trade debtors	5,463	2,930
Value adjustment of receivables	(1,246)	-
Other receivables from related parties (interests)	19,287	19,201
Value adjustment of other receivables	(19,091)	(15,386)
	4,413	***8,595***
Receivables from third parties		
Trade receivables	38,663	88,541
Vale adjustment of trade receivables	(21,357)	(61,979)
Receivables for other taxes	947	951
Advances given	20,451	21,696
Receivable for value added tax	62	67
Other receivables	1,292	1,851
	40,058	***51,127***
	44,471	**59,722**

20. 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	317,610	80,509
Invoiced during the year	(305,407)	(74,060)
	12,203	**6,449**

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 39,870 thousand (2012: HRK 46,162 thousand). The aggregate amount of costs incurred and recognized profits (less recognized losses) to the balance sheet date amounted to HRK 330,467 thousand (2012: HRK 371,844 thousand).

Total amount of retentions for contracts which are not completed as at 31 December 2013 amounts to HRK 1,939 thousand (31/12/2012: HRK 1,481 thousand). The total amount of advances received for contracts which are not completed as at 31 December 2013 amounted to HRK 23,939 thousand (31/12/2012: HRK 24,542 thousand).

21. Cash and cash equivalents

	31 December 2013	*Restated* 31 December 2012
	HRK'000	HRK'000
Cash at bank	3,253	5,306
Petty cash	58	44
Total cash at bank and petty cash	**3,311**	**5,350**
Cash in the cash flow statement	**3,311**	**5,350**

22. Prepaid expenses and accrued income

	31 December 2013	31 December 2012
	HRK'000	HRK'000
Accrued income	27,802	3,388
Other prepaid expenses	263	94
	28,065	**3,482**

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.

23. Equity

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

Treasury shares

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

Revaluation reserve

A revaluation reserve as at 31 December 2013 in the amount of HRK 39,094 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 39,092 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.

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

		Restated
	2013	2012
	HRK'000	HRK'000
Net loss for the year attributable to ordinary shareholders	(193,491)	(137,745)
Weighted average number of issued ordinary shares decreased by average number of treasury shares	13,545	13,545
Basic and diluted loss per share (in HRK)	**(14.29)**	**(10.17)**

24. Provisions

	2013	*Restated* 2012
	HRK'000	HRK'000
As at 1 January	**15,975**	**13,457**
Provisions recognized during the year	1,024	2,518
Provisions released/used during the year	(13,101)	-
As at 31 December	**3,898**	**15,975**

25. Deferred tax liability

	2013	Recognized in P&L	2012	*Restated* Recognized in P&L
	000'HRK	HRK'000	HRK'000	HRK'000
Property, plant and equipment	9,773	236	10,009	236
Deferred tax liability	**9,773**	**236**	**10,009**	**236**

26. Interest-bearing loans and borrowings

	31 December 2013	*Restated* 31 December 2012
	HRK'000	HRK'000
Current interest-bearing loans and borrowings		
Bank loans	369,389	361,362
Bonds	162,426	162,236
Commercial bills	33,949	33,983
Loans from related party	16,912	15,971
Liabilities for deposits	20	20
	582,696	**573,572**

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

Loans from banks	**Total HRK'000**	Less than 1 year HRK'000	1 – 2 years HRK'000	2 – 3 years HRK'000	More than 5 years HRK'000
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; 3-m Euribor + 5.75%	12,181	12,181	-	-	-
Interest-free liability – Tutunska bank	9,875	9,875	-	-	-
Total	**369,389**	**369,389**	**-**	**-**	**-**
Bonds					
HRK 162,173 thousand, fixed 6.125%	**162,426**	**162,426**	-	-	-
Commercial bills	**33,949**	**33,949**	-	-	-
Loan from related company	**16,912**	**16,912**	-	-	-
Other	**20**	**20**	-	-	-
As at 31 December 2013	**582,696**	**582,696**	**-**	**-**	**-**

27. Trade and other payables

	31 December 2013	*Restated* 31 December 2012
	HRK'000	HRK'000
Payables to related parties		
Trade payables	5,049	1,876
Liability for unpaid share capital in a subsidiary	1,650	1,650
Other liabilities toward related parties	12,348	9,009
	19,047	**12,535**
Liability toward third parties		
Trade payables	106,213	67,496
Advances received	33,875	35,817
Taxes, contributions and other charges	5,300	5,109
Liabilities to employees	321	1,660
Dividends payable	1,013	1,013
Other liabilities	18,908	13,973
	165,630	**125,068**
	184,677	**137,603**

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

Related	**Total**	**Undue**	**Due < 60 days**	**60-90 days**	**90-120 days**	**120-180 days**	**> 180 days**
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
31/12/2013	**5,049**	646	1,012	194	15	157	3,025
31/12/2012	**1,876**	208	357	322	193	210	586

Third Parties	**Total**	**Undue**	**Due < 60 days**	**60-90 days**	**90-120 days**	**120-180 days**	**> 180 days**
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
31/12/2013	**106,213**	9,203	7,402	262	16,828	16,760	55,758
31/12/2012	**67,496**	1,289	677	941	1,708	1,612	61,269

28. The gross amount due to customers for construction contracts

	31 December 2013	*Restated* 31 December 2012
	HRK'000	HRK'000
Invoiced during the year, less	12,965	292,272
Costs incurred plus recognized profits less the sum of recognized losses	(12,857)	(291,335)
	108	**937**

29. Accrued expenses and deferred income

	31 December 2013	*Restated* 31 December 2012
	HRK'000	HRK'000
Accrued interest expenses on loans	85,969	51,624
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	3,704
Accrued costs of subcontractors	-	4,112
	171,161	**71,803**

30. Commitments and contingencies

The following table presents the contractual amounts of the Company's off balance sheet items:

	31 December 2013	*Restated* 31 December 2012
	HRK'000	HRK'000
Guarantees		
- in HRK	7,238	13,328
- in foreign currency	184,412	171,792
Joint liability:		
- in foreign currency	243,967	261,472
Liabilities for unsecured guarantees and letter of credit in foreign currency	-	11,085
	435,617	**457,677**

31. Contingent liabilities

Legal proceeding has been initiated by Tempo Inc. against the Company, claim amounts to HRK 186 million based on construction work performed on the project for constructing 2,870 residential units in municipality 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 Inc. submitted this claim in the pre-bankruptcy settlement procedure (note 34), 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.

32. Related party transactions

Significant transactions with related parties were as follows:

Subsidiaries and key shareholders	31 December 2013 HRK'000	*Restated* 31 December 2012 HRK'000
Sales to related parties		
Sales to related companies	1,850	682
	1,850	**682**
Purchase from related parties		
Purchases from related companies	2,763	1,122
Purchases from key shareholders	-	100
	2,763	**1,222**
Subsidiaries and key shareholders		
Interest income from related companies	-	2,085
Interest expenses from related companies	(743)	(374)
	(743)	**1,711**
Receivables from related parties		
Receivables from related companies	4,413	8,595
	4,413	**8,595**
Loans granted		
Non-current		
Tiha Nekretnine Ltd.	5,818	5,818
	5,818	**5,818**
Current		
Mavrovo Inženjering, Skopje	-	6,037
Domovi dalmatinske rivijere Ltd.	-	1,252
Posedarje Rivijera Ltd.	-	993
Sarl Alžir	-	50
Ingra Bioren Ltd.	-	109
Ingra M.E Ltd.	50	50
Ingra Autoservis Ltd.	2	49
Dvori lapad Ltd.	349	349
Ingra Gradnja Ltd.	-	52
Tiha Nekretnine Ltd.	8	8
Ingra Mar Ltd.	86	-
Južni Jadran nautika Ltd.	-	90
	495	**9,039**
Payables to related parties		
Payables to related companies	35,949	36,210
	35,949	**36,210**

Key personnel

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 46 thousand (2012: HRK 1,045 thousand) was paid to the Management Board. The total remuneration to the Management Board was included in personnel expenses. During the year remuneration has not been paid to the Supervisory Board (2012: HRK 246 thousand)

33. Financial instruments

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

Amounts stated in this note have been restated in accordance with note 2 v.

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

The Company 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	31 December 2012 HRK'000
Interest-bearing liabilities	582,696	573,572
Decrease for cash and cash equivalents (deposits)	(3,311)	(5,350)
Net debt	579,385	568,222
Equity	81,995	271,661
Equity and net debt	661,380	839,883
Gearing	**88%**	**68%**

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:

	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 2013					
Non-current fin. assets	5,818	-	26,936	1,965	**34,719**
Current financial assets	3,667	138	169	9	**3,983**
Trade and other receivables	48,620	-	-	-	**48,620**
Cash	3,311	-	-	-	**3,311**
	61,416	**138**	**27,105**	**1,974**	**90,633**

	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 2012					
Non-current fin. assets	5,818	-	26,936	1,967	**34,721**
Current financial assets	13,118	135	141	45	**13,439**
Trade and other receivables	36,177	-	-	-	**36,177**
Cash	5,350	-	-	-	**5,350**
	60,463	**135**	**27,077**	**2,012**	**89,687**

All of the Company's liabilities have been classified as „Liabilities at amortized cost“. The Company 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
	HRK'000	HRK'000	HRK'000	HRK'000
Assets (note 16)				
Shares in unlisted companies (up to 20%)	-	-	26,936	26,936
Listed securities and shares in investment funds	169	-	-	169
Cash funds	138	-	-	138
	307	**-**	**26,936**	**27,243**

31 December 2012	1st level	2nd level	3rd level	Total
	HRK'000	HRK'000	HRK'000	HRK'000
Assets (note 16)				
Shares in unlisted companies (up to 20%)	-	-	26,936	26,936
Listed securities and shares in investment funds	141	-	-	141
Cash funds	135	-	-	135
	276	**-**	**26,936**	**27,212**

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 Company 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 Company 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 that are in line with the usual terms of business is approximately equal to their fair value.

c) Financial risk management

The Company's Management monitors and manages the financial risks relating to the operations of the Company 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 Company'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 Company 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 Company's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk management

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

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

Expressed in HRK thousand (HRK'000) **2013**	EUR	USD	Other currency	Total foreign currency	HRK	Total
Non-current loans granted	-	-	-	-	5,818	5,818
Trade receivables	3,979	-	3,029	7,008	14,515	21,523
Other receivables	1,963	-	-	1,963	534	2,497
Current loans granted	3,147	-	-	3,147	520	3,667
Cash and cash equivalents	2,841	-	350	3,191	120	3,311
Trade payables	(2,322)	-	(1,044)	(3,366)	(107,896)	(111,262)
Other liabilities (including accrued interests)	(5,820)	-	(6,025)	(11,845)	(219,492)	(231,337)
Interest-bearing liabilities	-	-	-	-	(565,764)	(565,764)
	3,788	**-**	**(3,690)**	**98**	**(871,645)**	**(871,547)**

Expressed in HRK thousand (HRK'000) **2012**	EUR	USD	Other currency	Total foreign currency	HRK	Total
Non-current loans granted	-	-	-	-	5,818	5,818
Trade receivables	4,263	-	4,975	9,238	20,254	29,492
Other receivables	3,230	-	1,414	4,644	2,041	6,685
Current loans granted	6,036	-	50	6,086	7,032	13,118
Cash and cash equivalents	4,520	-	780	5,300	50	5,350
Trade payables	(2,294)	-	(2,794)	(5,088)	(64,284)	(69,372)
Other liabilities	(60,923)	-	31	(60,954)	(59,234)	(120,188)
Interest-bearing liabilities	(395,338)	-	-	(395,338)	(162,263)	(557,601)
	(440,506)	**-**	**4,394**	**(436,112)**	**(250,586)**	**(686,698)**

2013	Short term exposure EUR HRK'000	USD HRK'000	Other HRK'000	Long term exposure EUR HRK'000	USD HRK'000	Other HRK'000
Financial assets	11,930	-	3,379	-	-	-
Financial liabilities	(8,142)	-	(7,069)	-	-	-
Total exposure	**3,788**	**-**	**(3,690)**	**-**	**-**	**-**

2012	Short term exposure EUR HRK'000	USD HRK'000	Other HRK'000	Long term exposure EUR HRK'000	USD HRK'000	Other HRK'000
Financial assets	18,049	-	7,219	-	-	-
Financial liabilities	(458,555)	-	(2,825)	-	-	-
Total exposure	**(440,506)**	**-**	**4,394**	**-**	**-**	**-**

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%	46	(4,405)
DZD – 4%	(231)	(140)
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 years, the Company has regulated possible currency risks by converting contracts even in countries which are traditionally referred as USD areas to EUR.

b) Interest rate risk

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

The following table shows sensitivity of changes in interest rates relating to Company'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%	(3,595)
HRK	-1%	3,595

2012	**Increase/ Decrease in percentage**	**Effect on income before taxes HRK'000**
HRK	+1%	(3,614)
HRK	-1%	3,614

c) Other price risk

The Company 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 Company. The Company 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 Company only transacts with entities with good credibility. The Company uses other publicly available financial information and its own trading records to rate its major customers. The Company'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 Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company'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 Company 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 Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments.

Loan receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. At the balance sheet date, the Company had loans receivables granted to related parties including employees and third parties. The loans granted to related parties were approved with a fixed interest rate of 0% to 4.5% per annum. Loans are secured by collaterals. Exposure to credit, interest and currency risk arise from ordinary Company's operations. The Company has not used derived insurance instruments in order to protect 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	2012 HRK'000
Croatia	17,193	18,037
Foreign	1,652	11,455
	18,845	**29,492**

Impairment losses

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

	2013 HRK'000	2012 HRK'000
Less than 1 month	6,907	6,567
1 – 3 months	1,281	2,898
3 – 12 months	11,960	5,161
Long term receivables older than 360 days	1,375	14,866
	21,523	**29,492**

The Company's management believes that the receivables older than 360 days are fully recoverable.

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

	2013 HRK'000	2012 HRK'000
Balance as at 1 January	61,979	62,134
Impairment loss recognised during the year	20,140	-
Written-off during the year	(59,516)	-
Collected in the year	-	(155)
Balance as at 31 December	**22,603**	**61,979**

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

	2013 HRK'000	2012 HRK'000
Balance as at 1 January	4,782	6,969
Impairment loss recognised during the year	12,545	-
Collected in the year	(313)	(2,187)
Balance as at 31 December	**17,014**	**4,782**

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company activities on improvement of the liquidity's position are mentioned in note 34.

The following are the contractual maturities of undiscounted financial liabilities of the Company as at 31 December 2013:

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	369,389	369,389	369,389	-	-
Bonds	162,426	162,426	162,426	-	-
Commercial bills	33,949	33,949	33,949	-	-
Loans from related parties	16,912	16,912	16,912	-	-
Trade and other payables	325,667	325,667	321,963	3,704	-
	908,343	**908,343**	**904,639**	**3,704**	**-**

As described in note 26, bonds liabilities are reclassified as current at the balance sheet date due to breach of covenants.

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	361,362	399,628	399,628	-	-
Bonds	162,236	173,332	173,332	-	-
Commercial bills	33,983	34,835	34,835	-	-
Loans from related party	15,971	15,971	15,971	-	-
Trade and other payables	173,588	173,588	173,588	-	-
	747,140	**797,354**	**797,354**	**-**	**-**

34. Going concern and post-balance-sheet events

In order to solve its difficult financial position and to continue as a going concern, the 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 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 (the 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 into long-term loan with fixed interest rate of 5% per annum and quarterly payments within the period of 6 years;
- Company's co-debt toward BKS bank stays in force.

The 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 the subsidiary Lanište Ltd.

1. Extraction of debt covered by collateral

Creditors with the primary lien over the Company's property shall refinance part of its claims 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 Company's ownership and that the creditors retain part of its claims over the Company in the amount of appraised fair value of assets.

The Company is obliged to pay "service charge" on PIK instrument 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 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. arising 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 Company which would enable the liquidity, the Company's Management considers, on the basis of the accepted abovementioned plan, the usage of a going concern assumption in the preparation of the financial statements for the year 2013 as appropriate.

Except for the previously stated, 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 Company as at 31 December 2013 and for the year then ended, and that should, consequently, be disclosed.

35. Approval of the financial statements

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

Signed on behalf of the Management Board:

Igor Oppenheim
Director

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