Viro d.d. and its subsidiaries

Consolidated Financial Statements

For the Year Ended

31 December 2013

Together with Independent Auditor's Report

Contents

Pursuant to the Croatian Accounting Law, the Management Board is responsible for ensuring that consolidated financial statements are prepared for each financial year in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, which give a true and fair view of the state of affairs and results of Viro tvornica šećera d.d. ("Company") and its subsidiaries (jointly referred to as "the Group"), for that period.

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

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

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

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

Signed on behalf of the Management Board:

Željko Zadro, President of the Management Board

Viro
TVORNICA ŠEĆERA d.d.
VIROVITICA 2

Viro tvornica šećera d.d.
Matije Gupca 254
33000 Virovitica
Republic of Croatia
28 April 2014

Independent Auditor's Report

To the owners of Viro tvornica šećera d.d.

We have audited the consolidated financial statements of Viro tvornica šećera d.d. and its subsidiaries (jointly referred to as "the Group"), which comprise the consolidated statement of financial position at 31 December 2013, and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements.

Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the consolidated 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 Group'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 consolidated financial statements.

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

Independent Auditor's Report (continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group at 31 December 2013, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards adopted by the European Union.

Deloitte d.o.o.

Branislav Vrtačnik, President of the Board, Certified Auditor

Zagreb, Republic of Croatia

28 April 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

(All amounts are expressed in thousands of kunas)

	Notes	2013	2012
Sales	4.1	951,859	1,468,015
Other income	4.2	34,404	20,330
Total operating income		**986,263**	**1,488,345**
Increase / (decrease) in the value of work in progress and finished products		68,451	(896)
Cost of raw material and supplies	6	(609,862)	(802,618)
Cost of goods sold	7	(113,794)	(211,134)
Other external expenses	8	(76,212)	(102,038)
Depreciation and amortisation	14	(71,683)	(72,116)
Staff costs	9	(82,555)	(88,929)
Other expenses	10.1	(27,690)	(27,576)
Value adjustment		(222)	(6,115)
Provisions		(159)	(1,973)
Other operating expenses	10.2	(19,804)	(15,126)
Total operating expenses		**(933,530)**	**(1,328,521)**
Profit from operations		**52,733**	**159,824**
Financial income	11	5,009	14,150
Financial expenses	12	(38,439)	(45,420)
Net financial loss		**(33,430)**	**(31,270)**
Profit from operations before taxation		**19,303**	**128,554**
Income tax expense	13	(5,899)	(496)
Profit for the year		**13,404**	**128,058**
Other comprehensive income			
Reserve on revaluation of property, plant and equipment		2,504	2,504
Total comprehensive income for the year		**15,908**	**130,562**
Profit attributable to:			
Equity holders of the parent		**13,396**	**131,128**
Non-controlling interests		**8**	**(3,070)**
Total comprehensive income attributable to:			
Equity holders		**15,900**	**133,632**
Non-controlling interests		**8**	**(3,070)**
Earnings per share			
- Basic and diluted (in kunas and lipas)	23	**9.66**	**94.56**

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

Consolidated Statement of Financial Position

At 31 December 2013

(All amounts are expressed in thousands of kunas)

	Notes	At 31 December 2013	At 31 December 2012
ASSETS			
Non-current assets			
Goodwill	14.1	-	-
Intangible assets	14	1,684	1,920
Property, plant and equipment	14	626,000	670,456
Non-current financial assets	15	35,887	43,016
Receivables		204	37
Total non-current assets		**663,775**	**715,429**
Current assets			
Inventories	16	667,627	586,926
Receivables from related companies	17	80	2,430
Trade receivables	17	170,272	150,056
Receivables from the State and other institutions	18	53,189	115,734
Current financial assets	19	61,295	132,156
Other receivables		416	72
Cash and cash equivalents	20	152,962	31,508
Prepaid expenses and accrued income	21	12,533	9,251
Total current assets		**1,118,374**	**1,028,133**
TOTAL ASSETS		**1,782,149**	**1,743,562**

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

Consolidated Statement of Financial Position (continued)

At 31 December 2013

(All amounts are expressed in thousands of kunas)

	Notes	At 31 December 2013	At 31 December 2012
EQUITY AND LIABILITIES			
Equity			
Subscribed capital	22	249,600	249,600
Retained earnings		364,824	350,341
Capital reserves		10,368	10,368
Reserves out of profit		58,901	56,347
Other reserves		(41,432)	(41,432)
Revaluation reserves		1,222	3,726
Attributable to the equity holders of the parent		**643,483**	**628,950**
Non-controlling interests		10,087	10,147
Total equity		**653,570**	**639,097**
Provisions	31	**35,103**	**50,837**
Non-current liabilities			
Liabilities for loans, deposits and similar	24	2,053	-
Loans payable and borrowings	24	238,395	179,246
Other non-current liabilities		306	383
Total non-current liabilities		**240,754**	**179,629**
Current liabilities			
Liabilities to related companies	29	568	7
Loans payable, deposits and similar	24	4,974	19,560
Loans payable and borrowings	24	256,101	159,834
Advances received	26	69,339	221,114
Trade payables	25	294,783	436,189
Other current liabilities	27	223,298	30,648
Accrued expenses and deferred income	28	3,659	6,647
Total current liabilities		**852,722**	**873,999**
TOTAL EQUITY AND LIABILITIES		**1,782,149**	**1,743,562**

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

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2013

(All amounts are expressed in thousands of kunas)

	Share capital	Reserves	Revaluation reserves	Retained earnings	Non-controlling interests	Total
Balance at 1 January 2012	**249,600**	**28,348**	**874**	**246,198**	**95,095**	**620,115**
Profit for the year	-	-	-	131,128	(3,070)	128,058
Other comprehensive income	-	-	1,096	2,504	-	3,600
Disposal of own shares	-	38,261	-	-	-	38,261
Dividends paid	-	-	-	(27,733)	-	(27,733)
Increase in share in subsidiaries	-	(41,432)	-	-	(81,878)	(123,310)
Correction of retained earnings	-	-	1,756	(1,756)	-	-
Correction of reserves	-	105	-	-	-	105
Balance at 31 December 2012	**249,600**	**25,283**	**3,726**	**350,341**	**10,147**	**639,097**
Profit for the year	-	-	-	13,396	8	13,404
Transferred to retained earnings	-	-	(2,504)	2,504	-	-
Correction of retained earnings	-	-	-	(1,450)	-	(1,450)
Increase of shares in subsidiaries	-	2,524	-	68	(68)	2,524
Transfer	-	35	-	(35)	-	-
Correction of reserves	-	(5)	-	-	-	(5)
Balance at 31 December 2013	**249,600**	**27,837**	**1,222**	**364,824**	**10,087**	**653,570**

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

(All amounts are expressed in thousands of kunas)

	2013	2012
Cash flows from operating activities		
Profit for the year	13,404	128,058
Income tax expense	5,899	496
Depreciation and amortisation	71,683	72,116
Foreign exchange differences on loans, net	1,063	(4,400)
Interests expenses	16,238	19,913
Interests income	(2,656)	(4,923)
Gains on disposal of fixed assets	(54)	(4,481)
Decrease in provisions	(15,734)	(5,119)
Value adjustment and write off of trade receivables, given loans and other assets	7,869	3,635
Impairment of goodwill	-	5,799
Permanent impairment of financial assets available for sale	7,375	3,600
Other non-cash adjustments	2,519	-
Operating profit before changes in working capital	**107,606**	**214,694**
Increase in inventories	(80,701)	(61,857)
(Increase) / decrease in trade receivables	(18,004)	39,056
Decrease / (increase) in other receivables	58,774	(50,039)
Decrease in accrued expenses and deferred income	(2,988)	(6,630)
Decrease in advances received	(151,775)	(43,845)
(Decrease) / increase in trade payables	(140,845)	120,931
Increase in other liabilities	206,139	5,627
Cash (used in) / generated from operating activities	**(21,794)**	**217,937**
Income tax paid	(6,092)	(3,014)
Interests paid	(14,537)	(21,639)
Dividends paid	(16,524)	(11,177)
Net cash (used in) / generated from operating activities	**(58,947)**	**182,107**

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2013

(All amounts are expressed in thousands of kunas)

	2013	2012
Cash flows from investing activities		
Given loans and deposits	67,070	(15,299)
Purchases of property, plant, equipment and intangible assets	(27,606)	(58,939)
Increase of the share in Sladorana d.d. and Slavonija nova d.d., net of cash paid	-	(124,509)
Net cash generated from / (used in) investing activities	**39,464**	**(198,747)**
Cash flows from financing activities		
Proceeds from borrowings	961,143	487,600
Repayment of borrowings	(820,903)	(511,086)
Proceeds from disposal of treasury shares	-	39,566
Net cash generated from financing activities	**140,937**	**16,080**
Net increase / (decrease) in cash and cash equivalents	**121,454**	**(560)**
Cash and cash equivalents at the beginning of the year	31,508	32,068
Cash and cash equivalents at the end of year	152,962	31,508

(All amounts are expressed in thousands of kunas)

1. GENERAL INFORMATION

1.1 Introduction

Viro d.d and its subsidiaries comprise the following entities: Viro tvornica šećera d.d., Virovitica, Matije Gupca 254 – the Parent and its subsidiaries Sladorana d.d., Slavonija Nova d.d., and Viro-kooperacija d.o.o.

Viro tvornica šećera d.d., Virovitica, Matije Gupca 254, was entered in the registry of the Commercial Court in Bjelovar on 23 July 2002. The founders of the company were EOS-Z d.o.o. Zagreb and Robić d.o.o., Velika Gorica In 2005 the Company was transformed from a limited liability company into a public limited company. The Company's share capital amounts to HRK 249,600,060 (2012: HRK 249,600,060) and consists of 1,386,667 (2012: 1,386,667) ordinary bearer shares, with no par value. At 31 December 2013 the Company held 3,306,002 (2012: 3,306,002) ordinary shares of Sladorana d.d., Županja, representing 100.00% (2012: 100.00%) of the subsidiary's total equity. On 7 February 2014 the Company was transformed from a public limited company into a limited liability company.

In 2012 the Company established a subsidiary, VIRO-kooperacija d.o.o., with a paid-up capital in the amount of HRK 20 thousand, fully owned by the Company.

In 2013 the Company acquired and held 22,686 B-series shares of Slavonija nova d.d., Županja, representing 17.58% of the total net capital of the subsidiary.

In 2013 Sladorana d.d. acquired additioonal shares in Slavonija nova d.d., by a debt-to-equity swap, as a result of which it acquired 16,396 ordinary B-series shares. Since Slavonija nova d.d. increased the share capital by issuing new shares, Sladorana d.d. held 67.05% shares of the company at 31 December 2013 (2012: 77.94% shares).

On 15 January 2014 the company was renamed to Slavonija Županja d.d.

1.2 Principal activity

The principal activity of the Group comprises production of sugar, flour and spirits.

1.3 Management Board

The members of the Company's Management Board are as follows:

1 *Željko Zadro*	*President of the Management Board*	
2 *Ivan Škorić*	*Member of the Management Board*	*Since 12 December 2011*

1. GENERAL INFORMATION (CONTINUED)

1.4 Supervisory Board

Members of the Supervisory Board of the Parent:

1 Marinko Zadro	*President of the Supervisory Board*
2 Boris Šimunović	*Deputy President of the Supervisory Board*
3 Dražen Robić	*Member of the Supervisory Board*
4 Ivan Mišetić	*Member of the Supervisory Board*
5 Krešimir Mostovac	*Member of the Supervisory Board*

2. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

2.1 Standards and Interpretations effective in the current period

The following amendments to the existing standards issued by the International Accounting Standards Board and adopted by the EU are effective for the current period:

- *IFRS 13 "Fair Value Measurement",* adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- *Amendments to IFRS 1 "First-time Adoption of IFRS"* – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- *Amendments to IFRS 1 "First-time Adoption of IFRS"* – Government Loans, adopted by the EU on 4 March 2013 (effective for annual periods beginning on or after 1 January 2013),
- *Amendments to IFRS 7 "Financial Instruments: Disclosures"* - Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- *Amendments to IAS 1 "Presentation of financial statements"* – Presentation of Items of Other Comprehensive Income, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 July 2012),
- *Amendments to IAS 12 "Income Taxes"* – Deferred Tax: Recovery of Underlying Assets, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- *Amendments to IAS 19 "Employee Benefits"* – Improvements to the Accounting for Post-employment Benefits, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 January 2013),
- *Amendments to various standards "Improvements to IFRSs (2012)"* resulting from the annual improvement project of IFRS published on 17 May 2012 (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 27 March 2013 (amendments are to be applied for annual periods beginning on or after 1 January 2013),
- *IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine",* adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013).

The adoption of these amendments to the existing standards has not led to any changes in the Group's accounting policies.

2. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS (CONTINUED)

2.2 *Standards and Interpretations issued by IASB and adopted by the EU, but not yet effective*

At the date of authorisation of these financial statements the following standards, revisions and interpretations adopted by the EU were in issue, but not yet effective:

- *IFRS 10 "Consolidated Financial Statements"*, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- *IFRS 11 "Joint Arrangements"*, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- *IFRS 12 "Disclosures of Interests in Other Entities"*, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- *IAS 27 (revised in 2011) "Separate Financial Statements"*, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- *IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures"*, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- *Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosures of Interests in Other Entities"* – Transition Guidance, adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014),
- *Amendments to IAS 32 "Financial instruments: presentation"* – Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014).

2.3. *Standards and Interpretations issued by IASB but not yet adopted by the European Union*

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use till the date of issue of these financial statements.

- IFRS 9 "Financial Instruments" and subsequent amendments (effective date was not yet determined),

- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016),

- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 27 "Separate Financial Statements" – Investment Entities (effective for annual periods beginning on or after 1 January 2014),

2. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS (CONTINUED)

2.3. Standards and Interpretations issued by IASB but not yet adopted by the European Union (continued)

- *Amendments to IAS 36 "Impairment of assets"* - 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" – Novation of Derivatives and Continuation of Hedge Accounting* (effective for annual periods beginning on or after 1 January 2014),
- *IFRIC 21 "Levies"* (effective for annual periods beginning on or after 1 January 2014).

The Group anticipates that the adoption of these standards, amendments to the existing standards and interpretations will have no material impact on the financial statements of the Group in the period of initial application.

(All amounts are expressed in thousands of kunas)

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of presentation and preparation of the financial statements

The Group maintains its accounting records in the Croatian language, in Croatian Kuna and in accordance with Croatian laws and the accounting principles and practices observed by enterprises in Croatia. The financial statements of the Group are prepared under the cost convention, except for financial assets which are carried at fair value, and in accordance with International Financial Reporting Standards, as published by the International Accounting Standards Board, and Croatian law.

The accompanying financial statements have been prepared under the going-concern assumption and accrual basis of accounting.

Estimates are based on the information available as at the date of the financial statements, and actual results could differ from those estimates.

At 31 December, the exchange rate of Croatian kuna against the euro (EUR) was as follows:

	EUR 1	USD 1
2013	7.637643	5.549000
2012	7.545624	5.726794

The consolidated financial statements of the Group represent aggregate amounts of assets, liabilities, capital and reserves of the Group as of 31 December 2013, and the results of its operations for the year then ended.

3.2 Basis of consolidation

The consolidated financial statements of the Group incorporate the financial statements of Viro tvornica šećera d.d. ("the Company") and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of the disposal. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Revenue recognition

Revenue is recognised when it is probable that economic benefits associated with the transaction will flow into the Group and when the amount of the revenue can be measured reliably. Sales are recognised upon delivery of goods and provision of services, net of taxes and discounts and when the related risks and benefits have passed onto the buyer. Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable effective interest rates.

3.4 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are included in profit or loss in the period in which they are incurred.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Foreign currency transactions

Transactions in foreign currencies are translated into Croatian kunas at the rates of exchange in effect at the dates of the transactions. Cash, receivables and payables denominated in foreign currencies are retranslated at the rates of exchange in effect at the date of the statement of financial position. Gains and losses arising on translation are included in the statement of profit or loss and other comprehensive income for the year.

3.6 Income tax expense

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the net profit reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or a part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by date of the statement of financial position. The measurement of deferred tax liabilities and assets reflects the amount that the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Income tax (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority, and the Group intends to settle its current tax assets and liabilities.

Current and deferred taxes for the period

Deferred tax is charged or credited to the statement of profit or loss and other comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity, or where it arises from the initial accounting of a business combination.

In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Value-added tax (VAT)

The Tax Authorities require that VAT is settled on a net basis. VAT on sale and purchase transactions is recognised in the statement of the financial position on a net basis. If a trade debtor is impaired, the related impairment loss is included in the gross amount of the debtor, which includes VAT.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Property, plant and equipment

Tangible fixed assets are recognised initially at cost less accumulated depreciation. Cost of property, plant and equipment comprises purchase price, including import duties and non-refundable sales taxes and any directly attributable costs of bringing an asset to its working condition and location for its intended use.

Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Where it is obvious that expenses incurred resulted in increase of expected future economic benefits to be derived from the use of an item of tangible fixed assets in excess of the originally assessed standard performance of the asset, they are added to the carrying amount of the asset. Gains or losses on the retirement or disposal of tangible fixed assets are recognised as income and expense, respectively, in the period they occur. Depreciation commences on putting an asset into use. Depreciation is provided so as to write down the cost or revalued amount of an asset over the estimated useful life of the asset using the straight-line method as follows:

Type of assets	Useful life	Annual rate
Buildings	20 yrs	5%
Vehicles	5 yrs	20%
Intangible assets, equipment, vehicles, machinery	4 yrs	25%
Computers, IT equipment, mobile phones and IT network equipment	2 yrs	50%
Other assets not specified above	10 yrs	10%

In 2013 there were no changes in the depreciation rates versus comparative period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable direct labour costs and those overhead costs that have been incurred in bringing inventories to their present location and condition.

Where the carrying amount of inventories is to be written down to their net realisable value, an allowance is recognised and charged to expenses for the year.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Small inventory includes items of tangible fixed assets with a useful life over one year, but the unit cost of which is below HRK 3,500 (2012: HRK 3,500).

3.9 Trade receivables and prepayments

Trade debtors and prepayments are carried at nominal amounts less an appropriate allowance for impairment for uncollectible amounts. Management provides for doubtful receivables based on a review of the overall ageing of all receivables and a specific review of significant individual amounts receivable. An allowance is recognised for amounts doubtful of collection and charged to expenses for the year.

3.10 Cash and cash equivalents

Cash comprises account balances with banks, cash in hand, deposits and securities at call or with maturities of less than three months.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each date of the statement of financial position and adjusted to reflect the current best estimate. Where the effect of discounting is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation, determined using the estimated risk free interest rate as the discount rate. Where discounting is used, the reversal of such discounting in each year is recognised as a financial expense and the carrying amount of the provision increases in each year to reflect the passage of time.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the date of the statement of financial position, 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 recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Contingent liabilities

Contingent liabilities have not been recognised in these financial statements. They are not disclosed unless the possibility of outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but it is disclosed when the inflow of economic benefits becomes probable.

3.13 Events after the reporting period

Events after the end of the reporting period that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

3.14 Financial instruments

Financial assets and financial liabilities included in the accompanying financial statements consist of cash and cash equivalents, marketable securities, trade and other receivables, trade and other payables, long-term receivables, loans, borrowings and investments. The details of the recognition and measurement of those items are presented in the corresponding policies.

Investments are recognised and derecognised on a 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, net of transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14. Financial instruments (continued)

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 recognised 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 are assessed for indicators of impairment at each date of the statement of financial position. 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 of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loan and trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is 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. Financial instruments are classified as assets, liabilities or equity instruments in accordance with applicable contracts. Interest, dividends, gains and losses on financial instruments classified as financial liabilities are recognised as income or expense when they arise. Financial assets and liabilities are offset when the Group has a legally enforceable right to set off the net amounts reported, or realise the asset and settle the liability simultaneously.

Derecognition of financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's and the Group's accounting policies, which are described above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on past experience and other factors that are considered to be relevant. Actual results may differ from those estimates.

The estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Areas of estimation include, but are not limited to, depreciation periods and residual values of property, plant and equipment, and of intangible assets, value adjustment of inventories, impairment of receivables, provisions for legal actions and provisions made in accordance with actuarial calculations. The key areas of estimation in applying the Company's and the Group's accounting policies that had a most significant impact on the amounts recognized in the financial statements were as follows:

Useful life of property, plant and equipment and intangible assets

As described in the Note 3.7, the Group reviews the estimated useful lives of property, plant and equipment and intangible assets at the end of each annual reporting period. Property, plant and equipment and intangible assets are recognised initially at cost, less accumulated depreciation.

Impairment allowance on trade receivables

Management provides for doubtful receivables based on a review of the overall ageing of all receivables and a specific review of significant individual amounts receivable. The allowance for amounts doubtful of collection is charged to the statement of profit or loss and other comprehensive income for the year.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Critical accounting judgements and key sources of estimation uncertainty (continued)

Consequences of certain legal actions

The Parent and its subsidiaries are involved in legal actions and proceedings, which have arisen from the regular course of their operations. The management makes estimates when the probable outcome of a legal action has been assessed, and the provisions are recognised on a consistent basis (see Note 31).

3.16 Comparative information

Where necessary, comparative information has been reclassified to conform to the current year's presentation.

(All amounts are expressed in thousands of kunas)

4. SALES AND OTHER INCOME

4.1 Sales

	2013	2012
Foreign sales	549,633	805,438
Domestic sales	402,226	662,577
	951,859	**1,468,015**

4.2 Other income

	2013	2012
Income from reversal of long-term provisions	15,734	5,902
Prior-period income	8,485	2,441
Surplus	3,981	627
Allowances for raw sugar	2,512	-
Damages collected	2,046	3,254
Subsequently approved rebates	302	963
Material sales	144	1,262
Income from scrap transferred to inventories	124	403
Gain on disposal of property, plant and equipment	54	4,481
Other income	1,022	997
	34,404	**20,330**

5. SEGMENT INFORMATION

The operating segments were determined based on the similarity in the nature of individual product groups Three operating segments were identified: Sugar, Flour and Other.

The operating segments are included in internal reports. The internal reports are regularly reviewed by the Management Board in order to assess the performance of the segments and to make business decisions.

(All amounts are expressed in thousands of kunas)

5. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

Set out below is a breakdown of revenue and results of the Group by its reporting segments presented in accordance with IFRS 8. The presented sales comprise sales to third parties.

	Segment revenue	
	2013	**2012**
Sugar	695,462	1,170,912
Flour	74,738	77,095
Other	216,063	240,338
	986,263	**1,488,345**

	Segment expenses		Segment profit	
	2013	**2012**	**2013**	**2012**
Sugar	658,165	1,043,623	37,297	127,289
Flour	72,148	88,136	2,590	(11,041)
Other	203,058	194,789	13,005	45,549
	933,371	**1,326,548**	**52,892**	**161,797**

	2013	**2012**
Operating profit	52,892	161,797
Financial income	5,009	14,150
Financial expenses	(38,439)	(45,420)
Provisions	(159)	(1,973)
Profit before tax	**19,303**	**128,554**

The Sugar Segment comprises sugar production.
The Flour Segment comprises production of flour and bakery products.
The Other Segment comprises production of molasses, noodles and spirits.

The accounting policies of the reportable segments are identical to those of the Group, which are set out in Note 3. Segment profit represents the profit earned by each segment without allocation of financial income and expenses and provisions, and it is the measure reported to the chief executive officer for the purposes of resource allocation and assessment of segment performance.

(All amounts are expressed in thousands of kunas)

5. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

	31/12/2013	31/12/2012
Segment assets		
Sugar	1,187,959	1,238,607
Flour	128,279	110,639
Other	368,729	219,144
Total segment assets	**1,684,967**	**1,568,390**
Unallocated	97,182	175,172
Total assets	**1,782,149**	**1,743,562**

	31/12/2013	31/12/2012
Segment liabilities		
Sugar	770,938	832,083
Flour	52,069	45,002
Other	270,469	176,543
Total segment liabilities	**1,093,476**	**1,053,628**
Unallocated	35,103	50,837
Total liabilities	**1,128,579**	**1,104,465**

For the purposes of monitoring segment performance, all assets other than non-current and current financial assets (Notes 15 and 19).

All liabilities are allocated to the segments other than provisions. Liabilities are allocated to reportable segments in proportion to segment asset.

(All amounts are expressed in thousands of kunas)

5. SEGMENT INFORMATION (CONTINUED)

Other segment information

	Depreciation and amortisation		Additions	
	2013	**2012**	**2013**	**2012**
Sugar	50,895	56,972	20,227	51,556
Flour	3,377	4,550	4,065	4,065
Other	17,411	10,594	4,197	9,640
Total	**71,683**	**72,116**	**28,489**	**65,261**

Geographical information

The Group operates in three main geographical areas serving as the basis for sales reporting, whereas all non-current assets are on the Croatian market.

	Revenue from external customers	
	2013	**2012**
Croatian market	549,633	662,577
EU market	385,357	773,130
Other	16,869	32,308
Total	**951,859**	**1,468,015**

Information about major customers

Included in the sales in the amount of HRK 951,859 thousand (2012: HRK 1,468,015 thousand) are sales of HRK 262,512 thousand (2012: HRK 327,808 thousand) generated from the major customer of the Group.

(All amounts are expressed in thousands of kunas)

6. COST OF RAW MATERIAL AND SUPPLIES

	2013	2012
Raw material and supplies	491,149	652,063
Energy	107,833	124,455
Spare parts	9,903	13,590
Expensed small items	969	12,500
Other material costs	8	10
	609,862	**802,618**

7. COST OF GOODS SOLD

Cost of goods sold in the amount of HRK 113,794 thousand (2012: 211,134 thousand) represent expenses to the extent of costs of goods sold, i.e. goods delivered by the Parent and its subsidiaries during the reporting year to customers outside the Group.

8. OTHER EXTERNAL CHARGES

	2013	2012
Maintenance	17,309	24,207
Transportation	15,320	22,978
Rentals and leases	9,210	6,115
Insurance premiums	7,987	8,898
Municipal utility service fees	7,372	7,213
Bank and payment operation charges	6,704	7,666
Intellectual services	4,205	4,692
Outsourced service costs	1,651	4,471
Promotion, advertising and fairs	1,226	1,559
Market research services	440	274
Contracting, quality control and sugar refining services	-	9,195
Other services	4,788	4,770
	76,212	**102,038**

In 2013 the costs of contracting, quality control and sugar refining services were reclassified to the cost of raw material and supplies.

(All amounts are expressed in thousands of kunas)

9. STAFF COSTS

	2013	2012
Net wages and salaries	49,924	53,192
Taxes and contributions out of salaries	21,816	23,273
Contributions on salaries	10,815	12,464
	82,555	**88,929**

At 31 December 2013, there were 598 persons employed at the Group (31 December 2012: 657 employees).

10. OTHER COSTS AND OPERATING EXPENSES

10.1 Other costs

	2013	2012
Retirement / termination benefits	7,885	8,380
Jubilee awards, gifts and support toto employees	3,930	4,941
Fees to Supervisory board members, Management board members and other income	3,702	3,467
Transportation (employees)	3,519	3,965
Production quota fees	2,868	-
Entertainment	1,760	2,430
Mandatory fees, contributions and membership fees	1,272	1,797
Professional education and literature	110	394
Other	2,644	2,202
	27,690	**27,576**

(All amounts are expressed in thousands of kunas)

10. OTHER COSTS AND OPERATING EXPENSES (CONTINUED)

10.2 Other operating expenses

	2013	2012
Receivables written off	7,647	3,635
Subsequently granted discounts	4,939	2,055
Subsequently identified prior-period expenses	4,526	755
Donations	1,822	5,775
Other	870	2,906
	19,804	**15,126**

Impairment and write-off of receivables for the year 2013 in the amount of HRK 7,647 thousand comprise the following: value adjustment of trade receivables in the amount of HRK 1,468 thousand, value adjustment and write-off of loan receivables in the amount of HRK 6,034 thousand, and write-off of other assets in the amount of HRK 145 thousand.

11. FINANCIAL INCOME

	2013	2012
Interest income – unrelated parties	2,656	4,923
Foreign exchange gains	1,213	8,926
Realised gains on disposal of financial assets	11	56
Other financial income	1,129	245
	5,009	**14,150**

12. FINANCIAL EXPENSES

	2013	2012
Interest expense - unrelated companies	16,236	19,913
Foreign exchange losses	8,268	16,092
Impairment of financial assets	7,375	7,271
Interest expense - related companies	2	-
Other financial expenses	6,558	2,144
	38,439	**45,420**

(All amounts are expressed in thousands of kunas)

13. INCOME TAX

The Group is not subject to corporate income tax, as opposed to its members.
In the prior period, the Parent Company enjoyed the incentives beneficiary status provided under the Investment Promotion Act (OG 73/2000), as a result of which it was relieved from the corporate income tax, as evidenced by the Certificate issued by the Ministry of Economy and dated 5 November 2003 (Class 404-01/03-01/42; Reg. No. 526-01/03-04) and the Letter of the Ministry of Economy, Labour and Entrepreneurship of 28 February 2007 (Class 404-01/06-01/63; Reg. No. 526-07-01/1-07-2). The Company ceased to be the incentives beneficiary.

	2013	**2012**
Current tax	5,899	496
Deferred tax assets	-	-
Income tax recognised in the statement of profit or loss and other comprehensive income	**5,899**	**496**

At 31 December 2013, the Group reported a net profit i.e. profit after tax for the period in the amount of HRK 13,404 thousand (31 December 2012: HRK 128,058 thousand). The reconciliation between the accounting profit and taxable profits is set out below:

	2013	**2012**
Profit before taxation	19,303	128,554
Income tax – 20%	3,861	25,711
Non-deductible income and expense items	2,038	6,663
Effect of tax relief (incentives provided in the Investment Promotion Act)	-	(31,878)
Income tax expense	**5,899**	**496**

The tax rate applicable to taxable profit in the Republic of Croatia is 20 % (2012: 20%).

(All amounts are expressed in thousands of kunas)

14. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

	Intangible assets	Land	Buildings	Plant and equipment	Works of fine arts	Assets under development	Other tangible assets	Total
Cost								
Balance at 31 December 2011	**11,543**	**36,566**	**446,000**	**943,143**	**9**	**31,889**	**1,441**	**1,470,591**
Additions and effect of acquisition of a subsidiary	1,100	1,499	8,133	9,167	36	43,824	1,502	65,261
Disposals, shortage	(233)	-	(3,084)	(28,552)	-	-	-	(31,869)
Assets put into use	-	99	12,798	57,348	-	(70,292)	47	-
Balance at 31 December 2012	**12,410**	**38,164**	**463,847**	**981,106**	**45**	**5,421**	**2,990**	**1,503,983**
Additions	408	563	3,779	5,941	-	17,798	-	28,489
Disposals, shortage	(48)	(198)	(1,613)	(2,309)	-	-	-	(4,168)
Assets put into use	-	-	3,428	12,122	-	(15,550)	-	-
Balance at 31 December 2013	**12,770**	**38,529**	**469,441**	**996,860**	**45**	**7,669**	**2,990**	**1,528,304**

Intangible assets mainly refers to computer software and licences.

(All amounts are expressed in thousands of kunas)

14. INTANGIBLE ASSETS AND RPOPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Intangible assets	Land	Buildings	Plant and equipment	Works of fine arts	Assets under development	Other tangible assets	Total
Accumulated depreciation/amortis.								
Balance at 31 December 2011	**9,698**	**-**	**183,076**	**580,538**	**-**	**3,808**	**216**	**777,336**
Charge for the year	1,002	-	12,655	58,357	-	-	102	72,116
Disposals, shortage	(210)	-	(2,822)	(14,915)	-	102	-	(17,845)
Assets put into use	-	-	-	3,910	-	(3,910)	-	-
Balance at 31 December 2012	**10,490**	**-**	**192,909**	**627,890**	**-**	**-**	**318**	**831,607**
Charge for the year	596	-	13,464	57,474	-	-	149	71,683
Disposals, retirements, shortage	-	-	(726)	(1,944)	-	-	-	(2,670)
Balance at 31 December 2013	**11,086**	**-**	**205,647**	**683,420**	**-**	**-**	**467**	**900,620**
Net book values								
At 31 December 2013	**1,684**	**38,529**	**263,794**	**313,440**	**45**	**7,669**	**2,523**	**627,684**
At 31 December 2012	**1,920**	**38,164**	**270,938**	**353,216**	**45**	**5,421**	**2,672**	**672,376**

14.1 GOODWILL

During 2012 goodwill recognised in 2009 on the acquisition of Sladorana d.d. in the amount of HRK 5,799 thousand was fully impaired based on impairment test performed.

(All amounts are expressed in thousands of kunas)

15. NON-CURRENT FINANCIAL ASSETS

	At 31 December 2013	At 31 December 2012
Given deposits, loans and down payments	32,989	38,451
Financial assets available for sale	2,853	4,515
Investments in securities	45	50
	35,887	**43,016**

Given deposits, loans and down payments in the amount of HRK 32,989 thousand (31 December 2012: HRK 38,451 thousand) comprise deposit in Raiffeisenbank in amount of HRK 0 thousand (31 December 2012: HRK 12,073 thousand), loans to the employees of Sladorana d.d. for purchase of shares in the amount of HRK 120 thousand (31 December 2012: HRK 240 thousand), loans to Poljoprivredno poduzeće Orahovica d.d. in the amount of HRK 13,385 thousand (31 December 2012: HRK 13,333), Grudska pivovara d.o.o., Grude in the amount of HRK 18,516 thousand (31 December 2012: HRK 12,321) and to Senjanović Ivan in the amount of HRK 0 thousand (31 December 2012: HRK 151 thousand), Trstenjak Duško in the amount of HRK 402 thousand (31 December 2012: nil), Kaladić Milan in the amount of HRK 230 thousand (31 December 2012: nil) and down payments for operating lease arrangements in the amount of HRK 336 thousand (31 December 2012: HRK 333 thousand).

Participating interests represent equity interests allowing control of up to 20 percent and comprise the following:

	At 31 December 2013	At 31 December 2012
Sense savjetovanje d.o.o.	1,500	1,500
Tesla štedna banka d.d.	830	2,000
Croatia Osiguranje Zagreb	355	315
PBZ d.d. Zagreb	90	106
Hrvatski radio Županja	78	78
VPL Šećer d.o.o.	-	516
	2,853	**4,515**

In 2013 the Group recognised impairment of its investment in Tesla štedna banka in the amount of HRK 1,170 thousand.

(All amounts are expressed in thousands of kunas)

16. INVENTORIES

	At 31 December 2013	At 31 December 2012
Finished products	478,422	407,480
Raw material and supplies	109,637	108,239
Merchandise	65,635	48,831
Prepayments for inventories	13,933	22,376
	667,627	**586,926**

17. TRADE RECEIVABLES

At 31 December 2013, trade receivables amounted to HRK 170,272 thousand (31 December 2012: HRK 152,486 thousand).

The structure of receivables is as follows:

	At 31 December 2013	At 31 December 2012
Domestic trade receivables	159,972	112.185
Foreign trade receivables	21,490	47.930
Receivables from related companies	80	2.430
Impairment allowance on trade receivables	(11,190)	(10.059)
	170,352	**152.486**

Maturity analysis of receivables not impaired

	At 31 December 2013	At 31 December 2012
Not yet due	103,699	78,177
0-90 days	44,048	48,517
90-120 days	2,368	4,383
Over 120 days	20,237	21,409
	170,352	**152,486**

(All amounts are expressed in thousands of kunas)

17. TRADE RECEIVABLES (CONTINUED)

Movements in impairment allowance for doubtful accounts

	2013	2012
Balance at 1 January	10.059	10,286
New allowances	1.690	443
Recovery of receivables previously provided against	(539)	(532)
Written-off receivables	(20)	(138)
	11.190	**10.059**

All receivables provided against were past due beyond 120 days.

18. RECEIVABLES FROM THE STATE AND OTHER INSTITUTIONS

	At 31 December 2013	At 31 December 2012
VAT receivable	49,944	112,876
Other amounts due from the state	3,245	2,858
	53,189	**115,734**

19. CURRENT FINANCIAL ASSETS

	At 31 December 2013	At 31 December 2012
Received bills of exchange and other securities	45,196	38,076
Given loans	10,755	86,155
Given deposits	5,344	7,925
	61,295	**132,156**

(All amounts are expressed in thousands of kunas)

19. CURRENT FINANCIAL ASSETS (CONTINUED)

An overview of given loans at 31 December 2013 is provided in the table below:

	Interest rate	31 December 2013	31 December 2012
Legal persons			
Žeza d.o.o	7%	5,897	738
Dubrovački podrumi d.d.	6%	2,702	2,487
Invictus ulaganja d.o.o.		1,400	-
Visus d.o.o.	8%	1,141	1,141
Poljoprivredno dobro Gradina d.o.o.	7%	607	-
Konzum d.d.	7%	-	70,000
Vinkovačka televizija d.o.o.	8%	-	6,156
Volones d.o.o.	6%	-	1,503
Others	6%-9%	2,072	840
Total legal persons		**13,819**	**82,865**
Individuals	6%-7%	**540**	**3,290**
Total given loans		**14,359**	**86,155**
Value adjustment		**(3,604)**	**-**
Total given loans		**10,755**	**86,155**

During the year, the Parent Company recognised impairment on the loans in the amount of HRK 3,604 thousand as follows: HRK 1,824 thousand on a loan to Dubrovački podrumi d.d.; HRK 1,141 thousand on a loan to Visus d.o.o.; HRK 554 thousand on a loan to Medion savjetovanje d.o.o.; HRK 61 thousand on a loan to Hospitalija maloprodaja d.o.o.; and HRK 25 thousand on a loan to a natural person.

In addition, HRK 2,430 thousand of loans were written off and charged directly to expenses for the period.

(All amounts are expressed in thousands of kunas)

20. CASH AND CASH EQUIVALENTS

	At 31 December 2013	At 31 December 2012
Gyro account balance	102,315	19,569
Foreign currency account balance	50,641	11,935
Cash in hand	6	4
	152,962	**31,508**

21. PREPAID EXPENSES AND ACCRUED INCOME

	At 31 December 2013	At 31 December 2012
Prepaid production quota fee	8,607	-
Accrued interest on leasing	1,471	2,218
Accrued loan fees and interest	1,187	3,774
Accrued deposit interestdeposit	15	2,503
Other prepaid expenses	1,253	756
	12,533	**9,251**

(All amounts are expressed in thousands of kunas)

22. SUBSCRIBED CAPITAL

At 31 December 2013 the share capital amounts to HRK 249,600 thousand and consists of 1,386,667 shares (31 December 2012: HRK 249,600 thousand, consisting of 1,386,667 shares).

The ownership structure of the Company is set out below:

	Number of shares		Ownership in %	
	2013	**2012**	**2013**	**2012**
EOS-Z d.o.o.	466,500	466,500	33.64%	33.64%
Robić d.o.o.	416,100	416,100	30.01%	30.01%
Societe Generale Splitska banka d.d. / AZ OMF	131,960	117,069	9.52%	8.44%
Zadro Marinko	127,936	127,936	9.23%	9.23%
Hypo Alpe Adria Bank d.d. / PBZ Croatia Osiguranje OMF	43,044	42,181	3.10%	3.04%
Hypo Alpe Adria Bank d.d. / Raiffeisen OMF	26,103	26,103	1.88%	1.88%
Hrvatska poštanska banka d.d.	23,257	23,257	1.68%	1.68%
Societe Generale Splitska banka d.d. / AZ PROFIT DMF	19,633	13,066	1.42%	0.94%
Erste&Steiermarkische bank d.d. / CSC	19,033	11,021	1.37%	0.79%
Societe Generale Splitska banka d.d. / ERSTE PLAVI OMF	10,033	10,033	0.72%	0.72%
Others	103,068	133,401	7.43%	9.63%
	1,386,667	**1,386,667**	**100.00%**	**100.00%**

(All amounts are expressed in thousands of kunas)

23. EARNINGS PER SHARE

Basic and diluted earnings per share

Basic earnings per share are determined, by dividing the Group's net profit by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares redeemed and held by the Group as treasury shares.

	2013	**2012**
Net profit attributable to the shareholders (in HRK'000)	13,396	131,128
Weighted average number of shares	1,386,667	1,386,667
Basic earnings per share (in kunas and lipas):	**9.66**	**94.56**

Diluted earnings per share are equal to basic earnings per share, as there is no basis for adjusting the weighted average number of ordinary shares.

(All amounts are expressed in thousands of kunas)

24. LIABILITIES UNDER BORROWINGS AND FINANCIAL LEASES

	At 31 December 2013	At 31 December 2012
Long-term borrowings		
Bank borrowings	223,063	158,262
Financial loans	2,053	-
Financial lease obligations	15,332	20,984
	240,448	**179,246**
Short-term borrowings		
Bank borrowings	209,354	66,119
Bank borrowings – current portion of long-term loans	39,576	85,880
Financial loans	4,974	19,560
Financial lease obligations	7,171	7,835
	261,075	**179,394**
Total	**501,523**	**358,640**

Bank borrowings in the amount of HRK 471,993 thousand (31 December 2012: HRK 310,261 thousand) are secured by lien on land and buildings of the Group.

Financial loans in the amount of HRK 7,027 thousand relates mainly to a liability towards Konzum d.d. in the amount of HRK 3,448 thousand and a liability to the Environmental Protection and Energy Efficiency Fund in the amount of HRK 2,053 thousand.

Movements in the bank borrowings were as follows:

	2013	2012
Balance at 1 January	**310,261**	**357,707**
New bank loans raised	555,813	468,040
Amounts repaid	(395,144)	(511,086)
Exchange differences	1,063	(4,400)
Balance at 31 December	**471,993**	**310,261**

(All amounts are expressed in thousands of kunas)

24. LIABILITIES UNDER BORROWINGS AND FINANCIAL LEASES (CONTINUED)

An overview of bank borrowings (maturities, interest rates, balances and currencies) is provided below:

Creditor	Ultimate repayment date	Interest rate	Currency	31/12/2013	31/12/2012
Long-term					
Raiffeisenbank d.d.	22.05.2020	3.92%	EUR	242,757	-
Privredna banka d.d./ HBOR d.d.	31.12.2014	5.40%; 2.80%	HRK	-	50,000
Raiffeisenbank d.d./ HBOR d.d.	31.12.2014	5.40%; 2.80%	HRK	-	46,667
Raiffeisenbank d.d.	30.06.2015	4.00%	EUR	-	28,678
Raiffeisenbank d.d.	31.12.2014	5.20%	HRK	-	50,000
Privredna banka d.d.	31.12.2014	5.20%	HRK	-	20,000
HypoAlpe Adria Bank	30.06.2014	6.00%	CHF	-	5,789
HBOR	30.09.2014	2.00%	HRK	-	6,606
Croatia banka d.d.	30.06.2020	4.00%	EUR	-	10,023
HBOR	28.02.2023	4.00%	EUR	19,793	21,669
Croatia osiguranje d.d.	31.12.2013	5.00%	HRK	4	1,116
Short-term					
Slatinska banka d.d.	31.01.2013	4.00%	KN	20,000	20,000
Podravska banka d.d.	01.10.2014	5.50%	EUR	30,551	-
Raiffeisenbank d.d.	17.04.2014	5.13%	EUR	34,369	-
Splitska banka d.d.	01.05.2014	4.00%	HRK	61,037	-
Raiffeisenbank d.d.	09.10.2014	5.13%	EUR	35,897	
Raiffeisenbank d.d.	26.01.2014	6.15%	HRK	3,500	-
Splitska banka d.d.	31.01.2014	4.50%	HRK	2,000	-
Splitska banka d.d.	31.05.2014.	4.50%	HRK	22,000	-
Raiffeisenbank d.d.	20.08.2013	3MEURIBOR +5.70%	EUR	-	27,712
Raiffeisenbank d.d.	09.02.2013	6.15%	HRK	-	15,000
Raiffeisenbank d.d. – receivables factoring	28.02.2013	6.15%	HRK	-	983
Raiffeisenbank d.d. – receivables factoring	28.02.2013	6.15%	HRK	-	1,547
Loan interest payable				85	4,471
Total short-term and long-term borrowings				**471,993**	**310,261**

(All amounts are expressed in thousands of kunas)

24. LIABILITIES UNDER BORROWINGS AND FINANCIAL LEASES (CONTINUED)

	Minimum lease payments		Finance charges		Present value of minimum lease payments	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
Not later than 1 year	7,240	7,834	752	971	6,488	6,863
Payable from two to five years	15,397	21,117	785	1,374	14,612	19,743
Payable after five years	-	-	-	-	-	-
	22,637	**28,951**	**1,537**	**2,345**	**21,100**	**26,606**
Less: future finance charges	**(1,537)**	**(2,345)**			-	-
Present value of minimum lease payments	**21,100**	**26,606**			**21,100**	**26,606**

25. TRADE PAYABLES

	At 31 December 2013	At 31 December 2012
Domestic trade payables	215,428	164,462
Foreign trade payables	79,355	271,727
	294,783	**436,189**

26. ADVANCES RECEIVED

At 31 December 2013, advances received amounted to HRK 69,339 thousand (31 December 2012: HRK 221,114 thousand) and comprise amounts advanced by entities for purchases of sugar.

(All amounts are expressed in thousands of kunas)

27. OTHER CURRENT LIABILITIES

	At 31 December 2013	At 31 December 2012
Liabilities for issued bills of exchange	192,744	-
Production quota fees payable	11,475	-
Taxes, contributions and similar duties payable	9,259	6,119
Amounts due to employees	5,470	5,846
Liabilities in respect of securities	33	16,556
Other current liabilities	4,317	2,127
	223,298	**30,648**

The liabilities for issued bills of exchange represent amounts payable to suppliers of sugar beet, protective substances, and other liabilities, as follows:

	At 31 December 2013
Factoring firms – discounted bills of exchange	125,589
Vupik d.d.	25,212
Belje d.d., Darda	16,990
PIK Vinkovci d.d.	13,450
Agrokor d.d., Zagreb	6,003
Diba d.o.o., Suhopolje	5,500
	192,744

28. ACCRUED EXPENSES AND DEFERRED INCOME

	At 31 December 2013	At 31 December 2012
Deferred income Ministry of Economy	1,935	-
Accrued direct sugar beet costs	506	5,844
Accrued water protection and use fees, concession fee	25	-
Other accrued expenses	1,193	803
	3,659	**6,647**

(All amounts are expressed in thousands of kunas)

29. RELATED-PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Trading transactions

Transactions entered into by and between the Group and its related parties during the year are as follows:

Operating income

	Sales		Other income	
	2013	2012	2013	2012
EOS-Z d.o.o.	-	14,502	-	-
ROBIĆ d.o.o.	-	14,759	-	-
	-	**29,261**	**-**	**-**

Operating expenses

	Selling expenses		Other expenses	
	2013	2012	2013	2012
EOS-Z d.o.o.	-	7,705	-	-
ROBIĆ d.o.o.	-	220	-	-
	-	**7,925**	**-**	**-**

Financial income and expenses

	Financial income		Financial expenses	
	2013	2012	2013	2012
ROBIĆ d.o.o.	-	1	-	-
EOS-Z d.o.o.	-	-	2	260
	-	**1**	**2**	**260**

(All amounts are expressed in thousands of kunas)

29. RELATED-PARTY TRANSACTIONS (CONTINUED)

Outstanding balances from trading transactions at the end of the reporting period:

	Amounts owed by related companies		Amounts owed to related parties	
	2013	**2012**	**2013**	**2012**
ROBIĆ d.o.o. / ROBIĆ PROMET d.o.o.	42	2,430	568	-
EOS-Z d.o.o.	38	-	-	7
	80	**2,430**	**568**	**7**

Remuneration paid to key management personnel:

	2013	2012
Salaries	5,607	5,603
Other	2,406	2,457
	8,013	**8,060**

(All amounts are expressed in thousands of kunas)

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern, while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy has remained unchanged since 2012.

The Group's capital consists of debt, which includes borrowings disclosed in Note 24, less cash and cash equivalents and balances with banks (the so-called net debt), and equity, which comprises share capital, reserves and retained earnings.

The Treasury of the Group reviews the capital structure of the Group. As part of this review, the Treasury considers the cost of capital and the risks associated with each class of capital. The gearing ratio at the reporting date was as follows:

Gearing ratio

	2013	**2012**
Debt (i)	**501,523**	**358,640**
Cash and cash equivalents	(152,962)	(31,508)
Net debt	**348,561**	**327,132**
Equity (ii)	653,570	639,097
Net debt-to-equity ratio (in %)	53.33	51.19

(i) Debt consists of long- and short-term borrowings, as described in Note 24.

(ii) Equity consists of share capital, reserves and retained earnings.

(All amounts are expressed in thousands of kunas)

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Categories of financial instruments

	At 31 December 2013	At 31 December 2012
Financial assets		
Non-current financial assets	35,887	43,016
Non-current receivables	204	37
Receivables from related companies	80	2,430
Trade receivables	170,272	150,056
Current financial assets	61,295	132,156
Other receivables	416	72
Cash and cash equivalents	152,962	31,508
Prepaid expenses and accrued income	12,533	9,251
	433,649	**368,526**

	At 31 December 2013	At 31 December 2012
Financial liabilities		
Long-term financial loans	2,053	-
Long-term borrowings and finance lease obligations	238,395	179,246
Other non-current liabilities	306	383
Liabilities to related companies	568	7
Financial loans payable	4,974	19,560
Short-term borrowings and financial lease obligations	256,101	159,834
Advances received	69,339	221,114
Trade payables	294,783	436,189
Other current liabilities	202,564	24,529
Accrued expenses and deferred income	3,659	6,647
	1,072,742	**1,047,509**

At the reporting date there are no significant concentrations of credit risk for loans and receivables designated at fair value through the statement of profit or loss and other comprehensive income. The carrying amount reflected above represents the Group's maximum exposure to credit risk for such loans and receivables.

(All amounts are expressed in thousands of kunas)

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Financial risk management objectives

The Treasury function of the Group provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks.

These risks include market risk (including currency risk and price risk), credit risk, liquidity risk and interest rate risk.

The Group seeks to minimise the effects of these risks. The Group does not enter into, or trade in financial instruments, including derivative financial instruments, for speculative purposes. The Treasury function periodically reports to the Group's management on the risk exposures.

Market risk

The Group's activities expose it primarily to the financial risks of movement in prices of sugar, flour and prices of raw materials needed for their production (sugar cane, sugar beet and wheat). The Group is also exposed to risks of changes in foreign currency exchange rates and interest rates, as disclosed below.

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.
The carrying amounts of the Group's foreign-currency denominated monetary assets and liabilities at the reporting date are provided in the table below:

	Liabilities		Assets	
	2013	2012	2013	2012
European Union (EUR)	580,486	617,939	202,633	89,739
USD	48	-	2,752	4,038

(All amounts are expressed in thousands of kunas)

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Foreign currency risk management

Foreign currency sensitivity analysis

The Group is mainly exposed to the fluctuations in the exchange rate of the Croatian kuna against the euro and the US dollar because these are the currencies in which the majority of sugar sales (EUR) and purchases of raw sugar (USD) on international markets are carried out.

The following table details the Group's sensitivity to a ten-percent (10%) change of the Croatian kuna against the relevant currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to the Management Board and represents the Board's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for the 10-percent change in the relevant foreign exchange rate. The sensitivity analysis includes external borrowings, as well as loans to foreign operations of the Group denominated in a currency that is not the currency of the lender or the borrower. A positive number below indicates an increase in profit and other equity where the Croatian kuna strengthens 10 percent against the relevant currency. For a 10-percent weakening of the Croatian kuna against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	EUR impact		USD impact	
	2013	2012	2013	2012
Profit	37,785	52,820	270	404

The exposure to the 10-percent change for the relevant currencies is mainly related to the balance of borrowings, trade payables and receivables from related companies denominated in euro (EUR) and the balance of trade payables denominated in US dollars (USD).

Interest rate risk management

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. The Group's exposures to interest rates on its financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Interest rate risk management

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's:

- profit for the year ended 31 December 2013 would decrease/increase by HRK 812 thousand (2012: decrease/increase by HRK 996 thousand). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

The Group's sensitivity to interest rates has decreased during the current year mainly due to the reduction in variable rate debt instruments.

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of dealing with creditworthy counter parties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from default. The exposure of the Group and the credit ratings of its counterparties are continuously monitored, and the total value of transactions entered into is spread across accepted customers. Credit exposure is managed by setting limits to customers.

Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

The Group has no significant credit risk exposures, either to a single customer, or a group of customers with similar characteristics.

Collateral held as security and other credit enhancements

The Group commonly accepts bank guarantees, debentures and bills of exchange of its customers.

(All amounts are expressed in thousands of kunas)

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Liquidity risk management

Prudent liquidity management implies maintaining sufficient levels of cash, obtaining adequate funding using credit lines and facilities and the ability to settle the liabilities on a timely basis. It also involves matching the maturities of liabilities and maintaining appropriate levels of liquid assets. Ultimate responsibility for liquidity risk management rests with the Management Board. The Group manages its liquidity by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The cash flow forecasts are prepared on a monthly basis (by day) and departures are monitored daily.

Liquidity and interest rate risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both principal and interest cash flows. The discounted cash outflow on interest at variable rates has been derived from interest rate curves at the end of the reporting period. The contractual maturity has been defined as the earliest date on which the Group can be required to pay.

	Weighted average effective interest rate	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Total
2013						
Non-interest bearing liabilities		236,273	272,448	60,665	4,294	573,680
Interest bearing liabilities	5.54%	40,270	52,021	180,423	268,593	541,307
		276,543	**324,469**	**241,088**	**272,887**	**1,114,987**
2012						
Non-interest bearing liabilities	-	205,346	46,022	486,032	-	737,400
Interest bearing liabilities	4.83%	27,907	26,741	132,610	190,376	377,634
		233,253	**72,763**	**618,642**	**190,376**	**1,115,034**

(All amounts are expressed in thousands of kunas)

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Liquidity risk management (continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial assets. The tables have been drawn up based on the undiscounted cash flows of financial assets based on the earliest date on which the Group can require payment.

	Weighted average effective interest rate	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Total
2013						
Non-interest bearing assets		246,691	86,728	50,640	2,289	386,348
Interest bearing assets	6.93%	699	1,837	15,742	35,665	53,943
		247,390	**88,565**	**66,382**	**37,954**	**440,291**
2012						
Non-interest bearing assets	-	140,317	31,401	60,041	4,849	236,608
Interest bearing assets	7.10%	2,684	6,441	86,282	41,018	136,425
		143,001	**37,842**	**146,323**	**45,867**	**373,033**

Fair value of financial instruments

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 quoted market prices;
- 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 from observable current market transactions and dealer quotes for similar instruments;

At 31 December 2013, the carrying amounts of cash, short-term deposits, receivables and short-term liabilities, accrued expenses and other financial instruments approximate their fair values due to the short-term maturity of these financial instruments.

(All amounts are expressed in thousands of kunas)

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Fair value of financial instruments (continued)

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that is not based on observable market data (unobservable inputs).

At 31 December 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
		(HRK'000)		
Financial assets available for sale	445	-	2,408	**2.853**
Total	**445**	**-**	**2,408**	**2,853**

At 31 December 2012	**Level 1**	**Level 2**	**Level 3**	**Total**
		(HRK'000)		
Financial assets available for sale	421	-	4,094	4,515
Total	**421**	**-**	**4,094**	**4,515**

(All amounts are expressed in thousands of kunas)

31. LEGAL ACTIONS

The total balance of non-current provisions relates to legal actions in progress. Movements in the provisions are presented below:

	2013	2012
Balance at 1 January	50,837	55,956
New provisions	-	784
Utilised / cancelled provision	(15,734)	(5,903)
Balance at 31 December	**35,103**	**50,837**

At 31 December 2013 there was one significant legal action outstanding against the Company challenging legal transactions and payments.

The legal action, initiated by NLB, as Plaintiff, against Sladorana, the Plaintiff challenges the alleged piercing of corporate veil in the Granal case, claiming that, as a result of 'abuse in business' the future bankruptcy estate of Granal has deteriorated for which the Defendant is to be held liable in the amount of HRK 40 million. In the prior periods, Sladorana d.d. made a total provision of HRK 50 million based on the then assessed likelihood of loosing the case. The entire case is still in progress and comprises several separate lawsuits ruled so far in favour if Sladorana. However, for procedural grounds, they have been sent repeatedly for retrial. Hence, the ultimate outcome cannot be determined at present.

Based on the likelihood of no outflow of resources embodying economic benefits, as assesed by the attorney on the basis of all the three lawsuits being ruled in favour of Sladorana d.d. and the appelate decision of the Independent Appelate Administrative Proceedings Unit, under which the claim in the amount of HRK 15,681 thousand was disputed, and the long-term provision was released and credited to income in 2013.

(All amounts are expressed in thousands of kunas)

32. CONTINGENT LIABILITIES AND COMMITMENTS

At 31 December 2013 contractual commitments and contingent liabilities of the Group relate to issued debentures in the total amount of HRK 1,012,465 thousand (31 December 2012: HRK 750,892 thousand), issued guarantees in the amount of HRK 17,935 thousand (31 December 2012: HRK 96,232 thousand) and issued letters of credit in the amount of HRK 58,666 thousand, which mature on 27 May 2014. The agreed maturity dates for issued guarantees fall in the period from 28 February 2014 until 30 June 2016.

33. OPERATING LEASES

The Group as lessee

Operating lease agreements

Operating lease agreements comprise leases of personal cars over a term of five years. The Group has no option to purchase the leased assets upon the expiry of the lease term.

Lease payments recognised as an expense

	2013	2012
Minimum lease payments	820	809

Non-cancellable operating lease commitments

	2013	2012
Not later than 1 year	826	779
1-5 years	1,196	1,848
	2,022	**2,627**

34. MANAGEMENT AUTHORISATION OF THE ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were adopted by the Management Board and authorized for issue on 28 April 2014.

Signed on behalf of the Management Board on 28 April 2014 by:

Viro
TVORNICA ŠEĆERA d.d. 2
VIROVITICA

Željko Zadro

President of the Management Board

TVORNICA ŠEĆERA d.d.
VIROVITICA, MATIJE GUPCA 254

STATEMENT OF PERSON RESPONSIBLE FOR PRODUCTION OF THE CONSOLIDATED REPORT FOR 2013

With this statement, in compliance with article 403 of the Law on capital market, I state that to the best of our knowledge

- the set of consolidated financial reports of VIRO TVORNICA ŠEĆERA d.d., Virovitica and its subsidiaries for the period I-XII 2013, produced by applying International standards of financial reporting and in compliance with the Croatian Law on Accounting, provides an integral and true overview of assets and liabilities, loss and profit, financial position and operations of the Group.

- The Management report contains a true overview of business results and position of the Group, with a description of the most significant risks and uncertanties to chich the Group is exposed.

In Virovitica, on April 4, 2014

RESPONSIBLE PERSON

PRESIDENT OF THE
MANAGEMENT BOARD:

Željko Zadro, dipl.oec

Viro
TVORNICA ŠEĆERA d.d.
VIROVITICA 1

ENCLOSURE 1

Reporting period: 1 January 2013 to 31 December 2013

Annual Financial Report-GFI-POD

Tax Number (MB): **01650971**

Registration Number (MBS): **010049135**

Personal Identification Number (OIB): **04525204420**

Issuer: **VIRO TVORNICA ŠEĆERA d.d.**

Postal Code and Location: **33000** **VIROVITICA**

Street and number: **MATIJE GUPCA 254**

e-mail address: viro@secerana.hr

Internet address: www.secerana.hr

and name for municipality/city **491** **VIROVITICA**

Code and name for county **10** **VIROVITIČKO-PODRAVSKA**

Number of employees (at the year's end) **598**

Consolidated Report **YES**

Business activity code: **1081**

Entities in consolidation (according to IFRS)	Registered seat:	Tax number (MB):
SLADORANA d.d.	ŽUPANJA, ŠEĆERANA 63	03307484
SLAVONIJA NOVA d.d.	J.J.STROSSMAYERA 65, ŽUPANJA	01841009
VIRO-KOOPERACIJA d.o.o.	ŠEĆERANA 63, ŽUPANJA	02835398

Book-keeping firm

Contact person **DRAGIĆ NEVENA**
(unosi se samo prezime i ime osobe za kontakt)

Telephone **033840117** Telefaks: **033840103**

e-mail address nevena.dragic@secerana.hr

Surname and name **ZADRO ŽELJKO**
(osoba ovlaštene za zastupanje)

Documents for publication
1. Revised Annual Financial Statements
2. Statements for persons responsible for composing financial statements
3. Management report

M.P. Viro TVORNICA ŠEĆERA d.d. VIROVITICA 1

(signature of authorized person)

BALANCE SHEET

as at 31.12.2013

Item	AOP code	Last year (net)	Current year (net)
1	2	3	4
ASSETS			
A) RECEIVABLES FOR SUBSCRIBED BUT NOT PAID-IN CAPITAL	001		
B) LONG-TERM ASSETS (003+010+020+029+033)	002	715.428.950	663.774.888
I. INTANGIBLE ASSETS (004 to 009)	003	1.920.010	1.684.426
1. Assets development	004	395.598	195.493
2. Concessions, patents, licences fees, trade and service marks, software and other rights	005	1.224.012	1.111.383
3. Goodwill	006		
4. Prepayments for purchase of intangible assets	007		
5. Intangible assets in preparation	008	300.400	377.550
6. Other intangible assets	009		
II. TANGIBLE ASSETS (011 to 019)	010	670.455.686	625.999.685
1. Land	011	38.164.239	38.528.588
2. Buildings	012	270.937.574	263.793.539
3. Plant and equipment	013	344.653.382	308.256.888
4. Tools, facility inventory and transport assets	014	8.561.858	5.183.657
5. Biological assets	015		
6. Prepayments for tangible assets	016		562.042
7. Tangible assets in progress	017	5.421.140	7.106.959
8. Other tangible assets	018	44.900	44.900
9. Investments in buildings	019	2.672.593	2.523.112
III. LONG-TERM FINANCIAL ASSETS (021 to 028)	020	43.015.933	35.886.711
1. Investments (shares) with related parties	021	1.416.310	900.000
2. Loans given to related parties	022		
3. Participating interest (shares)	023	3.098.960	1.953.434
4. Loans to entrepreneurs in whom the entity holds participating interests	024		
5. Investments in securities	025	50.250	44.624
6. Loans, deposits and similar assets	026	38.450.413	32.988.653
7. Other long - term financial assets	027		
8. Investments accounted by equity method	028		
IV. RECEIVABLES (030 to 032)	029	37.321	204.066
1.Receivables from related parties	030		
2. Receivables from based on trade loans	031		
3. Other receivables	032	37.321	204.066
V. DEFERRED TAX ASSETS	033		
C) SHORT TERM ASSETS (035+043+050+058)	034	1.018.881.857	1.105.840.624
I. INVENTORIES (036 to 042)	035	586.925.890	667.626.864
1. Raw-material and supplies	036	108.237.915	109.636.635
2. Work in progress	037		
3. Finished goods	038	407.480.652	478.422.404
4. Merchandise	039	48.830.652	65.634.902
5. Prepayments for inventories	040	22.376.671	13.932.923
6. Long - term assets held for sales	041		
7. Biological assets	042		
II. RECEIVABLES (044 to 049)	043	268.291.341	223.956.769
1. Receivables from related parties	044	2.430.091	80.154
2. Accounts receivable	045	150.055.439	170.271.981
3. Receivables from participating parties	046		
4. Receivables from employees and members of related parties	047	18.583	22.706
5. Receivables from government and other institutions	048	115.733.598	53.188.279
6. Other receivables	049	53.630	393.649
III. SHORT TERM FINANCIAL ASSETS (051 to 057)	050	132.156.311	61.295.149
1. Shares (stocks) in related parties	051		
2. Loans given to related parties	052		
3. Participating interests (shares)	053		
4. Loans to entrepreneurs in whom the entity holds participating interests	054		
5. Investments in securities	055	38.075.726	
6. Loans, deposits, etc.	056	94.080.585	16.099.403
7. Other financial assets	057		45.195.746
IV. CASH AT BANK AND IN CASHIER	058	31.508.315	152.961.842
D) PREPAID EXPENSES AND ACCRUED REVENUE	059	9.251.271	12.533.399
E) TOTAL ASSETS (001+002+034+059)	060	1.743.562.078	1.782.148.911
F) OFF-BALANCE RECORDS	061	1.431.644.842	1.365.025.525

LIABILITIES AND CAPITAL			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	639.097.055	653.569.981
I. SUBSCRIBED CAPITAL	063	249.600.060	249.600.060
II. CAPITAL RESERVES	064	10.368.101	10.368.101
III.RESERVES FROM PROFIT (066+067-068+069+070)	065	56.346.673	56.376.876
1. Reserves prescribed by low	066	12.480.003	12.514.967
2. Reserves for treasury shares	067	43.866.670	43.866.670
3. Treasury stocks and shares (deduction)	068		
4. Statutory reserves	069		
5. Other reserves	070		-4.761
IV. REVALUATION RESERVES	071	3.726.291	1.222.294
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	072	177.780.305	312.519.613
1. Retained earnings	073	177.780.305	312.519.613
2. Accumulated loss	074		
VI. PROFIT/LOSS FOR THE CURRENT YEAR (076-077)	075	131.128.314	13.395.619
1. Profit for the current year	076	131.128.314	13.395.619
2. Loss for the current year	077		
IX. MINORITY INTERESTS	078	10.147.311	10.087.418
B) PROVISIONS (080 to 082)	079	50.837.118	35.102.579
1. Provisions for pensions, severance pay, and similar liabilities	080		
2. Reserves for tax liabilities	081		
3. Other reserves	082	50.837.118	35.102.579
C) LONG - TERM LIABILITIES (084 to 092)	083	179.628.626	240.753.734
1. Liabilities to related parties	084		
2. Liabilities for loans, deposits etc.	085	19.186.058	17.384.649
3. Liabilities to banks and other financial institutions	086	160.060.181	223.063.175
4. Liabilities for received prepayments	087		
5. Accounts payable	088		
6. Liabilities arising from debt securities	089		
7. Liabilities to entrepreneurs in whom the entity holds participating interests	090		
8. Other long-term liabilities	091	382.387	305.910
9. Deferred tax liability	092		
D) SHORT - TERM LIABILITIES (094 to 105)	093	867.351.837	849.063.739
1. Liabilities to related parties	094	6.592	568.145
2. Liabilities for loans, deposits etc.	095	26.426.690	12.144.346
3. Liabilities to banks and other financial institutions	096	152.967.583	248.930.776
4. Liabilities for received prepayments	097	221.114.292	69.339.528
5. Accounts payable	098	436.189.040	294.783.369
6. Liabilities arising from debt securities	099		
7. Liabilities to entrepreneurs in whom the entity holds participating interests	100		
8. Liabilities to employees	101	5.847.614	5.470.406
9. Liabilities for taxes, contributions and similar fees	102	6.119.751	9.258.619
10. Liabilities to share - holders	103	16.556.077	32.539
11. Liabilities for long-term assets held for sale	104		
12. Other short - term liabilities	105	2.124.198	208.536.011
E) DEFFERED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE	106	6.647.442	3.658.878
F) TOTAL – CAPITAL AND LIABILITIES (062+079+083+093+106)	107	1.743.562.078	1.782.148.911
G) OFF-BALANCE RECORDS	108	1.431.644.842	1.365.025.525
APPENDIX to balance sheet(to be filled in by entrepreneur that prepares consolidated annual financial report)			
CAPITAL AND RESERVES			
1. Attributed to equity holders of parent company	109	628.949.744	643.482.563
2. Attributed to minority interest	110	10.147.311	10.087.418

PROFIT AND LOSS ACCOUNT
for the period 01.01.2013. do 31.12.2013.

VIRO TVORNICA ŠEĆERA d.d.

Item	AOP code	Last year	Current year
1	2	3	4
I. OPERATING REVENUE (112+113)	111	1.488.344.605	986.263.213
1. Sales revenue	112	1.468.014.470	951.859.027
2. Other operating revenues	113	20.330.135	34.404.186
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	1.328.520.842	933.530.308
1. Changes in value of work in progress and finished products	115	896.251	-68.450.957
2. Material costs (117 to 119)	116	1.119.596.432	799.868.579
a) Raw material and material costs	117	802.617.590	609.862.342
b) Costs of goods sold	118	214.940.402	113.793.981
c) Other external costs	119	102.038.440	76.212.256
3. Staff costs (121 to 123)	120	88.929.302	82.555.187
a) Net salaries and wages	121	53.500.661	49.924.436
b) Cost for taxes and contributions from salaries	122	22.962.847	21.815.787
c) Contributions on gross salaries	123	12.465.794	10.814.964
4. Depreciation	124	72.115.666	71.683.404
5. Other costs	125	27.575.784	27.689.925
6. Impairment (127+128)	126	6.114.791	222.759
a) Impairment of long-term assets (financial assets excluded)	127	5.799.103	
b) Impairment of short - term assets (financial assets excluded)	128	315.688	222.759
7. Provisions	129	1.972.894	158.800
8. Other operating costs	130	11.319.722	19.802.611
III. FINANCIAL INCOME (132 to 136)	131	14.150.169	5.008.885
1. Interest income, foreign exchange gains, dividends and similar income from related parties	132	77	
2. Interest income, foreign exchange gains, dividends and similar income from non -	133	14.097.520	3.882.042
3. Share in income from affiliated entrepreneurs and participating interests	134		
4. Unrealized gains (income) from financial assets	135		1.040.001
5. Other financial income	136	52.572	86.842
IV. FINANCIAL EXPENSES (138 do 141)	137	45.420.067	38.438.927
1. Interest expenses, foreign exchange losses, dividends and similar expenses from related parties	138	260.164	1.850
2. Interest expenses, foreign exchange losses, dividends and similar expenses from non -	139	39.809.340	30.693.923
3. Unrealized losses (expenses) on financial assets	140	3.950.000	1.625.527
4. Other financial expenses	141	1.400.563	6.117.627
V. INCOME FROM INVESTMENT - SHARE IN PROFIT OF ASSOCIATED ENTREPRENEURS	142		
VI. LOSS FROM INVESTMENT - SHARE IN LOSS OF ASSOCIATED ENTREPRENEURS	143		
VII. EXTRAORDINARY - OTHER INCOME	144		
VIII. EXTRAORDINARY - OTHER EXPENSES	145		
IX. TOTAL INCOME (111+131+142 + 144)	146	1.502.494.774	991.272.098
X. TOTAL EXPENSES (114+137+143 + 145)	147	1.373.940.909	971.969.235
XI. PROFIT OR LOSS BEFORE TAXATION (146-147)	148	128.553.865	19.302.863
1. Profit before taxation (146-147)	149	128.553.865	19.302.863
2. Loss before taxation (147-146)	150	0	0
XII. PROFIT TAX	151	495.554	5.898.847
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	128.058.311	13.404.016
1. Profit for the period (149-151)	153	128.058.311	13.404.016
2. Loss for the period (151-148)	154	0	0
APPENDIX to P&L account (to be filled in by entrepreneur that prepares consolidated financial report)			
XIV. PROFIT OR LOSS FOR THE PERIOD			
1. Attributed to equity holders of parent company	155	**131.128.314**	**13.395.619**
2. Attributed to minority interest	156	**-3.070.003**	**8.397**
STATEMENT OF OTHER COMPREHENSIVE INCOME (IFRS)			
I. PROFIT OR LOSS FOR THE PERIOD (= 152)	157	**128.058.311**	**13.404.016**
II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX (159 do 165)	158	**2.503.997**	**2.503.997**
1. Exchange differences on translation of foreign operations	159		
2. Movements in revaluation reserves of long - term tangible and intangible assets	160	2.503.997	2.503.997
3. Profit or loss from reevaluation of financial assets available for sale	161		
4. Gains or losses on efficient cash flow hedging	162		
5. Gains or losses on efficient hedge of a net investment in foreign countries	163		
6. Share in other comprehensive income / loss of associated companies	164		
7. Actuarial gains / losses on defined benefit plans	165		
III. TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD	166		
IV. NET OTHER COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (158-166)	167	**2.503.997**	**2.503.997**
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	168	**130.562.308**	**15.908.013**
APPENDIX to Statement of other comprenhensive income (to be filled in by entrepreneur that prepares consolidated financial report)			
VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD			
1. Attributed to equity holders of parent company	169	**133.632.311**	**15.899.616**
2. Attributed to minority interest	170	**-3.070.003**	**8.397**

STATEMENT OF CASH FLOWS - INDIRECT METHOD

for the period 01.01.2013 do 31.12.2013

Item	AOP code	Last year	Current year
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit before tax	001	128.553.865	19.302.863
2. Depreciation	002	72.115.666	71.683.404
3. Increase in short term liabilities	003	78.755.816	
4. Decrease in short term receivables	004	16.486.877	90.577.987
5. Decrease in inventories	005	32.653.803	11.484.431
6. Other increase in cash flow	006	44.352.011	31.254.891
I. Total increase in cash flow from operating activities (001 to 006)	007	**372.918.038**	**224.303.576**
1. Decrease in short term liabilities	008	10.126.174	188.607.043
2. Increase in short term receivables	009	27.048.076	
3. Increase in inventories	010	90.193.239	89.656.624
4. Other decrease in cash flow	011	72.726.931	27.233.271
II. Total decrease in cash flow from operating activities (008 to 011)	012	**200.094.420**	**305.496.938**
A1) NET INCREASE IN CASH FLOW FROM OPERATING ACTIVITIES	013	**172.823.618**	**0**
A2) NET DECREASE IN IN CASH FLOW FROM OPERATING ACTIVITIES	014	0	**81.193.362**
CASH FLOW FROM INVESTING ACTIVITIES			
1. Cash inflows from sales of long-term tangible and intangible assets	015	12.681.409	182.201
2. Cash inflows from sales of equity and debt instruments	016		
3. Interests receipts	017	2.442.364	3.313.917
4. Dividend receipts	018	191.079	
5. Other cash inflows from investing activities	019	27.454.204	27.440.943
III. Total cash inflows from investing activities (015 to 019)	020	**42.769.056**	**30.937.061**
1. Cash outflow for purchase of long-term tangible and intangible assets	021	69.328.161	27.192.036
2. Cash outflow for acquisition of equity and debt financial instruments	022	1.850.000	
3. Other cash outflow for investing activities	023	148.729.530	39.840.081
IV. Total cash outflow for investing activities (021 do 023)	024	**219.907.691**	**67.032.117**
B1) NET INCREASE IN CASH FLOW FROM INVESTING ACTIVITIES (020-024)	025	**0**	**0**
B2) NET DECREASE IN CASH FLOW FROM INVESTING ACTIVITIES	026	**177.138.635**	**36.095.056**
CASH FLOW FROM FINANCIAL ACTIVITIES			
1. Cash inflow from issuing property and debt financial instruments	027		
2. Proceeds from the credit principal, promissory notes, borrowings and other loans	028	213.268.362	447.802.488
3. Other proceeds from financial activities	029	310.665.871	278.541.000
V. Total cash inflows from financial activities (027 to 029)	030	**523.934.233**	**726.343.488**
1. Cash outflow for repayment of credit principal and bonds	031	231.481.600	203.349.634
2. Cash outflow for dividends paid	032	27.733.340	
3. Cash outflow for financial lease	033	8.635.447	7.273.400
4. Cash outflow for purchase of treasury shares	034		
5. Other cash outflow for financial activities	035	252.328.881	276.978.509
VI. Total cash outflow for financial activities (031 to 035)	036	**520.179.268**	**487.601.543**
C1) NET INCREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES	037	**3.754.965**	**238.741.945**
C2) NET DECREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES	038	**0**	**0**
Total increase in cash flow (013 – 014 + 025 – 026 + 037 – 038)	039	0	121.453.527
Total decrease in cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	560.052	0
Cash and cash equivalents at the beginning of the period	041	32.068.367	31.508.315
Increase of cash and cash equivalents	042		121.453.527
Decrease of cash and cash equivalents	043	560.052	0
Cash and cash equivalents at the end of the period	044	31.508.315	152.961.842

CHANGE IN CAPITAL STATEMENT

for the period from 1.1.2013 to 31.12.2013

Item	EDP	Previous year	Current year
1	2	3	4
1. Subscribed capital	001	249.600.060	249.600.060
2. Capital reserves	002	10.368.101	10.368.101
3. Profit reserves	003	56.346.673	56.376.876
4. Retained profit or loss carried forward	004	177.780.305	312.519.613
5. Profit or loss of the current year	005	131.128.314	13.395.619
6. Revaluation of fixed tangible assets	006	3.726.291	1.222.294
7. Revaluation of intangible assets	007		
8. Revaluation of financial property available for sale	008		
9. 9. Other revaluation	009		
10. Total capital and reserves (EDP 001 through 009)	010	**628.949.744**	**643.482.563**
11. Foreign exchange differences from net investments in foreign operations	011		
12. Current and deferred taxes (part)	012		
13. Cash flow protection	013		
14. Changes in accounting policies	014		
15. Correction of significant mistakes from the previous period	015		
16. Other equity changes	016		
17. Total increase or decrease of capital (EDP 011 through 016)	017	0	0
17 a. Assigned to holders of parent company's capital	018	**628.949.744**	**643.482.563**
17 b. Assigned to minority interest	019	**10.147.311**	**10.087.418**

Items decreasing capital are entered as negative values. Data under EDP 001 through 009 are entered as status on the date of balance.