

**Viro tvornica šećera d.d. and its subsidiaries**

Consolidated Financial Statements

For the Year Ended

31 December 2014

Together with Independent Auditor's Report

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## Responsibility for the consolidated financial statements

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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



The image shows a handwritten signature in black ink, which appears to be 'Zeljko Zadro'. To the right of the signature is a rectangular stamp with a double-line border. Inside the stamp, the word 'Viro' is written in a large, stylized, cursive font. Below 'Viro', the text 'TVORNICA ŠEĆERA d.d.' and 'ZAGREB' is printed in a smaller, sans-serif font. There is a small number '1' in the bottom right corner of the stamp.

Viro tvornica šećera d.d.  
Ulica grada Vukovara 269g  
10000 Zagreb  
Republic of Croatia  
18 May 2015

## 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 2014, 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 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.

Društvo upisano u sudski registar Trgovačkog suda u Zagrebu: MBS 030022053; uplaćen temeljni kapital: 44.900,00 kuna; članovi uprave: Eric Daniel Olcott and Branislav Vrtačnik; poslovna banka: Zagrebačka banka d.d., Paromlinska 2, 10 000 Zagreb, ž. račun/bank account no. 2360000-1101896313; SWIFT Code: ZABHR2X IBAN: HR27 2360 0001 1018 9631 3; Privredna banka Zagreb d.d., Račkoga 6, 10 000 Zagreb, ž. račun/bank account no. 2340009-1110098294; SWIFT Code: PBZGHR2X IBAN: HR38 2340 0091 1100 9829 4; Raiffeisenbank Austria d.d., Petrinjska 59, 10 000 Zagreb, ž. račun/bank account no. 2484008-1100240905; SWIFT Code: RZBHR2X IBAN: HR10 2484 0081 1002 4090 5

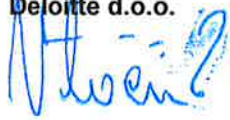
Deloitte se odnosi na Deloitte Touche Tohmatsu Limited, pravnu osobu osnovanu sukladno pravu Ujedinjenog Kraljevstva Velike Britanije i Sjeverne Irske (izvorno "UK private company limited by guarantee"), i mrežu njegovih članova, od kojih je svaki zaseban i samostalan pravni subjekt. Molimo posjetite [www.deloitte.com/hr/o-nama](http://www.deloitte.com/hr/o-nama) za detaljni opis pravne strukture Deloitte Touche Tohmatsu Limited i njegovih tvrtki članica.

**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 2014, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

**Deloitte d.o.o.**

A handwritten signature in blue ink, appearing to read 'B. Vrtačnik', is written over the printed name of the auditor.

**Branislav Vrtačnik, President of the Board, Certified Auditor**

Zagreb, Republic of Croatia

18 May 2015

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

(All amounts are expressed in thousands of kunas)

	Notes	2014	2013
Sales	4.1	1,062,354	951,859
Other income	4.2	9,451	34,404
<b>Total operating income</b>		<b>1,071,805</b>	<b>986,263</b>
Increase in the value of work in progress and finished products		76,861	68,451
Cost of raw material and supplies	6	(909,015)	(609,862)
Cost of goods sold	7	(98,808)	(113,794)
Other external expenses	8	(76,187)	(76,212)
Depreciation and amortisation	14	(67,557)	(71,683)
Staff costs	9	(59,754)	(82,555)
Other expenses	10.1	(40,597)	(27,690)
Value adjustment	10.2	(71,123)	-
Provisions		-	(159)
Other operating expenses	10.3	(26,803)	(20,026)
<b>Total operating expenses</b>		<b>(1,272,983)</b>	<b>(933,530)</b>
<b>(Loss) / profit from operations</b>		<b>(201,178)</b>	<b>52,733</b>
Financial income	11	11,408	5,009
Financial expenses	12	(39,691)	(38,439)
<b>Net financial loss</b>		<b>(28,283)</b>	<b>(33,430)</b>
<b>(Loss) / profit from operations before taxation</b>		<b>(229,461)</b>	<b>19,303</b>
Income tax expense	13	-	(5,899)
<b>(Loss) / profit for the year</b>		<b>(229,461)</b>	<b>13,404</b>
<b>Other comprehensive income</b>			
Reserve on revaluation of property, plant and equipment		1,222	2,504
<b>Total comprehensive (loss) / income for the year</b>		<b>(228,239)</b>	<b>15,908</b>
(Loss) / profit attributable to:			
Equity holders of the parent		(229,470)	13,396
Non-controlling interests		9	8
Total comprehensive (loss) / income attributable to:			
Equity holders		(228,248)	15,900
Non-controlling interests		9	8
<b>(Loss) / earnings per share</b>			
- Basic and diluted (in kunas and lipas)	23	(165.48)	9.66

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

# Consolidated Statement of Financial Position

At 31 December 2014

(All amounts are expressed in thousands of kunas)

	Notes	At 31 December 2014	At 31 December 2013 Restated	At 1 January 2013 Restated
<b>ASSETS</b>				
<b>Non-current assets</b>				
Goodwill	14.1	-	-	-
Intangible assets	14	1,343	1,684	1,920
Property, plant and equipment	14	567,934	622,060	666,516
Non-current financial assets	15	28,590	35,887	43,016
Receivables		113	204	37
<b>Total non-current assets</b>		<b>597,980</b>	<b>659,835</b>	<b>711,489</b>
<b>Current assets</b>				
Inventories	16	632,644	667,627	586,926
Trade receivables and receivables from related companies	17	85,898	170,352	152,486
Receivables from the State and other institutions	18	78,332	53,189	115,734
Current financial assets	19	20,304	61,295	132,156
Other receivables		394	416	72
Cash and cash equivalents	20	43,319	152,962	31,508
Prepaid expenses and accrued income	21	13,524	12,533	9,251
<b>Total current assets</b>		<b>874,415</b>	<b>1,118,374</b>	<b>1,028,133</b>
<b>TOTAL ASSETS</b>		<b>1,472,395</b>	<b>1,778,209</b>	<b>1,739,622</b>

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

Consolidated Statement of Financial Position (continued)

At 31 December 2014

(All amounts are expressed in thousands of kunas)

	Notes	At 31 December 2014	At 31 December 2013 Restated	At 1 January 2013 Restated
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	22	249,600	249,600	249,600
Retained earnings		139,472	367,348	350,341
Capital reserves		10,368	10,368	10,368
Reserves out of profit		56,386	56,377	56,347
Other reserves		(41,432)	(41,432)	(41,432)
Revaluation reserves		-	1,222	3,726
<b>Attributable to the equity holders of the parent</b>		<b>414,394</b>	<b>643,483</b>	<b>628,950</b>
Non-controlling interests		6,156	6,147	6,207
<b>Total equity</b>		<b>420,550</b>	<b>649,630</b>	<b>635,157</b>
<b>Provisions</b>	31	<b>34,772</b>	<b>35,103</b>	<b>50,837</b>
<b>Non-current liabilities</b>				
Liabilities for loans, deposits and similar	24	2,051	2,053	-
Loans payable and borrowings	24	195,748	238,395	179,246
Other non-current liabilities		229	306	383
<b>Total non-current liabilities</b>		<b>198,028</b>	<b>240,754</b>	<b>179,629</b>
<b>Current liabilities</b>				
Liabilities to related companies	29	232	568	7
Loans payable, deposits and similar	24	4,142	4,974	19,560
Loans payable and borrowings	24	297,906	256,101	159,834
Advances received	26	20,383	69,339	221,114
Trade payables	25	308,610	294,783	436,189
Other current liabilities	27	180,274	223,298	30,648
Accrued expenses and deferred income	28	7,498	3,659	6,647
<b>Total current liabilities</b>		<b>819,045</b>	<b>852,722</b>	<b>873,999</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,472,395</b>	<b>1,778,209</b>	<b>1,739,622</b>

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 2014

*(All amounts are expressed in thousands of kunas)*

	Share capital	Reserves	Revaluation reserves	Retained earnings	Non-controlling interests	Total
<b>Balance at 1 January 2013 (originally reported)</b>	249,600	25,283	3,726	350,341	10,147	639,097
Restatement	-	-	-	-	(3,940)	(3,940)
<b>Balance at 1 January 2013 (restated)</b>	249,600	25,283	3,726	350,341	6,207	635,157
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 in share in subsidiaries	-	-	-	2,592	(68)	2,524
Transferred to reserves	-	35	-	(35)	-	-
Correction of reserves	-	(5)	-	-	-	(5)
<b>Balance at 31 December 2013 (restated)</b>	249,600	25,313	1,222	367,348	6,147	649,630
Profit for the year	-	-	-	(229,470)	9	(229,461)
Transferred to retained earnings	-	-	(1,222)	1,222	-	-
Correction of reserves and retained earnings	-	9	-	372	-	381
<b>Balance at 31 December 2014</b>	249,600	25,322	-	139,472	6,156	420,550

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

# Consolidated Statement of Cash Flows

For the year ended 31 December 2014

(All amounts are expressed in thousands of kunas)

	2014	2013
<b>Cash flows from operating activities</b>		
(Loss) / profit for the year	(229,461)	13,404
Income tax expense	-	5,899
Depreciation and amortisation	67,557	71,683
Foreign exchange differences on loans, net	848	1,063
Interests expenses	22,592	16,238
Interests income	(2,914)	(2,656)
Net book value of disposed fixed assets	1,093	(54)
Decrease in provisions	(331)	(15,734)
Value adjustment of short-term assets ( note 9, 10.2 and 19)	81,703	7,869
Permanent impairment of financial assets available for sale	-	7,375
Other non-cash adjustments	382	2,519
<b>Operating profit before changes in working capital</b>	<b>(58,531)</b>	<b>107,606</b>
Increase in inventories	(36,140)	(80,701)
(Increase) / decrease in trade receivables	75,323	(18,004)
Decrease / (increase) in other receivables	(25,955)	58,774
Increase / (decrease) in accrued expenses and deferred income	3,839	(2,988)
Decrease in advances received	(48,956)	(151,775)
Increase / (decrease) in trade payables	13,491	(140,845)
(Decrease) / increase in other liabilities	(33,205)	206,139
<b>Cash used in operating activities</b>	<b>(110,174)</b>	<b>(21,794)</b>
Income tax paid	(9,701)	(6,092)
Interests paid	(22,787)	(14,537)
Dividends paid	(1)	(16,524)
<b>Net cash used in operating activities</b>	<b>(142,663)</b>	<b>(58,947)</b>

## Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2014

*(All amounts are expressed in thousands of kunas)*

	2014	2014
<b>Cash flows from investing activities</b>		
Given loans and deposits	49,727	67,070
Purchases of property, plant, equipment and intangible assets	<u>(12,521)</u>	<u>(27,606)</u>
<b>Net cash generated from investing activities</b>	<b><u>37,206</u></b>	<b><u>39,464</u></b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	386,730	961,143
Repayment of borrowings	<u>(390,916)</u>	<u>(820,903)</u>
<b>Net cash (used in) / generated from financing activities</b>	<b><u>(4,186)</u></b>	<b><u>140,937</u></b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b><u>(109,643)</u></b>	<b><u>121,454</u></b>
Cash and cash equivalents at the beginning of the year	152,962	31,508
Cash and cash equivalents at the end of year	43,319	152,962

# Notes to the consolidated financial statements

For the year ended 31 December 2014

*(All amounts are expressed in thousands of kunas)*

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## 1. GENERAL INFORMATION

### 1.1 Introduction

Viro tvornica šećera d.d and its subsidiaries comprise the following entities: Viro tvornica šećera d.d., Zagreb, Ulica grada Vukovara 269g – the Parent and its subsidiaries Sladorana d.o.o., Slavonija Županja d.d., and Viro-kooperacija d.o.o.

Viro tvornica šećera d.d., 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 (2013: HRK 249,600,060) and consists of 1,386,667 (2013: 1,386,667) ordinary bearer shares, with no par value.

At the beginning of 2015 the Company changed headquarters, previously located in Virovitica, to Zagreb, Ulica grada Vukovara 269 G, registered at Commercial Court in Zagreb on January 20, 2015. As of 31 December 2014 the company owns, as the sole shareholder of Sladorana d.o.o., Županja 100% (2013: 100%) of total net capital of the subsidiary. 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.o.o. acquired additional 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.o.o. held 67.05% shares of the company at 31 December 2014 (2013: 67.05% shares).

### 1.2 Principal activity

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

## Notes to the consolidated financial statements

For the year ended 31 December 2014

*(All amounts are expressed in thousands of kunas)*

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### 1. GENERAL INFORMATION (CONTINUED)

#### 1.3 Management Board

The members of the Company's Management Board at 31 December 2014 and 31 December 2013 are as follows:

1 Željko Zadro	<i>President of the Management Board</i>	
2 Ivan Škorić	<i>Member of the Management Board</i>	<i>Until 1 July 2014</i>
3 Dražen Robić	<i>Member of the Management Board</i>	<i>Since 1 July 2014</i>

#### 1.4 Supervisory Board

Members of the Supervisory Board of the Parent at 31 December 2014 and 31 December 2013 are as follows:

1 Marinko Zadro	<i>President of the Supervisory Board</i>	
2 Boris Šimunović	<i>Deputy President of the Supervisory Board</i>	
3 Hrvoje Godinić	<i>Member of the Supervisory Board</i>	<i>Since 29 August 2014</i>
4 Ivan Mišetić	<i>Member of the Supervisory Board</i>	
5 Damir Keleković	<i>Member of the Supervisory Board</i>	<i>Since 21 March 2014</i>
6 Dražen Robić	<i>Member of the Supervisory Board</i>	<i>Until 1 July 2014</i>
7 Krešimir Mostovac	<i>Member of the Supervisory Board</i>	<i>Until 21 March 2014</i>

## 2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

### 2.1 Standards and Interpretations effective in the current period

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

- **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 IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosures of Interests in Other Entities” and IAS 27 (revised in 2011) “Separate Financial Statements” – Investment Entities**, adopted by the EU on 20 November 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),
- **Amendments to IAS 36 “Impairment of assets” - Recoverable Amount Disclosures for Non-Financial Assets**, adopted by the EU on 19 December 2013 (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**, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014).

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

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2014

*(All amounts are expressed in thousands of kunas)*

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### 2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) (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, amendments to the existing standards and interpretations issued by IASB and adopted by the EU were in issue but not yet effective:

- **Amendments to various standards “Improvements to IFRSs (cycle 2010-2012)”** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 17 December 2014 (amendments are to be applied for annual periods beginning on or after 1 February 2015),
- **Amendments to various standards “Improvements to IFRSs (cycle 2011-2013)”** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 18 December 2014 (amendments are to be applied for annual periods beginning on or after 1 January 2015),
- **Amendments to IAS 19 “Employee Benefits” - Defined Benefit Plans: Employee Contributions** - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),
- **IFRIC 21 “Levies”** adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

#### 2.3. Standards and Interpretations issued by IASB but not yet adopted by the EU

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 in EU as at 31 March 2015:

- **IFRS 9 “Financial Instruments”** (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016),

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2014

*(All amounts are expressed in thousands of kunas)*

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### 2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) (CONTINUED)

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

- **IFRS 15 “Revenue from Contracts with Customers”** (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures”** - Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IFRS 11 “Joint Arrangements”** – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 1 “Presentation of Financial Statements”** - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets”** - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 “Property, Plant and Equipment” and IAS 41 “Agriculture”** - Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 27 “Separate Financial Statements”** - Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to various standards “Improvements to IFRSs (cycle 2012-2014)”** resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 January 2016).

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.



## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2014

*(All amounts are expressed in thousands of kunas)*

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### 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 adopted by the European Union, 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
2014	7.661471	6.302107
2013	7.637643	5.549000

The consolidated financial statements of the Group represent aggregate amounts of assets, liabilities, capital and reserves of the Group as of 31 December 2014, and the results of its operations for the year then ended.

#### 3.2. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2014

*(All amounts are expressed in thousands of kunas)*

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### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2. Basis of consolidation (continued)

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of 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.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2014

*(All amounts are expressed in thousands of kunas)*

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### 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.

#### 3.5. 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.

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2014

*(All amounts are expressed in thousands of kunas)*

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### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.6. Income tax expense (continued)

##### *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.

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.

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2014

(All amounts are expressed in thousands of kunas)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.6. Income tax expense (continued)

*Current and deferred taxes for the period (continued)*

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.

#### 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 (years)	Annual rate
Buildings	20	5%
Vehicles	5	20%
Intangible assets, equipment, vehicles, machinery	4	25%
Computers, IT equipment, mobile phones and IT network equipment	2	50%
Other assets not specified above	10	10%

In 2014 there were no changes in the depreciation rates versus comparative period.

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2014

*(All amounts are expressed in thousands of kunas)*

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### **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 (2013: 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.

#### **3.11 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

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2014

*(All amounts are expressed in thousands of kunas)*

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### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **3.11 Provisions (continued)**

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.

#### **3.12 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.

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2014

(All amounts are expressed in thousands of kunas)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.14. Financial instruments (continued)

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.

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.

#### ***Available-for-sale financial assets***

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



## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2014

*(All amounts are expressed in thousands of kunas)*

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### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **3.14. Financial instruments (continued)**

##### ***Available-for-sale financial assets (continued)***

Listed redeemable notes held by the Group that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value at the end of each reporting period (because the directors consider that fair value can be reliably measured). Fair value is determined in the manner described in note 40. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates (see below), interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

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

##### ***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.

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2014

*(All amounts are expressed in thousands of kunas)*

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### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.14. Financial instruments (continued)

##### ***Other financial liabilities***

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2014

*(All amounts are expressed in thousands of kunas)*

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### 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.

##### *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 is reclassified to conform to the current year's presentation.

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2014

(All amounts are expressed in thousands of kunas)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.17. Prior period restatement

In 2014 the Group made corrections of certain prior-period errors. The total effect of the resulting restatement on the financial statements at 1 January 2013 and 31 December 2013 is as follows:

(i) Subsidiary Slavonija Županja d.d. did not include in its financial statements for the year ended 31 December 2010 depreciation charge in the amount of HRK 3,940 thousand. On this basis Slavonija Županja recognised in 2014 impairment of non-current tangible assets in the amount of HRK 3,940 thousand. Viro tvornica šećera d.d. reflected the impairment in its consolidated financial statements for the year ended 31 December 2014 by charging it to the non-controlling interest because, at that time (2010) Slavonija Županja d.o.o. (Slavonija Nova d.o.o. at that time) was not owned by Viro tvornica šećera d.d..

(ii) The balance of reserves in the financial statements for 2014 was corrected by including a total of HRK 381 thousand into shareholders' equity. The Company considers the amount immaterial for the purpose of further disclosure of the effects of the restatements within this note.

	Notes	As originally reported	As restated	The resulting increase / (decrease)
<b>Balance at 1 January 2013</b>				
Property, plant and equipment (i)	14	670,456	666,516	(3,940)
<b>Total non-current assets</b>		<b>715,429</b>	<b>711,489</b>	<b>(3,940)</b>
<b>TOTAL ASSETS</b>		<b>1,743,562</b>	<b>1,739,622</b>	<b>(3,940)</b>
Non-controlling interest (i)	22	10,147	6,207	(3,940)
<b>Total equity</b>		<b>639,097</b>	<b>635,157</b>	<b>(3,940)</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,743,562</b>	<b>1,739,622</b>	<b>(3,940)</b>

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2014

(All amounts are expressed in thousands of kunas)

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.17. Prior period restatement (continued)**

	Notes	As originally reported	As restated	The resulting increase / (decrease)
<b>Balance at 31 December 2013</b>				
Property, plant and equipment (i)	14	626,000	622,060	(3,940)
<b>Total non-current assets</b>		<b>663,775</b>	<b>659,835</b>	<b>(3,940)</b>
<b>TOTAL ASSETS</b>		<b>1,782,149</b>	<b>1,778,209</b>	<b>(3,940)</b>
Non-controlling interest (i)	22	10,087	6,147	(3,940)
<b>Total equity</b>		<b>653,570</b>	<b>649,630</b>	<b>(3,940)</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,782,149</b>	<b>1,778,209</b>	<b>(3,940)</b>

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2014

(All amounts are expressed in thousands of kunas)

### 4. SALES AND OTHER INCOME

#### 4.1 Sales

	2014	2013
Foreign sales	676,845	402,226
Domestic sales	385,509	549,633
	<u>1,062,354</u>	<u>951,859</u>

#### 4.2 Other income

	2014	2013
Damages collected	2,572	2,046
Material sales	2,186	144
Surplus	1,416	3,981
Subsequently approved rebates	633	302
Subsequent collection of written-off receivables	621	464
Income from scrap transferred to inventories	282	124
Gain on disposal of property, plant and equipment	173	54
Allowances for raw sugar	-	2,512
Income from reversal of long-term provisions	-	15,734
Other income	1,568	9,043
	<u>9,451</u>	<u>34,404</u>

### 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.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2014

(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.

	<b>Segment revenue</b>	
	<b>2014</b>	<b>2013</b>
Sugar	867,662	695,462
Flour	57,625	74,738
Other	146,518	216,063
	<u><b>1,071,805</b></u>	<u><b>986,263</b></u>

	<b>Segment expenses</b>		<b>Segment (loss) / profit</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Sugar	1,030,522	658,165	(162,860)	37,297
Flour	55,777	72,148	1,848	2,590
Other	186,684	203,058	(40,166)	13,005
	<u><b>1,272,983</b></u>	<u><b>933,371</b></u>	<u><b>(201,178)</b></u>	<u><b>52,892</b></u>

	<b>2014</b>	<b>2013</b>
Operating (loss) / profit	(201,178)	52,892
Financial income	11,408	5,009
Financial expenses	(39,691)	(38,439)
Provisions	-	(159)
<b>Profit before tax</b>	<u><b>(229,461)</b></u>	<u><b>19,303</b></u>

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.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2014

(All amounts are expressed in thousands of kunas)

5. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities	31/12/2014	31/12/2013
<b>Segment assets</b>		
Sugar	1,149,085	1,185,181
Flour	132,098	124,339
Other	142,318	371,507
<b>Total segment assets</b>	<b>1,423,501</b>	<b>1,681,027</b>
Unallocated	48,894	97,182
<b>Total assets</b>	<b>1,472,395</b>	<b>1,778,209</b>
	<b>31/12/2014</b>	<b>31/12/2013</b>
<b>Segment liabilities</b>		
Sugar	821,006	770,938
Flour	60,112	52,069
Other	135,955	270,469
<b>Total segment liabilities</b>	<b>1,017,073</b>	<b>1,093,476</b>
Unallocated	34,772	35,103
<b>Total liabilities</b>	<b>1,051,845</b>	<b>1,128,579</b>

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.



## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2014

(All amounts are expressed in thousands of kunas)

### 5. SEGMENT INFORMATION (CONTINUED)

#### Other segment information

	Depreciation and amortisation		Additions	
	2014	2013	2014	2013
Sugar	54,722	50,895	11,488	20,227
Flour	3,326	3,377	311	4,065
Other	9,509	17,411	2,384	4,197
<b>Total</b>	<b>67,557</b>	<b>71,683</b>	<b>14,183</b>	<b>28,489</b>

#### 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	
	2014	2013
Croatian market	385,509	549,633
EU market	497,470	385,357
Other	179,375	16,869
<b>Total</b>	<b>1,062,354</b>	<b>951,859</b>

#### Information about major customers

Included in the sales in the amount of HRK 1,062,354 thousand (2013: HRK 951,895 thousand) are sales of HRK 205,134 thousand (2012: HRK 262,512 thousand) generated from the major customer of the Group.

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2014

(All amounts are expressed in thousands of kunas)

### 6. COST OF RAW MATERIAL AND SUPPLIES

	2013	2012
Raw material and supplies	777,976	491,149
Energy	120,098	107,833
Spare parts	10,208	9,903
Expensed small items	731	969
Other material costs	2	8
	<u>909,015</u>	<u>609,862</u>

### 7. COST OF GOODS SOLD

Cost of goods sold in the amount of HRK 98,808 thousand (2013: 113,794 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

	2014	2013
Transportation	17,734	15,320
Maintenance	13,460	17,309
Municipal utility service fees	7,839	7,372
Rentals and leases	7,572	9,210
Insurance premiums	7,529	7,987
Outsourced service costs	7,405	1,651
Bank and payment operation charges	5,969	6,704
Intellectual services	3,068	4,205
Data processing and software maintenance	958	1,843
Other services	4,653	4,611
	<u>76,187</u>	<u>76,212</u>

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2014

(All amounts are expressed in thousands of kunas)

### 9. STAFF COSTS

	2014	2013
Net wages and salaries	36,225	49,924
Taxes and contributions out of salaries	15,059	21,816
Contributions on salaries	8,470	10,815
	<u>59,754</u>	<u>82,555</u>

At 31 December 2014, there were 469 persons employed at the Group (31 December 2013: 598 employees).

### 10. OTHER COSTS AND OPERATING EXPENSES

#### 10.1 Other costs

	2014	2013
Retirement / termination benefits	15,745	7,885
Production quota fees	11,467	2,868
Jubilee awards, gifts and support to employees	3,078	3,930
Transportation (employees)	2,911	3,519
Fees to Supervisory board members, Management board members and other income	2,571	3,702
Entertainment	1,199	1,760
Mandatory fees, contributions and membership fees	1,166	1,272
Professional education and literature	473	602
Other	1,987	2,152
	<u>40,597</u>	<u>27,690</u>

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2014

(All amounts are expressed in thousands of kunas)

### 10. OTHER COSTS AND OPERATING EXPENSES (CONTINUED)

#### 10.2 Value adjustment

Value adjustment in the amount of HRK 71,123 thousand relates to inventories because the realisable value of sugar on stock is below the cost of the inventories.

#### 10.3 Other operating expenses

	2014	2013
Receivables written off	10,627	7,647
Subsequently granted discounts	6,114	4,939
Cost of raw material and supplies sold	2,347	419
Donations	1,057	1,822
Other	6,658	5,199
	<u>26,803</u>	<u>20,026</u>

Impairment and write-off of receivables for the year 2014 in the amount of HRK 10,627 thousand (2013: HRK 7,869 thousand) comprise the following: value adjustment of trade receivables in the amount of HRK 9,016 thousand (2013: HRK 1,690 thousand), value adjustment and write-off of loan receivables in the amount of HRK 1,566 thousand (2013: HRK 6,034 thousand), and write-off of other assets in the amount of HRK 45 thousand (2013: HRK 145 thousand).

### 11. FINANCIAL INCOME

	2014	2013
Foreign exchange gains	8,322	1,213
Interest income – unrelated parties	2,910	2,656
Realised gains on disposal of financial assets	24	11
Interest income – related parties	4	-
Other financial income	148	1,129
	<u>11,408</u>	<u>5,009</u>

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2014

*(All amounts are expressed in thousands of kunas)*

**12. FINANCIAL EXPENSES**

	<b>2014</b>	<b>2013</b>
Interest expense - unrelated companies	22,592	16,236
Foreign exchange losses	8,383	8,268
Impairment of financial assets	-	7,375
Interest expense - related companies	-	2
Other financial expenses	8,716	6,558
	<u>39,691</u>	<u>38,439</u>

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2014

(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.

	<b>2014</b>	<b>2013</b>
Current tax	-	5,899
Deferred tax assets	-	-
<b>Total</b>	<b>-</b>	<b>5,899</b>

At 31 December 2014, the Group reported a net loss i.e. loss after tax for the period in the amount of HRK 229,461 thousand (31 December 2013: HRK profit in the amount 13,404 thousand). The reconciliation between the accounting profit and taxable profits is set out below:

	<b>2014</b>	<b>2013</b>
<b>(Loss) / profit before taxation</b>	<b>(229,461)</b>	<b>19,303</b>
Income tax – 20%	17,255	2,038
Effect of non-deductible income and expense items	9,204	2,115
Effect of unrecognized deferred tax asset arising from tax losses	28,637	-
<b>Income tax</b>	<b>-</b>	<b>5,899</b>

The tax rate applicable to taxable profit in the Republic of Croatia is 20% (2013: 20%).

Review of tax losses available for transfer are as follows:

<b>Available for transfer until:</b>	<b>Tax loss</b>	<b>Amount of unrecognized deferred tax assets</b>
2016	16,180	3,236
2017	12,318	2,464
2018	14,724	2,945
2019	143,183	28,637
<b>TOTAL</b>	<b>186,405</b>	<b>-</b>

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2014

*(All amounts are expressed in thousands of kunas)*

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### **13. INCOME TAX (CONTINUED)**

No deferred tax assets have been recognised in the consolidated statement of profit or loss and other comprehensive income in respect of unused tax losses carried forward because the availability of sufficient taxable profit in the future that would allow those assets to be utilised is not certain.

In accordance with the tax legislation, the tax authorities may at any time inspect the books and records of the Group within 3 years subsequent to the year in which the tax liability is reported, and may impose additional tax liabilities and penalties.

Notes to the consolidated financial statements (continued)  
For the year ended 31 December 2014

(All amounts are expressed in thousands of kunas)

14. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Cost	Intangible assets	Land	Buildings	Plant and equipment	Works of fine arts	Assets under development	Other tangible assets	Total
<b>Balance at 1 January 2013 (restated)</b>	<b>12,410</b>	<b>38,164</b>	<b>463,847</b>	<b>981,106</b>	<b>45</b>	<b>5,421</b>	<b>2,990</b>	<b>1,503,983</b>
Additions and effect of acquisition of a subsidiary	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)	-	-
<b>Balance at 31 December 2013 (restated)</b>	<b>12,770</b>	<b>38,529</b>	<b>469,441</b>	<b>996,860</b>	<b>45</b>	<b>7,669</b>	<b>2,990</b>	<b>1,528,304</b>
Additions	163	-	756	2,719	-	10,545	-	14,183
Disposals, shortage	(45)	-	(365)	(9,647)	-	-	-	(10,057)
Assets put into use	-	-	224	9,595	-	(9,819)	-	-
<b>Balance at 31 December 2014</b>	<b>12,888</b>	<b>38,529</b>	<b>470,056</b>	<b>999,527</b>	<b>45</b>	<b>8,395</b>	<b>2,990</b>	<b>1,532,430</b>

Intangible assets mainly refer to computer software and licences.



Notes to the consolidated financial statements (continued)

For the year ended 31 December 2014

(All amounts are expressed in thousands of kunas)

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

Accumulated depreciation/amortisation	Intangible assets	Land	Buildings	Plant and equipment	Works of fine arts	Assets under development	Other tangible assets	Total
<b>Balance at 1 January 2013 (restated)</b>	10,490	-	195,071	629,668	-	-	318	835,547
Charge for the year	596	-	13,464	57,474	-	-	149	71,683
Disposals, shortage	-	-	(726)	(1,944)	-	-	-	(2,670)
Assets put into use	-	-	-	-	-	-	-	-
<b>Balance at 31 December 2013 (restated)</b>	11,086	-	207,809	685,198	-	-	467	904,560
Charge for the year	459	-	13,670	53,279	-	-	149	67,557
Disposals, retirements, shortage	-	-	(365)	(8,599)	-	-	-	(8,964)
<b>Balance at 31 December 2014</b>	11,545	-	221,114	729,878	-	-	616	963,153
<b>Net book values</b>								
<b>At 31 December 2014</b>	1,343	38,529	248,942	269,649	45	8,395	2,374	569,277
<b>At 31 December 2013 (restated)</b>	1,684	38,529	261,632	311,662	45	7,669	2,523	623,744
<b>At 1 January 2013 (restated)</b>	1,920	38,164	268,776	351,438	45	5,421	2,672	668,436

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2014

(All amounts are expressed in thousands of kunas)

### 15. NON-CURRENT FINANCIAL ASSETS

	At 31 December 2014	At 31 December 2013
Given deposits, loans and down payments	26,013	32,989
Financial assets available for sale	2,522	2,853
Investments in securities	55	45
	<u>28,590</u>	<u>35,887</u>

Given deposits, loans and down payments in the amount of HRK 26,013 thousand (31 December 2013: HRK 32,989 thousand) comprise loans to the employees of Sladorana d.o.o. for purchase of shares in the amount of HRK 120 thousand (31 December 2013: HRK 120 thousand), loans to Poljoprivredno poduzeće Orahovica d.d. in the amount of HRK 0 thousand (31 December 2013: HRK 13,384 thousand), Grudska pivovara d.o.o., Grude in the amount of HRK 25,011 thousand (31 December 2013: HRK 18,516 thousand), Trstenjak Duško in the amount of HRK 200 thousand (31 December 2013: HRK 402 thousand), Kaladić Milan in the amount of HRK 345 thousand (31 December 2013: HRK 230 thousand) and down payments for operating lease arrangements in the amount of HRK 337 thousand (31 December 2013: HRK 336 thousand).

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

	At 31 December 2014	At 31 December 2013
Sense savjetovanje d.o.o.	1,500	1,500
Tesla štedna banka d.d.	830	830
PBZ d.d. Zagreb	114	90
Hrvatski radio Županja	78	78
Croatia Osiguranje Zagreb	-	355
	<u>2,522</u>	<u>2,853</u>

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2014

(All amounts are expressed in thousands of kunas)

**16. INVENTORIES**

	At 31 December 2014	At 31 December 2013
Finished products	555,780	478,422
Prepayments for inventories	61,968	13,933
Raw material and supplies	53,591	109,637
Merchandise	32,428	65,635
Impairment allowance of inventories (Note 10.2)	(71,123)	-
	<u>632,644</u>	<u>667,627</u>

**17. TRADE RECEIVABLES**

At 31 December 2014, trade receivables amounted to HRK 85,898 thousand (31 December 2013: HRK 170,352 thousand).

The structure of receivables is as follows:

	At 31 December 2014	At 31 December 2013
Domestic trade receivables	84,639	159,972
Foreign trade receivables	20,846	21,490
Receivables from related companies	157	80
Impairment allowance on trade receivables	(19,744)	(11,190)
	<u>85,898</u>	<u>170,352</u>

Maturity analysis of receivables not impaired

	At 31 December 2014	At 31 December 2013
Not yet due	25,684	103,699
0-90 days	37,408	44,048
90-120 days	10,510	2,368
Over 120 days	12,296	20,237
	<u>85,898</u>	<u>170,352</u>

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2014

(All amounts are expressed in thousands of kunas)

### 17. TRADE RECEIVABLES (CONTINUED)

#### Movements in impairment allowance for doubtful accounts

	2014	2013
Balance at 1 January	11,190	10,059
New allowances	9,016	1,690
Recovery of receivables previously provided against	(333)	(539)
Written-off receivables	(129)	(20)
	<u>19,744</u>	<u>11,190</u>

All receivables provided against were past due beyond 120 days.

### 18. RECEIVABLES FROM THE STATE AND OTHER INSTITUTIONS

	At 31 December 2014	At 31 December 2013
VAT receivable	71,019	49,944
Other amounts due from the state	7,313	3,245
	<u>78,332</u>	<u>53,189</u>

### 19. CURRENT FINANCIAL ASSETS

	At 31 December 2014	At 31 December 2013
Given loans	12,171	10,755
Received bills of exchange and other securities	7,895	45,196
Given deposits	238	5,344
	<u>20,304</u>	<u>61,295</u>

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2014

(All amounts are expressed in thousands of kunas)

**19. CURRENT FINANCIAL ASSETS (CONTINUED)**

An overview of given loans at 31 December 2014 is provided in the table below:

	Interest rate	31 December 2014	31 December 2013
<b>Legal persons</b>			
Diba d.o.o.	-	5,500	-
Invictus ulaganja d.o.o.	-	3,140	1,400
Dubrovački podrumi d.d.	6%	2,830	2,702
Visus d.o.o.	8%	1,141	1,141
Poljoprivredno dobro Gradina d.o.o.	7%	841	607
Ipsumco d.o.o.	-	750	-
Cvitković d.o.o.	7%	685	-
T.T. d.o.o., Split	-	151	140
Žeza d.o.o.	7%	-	5,897
Ostali	6%-9%	1,047	1,932
<b>Total legal persons</b>		<b>16,085</b>	<b>13,819</b>
<b>Individuals</b>	3%-7%	<b>1,256</b>	<b>540</b>
<b>Total given loans</b>		<b>17,341</b>	<b>14,359</b>
<b>Value adjustment</b>		<b>(5,170)</b>	<b>(3,604)</b>
<b>Total given loans</b>		<b>12,171</b>	<b>10,755</b>

During the year, the Parent Company recognised impairment on the loans in the amount of HRK 1,566 thousand as follows: HRK 1,007 thousand on a loan to Dubrovački podrumi d.d.; HRK 151 thousand on a loan to T.T. d.o.o. trgovina i usluge and HRK 408 thousand on a loan to a natural person.

In 2013 the Company recognised impairment on given loans in the amount of HRK 3,604 thousand as follows: with respect to Dubrovački podrumi d.d. in the amount of HRK 1,823 thousand; with respect to Visus d.o.o. in the amount of HRK 1,141 thousand; with respect to Medion savjetovanje d.o.o. in the amount of HRK 554 thousand; with respect to Hospitalija maloprodaja d.o.o. in the amount of HRK 61 thousand; and HRK 25 thousand with respect to a loan to an individual.

In 2013 the Company wrote off certain given loans in the amount of HRK 2,430 thousand which it charged directly to expenses.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2014

(All amounts are expressed in thousands of kunas)

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**20. CASH AND CASH EQUIVALENTS**

	<b>At 31 December 2014</b>	<b>At 31 December 2013</b>
Foreign currency account balance	28,297	50,641
Gyro account balance	15,022	102,315
Cash in hand	-	6
	<u>43,319</u>	<u>152,962</u>

**21. PREPAID EXPENSES AND ACCRUED INCOME**

	<b>At 31 December 2014</b>	<b>At 31 December 2013</b>
Prepaid production quota fee	8,635	8,607
Accrued incentives	1,896	-
Accrued loan fees and interest	998	1,187
Accrued interest on leasing	868	1,471
Accrued interest on deposit	-	15
Other prepaid expenses	1,127	1,253
	<u>13,524</u>	<u>12,533</u>

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2014

(All amounts are expressed in thousands of kunas)

### 22. SHARE CAPITAL

At 31 December 2014 the share capital amounts to HRK 249,600 thousand and consists of 1,386,667 shares (31 December 2013: 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 %	
	2014	2013	2014	2013
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	137,055	131,960	9.88%	9.52%
Zadro Marinko	127,936	127,936	9.23%	9.23%
Hypo Alpe Adria Bank d.d. / PBZ Croatia Osiguranje OMF	43,044	43,044	3.10%	3.10%
Societe Generale Splitska banka d.d. / AZ PROFIT DMF	25,842	19,633	1.86%	1.42%
Hypo Alpe Adria Bank d.d. / Raiffeisen OMF	25,803	26,103	1.86%	1.88%
Hrvatska poštanska banka d.d.	23,257	23,257	1.68%	1.68%
Erste&Steiermarkische bank d.d. / CSC	16,383	19,033	1.18%	1.37%
Societe Generale Splitska banka d.d. / ERSTE PLAVI OMF	10,033	10,033	0.72%	0.72%
Ostali	94,714	103,068	6.84%	7.43%
	<b>1,386,667</b>	<b>1,386,667</b>	<b>100.00%</b>	<b>100.00%</b>

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2014

*(All amounts are expressed in thousands of kunas)*

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### 23. (LOSS) / EARNINGS PER SHARE

#### Basic and diluted (loss) / earnings per share

Basic (loss) / earnings per share are determined, by dividing the Group's net loss / 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.

	2014	2013
Net (loss) / profit attributable to the shareholders (in HRK'000)	(229,470)	13,396
Weighted average number of shares used for calculating basic (loss) / earnings per share	<u>1,386,667</u>	<u>1,386,667</u>
<b>Basic (loss) / earnings per share (in kunas and lipas):</b>	<b><u>(165.48)</u></b>	<b><u>9.66</u></b>

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



Notes to the consolidated financial statements (continued)

For the year ended 31 December 2014

(All amounts are expressed in thousands of kunas)

**24. LIABILITIES UNDER BORROWINGS AND FINANCIAL LEASES**

	At 31 December 2014	At 31 December 2013
<b>Long-term borrowings</b>		
Bank borrowings	186,295	223,063
Financial lease obligations	9,453	15,332
Financial lease loans	2,051	2,053
	<u>197,799</u>	<u>240,448</u>
<b>Short-term borrowings</b>		
Bank borrowings	251,111	209,354
Bank borrowings – current portion of long-term loans	39,610	39,576
Financial lease obligations	7,185	7,171
Financial loans	4,142	4,974
	<u>302,048</u>	<u>261,075</u>
<b>Total</b>	<u>499,847</u>	<u>501,523</u>

Bank borrowings in the amount of HRK 477,016 thousand (31 December 2013: HRK 471,993 thousand) are secured by lien on land and buildings of the Group.

Financial loans in the amount of HRK 6,193 thousand relates mainly to a liability towards Konzum d.d. in the amount of HRK 3,890 thousand and a liability to the Environmental Protection and Energy Efficiency Fund in the amount of HRK 2,303 thousand.

Movements in the bank borrowings were as follows:

	2014	2013
<b>Balance at 1 January</b>	<b>471,993</b>	<b>310,261</b>
New bank loans raised	382,590	555,813
Amounts repaid	(378,415)	(395,144)
Exchange differences	848	1,063
<b>Balance at 31 December</b>	<u><b>477,016</b></u>	<u><b>471,993</b></u>

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2014

(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:

<b>Creditor</b>	<b>Ultimate repayment date</b>	<b>Interest rate</b>	<b>Currency</b>	<b>31/12/2014</b>	<b>31/12/2013</b>
<b>Long-term</b>					
Raiffeisenbank d.d.	22.05.2020.	3.78%	EUR	206,050	242,757
HBOR	28.02.2023.	4.00%	EUR	19,855	19,793
Croatia osiguranje d.d.	31.12.2013.	5.00%	HRK	-	4
<b>Short-term</b>					
Raiffeisenbank d.d.	28.04.2015.	4.98%	EUR	34,477	34,369
Splitska banka d.d.	01.05.2015.	4.00%	HRK	32,500	-
Raiffeisenbank d.d.	04.06.2015.	4.98%	EUR	12,258	-
Kentbank d.d.	21.03.2015.	5.50%	HRK	10,000	-
Splitska banka d.d.	01.05.2014.	4.00%	HRK	-	61,037
Podravska banka d.d.	01.10.2014	5.50%	EUR	-	30,551
Slatinska banka d.d.	31.01.2014.	4.00%	HRK	-	20,000
Raiffeisenbank d.d.	28.04.2015.	4.98%	EUR	36,009	35,897
Raiffeisenbank d.d.	04.06.2015.	4.98%	EUR	26,049	-
Privredna banka d.d.	30.06.2015.	5.90%	HRK	22,000	-
Privredna banka d.d.	31.01.2015.	6.10%	HRK	20,000	-
Privredna banka d.d.	03.06.2015.	6.10%	HRK	4,000	-
Splitska banka d.d.	04.05.2015.	4.00%	HRK	17,000	-
Splitska banka d.d.	01.06.2015.	4.00%	HRK	25,000	-
Splitska banka d.d.	01.06.2015.	4.00%	HRK	6,818	-
Splitska banka d.d.	01.09.2015.	4.00%	HRK	5,000	-
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
<b>Loan interest payable</b>				<b>-</b>	<b>85</b>
<b>Total short-term and long-term borrowings</b>				<b>477,016</b>	<b>471,993</b>

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2014

(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	
	2014	2013	2014	2013	2014	2013
Not later than 1 year	7,226	7,240	527	752	6,699	6,488
Payable from two to five years	9,472	15,397	361	785	9,111	14,612
Payable after five years	-	-	-	-	-	-
	<b>16,698</b>	<b>22,637</b>	<b>888</b>	<b>1,537</b>	<b>15,810</b>	<b>21,100</b>
Less: future finance charges	<b>(888)</b>	<b>(1,537)</b>			-	-
Present value of minimum lease payments	<b>15,810</b>	<b>21,100</b>			<b>15,810</b>	<b>21,100</b>

**25. TRADE PAYABLES**

	At 31 December 2014	At 31 December 2013
Domestic trade payables	196,137	215,428
Foreign trade payables	112,473	79,355
	<b>308,610</b>	<b>294,783</b>

**26. ADVANCES RECEIVED**

At 31 December 2014, advances received amounted to HRK 20,383 thousand (31 December 2013: HRK 69,339 thousand) and comprise amounts advanced by entities for purchases of sugar.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2014

(All amounts are expressed in thousands of kunas)

**27. OTHER CURRENT LIABILITIES**

	At 31 December 2014	At 31 December 2013
Liabilities for issued bills of exchange	158,973	192,744
Production quota fees payable	11,513	11,475
Amounts due to employees	3,183	5,470
Taxes, contributions and similar duties payable	1,887	9,259
Liabilities in respect of securities	32	33
Other current liabilities	4,686	4,317
	<u>180,274</u>	<u>223,298</u>

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 2014	At 31 December 2013
Factoring firms – discounted bills of exchange	63,666	125,589
Belje d.d., Darda	51,808	16,990
Vupik d.d.	23,749	25,212
PIK Vinkovci d.d.	14,250	13,450
Diba d.o.o., Suhopolje	5,500	5,500
Agrokor d.d., Zagreb	-	6,003
	<u>158,973</u>	<u>192,744</u>

**28. ACCRUED EXPENSES AND DEFERRED INCOME**

	At 31 December 2014	At 31 December 2013
Accrued expenses – retirement benefits	2,573	-
Deferred income Ministry of Economy	1,935	1,935
Accrued discounts - not yet billed	1,021	-
Accrued direct sugar beet costs	1,270	506
Accrued water protection and use fees, concession fee	136	25
Other accrued expenses	563	1,193
	<u>7,498</u>	<u>3,659</u>

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2014

(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	
	2014	2013	2014	2013
OŠTRC d.o.o.	813	-	-	-
	<u>813</u>	<u>-</u>	<u>-</u>	<u>-</u>

**Operating expenses**

	Selling expenses		Other expenses	
	2014	2013	2014	2013
OŠTRC d.o.o.	420	-	-	-
	<u>420</u>	<u>-</u>	<u>-</u>	<u>-</u>

**Financial income and expenses**

	Financial income		Financial expenses	
	2014	2013	2014	2013
ROBIĆ PROMET d.o.o.	4	-	-	-
EOS-Z d.o.o.	-	-	-	2
	<u>4</u>	<u>-</u>	<u>-</u>	<u>2</u>

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2014

(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	
	2014	2013	2014	2013
ROBIĆ d.o.o. / ROBIĆ PROMET d.o.o.	-	42	232	568
OŠTRC d.o.o.	157	-	-	-
EOS-Z d.o.o.	-	38	-	-
	<u>157</u>	<u>80</u>	<u>232</u>	<u>568</u>

**Remuneration paid to key management personnel:**

	2014	2013
Salaries	5,946	5,607
Other	1,295	2,406
	<u>7,241</u>	<u>8,013</u>

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2014

(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 2013.

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

	2014	2013
Debt (i)	499,847	501,523
Cash and cash equivalents	(43,319)	(152,962)
Net debt	<u>456,528</u>	<u>348,561</u>
Equity (ii)	420,550	649,630
Net debt-to-equity ratio (in %)	108.55%	53.66%

- (i) Debt consists of long- and short-term borrowings, as described in Note 24.  
(ii) Equity consists of share capital, reserves and retained earnings.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2014

(All amounts are expressed in thousands of kunas)

**30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

**Categories of financial instruments**

	At 31 December 2014	At 31 December 2013
<b>Financial assets</b>		
Non-current financial assets	28,590	35,887
Non-current receivables	113	204
Receivables from related companies	274	80
Trade receivables	85,741	170,272
Current financial assets	20,304	61,295
Other receivables	277	416
Cash and cash equivalents	43,319	152,962
Prepaid expenses and accrued income	4,889	12,533
	<b>183,507</b>	<b>433,649</b>
<b>Financial liabilities</b>		
Long-term financial loans	2,051	2,053
Long-term borrowings and finance lease obligations	195,748	238,395
Other non-current liabilities	229	306
Liabilities to related companies	232	568
Financial loans payable	4,142	4,974
Short-term borrowings and financial lease obligations	297,906	256,101
Advances received	20,383	69,339
Trade payables	308,610	294,783
Other current liabilities	166,874	202,564
Accrued expenses and deferred income	7,498	3,659
	<b>1,003,673</b>	<b>1,072,742</b>

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.



## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2014

(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	
	2014	2013	2014	2013
European Union (EUR)	585,525	580,486	161,288	202,633
USD	-	48	2,751	2,752

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2014

(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	
	2014	2013	2014	2013
Profit	42,424	37,785	275	270

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 (continued)

##### 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:

- Loss / profit for the year ended 31 December 2014 would decrease/increase by HRK 1,130 thousand (2013: decrease / increase by HRK 812 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.

#### **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.

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2014

(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
<b>2014</b>						
Non-interest bearing liabilities		208,936	139,762	124,471	34,589	507,758
Interest bearing liabilities	4.76%	31,832	61,044	222,067	222,739	537,682
		<b>240,768</b>	<b>200,806</b>	<b>346,538</b>	<b>257,328</b>	<b>1,045,440</b>
<b>2013</b>						
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
		<b>276,543</b>	<b>324,469</b>	<b>241,088</b>	<b>272,887</b>	<b>1,114,987</b>

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2014

(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
<b>2014</b>						
Non-interest bearing assets		85,593	23,554	33,496	1,961	144,604
Interest bearing assets	7.09%	4,676	693	10,110	27,723	43,302
		<b>90,269</b>	<b>24,247</b>	<b>43,606</b>	<b>29,684</b>	<b>187,806</b>
<b>2013</b>						
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
		<b>247,390</b>	<b>88,565</b>	<b>66,382</b>	<b>37,954</b>	<b>440,291</b>

#### 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 2014, 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.

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2014

(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).

<b>At 31 December 2014</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets available for sale	114	-	2,408	2,522
<b>Total</b>	<b>114</b>	<b>-</b>	<b>2,408</b>	<b>2,522</b>
<b>At 31 December 2013</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets available for sale	445	-	2,408	2,853
<b>Total</b>	<b>445</b>	<b>-</b>	<b>2,408</b>	<b>2,853</b>

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2014

(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:

	2014	2013
Balance at 1 January	35,103	50,837
New provisions	-	-
Utilised / cancelled provision	(331)	(15,734)
<b>Balance at 31 December</b>	<b>34,772</b>	<b>35,103</b>

At 31 December 2014 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 losing the case. The entire case is still in progress and comprises several separate lawsuits ruled so far in favour of 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 assessed by the attorney on the basis of all the three lawsuits being ruled in favour of Sladorana d.d. and the appellate decision of the Independent Appellate 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.

In a lawsuit, case file no P-561/13 (formerly P-768/12, and originally P-528/03), which was provided against, NLB, as the plaintiff, represented by attorney-in-law Dražen Štivić from Vukovar, lodged an appeal before the Croatian High Commercial Court to the first-instance ruling (case file no P-561/13) adopted on 8 April 2014 in favour of Sladorana.

Given the deadline provided by the President of the High Commercial Court to the judge in charge regarding the motion of Sladorana to protect the right to trial within reasonable time, the appeal is expected to be resolved by the end of May 2015.

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2013

(All amounts are expressed in thousands of kunas)

### 32. CONTINGENT LIABILITIES AND COMMITMENTS

At 31 December 2014 contractual commitments and contingent liabilities of the Group relate to issued debentures in the total amount of HRK 1,423,871 thousand (31 December 2013: HRK 1,261,377 thousand), issued guarantees in the amount of HRK 250,777 thousand (31 December 2013: HRK 17,935 thousand) and issued letters of credit in the amount of HRK 76,919 thousand (31 December 2013: HRK 58,666 thousand) which maturity dates fall in the period from 13 July 2015 until 10 August 2015. The agreed maturity dates for issued guarantees fall in the period from 30 January 2015 until 30 June 2017.

### 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

	2014	2013
Minimum lease payments	773	820

##### Non-cancellable operating lease commitments

	2014	2013
Not later than 1 year	681	826
1-5 years	367	1,196
	<u>1,048</u>	<u>2,022</u>

### 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 18 May 2015.

Signed on behalf of the Management Board on 18 May 2015 by:

Željko Zadro

President of the Management Board



Viro  
TVORNICA ŠEĆERA d.d.  
ZAGREB





**TVORNICA ŠEĆERA d.d.**  
**ZAGREB, ULICA GRADA VUKOVARA 269 G**

**STATEMENT OF PERSON RESPONSIBLE FOR PRODUCTION OF THE  
CONSOLIDATED REPORT FOR 2014**

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., Zagreb and its subsidiaries for the period I-XII 2014, 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 uncertainties to which the Group is exposed.

In Zagreb, on April 2, 2015

RESPONSIBLE PERSON

PRESIDENT OF THE  
MANAGEMENT BOARD:

  
Željko Zadro, dipl.oec.

  
TVORNICA ŠEĆERA d.d. 1  
ZAGREB

**ENCLOSURE 1**

Reporting period:

1 January 2014

to

31 December 2014

**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: 10000

ZAGREB

Street and number: ULICA GRADA VUKOVARA 269 G

e-mail address: info@secerana.hr

Internet address: www.secerana.hr

and name for municipality/city: 133 ZAGREB

Code and name for county: 21 GRAD ZAGREB

Number of employees: 469

(at the year's end)

Consolidated Report: YES

Business activity code: 1081

Entities in consolidation (according to IFRS)

Registered seat:

Tax number (MB):

SLADORANA d.o.o.

ŠEĆERANA 63, ŽUPANJA

03307484

SLAVONIJA ŽUPANJA d.d.

J.J.STROSSMAYERA 65, ŽUPANJA

01841009

VIRO-KOOPERACIJA d.o.o.

ŠEĆERANA 63, ŽUPANJA

02835398

Book-keeping firm:

Contact person: DRAGIĆ NEVENA

(unosí 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



(signature of authorized person)

## BALANCE SHEET

as at

31.12.2014

Item 1	AOP code 2	Last year (net) 3	Current year (net) 4
<b>ASSETS</b>			
<b>A) RECEIVABLES FOR SUBSCRIBED BUT NOT PAID-IN CAPITAL</b>	<b>001</b>		
<b>B) LONG-TERM ASSETS (003+010+020+029+033)</b>	<b>002</b>	663.774.888	597.980.241
<b>I. INTANGIBLE ASSETS (004 to 009)</b>	<b>003</b>	1.684.426	1.342.748
1. Assets development	<b>004</b>	195.493	
2. Concessions, patents, licences fees, trade and service marks, software and other rights	<b>005</b>	1.111.383	1.242.748
3. Goodwill	<b>006</b>		
4. Prepayments for purchase of intangible assets	<b>007</b>		
5. Intangible assets in preparation	<b>008</b>	377.550	100.000
6. Other intangible assets	<b>009</b>		
<b>II. TANGIBLE ASSETS (011 to 019)</b>	<b>010</b>	625.999.685	567.933.628
1. Land	<b>011</b>	38.528.588	38.528.588
2. Buildings	<b>012</b>	263.793.539	248.942.326
3. Plant and equipment	<b>013</b>	308.256.888	266.778.858
4. Tools, facility inventory and transport assets	<b>014</b>	5.183.657	2.870.003
5. Biological assets	<b>015</b>		
6. Prepayments for tangible assets	<b>016</b>	562.042	
7. Tangible assets in progress	<b>017</b>	7.106.959	8.395.322
8. Other tangible assets	<b>018</b>	44.900	44.900
9. Investments in buildings	<b>019</b>	2.523.112	2.373.631
<b>III. LONG-TERM FINANCIAL ASSETS (021 to 028)</b>	<b>020</b>	35.886.711	28.590.276
1. Investments (shares) with related parties	<b>021</b>	900.000	900.000
2. Loans given to related parties	<b>022</b>		
3. Participating interest (shares)	<b>023</b>	1.953.434	1.622.029
4. Loans to entrepreneurs in whom the entity holds participating interests	<b>024</b>		
5. Investments in securities	<b>025</b>	44.624	55.003
6. Loans, deposits and similar assets	<b>026</b>	32.988.653	26.013.244
7. Other long - term financial assets	<b>027</b>		
8. Investments accounted by equity method	<b>028</b>		
<b>IV. RECEIVABLES (030 to 032)</b>	<b>029</b>	204.066	113.589
1. Receivables from related parties	<b>030</b>		
2. Receivables from based on trade loans	<b>031</b>		
3. Other receivables	<b>032</b>	204.066	113.589
<b>V. DEFERRED TAX ASSETS</b>	<b>033</b>		
<b>C) SHORT TERM ASSETS (035+043+050+058)</b>	<b>034</b>	1.105.840.624	860.890.873
<b>I. INVENTORIES (036 to 042)</b>	<b>035</b>	667.626.864	632.643.781
1. Raw-material and supplies	<b>036</b>	109.636.635	53.591.410
2. Work in progress	<b>037</b>		
3. Finished goods	<b>038</b>	478.422.404	484.992.866
4. Merchandise	<b>039</b>	65.634.902	32.091.542
5. Prepayments for inventories	<b>040</b>	13.932.923	61.967.963
6. Long - term assets held for sales	<b>041</b>		
7. Biological assets	<b>042</b>		
<b>II. RECEIVABLES (044 to 049)</b>	<b>043</b>	223.956.769	164.623.705
1. Receivables from related parties	<b>044</b>	80.154	274.357
2. Accounts receivable	<b>045</b>	170.271.981	85.740.610
3. Receivables from participating parties	<b>046</b>		
4. Receivables from employees and members of related parties	<b>047</b>	22.706	8.966
5. Receivables from government and other institutions	<b>048</b>	53.188.279	78.331.696
6. Other receivables	<b>049</b>	393.649	268.076
<b>III. SHORT TERM FINANCIAL ASSETS (051 to 057)</b>	<b>050</b>	61.295.149	20.303.808
1. Shares (stocks) in related parties	<b>051</b>		
2. Loans given to related parties	<b>052</b>		
3. Participating interests (shares)	<b>053</b>		
4. Loans to entrepreneurs in whom the entity holds participating interests	<b>054</b>		
5. Investments in securities	<b>055</b>		
6. Loans, deposits, etc.	<b>056</b>	16.099.403	12.408.720
7. Other financial assets	<b>057</b>	45.195.746	7.895.088
<b>IV. CASH AT BANK AND IN CASHIER</b>	<b>058</b>	152.961.842	43.319.579
<b>D) PREPAID EXPENSES AND ACCRUED REVENUE</b>	<b>059</b>	12.533.399	13.523.976
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	1.782.148.911	1.472.395.090
<b>F) OFF-BALANCE RECORDS</b>	<b>061</b>	1.365.025.525	1.742.417.196

<b>LIABILITIES AND CAPITAL</b>			
<b>A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)</b>	<b>062</b>	653.569.981	420.549.897
I. SUBSCRIBED CAPITAL	<b>063</b>	249.600.060	249.600.060
II. CAPITAL RESERVES	<b>064</b>	10.368.101	10.368.101
III. RESERVES FROM PROFIT (066+067-068+069+070)	<b>065</b>	56.376.876	56.386.226
1. Reserves prescribed by law	<b>066</b>	12.514.967	12.514.497
2. Reserves for treasury shares	<b>067</b>	43.866.670	43.866.670
3. Treasury stocks and shares (deduction)	<b>068</b>		
4. Statutory reserves	<b>069</b>		
5. Other reserves	<b>070</b>	-4.761	5.059
IV. REVALUATION RESERVES	<b>071</b>	1.222.294	
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	<b>072</b>	312.519.613	327.510.245
1. Retained earnings	<b>073</b>	312.519.613	327.510.245
2. Accumulated loss	<b>074</b>		
VI. PROFIT/LOSS FOR THE CURRENT YEAR (076-077)	<b>075</b>	13.395.619	-229.470.611
1. Profit for the current year	<b>076</b>	13.395.619	
2. Loss for the current year	<b>077</b>		229.470.611
IX. MINORITY INTERESTS	<b>078</b>	10.087.418	6.155.876
<b>B) PROVISIONS (080 to 082)</b>	<b>079</b>	35.102.579	34.772.094
1. Provisions for pensions, severance pay, and similar liabilities	<b>080</b>		
2. Reserves for tax liabilities	<b>081</b>		
3. Other reserves	<b>082</b>	35.102.579	34.772.094
<b>C) LONG - TERM LIABILITIES (084 to 092)</b>	<b>083</b>	240.753.734	198.028.109
1. Liabilities to related parties	<b>084</b>		
2. Liabilities for loans, deposits etc.	<b>085</b>	17.384.649	11.503.287
3. Liabilities to banks and other financial institutions	<b>086</b>	223.063.175	186.295.390
4. Liabilities for received prepayments	<b>087</b>		
5. Accounts payable	<b>088</b>		
6. Liabilities arising from debt securities	<b>089</b>		
7. Liabilities to entrepreneurs in whom the entity holds participating interests	<b>090</b>		
8. Other long-term liabilities	<b>091</b>	305.910	229.432
9. Deferred tax liability	<b>092</b>		
<b>D) SHORT - TERM LIABILITIES (094 to 105)</b>	<b>093</b>	849.063.739	811.547.418
1. Liabilities to related parties	<b>094</b>	568.145	231.947
2. Liabilities for loans, deposits etc.	<b>095</b>	12.144.346	11.326.614
3. Liabilities to banks and other financial institutions	<b>096</b>	248.930.776	290.721.283
4. Liabilities for received prepayments	<b>097</b>	69.339.528	20.383.396
5. Accounts payable	<b>098</b>	294.783.369	308.609.784
6. Liabilities arising from debt securities	<b>099</b>		
7. Liabilities to entrepreneurs in whom the entity holds participating interests	<b>100</b>		
8. Liabilities to employees	<b>101</b>	5.470.406	3.183.178
9. Liabilities for taxes, contributions and similar fees	<b>102</b>	9.258.619	1.887.139
10. Liabilities to share - holders	<b>103</b>	32.539	31.703
11. Liabilities for long-term assets held for sale	<b>104</b>		
12. Other short - term liabilities	<b>105</b>	208.536.011	175.172.374
<b>E) DEFFERED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE</b>	<b>106</b>	3.658.878	7.497.572
<b>F) TOTAL – CAPITAL AND LIABILITIES (062+079+083+093+106)</b>	<b>107</b>	1.782.148.911	1.472.395.090
<b>G) OFF-BALANCE RECORDS</b>	<b>108</b>	1.365.025.525	1.742.417.196
<b>APPENDIX to balance sheet(to be filled in by entrepreneur that prepares consolidated annual financial report)</b>			
<b>CAPITAL AND RESERVES</b>			
1. Attributed to equity holders of parent company	<b>109</b>	643.482.563	414.394.021
2. Attributed to minority interest	<b>110</b>	10.087.418	6.155.876

**PROFIT AND LOSS ACCOUNT**  
for the period 01.01.2014. do 31.12.2014.

VIRO TVORNICA ŠEĆERA d.d.

Item	AOP code	Last year	Current year
1	2	3	4
<b>I. OPERATING REVENUE (112+113)</b>	<b>111</b>	986.263.213	1.071.804.982
1. Sales revenue	112	951.859.027	1.062.354.004
2. Other operating revenues	113	34.404.186	9.450.978
<b>II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)</b>	<b>114</b>	933.530.308	1.272.983.122
1. Changes in value of work in progress and finished products	115	-68.450.957	-76.861.072
2. Material costs (117 to 119)	116	799.868.579	1.084.009.715
a) Raw material and material costs	117	609.862.342	909.015.056
b) Costs of goods sold	118	113.793.981	98.808.016
c) Other external costs	119	76.212.256	76.186.643
3. Staff costs (121 to 123)	120	82.555.187	59.754.563
a) Net salaries and wages	121	49.924.436	36.224.639
b) Cost for taxes and contributions from salaries	122	21.815.787	15.059.289
c) Contributions on gross salaries	123	10.814.964	8.470.635
4. Depreciation	124	71.683.404	67.557.093
5. Other costs	125	27.689.925	40.597.254
6. Impairment (127+128)	126	222.759	77.045.946
a) Impairment of long-term assets (financial assets excluded)	127		
b) Impairment of short - term assets (financial assets excluded)	128	222.759	77.045.946
7. Provisions	129	158.800	
8. Other operating costs	130	19.802.611	20.879.623
<b>III. FINANCIAL INCOME (132 to 136)</b>	<b>131</b>	5.008.885	11.408.312
1. Interest income, foreign exchange gains, dividends and similar income from related parties	132		3.714
2. Interest income, foreign exchange gains, dividends and similar income from non -	133	3.882.042	11.234.127
3. Share in income from affiliated entrepreneurs and participating interests	134		
4. Unrealized gains (income) from financial assets	135	1.040.001	23.596
5. Other financial income	136	86.842	146.875
<b>IV. FINANCIAL EXPENSES (138 do 141)</b>	<b>137</b>	38.438.927	39.691.501
1. Interest expenses, foreign exchange losses, dividends and similar expenses from related parties	138	1.850	
2. Interest expenses, foreign exchange losses, dividends and similar expenses from non -	139	30.693.923	30.974.437
3. Unrealized losses (expenses) on financial assets	140	1.625.527	349.000
4. Other financial expenses	141	6.117.627	8.368.064
<b>V. INCOME FROM INVESTMENT - SHARE IN PROFIT OF ASSOCIATED ENTREPRENEURS</b>	<b>142</b>		
<b>VI. LOSS FROM INVESTMENT - SHARE IN LOSS OF ASSOCIATED ENTREPRENEURS</b>	<b>143</b>		
<b>VII. EXTRAORDINARY - OTHER INCOME</b>	<b>144</b>		
<b>VIII. EXTRAORDINARY - OTHER EXPENSES</b>	<b>145</b>		
<b>IX. TOTAL INCOME (111+131+142 + 144)</b>	<b>146</b>	991.272.098	1.083.213.294
<b>X. TOTAL EXPENSES (114+137+143 + 145)</b>	<b>147</b>	971.969.235	1.312.674.623
<b>XI. PROFIT OR LOSS BEFORE TAXATION (146-147)</b>	<b>148</b>	19.302.863	-229.461.329
1. Profit before taxation (146-147)	149	19.302.863	0
2. Loss before taxation (147-146)	150	0	229.461.329
<b>XII. PROFIT TAX</b>	<b>151</b>	5.898.847	
<b>XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)</b>	<b>152</b>	13.404.016	-229.461.329
1. Profit for the period (149-151)	153	13.404.016	0
2. Loss for the period (151-148)	154	0	229.461.329
<b>APPENDIX to P&amp;L account (to be filled in by entrepreneur that prepares consolidated financial report)</b>			
<b>XIV. PROFIT OR LOSS FOR THE PERIOD</b>			
1. Attributed to equity holders of parent company	155	13.395.619	-229.470.611
2. Attributed to minority interest	156	8.397	9.282
<b>STATEMENT OF OTHER COMPREHENSIVE INCOME (IFRS)</b>			
<b>I. PROFIT OR LOSS FOR THE PERIOD (= 152)</b>	<b>157</b>	13.404.016	-229.461.329
<b>II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX (159 do 165)</b>	<b>158</b>	2.503.997	1.222.294
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	1.222.294
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		
<b>III. TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>166</b>		
<b>IV. NET OTHER COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (158-166)</b>	<b>167</b>	2.503.997	1.222.294
<b>V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)</b>	<b>168</b>	15.908.013	-228.239.035
<b>APPENDIX to Statement of other comprehensive income (to be filled in by entrepreneur that prepares consolidated financial report)</b>			
<b>VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD</b>			
1. Attributed to equity holders of parent company	169	15.899.616	-228.248.317
2. Attributed to minority interest	170	8.397	9.282

**STATEMENT OF CASH FLOWS - INDIRECT METHOD**

for the period 01.01.2014 do 31.12.2014

Item 1	AOP code 2	Last year 3	Current year 4
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
1. Profit before tax			
2. Depreciation	001	19.302.863	-229.461.329
3. Increase in short term liabilities	002	71.683.404	67.557.093
4. Decrease in short term receivables	003		4.270.580
5. Decrease in inventories	004	90.577.987	47.992.297
6. Other increase in cash flow	005	11.484.431	126.294.213
<b>I. Total increase in cash flow from operating activities (001 to 006)</b>	<b>006</b>	<b>31.254.891</b>	<b>56.282.818</b>
1. Decrease in short term liabilities	007	224.303.576	72.935.672
2. Increase in short term receivables	008	188.607.043	59.614.642
3. Increase in inventories	009		
4. Other decrease in cash flow	010	89.656.624	90.938.389
<b>II. Total decrease in cash flow from operating activities (008 to 011)</b>	<b>011</b>	<b>27.233.271</b>	<b>9.538.189</b>
<b>A1) NET INCREASE IN CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>012</b>	<b>305.496.938</b>	<b>160.091.220</b>
<b>A2) NET DECREASE IN IN CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>013</b>	<b>0</b>	<b>0</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
1. Cash inflows from sales of long-term tangible and intangible assets	015	182.201	653.220
2. Cash inflows from sales of equity and debt instruments	016		
3. Interests receipts	017	3.313.917	8.498.625
4. Dividend receipts	018		
5. Other cash inflows from investing activities	019	27.440.943	18.725.710
<b>III. Total cash inflows from investing activities (015 to 019)</b>	<b>020</b>	<b>30.937.061</b>	<b>27.877.555</b>
1. Cash outflow for purchase of long-term tangible and intangible assets	021	27.192.036	13.777.080
2. Cash outflow for acquisition of equity and debt financial instruments	022		
3. Other cash outflow for investing activities	023	39.840.081	11.394.817
<b>IV. Total cash outflow for investing activities (021 do 023)</b>	<b>024</b>	<b>67.032.117</b>	<b>25.171.897</b>
<b>B1) NET INCREASE IN CASH FLOW FROM INVESTING ACTIVITIES (020-024)</b>	<b>025</b>	<b>0</b>	<b>2.705.658</b>
<b>B2) NET DECREASE IN CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>026</b>	<b>36.095.056</b>	<b>0</b>
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>			
1. Cash inflow from issuing property and debt financial instruments	027		
2. Proceeds from the credit principal, promissory notes, borrowings and other loans	028	447.802.488	188.443.149
3. Other proceeds from financial activities	029	278.541.000	354.145.554
<b>V. Total cash inflows from financial activities (027 to 029)</b>	<b>030</b>	<b>726.343.488</b>	<b>542.588.703</b>
1. Cash outflow for repayment of credit principal and bonds	031	203.349.634	208.391.690
2. Cash outflow for dividends paid	032		
3. Cash outflow for financial lease	033	7.273.400	7.057.450
4. Cash outflow for purchase of treasury shares	034		
5. Other cash outflow for financial activities	035	276.978.509	352.331.936
<b>VI. Total cash outflow for financial activities (031 to 035)</b>	<b>036</b>	<b>487.601.543</b>	<b>567.781.076</b>
<b>C1) NET INCREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES</b>	<b>037</b>	<b>238.741.945</b>	<b>0</b>
<b>C2) NET DECREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES</b>	<b>038</b>	<b>0</b>	<b>25.192.373</b>
Total increase in cash flow (013 – 014 + 025 – 026 + 037 – 038)	039	121.453.527	0
Total decrease in cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	0	109.642.263
Cash and cash equivalents at the beginning of the period	041	31.508.315	152.961.842
Increase of cash and cash equivalents	042	121.453.527	0
Decrease of cash and cash equivalents	043	0	109.642.263
Cash and cash equivalents at the end of the period	044	152.961.842	43.319.579

## CHANGE IN CAPITAL STATEMENT

for the period from 1.1.2014 to 31.12.2014

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	56.376.876	56.386.226
4. Retained profit or loss carried forward	004	312.519.613	327.510.245
5. Profit or loss of the current year	005	13.395.619	-229.470.611
6. Revaluation of fixed tangible assets	006	1.222.294	
7. Revaluation of intangible assets	007		
8. Revaluation of financial property available for sale	008		
9. Other revaluation	009		
<b>10. Total capital and reserves (EDP 001 through 009)</b>	<b>010</b>	<b>643.482.563</b>	<b>414.394.021</b>
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		
<b>17. Total increase or decrease of capital (EDP 011 through 016)</b>	<b>017</b>	<b>0</b>	<b>0</b>
17 a. Assigned to holders of parent company's capital	018	643.482.563	414.394.021
17 b. Assigned to minority interest	019	10.087.418	6.155.876

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