ATLANTIC GRUPA d.d.

AUDITOR'S REPORT AND SEPARATE FINANCIAL STATEMENTS 31 DECEMBER 2014

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Independent Auditor's Report

To the Shareholders and Management of Atlantic Grupa d.d.

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted in the European Union.

PricewaterhouseCoopers d.o.o.

PricewaterhouseCoopers d.o.o.
Zagreb, 31 March 2015

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ATLANTIC GRUPA d.d.

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2014

(all amounts expressed in thousands of HRK)	**Note**	**2014**	**2013**
Revenues	27	105,461	100,518
Other income	5	7,765	8,002
Staff costs	6	(49,965)	(53,111)
Marketing and promotion costs	7	(5,732)	(6,095)
Depreciation and amortisation	12, 13	(4,242)	(2,707)
Other operating costs	8	(35,321)	(50,947)
Other gains – net	9	2,855	15,455
Operating profit		**20,821**	**11,115**
Finance income	10	3,213	3,312
Finance costs	10	(25,204)	(32,951)
Finance costs – net	10	(21,991)	(29,639)
Loss before tax		**(1,170)**	**(18,524)**
Income tax expense	11	(966)	(1,871)
Loss for the year		**(2,136)**	**(20,395)**

The financial statements set out on pages 2 to 42 were approved by the Management Board of the Company in Zagreb on 30 March 2015.

President of the Management Board

Emil Tedeschi

ATLANTIC GRUPA d.d.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

(all amounts expressed in thousands of HRK)	**2014**	**2013**
Loss for the year	**(2,136)**	**(20,395)**
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Actuarial loss from defined benefit plans	(10)	(4)
	(10)	(4)
Items that may be subsequently reclassified to profit of loss		
Cash flow hedge	1,075	2,070
	1,075	2,070
Total other comprehensive income	**1,065**	**2,066**
Total comprehensive loss	**(1,071)**	**(18,329)**

The accompanying notes form an integral part of these financial statements.

BALANCE SHEET

AT 31 DECEMBER 2014

(all amounts are expressed in thousands of HRK)	**Note**	**31 December 2014**	**31 December 2013**
ASSETS			
Non-current assets			
Property, plant and equipment	12	14,567	16,388
Intangible assets	13	6,626	4,817
Investments in subsidiaries	14	1,553,476	1,467,199
Deferred income tax assets	23	2,015	3,087
Available-for-sale financial assets	15	47	47
Trade and other receivables	17	1,295	865
		1,578,026	1,492,403
Current assets			
Trade and other receivables	17	60,373	87,325
Income tax receivable		2,559	2,721
Cash and cash equivalents	18	3,845	3,671
		66,777	93,717
Total assets		**1,644,803**	**1,586,120**
EQUITY AND LIABILITIES			
Capital and reserves attributable to owners of the Company			
Share capital	19	133,372	133,372
Share premium	19	882,576	882,597
Treasury shares	19	(78)	(16)
Cash flow hedge reserves	20	(1,263)	(2,338)
Retained earnings		158,199	195,355
Total equity		1,172,806	1,208,970
Non-current liabilities			
Borrowings	22	145,240	175,085
Provisions	24	193	155
		145,433	175,240
Current liabilities			
Trade and other payables	21	18,209	37,108
Borrowings	22	299,337	150,401
Provisions	24	7,440	8,672
Derivative financial instruments	15	1,578	5,729
		326,564	201,910
Total liabilities		**471,997**	**377,150**
Total equity and liabilities		**1,644,803**	**1,586,120**

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STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

(in thousands of HRK)	**Share capital (Note 19)**	**Cash flow hedge reserves**	**Retained earnings**	**Total**
At 1 January 2013	1,016,120	(4,408)	245,986	1,257,698
Comprehensive income:				
Net loss for the year	-	-	(20,395)	(20,395)
Other comprehensive income/(loss)	-	2,070	(4)	2,066
Total comprehensive income/(loss)	-	2,070	(20,399)	(18,329)
Transaction with owners				
Purchase of treasury shares	(9,063)	-	-	(9,063)
Share based payment (Note 19)	8,896	-	(224)	8,672
Dividends relating to 2012 (Note 19)	-	-	(30,008)	(30,008)
At 31 December 2013	**1,015,953**	**(2,338)**	**195,355**	**1,208,970**
Comprehensive income:				
Net loss for the year	-	-	(2,136)	(2,136)
Other comprehensive income/(loss)	-	1,075	(10)	1,065
Total comprehensive income/(loss)	-	1,075	(2,146)	(1,071)
Transaction with owners				
Purchase of treasury shares	(502)	-	-	(502)
Share based payment (Note 19)	419	-	-	419
Dividends relating to 2013 (Note 19)	-	-	(35,010)	(35,010)
At 31 December 2014	**1,015,870**	**(1,263)**	**158,199**	**1,172,806**

The accompanying notes form an integral part of these financial statements.

ATLANTIC GRUPA d.d.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

(all amounts expressed in thousands of HRK)	**Note**	**2014**	**2013**
Cash flows from/(used in) operating activities:			
Cash generated from operations	26	24,487	21,071
Income tax paid		-	(1,482)
Interest paid		(17,336)	(23,139)
		7,151	(3,550)
Cash flows (used in)/from investing activities			
Purchases of property, plant and equipment and intangible assets	12, 13	(4,230)	(11,723)
Investments in subsidiaries	14	(86,277)	-
Proceeds from liquidation and disposal of investment in subsidiary	14	-	363
Repayments of loans receivable and deposits placed - net		(875)	18,161
Dividends received		26,774	20,000
Interest received		15	702
		(64,593)	27,503
Cash flows from/(used in) financing activities			
Purchase of treasury shares	19	(502)	(9,063)
Dividends paid	19	(35,010)	(30,008)
Proceeds from borrowings		159,670	74,462
Repayment of borrowings		(66,542)	(57,370)
		57,616	(21,979)
Net increase in cash and cash equivalents		**174**	**1,974**
Cash and cash equivalents at beginning of year		3,671	1,697
Cash and cash equivalents at end of year	18	**3,845**	**3,671**

The accompanying notes form an integral part of these financial statements.

NOTE 1 – GENERAL INFORMATION

Atlantic Grupa d.d. (the Company) was incorporated in the Republic of Croatia in 2002. The Company performs corporate activities such as planning entrepreneurial functions, organisation of principal activities, gathering and utilising financial assets, defining the strategy and development of business activities of the Atlantic Group (the Company and its subsidiaries, see Note 14).

The Company is domiciled in Zagreb, Miramarska 23, Croatia.

The Company’s shares are listed on the official market of the Zagreb Stock Exchange. The shareholder structure is disclosed in Note 19.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) which were endorsed by the EU under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and derivative financial instruments.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

The Company has issued these separate financial statements in accordance with Croatian regulations. The Company has also prepared consolidated financial statements as at 31 December 2014 and for the year then ended in accordance with IFRS which were endorsed by the EU for the Company and its subsidiaries (the Group), which were approved by the Management Board on 30 March 2015. In the consolidated financial statements, subsidiary undertakings (listed in Note 14) and those companies in which the Group indirectly has an interest of more than half of the voting rights or otherwise has power to exercise control over the operations have been fully consolidated. Users of these non-consolidated financial statements should read them together with the Group's consolidated financial statements as at and for the year ended 31 December 2014 in order to obtain full information on the financial position, results of operations and changes in financial position of the Group as a whole.

(a) New and amended standards adopted by the Company

The Company has adopted the following new and amended IFRS and IFRIC interpretations during the year which were endorsed by the EU. These standards and amendments did not have a significant impact on the Company’s financial statements or performance. When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Company, its impact is described below.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation (continued)

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

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

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

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

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

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

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

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

- *Amendment to IAS 39 Financial Instruments: Recognition and Measurement 'Novation of Derivatives' (effective for annual periods beginning on or after 1 January 2014)* This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counter party meets specified criteria.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation (continued)

(b) Forthcoming requirements

A number of new standards and interpretations that have been issued are not effective for annual periods beginning on 1 January 2014, but will be effective for later periods. None of these is expected to have significant effect on the Company's financial statements and the Company plans to adopt them on their effective date as of and when endorsed by the EU.

- *Annual Improvements to IFRSs 2012 (effective for annual periods beginning on or after 1 July 2014)* The improvements amend standards from 2010 – 2012 reporting cycle and include changes to:
  - IFRS 2 - 'Share based payments,' and clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition.'
  - IFRS 3, 'Business combinations,' and clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or equity, on the basis of the definitions in IAS 32, 'Financial instruments: Presentation.' It also clarifies that all non-equity contingent consideration is measured at fair value at each reporting date, with changes in value recognised in profit and loss.
  - IFRS 8, 'Operating segments' which is amended to require disclosure of the judgements made by management in aggregating operating segments. It is also amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported.
  - IFRS 13, 'Fair value' which amended the basis of conclusions to clarify that it did not intend to remove the ability to measure short term receivables and payables at invoice amounts where the effect of discounting is immaterial.
  - IAS 16,'Property, plant and equipment' and IAS 38,'Intangible assets' are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.
  - IAS 24 'Related party disclosures' is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'). Disclosure of the amounts charged to the reporting entity is required.

- *Annual Improvements to IFRSs 2013 (effective for annual periods beginning on or after 1 July 2014)* The improvements amend standards from 2011 – 2013 reporting cycle and include changes to:
  - IFRS 1, First time adoptions of IFRSs, basis of conclusions is amended to clarify that, where a new standard is not mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented.
  - IFRS 3, Business combinations is amended to clarify that IFRS 3 does not apply to the accounting for the formation of any joint arrangement under IFRS 11.
  - IFRS 13, Fair value measurement is amended to clarify that the portfolio exception in IFRS 13 applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9.
  - IAS 40, Investment property is amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. IAS 40 assists users to distinguish between investment property and owner-occupied property. Preparers also need to consider the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation (continued)

- *Annual Improvements to IFRSs 2014 (effective for annual periods beginning on or after 1 July 2016)* The improvements amend standards from 2012 – 2014 reporting cycle and include changes to:
  - IFRS 5, Non-current assets held for sale and discontinued operations – The amendment clarifies that, when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution,' or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. This means that the asset (or disposal group) does not need to be reinstated in the financial statements as if it had never been classified as 'held for sale' or 'held for distribution' simply because the manner of disposal has changed. The amendment also explains that the guidance on changes in a plan of sale should be applied to an asset (or disposal group) which ceases to be held for distribution but is not reclassified as 'held for sale'.
  - IFRS 7, Financial instruments: Disclosures – There are two amendments:
    - Servicing contracts – If an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognise the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. The standard provides guidance about what is meant by continuing involvement. The amendment is prospective with an option to apply retrospectively. There is a consequential amendment to IFRS 1 to give the same relief to first time adopters.
    - Interim financial statements – the amendment clarifies that the additional disclosure required by the amendments to IFRS 7, Disclosure – Offsetting financial assets and financial liabilities is not specifically required for all interim periods unless required by IAS 34. This amendment is retrospective.
  - IAS 19, Employee benefits – The amendment clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used. The amendment is retrospective but limited to the beginning of the earliest period presented.
  - IAS 34, Interim financial reporting – the amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report.' The amendment also amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information. The amendment is retrospective.

- *IFRS 14, Regulatory deferral accounts (effective for annual periods beginning on or after 1 January 2016)* This standard permits first-time adopters of IFRS to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.

- *IFRIC 21 Levies (effective in EU for annual periods beginning on or after 17 June 2014)* This is an interpretation of IAS 37 Provisions, contingent liabilities and contingent assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation addresses what the obligating event is that gives rise to the payment of a levy and when a liability should be recognised.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation (continued)

- *IFRS 9, Financial instruments (effective for annual periods beginning on or after 1 January 2018) Earlier application is permitted. If an entity elects to early apply it must apply all of the requirements at the same time with the following exception: Entities with a date of initial application before 1February 2015 continue to have the option to apply the standard in phases.*
  The complete version of IFRS 9 replaces most of the guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39.
  For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss.
  IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

- *IFRS 15, 'Revenue from contracts with customers (effective for annual periods beginning on or after 1 January 2017)* This is the converged standard on revenue recognition. It replaces IAS 11, Construction contracts, IAS 18, Revenue and related interpretations.
  Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service.
  The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:
    - Step 1: Identify the contract(s) with a customer
    - Step 2: Identify the performance obligations in the contract
    - Step 3: Determine the transaction price
    - Step 4: Allocate the transaction price to the performance obligations in the contract
    - Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

- *Amendments to IFRS 10 and IAS 28 regarding the sale or contribution of assets between an investor and its associate or joint venture (effective for annual periods beginning on or after 1 January 2016)* These amendments address an inconsistency between IFRS 10 and IAS 28 in the sale or contribution of assets between an investor and its associate or joint venture.
  A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation (continued)

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

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

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

- *Amendment to IAS 19, 'Employee benefits' regarding employee or third party contributions to defined benefit plans (effective for annual periods beginning on or after 1 July 2014).* The amendment applies to contributions from employees or third parties to defined benefit plans and clarifies the treatment of such contributions. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example employee contributions that are calculated according to a fixed percentage of salary. Entities with plans that require contributions that vary with service will be required to recognise the benefit of those contributions over the employee's working lives.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment where the entity operates (‘the functional currency’). The financial statements are presented in Croatian kuna (HRK), which is the Company’s functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of these transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses related to borrowings are presented in the income statement within 'finance costs - net'. All other foreign exchange gains and losses are presented in the income statement within 'other gains/(losses) – net'.

2.3 Investments in subsidiaries

Investments in subsidiaries in which the Company has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations are recorded at cost less impairment losses, if any. Impairment is tested annually whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Investments in subsidiaries for which an impairment loss has been recorded are tested at each reporting date for a potential reversal of impairment.

Dividend income is recognised when the right to receive payment is established.

2.4 Property, plant and equipment

Motor vehicles, equipment, leasehold improvements and assets under construction are included in the balance sheet at historical cost less accumulated depreciation and provision for impairment, if required. Historical cost includes expenditure directly attributable to the acquisition of items. Assets not yet in use are not depreciated.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation of motor vehicles, equipment and investments in leasehold improvements is calculated using the straight-line method to allocate their cost to residual values over their estimated useful lives, as follows:

Motor vehicles	5 years
Leasehold improvements	4 to 10 years
Equipment	2 to 10 years

The residual value of an asset is an estimated amount that the Company would currently obtain from disposal of the asset less estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Property, plant and equipment (continued)

The residual value of an asset is nil if the Company expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

Gains and losses on disposals are determined by comparing the proceeds with carrying amount, and are recognised within 'other gains/(losses) – net' in the income statement.

2.5 Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (4 to 5 years).

2.6 Impairment of non-financial assets

Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Financial assets

The Company classifies its financial assets in the following categories: loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Loans and receivables are carried at amortised cost using the effective interest method.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose the investment within 12 months of the balance sheet date. Available-for-sale financial assets are carried at fair value, except investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, consequently, these are carried at cost.

Regular way purchases and sales of financial assets are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial assets (continued)

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Interest income and the translation differences are recognised in the income statement, whereas other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary securities classified as available-for-sale and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions and references to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is reclassified from other comprehensive income to the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of receivables is described in Note 2.9.

2.8 Leases

The Company leases certain property, vehicles and equipment. Leases where the significant portion of risks and rewards of ownership are not retained by the Company are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

2.9 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision and subsequent recoveries of amounts previously written off are recognised in the income statement within 'other operating expenses'.

2.10 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term highly liquid instruments with original maturities of three months or less. Bank overdrafts are included within current liabilities on the balance sheet.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of the consideration received over the par value of the shares issued is presented in the notes as a share premium.

When the Company purchases its equity share capital (treasury shares), the consideration paid, including all directly attributable incremental transaction costs, is deducted from equity until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity.

2.12 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

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

2.13 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax law enacted at the balance sheet date in Croatia. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and consider establishing provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. The deferred tax liability is recognised for all taxable temporary differences associated with the acquisition of the fair value of subsidiaries' net assets.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Employee benefits

(a) Pension obligations and post-employment benefits

The Company makes payments to mandatory pension funds on behalf of its employees in the ordinary course of business through salary deductions, as required by law. All contributions made to the mandatory pension funds are recorded as salary expense when incurred. The Company has no other pension scheme and consequently, has no other obligations in respect of employee pensions. In addition, the Company is not obliged to provide any other post-employment benefits except for the one-off retirement payment as prescribed by local legislation. The liability recognised in the balance sheet in respect of one-off retirement payment is the present value of the defined benefit obligation at the end of the reporting period. This obligation is calculated annually by independent actuaries. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Interest costs/income arising from actuarial calculation are charged/credited to income statement within ‘interest expenses’.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Company before the ordinary retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

(c) Long-term employee benefits

The Company recognises a liability for long-term employee benefits (jubilee awards) evenly over the period the benefit is earned based on actual years of service. The long-term employee benefit liability includes assumptions regarding the likely number of staff to whom the benefit will be payable, estimated benefit cost and the discount rate. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged immediately or credited to the income statement within ‘staff costs’. Interest costs/income arising from actuarial calculation are charged/credited to income statement within ‘interest expenses’.

(d) Share-based compensations

Key management of the Company receives remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ('equity-settled transactions').

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and service conditions are fulfilled, ending on the date on which relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

(e) Short-term employee benefits

The Company recognises a provision for bonuses and accumulating unused vacation entitlement days if contractually obliged or if there is a past practice that has created a constructive obligation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Provisions

Provisions for termination benefits, legal proceedings and employee benefits are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

When there is a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.16 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is presented net of value-added tax.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below.

(a) Revenue from services

Revenue from services is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Income from corporate governance services is recognised in the accounting period in which the services are rendered and invoiced.

(b) Interest income

Interest income arising from fixed-term bank deposits, granted loans and interest from customers is recognised on a time-proportion basis using the effective interest method.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.17 Dividend distribution

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

2.18 Value added tax

The Tax Authorities require the settlement of VAT on a net basis. VAT related to sales and purchases is recognised and disclosed in the balance sheet on a net basis. Where a provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the regular operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.20 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Company designates derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair value of cash flow hedge derivatives is disclosed in Note 15 and changes in cash flow hedge reserves are disclosed in Note 20.

The effective portion of changes in the fair value of derivatives, that are designated and qualify as cash flow hedges, is recognised in other comprehensive income. The gain or loss related to the ineffective portion is recognised immediately in the income statement within 'other gains/(losses) – net'.

Amounts accumulated in equity are reclassified from other comprehensive income to profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'finance expenses'. The gain or loss relating to the ineffective portion is recognised in the income statement within 'other gains/(losses) – net'.

When a hedging instrument expires or is sold or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is reclassified from other comprehensive income to profit or loss when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified from other comprehensive income to profit and loss within 'other gains/(losses) – net'.

2.21 Mergers

The predecessor method of accounting is used to account for the merger of related companies. The carrying value of assets and liabilities of the predecessor entity are transferred as balances in the merged entity. On the date of the merger, inter-company transactions, balances and unrealised gains and losses on transactions between the two entities merging are eliminated, recognizing the carrying value of net assets merged within equity.

NOTE 3 – FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and equity securities risk), credit risk and liquidity risk. Management closely monitors the risk profile of the Company's operations, including the establishment of authorisation and accountability levels.

(a) Market risk

(i) Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the EURO. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Movements in exchange rates between the EURO and Croatian kuna (HRK) may have an impact on the results of future operations and future cash flow. The table below shows EURO denominated trade and other payables, trade and other receivables, cash and cash equivalents and borrowings as a percentage of total balances at the balance sheet dates.

	2014	2013
Trade and other receivables	45%	22%
Trade and other payables	15%	3%
Cash and cash equivalents	93%	64%
Borrowings	74%	65%

At 31 December 2014, if the EURO had weakened/strengthened by 0.5% against the HRK (2013: 0.5%), with all other variables held constant, 2014 loss after tax for the reporting period would have been HRK 1,322 thousand lower/higher (2013: HRK 759 thousand lower/higher), mainly as a result of foreign exchange gains/losses on translation of EURO denominated trade and other receivables and borrowings (Notes 17 and 22).

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(ii) Equity securities risk

The Company is exposed to equity securities fair value and price risk with respect to investments held by the Company classified on the balance sheet as available for sale. Equity investments classified as available for sale are not listed. To manage its fair value and price risk arising from investments in equity securities, the Company monitors market transactions and performance of investment entities. No reliable external information exists with respect to fair value. Management believes, based on internal information, that the fair value equals or exceeds carrying value. However, due to limited information available, management has not carried out a sensitivity analysis. At 31 December 2014, if the fair value of the available for sale investment would change with all other variables remaining constant, then other comprehensive income and revaluation reserves would also change by the same amount.

(iii) Cash flow and fair value interest rate risk

As the Company does not have significant interest-bearing assets, the Company's income and operating cash flows are not substantially dependent of changes in market interest rates.

The Company's interest rate risk arises from long-term borrowings and bonds issued. Debt issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk.

The Company analyses its interest rate changes on a regular basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift.

The Company manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. The Company raised long-term borrowings at floating rates and swapped them into fixed rates that are lower than those available if the Company borrowed at fixed rates directly. Under the interest rate swaps, the Company agrees with other parties to exchange, at specified intervals (quarterly and semi-annually), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

At 31 December 2014, if the effective interest rate on borrowings had been 100 basis points higher/lower on an annual level, the loss after tax for the reporting period would have been HRK 508 thousand higher/lower (2013: HRK 142 thousand higher/lower).

(b) Credit risk

The Company's assets, potentially subjecting the Company to concentrations of credit risk, primarily include cash and trade and other receivables. The Company does not have significant concentrations of credit risk, since loans and receivables mainly relate to transactions within the Group. The Company has policies that limit the amount of credit exposure to any financial institution. A detailed analysis and maximum exposure to credit risk is presented in Notes 16 and 17.

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to meet all obligations. The Company aims to maintain flexibility in funding by keeping committed credit lines available. Trade and other payables as well as short-term borrowings are due within 12 months after the balance sheet date, while the maturity of long-term borrowings is disclosed in Note 22.

Cash flow forecasting is performed by Company finance. Company finance monitors the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities when needed. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance and compliance with internal balance sheet ratio targets.

Surplus cash held over and above the balance required for working capital management is invested in interest bearing current accounts, time deposits and cash funds, i.e. instruments with appropriate maturities or sufficient liquidity. At the balance sheet date, the Company held cash and cash equivalents in the amount of HRK 3,845 thousand (2013: 3,671 thousand) that are expected to readily generate cash inflows for managing liquidity risk.

The next table analyses financial liabilities of the Company according to contracted maturities. The amounts stated below represent undiscounted cash flows.

(in thousands of HRK)	**Less than 1 year**	**Between 1-5 years**	**Total**
31 December 2014			
Trade and other payables	11,950	-	11,950
Borrowings	143,105	153,549	296,654
Derivative financial instruments	1,578	-	1,578

(in thousands of HRK)	**Less than 1 year**	**Between 1-5 years**	**Total**
31 December 2013			
Trade and other payables	31,625	-	31,625
Borrowings	163,030	184,170	347,200
Derivative financial instruments	5,729	-	5,729

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including long-term and short-term borrowings, as shown in the balance sheet) plus derivative financial liabilities less short-term deposits and cash and cash equivalents. Total capital is calculated as equity, as shown in the balance sheet, plus net debt.

The gearing ratios were as follows:

	31 December 2014	**31 December 2013**
	(in thousands of HRK)	
Total borrowings (Note 22)	444,577	325,486
Derivative financial liabilities (Note 15)	1,578	5,729
Less: Cash and cash equivalents (Note 18)	(3,845)	(3,671)
Net debt	442,310	327,544
Total equity	1,172,806	1,208,970
Total capital	**1,615,116**	**1,536,514**
Gearing ratio	**27%**	**21%**

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation

All financial instruments for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:
- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The fair value of derivative financial instruments and of available-for-sale financial instruments is determined based on specific valuation techniques (level 3).

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Impairment of Investments in subsidiaries

The Company performs tests on an annual basis to conclude whether there are any indicators that investment in subsidiaries suffers any impairment, in accordance with the accounting policy disclosed in Note 2.3. If any indicator of impairment exists, the Company performs impairment tests. These tests require the use of estimates such as expected growth rate, discount rate etc., that are mainly based on market conditions existing at the time when the tests are performed. During 2014 and 2013 there were no indicators of impairment of investments in subsidiaries.

NOTE 5 – OTHER INCOME

	2014	2013
	(in thousands of HRK)	
Dividend income – related parties (Note 27)	-	4,000
Rental income	1,441	1,095
Interest income from loans – related parties (Note 27)	-	784
Interest income from cash with banks and deposit	16	11
Other	6,308	2,112
	7,765	**8,002**

NOTE 6 – STAFF COSTS

	2014	2013
	(in thousands of HRK)	
Gross salaries /i/	40,068	36,373
Share options granted (Note 19)	780	5,849
Public transport	345	286
Other staff costs /ii/	8,772	10,603
	49,965	**53,111**

At 31 December 2014, the number of staff employed by the Company was 94 (2013: 82).

/i/ Pension contributions to mandatory pension funds for the year ended 31 December 2014 amounted to HRK 5,414 thousand (2013: 4,731 thousand).

/ii/ Other staff costs comprise of bonuses, education expenses, accruals for unused vacation days and jubilee awards.

NOTE 7 – MARKETING AND PROMOTION COSTS

	2014	2013
	(in thousands of HRK)	
Sponsorships and donations	5,627	5,599
Advertising and marketing expenses	105	496
	5,732	**6,095**

NOTE 8 – OTHER OPERATING COSTS

	2014	2013
	(in thousands of HRK)	
Rentals	9,506	9,671
Transportation services	7,380	6,201
Entertainment	4,214	3,816
Intellectual services	2,053	1,516
Travel expense and daily allowances	1,726	2,326
Maintenance and security	3,085	1,905
Supervisory Board compensation	1,445	1,398
Telecommunication services	1,397	1,403
Taxes and contributions irrespective of operating results	409	584
Bank charges	350	350
Office supplies	507	452
Insurance premiums	330	378
Impairment of receivables (Note 17)	45	15,228
Provision for legal proceedings (Note 24)	-	750
Services from related parties (Note 27)	284	1,377
Other	2,590	3,592
	35,321	**50,947**

NOTE 9 – OTHER GAINS – NET

	2014	2013
	(in thousands of HRK)	
Gain on sale of available for sale financial asset	-	7,610
Fair value gains on derivative financial instruments	2,806	7,942
Foreign exchange gains/(losses) – net	49	(97)
	2,855	**15,455**

NOTE 10 – FINANCE COSTS – NET

	2014	2013
	(in thousands of HRK)	
Finance income:		
Foreign exchange gains from borrowings	3,213	3,312
	3,213	3,312
Finance costs:		
Foreign exchange losses from borrowings	(4,617)	(5,569)
Interest expense - banks	(5,620)	(9,869)
Interest expense - related parties (Note 27)	(6,227)	(7,886)
Interest expense - bonds	(8,344)	(8,371)
Interest expense - other	(396)	(1,256)
	(25,204)	(32,951)
	(21,991)	**(29,639)**

NOTE 11 – INCOME TAX

	2014	2013
	(in thousands of HRK)	
Current income tax	161	381
Deferred tax (Note 23)	805	1,490
	966	**1,871**

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate of 20% applicable to the Company's profit as follows:

	2014	2013
	(in thousands of HRK)	
Loss before taxation	(1,170)	(18,524)
Tax at 20%	(234)	(3,705)
Effect of expenses not deductible for tax purposes	3,245	9,609
Effect of income not subject to tax	(2,045)	(4,033)
Tax charge	**966**	**1,871**
Effective interest rate	(82.56%)	(10.10%)

To date, the Tax Authority did not perform a tax audit of the Company's income tax return. In accordance with local regulations, the Tax Authority may at any time inspect the Company's books and records within 3 years following the end of the year in which the tax liability is reported and may impose additional tax assessments and penalties. The Company's management is not aware of any circumstances which may give rise to a potential material liability in this respect.

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT

(in thousands of HRK)	Leasehold Improvements	Motor Vehicles	Equipment	Assets not yet in use	Total
At 1 January 2013					
Cost	9,643	78	5,630	18	15,369
Accumulated depreciation	(851)	(16)	(5,032)	-	(5,899)
Net book amount	**8,792**	**62**	**598**	**18**	**9,470**
At 31 December 2013					
Opening net book amount	8,792	62	598	18	9,470
Additions	-	-	-	8,789	8,789
Transfer	3,382	223	3,502	(7,107)	-
Depreciation	(1,307)	(43)	(521)	-	(1,871)
Closing net book amount	**10,867**	**242**	**3,579**	**1,700**	**16,388**
At 31 December 2013					
Cost	13,025	301	9,132	1,700	24,158
Accumulated depreciation	(2,158)	(59)	(5,553)	-	(7,770)
Net book amount	**10,867**	**242**	**3,579**	**1,700**	**16,388**
At 31 December 2014					
Opening net book amount	10,867	242	3,579	1,700	16,388
Additions	-	-	-	983	983
Transfer	-	139	1,510	(1,649)	-
Depreciation	(1,682)	(77)	(1,045)	-	(2,804)
Closing net book amount	**9,185**	**304**	**4,044**	**1,034**	**14,567**
At 31 December 2014					
Cost	13,025	440	9,780	1,034	24,279
Accumulated depreciation	(3,840)	(136)	(5,736)	-	(9,712)
Net book amount	**9,185**	**304**	**4,044**	**1,034**	**14,567**

NOTE 13 – INTANGIBLE ASSETS

	31 December 2014	31 December 2013
	(in thousands of HRK)	
Opening net book amount	4,817	2,719
Additions	3,247	2,934
Amortisation	(1,438)	(836)
Closing net book amount	6,626	4,817
Cost	10,355	7,109
Accumulated amortisation	(3,729)	(2,292)
Closing net book amount	**6,626**	**4,817**

NOTE 14 – INVESTMENTS IN SUBSIDIARIES

	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	Holding in %	**Holding in %**	*(in thousands of HRK)*	
Atlantic Trade d.o.o., Zagreb, Croatia	100%	100%	738,544	738,544
Neva d.o.o., Zagreb, Croatia	100%	100%	53,281	53,281
Cedevita d.o.o., Zagreb, Croatia /i/	100%	81%	132,736	46,459
Hopen Investments, BV, Netherlands	100%	100%	91,017	91,017
Montana Plus d.o.o., Zagreb, Croatia	100%	100%	12,000	12,000
Fidifarm d.o.o., Zagreb, Croatia	100%	100%	525,898	525,898
			1,553,476	**1,467,199**

/i/ In 2014 the Company acquired non-controlling interest of 19% in subsidiary Cedevita d.o.o. for the amount of HRK 86,277 thousand, paid in cash.

NOTE 15 – FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

(in thousands of HRK)	Loans and receivables	Available-for-sale financial assets	Total
31 December 2014			
Financial assets			
Available-for-sale	-	47	**47**
Trade and other receivables (Note 17)	57,918	-	**57,918**
Deposits (Note 17)	1,295	-	**1,295**
Cash and cash equivalents (Note 18)	3,845	-	**3,845**
Total	**63,058**	**47**	**63,105**

(in thousands of HRK)	Other financial liabilities	Derivatives used for hedging	Total
31 December 2014			
Financial liabilities			
Borrowings (Note 22)	444,577	-	**444,577**
Derivative financial instruments	-	1,578	**1,578**
Trade and other payables (Note 21)	11,950	-	**11,950**
Total	**456,527**	**1,578**	**458,105**

(in thousands of HRK)	Loans and receivables	Available-for-sale financial assets	Total
31 December 2013			
Financial assets			
Available-for-sale	-	47	**47**
Trade and other receivables (Note 17)	86,219	-	**86,219**
Deposits (Note 17)	865	-	**865**
Cash and cash equivalents (Note 18)	3,671	-	**3,671**
Total	**90,755**	**47**	**90,802**

(in thousands of HRK)	Other financial liabilities	Derivatives used for hedging	Liabilities at fair value through profit or loss	Total
31 December 2013				
Financial liabilities				
Borrowings (Note 22)	325,486	-	-	**325,486**
Derivative financial instruments	-	2,922	2,807	**5,729**
Trade and other payables (Note 21)	31,243	-	-	**31,243**
Total	**356,729**	**2,922**	**2,807**	**362,458**

NOTE 16 – CREDIT QUALITY OF FINANCIAL ASSETS

As at 31 December 2014, financial assets classified in the category trade and other receivables that are not past due amounted to HRK 28,527 thousand (2013: HRK 69,357 thousand). Receivables not past due include receivables from related parties in the amount of HRK 27,910 thousand (2013: HRK 68,805 thousand) and the risk of non-collectability is low.

Most of the Company's cash and cash equivalents in the total amount of HRK 2,658 thousand (2013: HRK 2,854 thousand) are held at a bank group member with an A-2/Negative credit rating by Standard & Poors and are neither past due nor impaired.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	2014	2013
	(in thousands of HRK)	
Trade and other receivables - external		
Counterparties without external credit rating		
Group 2	617	686
Total unimpaired trade and other receivables	**617**	**686**

	2014	2013
	(in thousands of HRK)	
Long-term deposits and loans given		
Group 2	1,761	865
	1,761	**865**

Group 1 – new customers (less than 6 months)
Group 2 – existing customers (more than 6 months) with no defaults in the past
Group 3 – existing customers (more than 6 months) with some defaults in the past; all defaults were fully recovered.

None of the financial assets that are fully performing have been renegotiated in the last year. None of the loans to related parties is past due.

NOTE 17 – TRADE AND OTHER RECEIVABLES

	31 December 2014	31 December 2013
	(in thousands of HRK)	
Non-current receivables		
Deposits	1,295	865
	1,295	**865**
Current receivables		
Trade receivables – related parties (Note 27)	46,374	46,268
Trade receivables	164	252
Short-term loans receivable	466	-
Accrued interest receivable – related parties (Note 27)	457	470
Receivables from distribution of profit – related parties (Note 27)	10,000	36,774
Other receivables /ii/	2,912	3,561
	60,373	**87,325**
Total trade and other receivables	**61,668**	**88,190**

/i/ Financial assets by category are as follows (Note 15):

	2014	2013
	(in thousands of HRK)	
Category: Loans and receivables		
Deposits	1,295	865
Trade receivables – related parties (Note 27)	46,374	46,268
Trade receivables	164	252
Short-term loan receivables	466	-
Accrued interest receivable – related parties (Note 27)	457	470
Receivables from distribution of profit – related parties (Note 27)	10,000	36,774
Other receivables – related parties (Note 27)	-	2,021
Other receivables	457	434
	59,213	**87,084**

All non-current receivables fall due within 5 years after the balance sheet date.

The fair value of non-current receivables approximates the carrying amounts, since the contracted interest rates reflect market rates.

NOTE 17 – TRADE AND OTHER RECEIVABLES (continued)

As at 31 December 2014, trade and other receivables past due amounted to HRK 28,925 thousand (2013: HRK 16,862 thousand). All receivables past due relate to receivables from related parties and they were not provided for as collection is not questionable. The ageing analysis of past due but not provided for trade and other receivables by maturity periods is as follows:

	2014	**2013**
	(in thousands of HRK)	
Less than 3 months	6,888	5,523
3 to 6 months	3,757	5,406
Over 6 months	18,280	5,933
	28,925	**16,862**

The carrying amounts of the Company's trade and other receivables are denominated in the following currencies:

	2014	**2013**
	(in thousands of HRK)	
HRK	32,775	68,083
EUR	26,438	19,001
	59,213	**87,084**

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Company does not hold any collateral as security other than bills of exchange and promissory notes.

/ii/ Other receivables mainly relate to prepaid expenses. Due to uncertainty in collection, other receivables of HRK 45 thousand were impaired (2013: HRK 15,228 thousand) (Note 8).

NOTE 18 – CASH AND CASH EQUIVALENTS

	31 December 2014	31 December 2013
	(in thousands of HRK)	
Current account and cash on hand	271	1,344
Foreign currency account	3,574	2,327
	3,845	**3,671**

Cash and cash equivalents are denominated in the following currencies:

	2014	2013
	(in thousands of HRK)	
EUR	3,575	2,338
HRK	263	1,323
Other currencies	7	10
	3,845	**3,671**

NOTE 19 – SHARE CAPITAL

	Number of shares	Ordinary shares	Share premium	Treasury shares	Total
			(in thousands of HRK)		
1 January 2013	**3,334,300**	**133,372**	**882,748**	**-**	**1,016,120**
Purchase of treasury shares	(13,029)	-	-	(9,063)	(9,063)
Share based payments	13,007	-	(151)	9,047	8,896
31 December 2013	**3,334,278**	**133,372**	**882,597**	**(16)**	**1,015,953**
Purchase of treasury shares	(500)	-	-	(502)	(502)
Share based payments	445	-	(21)	440	419
31 December 2014	**3,334,223**	**133,372**	**882,576**	**(78)**	**1,015,870**

All shares issued are ordinary shares, including all relevant rights. All shares have the right to vote at the Company's General Assembly, as well as the right to dividend payment, if declared.

NOTE 19 – SHARE CAPITAL (continued)

The ownership structure of the Company is as follows:

	31 December 2014		31 December 2013	
	Number of shares	%	Number of shares	%
Emil Tedeschi	1,673,819	50.20	1,673,819	50.20
Raiffeisen Obligatory pension fund	324,000	9.72	323,500	9.70
EBRD	284,301	8.53	284,301	8.53
Lada Tedeschi Fiorio	193,156	5.79	193,156	5.79
DEG	76,036	2.28	283,209	8.49
Management of the Company	37,624	1.13	38,386	1.15
Other shareholders	745,287	22.35	537,907	16.14
Treasury shares	77	-	22	-
Total	**3,334,300**	**100.00**	**3,334,300**	**100.00**

Share based payments

According to the Company's share option programme, shares are granted to Management Board members and to top management.

One part of the share grant is subject to the Group achieving its operating profit target growth and subject to individual performance achievements. The other part is conditional on the employee completing two or more years of service (the vesting period). Furthermore, part of the programme is designated for the extraordinary performance on special projects.

Under the programme, 465 new shares have been granted in 2014 (2013: 6,254 shares).

The fair value of equity-settled share based payment transactions amounted to HRK 780 thousand (2013: HRK 6,182 thousand). The whole amount (2013: HRK 5,849 thousand) has been reported as staff costs (Note 6), relating to 465 shares for which vesting conditions were met in 2014 (2013: 5,887 shares). As at 31 December 2013 HRK 332 thousand was deferred, relating to shares for which vesting conditions will be met in 2015 (367 shares).

The fair value of the shares granted is determined as of the grant date at the estimated market price of the share of HRK 880 (2013: HRK 700).

Distribution of dividend

According to the decision of the Company's General Assembly from 30 June 2014, the distribution of dividend in the amount of HRK 10.50 per share, or HRK 35,010 thousand in total was approved. Dividend was paid in July 2014.

In 2013 the distribution of dividend in the amount of HRK 9.00 per share, or HRK 30,008 thousand in total was approved.

NOTE 20 – CASH FLOW HEDGE RESERVES

Cash flow hedge reserves in the amount of HRK 1,263 thousand (2013: HRK 2,338 thousand) relate to accumulated net fair value losses of floating-to-fixed interest rate swap agreements.

NOTE 21 – TRADE AND OTHER PAYABLES

	31 December 2014	31 December 2013
	(in thousands of HRK)	
Trade payables	7,881	6,820
Trade payables – related parties (Note 27)	1,051	436
Other payables /i/	9,277	29,852
	18,209	**37,108**

/i/ Other payables are as follows:

	31 December 2014	31 December 2013
	(in thousands of HRK)	
Gross salaries payable	3,360	2,928
Accrued expenses	2,754	1,193
Advances received – related parties (Note 27)	2,899	2,938
Liabilities towards closed investment fund – Kapitalni Fond d.d.	-	22,036
Other	264	757
	9,277	**29,852**

Financial liabilities are denominated in the following currencies:

	2014	2013
	(in thousands of HRK)	
HRK	10,175	30,153
EUR	1,775	1,090
	11,950	**31,243**

NOTE 22 – BORROWINGS

	31 December 2014	31 December 2013
	(in thousands of HRK)	
Long-term borrowings:		
Related parties /i/ (Note 27)	30,646	61,101
Bonds /iii/	114,594	113,984
Long-term debt	**145,240**	**175,085**
Short-term borrowings:		
Related parties /i/ (Note 27)	197,384	148,017
Banks /ii/	100,620	1,023
Bonds /iii/	1,333	1,361
	299,337	**150,401**
Total borrowings	**444,577**	**325,486**

/i/ Short-term borrowings from related parties include the current portion of long-term borrowings and one short-term borrowing facility. These borrowings are not secured.

/ii/ Short-term bank borrowings include three facilities. These borrowings are secured with co-guarantees from the Company's subsidiaries.

/iii/ Bonds were issued in September 2011 in the amount of HRK 115 million at a price of 99.375% with a coupon of 6.75% per annum and final redemption on 20 September 2016.

The exposure of the Company's borrowings to interest rate changes and the contractual re-pricing dates at the balance sheet date are as follows:

	31 December 2014	31 December 2013
	(in thousands of HRK)	
3 to 6 months	162,916	93,186
Fixed interest rate	281,661	232,300
	444,577	**325,486**

The maturity of long-term borrowings is as follows:

	31 December 2014	31 December 2013
	(in thousands of HRK)	
Between 1 and 2 years	145,240	30,551
Between 2 and 5 years	-	144,534
	145,240	**175,085**

NOTE 22 – BORROWINGS (continued)

The average effective annual interest rate relating to borrowings from banks and from related parties at the balance sheet date was 2.42% (2013: 2.44%). The effective annual interest rate relating to bonds at the balance sheet date was 7.26% (2013: 7.26%).

The carrying amounts and fair value of long-term borrowings are as follows:

	Carrying amounts		Fair value	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	(in thousands of HRK)		*(in thousands of HRK)*	
Long-term borrowings				
Related parties	30,646	61,101	30,646	61,101
Bonds	114,594	113,984	122,579	119,703
	145,240	**175,085**	**153,225**	**180,804**

The carrying amount of short-term borrowings approximates their fair value.

The carrying amounts of the Company's borrowings are translated from the following currencies:

	31 December 2014	31 December 2013
	(in thousands of HRK)	
HRK	116,410	115,382
EUR	328,167	210,104
	444,577	**325,486**

NOTE 23 – DEFERRED INCOME TAX ASSETS

	31 December 2014	31 December 2013
	(in thousands of HRK)	
Deferred income tax assets:		
- Deferred income tax assets to be recovered after 12 months	316	584
- Deferred income tax assets to be recovered within 12 months	1,699	2,503
Deferred income tax assets	**2,015**	**3,087**

Deferred income tax assets are recognised for all deductible temporary differences to the extent that it is probable that the amounts recognised will be realised through future taxable profits of the Company. Temporary differences relate to accrued bonuses, unused vacation days and effects of interest rate swaps.

NOTE 23 – DEFERRED INCOME TAX ASSETS (continued)

Deferred tax assets

(in thousands of HRK)	**Bonuses**	**Derivative financial instruments**	**Other**	**Total**
At 1 January 2013	1,634	3,252	209	5,095
Tax credited to the income statement (Note 11)	1,582	562	150	2,294
Tax charged to the income statement (Note 11)	(1,634)	(2,150)	-	(3,784)
Tax charged to other comprehensive income	-	(518)	-	(518)
At 31 December 2013	**1,582**	**1,146**	**359**	**3,087**
Tax credited to the income statement (Note 11)	1,430	(561)	-	869
Tax charged to the income statement (Note 11)	(1,582)	-	(92)	(1,674)
Tax charged to other comprehensive income	-	(267)	-	(267)
At 31 December 2014	**1,430**	**318**	**267**	**2,015**

NOTE 24 – PROVISIONS

(in thousands of HRK)	**Jubilee awards and termination benefits**	**Bonuses**	**Legal proceedings**	**Total**
At 31 December 2013	**165**	**7,912**	**750**	**8,827**
Analysis of total provisions:				
Non-current	155	-	-	155
Current	10	7,912	750	8,672
At 1 January 2014	**165**	**7,912**	**750**	**8,827**
Additions	38	7,149	-	7,187
Used during the year	-	(2,572)	-	(2,572)
Unused amounts reversed	-	(5,339)	(470)	(5,809)
At 31 December 2014	**203**	**7,150**	**280**	**7,633**
Analysis of total provisions:				
Non-current	193	-	-	193
Current	10	7,150	280	7,440
At 31 December 2014	**203**	**7,150**	**280**	**7,633**

NOTE 25 – COMMITMENTS

The Company has aggregate minimum lease payments under non-cancellable operating leases for equipment, vehicles and business premises as follows:

	31 December 2014	31 December 2013
	(in thousands of HRK)	
Not later than 1 year	7,815	7,508
Later than 1 year and not later than 5 years	22,377	7,580
Later than 5 years	930	1,260
	31,122	**16,348**

As at 31 December 2014 and 31 December 2013, the Company did not have capital expenditure contracted but not yet incurred related to property, plant and equipment. Capital expenditure contracted at 31 December 2014 but not yet incurred amounted to HRK 1,456 thousand in respect of intangible assets (2013: HRK 1,745 thousand).

The Company is co-debtor and guarantor to its subsidiaries and other members of the Group in their long-term and short-term borrowings. Contingent liabilities arising from guarantees given to its subsidiaries and other members of Atlantic Group were not disclosed in the balance sheet as at 31 December 2014 and 2013, since Management believes it is not likely that they will fall into the Company's liabilities.

NOTE 26 – CASH GENERATED FROM OPERATIONS

	Note	2014	2013
Net loss		**(2,136)**	**(20,395)**
Income tax	11	966	1,871
Depreciation and amortisation	12,13	4,242	2,707
Impairment of receivables	8	45	15,228
Gain on sale of available-for-sale financial assets	9	-	(7,610)
Fair value gains on derivative financial instruments	9	(2,806)	(7,942)
Unrealised foreign exchange differences – net		683	2,593
(Decrease)/ increase in provisions	24	(1,194)	509
Share based payment		419	8,671
Interest income	5	(16)	(795)
Interest expense	10	20,587	27,382
Dividend income	5	-	(4,000)
Other non-cash items		(9)	-
Changes in working capital:			
Decrease in trade and other receivables		571	512
Increase in trade and other payables		3,135	2,340
Cash generated from operations		**24,487**	**21,071**

NOTE 27 – RELATED PARTY TRANSACTIONS

The Company enters into transactions with the related parties as presented in Note 14, shareholders and other entities owned or controlled by the Company and shareholders.
Related party transactions that relate to balances as at 31 December 2014 and as at 2013 and transactions recognized for years then ended are as follows:

(all amounts expressed in thousands of HRK)	**Note**	**31 December 2014**	**31 December 2013**
RECEIVABLES			
Current receivables			
Interest receivable			
Subsidiaries	17	457	470
Trade receivables			
Subsidiaries	17	46,374	46,268
Receivables from distribution of profit			
Subsidiaries	17	10,000	36,774
Other receivables			
Subsidiaries	17	-	2,021
LIABILITIES			
Trade and other payables			
Subsidiaries	21	3,950	3,374
Borrowings			
Subsidiaries		165,735	116,955
Shareholders		62,295	92,163
	22	228,030	209,118
REVENUES			
Revenues from corporate services			
Subsidiaries		105,461	100,518
Dividend income			
Subsidiaries	5	-	4,000
Interest income			
Subsidiaries	5	-	784
EXPENSES			
Other operating costs			
Subsidiaries	8	284	1,377
Net finance costs			
Subsidiaries		2,439	2,757
Shareholders		3,788	5,129
	10	6,227	7,886

Management board compensation

In 2014 members of the Management Board received a total gross amount of HRK 10,379 thousand relating to salaries, bonuses and supervisory board compensation in respect of operating companies (2013: HRK 13,758 thousand).