Ingra d.d.

Standalone Financial Statements as at
31 December 2010 together with the
auditor's report

Content

Management’ Report	1 - 4
Responsibility for the financial statements	5
Independent Auditor's report	6 - 7
Standalone financial statements:	
Statement of comprehensive income for the year ended 31 December 2010	8
Statement of financial position as at 31 December 2010	9
Statement of cash flows for the year ended 31 December 2010	10
Statement of changes in equity for the year ended 31 December 2010	11
Notes to the financial statements	12-56

Management Report

INGRA is a company established in the year 1955, as an export association of industrial manufacturers from ex-Yugoslavia, with the goal of organising their export activities and commercial development. In 55 years of its existence, INGRA participated in over 700 investment projects in more than 30 countries worldwide; whose total value exceeds USD 10 billion.

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

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

Through the cooperation with more than 40 companies, INGRA has expanded its primary activity of exporting investment projects for known clients to the marketing of self-funded investment projects.

Investment construction takes the form of "turnkey construction", and includes construction work, delivery and assembly of equipment and starting processes in the area of industry, infrastructure, energy, health as well as tourism.

Operating and financial review of the financial year

According to standalone financial statements for the year 2010 the Company realised total revenues amounting to HRK 286.086 million (which are lower by 50.28% than revenues realised in 2009 in the amount of HRK 575.371 million) out of which:

- Operating revenues amount to HRK 247.106 million and are lower by 56.48% compared to previous period (2009: HRK 567.828 million),
- Finance revenues amount to HRK 38,980 million and are higher by 416.77% compared to HRK 7.543 million realised in the year 2009.

Total unconsolidated expenses for the year 2010 amount to HRK 376.024 million and are lower by 42.86% in comparison to HRK 658.091 million incurred in 2009.

For the period under review operating loss amounts to HRK 38,520 million while total loss amounts to HRK 89,938 million which will be entirely covered by Company's capital reserves.

Total equity after the loss amounts to HRK 490.226 million.

Loss is mostly a result of the significant decline in the realisation due to slowdowning in infrastructural works as well as in new investment cycles in Croatia followed by further extension of contracting deadlines on foreign markets above planned terms.

However, business plans for this year, at least relating to foreign realisation are much more positive, and the estimation that the certain works will be successfully contracted which will contribute to better realisation is considered to be real.

Furthermore, in accordance with International Financial Reporting Standards, INGRA d.d. has made one-off value adjustments and recognized impairment losses on assets which had a negative effect on the financial result. These value adjustments and impairment losses have been recognized for long-term tangible and financial assets, bad debts as well as to provision for court cases. Total amount of these adjustments and impairment losses amounted to HRK 49 million and were by HRK 20 million lower if compared to the previous year.

Infrastructural projects of the business sector Construction – roads have mostly contributed to the realisation in the year 2010. All construction works have been finished on the project Hydro power plant Lešće, and the final takeover is expected until June 2011. Ingra d.d. has been involved on this project, as well as for the construction of highways in Croatia projects, as a part of Consortium of Croatian construction companies.

Despite of difficult operating circumstances, INGRA d.d. has successfully realised its own project – construction of commercial and residential building Dvori Lapad in Dubrovnik, worth EUR 55 million, for which the usage permit has been successfully obtained, and the sale and lease of business premises is currently in the process. The project has been finished within predicted terms which prove that the Company is capable to successfully finish its investments in difficult business environment.

Despite of all problems present in the year 2010, there has been a progress related to relationship with contracting parties involved in project Arena Zagreb, and the stabilisation of the collection from public partners is expected.

Adjustment to present circumstances and restructuring

Significant activities in operating and financial restructuring of the Company have been undertaken in the past period with the purpose of higher quality of adjustment to new circumstances on the market as well as for constructing new grounds with higher quality for long-term stable business.

Business has been rationalized on all levels:

- Costs of material and services in comparison to last year are lower by 43.31%, personnel costs by 27.76%,
- During the year 2010, the Company decreased its current liabilities for HRK 137.6 million out of which trade accounts payable amount to HRK 100 million. In order to decrease trade accounts payable, the Company made compensations for Company's assets in the amount of HRK 35.04 million.
- The rest of available assets have been used as collateral for bank loans and retention of approved limits.

Business year 2010 has been marked with significant decisions brought in relation to finance restructuring and stabilisation of Company's business:

General Assembly of bond holders

On 6 July 2010, on Company's initiative as a bond issuer, General Assembly has been held for bond holders of INGR-0-11CA issued on 6 December 2006, registered on regular Zagreb Stock Exchange. The decision has been brought on the prolongation of bond's due date for further five years, respectively from year 2011 to year 2016, while other terms remained unchanged. Operating conduction of the change of due date from 2011 to 2016 is expected for this year.

Increase of capital

Major step in further business stabilisation has been made by conversion of debt into share capital of the Company in the amount of HRK 120.9 million, which also resulted in one-off decrease of financial costs for current period for the amount of HRK 10 million.

Hence, the General Assembly of Ingra's shareholders held on 22 December 2010 brought the Decision on a decrease of share capital by HRK 150 million by the transfer of funds from the capital decrease into Company's reserves. In accordance with the second Decision brought by General Assembly previously decreased share capital has been increased by HRK 120,904,000 on the amount of HRK 270,904,000.

From this amount:

- HRK 38 million related to conversion of bonds,
- HRK 40.42 million related to conversion of active trances of treasury bills, and
- HRK 42.48 million related to conversion of debts toward business partners and co-operants on investment projects.

New ordinary 6,045,200 shares have been issued in accordance with this Decision, without nominal amount, and the share capital is now divided into 13,545,200 shares without nominal amount.

At the same time, changes in Articles of Association have been adopted which, beside the increase and decrease of share capital, include the decision that the Company's management is permitted to once or on more occasions increase share capital by issuance of new shares, up to maximum amount of HRK 406,356,000 (from the amount of HRK 270,904,000 for the maximum amount of HRK 135,452,000). Listing of new shares on Regular Zagreb Stock Exchange is planned after the audit of the financial statements and approval of Prospectus from regulatory bodies.

During the year the Company has at the same time regularly paid all of its financial liabilities on the basis of debt securities, while the differences which occurred in liabilities toward business banks will be covered in the Programme on refinancing of debts, which is made on Management's Board and business banks' level and which finalisation is expected by the summer 2011, and in accordance with this new arrangement stability related to relations with bank will be maintained on longer basis and with lower borrowing costs.

Conclusion:

The Company continues to be present on domestic market through major infrastructural projects such as construction of highways, energetic and other public objects, inspite of constant deterioration of macro-economic factors which resulted in difficult business circumstances,.

In order to strengthen its competitors position and to make sure that contracts for new projects will be successfully negotiated, the Company has increased its presence on foreign market, and has invested more than 30 million of its own funds into foreign operations during the previous period, and it is transparent that few major contracts will be signed in future period.

More and more Croatian companies are involved in foreign operations of the Company, which enables the presence of those companies on international markets.

We hope that this joint venture will finally result in the foundation of consortium which will successfully realise complex investment projects on international markets which are more and more demanding.

On behalf of the Management' Board

Igor Oppenheim

INGRA
DIONIČKO DRUŠTVO ZA IZGRADNJU INVESTICIJSK
OBJEKATA UVOZ IZVOZ I ZASTUPSTVA
8 ZAGREB

Responsibility for the Financial Statements

Pursuant to the Croatian Accounting Law (Official Gazette 109/07), the Board is responsible for ensuring that financial statements are prepared for each financial year in accordance with International Financial Reporting Standards as adopted by the European Union which give a true and fair view of the financial position and results of Ingra d.d., Zagreb. (the "Company") for that period.

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

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

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

The Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and must also; ensure that the financial statements comply with the Croatian Accounting Law (Official Gazette 109/07). The Board is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

By order of the Management Board

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

Igor Oppenheim
President of the Management board

Ingra d.d.

Alexandera von Humboldta 4 B

10000 Zagreb

Croatia

Zagreb, 8 March 2011

Independent Auditor's report

To the Management Board and Shareholders of Ingra d.d.

We have audited the accompanying standalone financial statements of Ingra d.d. Zagreb (hereinafter: the Company), which comprise the statement of financial position as of 31 December 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as presented on pages 9 to 56.

Management's Responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Basis for the Qualified Opinion

As described in the notes 15 and 16, the Company has stated an investment in the foreign associate Mavrovo Inženjering dooel in the amount of HRK 9.6 million, and investment in the company Opatija Nekretnine d.o.o. in the amount of HRK 6.9 million (in which the Company holds less than 20% of the share capital of that company). Based on our audit procedures performed, we were not able to satisfy ourselves in the recoverability of these investments.

At balance sheet date the Company has receivable on the basis of loans granted (including interest) to the associate Mavrovo Inženjering dooel in the amount of HRK 12.8 million. Based on our audit procedures performed, we were not able to satisfy ourselves in the recoverability of these receivables in the amount of HRK 7.4 million.

In note 22 is stated recognition of accured income in the amount of HRK 53 million from joint ventures abroad, whose collection depends on the resolution of a claim lead by the main constructor, and the final outcome of the procedure has not been completed.

Opinion

In our opinion, except for the effect on the standalone financial statements of the matters described in the Basis for Qualified Opinion paragraph, the standalone financial statements give true and fair view of the Company's financial position as of 31 December 2010 and the results of its operations, cash flows and changes in equity for the year then ended in accordance with in accordance with International Financial Reporting Standards adopted by European Union.

Emphasis of matter

Without further qualifying our opinion, we draw attention to the following:

In notes 14 and 18 is explained investment and long term receivable from the related company Lanište d.o.o. which carried the construction project of Arena Zagreb. In case that Zagrebački holding d.o.o. excersize the option of early redemption of Arena Zagreb, internal rate of return of the total investment and long term receivable would be lower than market interest rate for placements with similar credit characteristics. We were not able to estimate certainty of early redemption by Zagrebački holding d.o.o.

As stated in note 35, due to further strengthening of economic crisis during the year 2009 and 2010 and mismatch in the maturity structure of assets and liabilities, the Company's Management intensively conducts activities in order to adjust the maturity structure of assets and liabilities which includes sale of the part of Company's assets and re-financing on the longer basis. Therefore, standalone financial statements as at 31 December 2010 have been prepared on the going concern basis.

Consolidated financial statements

The Company has subsidiaries and in accordance with the requirements of IAS 27 "Consolidated and Separate Financial Statements", has prepared and separately published consolidated financial statements on 8 March 2011.

Grant Thornton revizija d.o.o.

Koranska 16, 10000 Zagreb

Zagreb, 8 March 2011

GRANT THORNTON
revizija d.o.o.
ZAGREB

Siniša Dušić

Certified auditor

Statement of comprehensive income

	Note	2010 HRK '000	2009 HRK '000
Operating revenues			
Sales	3	225,080	485,170
Other operating income	4	22,026	82,658
		247,106	**567,828**
Changes in work in progress and finished goods		17,975	(57,820)
Cost of material and services	5	(218,124)	(382,948)
Personnel costs	6	(34,843)	(48,229)
Depreciation	7	(4,587)	(5,690)
Other operating expenses	8	(46,047)	(43,622)
Operating result		**(38,520)**	**29,519**
Financial revenues		38,980	7,543
Financial expenses		(90,398)	(119,782)
Net financial result	9	**(51,418)**	**(112,239)**
Profit / (Loss) before taxation		**(89,938)**	**(82,720)**
Corporate income tax	10	-	-
Net profit / (loss) for the period		**(89,938)**	**(82,720)**
Earnings per share (in Croatian kuna)			
Basic earnings per share	23	(11.73)	(11.03)
Diluted earnings per share	23	(12.13)	(11.51)

Statement of comprehensive income

	2010 HRK '000	2009 HRK '000
Profit / (loss) for the year	**(89,938)**	**(82,720)**
Other comprehensive income :		
Available-for-sale financial assets	35,853	13,011
Changes in revaluation reserves	(1,179)	(1,179)
Income tax relating to components of other comprehensive income	236	236
Other comprehensive income for the year, net of tax	**34,910**	**12,068**
Total comprehensive income/(loss) for the year	**(55,028)**	**(70,652)**

Notes are integral part of unconsolidated statement of comprehensive income

Statement of financial position

ASSETS	Notes	31/12/2010 HRK '000	31/12/2009 HRK '000
Non-current assets			
Goodwill	11	-	24,200
Property, plant and equipment	12	90,463	94,850
Investment property	13	110,992	58,855
Investments in subsidiaries	14	103,222	110,079
Investments in associates	15	9,652	9,652
Other financial assets	16	48,284	31,068
Long term loans	17	12,219	14,230
Long-term receivables	18	423,009	361,705
		797,841	**704,639**
Current assets			
Inventories	19	302,269	314,571
Trade and other receivables	20	105,361	203,844
Other financial assets	16	14,938	19,689
Short term loans	17	11,018	5,245
Cash and cash equivalents	21	11,366	24,626
		444,952	**567,975**
Prepayments and accrued income	22	56,580	120,030
TOTAL ASSETS		**1,299,373**	**1,392,644**
		191,526	**193,009**
EQUITY AND LIABILITIES			
Equity			
Share capital		270,904	300,000
Share premium		250,572	123,000
Treasury shares		-	(6,457)
Reserves for treasury shares		9,000	9,000
Revaluation reserves		41,922	42,865
Unrealised losses on available-for-sale financial assets		-	(35,853)
Legal reserves		8,250	8,250
Other reserves		(485)	44,070
Retained earnings		-	39,634
Net loss for the year		(89,938)	(82,720)
	23	**490,225**	**441,789**
Non-current liabilities			
Interest bearing liabilities	24	199,637	223,937
Provisions	25	9,068	6,822
Deferred tax liability	26	10,481	10,716
		219,186	**241,475**
Current liabilities			
Trade and other payables	28	153,569	292,821
Liabilities for construction contracts	29	4,674	-
Interest bearing liabilities	24	410,015	413,073
		568,258	**705,894**
Accrued expenses and deferred income	30	21,704	3,486
TOTAL LIABILITIES		**809,148**	**950,855**
TOTAL EQUITY AND LIABILITIES		**1,299,373**	**1,392,644**
Off balance sheet items	31	**191,526**	**193,009**

Notes are integral part of unconsolidated Statement of financial position

Statement of cash flows

	2010 HRK '000	2009 HRK '000
Cash flows from operating activities		
Profit / (loss) before tax	(89,938)	(82,720)
Adjustments:		
Depreciation of property, plant and equipment	3,627	4,701
Depreciation of investment property	960	989
(Gain) / loss on sale of plant and equipment	(306)	15
(Gain) / loss on sale of investment property	4,623	(362)
Share based payments	-	3,631
Realization of goodwill	-	33,929
Revenue recognition according to IFRIC 19	(21,592)	-
Impairment of investments in subsidiares	6,857	55,748
Impairment of other long term financial assets	-	5,543
Interest expenses	31,903	28,039
Interest income	(9,113)	(3,770)
Impairment of inventories	-	9,356
Fair value gains/(losses) on available-for-sale financial assets	4,581	13,011
Impairment losses on available-for-sale financial assets	31,272	-
Increase/decrease of provisions	5,950	(59)
Impairment of loans granted	50	33
Impairment of trade and other receivables	12,620	17,783
Net foreign exchange differences	3,961	398
	75,393	**168,985**
Result from operating activities before changes in working capital	***(14,545)***	***86,265***
Decrease/increase in current assets		
Decrease (increase) in inventories	(22,052)	25,596
Decrease (increase) in trade receivables	94,377	22,219
Decrease (increase) in prepayments and accrued incomes	63,450	(92,732)
Increase/decrease in current liabities		
Increase (decrease) of current liabilities	(92,093)	(283,801)
Increase (decrease) in accrued expenses	(1,359)	(20,100)
Net cash flow from operating activities before interests and taxes	**27,778**	**(262,553)**
Interests received	599	3,770
Interests paid	(16,030)	(28,039)
Net cash flow from operating activities	**12,347**	**(286,822)**
Investing activities		
Purchase of property, plant and equipment	(72)	(471)
Proceeds from disposals of property, plant and equipment	1,138	24
Purchase of investment property	(316)	(870)
Proceeds from sale of investment property	1,150	15,000
Decrease (increase) of long term receivables	(61,304)	91,591
Increase (decrease) of long-term financial assets	(15,440)	53,803
Increase (decrease) of short-term financial assets	(1,072)	43,774
Net cash used in investing activities	**(75,916)**	**202,851**
Financial activities		
Transactions with treasury shares	3,209	(12,038)
Decrease (increase) in long-term financial liabilities	13,693	(55,656)
Increase (decrease) in short term financial liabilities	33,407	174,463
Dividends paid	-	(3,750)
Payments to Supervisory Boad members and employees	-	(420)
Net cash flow from (used in) financial activities	**50,309**	**102,599**
Net change in cash and cash equivalents	**(13,260)**	**18,628**
Cash and cash equivalents at the beginning of the period	24,626	5,998
Cash and cash equivalents at the end of the period	**11,366**	**24,626**

Notes are inegral part of unconsolidated Statement of Cash Flows

Statement of changes in equity

	Share capital HRK'000	Share premium HRK'000	Treasury shares HRK'000	Treasury share reserves HRK'000	Revaluation reserves HRK'000	Unrealized gains/ (losses) on available-for sale financial assets HRK'000	Legal reserves HRK'000	Reserves and retained earnings HRK'000	Total HRK'000
As at 1 January 2009	**300.000**	**123.000**	**(6.660)**	**8.000**	**43.808**	**(48.864)**	**7.500**	**97.055**	**523.839**
Transactions with owners									
Purchase of own shares	-	-	(25.214)	-	-	-	-	(12.837)	**(38.051)**
Transfer from retained earnings to reserves for treasury shares	-	-	-	1.000	-	-	-	(1.000)	-
Transfer to legal reserves	-	-	-	-	-	-	750	(750)	-
Rewards to Supervisory board's members	-	-	-	-	-	-	-	(120)	**(120)**
Rewards to employees	-	-	-	-	-	-	-	(300)	**(300)**
Dividends	-	-	-	-	-	-	-	(3.750)	**(3.750)**
Share based payments	-	-	25.417	-	-	-	-	4.463	**29.880**
Transfer from revaluation reserves to retained earnings and other reserves	-	-	-	-	-	-	-	943	**943**
Loss for the year	-	-	-	-	-	-	-	(82.720)	**(82.720)**
Other comprehensive income / (loss)									
Available for sale financial assets									
- current year gains (losses)	-	-	-	-	-	(9.656)	-	-	**(9.656)**
- reclasification to profit or loss	-	-	-	-	-	22.667	-	-	**22.667**
Revaluation reserves changes	-	-	-	-	(1.179)	-	-	-	**(1.179)**
Income tax relating to other comprehensive income	-	-	-	-	236	-	-	-	**236**
Total comprehensive income / (loss) for the year	**-**	**-**	**-**	**-**	**(943)**	**13.011**	**-**	**-**	**12.068**
As at 31 December 2009	**300.000**	**123.000**	**(6.457)**	**9.000**	**42.865**	**(35.853)**	**8.250**	**984**	**441.789**
Transaction with owners									
Decrease of share capital	(150.000)	150.000	-	-	-	-	-	-	-
Increase of share capital	120.904	(22.428)	-	-	-	-	-	-	**98.476**
Share based payments	-	-	6.457	-	-	-	-	(2.412)	**4.045**
Transfer from revaluation reserves to retained earnings and other reserves	-	-	-	-	-	-	-	943	**943**
Loss for the year	-	-	-	-	-	-	-	(89.938)	**(89.938)**
Other comprehensive income / (loss)									
Available for sale financial assets									
- current year gains (losses)	-	-	-	-	-	(2.939)	-	-	**(2.939)**
- reclasification to profit or loss	-	-	-	-	-	38.792	-	-	**38.792**
Revaluation reserves changes	-	-	-	-	(1.179)	-	-	-	**(1.179)**
Income tax relating to other comprehensive income	-	-	-	-	236	-	-	-	**236**
Total comprehensive income / (loss) for the year	**-**	**-**	**-**	**-**	**(943)**	**35.853**	**-**	**(89.938)**	**(55.028)**
As at 31 December 2010	**270.904**	**250.572**	**-**	**9.000**	**41.922**	**-**	**8.250**	**(90.423)**	**490.225**

Notes are integral part of unconsolidated Statement of Changes in Equity

1. General data on the Company

Ingra d.d. ("the Company") is a company registered and domiciled in Zagreb, Aleksandra Von Humboldta 4/b, in the Republic of Croatia. The Company is registered with the Commercial Court in Zagreb, year 2000.

As at 31 December 2009 the company had 135 employees, while as at 31 December 2010 the Company had 104 employees.

Supervisory board

The members of Supervisory board during the 2010 were as follows:

- PhD Danijel Režek, President until 4 October 2010, from that date vice president
- Stjepan Mesić, President from 4 October 2010
- Akademician Jakša Barbić, Vice president until 4 October 2010, from that date the member
- Josip Protega, Member – until 25 February 2010
- Nadan Vidošević, Member – until 22 July 2010
- Marijan – Antun Kostrenčić, Member – from 7 January 2010
- Marko Orešković, Member

Management board

The members of board of directors during the 2010 were as follows:

- Igor Oppenheim, President
- Jasna Ludviger, Member – until 5 Noveber 2010
- Željko Perić, Member - from 1 December 2010

The ownership's structure as at 31 December 2010 and 31 December 2009 was as follows:

	31 December 2010		31 December 2009	
	Number of shares	**Shares %**	**Number of shares**	**Shares %**
Privredna banka Zagreb d.d.	909,974	6.72%	472,775	6.30%
Raiffeisen Mandatory Pension fund	858,205	6.34%	346,856	4.62%
Igor Oppenheim	773,908	5.71%	762,750	10.17%
PBZ Croatia Mandatory Pension fund	603,877	4.46%	204,545	2.73%
AZ Mandatory Pension fund	564,324	4.17%	435,682	5.81%
Dom holding d.d.	516,658	3.81%	-	-
Tehnika d.d.	451,800	3.34%	451,800	6.02%
Ingra gradnja d.o.o.	405,000	2.99%	-	-
Erste & Steiermarkische bank d.d.	380,759	2.81%	-	-

(contiuned)	31 December 2010 Number of shares	Shares %	31 December 2009 Number of shares	Shares %
Jasna Ludviger	338,850	2.50%	338,850	4.52%
Treasury shares	-	-	161,425	2.15%
Others	7,741,845	57.16	4,325,317	62.19%
	13,545,200	**100.00**	**7,500,000**	**100.00%**

The registration of the new issued shares in Central Depozitory Agency was made on 3 January 2011.

2. Summary of accounting policies

General

Statement of compliance

Standalone financial statements of the Company are prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

Accounting policies have not been changed during the reporting period compared to the previous year. During the year the Company has not adopted new and revised IFRS and their interpretations that could materialy affect the Company's financial position, results of itsoperations or require additional disclosures in the financial statements except for the following:

- As at 31 December 2010 the Company early adopted IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* and in accordance with this interpretation, recognized income in the amount HRK 21,592 thousand in the profit and loss account for the difference between the extinguised financial liability and consideration paid (fair value of issued shares).

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

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

The financial statements are denominated in Croatian Kuna (HRK). At 31 December 2010, the exchange rate for USD 1 and EUR 1 was HRK 5.57 and HRK 7.38, respectively (31 December 2009: HRK 5.09 and HRK 7.31 respectively).

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

Standards, amendments and interpretations adopted by the European Union and the Croatian Board and effective

The following new and revised Standards and Interpretations have been adopted in the current period and had no affected the amounts reported in these financial statements:

- *IFRS 1 First-time Adoption of IFRS (revised) – effective for annual periods beginning on or after 1 January 2010,*
- *IFRS 2 Share based payment (revised) – effective for annual periods beginning on or after 1 January 2010,*
- *IFRS 7 Financial Instruments: Disclosures – effective for annual periods beginning on or after 1 January 2010,*
- *IAS 1 Presentation of Financial Statements (revised) – effective for annual periods beginning on or after 1 January 2010,*
- *IAS 16 Property, Plant and Equipment (revised) – effective for annual periods beginning on or after 1 January 2010,*
- *IAS 18 Revenue – effective for annual periods beginning on or after 1 January 2010,*
- *IAS 19 Employee Benefits (revised) – effective for annual periods beginning on or after 1 January 2010,*
- *IAS 20 Accounting for Government Grants and Disclosure of Government Assistance – effective for annual periods beginning on or after 1 January 2010,*
- *IAS 23 Borrowing costs (revised) – effective for annual periods beginning on or after 1 January 2010,*
- *IAS 27 Consolidated and Separate Financial Statements – Cost of an investment at first application – effective for annual periods beginning on or after 1 January 2010,*
- *IAS 28 Investments in Associates (revised) – effective for annual periods beginning on or after 1 January 2010,*
- *IAS 29 Financial Reporting in Hyperinflationary Economies (revised) – effective for annual periods beginning on or after 1 January 2010,*
- *IAS 31 Interests in Joint Ventures (revised) – effective for annual periods beginning on or after 1 January 2010,*
- *IAS 32 Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation (revised) – effective for annual periods beginning on or after 1 January 2010,*
- *IAS 36 Impairment of Assets (revised) – effective for annual periods beginning on or after 1 January 2010,*
- *IAS 38 Intangible Assets (revised) – effective for annual periods beginning on or after 1 January 2010,*
- *IAS 39 Financial Instruments: Recognition and Measurements (revised) – effective for annual periods beginning on or after 1 January 2010,*
- *IAS 40 Investment Property (revised) – effective for annual periods beginning on or after 1 January 2010,*

- *IAS 41 Agriculture (revised) – effective for annual periods beginning on or after 1 January 2010,*
- *IFRIC 15 Agreements for the Construction of Real Estate – effective for annual periods beginning on or after 1 January 2010,*
- *IFRIC 16 Hedges of a Net Investment in a Foreign Operation – effective for annual periods beginning on or after 1 January 2010,*
- *IFRIC 17 Distributions of Non-cash Assets to Owners – effective for annual periods beginning on or after 1 January 2010,*
- *IFRIC 18 Transfers of Assets from Customers – effective for annual periods beginning on or after 1 January 2010,*
- *IFRS 3 Business Combinations (revised) – effective for annual periods beginning on or after 1 January 2010,*
- *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (revised) – effective for annual periods beginning on or after 1 January 2010,*
- *IAS 27 Consolidated and Separate Financial Statements – effective for annual periods beginning on or after 1 January 2010,*
- *IAS 28 Investments in Associates (revised based on IFRS improvements) – effective for annual periods beginning on or after 1 January 2010,*
- *IAS 31 Interests in Joint Ventures (revised based on IFRS 3 amendment) – effective for annual periods beginning on or after 1 January 2010,*
- *IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedge items – effective for annual periods beginning on or after 1 January 2010.*

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company for the year ended 31 December 2010:

- *Improvements of IFRSs issued in May 2010 effective for annual periods beginning on or after 1 July 2010 or 1 January 2011*
- *IFRS 9 Financial Instruments – effective for annual periods beginning on or after 1 January 2013,*
- *Amendments to IAS 24 Related party Disclosures (as revised in 2009)- effective for annual periods beginning on or after 1 January 2011*

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

As previously stated, the Company has early adopted the following interpretation, effective for annual periods beginning on 1 July 2010:

- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*

which resulted with the higher result for the amount of HRK 21.5 million.

Estimates and judgements

In the preparation of financial statements the managements used certain judgements, estimations and assumptions which affect reporting amounts of assets and liabilities, disclosure of contingent items at the reporting date and income and expenses for the period then ended.
Estimates and associated assumptions are used, but not limited to, for: calculation and depreciation period and residual values for property, plant and equipment and intangible assets, impairment, value adjustments for inventory and doubtful receivables and provisions. More details on the accounting policies for there estimates are presented in the other parts of this note as well in other parts of notes to financial statements. Future events and their influence cannot be predicted with the certainty. Therefore accounting estimates and underlying assumptions require judgement, and those used in the preparation of the financial statements are subject to changes due to occurrence of new events, gaining of additional experience, new information and changes in environment in which the Company operates. Actual results may differ from these estimates.

The basic accounting policies used for the preparation of the financial statements are presented and explained below.

a) Goodwill

Goodwill is determined as a difference between:

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

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

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

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

b) Property, plant and equipment

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

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

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

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

Following initial recognition at cost, buildings are carried at a revaluated amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses. Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

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

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

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

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

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

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

Depreciation is calculated on the separate asset items until they are fully depreciated.
Any gain or loss arising from disposal of the asset is included in the profit or losss account under the other operating income or expenses.

Impairment of tangible and intangible assets excluding goodwill

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

Recoverable amount is higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revaluated amount, in which case the impairment loss is treated as a revaluation decrease.

c) Investment property

Investment property is property held either to earn rental income or for capital appreciation or both. Investment property is initially measured at cost. After initial recognition, investment property is measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes purchase price and expenditure that is directly attributable to the acquisition of the asset. Investment property in progress is classified as property, plant and equipment, except land which is immediately recognised as investment property. After putting into use, investment property will be depreciated over the useful economic life.

d) Leases

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

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

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

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

e) Investment in subsidiares

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

f) Investment in associates

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

g) Inventories

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

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

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

h) Receivables

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

i) Cash and cash equivalents

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

j) Foreign currency translation

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

k) Loans received

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

l) Provisions

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

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

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

m) Employee benefits

(i) Defined pension fund contributions

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

(ii) Bonus plans

A liability for employee benefits is recognised in provisions based on the Company's formal plan and when past practice has created a valid expectation by the Management Board/key employees that they will receive a bonus and the amount can be determined before the time of issuing the financial statements.

Liabilities for bonus plans are expected to be settled within 12 months of the balance sheet date and are measured at the amounts expected to be paid when they are settled.

(iii) Share based payment transactions

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

n) Revenue recognition

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

Revenues from construction contracts

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

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

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

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

o) Finance income and expenses

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

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

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

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

p) Taxes

The Company provides for taxation liabilities in accordance with Croatian law. Corporate tax for the year comprises current and deferred tax.

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

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

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

q) Segment reporting

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

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

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

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

r) Earnings per share

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

Diluted earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period decreased by weighted average number of treasury shares.

s) Financial assets and financial liabilities

Financial assets

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

Financial assets are classified into the following specified categories:

- "At fair value through profit or loss" (FVTPL)

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

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

- "Held-to-maturity"

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

- “Available for sale” (AFS)

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

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

o “Loans and receivables”

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

Impairment of financial assets

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

For unlisted shares classifies as AFS a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classifies as AFS and finance lease receivables, objective evidence of impairment could include:

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company’s past experience of collecting payments, an increase in number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset’s carrying amount and the present value of estimated future cash flow, discounted at the financial asset’s original effective interest rate.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of AFS equity instruments, if in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed trough profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised through profit or loss are not reversed trough profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income.

De-recognition of financial assets

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

Financial liabilities and equity instruments issued by the Company

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instruments is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Share capital

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

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

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

Financial guarantee contract liabilities

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

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

Financial liabilities at FVTPL

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

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

Other financial liabilities

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

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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

De-recognition of financial liabilities

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

t) Contingent assets and liabilites

Contingent liabilities are not recognised in financial statements. They are published in notes only if cast of economical benefits isn't possible.

Contingent assets isn't expressed in financial statement, already is expressed when the intakes of economical benefits is possible.

u) Subsequent events

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

v) Use of estimates and judgments

The preparation of financial statements in accordance with the legal framework applicable in the Republic of Croatia requires the Board to create judgments, estimates and assumptions that affect on the application of policies and the stated amount of assets, liabilities, and revenues as well as expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable in the circumstances, the results of which form the basis for making estimates of the value of assets and liabilities, which is not obtainable from other sources. The actual may differ from those estimates.

The above mentioned estimates and associated assumptions are subject to regular review. Effect of corrections estimates are recognized in the period in which the estimate is corrected if the correction affects only the period in which he made or the period in which the correction is made and future periods if the correction affects the current and future periods.

w) Comparative information and reclassifications

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

Therefore, in the statement of comprehensive income for the the year ended 31 December 2009 the amount of HRK 787 thousand, which relate to the compensations to employees, has been reclassified from other costs to personnel costs ,and in the Balance sheet at 31 December 2010 the following reclassifications have been made:

- Amount of HRK 9,644 thousand was reclassified from the investments in subsidaries to investments in associates,

- Amount of HRK 45 thousand was reclassified from the investment in asociates to investments in subsidiares.

3. Sales

	2010 HRK'000	2009 HRK'000
Revenue from construction contracts (domestic)	175,387	322,193
Other domestic sales	1,958	3,149
Revenue from construction contracts (abroad)	39,785	150,048
Other foreign sales	7,950	9,780
	225,080	**485,170**

Segment reporting

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

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

Description	**2010**			**2009**		
	Croatia	Foreign	Total	Croatia	Foreign	Total
	000'HRK	000'HRK	000'HRK	000' HRK	000'HRK	000'HRK
Revenues	177,345	47,735	**225,080**	325,342	159,828	**485,170**
Total revenues	186,944	60,162	**247,106**	333,573	234,255	**567,828**
Profit/loss from operating activities	(36,369)	(2,151)	**(38,520)**	(59,296)	88,852	**29,556**
Net financial result	(52,017)	599	**(51,418)**	(50,788)	(61,451)	**(112,239)**
Profit/(loss) before taxation	(88,386)	(1,552)	**(89,938)**	(110,121)	27,401	**(82,720)**
Corporate income tax	-	-	**-**	-	-	**-**
Profit/(loss) for the year	(88,386)	(1,552)	**(89,938)**	(110,121)	27,401	**(82,720)**
Other segments information						
Depreciation (Note 7)	4,527	60	**4,587**	5,636	54	**5,690**

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

4. Other operating income

	2010	2009
	HRK'000	HRK'000
Collection of previously impaired trade receivables	11,169	6,784
Debt writen off from previous years	4,407	11,263
Income from penalties collected	641	6,572
Rent income	511	617
Net gain on sale of property, plant and equipment	348	362
Release of provision for court cases	129	122
Income from joint ventures abroad from previous years	-	53,191
Other	4,821	3,747
	22,026	**82,658**

In 2009 the Company recognized income on the basis of receivables from joint ventures abroad of the Company in the previous years in the amount of HRK 53 milion (note 22).

During 2010 the Company has written off liabilities in amount of HRK 4,407 thousand. Debt writen off is mostly based on signed settlements with the suppliers.

5. Costs of materials and services

	2010	2009
	HRK'000	HRK'000
Costs of materials		
Raw materials	814	1,289
Energy	1,031	1,223
Small inventory	3	24
	1,848	**2,536**
Costs of services		
Sub-contractors	209,372	371,875
Rent	2,037	2,592
Transportation	1,464	2,391
Maintenance	833	742
Other services	2,570	2,812
	216,276	**380,412**
	218,124	**382,948**

6. Personnel costs

	2010	2009
	HRK'000	HRK'000
Net salaries and wages	18,212	26,684
Taxes and contributions	12,377	20,758
Compensation to employees	550	787
Accrued personnel expenses	3,704	-
	34,843	**48,229**

The average number of the Company's employees in 2010 was 104 (2009: 140).

Company's personnel expenses include HRK 3,360 thousand (2009: HRK 6,785 thousand) of defined pension contributions paid into mandatory pension funds.

7. Depreciation

	2010	2009
	HRK'000	HRK'000
Depreciation of property, plant and equipment and investment property		
- regular depreciation	3,408	4,511
- release of revaluation reserves	1,179	1,179
	4,587	**5,690**

8. Other operating expenses

	2010	2009
	HRK'000	HRK'000
Provision of bad debt receivables	12,620	2,305
External services	10,984	8,165
Loss from asset disposals	4,665	-
Taxes non-dependable on results	3,430	3,830
Remunerations to employees	3,255	3,386
Bank services	3,003	4,938
Insurance premiums	1,372	1,086
Entertainment costs	506	1,490
Other taxes and contributions	175	360
Impairment losses on related party receivables	45	15,342
Other expenses	3,632	2,720
	46,047	**43,622**

9. Financial revenues and expenses

	2010	2009
	HRK'000	HRK'000
Financial income		
The difference between the carrying value of extinquished financial liability and fair value of equity instruments issued (IFRIC 19)	21,592	-
Interest income	12,170	3,770
Foreign exchange gains on loans and receivables	1,919	2,507
Foreign exchange gains on held to maturiry financial liabilities	3,179	543
Net change in investments “at fair value through profit or loss”	49	403
Dividend income	40	320
Net profit on sale of available-for-sale financial asset	21	-
Other financial income	10	-
Total financial income	**38,980**	**7,543**
Financial expenses		
Interest expense	31,741	28,039
The impairment loss on available-for-sale financial assets - reclassification from other comprehensive income to the profit and loss	31,272	-
Value adjustment of investments in subsidiares	6,876	55,748
Realized fair value losses on available-for-sale financial asset	7,453	22,667
Value adjustment of long term financial assets	1,620	5,543
Loss from sale of share in participating interests	-	4,847
Foreign exchange losses	1,974	2,905
Foreign exchange losses on held to maturity liabilities	7,085	-
Other financial expenses	2,377	33
Total financial expenses	**90,398**	**119,782**
Financial result	**(51,418)**	**(112,239)**

The Company recognized impairment loss on available-for-sale financial assets in 2010 in the amount of 31 million due to significant and prolonged decline in the fair value of this portfolio.

10. Corporate income tax

A reconciliation of tax expense per the income statement and taxation at the statutory rate is detailed in the table below:

	2010	2009
	HRK'000	HRK'000
Loss before taxation	(89,938)	(82,720)
(Loss)/gain taxed abroad	(389)	(1,638)
Adjusted (loss)/gain	(90,327)	(84,358)
Tax calculated at the statutory rate of 20% (*2009: 20%*)	(18,065)	(16,872)
Expenses not allowable for tax purposes	12,399	16,663
Tax on depreciation calculated on revaluated amount	236	236
Non-taxable income	(81)	(2,033)
Incentives	(6)	(10)
Income tax	-	-
Un-recognized deferred tax asset	(5,517)	(2,016)
Un-recognized deferred tax asset from previous period	(2,016)	-
Unrecongized deferred tax asset	**(7,533)**	**(2,016)**

Due to the uncertainty, the taxable income will be available for the usage of tax losses carried forward within 5 years, the Company has not recognized deferred tax assets based on these losses at the balance sheet date.

Unrecognised tax assets on tax losses to be carried forward expires as follows:

	2010	2009
	HRK'000	HRK'000
In next 5 years	5,517	2,016
In next 4 years	2,016	-
	7,533	**2,016**

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

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

11. Goodwill

Goodwill as at 31 December 2009 amounted to HRK 24,200 thousand and relates to goodwill resulted from merger of the subsidiary Jabuka d.o.o. In 2010 due to completion of the construction of commercial and residential building Lapad the amount of goodwill wasis allocated to the value of investment property and inventories.

Movement in goodwill in the year 2010 and 2009 was as follows:

	2010	2009
	HRK'000	HRK'000
Balance at 1 January	**24,200**	**58,129**
The realization of goodwill resulting from the sales of apartments	-	(20,359)
Allocation of goodwill resulting from the Lapad project completion to investment property and inventories	(24,200)	-
Impairment of goodwill	-	(6,373)
Other decreases	-	(7,197)
Balance at 31 January	**-**	**24,200**

12. Property, plant and equipment

Description	**Land**	**Buildings**	**Plant and equipment**	**Vehicles and other assets**	**Total**
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Purchase value					
As at 1 January 2009	**12,060**	**102,429**	**6,597**	**8,408**	**129,494**
Additions	-	-	472	18	490
Disposals	-	-	(102)	(149)	(251)
As at 31 December 2009	**12,060**	**102,429**	**6,967**	**8,277**	**129,733**
Additions	-	-	71	-	71
Disposals	-	-	(477)	(2,594)	(3,071)
As at 31 December 2010	**12,060**	**102,429**	**6,561**	**5,683**	**126,733**
Accumulated depreciation					
As at 1 January 2009	**-**	**19,668**	**4,935**	**5,772**	**30,375**
Depreciation for the year	-	2,561	1,156	984	4,701
Disposals	-	-	(50)	(143)	(193)
As at 31 December 2009	**-**	**19,628**	**4,881**	**5,866**	**30,375**
Depreciation for the year	-	2,561	498	568	3,627
Disposals	-	-	(309)	(1,931)	(2,240)
As at 31 December 2010	**-**	**24,790**	**6,230**	**5,250**	**36,270**
Carrying value					
As at 31 December 2009	12,060	80,200	926	1,664	94,850
As at 31 December 2010	**12,060**	**77,639**	**331**	**433**	**90,463**

Revaluation

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

Leased assets

Total area of the building is 4,700 m^2 and includes an area of 56,10 m^2 rented to third parties in the year 2010. Total carrying value of the building amounts to HRK 77,639 thousand (2009: HRK 80,200 thousand).

The Company is not registered as the owner of the building in the Land Register due to unresolved land ownership transcipts in the Land Register of cadastral district Trnje in which the building is situated. At 31 December 2010 there are no pledges over this building registered in favour of financial institutions.

As at 31 December 2010 the Company uses completely depreciated assets with the purchase cost amounting to HRK 8,621 thousand (2009: HRK 8,239 thousand).

13. Investment property

Description	**Land**	**Buildings**	**Total**
Cost	HRK'000	HRK'000	HRK'000
As at 1 January 2009	**29,228**	**46,141**	**75,369**
Additions	-	869	869
Disposals	(6,223)	(8,681)	(14,904)
As at 31 December 2009	**23,005**	**38,329**	**61,334**
Transfer from inventories – Lapad project	20,211	38,343	58,554
Additions	-	316	316
Disposals	(5,773)	-	(5,773)
As at 31 December 2010	**37,443**	**76,988**	**114,431**
Accumulated depreciation			
As at 1 January 2009	**-**	**1,757**	**1,757**
Additions	-	989	989
Disposals	-	(267)	(267)
As at 31 December 2009	**-**	**2,479**	**2,479**
Additions	-	960	960
As at 31 December 2010	**-**	**3,439**	**3,439**
Carrying value			
As at 31 December 2009	23,005	35,850	58,855
As at 31 December 2010	**37,443**	**73,549**	**110,992**

The fair value of the investment property does not significantly differ from the cost of acquisition. During 2010 the Company transferred the amount of HRK 58,554 thousand which related to investment property leased in commercial and residential building Dvori Lapad completed in 2010, from inventories to investment property.

During 2010 the Company sold land with carrying value amounting to HRK 6 million and incurred a loss in the amount of HRK 4,6 million.

Carrying value of assets which are pledged as a collateral for bank loans at 31 December 2010 amounts to HRK 106,540 thousand (2009: 39,816 thousand).

14. Investment in subsidiaries

		31 December 2010	Ownership	31 December 2009	Ownership
		HRK'000	%	HRK'000	%
1.	Ingra Mar d.o.o.	20	100%	20	100%
2.	Ingra M.E. d.o.o.	20	100%	20	100%
3.	Ingra Italija s.r.l., Italija	51	67%	51	67%
4.	Bioadria d.o.o.	91	64%	91	64%
5.	Ingra Bioren d.o.o.	12	60%	12	60%
6.	Ingra gradnja d.o.o.	-	-	20	100%
7.	Posedarje Rivijera	160	100%	160	100%
8.	Ingra Energo d.o.o.	7	100%	7	100%
9.	Mavrovo ADG	54,214	79%	54,214	79%
10.	Južni Jadran Nautika d.o.o.	255	51%	255	51%
11.	Ingra Algere sarl	37	99%	37	99%
12.	Dubrovačke lučice d.o.o.	45	49%	45	49%
13.	Geotehnika Sudan d.o.o.	1,443	100%	1,443	100%
14.	Geotehnika d.o.o.	20	100%	20	100%
15.	Lanište d.o.o.	93,967	100%	93,967	100%
16.	Domovi dalmatinske rivijere	13,215	100%	13,215	100%
17.	Primani d.o.o.	2,200	51%	2,200	51%
18.	Marina Slano d.o.o.	49	62%	49	62%
19.	Ingra autoservis d.o.o.	20	100%	-	-
20.	Dvori Lapad d.o.o.	20	100%	-	-
	Total	**165,846**		**175,425**	
	Impairment losses on investment in subsidiaries	*(62,624)*		*(55,747)*	
		103,222		**119,678**	

The Company has sold its entire share in the company Ingra Gradnja d.o.o. in the year 2010.

15. Investments in associates

	31 December 2010	Ownership	31 December 2009	Ownership
	HRK'000	**%**	**HRK'000**	**%**
Mavrovo inženjering dooel	9,644	50%	9,644	50%
Ingra Pro d.o.o.	8	40%	8	40%
	9,652		**9,652**	

16. Other financial assets

	31 December 2010	31 December 2009
	HRK'000	HRK'000
Long term		
Shares in companies (up to 20% of capital)	45,646	25,684
Deposits and guarantees	108	111
Held-to-maturity investments	2,458	4,093
Other non-current investments	72	1,180
	48,284	**31,068**
Short term		
Available-for-sale financial assets	12,685	18,461
Financial assets at fair value through profit or loss	2,043	1,182
Deposits and guarantees	30	46
	14,938	**19,689**

Investments in the companies in which the Company has ownership's share up to 20% of the share capital of these companies at 31 December 2010 relates to investments in Hotel Lapad d.d. in the amount of HRK 18,710 thousand (13.75%), Opatija Nekretnine d.o.o. in the amount of HRK 6,935 thousand (20%), P.B. Žitnjak d.o.o in the amount of HRK 20 million and Arena poslovno upravljanje d.o.o. in the amount of HRK 1 thousand (5%).

In the year 2010 the Company sold its share in the company Adriastar hoteli i ljetovališta d.o.o (19%) which amounted to HRK 38 thousand, and acquired a 20% share in the share capital of the company PB Žitnjak d.o.o. which has nominal value of HRK 20 thousand.

Available-for-sale financial asset relate to investments in the investments funds and shares quoted at Zagreb Stock Exchange. In 2010 the Company recognized impairment loss on these assets in the amount of HRK 31 million (note 9).

Financial assets at fair value through profit and loss relate to investments in cash funds.

17. Loans granted

	31 December 2010 HRK'000	31 December 2009 HRK'000
Long term loans		
Loans granted to related parties	11,299	13,134
Loans granted to other companies	920	1,096
	12,219	**14,230**
Short term loans		
Loans granted to related parties	7,598	7,740
Impairment loss on loans granted to related parties	(3,646)	(3,597)
Net loans granted to related companies	**3,952**	**4,143**
Loans granted to other companies	11,125	3,753
Impairment losses on loans granted to third parties	(4,059)	(2,651)
	7,066	**1,102**
	11,018	**5,245**

Loans granted to related parties relate to short and long term loans granted to subsidiaries and asocciates. Interest is fixed and amounts to 4 – 6% per annum.

Loans granted to third parties bear a fixed interest rate of 4% to 8% per annum.

18. Other long-term receivables

	31 December 2010 HRK'000	31 December 2009 HRK'000
Long term receivables from related party Lanište d.o.o.	418,841	357,537
Long term receivables – City of Zagreb	4,168	4,168
	423,009	**361,705**

Long term reveivable in the amount of HRK 419 milion relate to receivables from related party Lanište d.o.o. arising from the project construction of Arena Zagreb. The project was carried by Lanište d.o.o., and which has recognized, on the basis of Agreement on long-term lease signed, a long-term receivable from Zagrebački holding d.o.o. Lease agreement is contracted for a period of 28 years with a monthly rental fee in the amount of EUR 7.2 million per year. Zagrebački holding d.o.o. committed to pay a deposit in the amount equal to annual leasehold rent plus VAT. In accordance with the Agreement, Zagrebački holding d.o.o. has the option of early redemption of Arena Zagreb after the 7th year.

19. Inventories

	31 December 2010	31 December 2009
	HRK'000	HRK'000
Finished goods	275,839	25,352
Work in progress (own projects construction)	26,425	289,206
Raw materials	5	13
	302,269	**314,571**

Value of inventories under pledge as collateral for bank loans amount to HRK 283,083 thousand. Finished goods mostly relate to constructed commercial and residential building Dvori Lapad in Dubrovnik. As stated in note 14, the amount of HRK 58,554 thousand related to investment property leased in this commercial and residental builiding, which has been transfered from inventories to investment property upon completion of the project.

20. Trade and other receivables

	31 December 2010	31 December 2009
	HRK'000	HRK'000
Receivables from related parties		
Advances given to related parties	2,771	6,606
Receivables from related parties- trade debtors	1,394	2,112
Other recivables from related parties (interests)	11,689	-
Receivables from key shareholders	267	83
	177	-
	16,478	***8,801***
Receivables from third parties		
Trade receivables	70,017	148,754
Receivables for other taxes	6,275	22,599
Advances given	7,394	10,424
Receivable for value added tax	1,540	2,856
Other receivables	3,657	10,410
	88,883	***195,043***
	105,361	***203,844***

21. Cash and cash equivalents

	31 December 2010	31 December 2009
	HRK'000	HRK'000
Cash at bank	11,213	24,574
Petty cash	153	52
Total cash at bank and petty cash	11,366	24,626
Cash in the cash flow statement	**11,366**	**24,626**

Cash in banks bear interest at a variable rate between 0.50% and 3% per annum.

22. Prepaid expenses and accrued income

	31 December 2010	31 December 2009
	HRK'000	HRK'000
Accrued income	56,580	120,018
Interest and other receivables	-	12
	56,580	**120,030**

Accrued income in the amount of HRK 56,580 thousand mostly relate to accrued income for receivables from foreign joint ventures in previous years in the amount of HRK 53,191 thousand.

23. Equity

	31 December 2010	31 December 2009
	HRK'000	HRK'000
Share capital	**270,904**	**300,000**

The Company made increase of share capital in 2010 by the conversion of creditors' receivables into the Company's share capital amounting to HRK 120,904 thousand. The Company initially made a decision on the decrease of share capital from the amount of HRK 300 million to the amount of HRK 150 million by the transfer of these funds to the Company's reserves.

Thus reduced share capital was increased for the amount of HRK 120,904 thousand to amount to the amount of HRK 270,904 thousand by issuing 6,045,200 new ordinary shares without a nominal amount.

Treasury shares

As at 31 December 2010 the Company did not hold treasury shares (31 December 2009: 161,425 which represented 2.15% of the share capital).

Revaluation reserves

A revaluation reserve as at 31 December 2010 in the amount of HRK 41,922 thousand (2009: HRK 42,865 thousand) was made on the basis of the revaluation of land and buildings of the Company carried out in 2006.

The release of revaluation reserves to the profit or loss account in the amount of HRK 943 thousand (2009: HRK 943 thousand) represents the difference between depreciation based on the revaluated carrying amount of property, plant and equipment and depreciation based on property, plant and equipment's original cost.

Legal reserves

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

Covering of losses

The Company's loss incurred in the year 2009 in the amount of HRK 82,720 thousand was covered by retained earnings and other reserves.

Basic earnings per share

	2010 HRK'000	2009 HRK'000
Net loss for the year attributable to ordinary shareholders	(89,938)	(82,720)
Weighted average number of issued ordinary shares	7,665,622	7,500,000
Basic earnings per share (HRK)	**(11,73)**	**(11,03)**

Diluted earnings per share

	2010 HRK'000	2009 HRK'000
Net loss for the year attributable to ordinary shareholders	(89,938)	(82,720)
Weighted average number of issued shares decreased by average number of treasury shares	7,416,178	7,187,819
Diluted earnings per share (HRK)	**(12,13)**	**(11,51)**

24. Interest bearing loans and borrowings

	31 December 2010 HRK'000	31 December 2009 HRK'000
Non-current interest bearing loans and borrowings		
Bonds	162,110	191,129
Bank loans	37,527	32,808
	199,637	**223,937**
Current interest bearing loans and borrowings		
Bank loans	362,611	306,564
Treasury bills	46,313	102,014
Liabilities toward factoring company	724	4,201
Loans from related party	291	294
Loans from third parties	56	-
Liabilities for deposits	20	-
	410,015	413,073
	609,652	**637,010**

Interest rates and repayment terms as at 31 December 2010 were as follows:

	Total HRK'000	Less than 1 year HRK'000	1 – 2 years HRK'000	2 – 3 years HRK'000	More than 5 years HRK'000
Loans from banks					
EUR 10,000 thousand, variable, 3-month EURIBOR + 5%	73,853	73,853	-	-	-
HRK 198,000 thousand, 3-month EURIBOR + 6.75%, not lower than 8%, variable	198,105	198,105	-	-	-
HRK 35,000 thousand, 3-m EURIBOR + 5%	35,167	35,167	-	-	-
HRK 7,000 thousand, variable, 9%	7,000	7,000	-	-	-
HRK 12,500 thousand; fixed, 9.5%	2,893	2,893	-	-	-
EUR 3,500 thousand; 3-m EURIBOR +7%	25,848	25,848	-	-	-
EUR 34 thousand,3-m EURIBOR + 7%	251	251	-	-	-
HRK 4,500 thousand; 11%	3,473	3,473	-	-	-
EUR 1,950 thousand; 8.5% variable	12,018	5,619	6,399	-	-
EUR 4,300 thousand; 8.5% variable	31,128	-	31,128	-	-
EUR 117 thousand, 9.90% variable	402	402	-	-	-
Atlanska plovidba 10,000 thousand, fixed, 5.09%	10,000	10,000	-	-	-
Total	**400,138**	**362,611**	**37,527**	**-**	**-**
Bonds					
HRK 200,000 thousand, fixed 6.125%	162,110	-	-	-	162,110
Treasury bills	46,313	46,313	-	-	-
Liabilities toward factoring company 3-m EURIBOR + 7.5%	724	724	-	-	-
Loan from subsidiary					
HRK 291 thousand	291	291	-	-	-
Other	76	76	-	-	-
As at 31 December 2010	**609,652**	**410,015**	**37,527**	**-**	**162,110**

Secured bank loan has variable interest rate based on EURIBOR. Average interest rate in 2010 was 7.274% (2009: 7.972%).

The Company issued bonds at 6 December 2006, with the assistance of registered agents and brokers, amounting to HRK 200,000 thousand, which were initially due for payment on 6 December 2011.

Assembly of bond holders was held in 2010 who brought the decision on the prolongation of bonds maturity for further five years, respectively from 6 December 2011 to 6 December 2016, while other conditions remained unchanged.

The bond issue is quoted at the Zagreb Stock Exchange (regular market). Interest rate is 6.125% per annum.

Certain bond holders have converted their receivable amounting to HRK 37,993 thousand into Company's share capital in December 2010 during the capital increase process.

Company issued treasury bills amounting to HRK 250,000 and in year 2010 released the following tranches:

- 9th tranche in the amount of EUR 7,061 thousand, for the period of 361 days with the due date on 28th January 2011. The issue price was 90.97%.
- 10th tranche in the amount of HRK 22,000 thousand, for the period of 361 days, with the due date on 28th January 2011. The issue price was 91,413%.
- 11th tranche in the amount of EUR 834 for the period of the 364 days, with due date 15 March 2011. The issue price was 91.35%.This tranche was increased by the amount of EUR 156 thousand at a discount of 92.76%.
- 12th tranche in the amount of HRK 6,073 thousand for the period of the 364 days, with due date 13 May 2011. The issue price was 91.30%.

Release of these tranches closed the liability for 6th tranche issued in the year 2009 in total amount of HRK 47,126 thousand, liability for 7th tranche issue in the year 2009 in total amount of HRk 32,540 thousand. In the capital increase process certain treasury bill holders converted their receivables into the share capital for the amount of HRK 40,427 thousand in December 2010.

Collateral

Loans and borrowings are secured by a pledge over the Company’s asset classified as investment property with the carrying value of HRK 106,540 thousand as well by pledge of real estate included in inventories in the amount of HRK 288,967 thousand.

Unused loan facilities

As at 31 December 2010 the Company had not unused loans (31 December 2009: HRK 209 thousand).

25. Provisions

	2010 HRK’000	2009 HRK’000
As at 1 January	6,882	6,881
Provisions made during the year	2,366	63
Provisions released during the year (Note 4)	(180)	(122)
As at 31 December	**9,068**	**6,822**

26. Deferred tax liability

	2010 000' HRK	Recognized in profit or loss account 000' HRK	2009 000' HRK	Recognized in profit or loss account 000' HRK
Property, plant and equipment	10,481	236	10,716	236
Deferred tax liability	**10,481**	**236**	**10,716**	**236**

27. Share-based payments

	31 December 2010 HRK'000	31 December 2009 HRK'000
Personnel costs		
Employee benefits settled in equity instruments	2,088	3,631
Settlement of trade payables		
Payment of suppliers settled in equity instruments	-	16,899

The share based payments made during 2010 in the amount of HRK 2,088 thousand (2009: HRK 3,631 thousand) are included in personnel expenses. The Company established a plan for a share option programme to employees prior to retirement. Options are settled in the Company's equity instruments.

Grant date / Employees entitled	Number of instruments	Vesting conditions	Contractual life of options
From 1 January to 30 June 2010 options are awarded to 2 employees	5,950		30/6/2010
From 1 July to 31 July 2010 options are awarded to 7 employees	26,750	Employed until 31/12/2010	14/10/2010
The option awarded to 1 employee on 12 July 2010	9,000	Employed until 23/01/2013	14/10/2010
From 1 July to 31 July 2010 options are awarded to 2 employees	13,500		14/10/2010
The option awarded to 4 emloyees on 29 June 2010	22,000		31/12/2010
Total options	**77,200**		

28. Trade and other payables

	31 December 2010 HRK'000	31 December 2009 HRK'000
Payables to related parties		
Advances received from related parties	-	14,022
Trade payables	5,024	11,582
Liability for unpaid capital increase in a subsidiary	1,650	1,650
Liabilities to key shareholders	-	10
	6,674	***27,264***
Liabilities toward third parties		
Trade payables	108,797	208,595
Advances received	28,736	41,834
Joint ventures obligations	3,362	9,926
Taxes, contributions and other charges	3,167	2,634
Liabilities to employees	1,540	1,407
Dividends payable	1,044	1,161
Other liabilities	249	-
	146,895	***265,557***
	153,569	**292,821**

As at December 31, 2010 and 2009 aging structure of trade payables and related parties was as follows:

	Total	**Undue**	**< 60 days**	**60-90 days**	**Due 90-120 days**	**120-180 days**	**> 180 days**
Related	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
2010	**5,024**	3,410	1,614	-	-	-	-
2009	**11,582**	5,564	244	54	-	1,535	4,185

	Total	**Undue**	**< 60 days**	**60-90 days**	**Due 90-120 days**	**120-180 days**	**> 180 days**
Third parties	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
2010	**108,797**	6,337	24,982	3,328	1,345	3,227	69,578
2009	**208,595**	47,991	25,348	11,532	11,339	19,854	92,531

29. Liabilities for construction contacts

	31 December 2010
	HRK'000
Invoiced during the year	633,705
Costs incurred plus recognized profits less the sum of recognized losses	(629,031)
Liabilities for construction contracts	**4,674**

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

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

The amount of construction contract revenues, which are recognized as revenues in year 2010 amounts to HRK 141,901 thousand. The aggregate amount of costs incurred and recognized profits (less recognized losses) to the balance sheet date amounted to HRK 628,876 thousand. Total amount of retentions for contracts which are not completed at the balance sheet date amounted to HRK 8,083 thousand. The total amount of advances received for contracts which are not completed at the balance sheet date amounted to HRK 64,951 thousand.

30. Accrued expenses and deferred income

Accrued expenses and deferred income in 2010 in the amount of HRK 21,704 thousand mostly refer to:

- HRK 15,873 thousand - accrued interest expenses
- HRK 3,704 thousand - accrued personnel costs
- HRK 2,127 thousand - mostly refer to accrued costs of subcontractors which were involved in foreign projects abroad.

31. Commitments and contingencies

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

	31 December 2010	31 December 2009
	HRK'000	HRK'000
Guarantees		
- in HRK	130,538	53,269
- in foreign currency	60,988	139,740
	191,526	**193,009**

Commitments for operating lease (lessor):

The Company leases office and storage premises under cancellable operating leases. The lease typically runs for an unlimited number of years with a termination notice period. During the current year HRK 213 thousand (2009: HRK 617 thousand) was recognised as income in the profit and loss account in respect of cancellable operating lease.

32. Related party transactions

Significant transactions with related parties were as follows:

Subsidiaries and key shareholders	31 December 2010 HRK'000	31 December 2009 HRK'000
Sales to related parties		
Sales to related companies	-	104,870
Sales to key stakeholders	8,057	-
Sales to member of Supervisory board	4,023	**-**
	12,080	**104,870**
Purchase from related parties		
Purchase from related companies	15,359	7,156
Purchases from key shareholders	-	8
	15,359	**7,164**
Subsidiaries and key shareholders		
Interest incomes from related companies	8,893	1,192
Interest expenses from related companies	-	-
	8,893	**1,192**
Receivables from related parties		
Receivables from related companies	16,034	8,718
Receivables from key shareholders	267	83
Receivables from member of Supervisory board	177	
	16,478	**8,801**
Payables to related parties		
Liabilities to key shareholders	6,674	11,582
Payables to related companies	-	10,432
Advances received from Management board	-	3,590
Advances received from Supervisory board	-	10
	6,674	**25,614**
Loans granted		
Mavrovo Inženjering, Skopje	11,299	11,063
Ingra Energo d.o.o.	-	6,048
Domovi dalmatinske rivijere d.o.o.	1,249	1,258
Lanište d.o.o.	589	37,846
Posedarje Rivijera d.o.o	986	940
Opatija nekretnine d.o.o.	-	4,953
Sarl Alžir	728	767
Ingra Bioren d.o.o.	109	-
Ingra Mar d.o.o.	44	-
Marina Slano	-	10
Ingra Autoservis d.o.o.	161	-
Bioadria	-	152
	15,165	**63,037**

Key personnel

Key management personnel comprise members of the Management and Supervisory Boards. Members of the Management and Supervisory Board took part in the ownership structure as stated in note 1.
During the year remuneration in the amount of HRK 3,586 thousand (2009: HRK 5,223 thousand) was paid to the Management Board. The total remuneration to the Management Board was included in personnel expenses.
During the year remuneration in the amount of HRK 692 thousand (2009: HRK 909 thousand) was paid to the Supervisory Board.

33. Financial instruments

The Company is exposed to credit, interest and currency risk in its business activities.
The Company does not use derivative financial instruments. The risk management policy regarding risks linked to short-term and long-term financing of buyers, management of the funds, loans and liabilities can be summarised as follows:

a) Capital risk management

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

The Company manages capital and for the purpose of proper capital structure, in accordance with the economic conditions present on the market, decides if the retained earnings should be distributed to shareholders, if the capital needs increase or decrease, etc. Goals, policies and processes have not been changed during the period ending 31 December 2010 nor for the period ending 31 December 2009.

	31 December 2010 HRK'000	31 December 2009 HRK'000
Financial liabilities	609,652	637,010
Trade payables, related parties and other payables	153,569	296,307
Decrease for cash and cash equivalents (deposits)	(11,366)	(24,626)
Net debt	**751,855**	**908,691**
Equity	490,225	441,518
Equity and net debt	1,242,080	1,350,480
Gearing	**60.53%**	**67.29%**

b) Significant accounting policies

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

2010

	Loans and receivables	At fair value through P&L	Available for sale	Held to maturity	Total financial assets classified under IAS 39
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
31 December					
Long-term financial assets	16,386	-	45,720	2,565	**64,671**
Long term receivables	423,009	-	-	-	**423,009**
Short-term financial assets	11,018	2,043	12,866	-	**25,957**
Trade and other receivables	105,361	-	-	-	**105,361**
Cash	11,366	-	-	-	**11,366**
Total	**567,140**	**2,043**	**58,586**	**2,595**	**630,364**

2009

	Loans and receivables	At fair value through P&L	Available for sale	Held to maturity	Total financial assets classified under IAS 39
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
31 December 2009					
Long-term financial assets	15,521	-	25,684	4,093	**45,298**
Long term receivables	361,705	-	-	-	**361,705**
Short-term financial assets	5,245	1,182	18,461	46	**24,934**
Trade and other receivables	203,844	-	-	-	**203,844**
Cash	24,626	-	-	-	**24,626**
Total	**610,941**	**1,182**	**44,145**	**4,139**	**660,407**

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

Fair value of financial instruments

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

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

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

31 December 2010

	1st level	2nd level	3rd level	Total
Assets				
Listed securities and shares in investment funds	12,865	-	-	12,865
Cash funds	2,043	-	-	2,043
Total	**14,908**	**-**	**-**	**14,908**

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

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

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

Receivables and deposits at banks

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

Liabilities per loans received

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

Other financial instruments

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

c) Financial risk management

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

<u>Market risk</u>

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

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

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

<u>a) Foreign currency risk management</u>

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

Expressed in thousand kuna (HRK'000) 2010	EUR	USD	Other currency	Total foreign currency	HRK	Total
Long term receivables	-	-	-	-	418,841	418,841
Trade receivables	3,398	2,060	3,799	9,257	62,154	71,411
Other receivables	136	-	2,925	3,061	30,889	33,950
Loans given	12,765	-	-	12,765	10,471	23,236
Cash and cash equivalents	1,270	8	1,554	2,832	8,534	11,366
Trade payables	(4,671)	(3)	(3,959)	(8,633)	(105,188)	(113,821)
Other liabilities	(140)	-	(3,025)	(3,165)	(175,835)	(179,000)
Interest bearing liabilities	(408,902)	-	-	(408,902)	(200,750)	(609,652)
	(396,144)	**2,065**	**1,294**	**(392,785)**	**49,116**	**(343,669)**

Expressed in thousand kuna (HRK'000) 2010	EUR	USD	Other currency	Total foreign currency	HRK	Total
Long term receivables	-	-	-	-	357,537	357,537
Trade receivables	22,532	9,971	11,530	44,033	106,833	150,866
Cash and cash equivalents	11,181	21	2,078	13,280	11,346	24,626
Trade payables	(14,379)	-	(2,826)	(17,205)	(202,972)	(220,177)
Interest bearing liabilities	(285,414)	-	-	(285,414)	(351,596)	(637,010)
	(266,080)	**9,992**	**10,782**	**(245,306)**	**(78,852)**	**(324,158)**

	Short term exposure			**Long term exposure**		
	EUR	USD	Other	EUR	USD	Other
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
2010						
Financial assets	6,269	2,068	8,277	11,299	-	-
Financial liabilities	(178,081)	(3)	(6,985)	(235,632)	-	-
Total exposure	**(171,812)**	**2,065**	**(1,292)**	**(224,333)**	**-**	**-**

Sensitivity analysis

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

	2010 Effect on income before taxes HRK'000	2009 Effect on income before taxes HRK'000
EUR - 1%	(3,961)	(13,304)
USD – 9%	186	500
DZD – 10%	115	539
MKD – 10%	15	-

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

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

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

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

b) Interest rate risk

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

The following table shows sensitivity of changes of interest rates relating to Company's loans as of 31 December 2010 and as at 31 December 2009, with the assumptions that all other variables are constant, on income before taxes.

2010	**Increase/ decrease in percentage**	**Effect on income before taxes HRK'000**
HRK	+1.5%	(3,906)
HRK	-1.5%	3,906

2009	**Increase/ decrease in percentage**	**Effect on income before taxes HRK'000**
HRK	+1.5%	(4,957)
HRK	-1.5%	4,957

c) Other price risk

The Company is not significantly exposed to other price risks.

Credit risk

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

Trade and other receivables

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

Loan receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. As at 31 December 2010, the Company had loans receivables approved to related parties including employees and third parties. The loans were approved with a fixed interest rate of 4% to 6% per annum for related parties and fixed interest rate of 4% to 8% per annum for third parties. Loans approved to related parties and third parties are secured by collaterals.

The Company has been exposed to credit risk, interest rate and exchange rate risks as part of its ordinary activities. The Company has not used derived insurance instruments in order to protect itself from these risks. The maximum exposure to credit risk for trade receivables and related party receivables at the reporting date by regions was as follows:

	2010	2009
	HRK'000	HRK'000
Croatia	500,862	460,302
Foreign	8,198	54,790
	509,060	**515,092**

Impairment losses

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

	2010	2009
	HRK'000	HRK'000
Less than 1 month	51,101	47,629
1 – 3 months	4,679	37,426
3 – 12 months	30,271	34,556
Long term receivables older than 360 days	423,009	395,481
	509,060	**515,092**

Receivable older than 360 days includes a long-term receivable from related parties Lanište d.o.o. in the amount of HRK 423 million (Note 17). The Company's management believes that the receivables older than 360 days are fully recoverable.

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

	2009	2008
	HRK'000	HRK'000
Balance as at 1 January	33,609	38,088
Impairment loss recognised	19,735	2,305
Collected in the period	(6)	(6,784)
Balance as at 31 December	**53,338**	**33,609**

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

	2010	2009
	HRK'000	HRK'000
Balance as at 1 January	6,248	4,380
Impairment loss recognised	1,458	3,158
Collected in the period	-	(1,290)
Balance as at 31 December	**7,706**	**6,248**

Liquidity risk

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

The following are the contractual maturities of financial liabilities of the Company as at 31 December 2010:

31 December 2010	Carrying value 000' HRK	Contractual cash flows 000' HRK	0 - 12 months 000' HRK	1 - 5 years 000' HRK	More then 5 years 000' HRK
Secured bank loans	390,138	398,217	359,980	38,237	-
Bonds	11,091	11,808	11,808	-	-
Finance lease	162,110	231,613	9,929	49,645	172,039
Treasury bills	46,313	46,820	46,820	-	-
Trade and other payables	153,569	153,569	153,569	-	-
	763,221	**842,027**	**582,106**	**87,882**	**172,039**

31 December 2009	Carrying value 000' HRK	Contractual cash flows 000' HRK	0 - 12 months 000' HRK	1 - 5 years 000' HRK	More then 5 years 000' HRK
Secured bank loans	339,372	352,052	318,072	33,980	-
Bonds	191,129	224,750	12,250	212,250	-
Finance lease	-	-	-	-	-
Treasury bills	102,014	102,276	102,276	-	-
Trade and other payables	296,307	296,307	296,308		**-**
	928,822	**975,135**	**728,905**	**246,230**	**-**

34. Post-balance-sheet events

There were no events after the balance sheet date that would significantly influence the financial statements as at 31 December 2010.

35. Impact of economic crisis on the liquidity of the Company

De to further strengthening of economic crisis during the year 2010, the Company’s Management intensively conducts activities in order to adjust the maturity structure of assets and liabilities which includes sale of the part of Company’s assets and re-financing on the longer basis. The Company is in the process of renegotiating financial commitment' terms with several Croatian banks in order to appropriately manage the timely payment of its liabilities. The Company has successfully converted liabilities in the amount 120 million dollars into share capital by issuing new shares pursuant to the decision of the General Assembly held on 22 December 2010.

36. Consolidated financial statements

Ingra d.d. is the parent company of the Ingra Group and the consolidated financial statements which were prepared in accordance with the International Financial Reporting Standards adopted by European Union, have been published separately on 8 March 2011.

37. Contingent liabilities

As at 31 December 2010 the Company is a defendant in various lawsuits which have been raised for damage payments arising on the termination of a contract or ordinary course of business. The total claims as at 31 December 2010 amount to HRK 132 milion (2009: HRK 100 milion). As a result, the Company provisioned court cases amount of HRK 8,484 thousand (2009: HRK 6,822 thousand) while the major part of liabilities for enforcements is recognized within trade payable liabilities.

In the year 2010 legal dispute between Ingra d.d. and Međimurje Visokogradnja d.d. in bankrupcty (claim amounted to USD 6 million) was solved in the Company's favour, but the revision of the proceedings in the Supreme Court of Croatia was requested.

Relating to the court case led against the Company in the amount of $ 3 million related to work in Libya, the High Commercial Court of First Instance annulled the verdict that was rendered in plaintiff's favor.

In relation to mentioned requests and legal cases, the Company's Management made estimation on the basis of relevant facts and legal principles of the probability of negative result of these cases and possibility of reliable estimation of losses. As the result of the estimation, further losses are not assessed and therefore they are not recognised in the Income statement as a cost and as a provision in the Balance sheet.

38. Significant accounting estimates and judgements

The Management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Provisions for court cases

The Company recognises provisions as a result of claims initiated against the Company for which it is likely that there will be an outflow of resources to settle the claims and the amounts can be reliably estimated. A provision has not been created based on professional legal advice and management considerations that it is unlikely that any further significant loss will arise from current claims against the Company.

Trade receivables

The current value of trade and other receivables is estimated to be a reasonable estimation of their fair value. Trade receivables have been estimated on each balance sheet date and are impaired according to the estimate of the probability to collect the amount stated. Each customer is valuated separately based on its status (i.e. customer is blocked and is cash only customer, legal procedure have been commenced), the ageing of the amount due, stage of legal case and security of payment.

Income tax

Tax calculations are performed based on the Company's interpretation of current tax laws and regulations. These calculations which support the tax return may be subjected to review and approval by the local tax authorities.

39. Fair value determination

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Trade and other receivables/trade and other liabilities

Trade and other receivables, trade and other payables are stated at cost less impairment losses and are approximately equal to their fair value, since these receivables and payables are current receivables and payables.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Investment in equity and debt securities

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

Land and buildings

An estimation of the fair value of land and buildings of the Company was performed by an external, independent and professionally qualified valuator during September 2006. Fair value is determined by reference to market-based evidence, which is the estimated amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date after regular advertising where both sides acted with knowledge, care and with no compulsion.

40. Approval of the unconsolidated financial statements

The unconsolidated financial statements were approved by the Management Board and authorized for issue on 8 March 2011.

Signed on behalf of the Management Board

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

Igor Oppenheim

President of the Management Board