INGRA D.D. AND SUBSIDIARIES

Consolidated financial statements

as at 31 December 2010

together with the Independent Auditors' Report

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Management Report

Introduction

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, the Group operates in four different business segments:

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

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 consolidated financial statements for the year 2010 the Group realised total revenues amounting to HRK 305.95 million (which are lower by 49.69% than revenues realised in 2009 amounting to HRK 608.07 million) out of which:

- Operating revenues amount to HRK 252.31 million and are lower by 56.87% compared to previous period (2009: HRK 585.01 million).

- Financial revenues amount to HRK 53.64 million and are higher by 132.63% compared to HRK 23.056 million realised in the year 2009.

Total consolidated expenses for the year 2010 amount to HRK 396.49 million and are lower by 41.60% in comparison to HRK 678.87 million incurred in 2009.
For the period under review operating loss amounts to HRK 45.056 million while total loss amounts to HRK 90.56 million.
Loss attributable to parent company Ingra d.d. amounts to HRK 89.938 million which will be covered by Company's reserves. Total equity of the Group after the current 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 Group 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 Group 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 Group 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 Group 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 Group 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 38.05%,
- During the year 2010, the Group decreased its current liabilities for HRK 150 million out of which trade accounts payable amount to HRK 109 million. In order to decrease trade accounts payable, the Group made compensations for Group's assets in the amount of HRK 35.04 million.
- All together, during the year 2009 and 2010 trade accounts payables have been decreased for the amount of HRK 460 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 Group's business:

General Assembly of bond holders

On 6 July 2010, on parent 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 parent 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 parent 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 Group 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 Group 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 competitor's 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 significant amounts of money into foreign operations during the previous period, and it is transparent that few major contracts will be signed in future period.

It is considered that this kind of business diversification is necessary in order to decrease current business risks and at the same time provide leverage for further growth and development.

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

In perspective, this joint venture should 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

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

Igor Oppenheim

President of the Board

Responsibility for the Consolidated Financial Statements

The Management presents Consolidated Financial Statements for the company Ingra d.d. ("the Company") and its subsidiaries ("the Group") for the year ended 31 December 2010.

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

The Board has a reasonable expectation that the Group 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 Consolidated 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
- consolidated Financial Statements are prepared on the going concern basis unless it is inappropriate to presume that the Group 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 Group 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 Group 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

Republic of Croatia

Zagreb, 8 March 2011

Independent Auditor's report

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

We have audited the accompanying consolidated financial statements of Ingra d.d. Zagreb and its subsidiaries (hereinafter: the Group), which comprise the consolidated statement of financial position as of 31 December 2010, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as presented on pages 8 to 58.

Management's Responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards adopted by the 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 Group 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 Group 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.

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At balance sheet date the Group 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 accrued 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 consolidated financial statements of the matters described in the Basis for Qualified Opinion paragraph, the consolidated financial statements give true and fair view of the Group'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 International Financial Reporting Standards adopted by the European Union.

Emphasis of matter

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

As explained in note 18, the Group as at 31 December 2010 reported long term receivable from Zagrebački holding d.o.o. in relation to Arena Zagreb project. In case that Zagrebački holding d.o.o. excersizes the option of early redemption of Arena Zagreb after the seventh year, internal rate of return of the investment for that period 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 2009 and 2010 and mismatch in the maturity structure of assets and liabilities, the Group's Management intensively conducts activities in order to adjust the maturity structure of assets and liabilities which includes sale of the part of Group's assets and re-financing on the longer basis. Therefore, consolidated financial statements as at 31 December 2010 have been prepared on the going concern basis.

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

Consolidated statement of comprehensive income

Consolidated profit and loss account

	Note	2010 HRK 000	2009 HRK 000
Sales	3	230,125	502,714
Other operating income	4	22,187	82,298
Operating revenues		**252,312**	**585,012**
Change in work in progress and finished goods		17,975	(57,744)
Cost of material and services	5	(222,586)	(396,191)
Personnel costs	6	(38,845)	(55,717)
Depreciation	7	(4,929)	(6,365)
Other operating expenses	8	(48,983)	(30,329)
Operating profit / (loss)		**(45,056)**	**38,666**
Financial revenues		53,635	23,056
Financial expenses		(99,124)	(132,526)
Net financial result	9	**(45,489)**	**(109,470)**
Profit / (loss) before taxation		**(90,545)**	**(70,804)**
Corporate income tax	10	(18)	(628)
Net profit / (loss) for the period		**(90,563)**	**(71,432)**
Attributable to:			
Owners of the parent		(90,473)	(71,282)
Non-controlling interest		(90)	(150)
Earnings per share			
Basic earnings per share	23	(11.80)	(9.50)
Diluted earnings per share	23	(12.20)	(9.92)

Consolidated statement of comprehensive income

	2010 HRK 000	2009 HRK 000
Profit / (loss) for the period	**(90,563)**	**(71,432)**
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	**(55,653)**	**(59,364)**
Attributable to:		
Owners of the parent	(55,563)	(59,214)
Non-controlling interest	(90)	(150)
	(55,653)	**(59,364)**

Notes to the financial statements are an integral part of consolidated statement of comprehensive income

Consolidated statement of financial position

Assets	Note	31/12/2010 HRK 000	31/12/2009 HRK 000
Non-current assets			
Goodwill	11	5,080	29,280
Property, plant and equipment	12	92,179	97,097
Investment property	13	128,445	76,127
Investments in subsidiaries	15	9,652	9,697
Other financial assets	16	48,294	31,088
Long term loans	17	12,219	12,473
Long term receivables	18	870,617	905,447
		1,166,486	**1,161,209**
Current assets			
Inventories	19	302,269	318,179
Trade and other receivables	20	101,849	213,893
Other financial assets	16	62,710	67,461
Short term loans	17	7,067	1,102
Cash and cash equivalents	21	11,961	26,018
		485,856	**626,653**
Prepaid costs and accrued income	22	56,981	54,978
Total assets		**1,709,323**	**1,842,840**
Off balance sheet items	32	**191,473**	**194,429**
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)
Reserves and retained earnings		20,044	91,537
Net profit / (loss) for the year		(90,473)	(71,282)
	23	**501,969**	**452,810**
Non-controlling interest		**(3,907)**	**(3,843)**
Liabilities			
Non-current liabilities			
Interest bearing liabilities	24	453,301	508,466
Other long term liabilities	26	47,727	47,741
Provisions	27	9,232	6,986
Deferred tax liability	28	12,783	13,018
		523,043	**576,211**
Current liabilities			
Trade and other payables	29	160,069	321,452
Liabilities for construction contracts	30	4,674	-
Interest bearing liabilities	24	500,401	492,581
		665,144	**814,033**
Accrued expenses and deferred income	31	23,074	3,629
Total liabilities		**1,211,261**	**1,393,873**
Total equity and liabilities		**1,709,323**	**1,842,840**
Off balance sheet items	32	**191,473**	**194,429**

Notes to the financial statements are an integral part of consolidated statement of financial position

Consolidated statement of cash flows

	2010 HRK 000	2009 HRK 000
Cash flows from operating activities		
Profit / (loss) before tax	(90,473)	(71,282)
Adjustments:		
Depreciation of property, plant and equipment	3,969	5,376
Depreciation of investment property	960	989
(Gain) / loss on sale of plant and equipment	(306)	(79)
(Gain) / loss on sale of investment property	4,623	(362)
Share based payments	-	3,631
Realization of goodwill	-	35,372
Revenue recognition according to IFRIC 19	(22,428)	-
Impairment of investments in subsidiares	-	54,214
Gain from the disposal of subsidiary	(2,371)	-
Changes in other reserves	1,258	(3,793)
Impairment of long term assets	-	5,543
Interest expenses	43,492	40,045
Interest income	(12,807)	(2,703)
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 deferred tax liability	(235)	(235)
Increase / (decrease) of provisions	2,246	(59)
Impairment of trade and other receivables	12,620	17,816
Net foreign exchange differences and other	(747)	779
	66,127	**178,901**
Result from operating activities before changes in working capital	***(24,346)***	***107,619***
Decrease (increase) in current assets:		
Decrease (increase) in inventories	(22,031)	29,681
Decrease (increase) in receivables	93,594	94,922
Decrease (increase) in prepayments and accrued income	(2,003)	(53,988)
Increase (decrease) in current liabilities:		
Increase (decrease) in liabilities	(114,677)	(271,723)
Increase (decrease) in accrued expenses	19,445	(20,223)
Net cash flow from operating activities before interest and taxes	**(50,018)**	**(113,712)**
Interest received	9,430	2,703
Interest paid	(27,619)	(40,045)
Net cash flow from operating activities	**(68,207)**	**(151,054)**
Cash flows from investing activities		
Purchase of property, plant and equipment	(132)	11,961
Proceeds from disposals of property, plant and equipment	1,138	24
Purchase of investment property	(497)	(506)
Proceeds from sale of investment property	1,150	15,000
Investments in subsidiaries, net	-	(1,631)
Proceeds from sale of subsidiaries, net	65	12,401
Changes in non-controlling interest	(64)	(300)
Decrease (increase) of long term financial assets	(16,970)	(11,862)
Decrease (increase) of long term receivables	34,830	(5,900)
Decrease (increase) of short term financial assets	(1,236)	(6,850)
Net cash used in investing activities	**18,284**	**12,337**
Cash flow from financial activities		
Transactions with treasury shares	4,045	(12,346)
Increase (decrease) in long term financial liabilities	(16,425)	(121,793)
Increase (decrease) in short term financial liabilities	48,246	263,142
Dividends paid	-	(3,750)
Payments to Supervisory Board members and employees	-	(420)
Net cash flow from (used in) financial activities	**35,866**	**124,833**
Net change in cash and cash equivalents	**(14,057)**	**(13,884)**
Cash and cash equivalents at the beginning of the period	26,018	39,902
Cash and cash equivalents at the end of the period	**11,961**	**26,018**

Notes to the financial statements are an integral part of consolidated statement of cash flows

Consolidated statement of changes in equity

	Share capital	Share premium	Treasury shares	Treasury shares reserves	Revaluation reserves	Unrealised gains/(losses) on available-for-sale financial assets	Legal reserves	Reserves and retained earnings	Total	Non-controlling interest
	HRK 000	HRK 000	HRK 000	HRK 000	HRK 000	HRK 000	HRK 000	HRK 000	HRK 000	HRK 000
As at 1 January 2009	**300,000**	**123,000**	**(6,660)**	**8,000**	**43,808**	**(48,864)**	**7,500**	**100,111**	**526,895**	**5,938**
Transactions with owners:										
Purchase of treasury shares	-	-	(25,214)	-	-	-	-	(12,837)	**(38,051)**	-
Transfer from retained earnings to treasury shares reserves	-	-	-	1,000	-	-	-	(1,000)	-	-
Transfer to legal reserves	-	-	-	-	-	-	750	(750)	-	-
Rewards to Supervisory Board's members	-	-	-	-	-	-	-	(120)	**(120)**	-
Rewards to employees	-	-	-	-	-	-	-	(300)	**(300)**	-
Dividends paid	-	-	-	-	-	-	-	(3,750)	**(3,750)**	-
Share based payments	-	-	25,417	-	-	-	-	3,919	**29,336**	-
Transfer from rev. reserves to reserves and retained earngins	-	-	-	-	-	-	-	943	**943**	-
Decrease of reserves due to loss of control in a subsidiary	-	-	-	-	-	-	-	(2,929)	**(2,929)**	-
Decrease of non-controlling interest due to disposal of a subsidiary	-	-	-	-	-	-	-	-	-	(9,631)
Loss for the current year	-	-	-	-	-	-	-	(71,282)	**(71,282)**	(150)
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**	
Changes in revaluation reserves	-	-	-	-	(1,179)	-	-	-	**(1,179)**	-
Income tax relating to other comprehensive income	-	-	-	-	236	-	-	-	**236**	-
Total comprehensive income / (loss) for the year	*-*	*-*	*-*	*-*	***(943)***	***13,011***	*-*	***(71,282)***	***(59,214)***	*-*
As at 31 December 2009	**300,000**	**123,000**	**(6,457)**	**9,000**	**42,865**	**(35,853)**	**8,250**	**12,005**	**452,810**	**(3,843)**
Transactions 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 rev. reserves to reserves and retained earngins	-	-	-	-	-	-	-	943	**943**	-
Other changes in reserves	-	-	-	-	-	-	-	1,258	**1,258**	26
Loss for the current year	-	-	-	-	-	-	-	(90,473)	**(90,473)**	(90)
Other comprehensive income / (loss):										
Available-for-sale financial assets										
- current year gains / (losses)	-	-	-	-	-	(2,939)	-	-	**(2,939)**	-
- reclassification to profit or loss	-	-	-	-	-	38,792	-	-	**38,792**	-
Changes in revaluation reserves	-	-	-	-	(1,179)	-	-	-	**(1,179)**	-
Income tax relating to other comprehensive income	-	-	-	-	236	-	-	-	**236**	-
Total comprehensive income / (loss) for the year	*-*	*-*	*-*	*-*	***(943)***	***35,853***	*-*	***(90,473)***	***(55,563)***	***(90)***
As at 31 December 2010	**270,904**	**250,572**	**-**	**9,000**	**41,922**	**-**	**8,250**	**(78,679)**	**501,969**	**(3,907)**

Notes to the financial statements are an integral part of consolidated statement of changes in equity

1. General data on the Company and the Group

Ingra d.d. ("the Company" or "Parent company") is a company registered and domiciled in Zagreb, Alexsandra 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 2010 the Group had 123 employees, while as at 31 December 2009, the Group had 161 employees.

Supervisory Board

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

- dr.sc. Danijel Režek, President until 4 October 2010, Vice president from that date
- Stjepan Mesić, President from 4 October 2010
- academician Jakša Barbić, Vice president until 4 October 2010, Member from that date
- 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 2010 and 2009 were as follows:

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

Companies within the Group

Financial statements of the following subsidiaries are included in the consolidated financial statements of Ingra d.d. and its subsidiaries („Group"):

	State	Ownership' share 31 December 2010 %	Ownership' share 31 December 2009 %
Ingra Mar d.o.o.	Croatia	100%	51%
Ingra M.E. d.o.o.	Croatia	100%	100%
Ingra Italija s.r.l., Italy	Italy	67%	67%
Bioadria d.o.o.	Croatia	64%	64%
Ingra Bioren d.o.o.	Croatia	60%	60%
Ingra gradnja d.o.o.	Croatia	-	100%
Posedarje Rivijera	Croatia	100%	100%
Ingra Energo d.o.o.	Bosnia and Herzegovina	100%	100%
Južni Jadran Nautika d.o.o.	Croatia	51%	51%

Ingra Sarl Alžir	Algiere	99%	99%
Dubrovačke lučice d.o.o.	Croatia	68%	68%
Lanište d.o.o.	Croatia	100%	100%
Domovi dalmatinske rivijere d.o.o.	Croatia	100%	100%
Primani d.o.o.	Croatia	51%	51%
Marina Slano d.o.o.	Croatia	62%	62%
Dvori Lapad d.o.o.	Croatia	100%	-%
Ingra autoservis d.o.o.	Croatia	100%	-%

Company Ingra gradnja d.o.o. was sold during 2010 and does not form part of Ingra Group any more.

Since the request for bankruptcy procedure has been initialized in March 2009 for the company Mavrovo adg acquired in 2008 and that the company Ingra d.d. has no control over that company, this company has not been consolidated as at 31 December 2009 as well as at 31 December 2010 and does not form part of the Ingra Group in these financial statements.

Also, company Geotehnika Sudan d.o.o which had no business activities in 2010 and 2009 was not consolidated as at 31 December 2010.

Ownership structure

The ownership's structure of the Company and the Group was as follows:

	31 December 2010		31 December 2009	
	Number of shares	**Share %**	**Number of shares**	**Share %**
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%	-	-
Jasna Ludviger	338,850	2.50%	338,850	4.52%
Treasury shares	-	-	161,425	2.15%
Other	7,741,845	57.16	4,325,317	57.67%
	13,545,200	**100.00**	**7,500,000**	**100.00%**

2. Summary of significant accounting policies

Statement of compliance

Consolidated financial statements of the Group have been made based on 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. The Group has not applied any new or amended IFRSs and their interpretations that would have effect on financial position or results, or would require additional disclosures in financial statements, except the following:

- As at 31 December 2010 the Group adopted IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* and in accordance with this interpretation, recognized income in the amount of HRK 21,592 thousand in the profit and loss account for the difference between the extinguished 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).

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

The following standards and interpretations were adopted in reporting period and had no influence on the amounts stated 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 Group

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 Group 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 Group'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 Group's financial statements.

As previously stated, the Group 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.

Use of estimates and judgements

During the preparation of consolidated financial statements, the management used certain judgements, estimates and assumptions that affect the carrying amount of assets and liabilities, disclosures of contingent items at the balance sheet date and income and expenses for that period.

Estimations have been used, but are not limited on: calculation of depreciation and useful lives, residual value of property, plant and equipment and tangible assets, impairment losses estimation, value adjustment for inventories and doubtful receivables, provisions for employee benefits and legal cases. More details on the accounting policies for these estimations are presented in other parts of notes. Future events and their effects cannot be estimated with a certainty. Due to that accounting estimates require judgement, and estimates that are used in the preparation of the financial statements are subject to changes from future events, additional experience, new additional information and changes in environment in which the Group operates. Actual results can differ from estimated results.

The basis of Group financial statements

The consolidated financial statements include parent company and subsidiaries after elimination of all material transactions between companies within the Group. Subsidiary is a legal entity under the control of parent Company, in which parent company directly or indirectly owns more than 50 percent of the voting rights or associate over which parent company has management control.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases (at the date of their sale or liquidation).

Acquisitions of subsidiaries are recorded using the cost method.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made where they became the difference in the change in accounting policy that possibly exists.

Non-controlling interests in equity and results of the companies that control the parent company are presented separately in the consolidated financial statements.

Basis of consolidation:

a. Only companies in which the Company has control are consolidated on the basis of individual position of balance sheet or income statement. Investments in associates are expressed using the equity method.

b. Companies that are purchased during the year are included in the consolidated financial statements from the date of acquisition or up to date of sales.

c. The difference between the acquisition cost and capital on the same date, the Company distributed on the basis of assessment of the Board on the assets and liabilities included in the investment and the remaining amount is considered as goodwill

d. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

General accounting policies used in the preparation of financial statements are 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.

Gains and losses on disposal of an item of property, plant and equipment are recognised net within “other operating income” in profit or loss. When revaluated assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as 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. An annual transfer from the asset revaluation reserve is made to retained earnings for the depreciation relating to the revaluation surplus. Related part of revaluation reserves created from the earlier asset revaluation is transferred from revaluation reserves directly to retained earnings, after asset derecognition.

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.

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 the asset 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.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group 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 Group 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 Group's cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and when ever there is an indication that the asset may be impaired.

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 Group 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) Investments in subsidiaries

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

Financial statements of subsidiaries are included in consolidated financial statements from the date that the control commences until the date that control ceases. List of members of the Group is set out on page 12.

Transactions eliminated during the consolidation

All intra-group transactions, balances and unrealised gains on transactions between Group entities are eliminated in full on consolidation, unrealised losses are also eliminated but to the extent that there is no evidence of impairment.

f) Investments in associates

Associates are entities in which the Group has significant influence, but which it does not control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Investments in associates are accounted for by the equity method of accounting. Under this method the Group's share of profits or losses of associates is recognised in the income statement from the date that significant influence commences until the date that significant influence ceases. The investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee. Unrealised profits on transactions with associates are eliminated to the extent of the investor's interest in the associate. The cumulative movements are adjusted against the cost of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group has incurred obligations or made payments on behalf of the associate.

g) Inventory

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.

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 Group'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

Transactions in foreign currencies are translated into the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated into the functional currency at the foreign exchange rate ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.
Non-monetary assets and items that are measured in terms of historical cost of a foreign currency are not retranslated.
Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into functional currency at foreign exchange rates ruling at the dates at which the values were determined.

Group companies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Croatian kuna HRK, which is the Group's functional currency.

Income and expense items and cash flows of foreign operations that have a functional currency different from the presentation currency are translated into the Group presentation currency at the foreign exchange rates ruling at the dates of the transactions and their assets and liabilities are translated at the exchange rates ruling at the reporting date. All resulting exchange differences are recognised in a separate component of equity.

Net investment in Group companies

Exchange differences arising from the translation of the net investment in foreign operations are taken to equity. When a foreign operation is sold, such exchange differences are released in the income statement as part of the gain or loss on sale.

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 Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group 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 Group'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. For liability for bonuses it is expected that it will be settled within 12 months from balance sheet date, and the liability is recognized in the amount expected to be paid.

(iii) Share based payment transactions

The Group 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 Group 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 Group’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 indispensable 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) Taxation

The subsidiaries within the Group provide for taxation liabilities in accordance with the rules and regulations of the country in which each subsidiary is registered. The parent 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

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on geographic segments.

r) Earnings per share

The Group 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 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 treasure 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. A financial asset is classified as held for trading if:

1. it has been acquired principally for the purpose of selling in the near future; or
2. it is a part of identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
3. it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest method less any impairment, with revenue recognized on an effective yield basis.

- "Held-to-maturity"

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group 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)

Unlisted shares and listed redeemable notes held by the Group that are traded in an active market are classified as being AFS and are 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.

Dividends on AFS equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

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.

- "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 Group'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.

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 equity.

De-recognition of financial assets

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

Financial liabilities and equity instruments issued by the Group

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

Share capital

a. *Ordinary shares*
Incremental costs directly attributable to issue of ordinary 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 Group derecognise financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or they expire

t) Contingent assets and liabilities

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

Contingent asset is not recognized in the financial statements except when the inflow of economic benefits is certain.

u) Subsequent events

Post-year-end events that provide additional information about the Group’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 material.

v) Use of estimations and judgements

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

w) Comparatives and reclassifications

Comparative figures have been adjusted to conform to presentation in the current year, where necessary. Due to that, in the consolidated statement of comprehensive income for the year 2009 amount of HRK 883 thousand has been reclassified from other costs which relates to employee benefits to personnel costs and rent cost amounting to HRK 3,576 thousand has been reclassified to cost of materials and services and in consolidated statement of financial position as at 31 December 2009 the following reclassifications have been made:

- Amount of HRK 9,644 thousand has been reclassified from investments in subsidiaries to investments in associates
- Amount of HRK 45 thousand has been reclassified from investments in associates to investments in subsidiaries

3. Sales

	2010	2009
	HRK'000	HRK'000
Revenue from construction contracts (domestic)	175,387	327,925
Other domestic sales	7,003	9,481
Revenue from construction contracts (abroad)	39,785	151,213
Other foreign sales	7,950	14,095
	230,125	**502,714**

Segment reporting

Segment information is presented in respect of the Group's geographical segments. The information is based on the Group'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 HRK'000	Foreign HRK'000	Total HRK'000	Croatia HRK'000	Foreign HRK'000	Total HRK'000
Sales	182,390	47,735	**230,125**	337,315	165,399	**502,714**
Total revenues	192,150	60,162	**252,312**	350,570	234,442	**585,012**
Profit/(loss) from operating activities	(42,225)	(2,831)	**(45,056)**	(49,661)	88,327	**38,666**
Net financial result	(46,120)	631	**(45,489)**	(47,974)	(61,496)	**(109,470)**
Profit/(loss) before taxation	(88,345)	(2,200)	**(90,545)**	(97,635)	26,831	**(70,804)**
Corporate income tax	(18)	-	**(18)**	628	-	**628**
Profit/(loss) for the year	(88,363)	(2,200)	**(90,563)**	(98,263)	26,831	**(71,432)**
Other segments information						
Depreciation (Note 7)	4,653	276	**4,929**	6,123	242	**6,365**

Since the Group 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 HRK'000	2009 HRK'000
Collection of previously impaired trade receivables	11,169	5,584
Debt written off from previous years	4,407	11,263
Income from penalties collected	641	6,572
Rent income	511	1,058
Net gain on sale of property, plant and equipment	380	441
Release of provision for court cases	129	122
Income from joint ventures abroad from previous years	-	53,191
Other	4,950	4,067
	22,187	**82,298**

In 2009 the Group recognized income on the basis of receivables from foreign joint ventures of the Group in the previous years in the amount of HRK 53 million (note 22).

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

5. Cost of materials and services

	2010 HRK'000	2009 HRK'000
Raw materials and other material cost	4,360	6,326
Services	218,226	389,865
	222,586	**396,191**

Service costs mostly relate to services from subcontractors in the amount of HRK 209,686 thousand (2009: HRK 373,394 thousand) which participated in construction of various investment projects in which Ingra Group is engaged as the main contractor of construction work and also in construction of the Group's own projects.

6. Personnel costs

	2010 HRK'000	2009 HRK'000
Net wages and salaries	20,021	31,083
Taxes and contributions	13,857	23,751
Compensation to employees	637	883
Accrued personnel costs	4,330	-
	38,845	**55,717**

7. Depreciation

	2010	2009
	HRK'000	HRK'000
Depreciation of property, plant and equipment and investment property		
- regular depreciation	3,750	5,186
- release of revaluation reserves	1,179	1,179
	4,929	**6,365**

8. Other operating expenses

	2010	2009
	HRK'000	HRK'000
Bad debt provision	12,575	2,364
External services	11,450	9,950
Loss from asset disposals	4,665	-
Provisions for court cases	2,360	-
Bank services	3,598	5,505
Other taxes	3,469	4,004
Remunerations to employees	3,406	5,014
Insurance premiums	1,947	1,847
Entertainment costs	540	1,560
Other expenses	4,973	85
	48,983	**30,329**

9. Finance income and expenses

	2010	2009
	HRK'000	HRK'000
Financial income		
The difference between the carrying value of extinguished financial liability and fair value of equity instruments issued (IFRIC 19)	21,592	-
Foreign exchange gains	13,707	3,317
Financial income in accordance with IFRIC 12	9,040	15,770
Interest income	6,780	2,703
Gain on the sale of subsidiary (Ingra gradnja)	2,351	-
Net gain on sale of financial asset trough profit or loss	21	543
Net fair value gain on investments at fair value through profit or loss	49	403
Dividend income	40	320
Other financial income	55	-
Total financial income	**53,635**	**23,056**
Financial expenses		
Interest expense	43,407	40,045
The impairment loss on available-for-sale financial assets - reclassification from other comprehensive income to the profit and loss	31,272	-
Foreign exchange losses	12,960	3,768
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 shares in participating interests	-	4,847
Value adjustment of investments in non-consolidating subsidiaries	-	55,656
Other financial expenses	2,412	-
Total financial expenses	**99,124**	**132,526**
Financial result	**(45,489)**	**(109,470)**

The Group 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. Financial income in amount of HRK 9,040 thousand relates to revenue recognition according to IFRIC 12 for Arena project based on the contract concluded with the company Zagrebački holding d.o.o.

10. Corporate income tax

Recognized in Profit and loss account

	2010 HRK'000	2009 HRK'000
Current tax	18	628
Deferred tax	-	-
Corporate income tax in Profit and loss account	**18**	**628**

Reconciliation of effective tax rate

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

	2010 HRK'000	2009 HRK'000
(Loss) / Profit before tax	(90,545)	(70,804)
Tax calculated at the statutory rate of 20%	**(18,109)**	**(14,161)**
Expenses not allowable for income tax purposes	12,416	16,687
Non-taxable income	(81)	(2,123)
Incentives	(6)	(11)
Tax on depreciation cost on revalued amount	236	236
Corporate income tax	**18**	**628**
Un-recognized deferred tax asset	**(5,562)**	**(2,753)**
Un-recognized deferred tax asset from previous period	(5,844)	(3,091)
Decrease of tax assets arising from the disposal of subsidiary	1,727	-
Expired un-used tax assets	125	-
Unrecognized deferred tax asset	**9,554**	**5,844**

Tax losses carried forward

Due to the uncertainty if the taxable income will be available for the usage of tax losses carried forward within 5 years, the Group 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 expire as follows:

	2010 HRK'000	2009 HRK'000
Within 1 year	104	125
Within 2 years	342	104
Within 3 years	1,078	342
Within 4 years	2,469	1,934
Within 5 years	5,561	3,339
	9,554	**5,844**

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 positions of the Group 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 Group's interpretations.

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

11. Goodwill

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

	Goodwill
	HRK'000
Cost or valuation	
Balance at 1 January 2009	**73,734**
The realization of goodwill resulting from the sales of apartments	(20,359)
Disposal of subsidiaries/loss of control	(10,525)
Impairment of goodwill	(6,373)
Other decreases	(7,197)
Balance at 31 December 2009	**29,280**
Allocation of goodwill resulting from the Lapad project completion to investment property and inventories	(24,200)
Balance at 31 December 2010	**5,080**

12. Property, plant and equipment

	Land	Buildings	Plant and equipment	Vehicles and other assets	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Cost					
At 1 January 2009	**13,168**	**118,042**	**44,832**	**15,020**	**191,062**
Additions	-	-	1,169	166	1.335
Disposal of subsidiaries and loss of control	(1,108)	(14,321)	(38,054)	(3,190)	(56,673)
Disposals	-	(186)	(127)	(1,560)	(1,873)
At 31 December 2009	**12,060**	**103,535**	**7,820**	**10,436**	**133,851**
Additions	-	-	71		71
Disposal of subsidiaries and loss of control	-	-	(481)	(624)	(1,105)
Disposals	-	-	(477)	(2,594)	(3,071)
At 31 December 2010	**12,060**	**103,535**	**6,933**	**7,218**	**129,746**
Accumulated depreciation					
At 1 January 2009	-	**23,049**	**11,962**	**8,381**	**43,392**
Disposal of subsidiaries and loss of control	-	(3,726)	(6,747)	(263)	(10,736)
Depreciation for the year	-	2,588	1,440	1,347	5,375
Disposals	-	-	(65)	(1,212)	(1,277)
At 31 December 2009	-	**21,911**	**6,590**	**8,253**	**36,754**
Disposal of subsidiaries and loss of control	-	-	(462)	(454)	(916)
Depreciation for the year	-	2,592	610	767	3,969
Disposals	-	-	(309)	(1,931)	(2,240)
At 31 December 2010	**-**	**24,503**	**6,429**	**6,635**	**37,567**
Carrying value					
At 31 December 2009	12,060	81,624	1,230	2,183	97,097
At 31 December 2010	**12,060**	**79,032**	**504**	**583**	**92,179**

Collateral

Land and buildings of the Group are pledged as collateral for loans received (note 25).

Revaluation

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

Leased assets

Total area of the building is 4,700 m^2 and includes an area of 1,132 m^2 rented to third parties during 2010. Total carrying value of the building is HRK 79,032 thousand (2009: HRK 81,624 thousand).

The leased asset has been rented under non-cancellable operating lease during the period of two to five years. Subsequent renewals are negotiated with the lessee. No contingent rents are charged.

The Group is not registered as the owner of the building in the Land Register due to unresolved land ownership transcripts 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 from financial institutions.

As at 31 December 2010 the Group uses completely depreciated assets with the purchase cost amounting to HRK 8,671 thousand (2009: HRK 9,048 thousand).

13. Investment property

	Land	**Buildings**	**Total**
	HRK'000	HRK'000	HRK'000
Cost			
At 1 January 2009	**43,789**	**49,908**	**93,697**
Additions	200	932	1,132
Disposals	(6,223)	(8,681)	(14,904)
At 31 December 2009	**37,766**	**42,159**	**79,925**
Transfer from inventories – Lapad project	20,211	38,343	58,554
Additions	-	497	497
Disposals	(5,773)	-	(5,773)
At 31 December 2010	**52,204**	**80,999**	**133,203**
Accumulated depreciation			
At 1 January 2008	-	**1,321**	**1,321**
At 1 January 2009	**-**	**3,076**	**3,076**
Depreciation for the year	-	989	989
Disposals	-	(267)	(267)
At 31 December 2009	-	**3,798**	**3,798**
Depreciation for the year	-	960	960
At 31 December 2010	-	**4,758**	**4,758**
Carrying value			
At 31 December 2009	37,766	38,361	76,127
At 31 December 2010	**52,204**	**76,241**	**128,445**

The fair value of the investment property does not significantly differ from the cost of acquisition.

During 2010 the Group transferred the amount of HRK 58,554 thousand which related to investment property leased in commercial and residential building Dvori Lapad in Dubrovnik completed in 2010, from inventories to investment property.

During 2010 the Group has sold land with the carrying value amounting to HRK 6 million and recognized loss in the amount of HRK 4.6 million.

Assets classified as investment property are pledged as collateral for bank loans.

14. Acquisition of subsidiaries, Non-controlling interest and loss of control over subsidiaries

The Group sold the company Ingra Gradnja d.o.o. during 2010 and recognized gain from the sale in the amount of HRK 2 million. The Group also founded two new companies during 2010: Dvori Lapad d.o.o. and Ingra Autoservis d.o.o.

15. Investment in associates

	31 December 2010 HRK'000	Share %	31 December 2009 HRK'000	Share %
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

	31.12.2010 HRK'000	31.12.2009 HRK'000
Non-current investments		
Investments in companies up to 20% of capital	45,646	25,694
Deposits and guarantees	118	228
Held-to-maturity investments	2,458	4,093
Other non-current investments	72	1,073
	48,294	**31,088**
Current investments		
Available-for-sale financial assets	12,865	18,461
Financial assets at fair value through profit or loss	2,043	1,182
Deposits and guarantees	47,802	47,818
	62,710	**67,461**

Investments in the companies in which the Group holds up to 20% of the share capital of these companies at 31 December 2010 relates to investment 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 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 Group 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.

Current deposits and guarantees relate to deposited amount received from Zagrebački holding d.o.o. as a guarantee deposit for rent payment for lease of Arena Zagreb. Deposits have been placed in BKS bank in accordance with Loan contract signed with this bank. Interest rate received from this deposit is income of the company Zagrebački holding d.o.o. in accordance with the lease agreement.

Available-for-sale financial asset relate to investments in the investments funds and shares quoted at Zagreb Stock Exchange.

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

17. Loans granted

	31.12.2010 HRK'000	31.12.2009 HRK'000
Long term loans		
Loans granted to related companies	11,299	11,377
Loans granted to other companies	920	1,096
	12,219	**12,473**
Short term loans		
Loans granted to other companies	11,126	6,731
Impairment loss on loans granted	(4,059)	(5,629)
	7,067	**1,102**

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

18. Other long-term receivables

	31.12.2010	31.12.2009
	HRK'000	HRK'000
Long term receivables		
Long term receivables from Zagrebački holding d.o.o. (Arena Zagreb)	848,236	883,066
Long term receivables – City of Zagreb	22,381	22,381
	870,617	**905,447**

Long term receivable from Zagrebački holding d.d. relates to long-term lease contract for the lease of Arena Zagreb. Project was carried by Lanište 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. also committed to pay a deposit in the amount equal to annual leasehold rent plus VAT. In accordance with the contract, Zagrebački holding d.o.o. has the option of early redemption of Arena Zagreb after the 7th year.

19. Inventories

	31.12.2010	31.12.2009
	HRK'000	HRK'000
Finished goods	275,839	292,793
Work in progress (own projects construction)	26,425	25,352
Raw materials	5	13
Other	-	21
	302,269	**318,179**

Value of inventories under pledge as a security for bank loans amount to HRK 288,967 thousand.

Finished goods mostly relate to constructed commercial and residential building Dvori Lapad in Dubrovnik. As stated in note 13, the amount of HRK 58,554 thousand related to investment property leased in this commercial and residential building, which has been transferred from inventories to investment property upon completion of the project.

20. Trade and other receivables

	31.12.2010	31.12.2009
	HRK'000	HRK'000
Receivables from related parties		
Receivables from key shareholders and members of the Supervisory Board	444	83
Advances given to related parties	2,771	5,830
Receivables from related parties (trade and other)	2,703	2,655
	5,918	**8,568**

	31.12.2010 HRK'000	31.12.2009 HRK'000
Receivables from third parties		
Trade receivables – net	73,227	154,209
Advances given	10,171	10,493
Receivable for value added tax	-	5,936
Receivable for other taxes	8,179	23,141
Other receivables	4,354	11,546
	95,931	**205,325**
	101,849	**213,893**

21. Cash and cash equivalents

	31.12.2010 HRK'000	31.12.2009 HRK'000
Cash at bank	11,767	25,956
Petty cash	194	62
Total cash at bank and petty cash	**11,961**	**26,018**
Cash in the statement of cash flows	**11,961**	**26,018**

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

22. Prepaid expenses and accrued income

	31.12.2010 HRK'000	31.12.2009 HRK'000
Accrued income	56,981	54,966
Prepaid expenses	-	12
	56,981	**54,978**

Accrued income in the amount of HRK 56,580 thousand mostly relates to accrued income in relation to receivable from foreign joint ventures of the Group from previous years in the amount of HRK 53,191 thousand.

23. Equity and reserves

	31.12.2010 HRK'000	31.12.2009 HRK'000
Share capital	**270.904**	**300.000**

The parent 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 parent 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 parent 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 Group 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 Group carried out in 2006.

The release of revaluation reserves to the profit and 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.

Basic earnings per share

	2010 HRK'000	2009 HRK'000
Net loss for the year attributable to ordinary shareholders of the Parent	(90,473)	(71,282)
Average number of issued shares	7,665,622	7,500,000
Basic earnings per share (HRK)	**(11.8)**	**(9.5)**

Diluted earnings per share

	2010 HRK'000	2009 HRK'000
Net loss for the year attributable to ordinary shareholders of the Parent	(90,473)	(71,282)
Average number of issued shares decreased by average number of treasury shares	7,416,178	7,187,819
Diluted earnings per share (HRK)	**(12.2)**	**(9.92)**

24. Interest-bearing loans and borrowings

	31.12.2010 HRK'000	31.12.2009 HRK'000
Non-current		
Bank loans	291,191	317,337
Bonds issued	162,110	191,129
	453,301	**508,466**
Current		
Bank loans	453,288	386,270
Treasury bills	46,313	102,014
Liabilities toward factoring company	724	4,201
Other	76	96
	500,401	**492,581**
Total	**953,702**	**1,001,047**

Interest rates and repayments as at 31 December 2010 were as follows:

	Total HRK'000	< 1 year HRK'000	1 – 2 years HRK'000	2 – 3 years HRK'000	> 5 years HRK'000
Loans from banks					
EUR 48,000 thousand, variable, 3-m EURIBOR + 2.125%	296,164	42,500	44,500	46,500	162,664
HRK 48,000 thousand, variable, 4.9%	48,003	48,003	-	-	-
EUR 10,000 thousand, variable; 3-m EURIBOR + 5%	73,853	73,853	-	-	-
HRK 198,000 thousand; 3-m EURIBOR + 6.75%; not lower than 8%, variable	198,105	198,105	-	-	-
HRK 35,000 thousand; 3-m EURIBOR + 5%	35,167	35,167	-	-	-
EUR 4,300 thousand; 8.5 % variable	31,128	-	31,128	-	-
EUR 3,500 thousand; 3-m EURIBOR +7%	25,848	25,848	-	-	-
EUR 1,950 thousand; 8.5% variable	12,018	5,619	6,399	-	-
HRK 10,000 thousand, fixed; 5.09%	10,000	10,000	-	-	-
HRK 7,000 thousand, variable; 9%	7,000	7,000	-	-	-
HRK 4,500 thousand; 11%	3,473	3,473	-	-	-
HRK 12,500 thousand, fixed; 9.5%	2,893	2,893	-	-	-
EUR 117 thousand; 9.90 % variable	402	402	-	-	-
EUR 34 thousand; 3-m EURIBOR +7%	251	251	-	-	-
Total	**744,305**	**453,114**	**82,027**	**46,500**	**162,664**

	Total HRK'000	< 1 year HRK'000	1 – 2 years HRK'000	2 – 3 years HRK'000	> 5 years HRK'000
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	-	-	-
Loans from other companies	230	230	-	-	-
Other	20	20	-	-	-
As at 31 December 2010	**953,702**	**500,401**	**82,027**	**46,500**	**324,774**

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

The Group 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 that 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.

Group 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, with the due date on 28th January 2011, at a issue price of 90.97%,
- 10th tranche in the amount of HRK 22,000 thousand, with the due date on 28th January 2011 (361 days), at an issue price of 90.51%,
- 11th tranche in the amount of EUR 834 thousand, with the due date on 15th March 2011, at an issue price of 91.35%. This tranche has been increased by EUR 156 thousand with a discount of 92.76%,
- 12th tranche in the amount of HRK 6,073 thousand, with the due date on 13th May 2011 (364 days), at an issue price of 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 issued 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 Group's asset classified as investment property with the carrying value of HRK 106,540 thousand. Loans and borrowings are also secured by pledge over the land and buildings which are recognized as inventories in the amount of HRK 288,967 thousand.

Mortgage is registered over Arena Zagreb in favour of commercial bank.

25. Share based payments

	2010 HRK'000	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 cost of share based payments made during 2010 in the amount of HRK 2,088 thousand (2009: HRK 3,631 thousand) is included in personnel expenses. The Group established a plan for a share option programme to employees prior to retirement. Options are settled in the Ingra'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 employees on 29 June 2010	22,000		31/12/2010
	77,200		

26. Other long term liabilities

Other long term liabilities in amount of 47,727 thousand relate to the liabilities for guarantee deposit paid by Zagrebački holding d.o.o as insurance for timely rent payment for Arena Zagreb, according to the Agreement on long-term lease of Arena Zagreb.

27. Long term provisions

Provisions for court cases	2010 HRK’000	2009 HRK’000
As at 1 January	6,986	7,045
Provisions made during the year	2,366	63
Provisions released during the year	(120)	(122)
As at 31 December	**9,232**	**6,986**

28. Deferred tax liability

	2010 000'HRK	Recognized in profit or loss account 000' HRK	2009 HRK'000	Recognized in profit or loss account 000' HRK
Property, plant and equipment	12,783	236	13,018	236
Deferred tax liability	**12,783**	**236**	**13,018**	**236**

29. Trade and other payables

	31.12.2010 HRK’000	31.12.2009 HRK'000
Payables to related parties		
Advances received from related parties	-	14,022
Liabilities to related parties (suppliers)	5,024	3,195
Liabilities to key shareholders	-	10
	5,024	***17,227***
Payables to third parties		
Trade payables	111,904	225,854
Advances received	28,736	51,119
Income tax payable	18	472
Liabilities from joint ventures	3,362	9,926
VAT payable	1,446	5,055
Contributions and taxes payable	3,240	3,373
Dividends payable	1,044	2,461
Liabilities to employees	1,678	1,426
Other current liabilities	3,617	4,539
	155,045	***304,225***
	160,069	**321,452**

As at December 31, 2010 ageing 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**
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
2010	**116,928**	10,169	27,106	3,519	1,645	3,348	71,141
2009	**229,059**	51,175	26,243	11,809	11,597	20,562	107,673

30. Liabilities for construction contracts

	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.

31. Accrued expenses and deferred income

Accrued expenses and deferred income in 2010 in the amount of HRK 23,074 thousand mostly refer to:

- HRK 15,873 thousand to accrued interests on received loans
- HRK 4,330 thousand to accrued personnel costs
- HRK 2,871 thousand mostly relate to accrued costs of subcontractors which were involved in Group's projects performed abroad.

32. Commitments and contingencies

The following table discloses the contractual amounts of the Group's off-balance-sheet financial instruments:

	2010 HRK'000	2009 HRK'000
Guarantees		
- in HRK	130,538	53,269
- in foreign currency	60,935	141,160
	191,473	**194,429**

Commitments for operating lease payables (lessor):

The Group lease office and storage space 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 1,058 thousand) was recognised as income in the income statement in respect of cancellable operating lease.

33. Related parties transactions

The Group considers that it has related party relationship with its key shareholders (note 1) and entities under their control or influence; its subsidiaries and associates; key management personnel, close family members of key management personnel; and entities controlled, jointly controlled or significantly influenced by key management personnel and their close family members, in accordance with the definitions contained in International Accounting Standard 24 “Related Party Disclosures” (“IAS 24”). Key management personnel comprise the members of Management and Supervisory Boards. Members of the Management and Supervisory Board took part in the ownership structure as is 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. During the year remuneration in the amount of HRK 692 thousand (2009: HRK 909 thousand) was paid to the Supervisory Board.

Significant transactions with related parties were as follows:

	31.12.2010 HRK'000	31.12.2009 HRK'000
Sales to related parties		
Sales to key shareholders	8,057	-
Sales to members of the Supervisory Board	4,023	-
Sales to related parties	**-**	104,870
	12,080	**104,870**
Purchase from related parties		
Purchase from related parties	14,987	7,156
Purchase from key shareholders	-	8
	14,987	**7,164**

Receivables		
Receivables from related parties	5,474	8,035
Receivables from key shareholders	267	83
Receivables from members of the Supervisory Board	177	-
	5,918	**8,118**
Payables		
Payables to key shareholders	-	10
Liabilities to related parties	5,024	3,195
Advances received from Management Board	-	10,432
Advances received from Supervisory Board	-	3,590
	5,024	**17,227**

34. Financial instruments

The Group is exposed to credit, interest and currency risk. The Group 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, credits and liabilities can be summarised as follows:

a) Capital risk management

The Group 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:

	31.12.2010 HRK'000	31.12.2009 HRK'000
Loans and borrowings	953,705	1,001,047
Trade payables, related parties and other payables	235,544	325,081
Decrease for cash and cash equivalents (deposits)	(11,961)	(26,018)
Net debt	**1,177,288**	**1,300,110**
Equity	501,969	452,810
Equity and net debt	1,679,257	1,752,920
Gearing	**70%**	**74%**

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 HRK'000	"Fair value through P&L" HRK'000	Available for sale HRK'000	Held to maturity HRK'000	Total financial assets classified under IAS 39 HRK'000
31 December					
Long-term financial assets	12,219	-	45,720	2,574	60,513
Current financial assets	7,067	2,043	12,866	47,801	69,777
Non-current receivables	870,617	-	-	-	870,617
Trade and other receivables	101,849	-	-	-	101,849
Cash	11,961	-	-	-	11,961
	1,003,713	**2,043**	**58,586**	**50,375**	**1,114,717**

2009

	Loans and receivables HRK'000	"Fair value through P&L" HRK'000	Available for sale HRK'000	Held to maturity HRK'000	Total financial assets classified under IAS 39 HRK'000
31 December					
Long-term financial assets	13,773	-	25,694	4,093	**43,560**
Current financial assets	48,920	1,182	18,462	-	**68,564**
Non-current receivables	905,447	-	-	-	**905,447**
Trade and other receivables	213,893	-	-	-	**213,893**
Accrued income	54,978	-	-	-	**54,978**
Cash	26,018	-	-	-	**26,018**
	1,263,029	**1,182**	**44,156**	**4,093**	**1,312,460**

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

Fair value of financial instruments

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to 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 following table represents financial assets and liabilities valued at fair value in the Statement of financial position according to the fair value hierarchy. This hierarchy groups financial assets and liabilities in three levels, depending on the significance of input variables used in the measurement of their fair values. The fair value hierarchy has the following levels:

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

The level within which a financial asset/liability is classified is based on the lowest level of a significant input variable used I 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

	Level 1	Level 2	Level 3	Total
Assets				
Listed securities and shares in investment funds	12,866	-	-	12,866
Cash funds	2,043	-	-	2,043
Total	**14,909**	**-**	**-**	**14,909**

The Group applied the following methods and assumptions during the estimation of fair value of financial instruments:

Receivables and deposits at banks

For assets which mature within 3 months, carrying value is similar to fair value due to shortness of these instruments. For longer-term assets, contracted interest rates do not significantly defer from current market interest rates, and due to that their fair value is similar to its carrying value.

Loan liabilities

Fair value of short term liabilities is similar to its carrying value due to shortness of these instruments. For long term liabilities, contracted interest rates do not significantly defer from current market interest rates, and due to that their fair value is similar to its carrying value.

Other financial instruments

Financial instruments of the Group which are not valuated at fair value are trade accounts receivable, other receivables, trade accounts payable and other payables. Historic carrying value of assets and liabilities, including the provisions, which are in accordance with the usual business conditions, is similar to its fair value.

a) Financial risk management

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

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group'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 Group was exposed to financial risk of changes of exchange rates and changes of interest rates. There has been no significant change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk management

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group. The currencies in which these transactions primarily are denominated are EUR and USD.

The Group is exposed to currency risk on sales, purchases and short term deposits that are denominated in a foreign currency. The currencies in which these transactions primarily are denominated are EUR. Against this risk the Group is not economically protected. Exposure of the Group to the foreign currency risk is as follows:

Notes to the financial statements

31 December 2010	EUR 000' HRK	USD 000' HRK	Other currencies 000' HRK	Total currencies 000' HRK	HRK 000' HRK	Total 000' HRK
Loans granted	12,765	-	-	12,765	6,521	19,286
Long term receivables	792,658	-	-	792,658	77,959	870,617
Trade receivables	3,534	2,060	6,724	12,318	89,531	101,849
Cash and cash equivalents	1,417	8	1,534	2,959	9,002	11,961
Trade payables	(4,811)	(309)	(6,985)	(12,105)	(195,691)	(207,796)
Financial liabilities	(705,067)	-	-	(705,067)	(248,635)	(953,702)
	100,496	**1,759**	**1,273**	**103,528**	**(261,313)**	**(157,785)**

31 December 2009	EUR 000' HRK	USD 000' HRK	Other currencies 000' HRK	Total currencies 000' HRK	HRK 000' HRK	Total 000' HRK
Loans granted	12,473	-	-	12,473	1,102	13,575
Long term receivables	883,066	-	-	883,066	22,381	905,447
Trade receivables	27,896	9,971	11,530	49,397	108,549	157,946
Cash and cash equivalents	12,281	21	2,081	14,383	11,635	26,018
Trade payables	(15,889)	-	(2,840)	(18,729)	(210,329)	(229,058)
Financial liabilities	(649,451)	-	-	(649,451)	(351,596)	(1,001,047)
	270,376	**9,992**	**10,771**	**291,139**	**(418,258)**	**(127,119)**

	Short term exposure			**Long term exposure**		
	EUR HRK'000	USD HRK'000	Other HRK'000	EUR HRK'000	USD HRK'000	Other HRK'000
2010						
Financial assets	6,416	2,068	8,258	803,958	-	-
Financial liabilities	(220,581)	(309)	(6,985)	(489,297)	-	-
Total exposure	**(214,165)**	**(1,759)**	**1,273**	**314,661**	**-**	**-**

Sensitivity analysis

An average strengthening of the kuna against the following currencies at reporting date would have increased / (decreased) profit before tax as follows:

	2010 Effect on income before taxes HRK'000	2009 Effect on income before taxes HRK'000
EUR - 1%	1,005	13,519
USD – 9%	158	500
DZD – 10%	115	539
MKD – 10%	14	539

This analysis assumes that all other variables, in particular interest rates, remain constant. Same weakening of the kuna against the above currencies at reporting date would have had the equal but opposite effect on the profit before tax, on the basis that all other variables remain constant. It should be mentioned that with 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 Group has regulated possible currency risks by converting contracts to EUR.

b) Interest rate risk

The Group is exposed to interest rate risk as loans are agreed at floating rates while majority of the assets bear no interest. The Group does not hedge exposure to interest rate risk. The following table shows sensitivity of changes of interest rates relating to Group's loans as of 31 December 2010 and 31 December 2009 (note 25), with the assumptions that all other variables are constant, on income before taxes:

	Increase/ decrease in percentage	**Effect on income before taxes HRK'000**
2010		
HRK	+1%	(7,348)
HRK	-1%	7,348

	Increase/ decrease in percentage	**Effect on income before taxes HRK'000**
2009		
HRK	+1,5%	(10,421)
HRK	-1,5%	10,421

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss form defaults. The Group only transacts with entities with good credibility. The Group uses other publicly available financial information and its own trading records to rate its major customers. The Group'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 Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group'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 Group 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 Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments.

Loan receivables

Credit risk related to loans receivables is limited due to allocation of those receivables on different customers. At reporting date the Group had receivables for loans granted to other companies. Loans granted bear fixed interest rates from 4% to 8% per annum. Loans are secured with collaterals.

The Group has been exposed to loans, interest rate and exchange rate risks as part of its ordinary activities. The Group 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:

	31.12.2010	31.12.2009
	HRK'000	HRK'000
Croatia	937,230	1,015,549
Foreign	35,236	46,845
	972,466	**1,062,394**

Impairment losses

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

	31.12.2010	31.12.2009
	HRK'000	HRK'000
Past due less than1 month	40,683	46,032
Past due 1- 3 months	4,558	38,501
Past due 3 – 12 months	31,133	30,303
Past due more than one year	-	42,111
	76,374	**156,947**

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

	2010	2009
	HRK'000	HRK'000
Balance as at 1 January	33,609	38,088
Impairment loss recognised	19,735	2,305
Collected in the period	(8)	(6,784)
Balance as at 31 December	**53,336**	**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	5,629	5,629
Impairment loss recognised	-	-
Collected in the period	(1,570)	-
Balance as at 31 December	**4,059**	**5,629**

Liquidity risk

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

The tables below summarise the maturity profile of the Company's financial liabilities at 31 December 2010 and 2009 based on contractual undiscounted payments.

	Carrying value	Contractual cash flows	0 -12 months	2-5 years	More then 5 years
31 December 2010	000' HRK	000' HRK	000' HRK	000' HRK	000' HRK
Bank loans	734,305	860,686	531,990	328,696	-
Bonds	162,110	231,613	9,929	49,645	172,039
Treasury bills	46,313	46,820	46,820	-	-
Other financial liabilities	10,974	11,808	11,808	-	-
Liabilities for guarantee deposit	47,727	47,727	-	-	47,727
Trade and other payables	160,069	160,069	160,069	-	-
	1,161,498	**1,358,723**	**760.616**	**378,341**	**219,766**

31 December 2009	Carrying value 000' HRK	Contractual cash flows 000' HRK	0 -12 months 000' HRK	2-5 years 000' HRK	More then 5 years 000' HRK
Bank loans	703,607	738,308	411,712	326,596	-
Bonds	191,129	224,500	12,250	212,250	-
Treasury bills	102,014	102,276	102,276	-	-
Liabilities for guarantee deposit	47,741	47,741	-	-	47,741
Trade and other payables	321,452	321,452	321,452	-	-
	1,365,943	**1,434,277**	**847,690**	**538,846**	**47,741**

35. Subsequent events

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

36. Impact of economic crisis on the liquidity of the Group

Due to further strengthening of economic crisis during the year 2010, the Group's Management intensively conducts activities in order to restructure the balance sheet positions, which includes sale of the part of Company's assets and re-financing on the longer basis. The Group 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 Group has converted its liabilities successfully in total amount of HRK 120 million into share capital by issuing new shares pursuant to the decision of the General Assembly held on 22 December 2010.

37. Contingent liabilities

As at 31 December 2010 the Group 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 million (2009: 100 million). As a result, the Group provisioned for these 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 bankruptcy (claim amounted to USD 6 million) was solved in the Group's favour, but the revision of the proceedings in the Supreme Court of Croatia was requested.

Relating to the court case led against the Group 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 favour.

In relation to mentioned requests and legal cases, the Group'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 consolidated profit and loss account as a cost and as a provision in the consolidated Statement of financial position.

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 contingencies

The Group recognises provisions as a result of claims initiated against the Group 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 Group.

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 Group'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 Group'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 Group 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 consolidated financial statements

The consolidated 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
8 ZAGREB

Igor Oppenheim
President of the Management Board