

INGRA D.D.

Financial statements as at 31 December 2011
together with the auditor's report

Content

Management' Report	1 – 4
Responsibility for the financial statements	5
Independent auditor's report	6 – 8
Unconsolidated financial statements:	
Statement of comprehensive income for the year ended 31 December 2011	9
Statement of financial position as at 31 December 2011	10
Statement of cash flows for the year ended 31 December 2011	11
Statement of changes in equity for the year ended 31 December 2011	12
Notes to the financial statements	13 - 56



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, INGRA operates in four different business segments:

- Construction engineering
- Industrial and energy engineering
- Project development through self-funded investment projects and
- Public-private partnership 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.

Main developments in the period 1 January - 31 December 2011

- Operating revenues in 2011 amounted to HRK 166 million and are lower by 33% if compared to 2010
- Share of revenues realized on foreign market is lower compared to the same period last year
- Operating loss before income and taxes (EBIT) is higher by HRK 21 million and amounts to HRK 45.5 million
- Construction agreement amounting to EUR 55 million has been successfully concluded on traditional foreign market and planning activities have started for this project
- Agreements on business cooperation have been signed with companies Mašinoimport, Interaktiva and Bonatti S.p.A.
- Takeover of facilities in port Stora and port Marsa in Algeria and hydropower plant in Lešće and part of road Ravča-Ploče 1 until Vrgorac on a highway Zagreb-Split-Dubrovnik in Croatia has been made
- Sale of residential-commercial premises in Dvori Lapad has exceeded expectations taking into consideration the current situation on real estate market in Croatia during 2011
- In July 2011 6,045,200 new ordinary shares of INGRA d.d. have been listed on Zagreb Stock Exchange' official market

- Due date of INGRA' bonds has been prolonged on 6 December 2016 with amended repayment interest plan
- Due to disturbances on domestic and foreign financial markets, the Company has not been able to realize planned restructuring until the balance sheet date. However, the Management believes that it will be able to realise one of three options of the financial restructuring in short term on which it works intensively
- During the first half of the year 2011 INGRA employed new financial and technical director

Revenues of INGRA d.d. in the period from 1 January until 31 December 2011

Compared to 2010, operating revenues of INGRA d.d. show decrease of 33% to HRK 166 million in 2011, mainly due to slower realisation of construction works on foreign market and lower realisation of two parts of highway in Croatia – on one section of road archaeological excavations are in progress a on the other the investor is in the process of solving ownership issues. Other initiated and contracted projects are in accordance with contracted dynamics of construction works.

Profitability of INGRA d.d. in the period from 1 January until 31 December 2011

Operating loss in 2011 at unconsolidated level is higher by 21% if compared to the same period last year, mainly since the part of foreign projects with high margin are realised through other subsidiaries.

Since the construction of residential-commercial complex Dvori Lapad is finalized, borrowing costs related to the construction of that complex, unlike in 2010, are stated as financial expenses. This caused the increase in interests costs from HRK 32 million to HRK 43 million.

Financial position

Net debt as of 31 December 2011 amounts to HRK 585 million and is lower by HRK 13.4 million compared to 31 December 2010.

Due to disturbances on domestic and foreign financial markets during 2011, the Company has not managed to realize planned refinancing project by which it could qualitatively adjust dynamics of its cash flows.

The Company regularly informs key creditors about its activities and has their support for its efforts, and believes that it will be able to realise soon one of few solutions for financial restructuring on which it intensively works.

Company's business development

Process of re-defining the strategy and organization of INGRA d.d. in relation to business and market orientation has begun in the year 2011.

The Company is focused on strengthening its presence on foreign markets in Middle East and Russia, and systematic and proactive activities on all key markets, in order to explore its potential in expected growth of infrastructural projects.



Key markets of INGRA d.d. are Croatia, South-east Europe, North Africa, Iraq and Russia.

On the basis of recognizable brand and reputation, presence on key markets and credentials for performed high-quality projects, the Company is focused on complex projects in energetics, construction and private-public partnerships.

Other

In June 2011, on its traditional foreign market, INGRA concluded realisation of project worth EUR 56 million due within 26 month, for which planned activities have already started.

In April 2011 Business cooperation agreement has been signed with Russian companies Mašinoimport and Interaktiva.

INGRA has concluded in July 2011 Business cooperation agreement with Italian company Bonatti S.p.A. on markets of mutual interests – Croatia, Iraq, Algeria and Saudi Arabia related to energetics, industry and construction.

During August 2011 takeover of hydropower Lešće has been successfully performed.

Section of road Ravča-Ploče 1 until Vrgorac on a highway Zagreb-Split-Dubrovnik has been delivered to the investor for usage. On a highway Zagreb-Sisak construction work has been finished for main section of road Buševac-Lekenik and the takeover of construction work by the investor is soon expected.

INGRA continues with the construction work for PUO „Pešćenica sjever“ which is located on highway Zagreb-Sisak, section of road Buševac-Lekenik. Also, construction works on section of Ravča-Ploče 1 continues, until Vrgorac to Ploče 1.

Two contracts have been negotiated for the construction of state road in county Bjelovarsko-bilogorska, Splitsko-dalmatinska and Dubrovačko-neretvanska, as well as the contract for the construction of Podravski „Y“, section of road Vrbovec-Bjelovar, route Farkaševac and contract for the construction of section of road Sredanci- Bosnian border, on a highway A-5. Total contracted value for these for contracts amounts to HRK 70.8 million. Realisation of those projects is expected during the year 2012 and 2013.

During 2012, INGRA as a member of Consortium of Croatian architects expects to sign new construction agreements for the construction and reconstruction of roads in Croatia.

In Macedonia construction works on hospitals in Tetovo, Gostivar and Bardovci-Skopje are currently in progress.

Technical review of Cancer hospital in Zagreb has been performed in the first half of the year 2011. The facility has been delivered to the investor in February 2012.

Sale of residential-commercial premises Dvori Lapad during 2011 has exceeded expectations taking into consideration current situation on real estate market in Croatia. In the first quarter in 2011 all premises sold in residential building in Srebrnjak, Zagreb have been took over by customers.

In relation to the Independent auditor's report and its qualified opinion, the Managements draws attention to the following:

- a) Projects in Dubrovnik – Dvori Lapad and Mokošica started in the period of expansion of real estate market. In spite of decrease in prices due to financial crisis, the Company expects that the market will recover and that the sale of real estates in following years will once again be realised at approximately planned prices.
- b) Mavrovo Inženjering doel, Makedonija – Management consider that assets of the company Mavrovo Inženjering will be sufficient to cover all the investment and contingent one-off costs in Macedonia. For that purpose separate Agreement with Mavrovo Inženjering has been signed and in accordance with this Agreement, INGRA has a right to cash proceeds from the sale of assets of Mavrovo Inženjering.
- c) Hotel Alfir – on the basis of external independent evaluations, the real estate value is equal to carrying value of that asset. Although the hotel has to be reconstructed, it is located on very valuable and attractive land in Prižba, on Island of Korčula.

In accordance with Decision brought on General Assembly held on 22 December 2010, 6,045,200 ordinary shares, without nominal amount have been listed on Zagreb Stock Exchange's official market as at 26 July 2011.

On the basis of decision brought on General Assembly of bond holders in September 2011, due date of bonds has been changed from 6 December 2011 to 6 December 2016 with the amended repayment interest plan.

On behalf of the Management Board:

Igor Oppenheim

President of the Board



Responsibility of the financial statements

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

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

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

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

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

By order of the Management Board:

Igor Oppenheim

President of the Management Board

Ingra d.d.

Alexandera von Humboldta 4 B

10000 Zagreb

Croatia

Zagreb, 23 April 2012



Independent Auditor's report

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

We have audited the accompanying separate (unconsolidated) financial statements of Ingra d.d. Zagreb (hereinafter: the Company), which comprise the statement of financial position as of 31 December 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as presented on pages 9 to 56.

Management's Responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards endorsed for use in 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

Projects in Dubrovnik

The Company has reported as at 31 December 2011 the value of projects Dvori Lapad and Mokošica, in the total amount of HRK 311 million, out of which a part is reported as inventories and second part is reported as investment property of the Company.

Estimated fair value of those assets is by HRK 27.4 million lower than its carrying value as at 31 December 2011. Despite of the valuation report, the Management believes that the investment in those projects is entirely recoverable.

Mavrovo Inženjering dooel, Macedonia

Total Company's exposure (in the balance sheet and off the balance sheet) toward the company Mavrovo Inženjering dooel, Macedonia as at 31 December 2011 amounts to HRK 33.2 million. Balance sheet exposure amounts to HRK 18.2 million (investment in subsidiaries, loans granted and other receivables). Off balance sheet exposure amounts to HRK 15 million, and relates to issued corporative and bank guarantees for the obligations of the company Mavrovo Inženjering dooel. Called in corporative guarantees by Tutunska bank amounting to HRK 10 million the Company has not recognized as a present obligation as at 31 December 2011, but as a contingent liability together with other guarantees issued. The Company's Management estimated that additional outflows of economic benefits on the basis of these guarantees are not probable since the Company signed an agreement with the company Mavrovo Inženjering dooel, and on the basis of this Agreement all contingent outflows of economic benefits as well as all investments and receivables will be covered by the sale of Mavrovo Inženjering' assets. However, at the reporting date, we were not able to estimate the certainty of the stated above, as well as the recoverability of investment and receivables in question.

Hotel Alfir

The Company reported investment in hotel Alfir, Korčula as at 31 December 2011 amounting to HRK 14 million. On the basis of external and internal valuations of real estate fair value, the Management estimated that the investment in this project is entirely recoverable. However, as at 31 December 2011, we were not able to satisfy ourselves in the recoverability of this investment.

Other

The Company has reported as at 31 December 2011 loans granted and trade receivables in total amount of HRK 10 million for which the collectability is questionable. As at 31 December 2011 we were not able to satisfy ourselves in the recoverability of those receivables.

Opinion

In our opinion, except for the effect on the separate financial statements of the matters described in the Basis for Qualified Opinion paragraph, the financial statements give true and fair view of the Company's financial position as of 31 December 2011 and the results of its operations, cash flows and changes in equity for the year then ended in accordance with in accordance with International Financial Reporting Standards endorsed for use in European Union.

Emphasis of matter

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

Accrued income

In note 22 recognition of accrued income in the amount of HRK 53 million from joint ventures abroad is reported, 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 (First-instance Court brought the resolution in Company's favour, and Company currently negotiates the final settlement).

In notes 13 and 16 are described investment and receivable on the basis of long term loan from the subsidiary Lanište d.o.o. which carried the construction project of Arena Zagreb.

In case that Zagrebački holding d.o.o. exercise the option of early redemption of Arena Zagreb, internal rate of return of the total investment and long term receivable would be lower than market interest rate for placements with similar credit characteristics. We were not able to estimate certainty of early redemption by Zagrebački holding d.o.o.

The Company has presented in note 34 that, after the reporting date (31 December 2011), has active plan and programme for the financial restructuring based on part of assets of the subsidiary Lanište d.o.o. With the realisation of one of the options for financial restructuring the Company would significantly improve its liquidity and its financial position. As at 31 December 2011 current liabilities exceed current assets and therefore there is significant uncertainty whether the Company will continue as going concern. Since the Management has active plan and programme for financial restructuring, separate financial statements as at 31 December 2011 have been prepared on the going concern basis.

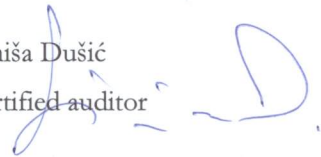
Consolidated financial statements

The Company has subsidiaries and in accordance with the requirements of IAS 27 "Consolidated and Separate Financial Statements", has prepared and separately published consolidated financial statements on 23 April 2012.

Grant Thornton revizija d.o.o
Koranska 16, 10000 Zagreb
Zagreb, 23 April 2012

GRANT THORNTON
revizija d.o.o.
ZAGREB

Siniša Dušić
certified auditor



Statement of comprehensive income

	<i>Notes</i>	2011 HRK 000	2010 HRK 000
Sales	3	157,080	225,080
Other operating income	4	9,162	22,026
Operating revenues		166,242	247,106
Changes in work in progress and finished goods		(41,287)	17,975
Cost of material and services	5	(102,163)	(218,124)
Personnel costs	6	(26,612)	(36,508)
Depreciation	7	(4,552)	(4,587)
Other operating expenses	8	(37,200)	(43,468)
Operating income / (loss)		(45,572)	(37,606)
Financial revenues		40,126	38,980
Financial expenses		(70,048)	(91,312)
Net financial result	9	(29,922)	(52,332)
Profit/(loss) before taxation		(75,494)	(89,938)
Corporate income tax	10	-	-
Net profit / (loss) for the year		(75,494)	(89,938)
Earnings/(loss) per share (in Croatian kuna)			
Basic loss per share	23	(5.57)	(11.73)
Diluted loss per share	23	(5.57)	(12.13)
Other comprehensive income:			
Available-for-sale financial assets		(395)	35,853
Other comprehensive income/(loss) for the year, net		(395)	35,853
Total comprehensive income/(loss) for the year		(75,889)	(54,085)

Statement of financial position

	Notes	31/12/2011 HRK 000	31/12/2010 HRK 000
Assets			
Non-current assets			
Property, plant and equipment	11	93,676	90,463
Investment property	12	108,941	110,992
Investment in subsidiaries	13	99,753	103,222
Investment in associates	14	9,689	9,652
Other financial assets	15	27,038	48,284
Loans granted	16	433,124	12,219
Non-current receivables	17	-	423,009
		772,221	797,841
Current assets			
Inventories	18	261,384	302,269
Trade and other receivables	19	54,667	102,912
Gross amount due from customers for construction contracts	20	2,887	1,203
Other financial assets	15	1,801	14,938
Loans granted	16	15,058	11,018
Cash and cash equivalents	21	3,469	11,366
		339,266	443,706
Prepayments and accrued income	22	56,580	56,580
Total assets		1,168,067	1,298,127
Off-balance-sheet items			
		156,300	191,526
Equity			
Share capital		270,904	270,904
Share premium		160,634	250,572
Reserves for treasury shares		9,000	9,000
Revaluation reserves		40,584	41,922
Legal reserves		8,250	8,250
Other reserves and retained earnings		1,908	427
Net profit / (loss) for the year		(75,494)	(89,938)
	23	415,786	491,137
Liabilities			
Non-current liabilities			
Interest-bearing liabilities	24	162,173	199,637
Provisions	25	13,457	9,068
Deferred tax liability	26	10,245	10,481
		185,875	219,186
Current liabilities			
Trade and other payables	28	112,946	150,208
Gross amount due to customers for construction contracts	29	4,756	5,877
Interest-bearing liabilities	24	426,095	410,015
		543,797	566,100
Accrued expenses and deferred income	30	22,609	21,704
Total liabilities		752,281	806,990
Total equity and liabilities		1,168,067	1,298,127
Off-balance-sheet items		156,300	191,526

Statement of cash flows

	2011	2010
	HRK 000	HRK 000
Cash flows from operating activities		
Profit / (loss) for the year before taxes	(75,494)	(89,938)
<i>Adjustments:</i>		
Depreciation of property, plant and equipment	3,038	3,627
Depreciation of investment property	1,514	960
(Gain)/loss on sale of plant and equipment	(226)	(306)
(Gain)/loss on sale of investment property	3,339	4,623
Revenue recognition according to IFRIC 19	-	(21,592)
Impairment of investments in subsidiaries	3,469	6,857
Impairment of other investments	8,710	-
Interest expenses	43,035	31,903
Interest income	(17,316)	(9,113)
Fair value gains/(losses) on available-for-sale financial assets	1,508	4,581
Impairment losses on available-for-sale financial assets	114	31,272
Increase/decrease of provisions	4,927	5,950
Impairment of loss granted	1,601	50
Impairment of trade and other receivables	8,853	12,620
Net foreign exchange gains/losses and other	(1,008)	3,961
	61,558	75,393
<i>Result from operating activities before changes in working capital</i>	(13,936)	(14,545)
Decrease/increase in current assets:		
Decrease (increase) in inventories	39,164	(22,052)
Decrease (increase) in receivables	34,218	94,377
Decrease (increase) in prepayments and accrued income	-	63,450
Increase/decrease in current liabilities:		
Increase/decrease in current liabilities	(38,619)	(92,093)
Increase/decrease in accrued expenses	(12,380)	(1,359)
Net cash flow from operating activities before interest and taxes	8,447	27,778
Interests received	17,316	599
Interests paid	(29,750)	(16,030)
Net cash flow from operating activities	(3,987)	12,347
Investing activities		
Purchase of property, plant and equipment	(68)	(72)
Proceeds from disposals of property, plant and equipment	226	1,138
Purchase of investment property	(864)	(316)
Proceeds from sale of investment property	3,273	1,150
Decrease/(increase) in non-current financial assets	(4,542)	(61,304)
Investment in associates	(37)	-
Decrease/(increase) in financial assets	18,478	(16,512)
Net cash from/used in investing activities	16,466	(75,916)
Financing activities		
Transactions with treasury shares	-	3,209
Decrease/(increase) in non-current interest-bearing liabilities	(36,456)	13,693
Decrease/(increase) in current interest-bearing liabilities	16,080	33,407
Net cash flow from/(used in) financial assets	(20,376)	50,309
Net change in cash and cash equivalents	(7,897)	(13,260)
Cash and cash equivalents at the beginning of the period	11,366	24,626
Cash and cash equivalents at the end of the period	3,469	11,366

Statement of changes in equity

	Share capital	Share premium	Treasury shares	Reserves for treasury shares	Revaluation reserves	Unrealised gains/(losses) on available-for-sale financial assets	Legal reserves	Reserves and retained earnings	Total
	HRK 000	HRK 000	HRK 000	HRK 000	HRK 000	HRK 000	HRK 000	HRK 000	HRK 000
As at 1 January 2010	300,000	123,000	(6,457)	9,000	42,865	(35,853)	8,250	984	441,789
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 revaluation reserve to retained earnings	-	-	-	-	(943)	-	-	943	-
Loss for the year	-	-	-	-	-	-	-	(89,938)	(89,938)
<i>Other comprehensive income/(loss)</i>									
Available-for-sale financial assets									
- current year gains/(losses)	-	-	-	-	-	(2,939)	-	-	(2,939)
- reclassification to profit or loss	-	-	-	-	-	38,792	-	-	38,792
<i>Total comprehensive income/(loss) for the year</i>	-	-	-	-	-	35,853	-	(89,938)	(54,085)
As at 31 December 2010	270,904	250,572	-	9,000	41,922	-	8,250	(90,423)	490,225
Correction of opening balances	-	-	-	-	-	-	-	912	912
As at 1 January 2011 (corrected)	270,904	250,572	-	9,000	41,922	-	8,250	(89,511)	491,137
Transactions with owners:									
Transfer from revaluation reserve to retained earnings	-	-	-	-	(943)	-	-	943	-
Covering of Loss incurred in 2010	-	(89,938)	-	-	-	-	-	89,938	-
Increase in reserves of a branch	-	-	-	-	-	-	-	538	538
Loss for the current year	-	-	-	-	-	-	-	(75,494)	(75,494)
<i>Other comprehensive income/(loss)</i>									
Available-for-sale financial assets									
- current year gains/(losses)	-	-	-	-	-	(2,271)	-	-	(2,271)
- reclassification to profit or loss	-	-	-	-	-	1,876	-	-	1,876
<i>Total comprehensive income/(loss) for the year</i>	-	-	-	-	-	(395)	-	(75,494)	(75,889)
As at 31 December 2011	270,904	160,634	-	9,000	40,979	(395)	8,250	(73,586)	415,786

Notes are integral part of Statement of Changes in Equity

1. Notes to the financial statements

General data on the Company

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

As at 31 December 2011 the Company had 104 employees, the same as at 31 December 2010.

Within the scope of its various present business activities, the Company 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

Supervisory Board

The members of Supervisory board during 2011 were as follows:

- Stjepan Mesić, president
- PhD Danijel Režek, vice president
- academician Jakša Barbić, member
- Marijan-Antun Kostrenčić, member
- Marko Orešković, member until 28 June 2011

Management Board

The members of board of directors during 2011 were as follows:

- Igor Oppenheim, president
- Željko Perić, member.

The ownership's structure as at 31 December 2011 and 31 December 2010 was as follows:

	31 December 2011		31 December 2010	
	Number of shares	Shares %	Number of shares	Shares %
Igor Oppenheim	773,908	5.71%	773,908	5.71%
Privredna banka Zagreb d.d.	669,805	4.94%	909,974	6.72%
PBZ Croatia Obvezni mirovinski fond d.d.	603,877	4.46%	603,877	4.46%
AZ Obvezni mirovinski fond d.d.	564,324	4.17%	564,324	4.17%
Valamar Adria Holding d.d.	516,658	3.81%	516,658	3.81%
Raiffeisen Obvezni mirovinski fond d.d.	511,349	3.78%	858,205	6.34%
Tehnika d.d.	451,800	3.34%	451,800	3.34%
Erste&Steiermarkische bank d.d.	380,759	2.81%	380,759	2.81%
Tromont d.o.o.	319,970	2.36%	405,000	2.99%
Jasna Ludviger	316,350	2.34%	338,850	2.50%
Other	8,436,400	62.28%	7,741,845	57.16%
	13,545,200	100.00%	13,545,200	100.00%

2. Summary of significant accounting policies

Basis of preparation

Statement of compliance

Standalone financial statements of the Company have been prepared in accordance with International Financial Reporting Standards endorsed for use in the European Union.

Accounting policies applied have not been changed during the reporting period compared to the previous year. During the year the Company has not adopted new and revised IFRS and their interpretations that could materially affect the Company's financial position, results of its operations or require additional disclosures in the financial statements. In 2010 the Company early adopted IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* and in accordance with this interpretation, recognized income in the amount HRK 21,592 thousand in the profit and loss account for the difference between the 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 2011, the exchange rate for USD 1 and EUR 1 was HRK 5.82 and HRK 7.53, respectively (31 December 2010: HRK 5.57 and HRK 7.38 respectively)

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

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

The Company has applied in the year ended 31 December 2011 the following amendments and interpretations issued which are or have become effective during the year and presented, in accordance with the requirements, comparative data. The application of new standards had no effect on the equity as at 1 January 2011:

- 2010 Annual Improvements to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13 – effective for annual periods beginning on or after 1 January 2011,
- 2010 Annual improvements to IFRSs – amendments of transitional requirements to IAS 21, IAS 28, IAS 31, IAS 32 and IAS 39 – effective for annual periods beginning on or after 1 January 2011,
- IAS 24 Related parties (amended) - effective for annual periods beginning on or after 1 January 2011,
- IFRS 1 First time adoption of IFRS – limited exemption from comparative IFRS 7 disclosures for first-time adopters (amended) – effective for annual periods beginning on or after 1 January 2011,
- IFRIC 14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction - amendments effective for annual period beginning on or after 1 January 2011,

Standards, amendments and interpretations to existing standards that are not yet effective

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective for the year ended 31 December 2011:

- IFRS 9 Financial Instruments – new standard effective for annual periods beginning on or after 1 January 2015;
- IFRS 10 Consolidated financial statements – new standard effective for annual periods beginning on or after 1 January 2013;
- IFRS 11 Joint arrangements – new standard effective for annual periods beginning on or after 1 January 2013;
- IFRS 12 Disclosure of interests in other entities – new standard effective for annual periods beginning on or after 1 January 2013;
- IAS 27 and IAS 28 – consequential amendments due to above mentioned new consolidation standards - effective for annual periods beginning on or after 1 January 2013;
- IFRS 13 – Fair value measurement - new standard effective for annual periods beginning on or after 1 January 2013;
- IAS 1 Presentation of Financial Statements (revised) - amendments effective for annual periods beginning on or after 1 July 2012;

Notes to the financial statements (continued)

- IAS 19 Employee benefits (revised) – amendments effective for annual periods beginning on or after 1 January 2013;
- IAS 32 – Financial instruments: Presentation – amendments to application guidance on the offsetting of financial assets and financial liabilities – effective for annual periods beginning on or after 1 January 2014;
- IFRS 1 First time adoption of IFRS – replacement of fixed dates for certain exceptions – effective for annual periods beginning on or after 1 July 2011;
- IFRS 1 First time adoption of IFRS – additional exemptions for entities ceasing to suffer from severe hyperinflation – effective for annual periods beginning on or after 1 July 2011;
- IFRS 7 Financial instruments: Disclosures – amendments effective for annual periods beginning on or after 1 July 2011 or 1 January 2013;
- IFRS 7 Financial instruments: Disclosures – amendments requiring disclosures about the initial application of IFRS 9 effective for annual periods beginning on or after 1 January 2015;
- IAS 12 Income taxes (revised) – limited scope amendment effective for annual periods beginning on or after 1 January 2012.

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

Use of estimates and judgements

During the preparation of 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 Company operates. Actual results can differ from estimated results.

Summary of significant accounting policies used for the preparation of the financial statements for the year is presented as follows.

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 acquire and
- net identifiable assets acquired.

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

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

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

b) Property, plant and equipment

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

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

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

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

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

Notes to the financial statements (continued)

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

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

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

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

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

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

Depreciation is calculated on the separate asset items until they are fully depreciated.

Any gain or loss arising from disposal of the asset is included in the profit or loss account under the other operating income or expenses.

Impairment of property, plant and equipment

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable

amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revaluated amount, in which case the impairment loss is treated as a revaluation decrease.

c) Investment property

Investment property is property held either to earn rental income or for capital appreciation or both. Investment property is initially measured at cost. After initial recognition, investment property is measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes purchase price and expenditure that is directly attributable to the acquisition of the asset. Investment property in progress is classified as property, plant and equipment, except land which is immediately recognised as investment property. After putting into use, investment property will be depreciated over the useful economic life.

d) Leases

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

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

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

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

e) Investment in 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.

f) Investment in associates

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

g) Inventories

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

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

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

h) Receivables

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

i) Cash and cash equivalents

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

j) Foreign currency translation

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

k) Loans received

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

l) Provisions

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

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

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

m) Employee benefits

(i) Defined pension fund contributions

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

(ii) Bonus plans

A liability for employee benefits is recognised in provisions based on the Company's formal plan and when past practice has created a valid expectation by the Management Board/key employees

that they will receive a bonus and the amount can be determined before the time of issuing the financial statements. Liabilities for bonus plans are expected to be settled within 12 months of the balance sheet date and are measured at the amounts expected to be paid when they are settled.

(iii) Share based payment transactions

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

n) Revenue recognition

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

Revenues from construction contracts

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

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

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

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

o) Finance income and expenses

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

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

Notes to the financial statements (continued)

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) Taxes

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

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

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

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

q) Segment reporting

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

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

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

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

r) Earnings per share

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

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

s) Financial assets and financial liabilities

Financial assets

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

Financial assets are classified into the following specified categories:

“At fair value through profit or loss” (FVTPL)“

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

o “Held-to-maturity “

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

o “Available for sale” (AFS)“

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

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

o “Loans and receivables “

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income

is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

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

For unlisted shares classified 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 classified as AFS and finance lease receivables, objective evidence of impairment could include:

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

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

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

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

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

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

De-recognition of financial assets

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

Financial liabilities and equity instruments issued by the Company

Classification as debt or equity

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

Equity instruments

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

Share capital

a. Ordinary shares

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

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

b. Repurchase of share capital

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

Financial guarantee contract liabilities

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

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

Financial liabilities at FVTPL

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

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

Other financial liabilities

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

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

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

De-recognition of financial liabilities

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

t) Contingent assets and liabilities

Contingent liabilities are not recognised in financial statements but disclosed in notes if it is not probable that the outflow of resources embodying economic benefits will be required to settle the obligation.

Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realised. However, when the realisation of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate.

u) Subsequent events

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

v) Comparative information and reclassifications

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

3. Sales

	2011	2010
	<u>HRK'000</u>	<u>HRK'000</u>
Revenue from construction contracts (domestic)	89,470	101,754
Other domestic sales	45,467	75,591
Revenue from construction contracts (abroad)	13,633	39,785
Other foreign sales	8,510	7,950
	<u>157,080</u>	<u>225,080</u>

Segment reporting

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

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

Description	2011			2010		
	Croatia	Abroad	Total	Croatia	Abroad	Total
	<u>HRK'000</u>	<u>HRK'000</u>	<u>HRK'000</u>	<u>HRK'000</u>	<u>HRK'000</u>	<u>HRK'000</u>
Sales	134,514	22,566	157,080	177,345	47,735	225,080
Total revenues	143,083	23,159	166,242	186,944	60,162	247,106
Profit/loss from operating activities	(42,712)	(2,860)	(45,572)	(35,455)	(2,151)	(37,606)
Net financial result	(30,052)	130	(29,922)	(52,931)	599	(52,332)
Profit/(loss) before taxation	(72,764)	(2,729)	(75,494)	(88,386)	(1,552)	(89,938)
Corporate income tax	-	-	-	-	-	-
Profit/(loss) for the year	(72,764)	(2,729)	(75,494)	(88,386)	(1,552)	(89,938)
Other segments information						
Depreciation (Note 7)	4,471	81	4,552	4,527	60	4,587

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

4. Other operating income

	2011	2010
	HRK'000	HRK'000
Collection of previously impaired trade receivables	-	11,169
Debt written off from previous years	2,396	4,407
Income from penalties collected	1,109	641
Rent income	1,151	511
Net gain on sale of property, plant and equipment	226	348
Release of provision for court cases	-	129
Other	4,280	4,821
	9,162	22,026

During 2011 the Company has written off liabilities in the amount of HRK 2,396 thousand incurred on the basis of Company's joint ventures in previous years, for which the Management determined that due to statute of limitations, in accordance with Law of obligatory relations, there is no longer liability for their settlement.

5. Costs of materials and services

	2011	2010
	HRK'000	HRK'000
Costs of materials		
Raw materials	642	814
Energy	907	1,031
Small inventory	18	3
	1,567	1,848
Costs of services		
Sub-contractors	94,380	209,372
Rent	1,680	2,037
Transportation	314	1,464
Maintenance	708	833
Other services	3,514	2,570
	100,596	216,276
	102,163	218,124

6. Personnel costs

	2011	2010
	HRK'000	HRK'000
Net salaries and wages	15,456	18,212
Taxes and contributions	9,570	12,377
Compensation to employees	1,586	2,215
Accrued personnel expenses	-	3,704
	26,612	36,508

The average number of the Company's employees in 2011 was 104 (2010: 104).

7. Depreciation

	2011	2010
	HRK'000	HRK'000
Depreciation of property, plant and equipment and investment property		
- regular depreciation	3,373	3,408
- release of revaluation reserves	1,179	1,179
	4,552	4,587

8. Other operating expenses

	2011	2010
	HRK'000	HRK'000
Provision of bad debt receivables	8,853	12,620
External services	7,361	10,984
Provision for court cases	6,719	2,360
Penalties	4,405	1,406
Loss from non-current asset disposal	3,339	4,665
Bank services	2,080	3,003
Compensations to employees	761	1,590
Insurance premiums	488	1,372
Entertainment costs	421	506
Other taxes and contributions	108	175
Taxes non-dependable on results	106	3,430
Impairment losses on related party receivables	-	45
Other expenses	2,559	1,312
	37,200	43,468

9. Financial revenues and expenses

	2011 HRK'000	2010 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
Interest income	17,316	12,170
Foreign exchange gains	13,982	5,098
Net change in investments "at fair value through profit or loss"	2	49
Dividend income	18	40
Net profit on sale of at fair value through profit or loss" financial asset	15	21
Income from loans granted, written off financial liabilities and interests	8,609	-
Other financial income	184	10
Total financial income	40,126	38,980
Financial expenses		
Interest expense	(43,035)	(32,655)
The impairment loss on available-for-sale financial assets - reclassification from other comprehensive income to the profit and loss	(114)	(31,272)
Value adjustment of investments in subsidiaries	(3,489)	(6,876)
Realized fair value losses on available-for-sale financial asset	(1,508)	(7,453)
Value adjustment of non-current financial assets	-	(1,620)
Loss from sale of other investments (up to 20% share)	(8,710)	-
Foreign exchange losses	(11,575)	(9,059)
Other financial expenses	(1,618)	(2,377)
Total financial expenses	(70,049)	(91,312)
Net financial result	(29,923)	(52,332)

The Company sold in 2011 its share in the company Hotel Lapad d.d. and realised loss amounting to HRK 8,710 thousand.

The Company recognized impairment loss on available-for-sale financial assets in 2011 in the amount of HRK 114 thousand (2010: HRK 31 million) due to significant and prolonged decline in the fair value of this portfolio.

10. Corporate income tax

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

	2011	2010
	HRK'000	HRK'000
(Loss)/gain before taxation	(75,494)	(89,938)
(Loss)/gain taxed abroad	561	(389)
Adjusted (loss)/gain	<u>(76,055)</u>	<u>(90,327)</u>
Tax calculated at the statutory rate of 20% (2010: 20%)	(15,211)	(18,065)
Expenses not allowable for tax purposes	7,569	10,524
Tax on depreciation calculated on revaluated amount	236	236
Non-taxable income	(5,179)	(81)
Incentives	(19)	(6)
Corporate income tax	<u>-</u>	<u>-</u>
Un-recognized deferred tax asset	(12,604)	(7,392)
Un-recognized deferred tax asset from previous period	(9,408)	(2,016)
Unrecognized deferred tax asset	<u>(22,012)</u>	<u>(9,408)</u>

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

	2011	2010
	HRK'000	HRK'000
In next 5 years	12,604	7,392
In next 4 years	7,392	2,016
In next 3 years	<u>2,016</u>	<u>-</u>
	<u>22,012</u>	<u>9,408</u>

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

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

Notes to the financial statements (continued)

11. 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/revaluated amount					
As at 1 January 2010	12,060	102,429	6,965	8,277	129,733
Additions	-	-	71	-	71
Disposals	-	-	(477)	(2,594)	(3,071)
As at 31 December 2010	12,060	102,429	6,559	5,683	126,731
Additions	1,855	4,328	19	50	6,252
Disposals	-	-	(96)	-	(96)
As at 31 December 2011	13,915	106,757	6,482	5,733	132,887
Accumulated depreciation					
As at 1 January 2010	-	22,229	6,096	6,556	34,881
Depreciation for the year	-	2,561	498	568	3,627
Disposals	-	-	(309)	(1,931)	(2,240)
As at 31 December 2010	-	24,790	6,285	5,193	36,268
Depreciation for the year	-	2,588	139	312	3,039
Disposals	-	-	(96)	-	(96)
As at 31 December 2011	-	27,378	6,328	5,505	39,211
Net carrying value					
31 December 2010	12,060	77,639	274	490	90,463
31 December 2011	13,915	79,379	154	228	93,676

Notes to the financial statements (continued)

During 2011 the Company has, on the basis of compensation signed with Mavrovo Inženjering for the purpose of settling receivables for loan granted to that company, recognized apartment with related land in total amount of HRK 6,183 thousand, located in Moscow.

Revaluation

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

Leased assets

Total area of the building is 4.700 m², and includes an area of 93.82 m² rented to third parties in the year 2011. Total carrying value of the building together with related land amounts to HRK 87,139 thousand (2010: HRK 89,700 thousand).

The Company 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.

The Company leases office and storage premises under cancellable operating leases. The lease typically runs for an unlimited number of years with a termination notice period. Potential rents are not calculated.

At 31 December 2011 there are no pledges over this building registered in favour of financial institutions.

As at 31 December 2011 the gross carrying amount of fully depreciated assets still in use amounts to HRK 9,071 thousand (2010: HRK 8,201 thousand).

12. Investment property

	Land	Buildings	Assets under construction	Total
	HRK'000	HRK'000	HRK'000	HRK'000
Cost				
As at 1 January 2010	22,369	38,190	-	60,559
Additions	20,211	38,343	-	58,554
Transfer from inventories- Lapad project	-	316	-	316
Disposals	(5,773)	-	-	(5,773)
As at 31 December 2010	36,807	76,849	-	113,656
Additions	1,047	1,126	-	2,173
Reclassification to assets under construction	(8,475)	(16,078)	24,553	-
Transfer from inventories- Lapad project	594	2,616	691	3,901
Disposals	(2,739)	(3,873)	-	(6,612)
As at 31 December 2011	27,234	60,640	25,244	113,118
Accumulated depreciation				
As at 1 January 2010	-	1,704	-	1,704
Depreciation for the year	-	960	-	960
Disposals	-	-	-	-
As at 31 December 2010	-	2,664	-	2,664
Depreciation for the year	-	1,513	-	1,513
Disposals	-	-	-	-
As at 31 December 2011	-	4,177	-	4,177
Net carrying value				
31 December 2010	36,807	74,185	-	110,992
31 December 2011	27,234	56,463	25,244	108,941

During 2010 the Company transferred the amount of HRK 58,554 thousand which related to investment property leased in commercial and residential building Dvori Lapad completed in 2010, from inventories to investment property. During 2011 the Company additionally reclassified cinema under construction in the residential-commercial object Lapad as assets under construction.

During 2011 the Company recorded real estate - business premises on the basis of compensation made with the company Konstruktor inženjering d.d. amounting to HRK 3,490 thousand and on that basis closed its receivable toward that company. However, the Company has not registered ownership over this real estate due to non-existence of ownership records in cadastral county in which the real estate is located.

Carrying value of assets which are pledged as a collateral for bank loans at 31 December 2011 amounts to HRK 105,461 thousand (2010: HRK 106,540 thousand)

13. Investment in subsidiaries

	31 December	Ownership	31 December	Ownership
	2011		2010	
	HRK'000	%	HRK'000	%
1. Ingra Mar d.o.o.	20	100%	20	100%
2. Ingra M.E. d.o.o.	20	100%	20	100%
3. Ingra Italija s.r.l., Italija	-	-	51	67%
4. Bioadria d.o.o.	91	95%	91	64%
5. Ingra Bioren d.o.o.	12	60%	12	60%
6. Posedarje Rivijera	160	100%	160	100%
7. Ingra Energo d.o.o.	7	100%	7	100%
8. Mavrovo ADG	54,214	79%	54,214	79%
9. Južni Jadran Nautika d.o.o.	255	51%	255	51%
10. Ingra Algere sarl	37	99%	37	99%
11. Dubrovačke lučice d.o.o.	45	45%	45	45%
12. Geotehnika Sudan d.o.o.	1,443	100%	1,443	100%
13. Geotehnika d.o.o.	20	100%	20	100%
14. Lanište d.o.o.	93,967	100%	93,967	100%
15. Domovi dalmatinske rivijere d.o.o.	13,215	100%	13,215	100%
16. Primani d.o.o.	2,200	51%	2,200	51%
17. Marina Slano d.o.o.	49	49%	49	49%
18. Ingra autoservis d.o.o.	20	100%	20	100%
19. Dvori Lapad d.o.o.	20	100%	20	-
20. Tiha nekretnine d.o.o.	20	100%	-	-
Total	165,815		165,846	
<i>Impairment losses on investment in subsidiaries</i>	<i>(66,062)</i>		<i>(62,624)</i>	
	99,753		103,222	

14. Investments in associates

	31 December	Ownership	31 December	Ownership
	2011		2010	
	HRK'000	%	HRK'000	%
Mavrovo inženjering dooel	9,644	50%	9,644	50%
Ingra Pro d.o.o.	8	40%	8	40%
Ingra inženjering in izgradnja d.o.o., Kranj Slovenia	37	50%	-	-
	9,689		9,652	

15. Other financial assets

	31 December 2011	31 December 2010
	HRK'000	HRK'000
Non-current		
Shares in companies (up to 20% of capital)	26,936	45,646
Deposits and guarantees	-	108
Held-to-maturity investments	29	2,458
Other non-current investments	73	72
	27,038	48,284
Current		
Available-for-sale financial assets	744	12,865
Financial assets at fair value through profit or loss	1,002	2,043
Deposits and guarantees	55	30
	1,801	14,938

Investments in the companies in which the Company has ownership's share up to 20% at 31 December 2011 relate to investments in Opatija Nekretnine d.o.o. in amount of HRK 6.9 million (20%), P.B. Žitnjak d.o.o. (20%) amounting to HRK 20 million and in the company Arena poslovno upravljanje d.o.o. amounting to HRK 1 thousand (5%).

In the year 2011 the Company sold its share in the company Hotel Lapad d.d. amounting to HRK 18,710 thousand and realised loss amounting to HRK 8,710 thousand.

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

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

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

16. Loans granted

	31 December 2011 HRK'000	31 December 2010 HRK'000
Non-current loans		
Loans granted to related parties	433,124	11,299
Loans granted to other companies	-	920
	433,124	12,219
Current loans		
Loans granted to related parties	13,417	7,598
Impairment loss on loans granted to related parties	(3,647)	(3,646)
	<u>9,770</u>	<u>3,952</u>
Loans granted to other companies	8,611	11,125
Impairment losses on loans granted to third parties	(3,323)	(4,059)
	<u>5,288</u>	<u>7,066</u>
	15,058	11,018

Amount of HRK 433,124 thousand of loans granted to related parties relate to loan amounting to HRK 427,306 thousand granted to company Lanište d.o.o. and loan amounting to HRK 5,818 thousand granted to company Tiha Nekretnine d.o.o.

The Company was a main sub-contractor for the company Lanište d.o.o. in the process of constructing Arena Zagreb - the project was carried by Lanište d.o.o., and on the basis of that receivable toward Lanište d.o.o. for the work performed, the Company converted its receivable into long term loan with currency clause. Due date, interest rate and other contracted terms as at 31 December 2011 are reconciled with future cash flows on the basis of Long Term Loan Agreement signed with Zagrebački holding d.o.o. as well as with complete financial position of the company Lanište d.o.o.

Lanište d.o.o. has signed with Zagrebački holding d.o.o. Agreement on long-term lease of Arena Zagreb. Lease agreement is contracted for a period of 28 years with a rental fee in the amount of EUR 7.2 million per year increased for VAT. In accordance with the Agreement, Zagrebački holding d.o.o. has the option of early redemption of Arena Zagreb after the 7th year, and in case that the option is not realised, contracted rent fee is indexed annually in accordance with CPI index, starting from the beginning of the lease (December 2008) until the end of the lease.

Loan granted to the company Tiha nekretnine d.o.o. bear a fixed interest rate of 4% per annum.

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

17. Other non-current receivables

	31 December 2011	31 December 2010
	HRK'000	HRK'000
Long term receivable from related party - Lanište d.o.o.	-	418,841
Long term receivable – Grad Zagreb	-	4,168
	-	423,009

Long-term receivable from related company Lanište d.o.o. has been converted to long-term loan with Euro currency clause (note 16).

18. Inventories

	31 December 2011	31 December 2010
	HRK'000	HRK'000
Finished goods	242,447	275,839
Work in progress (own projects construction)	18,925	26,425
Raw materials	12	5
	261,384	302,269

Value of inventories under pledge as collateral for bank loans amount to HRK 256,284 thousand (2010: HRK 283,083 thousand).

Finished goods mostly relate to constructed commercial and residential building Dvori Lapad in Dubrovnik. As stated in note 14, in 2010 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.

19. Trade and other receivables

	31 December 2011	31 December 2010
	HRK'000	HRK'000
<i>Receivables from related parties</i>		
Advances given to related parties	2,840	2,771
Receivables from related parties- trade debtors	2,247	1,394
Other receivables from related parties (interests)	3,731	11,869
Receivables from key shareholders	-	267
Receivables from members of Supervisory Board	-	177
	8,818	16,478

Receivables from third parties

Trade receivables	43,282	70,460
Receivables for other taxes	299	6,275
Advances given	2,091	7,394
Receivable for value added tax	140	1,540
Other receivables	37	765
	<u>45,849</u>	<u>86,434</u>
	<u>54,667</u>	<u>102,912</u>

20. The gross amount due from customers for construction contracts

	31 December 2011	31 December 2010
	<u>HRK'000</u>	<u>HRK'000</u>
Costs incurred plus recognized profits less the sum of recognized losses, less	45,908	67,549
Invoiced during the year	<u>(43,021)</u>	<u>(66,346)</u>
	<u>2,887</u>	<u>1,203</u>

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 2011 amounts to HRK 103,101 thousand (2010: HRK 141,901 thousand). The aggregate amount of costs incurred and recognized profits (less recognized losses) to the balance sheet date amounted to HRK 361,307 thousand (2010: HRK 628,876 thousand). Total amount of retentions for contracts which are not completed at the balance sheet date amounted to HRK 4,766 thousand (31/12/2010: HRK 9,032 thousand). The total amount of advances received for contracts which are not completed at the balance sheet date amounted to HRK 388 thousand (31/12/2010: HRK 3,260 thousand).

21. Cash and cash equivalents

	31 December 2011	31 December 2010
	<u>HRK'000</u>	<u>HRK'000</u>
Cash at bank	3,418	11,213
Petty cash	<u>51</u>	<u>153</u>
Total cash at bank and petty cash	<u>3,469</u>	<u>11,366</u>
Cash in the cash flow statement	<u>3,469</u>	<u>11,366</u>

22. Prepaid expenses and accrued income

	31 December 2011	31 December 2010
	HRK'000	HRK'000
Accrued income	56,580	56,580
	56,580	56,580

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

23. Equity

	31 December 2011	31 December 2010
	HRK'000	HRK'000
Share capital	270,904	270,904

The Company increased the share capital in 2010 by the conversion of creditors' receivables into the Company's share capital amounting to HRK 120,904 thousand. The Company initially made a decision on the decrease of share capital from the amount of HRK 300 million to the amount of HRK 150 million by the transfer of these funds to the Company's reserves. Thus reduced share capital was increased for the amount of HRK 120,904 thousand to amount to the amount of HRK 270,904 thousand by issuing 6,045,200 new ordinary shares without a nominal amount.

Treasury shares

As at 31 December 2011 the Company did not hold treasury shares.

Revaluation reserve

A revaluation reserve as at 31 December 2011 in the amount of HRK 40,584 thousand (31/12/2010: HRK 41,922 thousand) was created on the basis of the revaluation of land and buildings of the Company carried out in 2006. The release of revaluation reserves to the profit or loss account in the amount of HRK 943 thousand (2010: HRK 943 thousand) represents the difference between depreciation based on the revaluated carrying amount of property, plant and equipment and depreciation based on property, plant and equipment's original cost.

Legal reserves

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

Covering of losses

The Company's loss incurred in the year 2010 in the amount of HRK 89,838 thousand was covered by share premium reserves.

Notes to the financial statements (continued)

Basic earnings/(loss) per share

	2011	2010
	HRK'000	HRK'000
Net loss for the year attributable to ordinary shareholders	(75,494)	(89,938)
Weighted average number of issued ordinary shares	13,545,200	7,665,622
Basic earnings/(loss) per share (in HRK)	(5.57)	(11.73)

Diluted earnings/(loss) per share

	2011	2010
	HRK'000	HRK'000
Net loss for the year attributable to ordinary shareholders	(75,494)	(89,938)
Weighted average number of issued ordinary shares decreased by average number of treasury shares	13,545,200	7,416,178
Diluted earnings/(loss) per share (in HRK)	(5.57)	(12.13)

24. Interest-bearing loans and borrowings

	31 December 2011	31 December 2010
	HRK'000	HRK'000
Non-current interest bearing loans and borrowings		
Bonds	162,173	162,110
Bank loans	-	37,527
	<u>162,173</u>	<u>199,637</u>
Current interest bearing loans and borrowings		
Bank loans	385,367	362,611
Commercial bills	33,744	46,313
Liabilities toward factoring company	-	724
Loans from related party	6,964	291
Loans from third parties	-	56
Liabilities for deposits	20	20
	<u>426,095</u>	<u>410,015</u>
	<u>588,268</u>	<u>609,652</u>

Interest rates and repayment terms as at 31 December 2011 were as follows:

Notes to the financial statements (continued)

Loans from banks	Total HRK'000	Less than	1 – 2	2 – 3	More
		1 year	years	years	than 5
		HRK'000	HRK'000	HRK'000	years
					HRK'000
EUR 14,761 thousand, 3-m EURIBOR + 5%, variable	111,163	111,163	-	-	-
EUR 24,800 thousand; 3-m EURIBOR + 5.35%; variable	186,757	186,757	-	-	-
EUR 949 thousand; 3-m EURIBOR + 5%, variable	7,143	7,143	-	-	-
EUR 3,398 thousand; 3-m EURIBOR + 5.75%, variable	25,593	25,593	-	-	-
EUR 122 thousand; 10% variable	918	918	-	-	-
HRK 1,293 thousand; 4%	9,726	9,726	-	-	-
EUR 4,214 thousand; 8.5% variable	31,740	31,740	-	-	-
EUR 1,610 thousand; 8 % variable	12,131	12,131	-	-	-
EUR 26 thousand; 9.4 % variable	196	196	-	-	-
Total	385,367	385,367			
Bonds					
HRK 200,000 thousand, fixed 6.125%	162,173	-	-	-	162,173
Commercial bills	33,744	33,744	-	-	-
Loan from related company	6,964	6,964	-	-	-
Other	20	20	-	-	-
As at 31 December 2011	588,268	426,095	-	-	162,173

Secured bank loan has variable interest rate based on EURIBOR. Average interest rate in 2011 was 5.9 % (2010: 7.3 %).

The Company issued bonds at 6 December 2006, with the assistance of registered agents and brokers, amounting to HRK 200,000 thousand, which were initially due for payment on 6 December 2011. Assembly of bond holders was held in 2010 who brought the decision on the prolongation of bonds maturity for further five years, respectively from 6 December 2011 to 6 December 2016, while other conditions remained unchanged. The bond issue is quoted at the Zagreb Stock Exchange (regular market). Interest rate is 6.125% per annum.

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

Out of the commercial bills issue in the total amount of HRK 250,000 thousand, the Company has the following tranches outstanding as at 31 December 2011:

- 13th tranche in the nominal amount of EUR 3,676 thousand for the period of 364 days, with due date on 25 January 2012, with issue price at 91.43%. This tranche was increased by the amount of EUR 368 thousand at discounted value of 92.41%.

Notes to the financial statements (continued)

- 16th tranche in the nominal amount of HRK 4,716 thousand for the period of 364 day, with due date on 8 May 2012. Issue price was 91.30%.

Release of 13th tranche settled the liability for 9th tranche issued in 2010 in total amount of HRK 20,267 thousand, liability for 10th tranche issued in 2010 in total amount of HRK 4,596 thousand and liability for 11th tranche in total amount of HRK 2,512 thousand. During 2011, a part of liability for 13th tranche amounting to HRK 994 thousand was closed by loan.

Release of 16th tranche closed the liability for 12th tranche issued in 2010 in total amount of HRK 4,713 thousand.

In the capital increase process certain treasury bill holders converted their receivables into the share capital for the amount of HRK 40,427 thousand in December 2010.

Collateral

Loans and borrowings are secured by a pledge over the Company's asset classified as investment property with the carrying value of HRK 105,461 thousand as well by pledge of real estate included in inventories in the amount of HRK 256,284 thousand.

25. Provisions

	2011 HRK'000	2010. HRK'000
As at 1 January	9,068	6,882
Provisions made during the year	6,135	2,366
Provisions released during the year	(1,746)	(180)
As at 31 December	13,457	9,068

26. Deferred tax liability

	2011 000'HRK	Recognized in P&L HRK'000	2010 000'HRK	Recognized in P&L HRK'000
Property, plant and equipment	10,244	236	10,481	236
Deferred tax liability	10,244	236	10,481	236

27. Share-based payments

	2011 HRK'000	2010 HRK'000
Personnel costs		
Employee benefits settled in equity instruments	-	2,088

Notes to the financial statements (continued)

There was no share based payments during the year 2011 (2010: HRK 2,088 thousand was included in personnel expenses). During 2011 the Company granted options settled in Company's equity instruments as follows:

Grant date / Employees entitled	Number of instruments	Vesting conditions	Contracted life of options
From 1 January to 30 June 2011 options are awarded to 2 employees	30,000		1/1/2014
	30,000		

28. Trade and other payables

	31 December 2011 HRK'000	31 December 2010 HRK'000
<i>Payables to related parties</i>		
Trade payables	2,458	5,024
Liability for unpaid capital increase in a subsidiary	1,650	1,650
	4,108	6,674
<i>Liability toward third parties</i>		
Trade payables	78,512	108,797
Advances received	18,034	28,736
Taxes, contributions and other charges	5,358	3,167
Liabilities to employees	1,646	1,540
Dividends payable	1,013	1,044
Other liabilities	4,275	250
	108,838	143,534
	112,946	150,208

As at 31 December 2011 and 2010 the aging structure of trade payables and related parties was as follows:

Related	Total	Undue	< 60 days	60-90 days	Due			> 180 days
					90-120 days	120-180 days		
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
2011	2,458	1,229	132	18	46	24		1,009
2010	5,024	3,410	1,614	-	-	-		-
Third parties								
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
2011	78,512	4,008	9,978	8,952	1,615	3,949		50,010
2010	108,797	6,337	24,982	3,328	1,345	3,227		69,578

29. The gross amount due to customers for construction contracts

	31 December 2011 HRK'000	31 December 2010 HRK'000
Invoiced during the year, less	320,055	567,359
Costs incurred plus recognized profits less the sum of recognized losses	(315,299)	(561,482)
	4,756	5,877

30. Accrued expenses and deferred income

Accrued expenses and deferred income in 2011 in the total amount of HRK 22,609 thousand relates to:

- HRK 13,285 thousand – accrued interest expenses
- HRK 3,704 thousand – accrued personnel costs
- HRK 5,620 thousand - mostly refer to accrued costs of subcontractors which were involved in domestic and foreign projects.

31. Commitments and contingencies

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

	31 December 2011 HRK'000	31 December 2010 HRK'000
Guarantees		
- in HRK	48,003	130,538
- in foreign currency	108,297	61,041
	156,300	191,526

Commitments for operating lease (lessor):

The Company leases office and storage premises under cancellable operating leases. During 2011, HRK 1,214 thousand was recognized as income in the Income statements in respect to cancellable operating lease (2010: HRK 188 thousand).

32. Related party transactions

Significant transactions with related parties were as follows:

Subsidiaries and key shareholders	31 December 2011 HRK'000	31 December 2010 HRK'000
Sales to related parties		
Sales to related companies	969	-
Sales to key stakeholders	-	8,057
Sales to member of Supervisory board	-	4,023
	969	12,080
Purchase from related parties		
Purchases from related companies	2,837	15,359
Purchases from key shareholders	-	-
	2,837	15,359
Subsidiaries and key shareholders		
Interest income from related companies	16,372	8,893
Interest expenses from related companies	6	-
	16,378	8,893
Receivables from related parties		
Receivables from related companies	8,818	16,034
Receivables from key shareholders	-	267
Receivables from member of Supervisory board	-	177
	8,818	16,478
Loans granted		
<i>Non-current</i>		
Lanište d.o.o.	427,306	-
Tiha Nekretnine d.o.o.	5,818	-
	433,124	-
<i>Current</i>		
Mavrovo Inženjering, Skopje	5,995	11,299
Domovi dalmatinske rivijere d.o.o.	1,281	1,249
Lanište d.o.o.	-	589
Posedarje Rivijera d.o.o.	993	986
Sarl Alžir	767	728
Ingra Bioren d.o.o.	109	109
Ingra M.E d.o.o.	40	44
Ingra Autoservis d.o.o.	86	161
Dvori lapad d.o.o.	349	-
Ingra Gradnja d.o.o.	52	-
Tiha Nekretnine d.o.o.	8	-
Južni Jadran nautika d.o.o.	90	-
	9,770	15,165
Payables to related parties		
Payables to related companies	4,108	6,674
	4,108	6,674

Key personnel

Key management personnel comprise members of the Management and Supervisory Boards. Members of the Management and Supervisory Board took part in the ownership structure as stated in note 1.

During the year remuneration in the amount of HRK 1,605 thousand (2010: HRK 3,586 thousand) was paid to the Management Board. The total remuneration to the Management Board was included in personnel expenses. During the year remuneration in the amount of HRK 525 thousand (2010: HRK 692 thousand) was paid to the Supervisory Board.

33. Financial instruments

The Company is exposed to credit, interest and currency risk in its business activities.

The Company does not use derivative financial instruments. The risk management policy regarding risks linked to short-term and long-term financing of buyers, management of the funds, loans and liabilities can be summarised as follows:

a) Capital risk management

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

The Company's equity structure consists from liabilities, cash and cash equivalents and equity from shareholders, which include share capital, reserves and retained earnings.

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 2011 nor for the period ending 31 December 2010.

	31 December 2011	31 December 2010
	HRK'000	HRK'000
Interest-bearing liabilities	588,268	609,652
Decrease for cash and cash equivalents (deposits)	(3,469)	(11,366)
Net debt	584,799	598,286
Equity	415,786	491,138
Equity and net debt	1,000,585	1,089,424
Gearing	58%	55%

Notes to the financial statements (continued)

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:

2011

	Loans and receivables	At fair value through P&L	Available for sale	Held to maturity	Total financial assets under MRS 39
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
31 December 2011					
Non-current fin. assets	433,124	-	27,009	29	460,162
Current financial assets	15,058	1,002	744	55	16,859
Trade and other receivables	54,667	-	-	-	54,667
Cash	3,469	-	-	-	3,469
	506,318	1,002	27,753	84	535,157

2010

	Loans and receivables	At fair value through P&L	Available for sale	Held to maturity	Total financial assets under MRS 39
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
31 December 2010					
Non-current fin. assets	16,386	-	45,720	2,565	64,671
Non-current receivable	423,009	-	-	-	423,009
Current financial assets	11,017	2,043	12,866	30	25,956
Trade and other receivables	102,912	-	-	-	102,912
Cash	11,366	-	-	-	11,366
	564,690	2,043	58,586	2,595	627,914

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

Fair value of financial instruments

The following table represents financial assets and liabilities valued at fair value in the Statement of financial position according to the fair value hierarchy. This hierarchy groups financial assets and

Notes to the financial statements (continued)

liabilities in three level, depending on the significance of input variables used in the measurement of their fair values. The fair value hierarchy has the following levels:

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

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

31 December 2011

	1st level	2nd level	3rd level	Total
Assets				
Listed securities and shares in investment funds	744	-	-	744
Cash funds	1,002	-	-	1,002
	1,746	-	-	1,746

31 December 2010

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

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quote market price;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices for observable current market transactions and dealer quotes for similar instruments;
- the fair value of derivative instruments is calculated using quoted prices, Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives; and

- the fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default.

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

Receivables and deposits at banks

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

Liabilities per loans received

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

Other financial instruments

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

c) Financial risk management

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

Market risk

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

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

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

a) Foreign currency risk management

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

Exposure of the Company to the foreign currency risk is as follows:

Notes to the financial statements (continued)

<i>Expressed in HRK thousand (HRK'000)</i>	EUR	USD	Other currency	Total foreign currency	HRK	Total
2011						
Long-term receivables	427,306	-	-	427,306	5,818	433,124
Trade receivables	1,453	-	8,805	10,258	35,271	45,529
Other receivables	-	2,450	862	3,312	5,826	9,138
Loans granted	5,995	-	-	5,995	9,063	15,058
Cash and cash equivalents	1,499	6	393	1,898	1,571	3,469
Trade payables	(1,868)	(123)	(1,646)	(3,637)	(77,333)	(80,970)
Other liabilities	-	(2,298)	(168)	(2,466)	(29,510)	(31,976)
Interest-bearing liabilities	(414,561)	-	-	(414,561)	(173,707)	(588,268)
	19,824	35	8,246	28,105	(223,001)	194,896

<i>Expressed in HRK thousand (HRK'000)</i>	EUR	USD	Other currency	Total foreign currency	HRK	Total
2010						
Long-term receivables	-	-	-	-	423,009	423,009
Trade receivables	3,398	2,060	3,799	9,257	62,597	71,854
Other receivables	136	-	2,925	3,061	27,997	31,058
Loans granted	12,765	-	-	12,765	10,472	23,237
Cash & cash equivalents	1,270	8	1,554	2,832	8,534	11,366
Trade payables	(4,671)	(3)	(3,959)	(8,633)	(105,188)	(113,821)
Other liabilities	(140)	-	(3,025)	(3,165)	(33,222)	(36,387)
Interest-bearing liabilities	(408,902)	-	-	(408,902)	(200,750)	(609,652)
	(396,144)	2,065	1,294	(392,785)	193,449	(199,336)

Short term exposure

Long term exposure

	EUR HRK'000	USD HRK'000	Other HRK'000	EUR HRK'000	USD HRK'000	Other HRK'000
2011						
Financial assets	2,952	2,456	16,055	427,306	-	-
Financial liabilities	(411,229)	(7,621)	(1,814)	-	-	-
Total exposure	(408,277)	(5,165)	14,241	427,306	-	-

Sensitivity analysis

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

Notes to the financial statements (continued)

	2011	2010
	Effect on income before taxes	Effect on income before taxes
	<u>HRK'000</u>	<u>HRK'000</u>
EUR - 1%	283	(3,961)
USD – 9%	(454)	186
DZD – 10%	78	115
MKD – 10%	1,318	15

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

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

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

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

b) Interest rate risk

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

The following table shows sensitivity of changes of interest rates relating to Company's loans as of 31 December 2011 and as at 31 December 2010, with the assumptions that all other variables are constant, on income before taxes.

	Increase/ Decrease in percentage	Effect on income before taxes HRK'000
2011		
HRK	+1%	(3,854)
HRK	-1%	3,854
	Increase/ Decrease in percentage	Effect on income before taxes HRK'000
2010		
HRK	+1%	(3,906)
HRK	-1%	3,906

c) Other price risk

The Company is not significantly exposed to other price risks.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy

Notes to the financial statements (continued)

counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company only transacts with entities with good credibility. The Company uses other publicly available financial information and its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transaction concluded is spread amongst approved counterparties.

The grand part of credit risk is based on trade receivables.

Trade and other receivables

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

Loan receivables

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

The Company has 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:

	2011 HRK'000	2010 HRK'000
Croatia	32,827	485,566
Foreign	12,702	9,298
	45,529	494,864

Impairment losses

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

	2011 HRK'000	2010 HRK'000
Less than 1 month	12,897	31,408
1 – 3 months	11,382	4,223
3 – 12 months	14,563	13,259
Long term receivables older than 360 days	6,687	445,974
	45,529	494,864

Notes to the financial statements (continued)

The Company's management believes that the receivables older than 360 days are fully recoverable.

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

	2011 HRK'000	2010 HRK'000
Balance as at 1 January	53,338	33,609
Impairment loss recognised	8,796	19,735
Collected in the period	-	(6)
Balance as at 31 December	62,134	53,338

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

	2011 HRK'000	2010 HRK'000
Balance as at 1 January	7,706	6,248
Impairment loss recognised	1,601	1,458
Collected in the period	(2,338)	-
Balance as at 31 December	6,969	7,706

Liquidity risk

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

The following are the contractual maturities of financial liabilities of the Company as at 31 December 2011:

<i>Expressed in HRK thousand (HRK'000)</i>	Carrying value	Contractual cash flows	0 - 12 months	1 – 5 years	More than 5 years
31 December 2011					
Secured bank loans	385,367	397,277	397,277	-	-
Bonds	162,173	212,173	10,000	202,173	-
Commercial bills	33,744	34,052	34,052	-	-
Trade and other payables	119,930	119,930	119,930	-	-
	701,214	763,432	561,259	202,173	-

Notes to the financial statements (continued)

<i>Expressed in HRK thousand (HRK'000)</i>	Carrying value	Contractual cash flows	0 - 12 months	1 – 5 years	More than 5 years
31 December 2010					
Secured bank loans	400,138	410,025	371,788	38,237	-
Bonds	162,110	231,613	9,929	49,645	172,039
Commercial bills	46,313	46,820	46,820	-	-
Trade and other payables	151,299	151,299	151,299	-	-
	759,860	839,757	579,836	87,882	172,039

34. Post-balance-sheet events and Company's restructuring

After 31 December 2011 the Company has active plan and programme for the financial restructuring based on part of assets of a subsidiary Lanište d.o.o. Planned leverage of this programme is future cash flow of the subsidiary Lanište d.o.o. on the basis of Long Term Lease Agreement for Arena Zagreb described in note 16 since the present value of future cash flow on the basis of this Agreement significantly exceed financial liabilities of Lanište d.o.o. toward financial institutions. Based on this favourable financial position of the subsidiary Lanište d.o.o., Company's Management at the same time and parallel conducts activities on the following options of financial restructuring: a) syndicated or bilateral loan from domestic/foreign banks with Lanište d.o.o. as a loan holder b) issue of long-term bonds by Lanište d.o.o. and c) sale of the company Lanište d.o.o. By the realisation of one of these options the Company would significantly decrease its current financial liabilities toward trade creditors and financial institutions. With this, Company's liquidity would be improved and maturity of assets and liabilities would be completely reconciled.

As a preparation for the financial restructuring, the Company as at 15 February 2012 increased capital in its subsidiary Lanište d.o.o. by converting its receivable toward Lanište d.o.o. on the basis of loan granted amounting to EUR 56,744,092 into capital (other reserves) of the company Lanište d.o.o.

35. Consolidated financial statements

Ingra d.d. is the parent company of the Ingra Group and the consolidated financial statements which were prepared in accordance with the International Financial Reporting Standards endorsed for use in European Union, have been published separately on 23 April 2012.

36. Contingent liabilities

As at 31 December 2011 the Company is a defendant in various lawsuits which have been raised for damage payments arising on the termination of a contract or ordinary course of business. The total claims as at 31 December 2011 amount to HRK 126 million (2010: HRK 132 million). Most of the claims in process related to stated trade payables. As at 31 December 2011 provisions for court cases, including penalty interests and court costs amount to HRK 13,457 thousand (2010: HRK 8,484 thousand).

The most significant court case relates to case of INGRA with the company Međimurje Visokogradnja d.d. in bankruptcy (claim amounts to USD 6 million) for which the High Commercial court in 2010 brought resolution in Company's favour but the revision of the proceedings in a Supreme Court of Croatia was requested. As at 21 March 2012 the Supreme Court of Croatia accepted revision against resolution of High Commercial court and returned case to second-ruling proceedings.

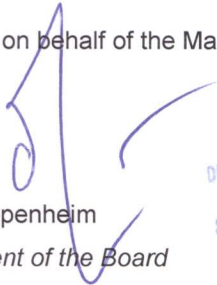
Relating to the court case led against the Company in the amount of USD 3 million related to work in Libya, the High Commercial Court of First Instance annulled the verdict that was rendered in plaintiff's favour.

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

37. Approval of the financial statements

The financial statements were approved by the Management Board and authorized for issue on 23 April 2012.

Signed on behalf of the Management Board:


Igor Oppenheim
President of the Board

