dioničko društvo
za proizvodnju i
promet sladoleda
i smrznute hrane

In Zagreb, 28 April 2014

Annual Management's Report for the year 2013

The consolidated financial statements of Ledo d.d. for the year 2013 consist of daughter companies Frikom d.o.o. Belgrade, Ledo d.o.o. Čitluk, Ledo Sh.p.k. Kosovo, Ledo Kft. Budapest, Ledo d.o.o. Ljubljana, Irida d.o.o. Daruvar, Ledo d.o.o. Podgorica, Nova Sloga d.o.o. Trstenik, while for the same period of last year the financial statements on the achieved profits were shown without including the relevant information for Frikom d.o.o. Belgrade, Ledo d.o.o. Podgorica and Nova Sloga d.o.o. as they were not in the structure of Ledo d.d.

The achieved consolidated sales revenue in the observed period amounts to HRK 2.076m while the consolidated business expenses amount to HRK 1.846m which resulted in the achieved operating profit in the amount of HRK 233m. With this profit, in this period, the Ledo Group achieved significant profit from business activities. In the consolidated sales revenue on the markets of the region, the largest share is held by Ledo d.d. with 47%, followed by Frikom d.o.o. Srbija with 29% and Ledo d.o.o. Bosnia and Herzegovina with a 13% share. Other companies make up 12% share in the consolidated sales revenue. The shares of individual companies in the total operating profit corrected for depreciation are also moving on the same level as in the consolidated sales revenue.
For the purposes of management, the Group is organized into business units based on their products and services and has the following segments:

- Ice cream – production of all types of ice cream
- Frozen foods – production of all types of frozen food
- Other

The share of the ice cream group in the consolidated sales revenue in 2013 was affected by extremely adverse weather conditions. Nevertheless, a portion of the achieved operating profit of the ice cream group in the consolidated operating profit amounted to 54%. The sales revenue of the frozen foods recorded growth and is significantly influencing the results of the group.

The consolidated balance sheet data record a decrease in the value of inventories which occured due to intensive activities in the area of inventories optimization and improvement of the activity ratio. Average days of payment were improved which consequently led to decrease in trade payables. In the balance sheet as well as in the cash flow statement the effects of the implemented recapitalization and acquisition of Frikom d.o.o. are still present.

Ledo d.d.
M.Čavića 1a,10000 Zagreb
Hrvatska
MB: 3218821
OIB: 87955947581
www.ledo.hr

Kontakt
Centrala: 01/2385-555; Uprava: 2385-501
Prodaja: 01/2385-551; Marketing i razvoj: 01/2385-628;
Nabava: 01/2385-505; Međunarodne operacije: 01/2385-630;
Proizvodnja: 01/2385-768; Sektor financija: 01/2385-667;
Sektor pravnih i općih poslova: 01/2385-525
Fax: 01/2385-669, 01/2385-511, 01/2385-631

IBAN HR39 2503 0071 1000 2063 6
SWIFT VBCRHR22
kod SBERBANK d.d., upisano
u registar Trgovačkog suda u Zagrebu
pod brojem: MBS 080002964.
Temeljni kapital Društva iznosi
119.289.600,00 kuna uplaćen u cijelosti.
Izdano je 313.920 dionica u nominalnom
iznosu od 380,00 kuna po dionici.

Uprava
Predsjednik Uprave
mr.sc.Tomislav Kitonić
član Uprave
Ankica Slobodanac, dipl.oec.,
Predsjednik Nadzornog odbora
Ljerka Puljić, dipl.oec..

Short-term consolidated liabilities increased in comparison to the beginning of the year in the area of liabilities to banks and other credit institutions in the amount of received short-term credits of Frikom d.o.o. This obligation arose as a consequence of the need to finance working capital.

In 2013, consolidated investments in the amount of HRK 87.883K were realized. The main portion of this amount falls on investments realized by Ledo d.d. and Frikom d.o.o. As in previous years, the most significant investments were realized in sales equipment and IT tools for sales and distribution.

The Commission for Protection of Competition of the Republic of Serbia on 19 November 2012 adopted a decision relating to the subsidiary Frikom Ltd. Belgrade, which found that the subsidiary exercised a dominant position on the wholesale market of industrial ice cream on the territory of the Republic of Serbia and determined the extent of the protection of competition in the form of the obligation to pay a sum of money amounting to 4% of the total annual turnover in 2009. Against the above decision, the subsidiary has initiated proceedings before the competent courts.

The consolidated financial statements of Ledo have been prepared for the period from January to December of 2013 and give a fair and true view in accordance with International Financial Reporting Standards as adopted by the European Union and which are consistently applied in relation to previous years.

All materially significant transactions are recorded in the appropriate accounting records which are the basis for the financial statements

President of the Management Board

Tomislav Kitonić, Mr.sc.

T. Kitonić

ledo d.d. ZAGREB
Čavićeva 1a
12

Annex 1.

Reporting period 1.1.2013 to 31.12.2013

Annual financial report GFI-POD

Tax number (MB): **03218821**

Company registration number (MBS): **080002964**

Personal identification number (OIB): **87955947581**

Issuing company: **LEDO d.d.**

Postal code and place: **10000** **Zagreb**

Street and house number: **Marijana Čavića 9**

E-mail address: financije@ledo.hr

Internet address: www.ledo.hr

Municipality/city code and name: **133** **Zagreb**

County code and name: **21** **Grad Zagreb**

Number of employees (period end): **2.236**

Consolidated report: **YES**

NKD code: **1052**

Entities in consolidation (according to IFRS):	Registered seat:	Tax number (MB):
Irida d.o.o.	Ulica P. Zrinskog 34; Daruvar	3169391
Frikom a.d.	Zrenjaninski put bb, Beograd, Srbija	7042728
Ledo d.o.o. Čitluk	Industrijska zona; Tromeđa bb; Čitluk, BiH	4227031530007
Ledo d.o.o.	Lješnje bb; Podgorica, Crna Gora	02126265
Ledo kft.	2111 Szada 098/3 Hrszm Mađarska	10579967-2-13
Ledo d.o.o. Ljubljana	Moste 2f, komenda; Ljubljana, Slovenija	1216350000
Ledo Sh.p.k.	Mollosheve p.n., 1500 Obiliq, Kosovo	600042741
Nova Sloga d.o.o.	Kneginje Milice 81/1, 37240 Trstenik, Srbija	17254332

Bookkeeping service:

Contact person: **Jelena Lisjak**
(only surname and name)

Telephone: **01 2385723**

Telefaks: **01 2385 686**

E-mail address: jelena.lisjak@ledo.hr

Family name and name: **Ankica Slobođanac**
(authorized representatives)

Documents to be published:

1. Financial Statements (Balance Sheet, Profit and Loss Account, Cash Flow Statement, Change in Capital Statement and Notes to Financial Statements
2. Statement of persons in charge of making Financial Statements
3. Report of the Management Board on the Company Status

ledo d.d. ZAGREB Čavićeva 1a 12

L.S.

(signature of authorized representative)

BALANCE SHEET
as of 31.12.2013.

Company: LEDO GROUP - CONSOLIDATED

Position	AOP	Previous period	Current period
1	2	3	4
A) RECEIVABLES FOR SUBSCRIBED AND NON-PAID CAPITAL	001	0	0
B) NON-CURRENT ASSETS (003+010+020+029+033)	002	783.099.690	773.406.355
I. INTANGIBLE ASSETS (004 do 009)	003	119.702.750	119.617.599
1. Expenditure for development	004	0	0
2. Concessions, patents, license fees, trademarks, service marks, software and other rights	005	5.840.995	5.794.459
3. Goodwill	006	113.701.435	113.701.435
4. Advances for purchase of intangible assets	007	0	0
5. Intangible assets in progress	008	0	0
6. Other intangible assets	009	160.320	121.705
II. PROPERTY, PLANT AND EQUIPMENT (011 do 019)	010	596.755.662	581.677.084
1. Land	011	142.989.412	143.303.610
2. Buildings	012	184.846.068	180.294.603
3. Plant and equipement	013	203.137.406	181.644.776
4. Tools, working inventory and transportation assets	014	57.442.156	51.901.723
5. Biological assets	015	0	0
6. Advances for purchase of tangible assets	016	1.246.916	368.831
7. Tangible assets in progress	017	3.007.258	18.548.729
8. Other tangible assets	018	4.038.724	5.578.125
9. Investment in real-estate	019	47.722	36.687
III. NON-CURRENT FINANCIAL ASSETS (021 do 028)	020	58.689.282	63.043.864
1. Share in related parties	021	0	0
2. Loans given to related parties	022	0	0
3. Participating interests (shares)	023	5.025.700	5.025.700
4. Loans given to companies in which the entity holds participating interest	024	0	0
5. Investments in securities	025	4.623.340	9.288.841
6. Loans, deposits and similar assets	026	42.356.199	43.001.997
7. Other non-current financial assets	027	5.616	1.286.285
8. Equity-accounted investments	028	6.678.427	4.441.041
IV. RECEIVABLES (030 do 032)	029	188.691	154.569
1. Receivables from related parties	030	0	
2. Receivables arising from sales on credit	031	0	
3. Other receivables	032	188.691	154.569
V. DEFERRED TAX ASSETS	033	7.763.305	8.913.239
C) CURRENT ASSETS (035+043+050+058)	034	1.930.500.522	1.413.541.145
I. INVENTORIES (036 do 042)	035	418.415.337	404.495.605
1. Raw materials and supplies	036	142.463.970	130.118.944
2. Production in progress	037	75.387.995	60.222.691
3. Finished goods	038	75.613.587	89.952.667
4. Merchandise	039	122.011.350	120.696.857
5. Advances for inventories	040	1.523.700	2.040.031
6. Long term assets held for sale	041	1.414.735	1.464.415
7. Biological assets	042	0	0
II. RECEIVABLES (044 do 049)	043	342.617.092	412.271.604
1. Receivables from related parties	044	0	
2. Receivables from end-customers	045	314.826.640	384.935.336
3. Receivables from participating entities	046	0	0
4. Receivables from employees and members of the company	047	1.150.110	1.329.029
5. Receivables from government and other institutions	048	18.044.830	22.241.892
6. Other receivables	049	8.595.512	3.765.347
III. CURRENT FINANCIAL ASSETS (051 do 057)	050	1.126.493.180	543.224.950
1. Share in related parties	051	0	0
2. Loans given to related parties	052	0	0
3. Participating interests (shares)	053	0	0
4. Loans given to companies in which the entity holds participating interest	054	0	0
5. Investments in securities	055	21.790.432	13.491.919
6. Loans, deposits and similar assets	056	1.104.702.748	529.733.031
7. Other financial assets	057	0	0
IV. CASH AND CASH EQUIVALENTS	058	42.974.913	53.548.986
D) PREPAYMENTS AND ACCRUED INCOME	059	6.633.274	4.376.641
E) TOTAL ASSETS (001+002+034+059)	060	2.720.233.486	2.191.324.141
F) OFF BALANCE SHEET ITEMS	061		

EQUITY AND LIABILITIES			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	1.439.120.623	1.556.750.758
I. SUBSCRIBED SHARE CAPITAL	063	119.289.600	119.289.600
II. CAPITAL RESERVES	064	713.232.769	713.232.769
III.RESERVES FROM PROFIT (066+067-068+069+070)	065	108.218.228	105.646.727
1. Legal reserves	066	25.207.690	27.245.336
2. Reserve for own shares	067	0	0
3. Treasury shares and stakes (deductible items)	068	0	0
4. Statutory reserves	069	5.272.361	747.211
5. Other reserves	070	77.738.177	77.654.180
IV. REVALUATION RESERVES	071	63.723.343	63.521.944
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	072	279.783.563	368.514.094
1. Retained earnings	073	279.783.563	368.514.094
2. Accumulated loss	074		
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	075	154.873.120	186.545.624
1. Net profit for the period	076	154.873.120	186.545.624
2. Net loss for the period	077		
VII. MINORITY INTEREST	078		
B) PROVISIONS (080 do 082)	079	3.654.786	3.691.970
1. Provisions for pensions, severance pay and similar liabilities	080	3.620.060	3.677.000
2. Provisions for tax liabilities	081	0	
3. Other provisions	082	34.726	14.970
C) NON-CURRENT LIABILITIES (084 do 092)	083	91.134.246	16.408.619
1. Liabilites to related parties	084	0	0
2. Liabilities for loans, deposits, etc.	085	74.707.808	0
3. Liabilities to banks and other financial institutions	086	0	0
4. Liabilities for received advances	087	0	0
5. Trade payables	088	0	0
6. Commitments on securities	089	0	0
7. Liabilities to companies in which the entity holds participating interest	090	0	0
8. Other non-current liabilities	091	0	0
9. Deferred tax liabilities	092	16.426.438	16.408.619
D) CURRENT LIABILITIES (094 do 105)	093	1.181.119.141	610.098.864
1. Liabilites to related parties	094	0	0
2. Liabilities for loans, deposits, etc.	095	33.903.432	39.179.849
3. Liabilities to banks and other financial institutions	096	174.621.116	384.653.011
4. Liabilities for advances	097	1.517.352	1.314.837
5. Trade payables	098	942.292.471	147.975.360
6. Commitments on securities	099	0	0
7. Liabilities to companies in which the entity holds participating interest	100	0	0
8. Liabilities to employees	101	14.142.247	13.801.034
9. Liabilities for taxes, contributions and similar fees	102	13.465.883	21.391.571
10. Liabilities to shareholders arising from share in the result	103	284.930	321.227
11. Liabilities arising from non-current assets held for sale	104	0	0
12. Other current liabilities	105	891.710	1.461.975
E) ACCRUED EXPENSES AND DEFERRED INCOME	106	5.204.690	4.373.930
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	2.720.233.486	2.191.324.141
G) OFF BALANCE SHEET ITEMS	108	0	0
ADDITION TO BALANCE SHEET (only for consolidated financial statements)			
ISSUED CAPITAL AND RESERVES			
1. Attributable to majority owners	109	1.429.811.241	1.556.750.758
2. Attributable to minority interest	110	9.309.379	0

INCOME STATEMENT

period 01.01.2013. to 31.12.2013.

Company: LEDO GROUP - CONSOLIDATED			
Position	AOP	Previous period	Current period
1	2	3	4
I. OPERATING INCOME (112 do 113)	111	1.489.003.370	2.079.448.678
1. Sales revenue	112	1.485.350.519	2.076.413.217
2. Other operating income	113	3.652.851	3.035.461
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	1.316.356.710	1.846.235.307
1. Change in inventories of work in progress and finished goods	115	-3.515.100	587.906
2. Material expenses (117 do 119)	116	984.710.761	1.346.669.607
a) Costs of raw materials	117	389.896.620	629.766.448
b) Cost of goods sold	118	432.128.396	423.858.833
c) Other material expenses	119	162.685.745	293.044.326
3. Staff costs (121 do 123)	120	165.185.232	230.204.660
a) Net salaries and wages	121	99.594.770	138.864.071
b) Tax and contributions from salary expenses	122	44.235.611	60.266.773
c) Contributions on gross salaries	123	21.354.851	31.073.816
4. Depreciation and amortisation	124	49.517.830	94.922.083
5. Other expenses	125	115.037.380	162.847.547
6. Write down of assets (127+128)	126	5.387.328	10.890.159
a) non-current assets (excluding financial assets)	127		
b) current assets (excluding financial assets)	128	5.387.328	10.890.159
7. Provisions	129	33.279	113.345
8. Other operating costs	130		
III. FINANCIAL INCOME (132 do 136)	131	32.876.196	39.348.425
1. Interest, foreign exchange gains, dividends and similar income from related parties	132		
2. Interest, foreign exchange gains, dividends and similar income from third parties	133	32.876.196	39.348.425
3. Part of income from associates and participating interests	134		
4. Unrealised gains (income) from financial assets	135		
5. Other financial income	136		
IV. FINANCIAL EXPENSES (138 do 141)	137	15.963.118	44.854.268
1. Interest, foreign exchange losses, dividends and similar expenses from related parties	138		
2. Interest, foreign exchange losses, dividends and similar expenses from third parties	139	15.963.118	44.854.268
3. Unrealised losses (expenses) from financial assets	140		
4. Other financial expenses	141		
V. SHARE OF PROFIT FROM ASSOCIATED COMPANIES	142		
VI. SHARE OF LOSS FROM ASSOCIATED COMPANIES	143		2.263.521
VII. EXTRAORDINARY - OTHER INCOME	144		
VIII. EXTRAORDINARY - OTHER EXPENSES	145		
IX. TOTAL INCOME (111+131+144)	146	1.521.879.566	2.118.797.103
X. TOTAL EXPENSES (114+137+143+145)	147	1.332.319.828	1.893.353.096
XI. PROFIT OR LOSS BEFORE TAXES (146-147)	148	189.559.738	225.444.007
1. Profit before taxes (146-147)	149	189.559.738	225.444.007
2. Loss before taxes (147-146)	150	0	0
XII. CORPORATE INCOME TAX	151	34.686.618	38.898.383
XII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	154.873.120	186.545.624
1. Profit for the period (149-151)	153	154.873.120	186.545.624
2. Loss for the period (151-148)	154	0	0
ADDITION TO PROFIT AND LOSS ACCOUNT (only for consolidated financial statements)			
XIV. PROFIT OR LOSS FOR THE PERIOD			
1. Attributable to majority owners	155	154.873.120	186.545.624
2. Attributable to minority interest	156		
STATEMENT OF OTHER COMPREHENSIVE INCOME (only for IFRS adopters)			
I. PROFIT OR LOSS FOR THE PERIOD (=152)	157	154.873.120	186.545.624
II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 TO 165)	158	-661.457	4.910.553
1. Exchange differences from international settlement	159	493.086	5.162.302
2. Changes in revaluation reserves of long-term tangible and intangible assets	160		
3. Profit or loss from re-evaluation of financial assets held for sale	161	-1.154.543	-251.749
4. Profit or loss from cash flow hedging	162		
5. Profit or loss on efficient hedge of net investments in foreign countries	163		
6. Share in other comprehensive income/loss of associtaied companies	164		
7. Actuarial gains/losses from defined benefit plans	165		
III. TAXATION OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD	166	-230.909	-50.350
IV. NET OTHER COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (158 TO 166)	167	-430.548	4.960.903
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	168	154.442.572	191.506.527
ADDITION TO STATEMENT OF OTHER COMPREHENSIVE INCOME (only for consolidated financial statements)			
VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD			
1. Attributable to majority owners	169	154.442.572	191.506.527
2. Attributable to minority interest	170	0	0

CASH FLOW STATEMENT - Indirect method
period 01.01.2013. to 31.12.2013.

Company: LEDO GROUP - CONSOLIDATED			
Position	AOP	Previous period	Current period
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit before tax	001	189.559.738	225.444.007
2. Depreciation and amortisation	002	49.517.830	94.922.083
3. Increase in current liabilities	003	778.917.331	
4. Decrease in current receivables	004		
5. Decrease of inventories	005		13.969.411
6. Other cash flow increases	006	82.833.771	62.807.142
I. Total increase of cash flow from operating activities	007	1.100.828.670	397.142.643
1. Decrease in current liabilities	008		794.317.111
2. Increase in current receivables	009	84.102.578	69.554.066
3. Increase of inventories	010	201.113.720	
4. Other cash flow decreases	011	88.999.814	103.612.761
II. Total decrease of cash flow from operating activities	012	374.216.112	967.483.938
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	013	726.612.558	0
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES	014	0	570.341.295
CASH FLOW FROM INVESTING ACTIVITIES			
1. Receipts from sale of non-current assets	015	2.528.596	7.918.423
2. Receipts from sale of non-current financial assets	016		
3. Interest received	017	25.140.122	28.485.101
4. Dividend received	018		
5. Other proceeds from investing activities	019		574.969.716
III. Total cash inflows from investing activities	020	27.668.718	611.373.240
1. Purchase of non-current assets	021	40.213.868	87.883.343
2. Purchase of non-current financial assets	022	121.311.744	42.306.926
3. Other cash outflows from investing activities	023	797.290.702	2.263.521
IV. Total cash outflows from investing activities	024	958.816.314	132.453.790
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	025	0	478.919.450
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES	026	931.147.596	0
CASH FLOW FROM FINANCING ACTIVITIES			
1. Cash inflows from issuing equity and debt financial instruments	027		
2. Cash inflows from loans, debentures, credits and other borrowings	028	228.443.096	217.158.566
3. Other proceeds from financing activities	029		
V. Total cash inflows from financing activities	030	228.443.096	217.158.566
1. Repayment of loans and bonds	031		73.938.248
2. Dividends paid	032	1.347.155	38.604.586
3. Cash outflows for finance lease	033		2.619.814
4. Purchase of treasury shares	034		
5. Other cash outflows from financing activities	035		
VI. Total cash outflows from financing activities	036	1.347.155	115.162.648
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	037	227.095.941	101.995.918
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	038	0	0
Total increases of cash flow	039	22.560.903	10.574.073
Total decreases of cash flow	040	0	0
Cash and cash equivalents at the beginning of the period	041	20.414.010	42.974.913
Increase of cash and cash equivalents	042	22.560.903	10.574.073
Decrease of cash and cash equivalents	043		
Cash and cash equivalents at the end of period	044	42.974.913	53.548.986

STATEMENTS OF CHANGES IN EQUITY

period 1.1.2013 to 31.12.2013

Position	AOP	Previous period	Current period
1	2	3	4
1. Subscribed share capital	001	119.289.600	119.289.600
2. Capital reserves	002	713.232.769	713.232.769
3. Reserves from profit	003	108.218.228	105.646.727
4. Retained earnings or accumulated loss	004	279.783.563	368.514.094
5. Net profit or loss for the period	005	154.873.120	186.545.624
6. Revaluation of tangible assets	006	64.646.977	64.646.977
7. Revaluation of intangible assets	007		
8. Revaluation of financial assets available for sale	008	-923.634	-1.125.033
9. Other revaluation	009		
10. Total equity and reserves (AOP 001 to 009)	010	1.439.120.623	1.556.750.758
11. Currency profit or loss arising from net investments in foreign operations	011	493.086	5.162.302
12. Current and deferred taxes	012		
13. Cash flow hedge	013		
14. Change of accounting policies	014		
15. Correction of significant errors in prior periods	015		
16. Other changes in capital	016	547.831.095	112.467.833
17.Total Increase or decrease of equity (AOP 011 to 016)	017	548.324.181	117.630.135
17 a. Attributable to majority owners	018	539.014.798	117.630.135
17 b. Attributable to minority interest	019	9.309.379	0

Notes with financial statements

Notes to Financial Statements provide additional and supplementary informations which are not presented in the statement of financial position, income statement, cash flow statement and statement of changes in equity in accordance with the regulations of the relevant international financial reporting standards.

In the observed period there were no significant events that would affect the understanding of financial position and success of the Company.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2013 AND INDEPENDENT AUDITOR'S REPORT

Content

Management's responsibility for the consolidated financial statements

Pursuant to the Croatian Accounting Act, Management is responsible for the preparation of consolidated financial statements for every financial year in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and for fair presentation of the financial state and business results of the Group for that period in all material respects.

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

In preparing the consolidated financial statements Management is responsible:

- for selection and then consistent application of appropriate accounting policies;
- for reasonable and prudent judgments and estimates;
- for implementation of applicable accounting standards and for publishing and explanation of any material discrepancy in the consolidated financial statements; and
- for preparation of the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

Management is responsible for keeping proper accounting records, which at any time and with a reasonable accuracy will reflect the financial position of the Group, as well as their compliance with the Croatian Accounting Act. Management is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Management has approved the consolidated financial statements for their issuance on 28 April 2014.

Tomislav Kitonić, mr.sc.
President of the Management Board

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INDEPENDENT AUDITOR'S REPORT

To the Management and the shareholders of Ledo d.d.
We have audited the accompanying consolidated financial statements of Ledo d.d. (the Company) and its subsidiaries (together the Ledo Group). The consolidated financial statements comprise the statement of financial position as at 31 December 2013, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flow for the year 2013, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by EU, and for such internal controls as Management determines are necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Opinion
In our opinion, the consolidated financial statements give a true and fair view in all material respects of the financial position of the Ledo Group as at 31 December 2013 and of its financial performance and its cash flows for the year ended in accordance with International Financial Reporting Standards as adopted by EU.

Highlighting issues

Without modifying our opinion, we draw attention to Note 31 to the accompanying consolidated financial statements. The Commission for Protection of Competition of the Republic of Serbia on 19 November 2012 adopted a decision relating to the subsidiary Frikom Ltd. Belgrade, which found that the subsidiary exercised a dominant position on the wholesale market of industrial ice cream on the territory of the Republic of Serbia and determined the extent of the protection of competition in the form of the obligation to pay a sum of money amounting to 4% of the total annual turnover in 2009. Against the above decision, the subsidiary has initiated proceedings before the competent courts.

On March 19 2014, The Tax Administration of the Republic of Serbia, by decisions of the Administrative Court and Supreme Court of Cassation of the Republic of Serbia, collected from Frikom Ltd. Belgrade obligation and accrued interest in the amount of HRK 24 million. With regard to this event, the Legal Service of Frikom Ltd. Belgrade and its advisers are preparing an appeal to the Constitutional Court of the Republic of Serbia.

Other issues

Ledo dd Zagreb, together with other subsidiaries that make up the Ledo Group, was consolidated in the previous years by the majority owner. On 31 December 2013, audit was performed for the first time on the consolidated financial statements of the Ledo Group at the level of the parent company.

Zagreb, 28 April 2014

Sanja Hrstić
Certified auditor

Nevenka Dujić
Management Board Member

Consolidated Income Statement
for the year ended 31 December 2013

	Note	2013 in HRK thousands	2012 in HRK thousands
Sales income	3	2.076.413	1.485.351
Other income	4	3.036	3.653
		2.079.449	1.489.004
Change in inventories of unfinished and finished products		(588)	3.515
Costs of raw materials	5	(629.766)	(389.897)
Cost of goods sold		(423.859)	(432.128)
Cost of services	6	(293.044)	(162.686)
Staff costs	7	(230.205)	(165.185)
Depreciation and amortization		(94.922)	(49.518)
Impairment		(10.890)	(5.387)
Provisions		(113)	(33)
Other costs	8	(162.848)	(115.038)
		(1.846.235)	(1.316.357)
Financial income	9	39.348	32.876
Financial expenses	10	(47.118)	(15.963)
		(7.770)	16.913
Profit before taxes		225.444	189.560
Corporate income tax	24	(38.898)	(34.687)
Net profit		186.546	154.873
Available for:			
Equity holders of the parent company in the Group		186.546	154.873
Non-controlling interests		-	-

Approved on behalf of the Company on 28 April 2014.

Tomislav Kitonić, mr.sc.
President of the Management Board

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

Consolidated Statement of Other Comprehensive Income
For the year ended 31 December 2013

	Note	31 December 2013 in HRK thousands	31 December 2012 in HRK thousands
NET PROFIT FOR THE YEAR		186.546	154.873
Other comprehensive income			
Other comprehensive income which will be reclassified as profit or loss in the future periods			
Foreign exchange differences arising from the transfer into the reporting currency		5.162	493
Net profit/(loss) on financial assets available for sale		(252)	(1.155)
Impact of corporate income tax		50	231
Other net comprehensive income which will be reclassified as profit or loss in the future periods		4.960	(431)
Other comprehensive income which will not be reclassified as profit or loss in the future periods			
Revaluation of land		-	-
Impact of corporate income tax		-	-
Other net comprehensive income which will not be reclassified as profit or loss in the future periods		-	-
Other comprehensive income for the year, net		4.960	(431)
Total comprehensive income for the year, net		191.506	154.442
Available for:			
Equity holders of the parent company in the Group		191.506	154.442
Non-controlling interests		-	-
Earnings per share (in HRK)	11		
Earnings per share – basic		594,25	696,92
Earnings per share – diluted		594,25	696,92

Approved on behalf of the Company on 28 April 2014.

Tomislav Kitonić, mr.sc.
President of the Management Board

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Consolidated Statement of Financial Position

as at 31 December 2013

ASSETS	Notes	31 December 2013 in HRK thousands	31 December 2012 in HRK thousands
Non-current assets			
Intangible assets	12	119.618	119.703
Property, plant and equipment	13	581.677	596.756
Investment in subsidiaries	14	4.441	6.678
Financial instruments	15	58.758	52.200
Deferred tax assets		8.913	7.763
		773.407	783.100
Current assets			
Inventories	16	403.031	417.000
Other assets available for sale		1.464	1.415
Current investments	17	529.733	1.104.703
Receivables	18	425.764	364.408
Other current assets		4.377	6.633
Cash and cash equivalent	19	53.549	42.975
		1.417.918	1.937.134
TOTAL ASSETS		**2.191.325**	**2.720.234**
CAPITAL AVAILABLE FOR THE EQUITY HOLDERS OF THE PARENT COMPANY IN THE GROUP	20		
Share capital		119.290	119.290
Reserves		1.437.461	1.310.522
		1.556.751	1.429.812
Non-controlling interests		-	9.309
TOTAL EQUITY		1.556.751	1.439.121
Non-current liabilities			
Provisions	21	3.677	3.620
Credits and loans	23	-	74.708
Deferred tax liabilities	24	16.409	16.426
Other non-current liabilities		15	35
		20.101	94.789
Current liabilities			
Trade payables	25	147.975	942.292
Current portion of long-term credits and loans	23	770	2.620
Current credits	23	384.653	174.621
Current loans	23	38.410	31.284
Corporate income tax		4.574	6.645
Other current liabilities	26	38.091	28.862
		614.473	1.186.324
TOTAL EQUITY AND LIABILITIES		**2.191.325**	**2.720.234**

Approved on behalf of the Company on 28 April 2014.

Tomislav Kitonić, mr.sc.

President of the Management Board

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

Consolidated Statement of Changes in Equity
for the year ended 31 December 2013

	Available for equity holders of the parent company in the Group					Non-controlling interest in HRK thousands	Total in HRK thousands
	Subscribed capital in HRK thousands	Premium in HRK thousands	Revalued surplus in HRK thousands	Retained earnings in HRK thousands	Total in HRK thousands		
Balance on 1 January 2012	**83.665**	**-**	**64.647**	**742.485**	**890.797**	**-**	**890.797**
Income for the year	-	-	-	*154.873*	*154.873*	-	*154.873*
Other comprehensive income	-	-	*(924)*	*493*	*(431)*	-	*(431)*
Total comprehensive income	-	-	*(924)*	*155.366*	*154.442*	-	*154.442*
Recapitalization	35.625	713.233	-	-	748.858	-	748.858
Acquisitions	-	-	-	(362.935)	(362.935)	9.309	(353.626)
Dividend payment	-	-	-	(1.350)	(1.350)	-	(1.350)
Balance on 31 December 2012	**119.290**	**713.233**	**63.723**	**533.566**	**1.429.812**	**9.309**	**1.439.121**
Income for the year	-	-	-	*186.546*	*186.546*	-	*186.546*
Other comprehensive income	-	-	*(202)*	*5.162*	*4.960*	-	*4.960*
Total comprehensive income	-	-	*(202)*	*191.708*	*191.506*	-	*191.506*
Acquisition	-	-	-	(25.899)	(25.899)	(9.309)	(35.208)
DividenD payment	-	-	-	(38.668)	(38.668)	-	(38.668)
Balance on 31 December 2013	**119.290**	**713.233**	**63.521**	**660.707**	**1.556.751**	**-**	**1.556.751**

Approved on behalf of the Company on 28 April 2014:

Tomislav Kitonić, mr.sc.
President of the Management Board

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Cash Flow Statement

for the year ended 31 December 2013

	2013 in HRK thousands	2012 in HRK thousands
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	225.444	189.560
Depreciation and amortization	94.922	49.518
Impairment of receivables	9.254	4.673
Impairment of investments	1.636	714
(Profit) / loss on disposal of fixed assets	1.866	(1.646)
Group share in profit/loss of associates	2.264	-
Financial income	(39.348)	(32.876)
Financial income	44.854	15.963
Cash flow before adjustments for changes in working capital	340.892	225.906
Change in inventories	13.969	(201.114)
Change in receivables	(69.554)	(84.103)
Change in trade payables	(794.317)	778.917
Change in other current assets	2.933	(7.808)
Change in other current liabilities	(1.017)	61.484
CASH FLOW FROM OPERATING ACTIVITIES	(507.094)	773.282
Taxes paid	(40.092)	(39.293)
Interest paid	(23.155)	(7.376)
NET CASH FLOW FROM OPERATING ACTIVITIES	**(570.341)**	**726.613**
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of subsidiaries, net of cash acquired	(35.200)	(117.562)
Changes in non-current financial investments	(7.107)	(3.750)
Receipts from sale of property, plant and equipment	7.918	2.529
Increase in property, plant and equipment	(87.883)	(40.214)
Increase in non-current financial investments	574.970	(797.291)
Interest received	28.485	25.140
Dividend received	(2.264)	-
NET CASH FLOW FROM INVESTING ACTIVITIES	**478.919**	**(931.148)**
CASH FLOW FROM FINANCING ACTIVITIES		
(Outflow)/ Inflow from non-current credits	(73.938)	77.328
Outflow for non-current credits	(2.620)	-
Inflow from current credits	210.032	137.042
Inflow from current loans	7.127	14.073
Dividends paid	(38.605)	(1.347)
NET CASH FLOW FROM FINANCING ACTIVITIES	**101.996**	**227.096**
TOTAL NET CASH FLOW	**10.574**	**22.561**
Cash and cash equivalents at the beginning of the period	42.975	20.414
Cash and cash equivalents at the end of the period	53.549	42.975
Increase of cash and cash equivalents	**10.574**	**22.561**

Approved on behalf of the Company on 28 April 2014:
Tomislav Kitonić, mr.sc.
President of the Management Board

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Notes to consolidated financial statements

For the year ended on 31 December 2013

1. Company profile

Company Ledo d.d. (Parent Company) was registered as a joint-stock company at the Commercial Court of Zagreb on 4th January 1993 by the decision No. 2375/92. The statistical registration number of the entity is 080002964.

The majority shareholder of the company is Agrokor d.d., Zagreb, Trg D. Petrovića 3, with 55,30 % of the stake.

The Company's headquarters is in Zagreb, at the address Marijana Čavića 1a.

The parent company's main activity is the production of ice cream and other food products, wholesale and retail trade and commission trade, transport of goods, catering services and export and import of food products.

On 31 December 2013, the Ledo Group employed 2.236 workers while in, while on the same day the previous year it employed a average of 2.277 workers.

2. Summary of significant accounting policies

Basis of preparation

Consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for a part of property, plant and equipment and long-term investments which are included at valuation, as described in the following notes on accounting policies.

The accounting policies have been consistently applied and are identical to those applied in the previous year except as disclosed in Changes to the accounting policies.

The financial statements are presented in Croatian kuna which is the functional and presentation currency of the Parent company and of the consolidated financial reports. The official exchange rate published by the Croatian National Bank on 31 December 2013 was HRK 7.637643 for 1 euro (31 December 2012. 7.545624 for 1 euro). The amounts disclosed in the financial statements are expressed in thousands unless otherwise indicated.

Consolidation principles

The consolidated financial statements include the parent company and subsidiaries after elimination of all material transactions between companies within the Group . A subsidiary is an entity that is controlled by the parent company, in which the parent company directly or indirectly owns more than 50 percent of the voting rights or over which parent has management control .

Subsidiaries are consolidated from the date of acquisition , being the date on which the Group obtains control , and continue to be consolidated until the time of termination of that control . The financial statements of subsidiaries are prepared for the same reporting period as the Parent company, using consistent accounting policies . Adjustments are made where possible differences exist in the application of accounting policies .

List of subsidiaries and review of the financial effects of the acquisition of subsidiaries followed during the year is shown in Note 2.

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

Business combinations and goodwill

Business combinations are recorded using the acquisition method of accounting. The cost of an acquisition is measured as the sum of the consideration transferred, measured at fair value at the acquisition date and the amount of any non-controlling interest in the acquiree. For each business combination the acquirer evaluates the non-controlling interest in the acquiree either at fair value or at the proportionate share of identifiable net assets of the acquiree. Incurred acquisition-related costs are recognized as expenses in the period.

When the Group acquires a business, it assesses the financial assets and liabilities to the appropriate classification and sorts them according to the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination occurs in stages, previously held equity interest in the acquiree, are again carried at fair value at the acquisition date.

Subsequent changes in fair value of contingent consideration should be recorded as follows : contingent consideration classified as part of the equity should not be re-evaluated and its subsequent settlement should be recorded in equity ; contingent consideration classified as an asset or liability ; it is a financial instrument that should be valued at fair value and the resulting gain or loss should be recorded in the profit or loss either as part of other comprehensive income; or it should be recorded in accordance with the corresponding IFRS when applicable. .

Goodwill and excess of fair value of net assets acquired over cost of acquisition represents the difference between the acquisition cost and the acquirer's interest in the fair values of assets and liabilities at the acquisition date .

Goodwill is subject to impairment test at each reporting date , as specified in note Impairment of assets .

Excess of fair value of net assets acquired over the cost of acquisition is shown as a gain through the income statement in the year of acquisition

Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the entity and when it can be reliably measured. Revenue is measured at the fair value of the consideration received less discounts, rebates and taxes. The Group assesses its revenue transactions according to specific criteria to determine whether it acts in them as principal or as agent. The Group has concluded that it is acting as a principal in all of its revenue transactions. In order to be able to recognize revenue, the following criteria for revenue recognition must be observed:

Revenue on sales of products and goods is recognized when the significant risks and rewards of ownership are transferred to the buyer, and when there is significant uncertainty from sales, associated costs or the possible return of goods.

When providing services, revenue is recognized according to the level of the service execution, or when there is significant uncertainty regarding the provision of services or related expenses. Interest resulting from the use of funds of the Group by others are recognized when it is probable that the economic benefits associated with the transaction will flow to the entity and the revenue can be measured reliably. Interest income is recognized as it accrues (taking into account the effective yield on the asset) unless the collection is uncertain.

Dividends' yield is recognized when the Group has established the right to a dividend.

Notes to consolidated financial statements
For the year ended on 31 December 2013

Financial instruments

Financial assets

Initial recognition and measurement

Financial assets are classified as financial assets at fair value through the income statement, loans and receivables, investments to maturity, financial assets available for sale or as derivatives held for hedging instruments for the effective protection, whichever is applicable. The Group determines the classification of its financial assets at initial recognition of it.
All financial assets are initially recognized at fair value including transaction costs, except in the case of financial assets recorded at fair value through the income statement.
Acquisitions or sales of financial assets that require delivery of assets within the time frame established by regulation or standard behavior on the market (regular sales) are recognized on the trade date, i.e. the date when the Group commits to the purchase or sale of assets.

Subsequent measurement

Subsequent measurement of financial assets depends on its classification and is described below:

Financial assets at fair value through income statement

Financial assets at fair value through income statement include financial assets held for trading and financial assets designated upon initial recognition as at fair value through income statement. Financial assets are classified as held for trading if acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are intended for instruments of effective protection.
Financial assets at fair value through income statement are recognized in the statement of financial position at fair value with net changes in fair value reported in the income statement . Financial assets designated upon initial recognition as at fair value through income statement, are distributed on the day of their initial recognition and only if certain criteria are met . The Group has no financial assets designated at fair value through income statement. Derivatives embedded in host contracts are recorded as separate derivatives and recognized at fair value if their economic characteristics and risks are not closely related to those of the host contract and the host contracts are not held for trading or designated at fair value through income statement . These embedded derivatives are measured at fair scores, with changes in fair value recognized through income statement . Reassessment only occurs in the event of a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required .

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, such financial assets are subsequently measured at amortized cost using the effective interest method, less any impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. Effective interest rate depreciation method is included as income from interest in the income statement. The losses arising from impairment are recognized in the income statement.

Notes to consolidated financial statements
For the year ended on 31 December 2013

Investments to maturity
Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified under the category of investments to maturity when the Group has the intent and ability to hold these assets to maturity. After initial recognition, investments to maturity are valued at amortized cost using the effective interest method, less any impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Effective interest rate depreciation method is included in financial income in the income statement. The losses arising from impairment of value are recognized in the income statement under financial expenses.

Investments available for sale
Investments available for sale include equity and debt instruments. Equity instruments classified as available for sale are those that are not classified as held for trading nor distributed at fair value through income statement. Debt instruments in this category are those for which there is an intention to hold for an indefinite period of time which may be sold in response to needs for liquidity or in response to changes in market conditions.
After initial recognition, investements available for sale are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in reserves for instruments available for sale until the time of derecognition, when the cumulative gains or loses are recognized in other income, or when it is determined that an impairment of investments has occured, whereby the cumulative loss reclassifies from reserves for instruments available for sale in the income statement. Interest earned during the holding of investments available for sale are reported as interest income using the effective interest rate. Investments in equity instruments available for sale for which there is no quotation in an active market and for which fair value can not be reliably measured are measured at cost. The Group evaluates whether it is still appropriate the intention of selling its instruments available for sale in the near future. When, in rare situations, the Group is unable to trade these financial instruments because there is no active market, and there has been a change in the intention of the Board to do so in the foreseeable future, the Group may decide to reclassify this financial asset. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables,and when the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to-maturity category is permitted only when the Group has the ability and intent to hold the financial asset until maturity.
For financial assets reclassified from available-for-sale category, its present value at the date of reclassification (fair value of the instrument on the day) becomes the new amortized cost and all previous gains and losses recognized in equity are amortized in the income statement over the remaining life of investment using the effective interest rate. Any difference between the new amortized cost and the amount at maturity is also amortized over the remaining life of assets at the effective interest rate. If later came to the impairment of assets, then the amount recorded in equity should be reclassified to income statement.

Derecognition
Financial assets are derecognised when the rights to receive cash flows from these assets have expired, or when the Group has transferred the rights to receive cash flows from an asset or has assumed an obligation to pay received cash flows in full without material delay to a third party, and the Group has transferred substantially all the risks and rewards of the asset, or the Group has not transferred substantially all the risks and rewards of the assets, but has transferred control of the asset.

Notes to consolidated financial statements
For the year ended on 31 December 2013

Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets for impairment in values took place. For a financial asset or group of financial assets, there was a reduction if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that event has an adverse impact on the estimated cash flows of the financial asset or group of financial assets that can be reliably estimated.
For financial assets carried at amortized cost, if there is objective evidence of impairment, impairment loss is measured as the difference between the carrying value of assets and the present value of estimated future cash flows. The present value of estimated future cash flows is discounted using the original effective interest rate of financial assets. The present value of assets is impaired and a loss is recognized in the income statement.
For available-for-sale assets: when there is evidence of impairment, the cumulative loss, evaluated as the difference between the acquisition cost and the current fair value, less any impairment of investments that had previously been recognized in the income statement, is transferred from other comprehensive income and recognized in the income statement.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through income statement, credits and loans, or as derivatives classified as hedging instruments in an effective protection, whichever is applicable. The Group determines the classification of its financial instruments at initial recognition. All financial liabilities are initially recognized at fair value and in the case of credits and loans, less transaction costs that are directly attributable to them.

Subsequent measurement

Measurement of financial liabilities depends on their classification and is described below:

Financial liabilities at fair value through income statement

Financial liabilities at fair value through income statement include financial liabilities held for trading and financial liabilities that are on initial recognition included in the category of financial liabilities at fair value through income statement .
Financial liabilities are classified in the category for trading if they are acquired for the purpose of selling in the short term . This category includes derivative financial instruments that are not designated as hedges in a hedging relationship . Separated embedded derivatives are also classified in the category for trading unless they are intended for effective hedging instruments .
Gains or losses on liabilities held for trading are recognized in the income statement .
Financial liabilities which at initial recognition are included in liabilities at fair value through income statement may be included in this category only if certain conditions are met . The Group has no financial liabilities which are classified as at fair value through income statement .

Notes to consolidated financial statements

For the year ended on 31 December 2013

Credits and loans

After initial recognition, interest bearing credits and loans are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in income statement when the liabilities are derecognised as well as through the amortization process using the effective interest rate. Amortized cost is calculated by taking into account any discount or premium at the moment of the acquisition as well as fees or costs that are an integral part of the effective interest rate. Depreciation by effective interest rate is included in interest expense in the income statement.

Derecognition

A financial liability is derecognised when the consideration linked to the liability is fulfilled, canceled or has expired. When an existing financial liability is replaced by a new form of the same creditor with substantially different terms, or the terms of existing obligations are substantially modified, such replacement or modification is considered a derecognition of the original liability and the recognition of a new liability moment. The difference in the respective current values is recognized in the income statement.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently valid legal basis to offset the recognized amounts and there is an intention of the settlement by a net basis for the realization of assets and settlement of liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments traded in active markets at each reporting date is determined by reference to quoted market price without any deduction for transaction costs. For financial instruments that are not traded in an active market, fair value is determined using the following valuation methods: using recent transactions between unrelated parties realized in the market, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models .

Intangible assets

Individually purchased intangible assets are stated at cost. The cost of intangible assets acquired in a business combination is its fair value at the acquisition date . After initial recognition, intangible assets are stated at cost less accumulated depreciation and any accumulated impairment losses. Internally developed intangible assets , excluding development costs , are not capitalized and expenditure of the amount recorded in the income statement when they are incurred . The useful life of an intangible asset may be limited or unlimited .

Intangible assets with limited useful life amortizes during its useful life and is assessed for impairment value of these assets whenever it appears to indicate that the value of these assets may be impaired , as described in accounting policy for impairment of assets. Intangible assets with finite useful lives are amortized using the straight-line depreciation method over the expected useful life not exceeding ten years. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each reporting period . Changes in the expected useful life or the model of consumption of future economic benefits embodied in the asset are accounted for as a change in the amortization period or method , depending on which of the above applies , and treated as changes in accounting estimates .

Intangible assets with indefinite useful lives are not amortized , but are tested for impairment at least annually , either individually or at the cash-generating unit .

Notes to consolidated financial statements

For the year ended on 31 December 2013

Rating of indefinite useful life is reviewed annually to determine whether it is still possible to support the indefinite useful life . If not, then a change of the useful life from unrestricted to restricted is carried out by determining the time to continue .
Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net proceeds realized and the present value of assets and are recognized in the income statement at the time of recognition of the asset

Research and development

Research costs are recognized in profit or loss at the time of their creation . Internally developed intangible assets arising from development are recognized if , and only if an entity can demonstrate all of the following :

- the technical feasibility of intangible assets is completed so as to be available for use or sale ;
- the intention to complete the intangible asset and its use or sale;
- the ability to use or sell the intangible asset ;
- how the intangible asset will generate probable future economic benefits ;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset ; and
- the ability to measure reliably the expenditure that is attributable to the intangible asset during development .

The amount initially recognized for internally -developed intangible assets represents the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above . After initial recognition, internally -developed intangible assets are recorded at cost, less accumulated depreciation and accumulated impairment losses , during the useful life of which it does not exceed the maximum term of five years

Property, plant and equipment

Property, plant and equipment, except land, are stated at cost of purchase less accumulated depreciation and impairment losses.
Items of property, plant and equipment that are disposed of or sold are eliminated from the balance sheet together with the related accumulated depreciation. Any profit or loss arising from derecognition of assets (calculated as the difference between the net sales proceeds and the carrying amount of assets at the time of sale) is reported in the income statement in the year of derecognition.
Expenditures incurred in the maintenance of tangible assets to restore or maintain the future economic benefits are recorded as an expense in the period.
Depreciation is recorded as an expense in the period, and is calculated using a linear method.
The expected life of the asset forms is the following:

Buildings	2,5-10 years
Plant and equipment	5-50 years
Other agents to work from	20-40 years

The useful life, depreciation method and residual values are reviewed at the end of each financial year and, if expectations differ from previous estimates, the changes are accounted for as changes in accounting estimates.

Notes to consolidated financial statements
For the year ended on 31 December 2013

Impairment of assets
The Group assesses at each balance sheet date whether there are indicators of loss of property value . If any such indication exists , or when implementation of the annual loss of value test is required , the Group estimates the recoverable amount of an asset .
The recoverable amount is estimated as higher of net selling price and value in use . The net selling price is the amount obtainable when assets are sold in a transaction between two independent willing parties less costs of sale, and value in use is the present value of estimated future cash flows expected to arise from the continuing use of the asset through its economic life duration and sales at end of life . Recoverable amount is estimated for individual assets or , if this is not possible , for the cash-generating unit to which the asset belongs . Cash-generating unit is determined on the Group's basis. Where the carrying amount exceeds the estimated recoverable amount, the asset is impaired to its recoverable amount .

Lease
Determining whether or not a certain transaction contains elements of a lease, is based on the substance of the transaction on the date of its inception, whether for fulfillment of the transactions specific assets were necessary and whether the transaction includes the right to use the asset.

The Group as lessee
The assets taken on lease agreement whereby all the risks and rewards of ownership (financial lease) are transferred to the Group, are capitalized at the lower of fair value or the present value of the minimum lease payments at the beginning of the lease period and recorded as fixed assets under lease. Lease payments are apportioned between the financial charges and reduction of the lease liability so as to achieve a constant rate of interest until the end of the contract period. Financial expenses shall be reimbursed directly from profits .
Capitalised leased assets are amortized over a period of the lease or use within its useful life , whichever is the shorter period . Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased asset are classified as operating leases . Operating lease payments are recognized as an expense in the income statement during the term of the lease .
The accounting treatment of sales and rental property depends on the type of lease. If the transaction is a sale and lease resulting in a finance lease , any excess of sales proceeds over the carrying amount is deferred and amortized over the period of the lease. If the transaction is a sale and lease resulting in operating lease , the transaction is carried at fair value and any profit or loss is recognized immediately .

The Group as lessor
Leases where the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred during the negotiating of an operating lease are added to the present value of the leased asset and recognized as rental income over the lease term. Contingent rentals are recognized as income at the time in which they are earned.

Non-current assets held for sale
Non-current assets classified as held for sale and disposal group are measured at the lower of carrying amount and fair value less costs of sale . Non-current assets are classified as intended for sale or disposal group if it will be their carrying amount recovered through sale rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale , which is expected to be completed within one year from the date of classification .

Notes to consolidated financial statements

For the year ended on 31 December 2013

The income statement for the reporting period and the comparative previous period , income and expenses of the termination of operations are presented separately from normal income and expenditure to the level of profit after taxes , even when the Group after the sale retained non-controlling interest in a subsidiary . Profit or loss (after tax) arising , is shown separately in the income statement .
Property, plant and equipment and intangible assets once classified as held for sale are no longer depreciated or amortized.

Inventories

Inventories are stated at cost of purchase or net sale value, whichever is lower of these values.
Costs incurred in bringing each product to its present location and condition are stated as follows:
The cost of procurement of raw materials are stated at weighted average basis method.
Finished goods and work in progress are stated at the value which includes the cost of direct materials and labor and attributable production overheads based on normal production capacity.
Inventories of merchandise are stated at cost and net realizable value whichever is lower of these values.
Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Receivables

Receivables due within 30-90 days are stated at original invoice amount less to their recoverable value through an allowance for doubtful receivables. Estimating the allowance is done when there is uncertainty of collection of the entire amount. Bad debts are written off when determined.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, short-term bank deposits with agreed maturity up to three months and funds in bank accounts.

Taxes

Tax calculation is based on the accounting profit for the year and adjusted for permanent and temporary differences between taxable and accounting income . Corporate taxation on income is carried out in accordance with the Croatian tax regulations . Tax returns of companies are subject to the tax authorities. Since there are different interpretations of possible application of tax laws and regulations to many types of transactions , amounts in the financial statements could be changed depending on the final decision of the tax office .
Deferred taxes are calculated using the liability method, on all temporary differences on the date of the drafting of the financial statements due to time differences of recognition of income and expense whose including in the taxable income does not coincide with the inclusion of income tax within the financial statements.
Deferred taxes are calculated at the tax rate applicable in the years in which it is expected that the temporary differences will be compensated . Deferred tax assets are recognized when it is probable that it will generate sufficient taxable profits against which it can be utilized.

Notes to consolidated financial statements
For the year ended on 31 December 2013

Transactions in foreign currencies
Financial statements of the respective companies within the Group are presented in the currency of the primary economic environment in which the entity operates (in its functional currency).
For the purposes of the consolidated financial statements, the results and financial position of each company within the Group are presented in Croatian kuna which is the functional currency of the parent company and presentation currency of consolidated financial statements.

Transactions and balances:
Transactions in foreign currencies of the companie within the Group are initially recognized in their funactional currency using the exchange rates prevailing on the transaction date.
On the balance sheet date, monetary items denominated in foreign currencies are reported using the closing exchange rate. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rate at the date of determination of fair value. Foreign exchange differences arising from foreign currency transactions and translation of monetary and non-monetary assets and liabilities are recognized in comprehensive income for the period in which they arise.

Foreign subsidiaries:
Assets and liabilities of foreign subsidiaries are translated into the reporting currency using the middle rate of the Croatian National Bank on the balance sheet date. Revenues and expenses are translated at the average annual exchange rate. The effects of translating these items are included in the statement of comprehensive income.
Any goodwill and fair value adjustments arising on the acquisition of a foreign subsidiary are treated as assets and liabilities of that foreign subsidiary and translated at the closing rate.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of assets that take a substantial period of time to get ready for their intended use or sale are capitalized as part of the cost of that asset. All other borrowing costs are charged to the income statement in the period in which they are incurred. Borrowing costs consist of interest and other costs incurred in connection with the borrowing of resources.

Information on business segments
For management purposes, the Group is organized into business units based on their products and services and has the following segments:

- Ice cream – production of all kinds of ice cream
- Frozen foods – production of all kinds of frozen foods
- Other

None of these segments was created by merging the other segments in order to obtain the above-mentioned business units.
Management monitors the operating results of individual business units for the purpose of making decisions about allocating resources and assessing the fulfillment of the objectives. The fulfillment of the set objectives of a segment is evaluated based on operating profit or loss and consistently compared with operating profit of the Group.
Segment results include revenue and expenses directly attributable to the segment and the relevant portion of general revenues and expenses on a reasonable basis can be assigned to the segment, whether from external transactions or from transactions with other segments of the Group.

Notes to consolidated financial statements
For the year ended on 31 December 2013

Pensions and employee benefits
The Group in its normal course of business, makes fixed contributions to mandatory pension funds on behalf of its employees. The Group does not participate in any other pension plans, and consequently, there are no legal or other obligations to make further contributions if the funds do not contain sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.
The Group pays benefits to employees including severance and jubilee. Liabilities and expenses severance and jubilee awards are determined using the projected unit credit. Projected unit credit method per employee considers each period of service as giving rise to an additional employer unit of benefit entitlement and measures each unit separately to build up the final obligation.
Past service costs for employees are calculated on a straight-line basis over the average period until certain employee benefits become vested. Gains or losses on the curtailment or settlement of pension benefits are recognized when the curtailment or settlement occurs. The severance obligation is measured at the present value of estimated future cash flow using a discount rate similar to the interest rate on government bonds, and the terms of the government bonds are consistent with the currency and estimated terms of the obligations set forth in fees.

Provisions
Provisions are recognized when there is a legal or other obligation which is a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the obligation can be made.

Contingent liabilities
Contingent liabilities are not recognized in the financial statements. They are disclosed in notes except when there is a slight probability of an outflow of resources embodying economic benefits. Contingent assets are not recognized in the financial statements but it is disclosed in notes it and that when it is probable that there will be an influx of economic benefits.

Events after the balance sheet date
Events after the balance sheet date that provide additional information about the Group's position on the balance sheet day (an event that causes an adjustment), are reflected in the financial statements. Subsequent events after the balance sheet date that do not cause an adjustment are presented in the notes when material.

Estimates
The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the amounts reported in the financial statements and notes. Although these estimates are based on all available information of the Management about current events and actions, actual results may differ from these estimates.

In the normal course of business of the Group, estimates are also used, but are not limited to: evaluation of land, depreciable lives and residual values of property, plant and equipment, allowances for inventories and doubtful debts and provisions for employee benefits, litigation and taxes. Future events and their effects can not be predicted with certainty. Details of estimates and amounts are shown in the respective accounting policies and notes to the financial statements.

Notes to consolidated financial statements
For the year ended on 31 December 2013

Judgments
In the process of applying the Group's accounting policies, the Management has made the following judgment, apart from those involving estimations, which have the most significant effect on the amounts reported in the financial statements:

Operating lease - Group as lessee.
The Group has concluded significant operating leases as lessee. It was found that almost all the significant risks and rewards of ownership of assets by the Group as operating leases are retained with the lessor.

Changes in accounting policies
The accounting policies adopted are consistent with last year unless otherwise noted and published. Throughout the year, the Group adopted the following new and amended IFRS and guidelines of the International Financial Reporting Interpretations Committee (IFRIC) as approved by the EU. When assessing whether the application of standards or interpretations has an impact on the financial statements or results of the Group, its impact is described below:

Amendment to IAS 1 Presentation of financial statements related to other comprehensive income
Amendments to IAS 1 change the grouping of line items presented within other comprehensive income. Items that may be reclassified ("or recycled ') to income statement in the future should be presented separately from items that will never be reclassified. The amendment affects only the presentation and has no impact on the financial position or results of the Group.

Amendment to IAS 19 Employee Benefits
The IASB has issued a number of amendments to IAS 19. These range from significant changes such as the deletion of the corridor mechanism and the concept of expected return on plan assets to simple clarifications and new formulations. The adoption of this amendment did not have any impact on the financial position or results of the Group..

Amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities
The amendment requires disclosures that enable users of financial statements, assessing the effects or potential effects of netting arrangements, including rights of set-off. The amendment has an effect only on the publication, but no impact on the assessment and recognition of financial instruments.

IFRS 13 Fair Value Measurement
IFRS 13 establishes a single source of guidance under IFRS for all valuations at fair value. IFRS 13 does not change the cases when the subject is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when such valuation is requested or permitted. The application of this standard had no impact on the financial position or results of the Group.

IFRIC 20 The cost of open pit mines in the production phase
The interpretation clarifies that the benefits from the stripping activity are recorded in accordance with the principles of IAS 2 Inventories, to the extent implemented in the form of manufactured inventories. To the extent that benefits represent and improved access to ore, the entity should recognize these costs as "asset stripping activity" within fixed assets, provided that certain criteria are met. This amendment is not applicable to the Group's operations.

Notes to consolidated financial statements
For the year ended on 31 December 2013

Annual improvements - May 2012
These annual improvements address six questions from the reporting cycle 2009-2011. They include changes in:
IFRS 1 First-time Adoption of International Financial Reporting Standards
IAS 1 Presentation of Financial Statements
IAS 16 Property, Plant and Equipment
IAS 32 Financial Instruments: Presentation
IAS 34 Financial Reporting during the year
These improvements did not have any impact on the financial position or results of the Group.

Standards, amendments and interpretations to existing standards that are not yet effective and the Group has not early adopted:

IAS 27 (revised in 2011) Separate Financial Statements (effective for annual periods beginning on or after 1 January 2014)
As a result of the new standards IFRS 10 and IFRS 12, what remains of the former IAS 27 is limited to the recording of investments in subsidiaries, companies under common control and associates in separate financial statements. The Group is in the process of assessing the impact of IAS 27 on financial statements. The Group plans to adopt this amended standard on its effective date.

IAS 28 (revised in 2011). Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2014)
As a result of the new standards IFRS 11 and IFRS 12, IAS 28 includes a requirement that the joint ventures and investments in associates are accounted for using the equity method, which is in accordance with the provisions of IFRS 11 The Group is currently assessing the impact of IAS 28 on financial statements. The Group plans to adopt this amended standard on its effective date.

IFRS 10 Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2014)
IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements relating to the filing related to the consolidated financial statements . It also includes the issues that were raised in SIC-12 Consolidation - Special Purpose Entities . IFRS 10 establishes a single control model that applies to all entities including special purpose entities . The changes that were introduced IFRS 10 will require the use of significant management judgment in determining which entities are controlled , and therefore , should be consolidated by the parent Group, compared with requirements that were defined in IAS 27. The Group is currently in the process of determining the impact that IFRS 10 will have on the financial statements . The Group plans to adopt this new standard on its effective date.

IFRS 11 Joint Ventures (effective for annual periods beginning on or after 1 January 2014)
IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities - Non-Monetary Contributions by Venturers . The focus of IFRS 11 is on the rights and obligations of the enterprise rather than its legal form . There are two types of joint ventures : joint operations and joint investments. Joint operations arise where common operators are entitled to the assets and liabilities associated with the venture and therefore accounted for its interest in the assets, liabilities , income and expenses . Joint investments arise where common operators are entitled to the net assets of the enterprise , and accordingly, their shares are recorded using the equity method . Proportional consolidation of joint investement is no longer allowed . It is not expected that the application of this standard will have an impact on the financial position or results of the Group. The Group plans to adopt this new standard on its effective date.

Notes to consolidated financial statements
For the year ended on 31 December 2013

IFRS 12 Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2014)
IFRS 12 includes all disclosures that were previously part of IAS 27 relating to the consolidated financial statements as well as all the disclosures that were previously part of IAS 31 and IAS 28. The above disclosures are associated with shares that the entity has in subsidiaries, joint ventures, associates or structured entities. A large number of new disclosures is required. This standard is effective for annual periods beginning on or after 1 January 1 2014.

Amendments to IFRS 10, 11 and 12 of the transitional provisions (effective for annual periods beginning on or after 1 January 2014)
These amendments allow further exemptions in the application of IFRS 10, 11 and 12 limiting the demand for the publication of revised comparative information only to the previous period. For disclosures relating to unconsolidated entities amendments abolish request for presentation of comparative information for periods prior to the first application of IFRS 12. The Group is currently evaluating the impact of these amendments on the financial position or results. The Group intends to adopt the amendments to the date of their entry into force.

Investment undertakings (amendment to IFRS 10, IFRS 12 and IAS 27)
These amendments are effective for annual periods beginning on or after 1 January 2014 and give the possibility of exemption to requests for the consolidation of entities that meet the definition of an investment entity under IFRS 10. The exemption to requests for consolidation seeks of the investment entity that it keeps track of subsidiaries at fair value through income statement. It is not expected that this will be a significant amendment to the Group.

Amendment to IAS 32 Offsetting of Financial assets and financial liabilities
This amendment has amended the application guidance in IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. This amendment becomes effective for annual periods beginning on or after 1 January 2014. It is not expected that this amendment will be relevant to the Group.

Amendment to IAS 36 Impairment (effective for annual periods beginning 1 January 2014)
This amendment dismisses the need for the presentation of information on the amount that can be compensated for assets minus yielding a retransmission if the amount of the impairment is based on fair value less costs of disposal. This amendment could have an impact on the presentation, but not on evaluation and recognition of assets included in the financial position or results of the Group. The Group plans to adopt this amendment on the date of its entry into force.

IAS 39 Innovation of derivatives and continued hedge accounting – amendment to IAS 39
This amendment brings relief from termination of hedge accounting when the innovation of derivatives selected for instrumental care meets certain criteria. This amendment becomes effective for annual periods beginning on or after 1 January 2014. The Group did not use the innovation of derivatives in the current period. However, this amendment will be considered in the case of future innovations.

Notes to consolidated financial statements
For the year ended on 31 December 2013

IFRIC 21 Fees Interpretation (IFRIC 21)
IFRIC 21 clarifies that an entity recognizes a liability for a fee when there is an occurence of an activity that triggers the payment of such fee in accordance with the relevant regulations. For a fee induced by reaching the minimum threshold, the interpretation clarifies that the liability should not anticipated before reaching the minimum threshold. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Group does not expect that the application of IFRIC 21 will have significant effects on future financial statements.

Amendment to IAS 19 Employee Benefits
In November 2013, the IASB issued amendments to IAS 19 Defined benefit plans: the contribution of employees. The IASB has amended the requirements of IAS 19 for the contribution of the employee or a third party which is linked to the performance of work. If the amount of the contribution is independent of the number of years of service, any subject is allowed recognition of such contribution as reductions in the cost of service in the period in which such service is used, instead of adding the contribution to the service period. This amendment becomes effective for annual periods beginning on or after 1 July 2014. The Group is currently evaluating the impact of this amendment on its financial statements. The Group plans to adopt this amendment on the date of its entry into force.

IFRS 9 Financial Instruments : Classification and valuation
IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and valuation of financial assets and financial liabilities as defined in IAS 39 standard. The standard was initially scheduled to take effect for annual periods beginning on or after 1 January 2013 , but amendments to IFRS 9 Mandatory effective date of IFRS 9 and transition publication , released in December 2011 , shifted the mandatory date of entry into force on 1 January 2015. On 19 November 2013, IASB issued a new version of IFRS 9 : Hedge Accounting and amendments to IFRS 9 , IFRS 7 and IAS 39 , which includes new requirements for hedge accounting. The standard has no date of entry into force and it can be applied immediately . The effective date will be determined when the IASB completes the impairment phase in its project on accounting for financial instruments and when the same is adopted by the EU . The Group is currently assessing the impact of IFRS 9 on its financial statements . The Group has plans to adopt this standard on the date of its entry into force.

Annual improvements
On 12 December 2013, IASB issued two sets of annual improvements to IFRSs more specifically cycle 2010-2012 and cycle 2011-2013, containing 11 amendments in 9 standards : IFRS 1 First-time Adoption of IFRS , IFRS 2 Share -based Payments , IFRS 3 Business Combinations , IFRS 8 Operating Segments, IFRS 13 Fair Value Measurement , IAS 16 Property, Plant and Equipment , IAS 24 Related Party Disclosures , IAS 38 Intangible Assets and IAS 40 Investment in Property. The said amendments come into effect on or before 1 July 2014 . The Group is currently evaluating the impact of these amendments on its financial statements . The Group intends to adopt these amendments on the day of their entry into force .

The Group had not earlier adopted any International Financial Reporting Standard which was not mandatory on the day of reporting . In cases where the transitional provisions of the standards allow a choice between applying prospectively or retrospectively , the Group chose to apply prospectively from the date of application .

Notes to consolidated financial statements

For the year ended on 31 December 2013

2. Group Structure

31 December 2013	country	Equity share Ledo d.d.	Equity share of subsidiaries	Voting right of the Group	Ownership of the Group
Frikom a.d.	Serbia	100,00%		100,00%	100,00%
Irida d.o.o.	Croatia	100,00%		100,00%	100,00%
Ledo d.o.o. Čitluk	Bosnia and Herzegovina	100,00%		100,00%	100,00%
Ledo d.o.o.	Kosovo	100,00%		100,00%	100,00%
Ledo kft	Hungary	100,00%		100,00%	100,00%
Ledo d.o.o.	Slovenia	100,00%		100,00%	100,00%
Ledo d.o.o. Podgorica	Montenegro	100,00%		100,00%	100,00%
Nova Sloga a.d.	Serbia		100,00%[1)]	100,00%	100,00%

1) owned by Frikom a.d.

31 December 2012	country	Equity share Ledo d.d.	Equity share of subsidiaries	Voting right of the Group	ownership of the Group
Frikom a.d.	Serbia	95,83%		95,83%	95,83%
Irida d.o.o.	Croatia	100,00%		100,00%	100,00%
Ledo d.o.o. Čitluk	Bosnia and Herzegovina	100,00%		100,00%	100,00%
Ledo d.o.o.	Kosovo	100,00%		100,00%	100,00%
Ledo kft	Hungary	100,00%		100,00%	100,00%
Ledo d.o.o.	Slovenia	100,00%		100,00%	100,00%
Ledo d.o.o. Podgorica	Montenegro	100,00%		100,00%	100,00%
Nova Sloga a.d.	Serbia		100,00%[1)]	100,00%	100,00%

1) owned by Frikom a.d.

Ownership of the Group represents the share of the parent company in share capital of subsidiaries, while voting right of the Group represents the number of votes which the parent company has in the Assembly of a subsidiary.

In accordance with IFRS, subsequent acquisitions of non-controlling interests in subsidiaries are not a business combination. Consequently, the assets and liabilities of subsidiaries are not additionally revalued to determine their fair value at the date of the transaction. The Group accounts for the subsequent acquisitions of minority interests by accounting method of integrated entity, where the difference between the cost of acquisition of additional shares and the net book value of the acquired minority interests is recorded directly in equity.

Acquisitions during 2012

During 2012, the Group acquired management control of the following companies:

- Frikom ad, through the acquisition of 95.83% stake in the company Frikom ad by Ledo dd for the amount of HRK 726,480K, fully paid in cash. The main activity of the company Frikom A.D. is production of ice cream and frozen food.
- Ledo d.o.o. Podgorica, through the acquisition of 100% stake in the company Ledo Ltd. Podgorica by Ledo dd, in the amount of HRK 150,100K, fully paid in cash. The main activity of the company Ledo d.o.o. Podgorica is trade in ice cream and frozen food.

Notes to consolidated financial statements
For the year ended on 31 December 2013

3. Segment reporting

Segment reporting is given below:

2013	Sales revenues in HRK thousands	Other revenues in HRK thousands	Total expenses in HRK thousands	Operating profit in HRK thousands
Ice cream	1.036.306	-	(905.772)	130.534
Frozen foods	1.156.948	-	(1.068.160)	88.788
Other	117.919	3.036	(107.063)	13.892
Other	2.311.173	3.036	(2.080.995)	233.214
Eliminations	(234.760)	-	234.760	-
Consolidated	2.076.413	3.036	(1.846.235)	233.214

2012	Sales revenues in HRK thousands	Other revenues in HRK thousands	Total expenses in HRK thousands	Operating profit in HRK thousands
Ice cream	660.731	-	(567.575)	93.156
Frozen foods	819.681	-	(747.977)	71.704
Other	134.047	3.653	(129.913)	7.787
Total	1.614.459	3.653	(1.445.465)	172.647
Eliminations	(129.108)	-	129.108	-
Consolidated	1.485.351	3.653	(1.316.357)	172.647

Reconciliation of operating profit to net result is given below:

	2013 in HRK thousands	2012 in HRK thousands
Operating profit by segmet	233.214	172.647
Financial income – note 9	39.348	32.876
Financial expenses – note 10	(47.118)	(15.963)
Corporate income tax	(38.898)	(34.687)
Total	186.546	154.873

Sales revenues by geographic segments:

	2013 in HRK thousands	2012 in HRK thousands
Croatia	973.419	1.039.656
Rest of the world	1.102.994	445.695
Total	2.076.413	1.485.351

Notes to consolidated financial statements
For the year ended on 31 December 2013

4. Other revenues

The structure of other revenues consists of:

	2013 in HRK thousands	2012 in HRK thousands
Inventory surplus	1.915	1.074
Subsequently determined income from previous years	685	149
Amounts recovered from written-off receivables	382	652
Reversal of provisions	54	132
Gain on sale of non-current assets	-	1.646
Total	3.036	3.653

5. Costs of raw materials

The structure of costs of raw materials consists of:

	2013 in HRK thousands	2012 in HRK thousands
Raw materials	537.653	334.362
Expended energy	69.206	33.208
Spare parts	16.717	14.620
Write-off of small inventory and packaging	6.190	7.707
Ukupno	629.766	389.897

6. Cost of services

The structure of costs of services consists of:

	2013 in HRK thousands	2012 in HRK thousands
Leases	91.718	52.729
Sales promotion	54.530	26.178
Marketing costs	50.019	30.404
External maintenance services	33.737	21.852
Cost of joint operations	20.144	-
Transport services	12.059	9.176
Postage, phones	5.098	4.122
Other services	25.739	18.225
Total	293.044	162.686

7. Staff costs

The structure of staff costs consists of:

	2013 in HRK thousands	2012 in HRK thousands
Wages and salaries (net)	138.864	99.595
Taxes and contributions payable	60.267	44.235
Contributions on salaries	31.074	21.355
Total	230.205	165.185

Notes to consolidated financial statements

For the year ended on 31 December 2013

8. Other costs

The structure of other costs consists of :

	2013 in HRK thousands	2012 in HRK thousands
Cost of the Group	57.839	39.778
Other employee benefits	23.885	15.991
Subsequently approved discounts	11.082	10.701
Agency services and student services	9.106	3.877
Insurance costs	7.745	6.335
Cost of representation	7.150	4.035
Contributions, fees and taxes that do not depend on results	5.373	3.677
Cost of business trips	4.421	4.360
Bank charges and fees payment	4.203	2.376
Shortages	3.473	1.775
Cost of lawyers, legal advisors and audit	3.337	955
Costs of service contracts and authors' fees	2.430	2.291
Loss on sale of fixed assets	1.866	-
Sanitary inspections of products and goods	1.573	1.132
Other costs	19.365	17.755
Total	162.848	115.038

9. Financial income

The structure of financial income consists of:

	2013 in HRK thousands	2012 in HRK thousands
Interest	29.541	25.623
Foreign exchange gains	9.807	7.253
Ukupno	39.348	32.876

10. Financial expenses

The structure of financial expenses consists of:

	2013 in HRK thousands	2012 in HRK thousands
Interest	25.211	8.715
Foreign exchange differences	19.643	7.248
Share in the loss of an associated company	2.264	-
Total	47.118	15.963

11. Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the net profit of the company by the weighted average number of ordinary shares issued during the year excluding ordinary shares purchased by the Company and held as treasury.

	2013	2012
Net profit in HRK	186.545.624	154.873.119
Weighted average number of shares	313.920	222.225
Basic earnings per share expressed in HRK	594,25	696,92

Diluted earnings per share

Diluted earnings per share is equal to basic earnings per share as there were no convertible diluted potential ordinary shares.

12. Intangible assets

Balances and changes in intangible assets are shown below:

Balance on 31 December .2011	Goodwill in HRK thousands	Other intangible assets in HRK thousands	Assets under construction in HRK thousands	Total in HRK thousands
Purchase value	-	29.352	-	29.352
Accumulated amortization	-	(24.080)	-	(24.080)
Net book value	-	5.272	-	5.272
Balance on 1 January 2012				
Initial net book value	-	5.272	-	5.272
Acquisition (of new subsidiary)	113.701	668	-	114.369
Investment during the year	-	-	2.219	2.219
Transfer from investement	-	2.219	(2.219)	-
Reduction	-	-	-	-
Amortization	-	(2.194)	-	(2.194)
Exchange rate differences	-	37	-	37
Closing net book value	113.701	6.002	-	119.703
Balance on 31 December 2012				
Purchase value	113.701	43.457	-	157.158
Accumulated amortization	-	(37.455)	-	(37.455)
Net book value	113.701	6.002	-	119.703
Balance on 1 January 2013				
Initial net book value	113.701	6.002	-	119.703
Investment during the year	-	-	2.499	2.499
Transfer from investment	-	2.499	(2.499)	-
Reduction	-	-	-	-
Amortization	-	(2.590)	-	(2.590)
Exchange rate differences	-	6	-	6
Closing net book value	113.701	5.917	-	119.618
Balance on 31 December 2013				
Purchase value	113.701	46.156	-	159.857
Accumulated amortization	-	(40.239)	-	(40.239)
Net book value	113.701	5.917	-	119.618

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For the year ended on 31 December 2013

13. Property, plant and equipment

Balances and changes in property, plant and equipment are shown below in HRK thousands:

	Land	Buildings	Plant and equipment	Leasehold improvements	Other	Assets under construction	Total
Current value on 31 December 2011							
Purchase value	94.123	165.413	602.927	33.159	327	2.201	898.150
Accumulated depreciation	-	(83.101)	(469.053)	(28.199)	-	-	(580.353)
Net book value	94.123	82.312	133.874	4.960	327	2.201	317.797
Balance on 1 January 2012							
Initial net book value	94.123	82.312	133.874	4.960	327	2.201	317.797
Acquisition (of new subsidiary)	48.841	107.258	130.725	81	101	214	287.220
Investments during the year	-	-	-	-	-	37.995	37.995
Advances	-	-	-	-	819	-	819
Reduction	-	(2)	(260)	(548)	-	-	(810)
Depreciation	-	(5.848)	(40.863)	(612)	-	-	(47.323)
Exchange rate differences	25	589	441	3	-	-	1.058
Closing net book value	142.989	184.894	260.580	4.039	1.247	3.007	596.756
Balance on 31 December 2012							
Purchase value	142.989	358.799	1.066.940	32.308	1.247	3.007	1.605.290
Accumulated amortization	-	(173.905)	(806.360)	(28.269)	-	-	(1.008.534)
Net book value	142.989	184.894	260.580	4.039	1.247	3.007	596.756
Balance on 1 January 2013							
Initial net book value	142.989	184.894	260.580	4.039	1.247	3.007	596.756
Investments during the year	-	-	-	-	-	85.384	85.384
Transfer from investments	-	7.324	60.270	2.074	-	(69.668)	-
Advances	-	-	-	-	(878)	-	(878)
Reduction	-	(2.117)	(7.554)	(55)	-	(176)	(9.902)
Depreciation	-	(10.930)	(80.904)	(497)	-	-	(92.331)
Exchange rate differences	303	835	1.157	17	-	2	2.314
Other	12	325	(3)	-	-	-	334
Closing net book value	143.304	180.331	233.546	5.578	369	18.549	581.677
Balance on 31 December 2013							
Purchase value	143.304	365.138	1.091.996	31.769	369	18.549	1.651.125
Accumulated depreciation	-	(184.807)	(858.450)	(26.191)	-	-	(1.069.448)
Net book value	143.304	180.331	233.546	5.578	369	18.549	581.677

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For the year ended on 31 December 2013

14. Investements in associated companies

Associated companies

	2013. In HRK thousands	2012. In HRK thousands
Balance on 1 January	6.678	-
Acquisitions	-	6.678
Share in profit /(loss)	(2.264)	-
Exchange rate differences	27	-
Balance on 31 December	4.441	6.678

Acquisitions in the amount of HRK 6.678K relates to the investment in the related enetrprise Kikindski mlin a.d. which Ledo Group obtained by acquiring company Frikom a.d.. The Group's share in the company Kikindski mlin a.d. is23%.

Condensed financial information of the related enterprise Kikindski mlin a.d.

	31 December 2013 In HRK thousands
Current assets	93.072
Non-current assets	100.505
Current liabilities	(81.004)
Non-current liabilities	(9.296)
Net assets	103.277

	2013. godina tisuće kuna
Income	118.801
Profit /(loss)	(9.445)

15. Financial instruments

Financial instruments consist of:

	31 December 2013 In HRK thousands	31 December 2012 In HRK thousands
Given credits	40.570	39.771
Securities available for sale	14.315	9.649
Long-term deposits	3.873	2.780
Total	58.758	52.200

Long-term deposits are mainly related to deposits by leasing that do not bear interest and are not due on the date of repayment of contractual obligations.

Investments in securities available for sale totalling HRK 5,266 K relate to equity instruments available for sale that are not quoted in an active market and are carried at cost. During the 2013 there was no impairment of investment in securities available for sale.

Long-term loans are given for a period of 3-20 years with an annual interest rate in the range of 4.5-6%.

16. Inventories

The structure of inventories consists of:

	31 December 2013 In HRK thousands	31 December 2012 In HRK thousands
Raw materials	130.119	142.464
Work in progress	60.223	75.388
Merchandise	120.696	122.010
Finished products	89.953	75.614
Advances	2.040	1.524
Total	403.031	417.000

17. Short-term investments:

Short-term investments consist of

	31 December 2013 In HRK thousands	31 December 2012 In HRK thousands
Given loans– Agrokor Group	517.757	1.095.886
Given loans	9.758	6.274
Deposits	2.218	2.543
Total	529.733	1.104.703

Deposits are on a period of 3-12 months with an annual interest rate of 2-4%.
Given loans are have a 12-month maturity with an annual interest rate of 4-10%.

Overview of loans given to member companies of Agrokor Group is as follows:

	31 December 2013 In HRK thousands	31 Decemeber 2012. In HRK thousands
Agrokor d.d.	210.739	1.054.869
Dijamant agrar a.d. Serbia	56.368	-
Idea d.o.o. Serbia	142.180	21.461
Konzum d.d.	86.368	-
Mprofil d.o.o. Serbia	355	-
Tisak d.d.	2.222	-
Zvijezda Sarajevo d.o.o.	19.525	19.556
Total	517.757	1.095.886

Loans are short-term with an annual interest rate of 7%.

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18. Receivables

Receivables consist of the following:

	31 Decemeber 2013 In HRK thousands	31 December 2012 In HRK thousands
Trade receivables	359.969	353.767
Trade receivables – Agrokor Group	87.778	22.636
Receivables from the state	22.242	18.045
Receivables from employees	1.329	1.150
Other receivables	3.765	8.596
Investment in securities	13.492	21.790
Value adjustment of trade receivables	(62.811)	(61.576)
Total	425.764	364.408

Investement in securities relates to accepted bills of exchange.

The movement of value adjustment in trade receivables is as follows:

	2013 In HRK thousands	2012 In HRK thousands
Balance on 1 January	61.576	27.810
Acquisition	-	29.544
Increase	9.175	9.631
Decrease	(7.940)	(5.409)
Balance on 31 December	62.811	61.576

The time period of trade receivables for which no value adjustment was made is as follows:

	Undue in HRK thousands	0-90 days in HRK thousands	90 -180 days in HRK thousands	180 – 270 days in HRK thousands	Preko 270 days in HRK thousands	Total tisuće kuna
2013.	200.475	83.244	64.364	13.344	23.509	384.936
2012.	156.692	87.179	44.177	9.961	16.818	314.827

Trade receivables of members of Agrokor group are listed as follows:

	31 December 2013 In HRK thousands	31 December 2012 In HRK thousands
Agrokor trgovina d.d.	-	16
Dijamant a.d.	9	-
Dijamant agrar a.d.	386	61
Idea d.o.o.	11.047	8.790
Jamnica d.d.	52	-
Jamnica d.o.o. Beograd	3.799	1.904
Jamnica d.o.o. Maribor	8	-
Konzum d.d.	47.577	-
Konzum d.o.o.	15.207	11.269
M profil d.o.o.	2	-
mStart d.o.o.	6.105	-
PIK Vinkovci d.d.	3.345	-
PIK Vrbovec d.d.	36	463
Roto dinamic d.o.o.	10	62

Sarajevski kiseljak d.d.	135	71
Tisak d.d.	60	-
Ukupno	87.778	22.636

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19. Cash at bank and in hand

Cash at bank and in hand consists of:

	31 December 2013 In HRK thousands	31 Decemeber 2012 In HRK thousands
Cash at bank	36.560	36.169
Deposits of up to 3 months	16.989	6.806
Total	53.549	42.975

Short-term deposits bear a 5% annual interest.

20. Capital and reserves

Capital is a private long-term asset for business. It covers fundamental equity together with the statutory reserves, revaluation reserves, retained earnings and profit for the year. Subscribed capital (shareholders' equity) in the court registry amounts to HRK 119,290K. The total number of shares is 313,920 shares. The nominal value of each share amounts to HRK 380.00.

Ownership structure as of 31 December 2013

	Number of shares	Nominal value of 1 share In HRKK	Total nominal value In HRK thousands	Participation In share capital (%)
Agrokor d.d.	173.606	380,00	65.971	55,30%
Small shareholders	14.685	380,00	5.580	4,68%
Pension funds	120.208	380,00	45.679	38,29%
Others	5.421	380,00	2.060	1,73%
Total number of shares	313.920		119.290	100,00%

Retained earnings include statutory reserves and reserves from foreign currency translations. Statutory reserves amount to HRK 27.245K and cannot be distributed.

Development and changes in revaluation reserves are stated below in HRK thousands.

	Revaluation of land	Reserve for securities available for sale	Total
Balance on 1 January 2012	64.647	-	64.647
Net profit/(loss) on instruments available for sale	-	(924)	(924)
Balance on 31 December 2012	64.647	(924)	63.723
Neto profit /(loss) on instruments available for sale	-	(202)	(202)
Balance on 31 December 2013	64.647	(1.126)	63.521

21. Provisions

Provisions for retirement benefits
All employees are included in the state pension fund. Provisions for pension obligations are established for benefits paid to retirement and jubilee (length of service). The amount of severance pay depends on whether the employee is fulfilling the required conditions for retirement and jubilee benefits are dependent on the number of years of service in the Company. The amount of compensation is determined on the basis of the employee's monthly remuneration.

Movement of liabilities for employee benefits stated in the balance sheet are as follows:

	2013 In HRK thousands	2012 In HRK thousands
Net liability at the beginning of the year	3.620	2.322
Net change shown in income statement	1.713	1.551
Payments during the year	(1.656)	(253)
Net liability at the end of the year	3.677	3.620

The principal actuarian assumptions used to determine obligations at December 31, are as follows:

	2013	2012
Dicount rate per annum (per annum)	4,33%	4,33%
Wage and salary increases (per annum)	3,00%	3,00%

Other long-term employee benefits are determined using the projected unit credit. Gains and losses arising from changes in actuarial assumptions are recognized as income / expense in the period in which they are incurred.

22. Lease liabilities

Financial lease
Assets included in the financial lease consists of property and means of transport.

Maturity	2013 In HRK thousands	2012 In HRK thousands
Over 5 years	-	-
From 4 to 5 years	-	-
From 3 to 4 years	-	-
From 2 to 3 years	-	-
From 1 to 2 years	-	771
Within 1 year	770	2.620
Imapirment for future interest	-	(11)
Amount of liability included in Note 23	770	3.380
Impairment for short-term portion	(770)	(2.620)
Total long-term liability	-	760

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Operating lease liabilities
Operating lease includes lease of equipment and vehicles.

Maturity	31 December 2013 In HRK thousands	31 December 2012 In HRK thousands
Over 5 years	3.550	4.705
From 2 to 5 years	43.711	59.024
From 1 to 2 years	28.651	29.254
Within 1 year	34.510	38.614
Total	110.422	131.597

The average period of notice of lease agreements is 6-9 months. Liabilities arising from operating leases are recognized in the financial statements, which is in accordance with accounting regulations.

Capital liabilities
Contracted capital liabilities at the balance sheet date amounted to HRK 35.924 K, while as at 31 December 2012. they amounted to HRK 17,095 K.

23. Liabilities to credit institutions

The structure of liabilities to credit institutions is as follows:

	31 December 2013 In HRK thousands	31 December 2012 In HRK thousands
Long-term credits		
Loans	-	73.948
Financial leases	770	3.380
Total long-term credits and leases	770	77.328
Short-term portion of long-term credits		
Financial leases	(770)	(2.620)
Total of short-trem portion of long-term credits	(770)	(2.620)
Long-term credits and loans	-	74.708
Short-term credits and loans		
Banking credits	384.653	174.621
Short-term loans – Agrokor group	38.410	31.284
Total short-term credits and loans	423.063	205.905
Total loans and credits	423.833	283.232

Overview of short-term loans received from companies within Agrokor group is as follows:

	31 December 2013 In HRK thousands	31 December 2012 In HRK thousands
Agrokor Zagreb d.o.o.	25.857	-
Dijamant a.d.	12.553	117
Konzum d.d.	-	31.167

Total	38.410	32.284

Notes to consolidated financial statements
For the year ended on 31 December 2013

24. Taxes

Tax liability for one year is as follows

	31 December 2013 In HRK thousands	31 Decemeber 2012 In HRK thousands
Corporate income tax in the country	25.662	28.504
Corporate income tax abroad	13.236	6.183
Total	38.898	34.687

Corporate income tax paid during 2013 amounts to HRK 40.092K (in 2012: HRK 39.293K)

Reconciliation of the statutory tax rate to the effective tax rate applicable to income (before non controlling interest) for the year ended 31 December was as follows:

	2013.	2012.
Tax rate in the country	20,00%	20,00%
Non-deductible items, net	2,37%	1,24%
Utilization of carried-forward tax losses	-	-
Tax reliefs	(0,30%)	-
Other, net	(4,82%)	(2,94%)
Effective tax rate	17,25%	18,30%

In accordance with the Croatian tax law, companies within the Group from the Republic of Croatia are independent taxpayers of corporate income tax rate of 20% (2012: 20%).

Deferred tax liabilities relates to deferred tax liabilities for land revaluation. Underlying deferred tax liabilities on 31 December 2013 was HRK 16,409K, while on the same day last year was 16,426K.

Movements of deferred tax liability:

	201.3 In HRK thousands	2012 In HRK thousands
Deferred tax liability on 1 January	16.426	16.089
Deferred tax resulting from revaluation of land and acquisition	(17)	337
Deferred tax resulting from evaluation of investments available for sale	-	-
Deferred tax liability on 31 December	16.409	16.426

Deferred tax liability for revalued land arose from the fact that under the currently applicable tax laws revaluation surplus is taxable in the year of implementation, and not in the year of revaluation.

25. Trade payables

Trade payables refer to:	31 December 2013 In HRK thousands	31 December 2012 In HRK thousands
Domestic suppliers	63.894	84.663
Foreign suppliers	68.490	92.169

Suppliers – Agrokor Group	15.603	766.846
Liabilities for uninvoiced goods	(12)	(1.386)
Total	147.975	942.292

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Trade payables to members of Agrokor group are as follows:

	2013 In HRK thousands	2012 In HRK thousands
Acro d.o.o. Srbija	-	81
Agrokor d.d.	-	751.819
Agrokor trgovina d.d.	-	7
Agrokor Zagreb d.o.o. BIH	-	9
Dijamant a.d. Srbija	1.468	381
Dijamant agrar a.d. Srbija	-	2.322
eLog d.o.o.	13	-
Idea d.o.o. Srbija	5.588	6.090
Jamnica d.d.	115	219
Jamnica d.o.o. Srbija	1.038	386
Jamnica d.o.o. Slovenija	-	3
Kikindski mlin a.d.	505	1.007
Konzum d.d.	-	121
mStart d.o.o.	3.746	4.091
PIK Vinkovci d.d.	1.745	-
PIK Vrbovec d.d.	1.385	159
Roto dinamic d.o.o.	-	49
Tisak d.d.	-	102
Total:	15.603	766.846

26. Other current liabilities

Other current liabilities consist of:

	31 December 2013 In HRK thousands	31 December 2012 In HRK thousands
Liabilities to employees	13.801	14.142
Taxes and contributions (excluding corporate income tax)	16.818	6.821
Liabilities for advances	1.315	1.517
Liabilities related to the share in results	321	-
Other current liabilities	1.462	1.177
Accrued income of the future period	4.374	5.205
Total	38.091	28.862

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27. Transactions with associated companies

Transactions generated from business with members of Agrokor group are listed below, in HRK thousands:

	Revenues		Expenses	
	2013	2012	2013	2012
Acro d.o.o.	-	-	(69)	-
Agrokor d.d.	18.127	22.060	(82.420)	(39.785)
Agrokor trgovina d.d.	5	-	(4.034)	(2.730)
Agrokor Zagreb d.o.o. BIH	-	883	(1.814)	(648)
Agrolaguna d.d.	1.335	-	(7)	(10)
Belje d.d.	431	2.438	(5.117)	(7.460)
Dijamant a.d. Srbija	1.601	-	(4.531)	-
Dijamant agrar a.d. Srbija	3.270	-	(3.599)	-
eLog d.o.o.	-	-	(10)	-
Idea d.o.o. Srbija	46.347	-	(9.573)	-
Jamnica d.d.	1.014	432	(1.912)	(1.689)
Jamnica d.o.o. Srbija	15.441	-	(1.825)	-
Jamnica d.o.o. Slovenija	74	73	-	(21)
Kikindski mlin a.d. Srbija	68	-	(2.013)	-
Konzum d.d.	256.336	290.019	(62.605)	(66.215)
Konzum d.o.o. BIH	23.952	26.170	(2.917)	(2.581)
Lovno gospodarstvo Moslavina d.o.o.	6	6	-	-
mStart d.o.o.	-	-	(10.625)	(6.458)
M-profil d.o.o. Srbija	2	-	(2.400)	-
Multiplus card d.o.o.	4.437	-	-	(44)
PIK Vinkovci d.d.	4.413	135	(25.518)	(18.554)
PIK Vrbovec d.d.	2.612	1.486	(6.104)	(7.760)
Roto dinamic d.o.o.	96	208	(34)	(40)
Sarajevski kiseljak d.d.	539	12	(15)	-
Tisak d.d.	10.080	8.170	(3.309)	(2.098)
TPDC Sarajevo d.o.o.	1.571	1.156	(1.820)	(1.866)
Vupik d.d.	8	14	-	(3)
Zvijezda d.d.	64	594	(5.739)	(8.721)
Zvijezda d.o.o. BIH	1.487	1.429	-	-
Žitnjak d.d.	508	632	-	-
Total	393.824	355.917	(238.010)	(166.683)

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28. Transactions with related companies

The volume of transactions with related companies (Kikindski mlin a.d.), balance at the end of the year and accompanying income were as follows:

	31 December 2013 In HRK thousands
Receivables	
Trade receivables	505
Other	-
Payables	
Trade payables	-
Other	-
Income	
Sales income	2.007
Other income	5

29. Contingent liabilities

The Group is involved in usual trade disputes related to the collection of outstanding accounts receivable in the amount of HRK 60,915K. In addition, ongoing proceedings related to other current liabilities in the amount of HRK 1,956K and other current liabilities in the amount of and HRK 9.228K.

30. Financial instruments and risk management

(a) Financial instruments

The Group has no derivative financial instruments or any financial instruments that could potentially subject the Group to concentrations of credit risk. The Group's policy is to enter into financial instruments with a diversity of creditworthy counterparties. Consequently, the Group does not expect to be exposed to material credit losses on financial instruments.

Fair values of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled on an arm's length basis. As it is not possible to reach the reference market prices of a significant part of the assets and liabilities, fair values are based on management estimates with respect to the type of assets and liabilities. Management believes that the fair values of assets and liabilities (except if otherwise stated in this note) are not significantly different from their carrying values.

The Group used the following methods and assumptions in estimating the fair value of financial instruments:

Receivables and deposits with banks

For assets that mature within three months, the carrying value approximates fair value due to the short maturities of these instruments. For longer-term deposits, the interest rate does not deviate significantly from the current market, and consequently, the fair value approximates the carrying value.

Given credits

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As virtually all credits are short-term, the Management believes that their fair value is not materially different from their carrying values.

Investment in securities
Securities are shown in the balance sheet at their fair value. Securities whose fair value can not be reliably measured, as they are not traded on an active market, are shown at cost. Management believes that the fair value is not materially different from their carrying values.

Borrowings
The fair value of current liabilities approximates their carrying value due to the short maturities of these instruments. For the remainder of the term of borrowings, which are contracted at a fixed interest rate, the average contracted rate does not differ significantly from the market at the reporting date, and consequently, the fair values are not significantly different from their carrying values.

(b) Objectives and risk management policies
The main risks arising from the Group's financial instruments are credit risk, currency risk and interest rate risk. Management reviews and agrees policies for managing each of these risks which are listed below. The Group is exposed to international markets. As a result, the Group may be affected by changes in foreign exchange rates. The Group also extends credit to its customers and is exposed to the risk of default. Below is a description of these significant risks, together with the methods used to manage these risks. The Group does not use derivative instruments to manage risk or for speculative purposes.

Credit risk
The Group is exposed to credit risk which is the risk that the debtor will not be able to meet obligations when due. The Group manages this risk by placing limits on credit exposure to a single debtor or a group of debtors. As there is no significant concentration of credit exposure, the Group does not consider to be exposed to this risk.
The Group does not guarantee the obligations of third parties.
The Group believes that its maximum exposure is reflected in the amount of receivables less value adjustment recognized at the reporting date.

Liquidity risk
Liquidity risk, also referred to as funding risk, is the risk of dealing with difficulties in raising funds to meet commitments associated with financial instruments. The Group closely monitors its cash flows, and plans short-term inflows and outflows of cash. The rest of the funds received in the Group is qualified for the form of short-term deposits and available-for-sale assets.
The following overview shows the maturity structure of trade payables, obligations under the bills of exchange and other obligations of the Group as of 31 December 2013 and 2012 expressed in HRK thousands:

	< 90 days HRK thousands	90 – 180 days HRK thousands	180 – 270 days HRK thousands	> 270 days HRK thousands	Total HRK thousands
Suppliers					
As of 31 December 2013	146.502	1.473	-	-	147.975
As of 31 December 2012	936.023	6.269	-	-	942.292
Other obligations					
As of 31 December 2013	35.864	2.227	-	-	38.091

As of 31 December 2012	26.845	2.015	1	1	28.862

Risk of changes in interest rate

Most of the interest-bearing assets and liabilities of the Group represent borrowings. As the majority of long-term loans received a fixed interest rate, the Group has no significant exposure to interest rate risk. Interest rate risk is the risk that the value of financial instruments is subject to changes in market interest rates relative to interest rates applicable to financial instruments. Interest rate cash flow risk is the risk that the interest costs on financial instruments will be changed during the period

The following overview indicates the sensitivity of the Group's profit before tax to a reasonably possible change of interest rate, without changing other variables, (through impact of variable interest rate on borrowings.

	Increase/decrease In basis points	Impact of profit before tax in HRK thousands
2013		
EUR	+/- 50	1.548
USD	+/- 50	-
HRK	+/- 50	-
2012		
EUR	+/- 50	703
USD	+/- 50	-
HRK	+/- 50	-

Foreign exchange risk

Most of the Group's assets are denominated in the HRK currency. A part of payables is denominated in other currencies, primarily EUR. Accordingly, the Group is exposed to exchange rate changes. Given the long-term policy of the Republic of Croatia related to the maintenance of the course with the EUR, the Group does not consider to be exposed to further negative impact of this exposure.

The following overview indicates the sensitivity of the Group's profit before tax to a reasonably possible change of exchange course, without changing other variables, and due to change in the fair value of financial assets and liabilities

	Increase/decrease in exchange course	Impact on profit before tax in HRK thousands
2013		
EUR	+/- 5%	17.513
USD	+/- 5%	(2.202)
GBP	+/- 5%	-
CHF	+/- 5%	-
2012		
EUR	+/- 5%	9.706
USD	+/- 5%	(1.982)
GBP	+/- 5%	-
CHF	+/- 5%	-

Capital management
The primary objective of the Group's capital management is to support the business and maximize shareholder value. The capital structure of the Group is applicable to share capital comprising subscribed capital, reserves and retained earnings. The Group manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2013, and on 31 December 2012.

31. Events after the balance sheet date

The Commission for Protection of Competition of the Republic of Serbia on 19 November 2012 adopted a decision relating to the subsidiary Frikom Ltd. Belgrade, which found that the subsidiary exercised a dominant position on the wholesale market of industrial ice cream on the territory of the Republic of Serbia and determined the extent of the protection of competition in the form of the obligation to pay a sum of money amounting to 4% of the total annual turnover in 2009. Against the above decision, the subsidiary has initiated proceedings before the competent courts.

On March 19 2014, The Tax Administration of the Republic of Serbia, by decisions of the Administrative Court and Supreme Court of Cassation of the Republic of Serbia, collected from Frikom Ltd. Belgrade obligation and accrued interest in the amount of HRK 24 million. With regard to this event, the Legal Service of Frikom Ltd. Belgrade and its advisers are preparing an appeal to the Constitutional Court of the Republic of Serbia.