

"VIRO" d.o.o. Virovitica

**REPORT ON THE PERFORMED AUDIT OF THE  
FUNDAMENTAL FINANCIAL REPORTS  
FOR YEAR 2004  
OF THE LIMITED LIABILITY COMPANY  
"VIRO", VIROVITICA, MATIJE GUPCA 254**

**Zagreb, March 2005.**

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## AUDITOR'S REPORT TO THE COMPANY'S OWNER

1. We have performed the audit of the fundamental financial reports: Balance-sheet, Profit and loss account, Cash flow report and Notes to the Financial Reports for business year 2004 of the Limited Liability Company VIRO, Virovitica, Matije Gupca 254. Said financial reports are shown on pages 2 to 16.

2. Financial reports that are the subject of Audit Report are compiled according to the valid legal provisions and accounting principles that are in accordance with the International Accounting Standards issued by the International Accounting Standards Committee, which have been published in the Republic of Croatia and are valid in Republic of Croatia. Legal representative of the Company is responsible for the Fundamental financial reports. Auditor's responsibility is to express the opinion on the financial reports based on the performed audit.

3. Audit was done in accordance with the International Auditing Standards and it has encompassed planning and execution of the auditing procedures to the level that we considered necessary in order to achieve reasonable conviction that the financial reports do not contain any significant mistakes. Audit includes the testing of the accounting records on the test-basis that confirms the amounts in financial reports. Audit also includes checking of the applied accounting principles, significant evaluations and the entire presentation of the financial reports. We are convinced that the performed audit gives us the firm basis for giving of opinion.

4. We believe that the fundamental financial reports realistically and objectively present the financial situation of "VIRO" d.o.o. Virovitica on December 31st, 2004, business results and changes in cash flow for the said year in accordance with the notes from number 1 to number 26.

Zlatko Benčić, B.Econ.  
Chartered Auditor & Director

Zagreb, December 7th, 2004, to March 14th, 2005.

VIRO d.o.o. Virovitica  
BILJEŠKE UZ TEMELJNE FINANCIJSKE IZVJEŠTAJE

**PROFIT AND LOSS ACCOUNT FOR THE PERIOD BETWEEN January 1st AND  
December 31st**

|      |  | Notes  | 2004.<br>in HRK | 2003.<br>in HRK |
|------|--|--------|-----------------|-----------------|
| I    | OPERATING INCOME   | 4a), 5 | 241,380,616     | 411,939,075     |
| 1.   | Income from domestic sales                               |        | 124,541,786     | 134,830,654     |
| 2.   | Income from foreign sales                                |        | 113,263,328     | 274,843,645     |
| 3.   | Other income from the main line of business              |        | 3,575,502       | 2,264,776       |
| II   | OPERATING EXPENSES                                       | 4b)    | 206,683,171     | 350,952,292     |
| 1.   | Material Expenses  | 7      | 244,866,625     | 212,714,477     |
| 2.   | Personnel Costs  | 8      | 28,328,114      | 25,530,558      |
| 3.   | Depreciation   | 4f),11 | 5,425,948       | 28,210,695      |
| 4.   | Value of harmonized current assets                       |        | 0               | 0               |
| 5.   | Other business expenses                                  | 9      | 7,152,733       | 10,156,301      |
| 6.   | Decrease (increase) in reserves of unfinished production |        | (79,090,249)    | 74,340,261      |
| III  | FINANCIAL INCOME   | 4c), 6 | 5,513,365       | 3,905,923       |
| IV   | FINANCIAL EXPENSES                                       | 4d),10 | 10,709,478      | 9,355,829       |
| V    | EXTRAORDINARY REVENUES                                   |        | 9,149,650       | 2,271,144       |
| VI   | NON-RECURRING EXPENDITURES                               |        | 3,424,534       | 131,478         |
| VII  | TOTAL INCOME   |        | 256,043,631     | 418,116,142     |
| VIII | TOTAL EXPENSES   |        | 220,817,183     | 360,439,599     |
| IX   | PROFIT BEFORE TAXATION                                   | 4l)    | 35,226,448      | 57,676,543      |
| X    | PROFIT TAX   |        | 0               | 0               |
| XI   | PROFIT FOR THE FINANCIAL YEAR                            | 4l)    | 35,226,448      | 57,676,543      |

Notes on pages 5 to 16 are a component part of the Financial Reports.

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Auditor's Report – page 1.  
**BALANCE-SHEET ON December 31st**

|  | Notes    | 2004.<br>in HRK | 2003.<br>in HRK |
|--|----------|-----------------|-----------------|
| <b>I. FIXED ASSETS</b>                           |          | 298,695,458     | 107,658,374     |
| 1. Intangible Assets                             | 11       | 201,147         | 94,539          |
| 2. Tangible Assets                               |          |                 |                 |
| Acquisition Value                                | 4e), 11  | 136,336,799     | 134,972,775     |
| Value's Correction                               | 4e), 11  | (33,342,005)    | (28,141,116)    |
| Current value                                    | 4e), 11  | 102,994,794     | 106,831,659     |
| 3. Financial Assets                              | 12       | 188,545,778     | 178,828         |
| 4. Claims on the sold Fixed Assets               | 13       | 6,953,739       | 553,348         |
| <b>II. CURRENT ASSETS</b>                        |          | 271,584,695     | 163,281,192     |
| 1. Reserves                                      | 4g), 14  | 137,825,415     | 60,036,196      |
| 2. Claims  | 4h)      | 119,010,369     | 76,829,896      |
| 2.1. Claims based on sales                       | 4h), 15a | 96,946,130      | 62,921,212      |
| 2.2. Other Claims                                | 15b      | 22,064,239      | 13,908,684      |
| 3. Financial Assets                              | 16       | 10,221,534      | 21,003,690      |
| 4. Cash in the bank and cash in cash-box         | 4i), 17  | 4,527,377       | 5,411,410       |
| <b>III PAID EXPENSES FOR THE FUTURE PERIOD</b>   |          | 7,730           | 0               |
| <b>TOTAL ASSETS</b>                              |          | 570,287,883     | 270,939,566     |
| <b>I CAPITAL</b>                                 | 18       | 197,912,250     | 189,174,146     |
| 1. Initial capital                               | 4j)      | 104,000,000     | 104,000,000     |
| 2. Revaluation reserves                          |          | 25,618,040      | 27,106,385      |
| 3. Reserves                                      |          | 33,067,762      | 391,218         |
| 4. Current year's profit                         |          | 35,226,448      | 57,676,543      |
| <b>II LONG-TERM LIABILITIES</b>                  | 19       | 27,970,229      | 0               |
| <b>III SHORT-TERM LIABILITIES</b>                |          | 344,146,917     | 81,593,495      |
| 1. Liabilities towards the associated companies  | 20       | 32,550,000      | 1,319,366       |
| 2. Liabilities based on loans                    |          | 17,174,040      | 0               |
| 3. Liabilities towards the credit institutions   | 21       | 51,925,803      | 17,945,932      |
| 4. Liabilities for advance payments and deposits | 22       | 38,455,646      | 28,291,115      |
| 5. Liabilities towards the suppliers             | 23       | 81,389,968      | 28,349,736      |
| 6. Liabilities towards the Bills of exchange     | 24       | 91,713,006      | 0               |
| 7. Liabilities towards the employees             | 25       | 1,476,652       | 1,108,464       |
| 8. Liabilities for taxes and contributions       | 4k), 26  | 1,185,880       | 751,123         |
| 9. Liabilities based on the share in the result  |          | 27,689,366      | 3,570,000       |
| 10. Other short-term liabilities                 |          | 586,556         | 257,759         |
| <b>IV DEFERRED PAYMENT OF EXPENSES</b>           |          | 258,487         | 171,925         |
| <b>TOTAL LIABILITIES</b>                         |          | 570,287,883     | 270,939,566     |

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Notes on pages 5 to 16 are a component part of the Financial Reports.Auditor's Report –  
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**CASH FLOW REPORT FOR YEAR 2004.**

in HRK

|  |  | <b>2004.</b>        | <b>2003.</b>       |
|--|--|---------------------|--------------------|
| <b>I CASH FLOW FROM BUSINESS ACTIVITIES</b>                      |  |                     |                    |
| 1  | Net profit (loss)  | 35,226,448          | 57,676,543         |
| 2  | Depreciation   | 5,425,948           | 28,210,695         |
| 3  | Cash flow from results (1+2)                                       | 40,652,396          | 85,887,238         |
| 4  | Decrease (increase) of the value of reserves                       | -77,789,219         | 73,229,129         |
| 5  | Decrease (increase) of short-term claims                           | -42,180,473         | -30,055,039        |
| 6  | Decrease (increase) of prepayments and accrued income              | -7,730              | 0                  |
| 7  | Increase (decrease) of short-term liabilities                      | 156,049,511         | -49,534,703        |
| 8  | Increase (decrease) of accruals and deferred income                | 86,562              | -218,265           |
| 9  | Increase (decrease) of long-term reservations                      | 0                   | 0                  |
| <b>Net Cash Flow from Business Activities</b>                    |  | <b>76.811.047</b>   | <b>79,308,360</b>  |
| <b>II CASH FLOW FROM INVESTMENT ACTIVITIES</b>                   |  |                     |                    |
| 1  | Decrease (increase) of intangible fixed assets                     | -136,329            | -103,134           |
| 2  | Decrease (increase) of tangible fixed assets                       | -1,559,362          | -134,013,423       |
| 3  | Decrease (increase) of financial fixed assets                      | -188,366,950        | -178,828           |
| 4  | Decrease (increase) of long-term claims                            | -6,400,391          | -553,348           |
| 5  | Decrease (increase) of current financial assets                    | 10,782,156          | 59,018,257         |
| <b>Net Cash Flow from Investment Activities</b>                  |  | <b>-185,680,876</b> | <b>-75,830,476</b> |
| <b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>                       |  |                     |                    |
| 1  | Decrease (increase) of own shares                                  | 0                   | 0                  |
| 2  | Increase (decrease) of own capital                                 | -26,488,344         | 124,086,385        |
| 3  | Increase (decrease) of long-term liabilities associated companies  | 0                   | 0                  |
| 4  | Increase (decrease) of long-term liabilities based on loans        | 0                   | 0                  |
| 5  | Increase (decrease) of long-term credit liabilities                | 27,970,229          | -80,000,000        |
| 6  | Increase (decrease) of other long-term liabilities                 | 0                   | 0                  |
| 7  | Increase (decrease) of short-term liabilities associated companies | 31,230,634          | -45,425,470        |
| 8  | Increase (decrease) of short-term loans                            | 17,174,040          | 0                  |
| 9  | Increase (decrease) of short-term credits                          | 33,979,871          | -811,722           |
| 10   | Increase (decrease) of share in results                            | 24,119,366          | 3,570,000          |
| <b>Net Cash Flow from Financial Activities</b>                   |  | <b>107,985,796</b>  | <b>1,419,193</b>   |
| <b>IV Net increase (decrease) of cash</b>                        |  | <b>-884,033</b>     | <b>4,897,077</b>   |
| <b>V Money and cash equivalents at the beginning of the year</b> |  | <b>5,411,410</b>    | <b>514,333</b>     |
| <b>VI Money and cash equivalents at the end of the year</b>      |  | <b>4,527,377</b>    | <b>5,411,410</b>   |

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financial reports.  
Auditor's Report – page 1.

### **1. Organizational structure of "VIRO" Virovitica**

"VIRO" društvo s ograničenom odgovornošću za proizvodnju i trgovinu (Limited Liability Company for manufacture and trade) Virovitica, Matije Gupca 254 was created by entry into the court registry on July 23rd, 2002. Founders of the Company are EOS-Z d.o.o. from Zagreb and Robić d.o.o. from Velika Gorica.

Subscribed initial capital of the Company is 104,000,000 HRK and it is registered in business records.

### **2. Main line of business**

Company is registered for operation in the following branches of industry:

- Cultivation of crops, garden plants and horticultural plants
- Production of other food products
- Production and distribution of electric energy
- Purchase and sale of goods
- Waste water disposal through dilution, seepage, sedimentation, chemical deposition, active treatment of sludge and other processes.

### **3. Basis for compiling of financial reports**

Financial reports shown on pages 2-4 are compiled in accordance with the Accounting Act ("Official Gazette" No. 90/92) and the International Accounting Standards ("Official Gazette" Nos. 36/93, 47/95, 65/96, 39/97, 105/97, 148/99 and 2/00). Financial Reports contain all the significant information relevant for their understanding according to the provisions of the International Accounting Standard No. 5, with information necessary for the reliable decisions of the user.

Comparative data for year 2004, i.e. the data for year 2003 were the subject of audit of our auditing company, on which we have issued our report on March 29th, 2004.

#### **4. Basic Accounting Policies**

Basic Accounting Policies applied in the monitoring of business operations of VIRO Virovitica are defined by the Decision on the Application of Accounting Policies issued in accordance with the valid regulations of the Republic of Croatia and the International Accounting Standards.

In the following text are given the basic guidelines of the accounting policies applied in the compiling of the fundamental financial reports shown on pages 2 to 4.

##### a) Operating income

i/ Income is a gross inflow of money, claims or other compensations that results from the flow of regular activities of the Company in provision of services and sale of products.

ii/ Operating income is recognized on the principle of invoiced value for the delivered products and provided services.

##### b) Operating expenses

i/ Expenses are recognized as a result of decrease in assets or increase in liabilities.

ii/ Expenses are recognized immediately in the accounting period in which the expense does not make any future economical gain, and there are no conditions for recognition of the balance-sheet's property items.

iii/ Expenses for which it is expected that they will result in income in several following accounting periods are recognized in proportional share in that accounting period.

##### c) Financial Income

i/ Financial Income is income from the using of Company's resources by other persons.

ii/ Income from interest is realized based on the untimely collection based on sales.

##### d) Interest as expenses

i/ Interest based on claims is calculated until the balance-sheet date and it burdens the financial expenses.



e) Fixed Tangible Assets

i/ Tangible Assets are given according to the acquisition expenses or according to the fair value.

ii/ Acquisition expenses for the tangible assets contain the invoiced value and all the expenses directly connected to the making of those assets operational.

iii/ For objects made by the company itself the expenses are determined that can be directly ascribed to the making of the object, with the condition that they do not exceed the net market value.

iv/ Tangible Assets are written off in cases when no economic gain is expected from such assets.

f) Depreciation

i/ Tangible Assets with limited useful working life are written off during the year depending on the useful working life of that asset. Annual depreciation rates are determined at the level of maximum untaxable rates.

ii/ Calculation of depreciation is done by the direct method, for each asset separately, in accordance with the Depreciation Regulations ("Official Gazette" Nos. 91/94, 6/96, 142/97 and 54/01).

g) Reserves

i/ Reserves of material, spare parts, small inventory, car tires and trading goods are given according to the actual acquisition expenses or according to the net sale value.

ii/ Acquisition expenses contain the purchase price increased by the related acquisition expenses that include the customs duty expenses, transport expenses and all the other expenses that can be directly added to the acquisition expenses, with deducted discounts and rebates.

iii/ Calculation of the expenditure of material and spare parts is done by the method of weighted average prices.

iv/ Small inventory consists of items the individual acquisition price of which does not exceed 1,000 HRK and the working life of which is shorter than one year.

v/ During the transfer of the reserves of small inventory and car tires into use, the method of one-time write off is applied.

h) Short-term claims

i/ Short-term claims include all the claims the maturity deadline of which is within 12 months.

ii/ Short-term claims are given based on the orderly document on the occurrence of the business events and the information on their value.

iii/ Correction of the value of claims is done for the uncollected due claims for which it has been concluded that they are uncollectible, i.e. that the court proceedings have been initiated.

iv/ Collected doubtful and contested claims for which the correction of value has been done are given as the items of regular income.

i) Policy for giving the cash on accounts and in the cash-box

i/ Assets in the form of money are given in their nominal value.

j) Capital

Capital is in business books given broken down in the following categories:

- Initial capital,
- Reserves,
- Retained profit,
- Current year's profit.

k) Liabilities for taxes and contributions

Taxes and contributions are calculated in accordance with the regulations, in the following way:

- Value Added Tax,
- Taxes and contributions from salary and on salary,
- Contribution for forests,
- Contribution for tourism,
- Contribution for the memorial tax on total income.

l) Current year's profit

i/ Current year's profit represents the positive difference between the realized incomes and realized expenses.

### Income from sales

5. Income from sales in the amount of 241,380,616 HRK (in year 2003 it was 411,939,075 HRK) consists of the incomes that have been recorded based on the invoices to the buyers. Documents are the evidence that the products have been sold and the service done.

### Financial Income

6. Financial Income in the amount of 5,513,365 HRK (in year 2003 it was 3,905,923 HRK) consists of income from interest and the positive exchange rate differentials.

|  | <u>2004.</u> | <u>2003.</u> |
|--|--------------|--------------|
|  | in HRK       | in HRK       |
| - positive exchange rate differentials | 885,674      | 784,762      |
| - regular and default interest         | 4,627,691    | 3,121,161    |
|  | 5,513,365    | 3,905,923    |

### Material Expenses

7. Material Expenses in the amount of 244,866,625 HRK (in year 2003 it was 212,714,477 HRK) consist of:

|   | <u>2004.</u> | <u>2003.</u> |
|---|--------------|--------------|
|   | in HRK       | in HRK       |
| - expenses of raw materials and materials | 191,745,342  | 151,290,558  |
| - expenses of sold goods                  | 32,770,036   | 39,872,817   |
| - other expenses                          | 20,351,247   | 21,551,102   |
|   | 244,866,625  | 212,714,477  |

Expenses of raw materials and materials apply to the value of the raw materials and materials used up in 2004.

Expenses of sold goods apply to the acquisition value of primary materials and manufacturing components sold to the sub-contractors for the purpose of sowing and cultivation of the sugar-beet and the acquisition value of the sold goods in the canteen.

Other expenses contain the transport services, maintenance services, utility services, intellectual and personal services, rent, expenses of advertising, promotion and marketing and other.

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**Personnel Costs**

8. Personnel Costs in the amount of 28,328,114 HRK (in year 2003 it was 25,530,558 HRK) contain:

|                                     | <u>2004.</u><br>in HRK | <u>2003.</u><br>in HRK |
|-------------------------------------|------------------------|------------------------|
| - net salaries                      | 17,250,220             | 13,977,402             |
| - expenses of tax and contributions | 11,077,894             | 11,553,156             |
|                                     | <hr/> 28,328,114       | <hr/> 25,530,558       |

**Other business expenses**

9. Other business expenses in the amount of 7,152,733 HRK (in year 2003 it was 10,156,301 HRK) consist of numerous general expenses. Materially more significant items in the other business expenses consist of employee's compensations, representation expenses, membership in professional associations, various contributions, taxes that do not depend on the result, subsequently determined results, and other.

**Financial Expenses**

10. Financial Expenses in the amount of 10,709,478 HRK (in year 2003 it was 9,355,829 HRK) contain expenses of interest in the name of credits received from the banks and legal persons in Croatia and the negative exchange rate differentials.

Structure of financial expenses includes:

|  | <u>2004.</u><br>in HRK | <u>2003.</u><br>in HRK |
|--|------------------------|------------------------|
| - interest on credits                  | 3,731,031              | 5,781,426              |
| - negative exchange rate differentials | 6,978,447              | 3,431,390              |
| - other                                | 0                      | 143,013                |
|  | <hr/> 10,709,478       | <hr/> 9,355,829        |

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**Fixed Tangible and Intangible Assets**

11. Survey of changes in Fixed Tangible and Intangible Assets (in HRK):

|                                      | Land      | Buildings  | Plants<br>equipment, tools | Works of<br>artists | Tangible assets<br>in preparation | Total<br>tangible assets | Intangible<br>assets | Total       |
|--------------------------------------|-----------|------------|----------------------------|---------------------|-----------------------------------|--------------------------|----------------------|-------------|
| <b>ACQUISITION VALUE</b>             |           |            |                            |                     |                                   |                          |                      |             |
| Status on January 1st, 2004.         | 1,019,568 | 46,546,852 | 59,814,625                 | 0                   | 483,352                           | 107,864,397              | 103,134              | 107,967,531 |
| Direct increases                     | 1,379,163 | -1,364,992 | 1,394,178                  | 3,300               | 2,922,297                         | 4,333,946                | 136,329              | 4,470,275   |
| One-time write off                   | 0         | 0          | 0                          | 0                   | 0                                 | 0                        | 0                    | 0           |
| Transfer into use                    | 0         | 0          | -2,969,922                 | 0                   | 0                                 | -2,969,922               | 0                    | -2,969,922  |
| Write-off and sale                   | 0         | 780,106    | 2,625,543                  | 0                   | -3,405,649                        | 0                        | 0                    | 0           |
| Status on December 31st,<br>2004.    | 2,398,731 | 45,961,966 | 60,864,424                 | 3,300               | 0                                 | 109,228,421              | 239,463              | 109,467,884 |
| <b>CORRECTION<br/>OF VALUE</b>       |           |            |                            |                     |                                   |                          |                      |             |
| Status on January 1st, 2004.         | 0         | 314,788    | 717,950                    | 0                   | 0                                 | 1,032,738                | 8,595                | 1,041,333   |
| Calculated depreciation for<br>2004. | 0         | 1,309,214  | 4,087,013                  | 0                   | 0                                 | 5,396,227                | 29,721               | 5,425,948   |
| Writing off                          | 0         | 0          | -195,338                   | 0                   | 0                                 | -195,338                 | 0                    | -195,338    |
| Status on December 31st,<br>2004.    | 0         | 1,624,002  | 4,609,625                  | 0                   | 0                                 | 6,233,627                | 38,316               | 6,271,943   |
| <b>CURRENT VALUE</b>                 |           |            |                            |                     |                                   |                          |                      |             |
| January 1st, 2004.                   | 1,019,568 | 46,232,064 | 59,096,675                 | 0                   | 483,352                           | 106,831,659              | 94,539               | 106,926,198 |
| <b>CURRENT VALUE</b>                 |           |            |                            |                     |                                   |                          |                      |             |
| December 31st, 2004.*                | 2,398,731 | 44,337,964 | 56,254,799                 | 3,300               | 0                                 | 102,994,794              | 201,147              | 103,195,941 |

### Fixed Financial Assets

12. Fixed Financial Assets in the amount of 188,545,778 HRK (in year 2003 it was 178,828 HRK) apply to the share in Hospitalija d.d. in the amount of 23,327,812 HRK, earmarked Cash Assets (security) for the tender to buy the shares of Sladorana d.d. Županja in the amount of 66,090,298 HRK, security for leasing Hypo Alpe Adria Bank in the amount of 178,828 HRK and shares of Hotel Westin Zagreb in the amount of 98,948,840 HRK (in year 2003 it was security for leasing Hypo Alpe Adria Bank 178,828 HRK).

### Claims on the sold Fixed Assets

13. Value of claims on the sold Fixed Assets in the amount of 6,953,739 HRK (in year 2003 it was 553,348 HRK) applies to the sale of equipment on long-term credit.

### Reserves

14. Value of reserves in the amount of 137,825,415 HRK (in year 2003 it was 60,036,196 HRK) contains:

|                              | <u>2004.</u><br>in HRK | <u>2003.</u><br>in HRK |
|------------------------------|------------------------|------------------------|
| - raw materials and material | 18,647,233             | 18,187,593             |
| - trade goods                | 18,290                 | 15,168                 |
| - finished products          | 118,406,359            | 38,389,370             |
| - advance payments           | 753,533                | 3,444,065              |
|                              | <u>137,825,415</u>     | <u>60,036,196</u>      |

Reserves are calculated and recorded in accordance with the Note under 4g).  
The said states of reserves correspond to the recorded states.

### Claims based on sales

15a. Claims based on sales in the amount of 96,946,130 HRK (in year 2003 it was 62,921,212 HRK) consist of claims for the delivered products and performed services that are still uncollected.

Claims based on sales to the associated companies amount to:

|                        | <u>2004.</u><br>in HRK | <u>2003.</u><br>in HRK |
|------------------------|------------------------|------------------------|
| EOS-Z d.o.o. Zagreb    | 0                      | 0                      |
| Robić d.o.o. V. Gorica | 14,041,905             | 10,571,511             |
|                        | <u>14,041,905</u>      | <u>10,571,511</u>      |

### Other Claims

15b. Other Claims in the amount of 22,064,239 HRK (in year 2003 it was 13,908,684 HRK) consist of:

|   | <u>2004.</u><br>in HRK | <u>2003.</u><br>in HRK |
|---|------------------------|------------------------|
| 1. Claims for Value Added Tax                   | 15,519,149             | 10,511,348             |
| 2. Claims for overpaid Profit Tax               | 3,776,598              | 3,021,279              |
| 3. Claims from employees                        | 14,736                 | 237,410                |
| 4. Claims from the state and other institutions | 477,921                | 138,647                |
| 5. Other Claims                                 | 2,275,835              | 0                      |
|   | 22,064,239             | 13,908,684             |

### Financial Assets

16. Financial Assets in the amount of 10,221,534 HRK (in year 2003 it was 21,003,690 HRK) apply to

|  | <u>2004.</u><br>in HRK | <u>2003.</u><br>in HRK |
|--|------------------------|------------------------|
| EOS-Z d.o.o. Zagreb                              | 0                      | 0                      |
| Hospitalija Zagreb                               | 0                      | 6,423,091              |
| Robić d.o.o. V. Gorica                           | 0                      | 8,302,506              |
| Loans to the associated companies                | 0                      | 14,725,597             |
| Tica d.o.o. Čađavica                             | 680,422                | 0                      |
| Klas Beničanci d.o.o.                            | 545,336                | 0                      |
| PZ Agrogradina Gradina                           | 436,269                | 0                      |
| Artos d.o.o.                                     | 326,870                | 0                      |
| Petrović   | 266,186                | 0                      |
| Agricultural estate Gradina                      | 150,000                | 0                      |
| Agromes Pitomača                                 | 21,070                 | 155,116                |
| Others   | 187,278                | 0                      |
| Financial claims from the unassociated companies | 2,613,431              | 155,116                |
| Received bills of exchange                       | 7,608,103              | 6,122,977              |
| Total  | 10,221,534             | 21,003,690             |

### Cash Assets

17. Cash Assets contain:

|                          | <u>2004.</u><br>in HRK | <u>2003.</u><br>in HRK |
|--------------------------|------------------------|------------------------|
| Giro account             | 1,554,173              | 4,447,606              |
| Foreign currency account | 2,973,204              | 963,804                |
|                          | 4,527,377              | 5,411,410              |

VIRO d.o.o. Virovitica  
BILJEŠKE UZ TEMELJNE FINANCIJSKE IZVJEŠTAJE

Said state of assets corresponds to the state according to the statements of commercial banks on December 31st of the current year.

Foreign currency assets' equivalent value in HRK was determined by applying the mid exchange rate of the Croatian National Bank (HNB) on December 31st, 2004 (in year 2003 it was December 31st, 2003.).

### Capital and Reserves

18. Survey of changes in Capital and Reserves:

|   | <u>2004.</u><br>in HRK | <u>2003.</u><br>in HRK | <u>2002.</u><br>in HRK |
|---|------------------------|------------------------|------------------------|
| 1. Status on January 1st  | 189,174,146            | 7,411,218              | 20,000                 |
| 2. <u>Decrease</u>  |                        |                        |                        |
| - of payments of profit (1)   | (25,000,000)           | (7,000,000)            | 0                      |
| - revaluation reserves  | (1,488,345)            | 0                      | 0                      |
| 3. <u>Increase</u>  |                        |                        |                        |
| - profit for the business year  | 35,226,448             | 57,676,543             | 7,391,218              |
| - revaluation reserves  | 0                      | 27,106,385             | 0                      |
| - increase of initial capital   | 0                      | 103,980,000            | 0                      |
| - harmonization   | 1                      | 0                      | 0                      |
| 4. Status on December 31st  | 197,912,250            | 189,174,146            | 7,411,218              |
| (1) on December 31st, 2004, liabilities based on share in results amount to 27,689,366 HRK (in year 2003 it was 3,570,000 HRK). |                        |                        |                        |

### Long-term liabilities

19. Long-term liabilities in the amount of 27,970,229 HRK (in year 2003 it was 0 HRK) contain long-term credit of Zagrebačka banka d.d. Zagreb.

### Liabilities towards the associated companies

20. Liabilities towards the associated companies in the amount of 32,550,00 HRK (in year 2003 it was 1,319,366 HRK) contain:

|                        | <u>2004.</u><br>in HRK | <u>2003.</u><br>in HRK |
|------------------------|------------------------|------------------------|
| Hospitalija Centar     | 24,000,000             | 0                      |
| EOS-Z d.o.o. Zagreb    | 8,550,000              | 1,319,366              |
| Robić d.o.o. V. Gorica | 0                      | 0                      |
|                        | 32,550,000             | 1,319,366              |



### Liabilities towards the credit institutions

21. Liabilities towards the credit institutions in the amount of 51,925,803 HRK (in year 2003 it was 17,945,932 HRK) contain short-term credit of Zagrebačka banka d.d. Zagreb in the amount of 18,747,959 HRK and Hrvatska poštanska banka d.d. (Croatian Postal Bank) Zagreb in the amount of 33,177,844 HRK (in year 2003 it was credit of Zagrebačka banka d.d. Zagreb).

### Liabilities for advance payments and deposits

22. Liabilities for advance payments and deposits in the amount of 38,455,646 HRK (in year 2003 it was 28,291,115 HRK) apply to the received advance payments from the buyers. In 2004 the largest part of the balance refers to Cerere S.r.l. Trieste, Italy, in the amount of 37,879,885 HRK (in year 2003 it was 27,558,323 HRK).

### Liabilities towards the suppliers

23. Liabilities towards the suppliers in the amount of 81,389,968 HRK (in year 2003 it was 28,349,736 HRK) apply to the unsettled liabilities towards the suppliers in the Republic of Croatia and abroad on December 31st of the current year.

|   | <u>2004.</u><br>in HRK | <u>2003.</u><br>in HRK |
|---|------------------------|------------------------|
| Romić Robert Autoprijevoz                   | 10,779,611             | 4,518,195              |
| Commodity reserves                          | 6,736,000              | 0                      |
| Customs administration                      | 1,733,169              | 0                      |
| Đuro Đaković Inženjering                    | 0                      | 1,342,000              |
| Croatia Virovitica                          | 0                      | 1,243,267              |
| Belje                                       | 0                      | 1,146,044              |
| Other suppliers                             | 33,791,547             | 8,673,522              |
| <b>Suppliers in the Republic of Croatia</b> | <b>53,040,327</b>      | <b>16,923,028</b>      |
| Coimex                                      | 0                      | 7,538,915              |
| Agrimpex                                    | 22,909,980             | 1,679,534              |
| Other suppliers abroad                      | 5,439,661              | 2,208,259              |
| <b>Suppliers abroad</b>                     | <b>28,349,641</b>      | <b>11,426,708</b>      |
| <b>Total suppliers</b>                      | <b>81,389,968</b>      | <b>28,349,736</b>      |

### Liabilities for issued bills of exchange

24. Liabilities for issued bills of exchange in the amount of 91,713,006 HRK (in year 2003 it was 0 HRK) apply to the liabilities for bills of exchange issued to Agrokor d.d. Zagreb as the security instrument for the shares of Hotel Westin Zagreb in the amount of 91,163,006 HRK and to other Companies in the amount of 550,000 HRK. In January 2005 the payment of shares towards Agrokor d.d. Zagreb was made, so that the liability for bills of exchange issued to Agrokor d.d. Zagreb is 0 HRK.

### Liabilities towards the employees

25. Liabilities towards the employees in the amount of 1,476,652 HRK (in year 2003 it was 1,108,464 HRK) consist of the calculated net salary for December of the current year, which was paid in the next year.

### Liabilities for taxes and contributions

26. Liabilities for taxes and contributions in the amount of 1,185,880 HRK (in year 2003 it was 751,123 HRK) consist of taxes and contributions for salary for December of the current year and other payments.

|  | <u>2004.</u><br>in HRK | <u>2003.</u><br>in HRK |
|--|------------------------|------------------------|
| Liabilities for the contributions from salaries        | 403,445                | 268,144                |
| Liabilities for the contributions on salaries          | 348,700                | 233,062                |
| Liabilities for the tax from salaries                  | 184,473                | 83,411                 |
| Liabilities for the biological reproduction of forests | 139,424                | 94,437                 |
| Other liabilities                                      | 109,838                | 72,069                 |
|  | <hr/> 1,185,880        | <hr/> 751,123          |

Auditor's Report – page 1.

**REPORT ON THE PERFORMED AUDIT OF THE  
FUNDAMENTAL FINANCIAL REPORTS  
FOR YEAR 2003  
OF THE LIMITED LIABILITY COMPANY  
“VIRO”, VIROVITICA, MATIJE GUPCA 254**

**Zagreb, March 2004.**

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AUDITOR'S REPORT TO THE COMPANY'S OWNER

1. We have performed the audit of the fundamental financial reports: Balance-sheet, Profit and loss account, Cash flow report and Notes to the Financial Reports for business year 2003 of the limited liability company VIRO, Virovitica, Matije Gupca 254. Said financial reports are shown on pages 2 to 17.

2. Financial reports that are the subject of Audit Report are compiled according to the valid legal provisions and accounting principles that are in accordance with the International Accounting Standards issued by the International Accounting Standards Committee, which have been published in the Republic of Croatia and are valid in Republic of Croatia. Legal representative of the Company is responsible for the Fundamental financial reports. Auditor's responsibility is to express the opinion on the financial reports based on the performed audit.

3. Audit was done in accordance with the International Auditing Standards and it has encompassed planning and execution of the auditing procedures to the level that we considered necessary in order to achieve reasonable conviction that the financial reports do not contain any significant mistakes. Audit includes the testing of the accounting records on the test-basis that confirms the amounts in financial reports. Audit also includes checking of the applied accounting principles, significant evaluations and the entire presentation of the financial reports. We are convinced that the performed audit gives us the firm basis for giving of opinion.

4. In VIRO d.o.o. Virovitica we have not had performed Audit of the Financial Reports before, which is the reason we are not able to confirm the initial state of balance-sheet positions on January 1st, 2003.

5. With note stated in item 4. We believe that the fundamental financial reports realistically and objectively present the financial situation of "VIRO" d.o.o. Virovitica on December 31st, 2003, business results and changes in cash flow for the said year in accordance with the notes from number 1 to number 24.

Damir Novački, B.Econ.  
Chartered Auditor  
Director

Zlatko Benčić, B.Econ.  
Chartered Auditor &

Zagreb, March 1st, 2004, to March 29th, 2004.

**PROFIT AND LOSS ACCOUNT FOR THE PERIOD BETWEEN January 1st AND  
December 31st**

|      |  | Notes  | 2003.<br>in HRK | 2002.<br>in HRK |
|------|--|--------|-----------------|-----------------|
| I    | OPERATING INCOME   | 4a)    | 411,939,075     | 79,377,489      |
| 1.   | Income from domestic sales                               | 4a), 5 | 134,830,654     | 43,816,205      |
| 2.   | Income from foreign sales                                |        | 274,843,645     | 34,410,800      |
| 3.   | Other income from the main line of business              |        | 2,264,776       | 1,150,484       |
| II   | OPERATING EXPENSES                                       | 4b)    | 350,952,292     | 48,726,841      |
| 1.   | Material Expenses  | 7      | 212,714,477     | 147,160,666     |
| 2.   | Personnel Costs  | 8      | 25,530,558      | 10,342,314      |
| 3.   | Depreciation   | 4f),11 | 28,210,695      | 11,115          |
| 4.   | Value of harmonized current assets                       |        | 0               | 0               |
| 5.   | Other business expenses                                  | 9      | 10,156,301      | 2,268,725       |
| 6.   | Decrease (increase) in reserves of unfinished production |        | 74,340,261      | (111,055,979)   |
| III  | FINANCIAL INCOME   | 4c), 6 | 3,905,923       | 2,445,068       |
| IV   | FINANCIAL EXPENSES                                       | 4d),10 | 9,355,829       | 2,134,428       |
| V    | EXTRAORDINARY REVENUES                                   |        | 2,271,144       | 2,188,777       |
| VI   | NON-RECURRING EXPENDITURES                               |        | 131,478         | 15,342,352      |
| VII  | TOTAL INCOME   |        | 418,116,142     | 84,011,334      |
| VIII | TOTAL EXPENSES   |        | 360,439,599     | 74,731,817      |
| IX   | PROFIT (LOSS) BEFORE TAXATION                            | 4l)    | 57,676,543      | 9,279,517       |
| X    | PROFIT TAX   |        | 0               | 1,888,299       |
| XI   | PROFIT FOR THE FINANCIAL YEAR                            | 4l)    | 57,676,543      | 7,391,218       |

Notes on pages 5 to 15 are a component part of the Financial Reports.

**Auditor's Report – page 1. BALANCE-SHEET ON December 31st**

|  | Notes   | 2003.<br>in HRK | 2002.<br>in HRK |
|--|---------|-----------------|-----------------|
| <b>I. FIXED ASSETS</b>                           |         | 107,658,374     | 1,020,336       |
| 1. Intangible Assets                             | 11      | 94,539          | 0               |
| 2. Tangible Assets                               |         |                 |                 |
| Acquisition Value                                | 4e), 11 | 134,972,775     | 1,028,791       |
| Value's Correction                               | 4e), 11 | (28,141,116)    | (8,455)         |
| Current value                                    | 4e), 11 | 106,831,659     | 1,020,336       |
| 3. Financial Assets                              |         | 178,828         | 0               |
| 4. Claims  | 12      | 553,348         | 0               |
|  |         |                 |                 |
| <b>II. CURRENT ASSETS</b>                        |         | 163,281,192     | 260,576,462     |
| 1. Reserves                                      | 4g), 13 | 60,036,196      | 133,265,325     |
| 2. Claims  | 4h),    | 76,829,896      | 46,774,857      |
| 2.1. Claims based on sales                       | 4h), 14 | 62,921,212      | 25,115,080      |
| 2.2. Other Claims                                |         | 13,908,684      | 21,659,777      |
| 3. Financial Assets                              |         | 21,003,690      | 80,021,947      |
| 4. Cash in the bank and cash in cash-box         | 4i), 15 | 5,411,410       | 514,333         |
|  |         |                 |                 |
| <b>TOTAL ASSETS</b>                              |         | 270,939,566     | 261,596,798     |
|  |         |                 |                 |
| <b>I CAPITAL</b>                                 | 16      | 189,174,146     | 7,411,218       |
| 1. Initial capital                               | 4j),    | 104,000,000     | 20,000          |
| 2. Revaluation reserves                          |         | 27,106,385      | 0               |
| 3. Retained profit                               |         | 391,218         | 0               |
| 4. Transferred loss                              |         | 0               | 0               |
| 5. Current year's profit                         |         | 57,676,543      | 7,391,218       |
|  |         |                 |                 |
| <b>II LONG-TERM LIABILITIES</b>                  | 17      | 0               | 80,000,000      |
|  |         |                 |                 |
| <b>III SHORT-TERM LIABILITIES</b>                |         | 81,593,495      | 173,795,390     |
| 1. Liabilities towards the associated companies  | 18      | 1,319,366       | 23,886,020      |
| 2. Liabilities towards the credit institutions   | 19      | 17,945,932      | 18,757,654      |
| 3. Liabilities for advance payments and deposits |         | 28,291,115      | 3,523,778       |
| 4. Liabilities towards the suppliers             | 20      | 28,349,736      | 121,225,870     |
| 5. Liabilities towards the Bills of exchange     |         | 0               | 2,000,000       |
| 6. Liabilities towards the employees             | 21      | 1,108,464       | 1,599,179       |
| 7. Liabilities for taxes and contributions       | 4k), 22 | 751,123         | 2,793,239       |
| 8. Liabilities based on share in results         |         | 3,570,000       | 0               |
| 9. Other short-term liabilities                  |         | 257,759         | 9,650           |
|  |         |                 |                 |
| <b>IV DEFERRED PAYMENT OF EXPENSES</b>           | 23      | 171,925         | 390,190         |
|  |         |                 |                 |
| <b>TOTAL LIABILITIES</b>                         |         | 270,939,566     | 261,596,798     |

Notes on pages 5 to 15 are a component part of the Financial Reports.

**CASH FLOW  
REPORT FOR YEAR 2003.**

In HRK

|  |  | <b>2003.</b>       | <b>2002.</b>        |
|--|--|--------------------|---------------------|
| <b>I CASH FLOW FROM BUSINESS ACTIVITIES</b>                      |  |                    |                     |
| 1  | Net profit (loss)  | 57,676,543         | 7,391,218           |
| 2  | Depreciation   | 28,210,695         | 8,455               |
| 3  | Cash flow from results (1+2)                                       | 85,887,238         | 7,399,673           |
| 4  | Decrease (increase) of the value of reserves                       | 73,229,129         | (133,265,325)       |
| 5  | Decrease (increase) of short-term claims                           | -30,055,039        | (46,796,804)        |
| 6  | Decrease (increase) of prepayments and accrued income              | 0                  | 390,189             |
| 7  | Increase (decrease) of short-term liabilities                      | -49,534,703        | 156,596,321         |
| 8  | Increase (decrease) of accruals and deferred income                | -218,265           | 0                   |
| 9  | Increase (decrease) of long-term reservations                      | 0                  | 0                   |
| <b>Net Cash Flow from Business Activities</b>                    |  | <b>79.308.360</b>  | <b>(15,675,946)</b> |
| <b>II CASH FLOW FROM INVESTMENT ACTIVITIES</b>                   |  |                    |                     |
| 1  | Decrease (increase) of intangible fixed assets                     | -103,134           | 0                   |
| 2  | Decrease (increase) of tangible fixed assets                       | -134,013,423       | (1,028,791)         |
| 3  | Decrease (increase) of financial fixed assets                      | -178,828           | 0                   |
| 4  | Decrease (increase) of long-term claims                            | -553,348           | 0                   |
| 5  | Decrease (increase) of current financial assets                    | 59,018,257         | 0                   |
| <b>Net Cash Flow from Investment Activities</b>                  |  | <b>-75.830.476</b> | <b>(1,028,791)</b>  |
| <b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>                       |  |                    |                     |
| 1  | Decrease (increase) of own shares                                  | 0                  | 0                   |
| 2  | Increase (decrease) of own capital                                 | 124,086,385        | 0                   |
| 3  | Increase (decrease) of long-term liabilities associated companies  | 0                  | 0                   |
| 4  | Increase (decrease) of long-term liabilities based on loans        | 0                  | 80,000,000          |
| 5  | Increase (decrease) of long-term credit liabilities                | -80,000,000        |                     |
| 6  | Increase (decrease) of other long-term liabilities                 | 0                  |                     |
| 7  | Increase (decrease) of short-term liabilities associated companies | -45,425,470        |                     |
| 8  | Increase (decrease) of short-term loans                            | 0                  | (80,000,000)        |
| 9  | Increase (decrease) of short-term credits                          | -811,722           | 17.199.070          |
| 10   | Increase (decrease) of share in results                            | 3,570,000          |                     |
| <b>Net Cash Flow from Financial Activities</b>                   |  | <b>1.419.193</b>   | <b>17,199,070</b>   |
| <b>IV Net increase (decrease) of cash</b>                        |  | <b>4.897.077</b>   | <b>494,333</b>      |
| <b>V Money and cash equivalents at the beginning of the year</b> |  | <b>514.333</b>     | <b>20,000</b>       |
| <b>VI Money and cash equivalents at the end of the year</b>      |  | <b>5.411.410</b>   | <b>514,333</b>      |

Notes on pages 5 to 15 are a component part of the Financial Reports



## **1. Organizational structure of "VIRO" Virovitica**

"VIRO" društvo s ograničenom odgovornošću za proizvodnju i trgovinu (Limited Liability Company for manufacture and trade) Virovitica, Matije Gupca 254 was created by entry into the court registry on July 23rd, 2002. Founders of the Company are EOS-Z d.o.o. from Zagreb and Robić d.o.o. from Velika Gorica.

Subscribed initial capital of the Company is 104,000,000 HRK and it is registered in business records.

## **2. Main line of business**

Company is registered for operation in the following branches of industry:

- Cultivation of crops, garden plants and horticultural plants
- Production of other food products
- Production and distribution of electric energy
- Purchase and sale of goods
- Waste water disposal through dilution, seepage, sedimentation, chemical deposition, active treatment of sludge and other processes.

## **3. Basis for compiling of financial reports**

Financial reports shown on pages 2-4 are compiled in accordance with the Accounting Act ("Official Gazette" No. 90/92) and the International Accounting Standards ("Official Gazette" Nos. 36/93, 47/95, 65/96, 39/97, 105/97, 148/99 and 2/00). Financial Reports contain all the significant information relevant for their understanding according to the provisions of the International Accounting Standard No. 5, with information necessary for the reliable decisions of the user.

Comparative data for year 2003, i.e. the data for year 2002 were not a subject of audit.

## **4. Basic Accounting Policies**

Basic Accounting Policies applied in the monitoring of business operations of VIRO Virovitica are defined by the Decision on the Application of Accounting Policies issued in accordance with the valid regulations of the Republic of Croatia and the International Accounting Standards.

In the following text are given the basic guidelines of the accounting policies applied in the compiling of the fundamental financial reports shown on pages 2 to 4.

a) Operating income

i/ Income is a gross inflow of money, claims or other compensations that results from the flow of regular activities of the Company in provision of services and sale of products.

ii/ Operating income is recognized on the principle of invoiced value for the delivered products and provided services.

b) Operating expenses

i/ Expenses are recognized as a result of decrease in assets or increase in liabilities.

ii/ Expenses are recognized immediately in the accounting period in which the expense does not make any future economical gain, and there are no conditions for recognition of the balance-sheet's property items.

iii/ Expenses for which it is expected that they will result in income in several following accounting periods are recognized in proportional share in that accounting period.

c) Financial Income

i/ Financial Income is income from the using of Company's resources by other persons.

ii/ Income from interest is realized based on the untimely collection based on sales.

d) Interest as expenses

i/ Interest based on claims is calculated until the balance-sheet date and it burdens the financial expenses.

e) Fixed Tangible Assets

i/ Tangible Assets are given according to the acquisition expenses or according to the fair value.

ii/ Acquisition expenses for the tangible assets contain the invoiced value and all the expenses directly connected to the making of those assets operational.

iii/ For objects made by the company itself the expenses are determined that can be directly ascribed to the making of the object, with the condition that they do not exceed the net market value.

iv/ Tangible Assets are written off in cases when no economic gain is expected from such assets.

f) Depreciation

i/ Tangible Assets with limited useful working life are written off during the year depending on the useful working life of that asset. Annual depreciation rates are determined at the level of maximum untaxable rates.

ii/ Calculation of depreciation is done by the direct method, for each asset separately, in accordance with the Depreciation Regulations ("Official Gazette" Nos. 91/94, 6/96, 142/97 and 54/01).

#### g) Reserves

i/ Reserves of material, spare parts, small inventory, car tires and trading goods are given according to the actual acquisition expenses or according to the net sale value.

ii/ Acquisition expenses contain the purchase price increased by the related acquisition expenses that include the customs duty expenses, transport expenses and all the other expenses that can be directly added to the acquisition expenses, with deducted discounts and rebates.

iii/ Calculation of the expenditure of material and spare parts is done by the method of weighted average prices.

iv/ Small inventory consists of items the individual acquisition price of which does not exceed 1,000 HRK and the working life of which is shorter than one year.

v/ During the transfer of the reserves of small inventory and car tires into use, the method of one-time write off is applied.

#### h) Short-term claims

i/ Short-term claims include all the claims the maturity deadline of which is within 12 months.

ii/ Short-term claims are given based on the orderly document on the occurrence of the business events and the information on their value.

iii/ Correction of the value of claims is done for the uncollected due claims for which it has been concluded that they are uncollectible, i.e. that the court proceedings have been initiated.

iv/ Collected doubtful and contested claims for which the correction of value has been done are given as the items of regular income.

#### l) Policy for giving the cash on accounts and in the cash-box

i/ Assets in the form of money are given in their nominal value.

j) Capital

Capital is in business books given broken down in the following categories:

- Initial capital,
- Reserves,
- Retained profit,
- Transferred loss,
- Current year's profit.

k) Liabilities for taxes and contributions

Taxes and contributions are calculated in accordance with the regulations, in the following way:

- Value Added Tax,
- Taxes and contributions from salary and on salary,
- Contribution for forests,
- Contribution for tourism,
- Contribution for the memorial tax on total income.

l) Current year's profit

i/ Current year's profit represents the positive difference between the realized incomes and realized expenses.

**Income from sales**

5. Income from sales in the amount of 411,939,075 HRK (in year 2002 it was 79,377,489 HRK) consists of the incomes that have been recorded based on the invoices to the buyers. Documents are the evidence that the products have been sold and the service done.

**Financial Income**

6. Financial Income in the amount of 3,905,923 HRK (in year 2002 it was 2,445,068 HRK) consists of income from interest and the positive exchange rate differentials.

|  | <u>2003.</u><br>in HRK | <u>2002.</u><br>in HRK |
|--|------------------------|------------------------|
| - positive exchange rate differentials | 3,121,161              | 2,408,290              |
| - regular and default interest         | 784,762                | 36,778                 |
|  | <hr/> 3,905,923        | <hr/> 2,445,068        |

## Material Expenses

7. Material Expenses in the amount of 212,714,477 HRK (in year 2002 it was 155,683,862 HRK) consist of:

|   | <u>2003.</u><br>in HRK | <u>2002.</u><br>in HRK |
|---|------------------------|------------------------|
| - expenses of raw materials and materials | 151,290,558            | 139,719,331            |
| - expenses of sold goods                  | 39,872,817             | 8,658,385              |
| - other expenses                          | 21,551,102             | 7,306,146              |
|   | <u>212,714,477</u>     | <u>155,683,862</u>     |

Expenses of raw materials and materials apply to the value of the raw materials and materials used up in 2003.

Other expenses contain the transport services, maintenance services, utility services, intellectual and personal services, rent, expenses of advertising, promotion and marketing and other.

## Personnel Costs

8. Personnel Costs in the amount of 25,530,558 HRK (in year 2002 it was 10,342,314 HRK) contain:

|                                     | <u>2003.</u><br>in HRK | <u>2002.</u><br>in HRK |
|-------------------------------------|------------------------|------------------------|
| - net salaries                      | 13,977,402             | 6,370,293              |
| - expenses of tax and contributions | 11,553,156             | 3,972,021              |
|                                     | <u>25,530,558</u>      | <u>10,342,314</u>      |

## Other business expenses

9. Other business expenses in the amount of 10,156,301 HRK (in year 2002 it was 2,268,725 HRK) consist of numerous general expenses. Materially more significant items in the other business expenses consist of employee's compensations, representation expenses, membership in professional associations, various contributions, taxes that do not depend on the result, subsequently determined results, and other.

### Financial Expenses

10. Financial Expenses in the amount of 9,355,829 HRK (in year 2002 it was 2,134,428 HRK) contain expenses of interest in the name of credits received from the banks and legal persons in Croatia and the negative exchange rate differentials.

Structure of financial expenses includes:

|  | <u>2003.</u><br>in HRK | <u>2002.</u><br>in HRK |
|--|------------------------|------------------------|
| - interest on credits                  | 5,781,426              | 2,095,446              |
| - negative exchange rate differentials | 3,431,390              | 38,982                 |
| - other                                | 143,013                | 0                      |
|  | <hr/> 9,355,829        | <hr/> 2,134,428        |

**Fixed Tangible and Intangible Assets**

11. Survey of changes in Fixed Tangible and Intangible Assets (in HRK):

|                                   | Land      | Buildings  | Plants and property | Tools, plant & office inventory | Tangible assets in preparation | Total tangible assets | Intangible assets | Total       |
|-----------------------------------|-----------|------------|---------------------|---------------------------------|--------------------------------|-----------------------|-------------------|-------------|
| <b>ACQUISITION VALUE</b>          |           |            |                     |                                 |                                |                       |                   |             |
| Status on January 1st, 2003.      | 0         | 0          | 488,676             | 13,848                          | 526,267                        | 1,028,791             | 0                 | 1,028,791   |
| Direct increases                  | 1,019,568 | 25,972,515 | 59,336,386          | 346,574                         | 20,531,422                     | 107,206,465           | 103,134           | 107,309,599 |
| One-time write off                | 0         | 0          | 27,106,385          | 0                               | 0                              | 27,106,385            | 0                 | 27,106,385  |
| Transfer into use                 | 0         | 20,574,337 | 0                   | 0                               | -20,574,337                    | 0                     | 0                 | 0           |
| Write-off and sale                | 0         | 0          | -368,866            | 0                               | 0                              | -368,866              | 0                 | -368,866    |
| Status on December 31st, 2003.    | 1,019,568 | 46,546,852 | 86,562,581          | 360,422                         | 483,352                        | 134,972,775           | 103,134           | 135,075,909 |
| <b>CORRECTION OF VALUE</b>        |           |            |                     |                                 |                                |                       |                   |             |
| Status on January 1st, 2003.      | 0         | 0          | 7,994               | 461                             | 0                              | 8,455                 | 0                 | 8,455       |
| Calculated depreciation for 2003. | 0         | 314,788    | 27,865,626          | 21,686                          | 0                              | 28,202,100            | 8,595             | 28,210,695  |
| Writing off                       | 0         | 0          | -69,439             | 0                               | 0                              | -69,439               | 0                 | -69,439     |
| Status on December 31st, 2003.    | 0         | 314,788    | 27,804,181          | 22,147                          | 0                              | 28,141,116            | 8,595             | 28,149,711  |
| <b>CURRENT VALUE</b>              |           |            |                     |                                 |                                |                       |                   |             |
| January 1st, 2003.                | 0         | 0          | 480,682             | 13,387                          | 526,267                        | 1,020,336             | 0                 | 1,020,336   |
| December 31st, 2003.              | 1,019,568 | 46,232,064 | 58,758,400          | 338,275                         | 483,352                        | 106,831,659           | 94,539            | 106,926,198 |

### Claims on the sold Fixed Assets

12. Value of claims in the amount of 553,348 HRK (in year 2002 it was 0 HRK) applies to the sale of equipment on long-term credit.

### Reserves

13. Value of reserves in the amount of 60,036,196 HRK (in year 2002 it was 133,265,325 HRK) contains:

|                              | <u>2003.</u><br>in HRK | <u>2002.</u><br>in HRK |
|------------------------------|------------------------|------------------------|
| - raw materials and material | 18,187,593             | 19,683,386             |
| - trade goods                | 15,168                 | 25,808                 |
| - finished products          | 38,389,370             | 112,711,120            |
| - advance payments           | 3,444,065              | 845,011                |
|                              | 60,036,196             | 133,265,325            |

Reserves are calculated and recorded in accordance with the Note under 4g).

The said states of reserves correspond to the recorded states.

### Claims based on sales

14. Claims based on sales in the amount of 62,921,212 HRK (in year 2002 it was 25,115,080 HRK) consist of claims for the delivered products and performed services, which are still uncollected.

### Other Claims

14b. Other Claims in the amount of 13,908,684 HRK (in year 2002 it was 21,659,777 HRK) consist of:

|  | <u>2003.</u><br>in HRK | <u>2002.</u><br>in HRK |
|--|------------------------|------------------------|
| 1. Claims for Value Added Tax                      | 10,511,348             | 20,763,718             |
| 2. Claims for overpaid Profit Tax                  | 3,021,279              | 0                      |
| 3. Claims from employees                           | 237,410                | 116,222                |
| 4. Claims from the state and<br>other institutions | 138,647                | 22,661                 |
| 5. Other Claims                                    | 0                      | 757,156                |
| -----  | 13,908,684             | 21,659,777             |



## Financial Assets

15. Financial Assets in the amount of 21,003,690 (in year 2002 it was 80,021,947 HRK) apply to

| In HRK   | <u>2003.</u>             | <u>2002.</u>             |
|--|--------------------------|--------------------------|
| EOS-Z d.o.o. Zagreb                              | 0                        | 40,800,000               |
| Hospitalija Zagreb                               | 6,423,091                | 0                        |
| Robić d.o.o. V.Gorica                            | 8,302,506                | 39,200,000               |
| Loans to the associated companies                | <u>14,725,597</u>        | <u>80,000,000</u>        |
| <br>   |                          |                          |
| Vetela d.o.o.                                    | 0                        | 21,947                   |
| Agromes Pitomača                                 | 155,116                  | 0                        |
| Financial claims from the unassociated companies | <u>155,116</u>           | <u>21,947</u>            |
| <br>   |                          |                          |
| Received bills of exchange                       | 6,122,977                | 0                        |
| <b>TOTAL</b>                                     | <b><u>21,003,690</u></b> | <b><u>80,021,947</u></b> |

## Cash Assets

16. Cash Assets contain:

|                          | <u>2003.</u>     | <u>2002.</u>   |
|--------------------------|------------------|----------------|
|                          | in HRK           | in HRK         |
| Giro account             | 4,447,606        | 335,324        |
| Foreign currency account | 963,804          | 179,009        |
|                          | <u>5,411,410</u> | <u>514,333</u> |

Said state of assets corresponds to the state according to the statements of commercial banks on December 31<sup>st</sup> of the current year.

Foreign currency assets' equivalent value in HRK was determined by applying the mid exchange rate of the Croatian National Bank (HNB) on December 31<sup>st</sup>, 2003. (in year 2002 it was December 31<sup>st</sup>, 2002.).

## Capital and Reserves

17. Survey of changes in Capital and Reserves:

|                                   | <u>2003.</u><br>in HRK | <u>2002.</u><br>in HRK |
|-----------------------------------|------------------------|------------------------|
| 1. Status on January 1st          | 7,411,218              | 20,000                 |
| 2. Decrease                       |                        |                        |
| - of payments of profit           | (7,000,000)            | 0                      |
| 3. Increase                       |                        |                        |
| - profit for the business year    | 57,676,543             | 7,391,218              |
| - revaluation reserves            | 27,106,385             | 0                      |
| - increase in the initial capital | 103,980,000            | 0                      |
| 4. Status on December 31st        | 189,174,146            | 7,411,218              |

**Long-term liabilities**

18. Long-term liabilities in the amount of 0 HRK (in year 2002 it was 80,000,000 HRK) in year 2002 contain credit by Zagrebačka banka d.d. Zagreb.

**Liabilities towards the associated companies**

19. Liabilities towards the associated companies in the amount of 1,319,366 HRK (in year 2002 it was 23,886,020 HRK) contain:

|                        | <u>2003.</u><br>in HRK | <u>2002.</u><br>in HRK |
|------------------------|------------------------|------------------------|
| EOS-Z d.o.o. Zagreb    | 1,319,366              | 23,886,020             |
| Robić d.o.o. V. Gorica | 0                      | 22,858,816             |
|                        | 1,319,366              | 46,744,836             |

### Liabilities towards the credit institutions

20. Liabilities towards the credit institutions in the amount of 17,945,932 HRK (in year 2002 it was 18,757,654 HRK) contain short-term credits by Zagrebačka banka d.d. Zagreb.

### Liabilities for advance payments and deposits

21. Liabilities for advance payments and deposits in the amount of 28,291,115 HRK (in year 2002 it was 3,523,778 HRK) apply to the received advance payments from the buyers. In 2003 the largest part of the balance referred to Cerere S.r.l. Trieste, Italy, in the amount of 27,558,323 HRK.

### Liabilities towards the suppliers

22. Liabilities towards the suppliers in the amount of 28,349,736 HRK (in year 2002 it was 121,225,870 HRK) apply to the unsettled liabilities towards the suppliers in the Republic of Croatia and abroad on December 31st of the current year.

|                                      | <u>2003.</u><br>in HRK | <u>2002.</u><br>in HRK |
|--------------------------------------|------------------------|------------------------|
| Romić Robert Autoprijevoz            | 4,518,195              | 10,611,944             |
| Đuro Đaković Inženjering             | 1,342,000              | 28,987                 |
| Croatia Virovitica                   | 1,243,267              | 594,235                |
| Belje                                | 1,146,044              | 3,771,344              |
| Other suppliers                      | 8,673,522              | 82,523,338             |
| Suppliers in the Republic of Croatia | <b>16,923,028</b>      | <b>97,529,848</b>      |
| Coimex                               | 7,538,915              | 0                      |
| Agrimex                              | 1,679,534              | 202,934                |
| Other suppliers abroad               | 2,208,259              | 634,272                |
| Suppliers abroad                     | <b>11,426,708</b>      | <b>837,206</b>         |
| Total suppliers                      | <b>28,349,736</b>      | <b>98,367,054</b>      |

### Liabilities towards the employees

23. Liabilities towards the employees in the amount of 1,108,464 HRK (in year 2002 it was 1,599,179 HRK) consist of the calculated net salary for December of the current year, which was paid in the next year.

**Liabilities for taxes and contributions**

24. Liabilities for taxes and contributions in the amount of 751,123 HRK (in year 2002 it was 2,793,239 HRK) consist of taxes and contributions for salary for December of the current year, liabilities for Value Added Tax, Profit Tax and other payments.

|  | <u>2003.</u><br>in HRK | <u>2002.</u><br>in HRK |
|--|------------------------|------------------------|
| Liabilities for the contributions from salaries        | 268,144                | 372,481                |
| Liabilities for the contributions on salary            | 233,062                | 309,646                |
| Liabilities for the tax from salaries                  | 83,411                 | 84,515                 |
| Liabilities for the biological reproduction of forests | 94,437                 | 55,471                 |
| Liabilities for Profit Tax                             | 0                      | 1,888,299              |
| Other liabilities                                      | 72,069                 | 82,827                 |
|  | <hr/> 751,123          | <hr/> 2,793,239        |

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**Deferred payment of expenses**

25. Deferred payment of expenses in the amount of 171,925 HRK (in year 2002 it was 390,190 HRK) refers to the calculated expenses for the delivered boilers (which are situated in the shipyards and on which work is being done) for which invoices have not been issued in 2003.

|  | <b>2003.</b>   | <b>2002.</b>     |
|--|----------------|------------------|
|  | <b>in HRK</b>  | <b>In HRK</b>    |
| Liabilities for the contributions from salaries        | 268,144        | 372,481          |
| Liabilities for the contributions on salary            | 233,062        | 309,646          |
| Liabilities for the tax from salaries                  | 83,411         | 84,515           |
| Liabilities for the biological reproduction of forests | 94,437         | 55,471           |
| Liabilities for Profit Tax                             | 0              | 1,888,299        |
| Other liabilities                                      | 72,069         | 82,827           |
| <b>TOTAL</b>   | <b>751,123</b> | <b>2,793,239</b> |

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