

**HŽ INFRASTRUKTURA d.o.o., Zagreb**

**Annual financial statements  
and Independent Auditor's Report  
for the year 2015**

## CONTENT

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	<u>Page</u>
Responsibility for the Financial Statements	1
Independent Auditor's Report	2 - 4
Statement on Comprehensive Income	5
Balance sheet	6-7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the Financial Statements	10-55

## RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management Board of HŽ INFRASTRUKTURA d.o.o., Zagreb, (hereinafter: "the Company") is responsible for ensuring that the annual financial statements for the year 2015, are prepared in accordance with the Accounting Act (Official Gazette No. 109/07, 54/13 and 121/14) and International Financial Reporting Standards as adopted by the European Union, to give a true and fair view of the financial position, the results of operations, changes in equity and cash flows of the Company for that period.

After making enquiries, the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Board has adopted the going concern basis in preparing the financial statements of the Company.

In preparing these financial statements, the Board is responsible that:

- suitable accounting policies are selected and then applied consistently;
- judgments and estimates are reasonable and prudent;
- applicable financial reporting standards are followed, subject to any material departures disclosed and explained in the financial statements; and
- the financial statements are prepared on the going concern basis unless such assumption is not appropriate.

The Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position and the results of operations of the Company and their compliance with the Accounting Act (Official Gazette No 109/07, 54/13 and 121/14) and the International Financial Reporting Standards as adopted by the European Union. The Management Board is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the Management Board:

Ivan Kršić,  
Member of the Management Board

HŽ INFRASTRUKTURA d.o.o.  
Mihanovićeve 12  
10 000 Zagreb  
Croatia

21 June 2016



## **INDEPENDENT AUDITOR'S REPORT**

**To the Shareholder of company HŽ INFRASTRUKTURA d.o.o., Zagreb**

1. We audited the accompanying annual financial statements of HŽ INFRASTRUKTURA d.o.o., Zagreb, Mihanovićeve 12,, (hereinafter "the Company") for the year ended 31 December 2015, which comprise of the Balance sheet as at 31 December 2015, Statement of comprehensive income, Statement of changes in equity, Statement of cash flows for the year then ended, and the accompanying Notes to the Financial Statements which concisely set out the significant accounting policies and other explanatory notes.

### **The Management's Responsibility**

2. The Management is responsible for the preparation and a fair presentation of the enclosed financial statements according to the International Financial Reporting Standards adopted by the European Union and also for those internal controls which are determined by the Company's management as necessary to enable preparation of the financial statements free from material misstatements whether due to fraud or error.

### **Auditor's Responsibility**

3. Our responsibility is to express an opinion on the enclosed 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 misstatements.

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

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



**Basis for qualified opinion**

4. As disclosed in Note 38 to the financial statements, in the Balance Sheet as at 31 December 2015 receivables from related companies stated in the amount of HRK 120,609 thousand and liabilities to related companies stated in the amount of HRK 117,186 are not adjusted on the basis of confirmations received from related companies. Due to this, by comparing with the confirmations received, receivables from related railway business companies are overstated by the amount of HRK 41,781 thousand and the liabilities to related railway business companies are understated by the amount of HRK 16,807 thousand. As a result, we are unable to determine the effects of possible corrections, if any, on the financial statements of the Company for 2015.

5. As explained in Note 19 to the financial statements, in the Balance Sheet as at 31 December 2015 inventories without turnover in 2015 of HRK 263,238 were subject of examination with the purpose of assessing the potential impairment, as a result impairment of HRK 8,243 was debited to the Comprehensive income statement. Estimate made by the Company to assess the impairment was not based on the net selling price of the inventories. We were unable to extend our audit procedures to determine the amount of impairment of inventories, and due to this to determine the effects of possible corrections, if any, on the financial statements of the Company for 2015.

6. As explained in Note 16 to the financial statements, in the Balance Sheet as at 31 December 2015, the Company does not hold a registered title on the properties in the land register over a significant number of properties. Registering of the title on properties is in progress. As a result, we are unable to determine the effects of possible corrections, if any, on the financial statements of the Company for 2015.

7. As explained in Note 16 to the financial statements, in the Balance Sheet as at 31 December 2015 assets under construction include investments in progress older than 5 years of HRK 824,055 thousand, of which the project related to Lika railway line amounts to HRK 654,752 thousand. The Company has not made the assessment of recoverability of the stated assets as at 31 December 2015. As a result, we are unable to determine the effects of possible corrections, if any, on the financial statements of the Company for 2015.

**Qualified opinion**

8. In our opinion, except for the effects of possible corrections which may arise from the stated in paragraphs 4 to 7 above, the enclosed financial statements, in all material aspects, give a true and fair view of the financial position of the Company as at 31 December 2015, and its financial performance and cash flows for 2015 in accordance with the Accounting Act and International Financial Reporting Standards as adopted by the European Union.



**Opinion on compliance with other legal or regulatory requirements**

9. The Management Board is responsible for the preparation of the annual financial statements for the year ended 31 December 2015 in the prescribed form based on the Statute of structure and content of the annual financial statements (Official Gazette 38/08, 12/09, 130/10) and in accordance with other regulations governing the Company's operations ("Standard annual financial statements"). Financial information presented in the Company's standard annual financial statements are in accordance with the information presented in the Company's annual financial statements presented on pages 5 to 55 on which we have expressed our opinion as presented in the paragraph Opinion above.

**Opinion on compliance with the Annual Report**

10. The Management Board is responsible for the preparation of the Company's Annual Report. Pursuant to the Article 17 of the Accounting Act, we are obliged to give our opinion on the compliance of the Company's Annual Report with the Company's annual financial statements. In our opinion, pursuant to the conducted audit of the Company's annual financial statements and comparison with the Company's Annual Report for the year ended 31 December 2015, the financial information presented in the Company's Annual Report are in compliance with the financial information presented in the Company's annual financial statements presented on pages 5 to 55 on which we have expressed our opinion as presented in the paragraph Opinion above.

In Zagreb, 21 June 2016

BDO Croatia d.o.o.  
Trg J. F. Kennedy 6b  
10000 Zagreb

**BDO**

BDO Croatia d.o.o.  
za pružanje revizorskih, konzalting  
i računovodstvenih usluga  
Zagreb, J.F. Kennedy 6/b



Ines Rožić, certified auditor



Zdenko Balen, Management Board member

**HŽ INFRASTRUKTURA d.o.o., ZAGREB**  
**STATEMENT ON COMPREHENSIVE INCOME**  
**For the year ended 31 December 2015**

DESCRIPTION	Note	2015 HRK '000	2014 HRK '000 restated
Sales revenue	3	208,091	214,276
Other operating revenues	4	1,128,112	1,125,835
<b>Operating revenues</b>		<b>1,336,201</b>	<b>1,340,111</b>
Raw material and material costs	5	(120,731)	(95,294)
Costs of goods sold	6	(12,143)	(12,022)
Other external costs	7	(256,756)	(283,939)
Staff costs	8	(671,740)	(682,509)
Depreciation	9	(49,859)	(50,027)
Impairment	11	(29,422)	(43,942)
Provisions	12	(30,786)	(32,986)
Other costs	10	(132,674)	(225,948)
<b>Operating expenses</b>		<b>(1,304,111)</b>	<b>(1,426,667)</b>
Finance income	13	4,634	132,749
Finance expense	13	(25,801)	(55,496)
<b>TOTAL INCOME</b>		<b>1,340,836</b>	<b>1,472,860</b>
<b>TOTAL EXPENSE</b>		<b>(1,329,912)</b>	<b>(1,482,163)</b>
<b>PROFIT BEFORE TAX</b>		<b>10,924</b>	<b>(9,303)</b>
Income tax	14	0	0
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>10,924</b>	<b>(9,303)</b>
<b>COMPREHENSIVE PROFIT FOR THE PERIOD</b>		<b>10,924</b>	<b>(9,303)</b>

The accompanying notes from 1 to 43, set out below, form an inseparable part of these financial statements.



**HŽ INFRASTRUKTURA d.o.o., ZAGREB**  
**BALANCE SHEET**  
**As at 31 December 2015**

DESCRIPTION	Note	31 Dec 2015 HRK '000	31 Dec 2014 HRK '000 restated	1 Jan 2014 HRK '000 restated
<b>ASSETS</b>				
Intangible assets	15	74,324	54,703	61,443
Property, plant and equipment	16	11,979,910	11,768,998	10,972,882
Financial assets	17	194,530	194,838	194,322
Long term receivables	18	31,302	38,576	47,927
<b>LONG-TERM ASSETS</b>		<b>12,280,066</b>	<b>12,057,115</b>	<b>11,276,574</b>
Inventories	19	466,013	537,509	519,764
Receivables from related parties	38	120,609	223,306	261,540
Trade receivables	20	20,467	7,055	15,158
Receivables from employees	21	6,011	6,059	6,010
Receivables from the state and other institutions	22	35,250	17,098	23,234
Other receivables	23	82,389	85,362	91,196
Financial assets	24	9,793	2,494	18,054
Cash and cash equivalents	25	367,417	247,307	196,789
Prepayments and accrued income	26	8,480	11,115	6,712
<b>SHORT-TERM ASSETS</b>		<b>1,116,429</b>	<b>1,137,305</b>	<b>1,138,457</b>
<b>TOTAL ASSETS</b>		<b>13,396,495</b>	<b>13,194,420</b>	<b>12,415,031</b>

The accompanying notes from 1 to 43, set out below, form an inseparable part of these financial statements.

**HŽ INFRASTRUKTURA d.o.o., ZAGREB**  
**BALANCE SHEET**  
**As at 31 December 2015**

DESCRIPTION	Note	31 Dec 2015 HRK '000	31 Dec 2014 HRK '000 restated	1 Jan 2014 HRK '000 restated
<b>CAPITAL AND RESERVES</b>	27			
Share (subscribed) capital		224,188	224,188	224,188
Capital reserves		9,032,201	8,312,335	7,899,597
Retained earnings		35,927	24,778	45,387
Profit/(Loss) for the period		10,924	(9,303)	(838,018)
<b>CAPITAL AND RESERVES</b>		<b>9,303,240</b>	<b>8,551,998</b>	<b>7,331,154</b>
Provisions	28	99,416	78,835	104,693
Borrowings	29	1,846,224	2,146,159	1,030,287
<b>Long-term liabilities</b>		<b>1,945,640</b>	<b>2,224,994</b>	<b>1,134,980</b>
Payables to related parties	38	117,186	189,430	400,935
Liabilities for loans, deposits, etc.	30	133,298	142,539	141,405
Borrowings from banks and other financial institutions	31	305,826	274,372	245,681
Prepayments received	32	9,296	11,144	60
Trade payables	33	103,088	285,851	385,802
Liabilities due to employees	34	37,262	31,099	31,390
Liabilities for taxes, contributions and similar fees	35	23,206	23,470	25,098
Other liabilities	36	336,618	224,724	83,695
Accrued expenses and deferred income	37	1,081,835	1,234,799	2,634,831
<b>Short-term liabilities</b>		<b>2,147,615</b>	<b>2,417,428</b>	<b>3,948,897</b>
<b>TOTAL CAPITAL AND LIABILITIES</b>		<b>13,396,495</b>	<b>13,194,420</b>	<b>12,415,031</b>

The accompanying notes from 1 to 43, set out below, form an inseparable part of these financial statements.

**HŽ INFRASTRUKTURA d.o.o., ZAGREB**  
**STATEMENT OF CHANGES IN EQUITY**  
**As at 31 December 2015**

DESCRIPTION	Share capital	Capital reserves	Public good	Accumulated loss	Profit/loss for the current year	TOTAL
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
<b>Balance as at 31 December 2013</b>	<b>224,188</b>	<b>350,640</b>	<b>7,548,957</b>	<b>0</b>	<b>(838,018)</b>	<b>7,285,767</b>
Restatement	0	0	0	45,387	0	43,387
<b>Balance as at 1 January 2014 (Restated)</b>	<b>224,188</b>	<b>350,640</b>	<b>7,548,957</b>	<b>45,387</b>	<b>(838,018)</b>	<b>7,331,154</b>
Loss allocation for 2013	0	0	0	(838,018)	838,018	0
Impairment of technical documentation	0	0	(39,446)	0	0	(39,446)
Capital IPA	0	40,478	0	0	0	40,478
Transfer of public good	0	0	(52)	0	0	(52)
Property, plant and equipment activated from the budget	0	0	1,151,395	0	0	1,151,395
Depreciation of property, plant and equipment	0	0	328,509	0	0	328,509
Net book value of disposed assets	0	0	(250,737)	0	0	(250,737)
Loss covered by the public good	0	0	(817,409)	817,409	0	0
Loss for the current year	0	0		0	(9,303)	(9,303)
<b>Balance as at 31 December 2014</b>	<b>224,188</b>	<b>391,118</b>	<b>7,921,217</b>	<b>24,778</b>	<b>(9,303)</b>	<b>8,551,998</b>
Loss allocation for 2013	0	0	0	(9,303)	9,303	0
Investments from borrowings	0	0	289,909	0	0	289,909
Capital IPA	0	19,644	0	0	0	19,644
Transfer of public good	0	0	(16,670)	0	0	(16,670)
Property, plant and equipment activated from the budget	0	0	785,974	0	0	785,974
Depreciation of property, plant and equipment	0	0	(322,111)	0	0	(322,111)
Net book value of disposed assets	0	0	(16,428)	0	0	(16,428)
Loss covered by the public good	0	0	(20,452)	20,452	0	0
Profit for the current year	0	0	0	0	10,924	10,924
<b>Balance as at 31 December 2015</b>	<b>224,188</b>	<b>410,762</b>	<b>8,621,439</b>	<b>35,927</b>	<b>10,924</b>	<b>9,303,240</b>

The accompanying notes from 1 to 43, set out below, form an inseparable part of these financial statements.



**HŽ INFRASTRUKRA d.o.o. , ZAGREB**  
**STATEMENT OF CASH FLOWS**  
**As at 31 December 2015**

DESCRIPTION	2015 HRK '000	2014 HRK '000
<b>Cash flow from operating activities</b>		
Profit before tax	10,924	(9,303)
Depreciation	49,859	50,027
Impairment provision	29,422	43,942
Interest expense	(2,587)	(2,891)
Interest income	24,828	41,492
Dividend income	(6)	(129,858)
Gain on disposal of fixed assets	(30,717)	(265)
Income from reversal of provisions	(10,205)	(58,845)
Change in inventories	71,496	(17,745)
Change in receivables from related companies	102,696	38,235
Change in trade receivables	(42,834)	8,104
Change in receivables from the employees	48	(49)
Change in receivables from the state and other institutions	(18,151)	6,135
Change in other receivables	2,973	5,835
Change in prepayments and accrued income	2,636	(4,404)
Use of provisions	30,786	32,986
Change in payable to related companies	(72,244)	(211,505)
Change in prepayments received	(1,848)	11,084
Change in trade payables	(182,763)	(99,950)
Change in liabilities to the employees	6,162	(290)
Change in liabilities for taxes and contributions	(264)	(1,628)
Change in other liabilities	111,895	141,026
Change in accrued expenses and deferred income	398,933	123,767
Interests paid	2,587	2,891
Interests received	(24,828)	(41,492)
Dividend receipts	6	129,858
<b>Net cash flow from operating activities</b>	<b>458,805</b>	<b>57,157</b>
<b>Cash flow from investing activities</b>		
Proceeds from sale of long term assets	30,761	39,257
Proceeds from sale of financial assets	1,315	17,152
Purchase of tangible and intangible assets	(727,247)	(1,214,211)
Investments in financial assets	(8,307)	(2,108)
<b>Net cash flows from investing activities</b>	<b>(703,478)</b>	<b>(1,159,910)</b>
<b>Cash flow from financing activities</b>		
Proceeds from loans	887,491	1,219,502
Proceeds from collection of long term receivables	7,274	9,351
Repayment of loans	(529,981)	(75,583)
<b>Net cash flows from financing activities</b>	<b>364,784</b>	<b>1,153,270</b>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>120,111</b>	<b>50,517</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD</b>	<b>247,307</b>	<b>196,789</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD</b>	<b>367,417</b>	<b>247,307</b>

The accompanying notes (1 - 43), set out below, form an inseparable part of financial statements.

## **1. GENERAL**

### **1.1. Activity**

HŽ INFRASTRUKTURA d.o.o., Zagreb, Mihanovićeve 12, ("the Company") is engaged in managing, maintenance and building of railroad infrastructure as its basic activity.

### **1.2. Employees**

The number of staff employed by the Company at 31 December 2014 was 5,029 employees (31 December 2014: 5,097 employees).

The structure of the staff by qualification level is presented below:

	<b>At 31 December 2015</b>	<b>At 31 December 2014</b>
Doctor's degree	2	2
Master's degree	59	60
University degree	614	600
Two-year post secondary diploma	462	473
Secondary school certificate	2.651	2.687
Skilled workers	188	790
Unskilled workers	47	23
High skilled workers	113	133
Low-skilled qualification	873	309
Semi-skilled workers	20	20
<b>Total</b>	<b>5,029</b>	<b>5,097</b>

### **1.3. Supervisory and Management Board of the Company**

**Members of the Supervisory Board of the Company are as follows:**

Ivan Miloš	president
Nikolina Brnjac	vice president
Tatjana Golojuh Luketa	member
Tomislav Jukić	member
Slavko Prleta	member

**Members of the Management Board are as follows:**

Ivan Kršić	member of the Management Board - director
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The amount of compensation to members of the Management Board of the Company is stated in Notes 8 and 10 to the financial statements.



## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Set out below are the principal accounting policies.

### **2.1. Statement of compliance and basis of presentation**

The financial statements of the Company for 2015 are prepared in accordance with the Accounting Act (Official gazette No 109/07, 54/13 and 121/14) and the International Financial Reporting Standards ("IFRS") effective in the European Union, and in accordance with the Regulation on the Structure and Content of Annual Financial Statements (Official gazette No 38/08, 12/09, 130/10).

Financial statements are prepared with the application of the basic accounting assumption of the occurrence of a business event upon which the effects of operations are recognized when arisen and are shown in the financial statements for the period to which they relate and with the application of the basic accounting assumption of the concept of going concern.

The financial statements of the Company are prepared in the Croatian kuna ("HRK") as functional and reporting currency of the Company. The financial statements are presented in thousands of Croatian kuna (HRK '000). On 31 December 2015 the official exchange rate was 7.64 HRK for 1 EUR (31 December 2014: 7.66 HRK), HRK 6.99 for 1 USD (31 December 2014: HRK 6.30).

On 18 July 2013 new Law on railway came into force, in which the railway infrastructure is defined as the assets owned by the Republic of Croatia which is accounted for separately in the business records of the company which operates the railway infrastructure. This asset owned by the Republic of Croatia is disclosed in these financial statements as the public good, or the public capital. In accordance with the Law on railway it is regulated that the accumulated losses and the difference between the income and expenses in the current year are covered from the public capital.

### **2.2. Key estimates and uncertainty of estimates**

Certain estimates are used during the preparation of the financial statements which have inflow to the statement of property and liabilities of the Company, income and expenses of the Company and the disclosure of potential liabilities of the Company.

Future events and their effects cannot be predicted with certainty, thus the real results may differ from those estimated. The estimates made during the preparation of the financial statements are subject to changes from the occurrence of new events, by gaining additional experience, obtaining additional information and comprehensions and by the change in the environment in which the Company operates.

Key estimates used by the application of accounting policies during the preparation of the financial statements relate to the calculation of depreciation of the long-term intangible and tangible assets, impairment provision of assets, impairment provision of inventories, impairment provision of receivables, provisions and the disclosure of potential liabilities.

In addition to the separate financial statements, the Company also prepares the consolidated financial statements. These financial statements should be read together with the consolidated financial statements which will be available in the register of the annual financial statements.



## 2.3. Adoption of new and revised international financial reporting standards (IFRS)

### *Standards and Interpretations effective in the current period*

Annual Improvements from 2011 to 2013 Cycle have been applied in the EU for accounting periods beginning on or after 1 January 2015, also with earlier application permitted. They include:

- IFRS 3 Business Combinations,
- IFRS 13 Fair Value Measurement,
- IAS 40 Investment Property;

IFRIC 21 Levies (Effective in the EU for accounting periods beginning on or after 17 June 2014, with earlier application permitted).

Application of the above mentioned Standards did not have effect on the financial statements for the period ended 31 December 2015.

### *New and revised IFRSs adopted by the EU in issue but not yet effective*

- Changes and amendments to IAS 19 Defined Benefit Plans: Employee Contributions - IAS 19 requires subjects to consider employee or third party contributions when accounting their earnings. This amendment is effective in the EU for accounting periods beginning on or after 1 February 2015, with earlier application permitted. The Company does not expect this amendment to be relevant to the Company.
- Annual Improvements from the 2010 to 2012 Cycle, as changes and amendments, are effective in the EU for accounting periods beginning on or after 1 February 2015, with earlier application permitted. It is not expected that they will have any significant impact on the Company. They include:
  - IFRS 2 Share-based Payment,
  - IFRS 3 Business Combinations,
  - IFRS 8 Operating Segments,
  - IFRS 13 Fair Value Measurement
  - IAS 16 Property, Plant and Equipment and IAS 38 Intangible assets,
  - IAS 24 Related Party Disclosures

### *New and revised IFRSs issued by the IASB but not yet adopted by the EU*

The following standards and amendments to the existing standards have not been adopted for use in the EU yet:

- IFRS 9 Financial Instruments - in July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which contains complete project of the financial instruments replacing IAS 39 Financial Instruments: Recognition and measurement, and all other preceding versions of IFRS 9. IFRS 9 is effective for the annual period beginning on or after 1 January 2018; earlier applications is permitted. The application of this standard will not have a significant impact on the Company due to the fact that the most significant financial assets of the Company are receivables.



### 2.3. Adoption of new and revised international financial reporting standards (IFRS) (continued)

- IFRS 14 Regulatory Deferral Accounts - this standard relates to subjects that operate on regulated markets and are applying the IFRS for the first time. IFRS 14 is effective for the annual period beginning on or after 1 January 2016. The Company prepares its Financial Statements in accordance with the IFRS and therefore this standard is not applicable.
- IFRS 15 Revenue from Contracts with Customers - IFRS 15 was issued in May 2014 and represents a new model in five steps that relate to revenues from contracts with customers. The Management Board is performing a detailed analysis regarding possible effects of the mentioned standard on the Company's financial statements.
- Annual Improvements to IFRSs 2012-2014 Cycle
  - IFRS 5 Long-term Assets Held for Sale and Discontinued Operations
  - IFRS 7 Financial Instruments: Disclosures (with consequential amendments to IFRS 1)
  - IAS 19 Employee Benefits
  - IAS 34 Interim Financial Reporting

The effective date of the amendments is 1 January 2016. Earlier application is allowed.

- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued in September 2014)
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception (issued in December 2014)
- Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations (issued in May 2014)
- Amendments to IAS 1 Disclosure Initiative (issued in December 2014)
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation (issued in May 2014)
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants (issued in June 2014)
- Amendments to IAS 27 Equity Method in Separate Financial Statements (issued in August 2014)

The Management Board expects that the application of the mentioned standards, amendments and interpretations will not have materially significant impact on the financial statements in the period of their initial application.

### 2.4. Reporting currency

The financial statements of the Company are prepared in the Croatian kuna ('HRK'), which is a measuring and reporting currency of the Company rounded to the closest thousand.

### 2.5. Foreign currency transactions

Transactions in currencies other than Croatian Kuna are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date. Foreign currency exchange gains and losses which occur on settlement of such transactions, and on conversion of monetary assets and liabilities are included in the Comprehensive Income Statement for the current year.



Non-monetary items that are measured at historical cost in a foreign currency are translated at the rate valid on the date of the transaction.

Non-monetary items and liabilities carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

## **2.6. Revenue recognition**

Revenue is recognized at the fair value of the compensation received or receivables for products and services sold during Company's regular activities. Revenue is reduced for value added tax, estimated customer returns, rebates and discounts. The Company recognizes revenue when it can be reliably measured, and if the Company will have the economic benefits and when specific criteria for all Company's activities are met.

### **a) Revenue from sale of services**

Revenue from the sales of services is recognized on that date it incurred, i.e. in the moment railway has been used. The moment when revenue have been incurred is the period in which the user has left the railway managed by the Company, without taking into account the moment in which the user started to use the railway. Revenue from these services represent the revenue which is being charged to the user of the public good.

Revenue from rendering services, except revenue from the usage of the railway, is recognised in accordance with the percentage of completion of the services. Percentage of completion is measured by the proportion of the incurred expenses in total estimated expenses needed for the completion of the service. If it is difficult to estimate the final outcome (e.g. due to uncertainty of collection) the revenue is recognised up to the amount which is expected to be collected, but not more than total incurred expenses per such agreement.

### **b) Revenue from sale of goods**

Revenue from sale of goods is recognised when the Company has transferred significant risks and benefits of the ownership of the goods to the buyer and if it is probable that the Company will receive the previously agreed payments. These criteria are considered to be met when the goods are delivered to the buyer, respectively when the adequate invoices are issued. Where the buyer has a right for the return, the Company defers recognition of revenue until the right to return has lapsed. However, where the Company retains only insignificant risks of ownership due to the right of return, revenue is not deferred.

### **c) Interest income**

Interest income is accrued on a time basis, based on outstanding principal and at the applicable effective interest rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or to the net carrying amount of the financial asset. Interest income is included in finance income in the Statement of comprehensive income.



**d) State subsidies**

State subsidies for maintenance of the railway infrastructure are recognised in the Statement of comprehensive income on the consistent basis in the period in the Company recognises expenses for whose coverage subsidies are being given.

Receivables for state subsidies for recovery of expenses or losses which have already incurred, or for the purpose of immediate financial support to the Company with no future related expenses, are recognised as income in the period in which receivable was initially recognised.

**2.7. Operating expenses**

Operating expenses comprise of material cost, service cost, maintenance cost, staff cost, depreciation of property, plant and equipment, depreciation of the public good (railway infrastructure) and other operating expenses covered directly by the operating income.

Recognition of expenses is postponed for future periods if recognition of revenues is expected in future periods.

**2.8. Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Other borrowing costs are recognized as expense.

Borrowing costs include interest on bank overdrafts, short-term and long-term borrowings, and foreign exchange effects of borrowings in foreign currency, in the amount which is considered as adjustment of the interest expense.

**2. 9. Income tax**

The tax currently payable is based on the result for the year, adjusted by non-taxable and tax non-deductible items. Income tax is calculated using tax rates that were valid on the date of the Balance Sheet.

Deferred tax assets and deferred tax liability arise from temporary differences between the value of assets and liabilities stated in the financial statements and the values used for the income tax calculation. Deferred tax assets and deferred tax liabilities are calculated using the income tax rates applicable to the future period when temporary differences are expected to be recovered or settled, usually income tax rates used are those prevailing on the Balance sheet dates.

Deferred tax assets are recognized up to the amount for which it is probable that in the future there would be a sufficient net taxable income against which deferred tax assets could be recovered. Deferred tax assets is assessed for the recoverability at each Balance sheet date.



## 2.10. Long-term intangible and tangible assets

Long-term intangible and tangible assets are carried at historic acquisition cost which comprises purchase price, import duties and non-refundable sales taxes, after the deduction of commercial discounts and rebates, as well as all other costs directly attributable to bringing the asset to its working condition for its intended use.

Long-term intangible and tangible assets are recognized if it is likely that future economic benefits attributable to the assets will inflow to the Company, and if the cost of the acquisition of an asset can be reliably measured, and if a single purchase value of property exceeds HRK 3,500.

After the first recognition, the property is carried at historic acquisition cost minus the accumulated depreciation and any accumulated impairment losses.

Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Where it is obvious that the expenses incurred resulted in an increase of the expected future economic benefits to be derived from the use of an item of long-term intangible or tangible property in excess of the originally assessed standard performance of the asset, they are added to the carrying amount of the asset. Gains or losses on the retirement or disposal of long-term intangible and tangible asset are included in the Comprehensive Income Statement in the period in which they occur.

Depreciation is charged so as to write-off the cost or valuation of each asset, other than land and long-term intangible and tangible property under construction, over their estimated useful lives, using the straight-line method, on the following basis:

	Depreciation rate (from - to %)	
	2015	2014
Concessions, patents, licenses, trade and service brands, software and other rights	5	5
Buildings	10-100	10-100
Plant and equipment	2-14	2-14
Tools, plant inventories and transportation assets	4-20	4-20
Other material assets	10-50	10-50

## 2.11. Financial assets

Financial assets represents the cash, the investments in cash, objects and the cession of rights with an intention of securing income and is classified on the date of the Balance Sheet, as follows:

- financial assets intended for trade whose change in the fair value is recognized in the Comprehensive Income Statement;
- investments held to the maturity date;
- loans and receivables.



## 2.12. Investments in related parties

Subsidiary companies are the companies where the Company has a control over making and implementing financial and business policies.

Associated companies are the companies where the Company has significant influence, but not a control over making and implementing financial and business policies.

Investments in subsidiary and associated companies are stated at cost method.

## 2.13. Inventories

Inventories are stated at the lower of cost and net realizable value.

Cost of raw material and material inventory include purchase price, import customs and other expenses which can be directly ascribed to supply of raw material and material; commercial discounts and similar items are subtracted when determining purchase expenses. Cost of inventories of merchandise is recognized at the weighted average cost method.

Small inventory include tools, operative and office inventory as similar working assets with intended use up to one year and assets that are not considered long-term. By putting small inventories and car-tires in use as well as spare parts, they are included in expenses through a one-time write-off method.

Expenditure, i.e. packaging write-off is postponed until the suppliers receive information on the packaging character (disposable or non-disposable).

After the sale, the Company recognizes the carrying value of inventories as an expense in the period in which respective income is recognized. Also the amount of any write-off of inventories up to the net marketable value, and all shortages of inventories are recognized as an expense in the period of write-off or the occurrence of the shortage. The amount of any cancellation of inventory write-off as a result of the increase in net marketable value is recognized as the increase in value of inventories in a period in which the cancellation occurred.

## 2.14. Receivables

Receivables are initially measured at fair value. At each Balance Sheet date, receivables, whose collection is expected in a period longer than a year, are stated at depreciated cost by the application of the effective interest rate method less impairment provision. Short-term receivables are stated at the initially recognized amount less the corresponding amount of impairment provision for the estimated uncollectable amounts.

The value of receivables is impaired and impairment losses arise if objective evidence exists in respect of a value decrease resulted from one or more events which occurred after the initial recognition of property, when such an event has the impact on the estimated future cash flows from receivables which can be reliably determined. On each Balance Sheet date, it is estimated whether there is an objective evidence of the impairment of a single receivable. If objective evidence of the impairment of the receivable exist, than the amount of loss is measured as a difference between the net book value and the estimated future cash flows. The amount of a loss is recognized by charging the Comprehensive Income Statement for the current year.



#### 2.15. Cash and cash equivalents

Cash consists of balances with banks and cash in hand, demand deposits and securities payable at call or with maturities of up to three months.

#### 2.16. Impairment

On each Balance Sheet date, the Company reviews the carrying amounts of its assets to determine whether there are any indications that these assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Loss from the impairment in value of the assets is recognized as an expense in the Comprehensive Income Statement.

#### 2.17. Financial instruments

Financial instruments are classified as assets, liabilities or equity instruments in accordance with the substance of underlying contracts. Interest, gains and losses on financial instruments classified as financial assets or liabilities are recognized as income or expense when they arise.

Investments are recognized on the date of trading.

Liabilities are initially recognised at fair value plus transaction cost, and subsequently measured at amortised cost.

Interest-bearing bank borrowings and overdrafts are disclosed in the amount of funds received and to the extent of approved overdrafts facility.

#### 2.18. Leases

Leases are classified as business/operating leases if almost of the risks and economic benefits connected with ownership are not transferred from the lessor to the lessee.

A business/operative lease is recognized as an expense in the Comprehensive Income Statement of the lessee on the straight-line basis during the period of lease.

Leases of property, plant and in which the Company bears all the risks and economic benefits are classified as financial leases.

Finance leases are initially recognised at the lower of the fair value of the leased assets or the present value of the minimum lease payments.

Lease payments are split on interest cost and repayment of the finance lease.

#### 2.19. Provisions

A provision is recognized only when the Company has a present obligation as a result of a past event and if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and if a reliable estimate can be made as to the amount of the obligation. Provisions are reviewed on each Balance Sheet date and adjusted to reflect the current best estimate.

Provisions are determined for costs of legal proceedings and costs of jubilee awards to employees and retirement costs (regular jubilee awards and severance pays).

## **2.20. Employee benefits**

The Company has no defined post-retirement benefits for its employees or Management, except related to Republic of Croatia pension fund.

Obligation of the Company relate to payment of contributions in accordance with the laws in force. These contributions are disclosed within staff costs in the Statement of comprehensive income.

The Company pays employees jubilee awards and one-time severance payments upon retirement. The liabilities and expenses for these payments are determined with the application of the projected unit credit method. By using projected unit credit method, each period of seniority is observed as the basis for additional units of eligibility to allowances and each unit is measured separately until the realization of final liabilities. This liability is determined at the present value of projected future cash outflow with the application of the discount rate which is similar to the interest rate of State bonds in Croatia.

## **2.21. Contingent liabilities and assets**

Contingent liabilities are not recognized in the financial statements but disclosed in the notes to the financial statements.

A contingent asset is not recognized in the financial statements but disclosed in the moment when an inflow of economic benefits is probable.

## **2.22. Events after the Balance Sheet**

Events which occur after the Balance Sheet date that provide additional information about the Company's position on the date of the Balance Sheet (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

## **2.23. Comparative data**

Comparative information were restated due to correction of an error, as described in the following paragraph.



## 2.24. Adjustments referring to earlier years - restatement of the financial statements for 2014 and 2013

In 2015, the Company adjusted certain positions of financial statements referring to earlier years. Adjustments were made retroactively by restating the financial statements for earlier comparative periods and their effects are stated below.

	Statement on Comprehensive Income		
	Before	Adjustment	Restated
	2014		2014
	HRK'000	HRK'000	HRK'000
Other operating revenues	1.125.747	89	1.125.836
Provisions	(24.000)	8.986	(32.986)
Other operating costs	(32.710)	19	(32.729)
Interest income, foreign exchange gain, dividends and similar income from third parties	2.299	161	2.460
Interest income, foreign exchange gain, dividends and similar income from third parties			
Interest expense, foreign exchange loss, dividends and similar expenses from third parties	(40.207)	704	(40.911)

	Balance sheet		
	Before	Adjustment	Restated
	31 December 2014		31 December 2014
	HRK'000	HRK'000	HRK'000
Raw materials	537.528	(19)	537.509
Receivables from the State and other institutions	17.010	89	17.099
Retained earnings / (accumulated loss)	(20.609)	45.387	24.778
Profit / (loss) for the period	157	9.146	(9.303)
Provisions	69.878	8.956	78.835
Liabilities for loans, deposits, etc.	187.835	(45.296)	142.539
Borrowings from banks and other financial institutions	274.533	(161)	274.372
Trade payables	285.913	(62)	285.851
Accrued expenses and deferred income	1.234.095	704	1.234.799

	Balance sheet		
	Before	Adjustment	Restated
	31 December 2013		31 December 2013
	HRK'000	HRK'000	HRK'000
Retained earnings / (accumulated loss)	0	45.384	45.384
Provisions	104.723	(30)	104.693
Liabilities for loans, deposits, etc.	186.701	(45.296)	141.405
Accrued expenses and deferred income	385.863	(62)	385.801

The financial statements for 2014 were restated due to the fact that the provision for litigation as at 31 December 2014 of HRK 8,986 thousand was subsequently identified which also affected net result for 2014. Profit for the period before restatement amounted to HRK 157 thousand and it was decreased by the above mentioned adjustment. After the restatement the Company made a loss for the period of HRK 9,303 thousand

In the financial statements for 2014 retained earnings were also restated for HRK 45,387 thousand. Stated amount relates to the following:

- Netting-off of assets and liabilities to CERP of HRK 45,296 thousand in accordance with the compensation agreement dated 24 September 2014 by transferring properties owned by Republic of Croatia in land registry of Vinkovci, Kozala and Koprivnica
- Reversal of provision for litigation closed in prior years of Željezničkog ugostiteljstva of HRK 30 thousand, and
- Storno of invoice from supplier Velkom d.o.o. for contract penalty of HRK 62 thousand.

In the financial statements for 2014 additional minor corrections were made which increased the net result:

- Correction of tariffs in 2014 of HRK 89 thousand,
- Correction of exchange differences related to repayment of the first instalment for borrowing from Erste&Steiermarkische bank d.d. of HRK 161 thousand.

and corrections which decreased the net result for 2014:

- Correction of material shortage which was noted subsequently (Ploče-Mahično) of HRK 19 thousand
- Correction of foreign exchange differences related to borrowing from Privredna banka Zagreb d.d., Istarska kreditna banka Umag d.d., OTP banka d.d. and EBRD of HRK 704 thousand.



## NOTES TO THE COMPREHENSIVE INCOME STATEMENT

### 3. SALES REVENUES

P O S I T I O N	2015	2014
	HRK'000	HRK'000
Income from fees for access to railway infrastructure - related companies	109,878	123,913
Income from fees for access to railway infrastructure - others	681	378
Revenue from informatics services - related companies	7,736	11,871
Revenue from the formation and dissolution of the composition train - related companies	33,087	27,467
Revenue from the formation and composition of the train - others	15	36
Revenue from using railway stations - related companies	7,607	352
Revenue from fees for capacity reservations - related companies	1,241	0
Income from sale of tickets - related companies	1,770	2,133
Income from rent of premises - related companies	6,841	6,951
Income from rent of premises	11,982	12,028
Income from rent of optical equipment - related companies	415	637
Income from rent of optical equipment	2,441	2,578
Income from rent of machines and equipment - related companies	4,436	4,447
Income from rent - other	3,774	2,923
Income from secondary activities - related companies	134	210
Income from secondary activities	1,207	1,220
Revenue from the sale of material - related companies	338	149
Revenue from the sale of material	12,400	15,322
Revenue from other services and works - related companies	1,818	1,656
Revenue from other services and works	290	5
<b>TOTAL</b>	<b>208,091</b>	<b>214,276</b>

#### **4. OTHER OPERATING INCOME**

	2015	2014
P O S I T I O N	HRK'000	HRK'000
Income from the Budget of the Republic of Croatia for the railroad infrastructure	516,000	516,000
Income from the Budget of the Republic of Croatia for the railroad infrastructure - excise	440,000	436,490
Income from the Budget of the Republic of Croatia at the level of proportional part of depreciation	34,518	33,857
Income from consumption of own products	4,600	12,204
Income from cassation	28,430	27,515
Income from rent of official flats	2,873	1,500
Income from the sale of flats (35%)	3,620	3,695
Income from recalculation of costs - related companies	1,155	1,281
Income from reimbursement of damages - related companies	317	19,373
Income from reimbursement of damages	1,661	1,393
Surpluses of fixed assets	239	3,144
Income from co-financing	1,619	1,451
Income from release of provisions	10,205	58,845
Income from collection of value adjusted receivables	41,788	5,768
Income from sale of property	30,717	265
Trade payables write-off	1,919	0
Income from penalties	1,107	0
Other income - related companies	2,085	844
Other income	5,258	2,210
<b>Total</b>	<b>1,128,110</b>	<b>1,125,835</b>

#### **5. COST OF RAW MATERIAL AND SUPPLIES**

	2015	2014
P O S I T I O N	HRK'000	HRK'000
Cost of raw material and supplies	62,491	38,989
Spare parts	14,983	11,250
Cost of small inventory	8,301	7,309
Energy	11,021	13,744
Energy - related companies	23,935	24,002
<b>Total</b>	<b>120,731</b>	<b>95,294</b>



## 6. COSTS OF GOODS SOLD

Costs of goods sold in the amount of HRK 12,143 thousand (2014: 12,022 thousand HRK) relate to the purchase value of goods sold.

## 7. OTHER EXTERNAL CHARGES

POSITION	2015	2014
	HRK'000	HRK'000
Telephone, postal services and transport costs	4,639	4,750
Transport costs - related companies	9,125	9,095
Maintenance	68,935	51,466
Maintenance - related companies	143,533	186,373
Rental costs and lease	10,867	8,448
Rental costs and lease-related companies	16	160
Cleaning services - related companies	11,075	12,908
Safe-keeping services on property	4,504	4,570
Utility costs	2,248	2,622
Other external costs	1,740	3,506
Other external costs - related companies	74	41
<b>Total</b>	<b>256,756</b>	<b>283,939</b>

## 8. STAFF COSTS

POSITION	2015	2014
	HRK'000	HRK'000
Net salaries and wages	410,184	411,730
Taxes and contributions from salaries	155,494	165,511
Contributions on salaries	106,062	105,268
<b>Total</b>	<b>671,740</b>	<b>682,509</b>

Total staff costs also include compensations for employee expenses as well as their material rights (Note 10) and for 2015 amount HRK 727,208 thousand (2014: HRK 818,942 thousand). Compensations for employee expenses cover commuting expenses, allowances and travelling expense, while employee's material rights imply occasion help, awards, presents and expenses for unused vacation days.

Net salaries also include Directors' and executives remuneration in the amount of 700 thousand HRK (2014: 941 thousand HRK.)

## 9. DEPRECIATION

P O S I T I O N	2015	2014
	HRK'000	HRK'000
Depreciation of intangible assets	18,902	17,342
Depreciation of property, plant and equipment	30,957	32,685
<b>Total</b>	<b>49,859</b>	<b>50,027</b>

## 10. OTHER COSTS

P O S I T I O N	2015	2014
	HRK'000	HRK'000
Daily allowances and travelling costs	5,821	7,604
Compensation of costs to employees, grants and subventions	49,647	128,829
Business entertainment expenses	119	278
Compensation to members of the Supervisory Board	248	248
Compensations to members of the Auditors Committee	98	98
Intellectual services	2,405	1,120
Education and training, scholarships	2,257	2,992
Health services (medical examinations and other)	127	183
Insurance premiums	358	435
IT maintenance (SAP)	3,131	3,089
Banking services and payment system costs	489	416
Contributions, memberships and similar fees	34,370	32,918
Water management fee, etc. - related companies	6,385	6,391
Net book value of written-off assets	105	2,087
Deficit	1,423	16,060
Value adjustment of nominal share value	308	9
Value adjustment of obsolete inventories	8,243	621
Value adjustment of abolished material and inventories write-off	2,895	18
Damages, court expenses and similar	5,775	3,642
Costs connected to damages - related companies	2,401	7,449
Other costs	4,884	9,698
Other costs - related companies	1,185	1,763
<b>Total</b>	<b>132,674</b>	<b>225,948</b>

## 11. IMPAIRMENT

P O S I T I O N	2015	2014
	HRK'000	HRK'000
Value adjustments of short-term receivables	4,107	6,323
Value adjustments of short-term receivables - related companies	25,315	37,619
<b>Total</b>	<b>29,422</b>	<b>43,942</b>



## 12. PROVISIONS

	2015	2014
POSITION	HRK'000	HRK'000
Provisions for incentive severance pays	128	24,000
Provisions for legal proceedings	30,658	8,986
<b>Total</b>	<b>30,786</b>	<b>32,986</b>

## 13. FINANCIAL INCOME AND EXPENSES

/i/ Financial income is shown in the table below:

	2015	2014
POSITION	HRK'000	HRK'000
<u>From related parties</u>		
Income from share in the profit Pružne građevine d.o.o.	0	129,852
Interest income	177	924
	177	130,776
<u>From non-related parties and other entities</u>		
Interest income	2,410	1,967
Foreign exchange gains	2,041	0
Dividend income and a share in the profit	6	6
	4,457	1,973
<b>Total</b>	<b>4,634</b>	<b>132,749</b>

/ii/ Financial expenses are shown in the table below:

	2015	2014
POSITION	HRK'000	HRK'000
<u>From related parties</u>		
Interest income	7,883	2,500
	7,883	2,500
<u>From non-related parties and other entities</u>		
Interest income	16,945	38,992
Foreign exchange losses	0	1,431
	16,945	40,423
<u>Other financial expenses</u>		
Other financial expenses	973	12,573
	973	12,573
<b>Total</b>	<b>25,801</b>	<b>55,496</b>

#### 14. CORPORATE INCOME TAX

Corporate income tax is calculated according to legal regulations of the Law and Regulations on Corporate Income Tax. The tax balance for 2015 and 2014 was 20%.

The reconciliation of accounting profit to taxable profit was made as follows:

P O S I T I O N	2015	2014
	HRK'000	HRK'000
Accounting loss	10,924	(9,303)
Profit increase / Loss decrease	49,388	58,372
Profit decrease / Loss increase	(10,013)	(182,987)
Tax loss	50,299	(133,918)
<b>Tax losses to carry forward</b>	<b>(1,129,547)</b>	<b>(1,179,845)</b>

Tax losses to be carried forward for the purpose of reducing taxable profit are available for the Company in the period of next five (5) years. As at 31 December 2015, total net accumulated losses are determined in the amount of HRK 1,129,547 thousand.

The net amount of tax losses of HRK 1,129,547 thousand available for transfer may be utilized as follows, until:

Description	HRK'000
31 December 2016	3,606
31 December 2017	208,467
31 December 2018	783,555
31 December 2019	133,918

The benefits of tax losses carried forward have not been recognized in these financial statements because of uncertainty as to whether the conditions to utilize them will exist in the future periods.



NOTES TO THE BALANCE SHEET / STATEMENT OF FINANCIAL POSITION

15. INTANGIBLE ASSETS

Description	Licenses, software and other rights
	HRK
<b>Cost</b>	
1 January 2014	167,551
Increase	185,496
Disposals or retirements	(174,894)
31 December 2014	178,154
Increase	38,523
Disposals or retirements	(3)
31 December 2015	216,674
<b>Accumulated depreciation</b>	
1 January 2014	106,108
Depreciation for 2014	17,342
31 December 2014	123,451
Depreciation for 2015	18,902
Disposals or retirements	(2)
31 December 2015	142,350
<b>Net carrying amount</b>	
1 January 2014	61,443
31 December 2014	54,703
31 December 2015	74,324

16. PROPERTY, PLANT AND EQUIPMENT

Description	Land	Buildings	Plant and equipment	Tools, plant inventory, transport vehicles	Other	Assets in preparation	Prepayments	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
1 January 2014	1,722,117	18,127,320	625,781	504,945	106,526	3,458,681	221,464	24,766,834
Increase	0	1,499,922	21,671	9,232	0	1,304,926	0	2,835,751
Reclassification	0	(93,961)	(10,359)	(79,020)	183,455	0	0	115
Decreases	0	0	0	0	0	(1,713,117)	73,810	(1,639,307)
Disposals or retirements	(5)	(318,365)	0	(788)	(119,776)	0	(92,068)	(531,002)
31 December 2014	1,722,112	19,214,916	637,093	434,369	170,205	3,050,490	203,206	25,432,391
Increase	166,460	744,411	27,055	13,054	0	616,783	28,972	1,596,735
Reclassification	0	(204,146)	(12,812)	(11,166)	231,073	0	0	2,949
Decreases	0	0	0	0	0	(982,677)	0	(982,677)
Disposals or retirements	(2,945)	(54,977)	(61)	(411)	(223,633)	0	(23,887)	(305,914)
31 December 2015	1,885,627	19,700,204	651,275	435,846	177,645	2,684,596	208,291	25,743,484
Accumulated depreciation								
1 January 2014	0	12,830,677	459,392	446,132	56,841	0	910	13,793,952
Depreciation for 2014	0	241,693	23,054	17,968	707	0	0	283,422
Reclassification	0	(83,117)	(11,883)	(78,950)	173,950	0	0	0
Disposals or retirements	0	(303,426)	0	(12)	(110,539)	0	(4)	(413,981)
31 December 2014	0	12,685,827	470,563	385,138	120,959	0	906	13,663,393
Depreciation for 2015	0	311,735	22,459	18,176	699	0	0	353,069
Reclassification	0	(176,581)	(20,191)	(10,996)	204,537	0	0	(3,231)
Disposals or retirements	0	(40,393)	(60)	(403)	(208,801)	0	0	(249,657)
31 December 2015	0	12,780,588	472,771	391,915	117,394	0	906	13,763,574



HŽ INFRASTRUKTURA d.o.o., ZAGREB  
 NOTES TO THE FINANCIAL STATEMENTS - continued  
 For the year ended 31 December 2015

Description	Land	Buildings	Plant and equipment	Tools, plant inventory, transport vehicles	Other	Assets in preparation	Prepayments	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
<b>Net carrying amount</b>								
1 January 2014	1,722,117	5,296,644	166,389	58,813	49,685	3,458,679	220,553	10,972,882
31 December 2014	1,722,112	6,529,089	166,530	49,229	49,245	3,050,489	202,299	11,768,998
31 December 2015	1,885,627	6,919,616	178,504	43,931	60,251	2,684,596	207,385	11,979,910

/i/ As at 31 December 2015, a significant number of properties were recorded into the ledger for which the Company has not regulated its ownership in the land register. The procedure for settlement of the ownership rights' relations is pending.

/ii/ As at 31 December 2015, assets under construction includes assets older than 5 years or more in the amount of HRK 824,055, out of which the amount of HRK 654,752 relates to the project of Lika railway line.

HŽ INFRASTRUKTURA d.o.o., ZAGREB  
NOTES TO THE FINANCIAL STATEMENTS - continued  
For the year ended 31 December 2015

**16. PROPERTY, PLANT AND EQUIPMENT (Public Domain)**

Description	Land	Buildings	Plant and equipment	Tools, plant inventory, transport vehicles	Other	Assets in preparation	Prepayments	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
<b>Cost</b>								
<b>1 January 2014</b>	<b>1,702,704</b>	<b>17,618,659</b>	<b>441,515</b>	<b>0</b>	<b>20,544</b>	<b>0</b>	<b>0</b>	<b>19,783,423</b>
Increase	0	0	0	60	0	328,509	0	328,569
Reclassification	0	(95,108)	(9,891)	0	104,999	0	0	0
Decreases	0	1,502,348	20,742	216	0	(1,523,306)	0	0
Transfer from the Company onto the Public Domain	0	0	0	0	0	1,194,797	0	1,194,797
Disposals or retirements	0	(314,071)	0	0	-42,296	0	0	(356,366)
<b>31 December 2014</b>	<b>1,702,704</b>	<b>18,711,828</b>	<b>452,366</b>	<b>276</b>	<b>83,248</b>	<b>0</b>	<b>0</b>	<b>20,950,423</b>
Increase	0	6,167	421	0	0	768,756	0	775,344
Reclassification	0	(185,971)	(9,602)	23	198,346	0	0	2,795
Transfer from tangible assets in preparation	6,710	735,936	26,110	0	0	(768,756)	0	(0)
Transfer from the Company onto the Public Domain	(13,729)	0	0	0	0	0	0	(13,729)
Disposals or retirements	(2,941)	(21,641)	0	0	(195,566)	0	0	(220,149)
<b>31 December 2015</b>	<b>1,692,744</b>	<b>19,246,319</b>	<b>469,294</b>	<b>298</b>	<b>86,028</b>	<b>0</b>	<b>0</b>	<b>21,494,683</b>
<b>Accumulated depreciation</b>								
<b>1 January 2014</b>	<b>0</b>	<b>12,515,997</b>	<b>292,625</b>	<b>0</b>	<b>19,607</b>	<b>0</b>	<b>0</b>	<b>12,828,229</b>
Depreciation for 2014		232,826	17,908	3	0	0	0	250,737
Reclassification	0	(83,585)	(11,364)	0	94,978	0	0	28
Disposals or retirements	0	(300,262)	0	0	(33,205)	0	0	(333,467)
<b>31 December 2014</b>	<b>0</b>	<b>12,364,975</b>	<b>299,169</b>	<b>3</b>	<b>81,380</b>	<b>0</b>	<b>0</b>	<b>12,745,527</b>
Depreciation for 2015	0	303,664	18,412	35	0	0	0	322,111
Reclassification	0	(164,322)	(16,990)	7	178,073	0	0	(3,231)
Disposals or retirements	0	(18,548)	0	0	(185,173)	0	0	(203,721)
<b>31 December 2015</b>	<b>0</b>	<b>12,485,770</b>	<b>300,591</b>	<b>46</b>	<b>74,280</b>	<b>0</b>	<b>0</b>	<b>12,860,686</b>



HŽ INFRASTRUKTURA d.o.o., ZAGREB  
 NOTES TO THE FINANCIAL STATEMENTS - continued  
 For the year ended 31 December 2015

Description	Land	Buildings	Plant and equipment	Tools, plant inventory, transport vehicles	Other	Assets in preparation	Prepayments	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Net carrying amount								
1 January 2014	1,702,704	5,102,663	148,890	0	937	0	0	6,955,195
31 December 2014	1,702,704	6,346,853	153,197	273	1,868	0	0	8,204,896
31 December 2015	1,692,744	6,760,549	168,703	253	11,748	0	0	8,633,997

HŽ INFRASTRUKTURA d.o.o., ZAGREB  
NOTES TO THE FINANCIAL STATEMENTS - continued  
For the year ended 31 December 2015

**16. PROPERTY, PLANT AND EQUIPMENT (The Company)**

Description	Land	Buildings	Plant and equipment	Tools, plant inventory, transport vehicles	Other	Assets in preparation	Prepayments	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
<b>Cost</b>								
<b>1 January 2014</b>	<b>19,413</b>	<b>508,661</b>	<b>184,266</b>	<b>504,945</b>	<b>85,982</b>	<b>3,458,679</b>	<b>221,464</b>	<b>4,983,410</b>
Increase	0	2,954	929	8,955	0	976,417	0	989,255
Reclassification	0	1,170	(467)	(79,020)	78,455	0	0	138
Transfer from tangible assets in preparation	0	0	0	0	0	(189,811)	0	(189,811)
Transfer onto the Public Domain	0	0	0	0	0	(1,194,797)	73,810	(1,120,987)
Disposals or retirements	(5)	(9,697)	0	(788)	(77,480)	0	(92,068)	(180,038)
<b>31 December 2014</b>	<b>19,408</b>	<b>503,088</b>	<b>184,728</b>	<b>434,092</b>	<b>86,956</b>	<b>3,050,489</b>	<b>203,206</b>	<b>4,481,967</b>
Increase	159,750	2,308	525	13,054	0	616,783	28,972	821,391
Reclassification	0	(18,175)	(3,210)	(11,189)	32,727	0	0	154
Transfer from tangible assets in preparation	0	0	0	0	0	(213,921)	0	(213,921)
Transfer onto the Public Domain	13,729	0	0	0	0	(768,756)	0	(755,027)
Disposals or retirements	(4)	(33,336)	(61)	(410)	(28,066)	0	(23,887)	(85,764)
<b>31 December 2015</b>	<b>192,883</b>	<b>453,886</b>	<b>181,982</b>	<b>435,548</b>	<b>91,617</b>	<b>2,684,595</b>	<b>208,290</b>	<b>4,248,800</b>
<b>Accumulated depreciation</b>								
<b>1 January 2014</b>	<b>0</b>	<b>314,680</b>	<b>166,768</b>	<b>446,132</b>	<b>37,233</b>	<b>0</b>	<b>910,305</b>	<b>965,723</b>
Depreciation for 2014		8,866	5,146	17,966	707,383	0	0	32,685
Reclassification	0	468	(519)	(78,950)	78,972	0	0	(28)
Disposals or retirements	0	(3,164)	0	(12)	(77,334)	0	(4)	(80,514)
<b>31 December 2014</b>	<b>0</b>	<b>320,850</b>	<b>171,394</b>	<b>385,136</b>	<b>39,579</b>	<b>0</b>	<b>906</b>	<b>917,865</b>
Depreciation for 2015	0	8,071	4,046	18,141	698,78	0	0	30,957
Reclassification	0	(12,259)	(3,201)	(11,004)	26,464	0	0	0
Disposals or retirements	0	(21,845)	(60)	(403)	(23,627)	0	0	(45,936)
<b>31 December 2015</b>	<b>0</b>	<b>294,817</b>	<b>172,180</b>	<b>391,869</b>	<b>43,115</b>	<b>0</b>	<b>906</b>	<b>902,887</b>



HŽ INFRASTRUKTURA d.o.o., ZAGREB  
 NOTES TO THE FINANCIAL STATEMENTS - continued  
 For the year ended 31 December 2015

Description	Land	Buildings	Plant and equipment	Tools, plant inventory, transport vehicles	Other	Assets in preparation	Prepayments	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
<b>Net carrying amount</b>								
1 January 2014	19,413	193,981	17,499	58,813	48,748	3,458,679	220,553	4,017,687
31 December 2014	19,408	182,238	13,334	48,956	47,377	3,050,489	202,299	3,564,102
31 December 2015	192,883	159,069	9,802	43,678	48,502	2,684,595	207,384	3,345,913

## 17. LONG-TERM FINANCIAL ASSETS

P O S I T I O N	31 December 2015	31 December 2014	31 December 2013
	HRK'000	HRK'000	HRK'000
<u>Shares (stocks) in related parties</u>			
Subsidiary companies			
Croatia express d.o.o., Zagreb	20	20	20
Pružne građevine d.o.o., Zagreb	193,858	193,858	193,858
	193,878	193,878	193,878
<u>Associated companies</u>			
Proizvodnja-regeneracija d.o.o, Zagreb	4,522	4,522	4,522
Less: value adjustment	(4,522)	(4,522)	(4,522)
	0	0	0
<u>Investments in securities</u>			
Industrogradnja d.d., Zagreb	95	95	88
Industrogradnja grupa d.d., Zagreb	133	133	0
Končar-Elektroindustrija d.d., Zagreb	310	320	309
OT-Optima telekom	76	372	0
Đuro Đaković d.d., Slavonski Brod	7	8	16
Željezara Sisak d.d., Sisak	31	31	31
Salonit Vranjic, Vranjic	3,866	3,866	3,866
Less: value adjustment	(3,898)	(3,898)	(3,898)
	620	927	411
<u>Other long-term financial assets</u>			
Assets invested for the composition of conceptual design	32	32	32
<b>Total</b>	<b>194,530</b>	<b>194,838</b>	<b>194,322</b>

## 18. LONG-TERM RECEIVABLES

P O S I T I O N	31 December 2015	31 December 2014	31 December 2013
	HRK'000	HRK'000	HRK'000
<u>Receivables for the flats sold</u>	27,900	34,801	41,679
Minus: Current portion (see Note 26)	(8,889)	(10,572)	(11,167)
	19,012	24,229	30,512
<u>Other receivables</u>			
Housing loans to employees	6,529	8,585	11,653
Bonds of the Republic of Croatia	5,762	5,762	5,762
	12,290	14,347	17,415
<b>Total</b>	<b>31,302</b>	<b>38,576</b>	<b>47,927</b>



## 19. INVENTORIES

P O S I T I O N	31 December 2015	31 December 2014	31 December 2013
	HRK'000	HRK'000	HRK'000
Raw material and supplies	124,407	177,686	151,024
Spare parts	355,512	364,716	372,600
Small inventory and packing	46,623	50,391	50,063
Minus: Value adjustment of raw material and supplies, spare parts and small inventory and packing	(60,529)	(55,284)	(53,923)
<b>Total</b>	<b>466,013</b>	<b>537,509</b>	<b>519,764</b>

Inventories without turnover in 2015 in the amount of HRK 263,238 thousand were subject of examination with the purpose of potential adjustments debited to the Comprehensive income statement. Subsequently, in accordance with the assessment of their usability, value adjustment of inventories was made in the amount of HRK 8,243 thousand.

## 20. TRADE RECEIVABLES

P O S I T I O N	31 December 2015	31 December 2014	31 December 2013
	HRK'000	HRK'000	HRK'000
Domestic trade receivables	39,143	27,026	31,073
Less: value adjustment	(18,722)	(20,014)	(15,953)
	20,421	7,012	15,120
Foreign trade receivables	50	47	42
Less: value adjustment	(4)	(4)	(4)
	46	43	38
<b>Total</b>	<b>20,467</b>	<b>7,055</b>	<b>15,158</b>

Trade receivables which are doubtful for collection in the amount of HRK 1,059 thousand were the object of re-examination, with a goal of making their possible adjustments by charging the Comprehensive Income Statement. As a result, the value adjustment of trade receivables was made on the basis of estimates upon their collection in the amount of HRK 1,059 thousand.

Age analysis (structure) of trade receivables is as follows:

	undue	Due					Total
		< 30 days	30-60 days	60-90 days	90-120 days	> 120 days	
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
31 December 2015	5,035	8,056	152	1,924	1,900	3,400	20,467
31 December 2014	2,825	1,686	305	548	250	1,441	7,055

**HŽ INFRASTRUKTURA d.o.o., ZAGREB**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For the year ended 31 December 2015**

**21. RECEIVABLES FROM EMPLOYEES**

	31 December 2015	31 December 2014	31 December 2013
POSITION	HRK'000	HRK'000	HRK'000
Receivables for the deficit made	5,960	5,960	5,960
Other receivables from employees	51	99	50
<b>Total</b>	<b>6,011</b>	<b>6,059</b>	<b>6,010</b>

**22. RECEIVABLES FROM THE STATE AND OTHER INSTITUTIONS**

	31 December 2015	31 December 2014	31 December 2013
POSITION	HRK'000	HRK'000	HRK'000
Receivables from the state on the remission of debt to related companies	300,923	300,923	300,923
Receivables for VAT	3,450	14,852	23,234
Receivables from the budget for unpaid excise taxes	2,246	2,246	0
Receivables from the budget for IPA projects	29,534	0	0
receivables from the Ministry of Transport and Infrastructure - loan IBRD 8500	20	0	0
Less: value adjustment - receivables from the state	(300,923)	(300,923)	(300,923)
<b>Total</b>	<b>35,250</b>	<b>17,098</b>	<b>23,234</b>

**23. OTHER RECEIVABLES**

	31 December 2015	31 December 2014	31 December 2013
POSITION	HRK'000	HRK'000	HRK'000
Receivables from the Republic of Croatia for the flats sold for the foreign currency savings	68,078	68,078	68,078
Prepayments made to related companies	299	330	2,767
Domestic prepayments made	2,846	3,756	7,101
Value adjustments of prepayments	(994)	(994)	(994)
Other short-term receivables	3,271	3,620	3,077
Plus: Current portion (see Note 20)	8,889	10,572	11,167
<b>Total</b>	<b>82,389</b>	<b>85,362</b>	<b>91,196</b>

**24. SHORT-TERM FINANCIAL ASSETS**

	31 December 2015	31 December 2014	31 December 2013
POSITION	HRK'000	HRK'000	HRK'000
<u>Loans given to related parties</u>			
Proizvodnja-regeneracija d.o.o., Zagreb	14,234	14,234	14,234
Pružne građevine d.o.o., Zagreb	0	0	16,278
Less: value adjustment	(14,234)	(14,234)	(14,234)
	0	0	16,278
<u>Given loans, deposits, etc.</u>			
Deposits	9,653	2,344	1,450
Other	140	150	326
	9,793	2,494	1,776
<b>Total</b>	<b>9,793</b>	<b>2,494</b>	<b>18,054</b>



## 25. CASH AND CASH EQUIVALENTS

	31 December 2015	31 December 2014	31 December 2013
POSITION	HRK'000	HRK'000	HRK'000
Gyro account balance	338,413	240,518	196,582
Foreign currency account balance	7,073	6,789	207
Tied foreign currency assets	21,931	0	0
<b>Total</b>	<b>367,417</b>	<b>247,307</b>	<b>196,789</b>

## 26. PREPAID EXPENSES AND ACCRUED INCOME

	31 December 2015	31 December 2014	31 December 2013
POSITION	HRK'000	HRK'000	HRK'000
Prepaid expenses for the future period	8,479	11,115	6,712
<b>Total</b>	<b>8,479</b>	<b>11,116</b>	<b>6,712</b>

## 27. SUBSCRIBED CAPITAL

/i/ The subscribed capital of the Company amounts to HRK 224,188 thousand and represents permanent own sources for Company's operating as well as the share principal registered at the Commercial Court in Zagreb. The only member of the Company is the Republic of Croatia.

/ii/ Capital reserves in the amount of HRK 9,032,201 thousand (31 December 2014: HRK 8,312,335 thousand) refer to Public good equity for the Public good assets in common use in the ownership of the Republic of Croatia in the amount of HRK 8,621,439 thousand (31 December 2014: HRK 7,921,217 thousand) and to the reserves of the Company in the amount of HRK 410,762 thousand (31 December 2014: HRK 391,118 thousand).

**HŽ INFRASTRUKTURA d.o.o., ZAGREB**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For the year ended 31 December 2015**

Movements in capital reserves are as follows:

<u>Public Domain</u>	HRK'000
Balance on 1 January 2015	7,921,217
Activated fixed assets from the Budget of the Republic of Croatia	768,756
The correction of ISEV (assets impairment)	(2,302)
The correction of IPA (change in the guarantee period)	7,388
Depreciation of the Public good assets	(322,111)
Net book value of the written-off Public good assets	(16,428)
Surplus of fixed assets	7,528
The coverage of accumulated loss from 2013	(20,623)
Increase of public capital for the profit from 2014	157
Transfer of retained profit to public capital from 2013	1,678
Loan and interest write-off (Decree of the Croatian Government) - OTP and Erste	612,875
Write-off of paid loan instalment rates and interest (Decree of the CG)	278,407
Financial investments from the loan for which the public good capital was increased	(601,372)
Transfer from the Public Domain to Infrastruktura	(16,670)
Transfer from Infrastruktura to the Public Domain	2,941
<b>Balance on 31 December 2015</b>	<b>8,621,439</b>

Infrastructure

	391,11
Balance on 1 January 2015	8
ESF funds' increase	19,644
<b>Balance on 31 December 2015</b>	<b>410,76</b>
	<b>2</b>

/iii/ On 31 December 2015, retained profit is stated in the amount of HRK 35,927 thousand HRK (31 December 2014: HRK 24,778 thousand, while on 1 January 2014, the stated amount was HRK 45,387 thousand HRK resulting from adjustments of the financial statements).

/iv/ Current year profit was stated on 31 December 2015 in the amount of HRK 210,924 thousand (31 December 2014, loss in the amount of HRK 9,303 thousand).

**28. PROVISIONS**

	31 December 2015	31 December 2014	31 December 2013
POSITION	HRK'000	HRK'000	HRK'000
Provisions for jubilee awards and retirement benefits	28,753	28,801	34,644
Restructuring expenses - incentive severance payments	13,992	24,000	53,002
Provisions for court litigations	56,671	26,034	17,047
<b>Total</b>	<b>99,416</b>	<b>78,835</b>	<b>104,693</b>



## 28. PROVISIONS (continued)

Movements in provisions are shown in the table below:

	31 December 2014	New provision s	Used provision s	31 December 2015
P O S I T I O N	HRK'000	HRK'000	HRK'000	HRK'000
Provisions for jubilee awards and retirement benefits	28,801	128	(176)	28,753
Restructuring expenses - incentive severance payments	24,000	0	(10,008)	13,992
Provisions for court litigations	26,034	30,658	(21)	56,671
<b>Total</b>	<b>78,835</b>	<b>30,786</b>	<b>(10,205)</b>	<b>99,416</b>

## 29. LONG-TERM LIABILITIES

	31 December 2015	31 December 2014	31 December 2013
P O S I T I O N	HRK'000	HRK'000	HRK'000
<u>Liabilities to banks and other financial institutions</u>			
Europska banka za obnovu i razvoj (EBRD)	114,526	114,922	0
Svjetska banka (IBRD)	138,544	0	0
Privredna banka Zagreb d.d., Istarska banka Umag d.d. and OTP banka d.d.	136,192	249,984	0
Erste & Steiermärkische Bank d.d., SG-Splitska banka d.d. and OTP banka d.d.	783,542	249,867	0
Erste & Steiermärkische Bank d.d., Rijeka	0	590,463	661,925
Erste & Steiermärkische Bank d.d., Rijeka i Sberbank d.d., Zagreb	951,351	1,010,660	400,235
	2,124,155	2,215,896	1,062,160
Less: Current portion (see Note 37)	(305,826)	(104,533)	(73,547)
	1,818,329	2,111,363	988,613
<u>Other long-term liabilities</u>			
liabilities for sold flats	27,895	34,796	41,674
<b>Total</b>	<b>1,846,224</b>	<b>2,146,159</b>	<b>1,030,287</b>

/i/ In accordance with the Railways Act, Republic of Croatia took over the repayment of long-term loan and related interests liabilities concluded until 1 January 2006 and the obligations for loans are removed from the records in favour of state aid. After activation of fixed assets of public purchased from the loan will be increased in capital of Public good. Depreciation of public good long-term assets is not recognized as an expense and it is charged to Public good equity.

/ii/ On 27 December 2013, the Government of the Republic of Croatia gave consent to the Ministry of finances to take over loan and interest liabilities to Privredna banka Zagreb d.d., Zagreb and Zagrebačka banka d.d., Zagreb from the Company by increasing the public good equity.

According to the stated, the Company wrote off the loan liabilities to foreign banks by increasing the Public good equity, given that the Company is no longer obligated to monitor these loan debts.

/iii/ Foreign exchange differences and interest upon long-term loan liabilities are stated by charging / crediting state subventions.

/iv/ Domestic long-term borrowings are ascertained with an interest rate of 6 M EURIBOR + margin.

/v/ On 23 December 2014, the Croatian Government brought a Decision on the approval of the take-over of Company's debt on the basis of given and unpaid mandatory payments of debtors with the increase of public good capital and to reduce indebtedness and financial consolidation of the railway infrastructure managers in the amount of HRK 1,915,791 thousand ( HRK 1,770,963 thousand as principal, HRK 63,902 thousand as regular interest, HRK 73,386 thousand paid principal and 7,540 thousand as accrued interest on arrears). The given approval refers to the long-term loan take-over at Erste & Steiermarkische bank d.d, Erste & Steiermarkische bank d.d. and Sberbank d.d. and short-term loan at OTP Bank d.d. Upon signing the Contract on debt take-over between the Republic of Croatia, HŽ Infrastruktura and the banks, the Company wrote-off from its operating records long-term loan liabilities with Erste & Steiermarkische Bank d.d. (December 2015) short-term loan liability with the OTP bank d.d. (March 2015). The remaining loans with the Erste & Steiermarkische Bank d.d. and Sberbank d.d. will be written off immediately upon signing the Contract.

The movements in liabilities to banks and other financial institutions during the year may be summarized as follows:

POSITION	2015 HRK '000
<b>1 January</b>	<b>2,215,896</b>
New borrowings	887,492
Amounts repaid	(529,981)
Debt take-over(Decree of the CG)	(429,368)
Foreign exchange differences	(19,884)
Current portion	(305,826)
<b>31 December</b>	<b>1,818,329</b>

The repayment schedule of long-term liabilities to banks and other financial institutions become due for the repayment:

POSITION	31 December 2015 HRK '000
Due in one to two years	315,366
Due in two to three years	332,338
Due in three to four years	333,209
Due in four to five years	300,065
Due in more than five years	537,351
<b>Total</b>	<b>1,818,329</b>



### 30. SHORT-TERM BORROWINGS AND DEPOSITS

	31 December 2015	31 December 2014	31 December 2013
POSITION	HRK'000	HRK'000	HRK'000
Liabilities for deposits	3,956	1,907	768
Liabilities for financial lease	99	99	104
	4,055	2,006	872
<u>Public Domain</u>			
Restructuring and Sale Center (CERP)	129,243	140,533	140,533
<b>Total</b>	<b>133,298</b>	<b>142,539</b>	<b>141,405</b>

### 31. LIABILITIES TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2015	31 December 2014	31 December 2013
POSITION	HRK'000	HRK'000	HRK'000
Zagrebačka banka d.d., Zagreb	0	0	2,134
OTP banka Hrvatska d.d., Zadar	0	170,000	170,000
Erste & Steiermarkische Bank d.d., Rijeka	0	-161	0
Plus: Current portion (see Note 35)	305,826	104,533	73,547
<b>Total</b>	<b>305,826</b>	<b>274,372</b>	<b>245,681</b>

Movements in liabilities to banks and other financial institutions during the year can be summarized as follows:

	2015
POSITION	HRK '000
<b>1 January</b>	<b>169,839</b>
Debt take-over (Decree of the CG)	170,000
Foreign exchange differences	(161)
Current portion	305,826
<b>31 December</b>	<b>305,826</b>

### 32. LIABILITIES FOR RECEIVED PREPAYMENTS

	31 December 2015	31 December 2014	31 December 2013
POSITION	HRK'000	HRK'000	HRK'000
Domestic customers	9,124	10,930	55
Foreign customers	172	214	5
<b>Total</b>	<b>9,296</b>	<b>11,144</b>	<b>60</b>

### 33. TRADE PAYABLES

	31 December 2015	31 December 2014	31 December 2013
POSITION	HRK'000	HRK'000	HRK'000
Domestic suppliers	96,747	272,756	355,371
Foreign suppliers	6,341	13,095	30,431
<b>Total</b>	<b>103,088</b>	<b>285,851</b>	<b>385,802</b>

Age structure of trade payables is as follows:

	Undue		Due				Total
			< 30 days	30-60 days	60-90 days	90-120 days	> 120 days
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
31 December 2015	80,446	4,526	3,174	1,258	1,684	12,000	103,088
31 December 2014	168,521	32,872	15,883	10,232	6,976	51,367	285,851

### 34. LIABILITIES TO EMPLOYEES

	31 December 2015	31 December 2014	31 December 2013
POSITION	HRK'000	HRK'000	HRK'000
Liabilities for net wages and salaries	30,683	30,555	30,810
Other liabilities	6,579	544	580
<b>Total</b>	<b>37,262</b>	<b>31,099</b>	<b>31,390</b>

### 35. LIABILITIES FOR TAXES, CONTRIBUTIONS AND SIMILAR FEES

	31 December 2015	31 December 2014	31 December 2013
POSITION	HRK'000	HRK'000	HRK'000
Contributions from salaries	9,905	9,870	10,254
Contribution on salaries, taxes and surtaxes	9,307	13,302	14,501
Other liabilities	3,994	298	343
<b>Total</b>	<b>23,206</b>	<b>23,470</b>	<b>25,098</b>

### 36. OTHER LIABILITIES

	31 December 2015	31 December 2014	31 December 2013
POSITION	HRK'000	HRK'000	HRK'000
Liabilities on the basis of repurchase of flats	73,840	73,840	73,840
Liabilities for uninvoiced goods	646	932	506
Liabilities toward the Ministry of finance	227,570	144,828	5,955
Liabilities to infrastructure- IPA projects	29,265	0	0
Other deductions from wages and salaries	5,297	5,124	3,394
<b>Total</b>	<b>336,618</b>	<b>224,724</b>	<b>83,695</b>



### 37. ACCRUED EXPENSES AND DEFERRED INCOME

P O S I T I O N	31 December 2015	31 December 2014	31 December 2013
	HRK'000	HRK'000	HRK'000
State subventions related to modernization of railways	875,097	1,112,238	2,471,323
Income for the future period	4,125	4,125	54,125
Dividends from assets available for sale	954	954	954
Accounted liabilities for the flats sold	116,732	110,009	103,147
Exchange gains/losses on loans	(13,024)	(30,560)	(23,642)
Co-financing of level crossings	400	400	400
Deferred payment of costs - IPA	4,522	17,360	18,177
Interest and expenses for public good loan	(12,801)	0	0
Non-repayable loans - CEF	23,818	0	0
Non-repayable loans - NAPA	2,274	0	0
Non-repayable loans - EU (ESF)	47,177	0	0
Other	32,561	20,273	10,347
<b>Total</b>	<b>1,081,835</b>	<b>1,234,799</b>	<b>2,634,831</b>

### 38. RELATED PARTY TRANSACTIONS

The party is related to the subject when directly or indirectly, through one or more mediators' controls, is controlled by or is under a joint control over the subject, has a share portion in the subject that gives it a significant influence over the subject and has a joint control over the subject. The total transaction amounts with related parties, receivables and liabilities at the end of the year as well as the related expenses and income for 2015 and 2014 are shown below:

**HŽ INFRASTRUKTURA d.o.o., ZAGREB**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For the year ended 31 December 2015**

**40. RELATED PARTY TRANSACTIONS (continued)**

Related party	Operating activities				Financial activities			
	Receivables	Liabilities	Income	Expenses	Receivables	Liabilities	Income	Expenses
<b>2015</b>	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
Croatia express d.o.o., Zagreb	30	1,742	6	5,902	0	0	0	0
Pružne građevine d.o.o., Zagreb	12,632	73,903	10,028	136,956	0	0	0	6,216
Proizvodnja i regeneracija d.o.o., Zagreb	30	2,699	0	181	0	0	0	0
HŽ Putnički prijevoz d.o.o., Zagreb	27,260	1,977	92,466	11,429	0	0	163	368
HŽ Cargo d.o.o., Zagreb	76,372	2,186	73,815	27,361	0	0	0	50
Agencija za integralni transport d.o.o., Zagreb	8	0	9	545	0	0	0	4
Tersus Eko d.o.o., Zagreb	144	2,481	423	11,081	0	0	11	0
Remont željezničkih vozila Čakovec d.o.o., Čakovec	1	0	6	452	0	0	0	0
Remont i proizvodnja željezničkih vozila d.o.o., Slavonski Brod	6	599	5	2,242	0	0	0	0
Tvornica željezničkih vozila Gredelj d.o.o., Zagreb	118	995	31	796	0	0	0	0
Tehnički servisi željezničkih vozila d.o.o., Zagreb	1,286	1,263	302	4,091	0	0	3	34
Održavanje vagona d.o.o., Zagreb	2,627	0	1,129	1,890	0	0	0	0
Odašiljači i veze d.o.o., Zagreb	(12)	0	329	0	0	0	0	0
Hrvatske šume d.o.o., Zagreb	10	0	14	0	0	0	0	0
Hrvatske autoceste d.o.o., Zagreb	14	0	116	0	0	0	0	0
Hrvatski operator prijenosnog sustava d.o.o., Zagreb	0	2,431	0	0	0	0	0	939
HEP Opskrba d.o.o., Zagreb	0	24,713	0	12,804	0	0	0	193
HEP ODS d.o.o., Zagreb	83	1,224	179	8,652	0	0	0	64
Hrvatske vode, Zagreb	0	167	0	6,129	0	0	0	0
HEP Toplinarstvo d.o.o., Zagreb	0	655	0	2,077	0	0	0	100
HP - Hrvatska pošta d.d., Zagreb	0	64	0	0	0	0	0	7
Narodne Novine d.d., Zagreb	0	87	0	258	0	0	0	2
<b>Total</b>	<b>120,609</b>	<b>117,186</b>	<b>178,858</b>	<b>232,847</b>	<b>0</b>	<b>0</b>	<b>177</b>	<b>7,977</b>



**HŽ INFRASTRUKTURA d.o.o., ZAGREB**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For the year ended 31 December 2015**

**38. RELATED PARTY TRANSACTIONS (continued)**

Related party	Operating activities				Financial activities			
	Receivables	Liabilities	Income	Expenses	Receivables	Liabilities	Income	Expenses
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
<b>2014</b>								
Croatia express d.o.o., Zagreb	267	2,962	11	7,505	0	0	0	0
Pružne građevine d.o.o., Zagreb	4,438	135,679	8,004	181,918	0	0	129,855	348
Proizvodnja i regeneracija d.o.o., Zagreb	200	2,699	145	0	0	0	0	0
HŽ Putnički prijevoz d.o.o., Zagreb	23,979	5,688	88,655	11,613	0	0	589	133
HŽ Cargo d.o.o., Zagreb	190,262	4,540	100,954	4,881	0	0	0	4
Željeznička tiskara d.o.o., Zagreb	63	802	156	506	0	0	3	73
Agencija za integralni transport d.o.o., Zagreb	550	0	556	0	0	0	3	0
Tersus Eko d.o.o., Zagreb	74	2,471	437	12,917	0	0	12	27
Remont željezničkih vozila Čakovec d.o.o., Čakovec	4	545	7	2,247	0	0	0	0
Remont i proizvodnja željezničkih vozila d.o.o., Slavonski Brod	3	1,109	0	2,609	0	0	0	0
Tvornica željezničkih vozila Gredelj d.o.o., Zagreb	112	35	38	0	0	0	0	134
Održavanje vučnih vozila d.o.o., zagreb	693	1,133	488	3,226	0	0	27	0
Održavanje vagona d.o.o., Zagreb	2,416	0	1,133	92	0	0	287	0
Odašiljači i veze d.o.o., Zagreb	69	0	0	0	0	0	0	0
Hrvatske šume d.o.o., Zagreb	8	0	0	0	0	0	0	0
Hrvatske autoceste d.o.o., Zagreb	31	0	300	0	0	0	0	0
Hrvatski operator prijenosnog sustava d.o.o., Zagreb	125	4,584	364	0	0	0	0	0
HEP Opskrba d.o.o., Zagreb	0	24,198	30	13,019	0	0	0	1,523
HEP ODS d.o.o., Zagreb	12	1,857	0	9,033	0	0	0	135
Hrvatske vode, Zagreb	0	165	6	6,391	0	0	0	0
HEP Toplinarstvo d.o.o., Zagreb	0	692	0	1,965	0	0	0	100
HP - Hrvatska pošta d.d., Zagreb	0	139	0	407	0	0	0	5
Narodne Novine d.d., Zagreb	0	132	0	361	0	0	0	18
<b>Total</b>	<b>223,306</b>	<b>189,430</b>	<b>201,284</b>	<b>258,690</b>	<b>0</b>	<b>0</b>	<b>130,776</b>	<b>2,500</b>

### 38. RELATED PARTY TRANSACTIONS (continued)

Age analysis (structure) of trade receivables is as follows:

	Due						Undue
	Undue	< 30 days	30-60 days	< 30 days	90-120 dana	< 30 days	
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	
31 December 2015	62,060	6,393	6,075	5,844	5,850	34,387	120,609
31 December 2014	149,101	17,553	7,450	3,718	1,033	44,451	223,306

Age analysis (structure) of trade payables is as follows:

	Due						Undue
	Undue	< 30 days	30-60 days	< 30 days	90-120 days	< 30 days	
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	
31 December 2015	93,232	15,428	220	358	14	7,934	117,186
31 December 2014	154,098	15,516	2,688	4,037	6,734	6,357	189,430

### 39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

#### *Capital risk management*

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

The capital structure of the Company consists of debt, which includes credits, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, legal and other reserves and retained earnings.

#### *Gearing ratio*

The Management board reviews the capital structure on a semi-annual basis. As part of this review, Management considers the cost of capital and the risks associated with each class of sources of funding. The gearing ratio at the year's end is presented as follows:



### 39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

P O S I T I O N	31 December 2015	31 December 2014
	HRK '000	HRK '000
Debt	2,152,050	2,420,532
Cash and cash equivalents	(367,417)	(247,307)
Net debt	1,784,633	2,173,225
Equity	9,303,240	8,551,998
Net debt to equity ratio	19%	25%

#### Categories of financial instruments

P O S I T I O N	31 December 2015	31 December 2014
	HRK '000	HRK '000
<b>Financial assets</b>		
Loans and receivables (including cash and cash equivalents)	641,936	588,680
<b>Financial liabilities</b>		
Depreciated cost	2,912,004	3,328,788

#### Managing financial risk objectives

The Company controls and manages financial risks which could have the influence on the operations of the Company by internal reports on risks where the exposures to risks are analyzed on the basis of the degree and character of market risk, interest risk, credit risk, currency risk and solvency risk.

#### Market risk

The Company operates on the Croatian and international markets. The Company's management determines the prices of its products and services separately for domestic and foreign markets. There were no significant changes to the influence of market risks to the Company's operations.

#### Interest rate risk

The interest rate risk is a risk that the value of a financial instrument will fluctuate due to changes in market rates relative to the interest rate applicable to the financial instrument. Interest rate cash flow risk is the risk that the interest cost of an instrument will fluctuate over time. Due to the fact that The Company uses loans with changeable interest rates, it is exposed to the interest rate risk.

### 39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT(continued)

#### Sensitivity analysis on interest rates

Sensitivity analysis was performed only for the financial instruments with variable interest rates based on the exposure to interest rates at the end of the reporting period assuming that the outstanding amount at the end of the reporting period was unsettled during whole year.

If interest rates were 50 basis points higher, the balance of loan indebtedness as at 31 December 2015 would be influenced by the increase of the interest rate expense in the amount of HRK 10,621 thousand HRK (31 December 2014: HRK 11,079 thousand) based on exposure to the interest rate risk. This is mainly attributable to the Company's exposure to interest rates on loans with variable interest rates.

#### **Credit risk management**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. Financial assets that potentially expose the Company to credit risk consist mainly of cash, money equivalents and trade receivables. Trade receivables have been adjusted to allow for bad and doubtful accounts.

There were no significant changes to the influence of credit risks to the Company's operations.

#### **Currency risk**

The official currency of the Company is the Croatian kuna ("HRK"). However, certain transactions denominated in foreign currencies are calculated in the Croatian kuna by applying the exchange rates in effect at the date of the Balance Sheet / Statement of Financial Position, and consequently, the Company is potentially exposed to risks of changes in currency rates.

Net carrying amount of cash and cash equivalents and liabilities of the Company denominated in foreign currencies on the Balance Sheet date is shown in the Table below:

Balance on 31 December	Liabilities		Assets	
	2015	2014	2015	2014
	HRK '000	HRK '000	HRK '000	HRK '000
EUR	2,130,415	2,209,024	29,015	6,789



### 39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

#### Analysis of sensitivity to foreign currency risk

The Company is primarily exposed to the countries whose currency is EUR. The following table analyses the foreign currency risk of the Company in the event of a 1% increase in the value of Kuna against Euro. The 1% sensitivity rate is used in internal foreign currency risk reports to key managers and represents the Management's assessment of predictable changes in the exchange rates. The sensitivity analysis includes only open monetary items in foreign currency, and their translation at the end of the period is adjusted based on the 1-percent change in exchange rates. The influence of changes in the exchange rate is given in the following table:

P O S I T I O N	EUR influence			
	Decrease by 1%		Increase by 1%	
	2015	2014	2015	2014
	HRK'000	HRK'000	HRK'000	HRK'000
Influence on the profit/loss for the period	(21,242)	(22,159)	21,242	22,159

#### **Solvency risk**

A solvency risk is a risk that the Company would not be able to fulfil its financial liabilities to the other contractual party.

The Company manages solvency risk in a way that observes continuously and analyses expected and actual cash flow on the basis of maturity of financial assets and liabilities.

#### *Solvency risk analysis*

The following table analyses the Company's liabilities based on the remaining period to contractual maturity. The table is prepared on the basis of undiscounted cash outflows by financial liabilities at the earliest date when payment can be requested from the Company.

LIABILITIES	Up to 1 month	1 - 3 months	3 months - 1 year	More than 1 year	Total
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
2015					
Interest-free	0	0	133,298	0	133,298
Interest bearing	0	0	306	1,818	2,124
2014					
Interest-free	0	0	187,835	0	187,835
Interest bearing	0	0	105	2,111	2,216



### 39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The following table analyses the Company's financial assets based on the remaining period to contractual maturity. The table is prepared on the basis of undiscounted cash inflow under financial assets at the earliest date on which the Company may request payment.

ASSETS	Up to 1 month	1 - 3 months	3 months - 1 year	More than 1 year	Total
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
2015					
Interest-free	0	0	9,793	0	9,793
Interest bearing	0	0	8,889	25,935	34,824
2014					
Interest-free	0	0	2,494	0	2,494
Interest bearing	0	0	10,572	33,209	43,781

### 40. POTENTIAL LIABILITIES AND DISPUTES

/i/Court disputes were initiated against the Company which makes the Company exposed to potential liabilities in the amount of HRK 25,243 thousand and includes law suits without accrued interests and court expenses. As at 31 December 2015, the Company made provisions for potential liabilities for court disputes in the amount of the principal and potential court expenses on the level of HRK 9,875 thousand.

/ii/On 14 February 2013, the Croatian Ministry of Finances - Financial Police, Precinct Zagreb, based on the Decision having Register number: 07-01-13-6 and Class: UP/I-215-02/13-01/1, determined the existence of a tax liability in the total amount of HRK 24,373 thousand, out of which the amount of HRK 17,076 thousand refers to the principal of this liability and the amount of HRK 7,297 thousand to interests. The Company filed a law suit on the subject decision as on 25 March 2013. On 31 December 2013, the Company determined the provision for potential liabilities in the amount of HRK 24,373 thousand.

Legal proceedings initiated against the Company as at 31 December 2015 are as follows:

/i/The Company as a defendant together with companies HŽ Cargo d.o.o., Zagreb and HŽ Putnički prijevoz d.o.o., Zagreb takes part in numerous legal proceedings in the total amount of HRK 109,173 thousand whose outcome is uncertain. According to the Division Plan of the trade company HŽ Hrvatske željeznice d.o.o., Zagreb, newly established companies bear possible liabilities arising out of these conflicts on the basis of their participation in the capital.

The Company participates as a defendant in legal proceedings initiated in 2007, 2008, 2012, 2013, 2014 and 2015 in the amount of HRK 109,173 thousand.

As at 31 December 2015 provisions for legal proceedings for potential liabilities were made in the amount of HRK 56,671 thousand (see Note 28).

/ii/The Company has issued guarantees for certain subsidiaries in Croatia in the amount of HRK 127,933 thousand.

/iii/ Pursuant to the adopted business plan of the Company until 2019, the cost of future severance payments to the employees is determined in the amount of HRK 70,000,000.



**41. EVENTS AFTER THE DATE OF THE BALANCE SHEET / STATEMENT OF FINANCIAL POSITION**

On 31 May 2016, a change occurred in the Management of the Company, Ivan Kršić being its only and sole member, representing the company individually and independently.

**42. FINANCIAL STATEMENTS OF THE COMPANY AND THE PUBLIC GOOD**

As capital approach implies existence of two parallel records of public goods and own income and expenses, as well as assets, liabilities and capital emerging from these changes, we present below financial statements of the Company and financial statements of Public goods.

POSITION	31 December 2015		
	The Company	Public Domain	Total
	HRK'000	HRK'000	HRK
<b>ASSETS</b>			
Intangible assets	74,324	0	74,324
Tangible assets	3,345,913	8,633,997	11,979,910
Financial assets	194,530	0	194,530
Long-term receivables	31,302	0	31,302
<b>LONG-TERM ASSETS</b>	<b>3,646,069</b>	<b>8,633,997</b>	<b>12,280,066</b>
Inventories	466,013	0	466,013
Receivables due from related parties	120,609	0	120,609
Trade receivables	20,467	0	20,467
Receivables from employees	6,011	0	6,011
Receivables from the State and other institutions	35,250	0	35,250
Other receivables	82,389	0	82,389
Financial assets	9,793	0	9,793
Cash and cash equivalents	367,417	0	367,417
Prepaid expenses and accrued income	2,617,670	2,782,461	5,400,131
<b>SHORT-TERM ASSETS</b>	<b>3,725,619</b>	<b>2,782,461</b>	<b>6,508,080</b>
<b>TOTAL ASSETS</b>	<b>7,371,688</b>	<b>11,416,458</b>	<b>18,788,146</b>

**HŽ INFRASTRUKTURA d.o.o., ZAGREB**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For the year ended 31 December 2015**

P O S I T I O N	31 December 2015		
	The Company	Public Domain	Total
	HRK'000	HRK'000	HRK
<b>CAPITAL IAND LIABILITIES</b>			
<b>CAPITAL</b>			
Subscribed capital	224,188	0	224,188
Capital reserves	410,762	8,621,439	9,032,201
Accumulated loss	35,927	0	35,927
Profit/(Loss) for the current year	(45,662)	56,586	10,924
<b>TOTAL CAPITAL</b>	<b>625,215</b>	<b>8,678,025</b>	<b>9,303,240</b>
 <b>Provisions</b>	 <b>99,416</b>	 <b>0</b>	 <b>99,416</b>
 <b>Long-term liabilities</b>	 <b>1,846,224</b>	 <b>0</b>	 <b>1,846,224</b>
 Liabilities to related parties	 117,186	 0	 117,186
Liabilities for loans, deposits, etc.	4,055	129,243	133,298
Liabilities to banks and other financial institutions	305,826	0	305,826
Liabilities for received prepayments	9,296	0	9,296
Trade payables	103,088	0	103,088
Liabilities due to employees	37,262	0	37,262
Liabilities for taxes, contributions and similar fees	23,206	0	23,206
Other liabilities	336,618	0	336,618
Accrued expenses and deferred income	3,864,296	2,609,190	6,473,486
<b>Short-term liabilities</b>	<b>4,800,833</b>	<b>2,738,433</b>	<b>7,539,266</b>
 <b>TOTAL CAPITAL AND LIABILITIES</b>	 <b>7,371,688</b>	 <b>11,416,458</b>	 <b>18,788,146</b>

Pursuant to the provisions of the Art.21, Paragraph 2 of the Railway Act, the Company charges the accumulated losses to the public good equity. Following the Decision of the Government of Republic of Croatia on granting consent for taking over the debt of the Company, the Company wrote off long term loan liabilities, interests and foreign exchange differences by increasing the Public good equity. The total effect of the aforementioned activities are changes to Public good equity (increase of capital in the amount of HRK 2,782,461 thousand and decrease of capital in the amount of HRK 2,007,818 thousand) which are reported in individual balance sheets of the Company and of the Public good within the positions "Prepaid expenses" and "Accrued expenses and deferred income", while those changes were consolidated in the Total balance sheet of the Company in the amount of HRK 4,790,280 thousand HRK.



**HŽ INFRASTRUKTURA d.o.o., ZAGREB**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For the year ended 31 December 2015**

The positions "Prepaid expenses" and "Accrued expenses and deferred income" also include investments financed from the loan for which the capital of the public good was increased, which as at 31 December 2015 amount HRK 601,372 thousand. In 2013 and 2014, the Croatian Government brought a Decision on the approval to take-over Company's debt on the basis of given and unpaid mandatory payments of debtors with capital increase of the public good with the objective to reduce indebtedness and financial consolidation of the railway infrastructure managers in the total amount of HRK 3,334 thousand (2013: HRK 1,418,375 thousand and in 2014: HRK 1,915,791 thousand). Given approval refers to the long-term loan take-over at Erste & Steiermarkische bank d.d, Erste & Steiermarkische bank d.d. and Sperbank d.d. and short-term loan at OTP Bank d.d. the mentioned loans were used to finance public good investments. Upo taking over the loans, the Company increased the public good capital for the previously stted amount; thus, the capital needed to be adjusted by the amount of activated investments.

POSITION	31 December 2014		
	The Company	Public Domain	Total
	HRK'000	HRK'000	HRK
<b>ASSETS</b>			
Intangible assets	54,703	0	54,703
Tangible assets	3,564,102	8,204,896	11,768,998
Financial assets	194,838	0	194,838
Long-term receivables	38,576	0	38,576
<b>LONG-TERM ASSETS</b>	<b>3,852,219</b>	<b>8,204,896</b>	<b>12,057,115</b>
Inventories	537,509	0	537,509
Receivables due from related parties	223,306	0	223,306
Trade receivables	7,055	0	7,055
Receivables from employees	6,059	0	6,059
Receivables from the State and other institutions	17,099	0	17,099
Other receivables	85,362	0	85,362
Financial assets	2,494	0	2,494
Cas and cash equivalents	247,307	0	247,307
Prepaid expenses and accrued income	1,998,311	1,889,345	3,887,656
<b>SHORT-TERM ASSETS</b>	<b>3,124,500</b>	<b>1,889,345</b>	<b>5,013,845</b>
<b>TOTAL ASSETS</b>	<b>6,976,719</b>	<b>10,094,241</b>	<b>17,070,960</b>

**HŽ INFRASTRUKTURA d.o.o., ZAGREB**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For the year ended 31 December 2015**

P O S I T I O N	31 December 2014		
	The Company	Public Domain	Total
	HRK'000	HRK'000	HRK
<b>CAPITAL AND LIABILITIES</b>			
<b>CAPITAL</b>			
Subscribed capital	224,188	0	224,188
Capital reserves	391,118	7,921,217	8,312,335
Accumulated loss	24,778	0	24,778
Profit/(Loss) for the current year	(9,303)	0	(9,303)
<b>TOTAL CAPITAL</b>	<b>630,781</b>	<b>7,921,217</b>	<b>8,551,998</b>
<b>Provisions</b>	<b>78,835</b>	<b>0</b>	<b>78,835</b>
<b>Long-term liabilities</b>	<b>2,146,159</b>	<b>0</b>	<b>2,146,159</b>
Liabilities to related parties	189,430	0	189,430
Liabilities for loans, deposits, etc.	2,006	140,533	142,539
Liabilities to banks and other financial institutions	274,372	0	274,372
Liabilities for received prepayments	11,144	0	11,144
Trade payables	285,851	0	285,851
Liabilities due to employees	31,099	0	31,099
Liabilities for taxes, contributions and similar fees	23,470	0	23,470
Other liabilities	224,723	0	224,723
Accrued expenses and deferred income	3,078,848	2,032,491	5,111,339
<b>Short-term liabilities</b>	<b>4,120,944</b>	<b>2,173,024</b>	<b>6,293,968</b>
<b>TOTAL CAPITAL AND LIABILITIES</b>	<b>6,976,719</b>	<b>10,094,241</b>	<b>17,070,960</b>

#### **43. PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements, set out on the previous pages, were prepared by the Management Board of the Company, and authorized for issue on 21 June 2016.

**For HŽ INFRASTRUKTURA d.o.o., Zagreb:**

Ivan Kršić,  
President of the Management Board

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