ATLANTIC GRUPA d.d.

AUDITOR'S REPORT AND FINANCIAL STATEMENTS 31 DECEMBER 2008

This version of the accompanying documents is a translation from the original, which was prepared in Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

PRICEWATERHOUSECOOPERS

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Independent auditor's report

To the Shareholders of ATLANTIC GRUPA d.d.

We have audited the accompanying Company financial statements of ATLANTIC GRUPA d.d. (the 'Company') which comprise the balance sheet as of 31 December 2008 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers d.o.o.
Zagreb, 27 March 2009

This version of our report is a translation from the original, which was prepared in Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

ATLANTIC GRUPA d.d.

INCOME STATEMENT

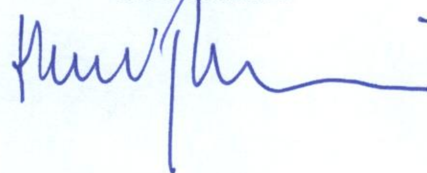
FOR THE YEAR ENDED 31 DECEMBER 2008

(all amounts expressed in thousands of HRK)	Note	2008	2007
Revenues	5	73,856	58,830
Staff costs	6	(19,760)	(11,801)
Marketing and promotion expenses	7	(2,574)	(1,816)
Depreciation and amortisation	12, 13	(380)	(562)
Other operating expenses	8	(17,736)	(15,313)
Other gains / (losses) – net	9	1,210	(136)
Operating profit		**34,616**	**29,202**
Finance costs – net	10	(13,891)	(11,122)
Profit before tax		**20,725**	**18,080**
Income tax expense	11	(2,259)	(39)
Profit for the year		**18,466**	**18,041**

The financial statements set out on pages 2 to 42 were approved by the Management Board of the Company in Zagreb on 25 March 2009.

President of the Management Board

Emil Tedeschi



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

ATLANTIC GRUPA d.d.

BALANCE SHEET

AS AT 31 DECEMBER 2008

(all amounts are expressed in thousands of HRK)	Note	31 December 2008	31 December 2007
ASSETS			
Non-current assets			
Property, plant and equipment	12	481	579
Intangible assets	13	148	220
Investments in subsidiaries and joint ventures	14	216,797	151,540
Available-for-sale financial assets	16	35,041	35,041
Trade and other receivables	17	308,761	119,094
Deferred tax assets	22	1,222	-
		562,450	306,474
Current assets			
Trade and other receivables	17	76,567	83,203
Cash and cash equivalents	18	138,088	355,255
		214,655	438,458
Total assets		**777,105**	**744,932**
EQUITY AND LIABILITIES			
Capital and reserves attributable to equity holders of the Company			
Share capital	19	98,800	98,800
Share premium	19	313,854	313,854
Treasury shares	19	(4,454)	(3,063)
Retained earnings		47,055	36,061
		455,255	445,652
Non-current liabilities			
Borrowings	21	293,733	160,973
Provisions	23	15	-
		293,748	160,973
Current liabilities			
Trade and other payables	20	4,903	7,326
Borrowings	21	14,226	128,823
Provisions	23	5,518	2,119
Income tax liabilities		3,455	39
		28,102	138,307
Total liabilities		**321,850**	**299,280**
Total equity and liabilities		**777,105**	**744,932**

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2008

(in thousands of HRK)	**Note**	**Share capital**	**Retained earnings**	**Total**
At 1 January 2007		83,481	23,165	106,646
Proceeds from shares issued	19/iii/	329,173	-	329,173
Purchase of treasury shares	19/iv/	(3,063)	-	(3,063)
Dividends relating to 2006	19/vi/	-	(5,145)	(5,145)
Net profit for the year		-	18,041	18,041
At 31 December 2007	**19**	**409,591**	**36,061**	**445,652**
Purchase of treasury shares	19/iv/	(1,391)	-	(1,391)
Dividends relating to 2007	19/vi/	-	(11,587)	(11,587)
Share based payment	19/v/	-	4,115	4,115
Net profit for the year		-	18,466	18,466
At 31 December 2008	**19**	**408,200**	**47,055**	**455,255**

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

ATLANTIC GRUPA d.d.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

(all amounts expressed in thousands of HRK)	**Note**	**2008**	**2007**
Cash flows from operating activities:			
Cash generated from operations	25	617	19,183
Income tax paid		(65)	-
Interest paid		(10,913)	(11,233)
		(10,361)	7,950
Cash flows used in investing activities			
Purchase of tangible and intangible assets	12, 13	(214)	(213)
Proceeds from sale of tangible assets		94	1,574
Short-term and long-term loans given		(250,287)	(89,064)
Proceeds from loans given		31,582	8,133
Investments in subsidiaries and joint ventures	14	(41)	(85,529)
Increase in investments in financial assets		-	(6,842)
Proceeds from sale of financial assets		-	59,690
Advance for purchases from minority interest	17 /ii/	(13,460)	-
Dividends received		9,000	16,819
Interest received		14,366	5,433
		(208,960)	(89,999)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	19	-	329,173
Purchase of treasury shares	19	(1,391)	(3,063)
Proceeds from borrowings	21	151,367	115,065
Repayment of borrowings		(136,235)	(6,008)
Commercial papers redeemed		-	(15,000)
Bonds redeemed		-	(4,688)
Dividends paid		(11,587)	(5,145)
		2,154	410,334
Net (decrease)/increase in cash and cash equivalents		**(217,167)**	**328,285**
Cash and cash equivalents at beginning of year		355,255	26,970
Cash and cash equivalents at end of year	18	**138,088**	**355,255**

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

NOTE 1 – GENERAL INFORMATION

Atlantic Grupa d.d. (the Company) was incorporated in the Republic of Croatia in year 2002. The Company performs corporate activities such as planning entrepreneurial functions, organisation of principal activities, gathering and utilising financial assets, defining the strategy and development of business activities of the Atlantic Group.

The Company is domiciled in Zagreb, Miramarska 23, Croatia.

As at 31 December 2008 and 2007, the Company's shares were listed on the public joint stock company listing on the Zagreb Stock Exchange. The shareholder structure is shown in Note 19.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

The Company has issued these non-consolidated financial statements in accordance with Croatian regulations. The Company has also prepared consolidated financial statements as at 31 December 2008 and for the year then ended in accordance with IFRS for the Company and its subsidiaries (the Group), which were approved by the Management Board on 25 March 2009. In the consolidated financial statements, subsidiary undertakings (listed in Note 14) – which are those companies in which the Group, directly or indirectly, has an interest of more than half of the voting rights or otherwise has power to exercise control over the operations – have been fully consolidated. Users of these non-consolidated financial statements should read them together with the Group's consolidated financial statements as at and for the year ended 31 December 2008 in order to obtain full information on the financial position, results of operations and changes in financial position of the Group as a whole.

a) *Interpretations and amendments to existing standards effective in 2008*

- *IFRIC 14, IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction (effective from 1 January 2008).* IFRIC 14 is not relevant since the Company does not have defined benefit plans.

- *IFRIC 11, IFRS 2 – Group and treasury share transactions*, provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the Company's financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

- *Amendment to IAS 39 Financial instruments: Recognition and measurement and IFRS 7 Financial instruments: Disclosures.* An amendment to the standards, issued in October 2008, permits the Company to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The amendment also permits the Group to transfer from the "available-for-sale" category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial assets had not been designated as available for sale), if the Group has the intention and ability to hold that financial asset for the foreseeable future. The Company did not utilise the option to reclassify financial assets.

(b) Standards and interpretations early adopted by the Company

No standards and interpretations early adopted by the Company.

(c) Interpretations effective in 2008 but not relevant for the Company

The following interpretation to published standards is mandatory for accounting periods beginning on or after 1 January 2008 but is not relevant to the Company's operations:

- *IFRIC 12, Service concession arrangements (effective from 1 January 2008).* IFRIC 12 is not relevant since the Company does not provide public sector services.
- *IFRIC 13, Customer loyalty programmes (effective from 1 July 2008).* IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant because the Company does not operate any loyalty programmes.

(d) Standards and amendments to existing standards that are not yet effective and have not been early adopted by the Company

The following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2009 or later periods, but the Company has not early adopted them:

- *IAS 23 (Revised), 'Borrowing costs' (effective from 1 January 2009).* The revised IAS 23 requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. The Management is currently assessing the impact of this Standard and the Company will apply IAS 23 (Revised) prospectively from 1 January 2009.

- *IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009).* The amendment is part of the IASB's annual improvements project published in May 2008. The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial instruments: Recognition and measurement'. This eliminates the inconsistency of terms between IAS 39 and IAS 23. The Company will apply IAS 23 (Amendment) prospectively to the capitalisation of borrowing costs on qualifying assets from 1 January 2009.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

- *IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009).* The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning of comparative period. The Company will apply IAS 1 (Revised) from 1 January 2009.

- *IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009).* The amendment is part of the IASB's annual improvements project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Company will apply the IAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009.

- *IAS 38 (Amendments), 'Intangible assets' (effective from 1 January 2009).* The amendments are part of the IASB's annual improvements project published in May 2008.
  - A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. Management does not expect it will have a material impact on the financial statements.
  - Amendment deletes the wording that states that there is 'rarely, if ever' support for use of a method that results in a lower rate of amortisation than the straight line method. The amendment will not currently have an impact on the Company's operations as all intangible assets are amortised using the straight line method.

- *IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009).* The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Company will apply IFRS 2 (Amendment) from 1 January 2009. It is not expected to have a material impact on the Company's financial statements.

- *IFRS 8, 'Operating segments'* was early adopted by the Group, but not by the Company in 2008. IFRS 8 replaces IAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

- *IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009).* The amended standards require entities to classify puttable financial instruments and instruments or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The Company will apply the IAS 32 and IAS 1 (Amendment) from 1 January 2009. It is not expected to have any impact on the Company's financial statements.

- *IAS 27 (Revised), 'Consolidated and separate financial statements' (effective from 1 July 2009).* The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. The Company will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.

- *IAS 1 (Amendment), 'Presentation of financial statements' (effective from 1 January 2009).* The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. The Company will apply the IAS 1 (Amendment) from 1 January 2009. It is not expected to have an impact on the Company's financial statements.

- *IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009).* The amendment is part of the IASB's annual improvements project published in May 2008.

  - This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.
  - The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit-taking is included in such a portfolio on initial recognition.
  - The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cites a segment as an example of a reporting entity. This means that in order for hedge accounting to be applied at segment level, the requirements for hedge accounting are currently required to be met by the applicable segment. The amendment removes this requirement so that IAS 39 is consistent with IFRS 8, 'Operating segments' which requires disclosure for segments to be based on information used by Management.
  - When remeasuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) are used.

  The Company will apply the IAS 39 (Amendment) from 1 January 2009.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

- *IFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009).* The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control, and relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRSs. The Company will apply IFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 January 2010.

- *IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009).* The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Company will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

- There are a number of minor amendments to IFRS 7, *'Financial instruments: Disclosures', IAS 8, 'Accounting policies, changes in accounting estimates and errors', IAS 10, 'Events after the reporting period', IAS 18, 'Revenue' and IAS 34, 'Interim financial reporting',* which are part of the IASB's annual improvements project published in May 2008. These amendments are unlikely to have an impact on the Company's accounts and have therefore not been analysed in detail.

(e) Interpretations and amendments to existing standards that are not yet effective and not relevant for the Company's operations

The following interpretations and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2009 or later periods but are not relevant for the Company's operations:

- *IFRS 1 (Amendment) 'First time adoption of IFRS' and IAS 27 'Consolidated and separate financial statements' (effective from 1 January 2009).* The amendment is not relevant since the Company applied IAS in earlier periods.

- *IAS 27 (Amendment), 'Consolidated and separate financial statements' (effective from 1 January 2009).* The amendment is part of the IASB's annual improvements project published in May 2008. Where an investment in a subsidiary that is accounted for under IAS 39, 'Financial instruments: recognition and measurement' is classified as held for sale under IFRS 5, 'Non-current assets held for sale and discontinued operations', IAS 39 would continue to be applied. The amendment will not have an impact on the Company's operations because it is the Company's policy for an investment in subsidiary to be recorded at cost.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

- *IAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009).* The amendment is part of the IASB's annual improvements project published in May 2008.
  - The amendment clarifies the effects of defined benefit plan amendments on expected gains arising from future salary increases or past service.
  - The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.
  - The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.
  - IAS 37, 'Provisions, contingent liabilities and contingent assets', requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent.

- *IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statement of cash flows') (effective from 1 January 2009).* The amendment is part of the IASB's annual improvements project published in May 2008. Entities whose ordinary activities comprise renting and subsequently selling assets present proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale. A consequential amendment to IAS 7 states that cash flows arising from purchase, rental and sale of those assets are classified as cash flows from operating activities. The amendment will not have an impact on the Company's operations because its ordinary activities do not comprise renting and subsequently selling assets.

- *IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009).* The amendment is part of the IASB's annual improvements project published in May 2008. An investment in associate is treated as a single asset for the purposes of impairment testing and any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The amendment will have no impact on the Company's operations as the Company has no investments in associates.

- *IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009).* The amendment is part of the IASB's annual improvements project published in May 2008. Where an investment in associate is accounted for in accordance with IAS 39 'Financial instruments: recognition and measurement' only certain, rather than all disclosure requirements in IAS 28 need to be made in addition to disclosures required by IAS 32, 'Financial Instruments: Presentation' and IFRS 7 'Financial Instruments: Disclosures'. The amendment will not have an impact on the Company's operations as the Company has no investments in associates.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

- *IAS 31 (Amendment), 'Interests in joint ventures (and consequential amendments to IAS 32 and IFRS 7) (effective from 1 January 2009).* The amendment is part of the IASB's annual improvements project published in May 2008. Where an investment in joint venture is accounted for in accordance with IAS 39, only certain rather than all disclosure requirements in IAS 31 need to be made in addition to disclosures required by IAS 32, 'Financial instruments: Presentation' and IFRS 7 'Financial instruments: Disclosures'. The amendment will not have an impact on the Company's operations because it is the Company's policy for interests in joint ventures to be equity accounted in the Company's consolidated accounts and to be accounted at cost in standalone accounts.

- *IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies' (effective from 1 January 2009).* The amendment is part of the IASB's annual improvements project published in May 2008. The guidance has been amended to reflect the fact that a number of assets and liabilities are measured at fair value rather than historical cost. The amendment will not have an impact on the Company's operations, as it does not operate in hyperinflationary economies.

- *IAS 40 (Amendment), 'Investment property' (and consequential amendments to IAS 16) (effective from 1 January 2009).* The amendment is part of the IASB's annual improvements project published in May 2008. Property that is under construction or development for future use as investment property is within the scope of IAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. The amendment will not have an impact on the Company's operations, as there are no investment properties held by the Company.

- *IAS 41 (Amendment), 'Agriculture' (effective from 1 January 2009).* The amendment is part of the IASB's annual improvements project published in May 2008. It requires the use of a market-based discount rate where fair value calculations are based on discounted cash flows and the removal of the prohibition on taking into account biological transformation when calculating fair value. The amendment will not have an impact on the Company's operations as no agricultural activities are undertaken.

- *IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance' (effective from 1 January 2009).* The benefit of a below-market rate government loan is measured as the difference between the carrying amount in accordance with IAS 39, 'Financial instruments: Recognition and measurement', and the proceeds received with the benefit accounted for in accordance with IAS 20. The amendment will not have an impact on the Company's operations.

- The minor amendments to *IAS 20 'Accounting for government grants and disclosure of government assistance'* and *IAS 29, 'Financial reporting in hyperinflationary economies', IAS 40, 'Investment property'* and *IAS 41, 'Agriculture'*, which are part of the IASB's which are part of the IASB's annual improvements project published in May 2008. These amendments will not have an impact on the Company's operations.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

- *IFRIC 15, 'Agreements for construction of real estates' (effective from 1 January 2009).* The interpretation clarifies whether IAS 18, 'Revenue', or IAS 11,'Construction contracts' should be applied to particular transactions. It is likely to result in IAS 18 being applied to a wider range of transactions. IFRIC 15 is not relevant to the Company's operations as all revenue transactions are accounted for under IAS 18 and not IAS 11.

- *IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective from 1 October 2008).* IFRIC 16 clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the Company. The requirements of IAS 21, 'The effects of changes in foreign exchange rates', do apply to the hedged item. The Company will apply IFRIC 16 from 1 January 2009. It is not expected to have a material impact on the Company's financial statements.

- *IFRIC 17, Distribution of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009).* The amendment clarifies when and how distribution of non-cash assets as dividends to the owners should be recognised. An entity should measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. A gain or loss on disposal of the distributed non-cash assets will be recognised in profit or loss when the entity settles the dividend payable.

- *IFRIC 18, Transfers of Assets from Customers (effective for annual periods beginning on or after 1 July 2009).* The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The financial statements are presented in Croatian kuna (HRK), which is the Company’s functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other (losses)/gains – net'.

2.3 Investments in subsidiaries and joint ventures

Investments in subsidiaries and joint ventures in which the Company has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations are recorded at cost less impairment losses, if any. Impairment is tested annually whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Investments in subsidiaries for which an impairment loss has been recorded are tested at each reporting date for a potential reversal of impairment.

Dividend is recorded in the income statement when the Company decides to withdraw it.

2.4 Property, plant and equipment

Buildings, motor vehicles and equipment is included in the balance sheet at historical cost less accumulated depreciation and provision for impairment, where required. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation of buildings, motor vehicles and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Motor vehicles	5 years
Equipment	2 to 10 years

The residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Property, plant and equipment (continued)

The residual value of an asset is nil if the Company expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

Gains and losses on disposals are determined by comparing the proceeds with carrying amount, and are recognised within other gains/(losses) in the income statement.

2.5 Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (four years).

2.6 Impairment of non-financial assets

Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Financial assets

The Company classifies its financial assets in the following categories: loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Loans and receivables are carried at amortised cost using the effective interest method.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial assets (continued)

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Available-for-sale financial assets are carried at fair value, except investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are carried at cost.

Regular way purchases and sales of financial assets are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in the income statement, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary securities classified as available-for-sale and non-monetary securities classified as available-for-sale are recognised in equity.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions and references to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of loans and receivables is described in Note 2.9.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Leases

The Company leases certain property, vehicles and equipment. Leases where the significant portion of risks and rewards of ownership are not retained by the Company are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

2.9 Trade and loan receivables

Trade and loan receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement within 'other operating expenses'.

2.10 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term highly liquid instruments with original maturities of three months or less. Bank overdrafts are included within current liabilities on the balance sheet.

2.11 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of the consideration received over the par value of the shares issued is presented in the notes as a share premium.

Where the Company purchases its equity share capital (treasury shares), the consideration paid, including all directly attributable incremental transaction costs, is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. The Company does not capitalise borrowing costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.13 Deferred income tax

The current income tax charge is calculated on the basis of the tax law enacted at the balance sheet date in Croatia. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and consider establishing provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. The deferred tax liability is recognised for all taxable temporary differences associated with the acquisition of the fair value of subsidiaries' net assets.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.14 Employee benefits

(a) Pension obligations and post-employment benefits

In the normal course of business through salary deductions, the Company makes payments to mandatory pension funds on behalf of its employees as required by law. All contributions made to the mandatory pension funds are recorded as salary expense when incurred. The Company does not have any other pension scheme and consequently, has no other obligations in respect of employee pensions. In addition, the Company is not obliged to provide any other post-employment benefits.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Employee benefits (continued)

(c) Long-term employee benefits

The Company recognises a liability for long-term employee benefits (jubilee awards) evenly over the period the benefit is earned based on actual years of service. The long-term employee benefit liability includes assumptions regarding the likely number of staff to whom the benefit will be payable, estimated benefit cost and the discount rate. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income statement.

(d) Share-based compensations

Key management of the Company receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ('equity-settled transactions').

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and service conditions are fulfilled, ending on the date on which relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

(e) Short-term employee benefits

The Company recognises a provision for bonuses and unused vacation days where contractually obliged or where there is a past practice that has created a constructive obligation.

2.15 Provisions

Provisions for termination benefits and employee benefits are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised within other operating expenses.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below.

(a) Sales of services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Income from corporate governance services is recognised in the accounting period in which the services are rendered and invoiced.

(b) Interest income

Interest income arising from fixed-term bank deposits, given loans and interest from customers is recognised on a time-proportion basis using the effective interest method.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.17 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.18 Value added tax

The Tax Authorities require the settlement of VAT on a net basis. VAT related to sales and purchases is recognised and disclosed in the balance sheet on a net basis. Where a provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

NOTE 3 – FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and equity securities risk), credit risk and liquidity risk. The Company does not have a written risk management programme, and did not use derivative financial instruments to actively hedge financial risks. However, Management closely monitors the risk profile of the Company's operations, including the establishment of authorisation and accountability levels.

(a) Market risk

(i) Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the EURO. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Movements in exchange rates between the EURO and Croatian kuna (HRK) may have an impact on the results of future operations and future cash flow. The table below shows percentages of EURO denominated trade and other payables, trade and other receivables, cash and cash equivalents and borrowings.

	2008	**2007**
Trade and other receivables	5%	43%
Trade and other payables	7%	11%
Cash and cash equivalents	99%	0%
Borrowings	63%	21%

At 31 December 2008, if the EURO had weakened/strengthened by 0.5% against the HRK (2007: 0.5%), with all other variables held constant, profit after tax for the reporting period would have been HRK 149 thousand higher/lower (2007: HRK 219 thousand lower/higher), mainly as a result of foreign exchange gains/losses on translation of EURO-denominated trade and other receivables, cash and borrowings (Notes 17, 20 and 21).

(ii) Equity securities risk

The Company is exposed to equity securities fair value and price risk because of investments held by the Company classified on the balance sheet either as available for sale. Equity investments classified as available for sale are not listed. To manage its fair value and price risk arising from investments in equity securities, the Company monitors market transactions and performance of investment entities.

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(iii) Cash flow and fair value interest rate risk

As the Company has significant interest-bearing assets, the Company's income and operating cash flows are substantially dependent of changes in market interest rates.

The Company's interest rate risk arises from long-term borrowings and bonds issued. Debt issued at variable rates expose the Company to cash flow interest rate risk. Debt issued at fixed rates expose the Company to fair value interest rate risk.

The Company analyses its interest rate changes on a regular basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift. At 31 December 2008, if the effective interest rate on borrowings had been 1% higher/lower on an annual level (2007: 1%), the profit after tax for the reporting period would have been HRK 497 thousand lower/higher (2007: HRK 722 thousand).

(b) Credit risk

The Company's assets, which potentially subject the Company to concentrations of credit risk, primarily include cash and trade and other receivables, which mainly relate to loans granted to subsidiaries. The Company does not have significant concentrations of credit risk, since loans were granted mainly within the Group. The Company has policies that limit the amount of credit exposure to any financial institution. A detailed analysis and maximum exposure to credit risk is presented in Notes 15b) and 17.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to meet all obligations. The Company aims to maintain flexibility in funding by keeping committed credit lines available. Trade and other payables as well as short-term borrowings are due within 12 months after the balance sheet date, while the maturity of long-term borrowings is disclosed in Note 21.

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

The table below analyses financial liabilities of the Company according to contracted maturities. The amounts stated below represent undiscounted cash flows.

(in thousands of HRK)	**Less than 1 year**	**Between 1-5 years**	**Over 5 years**	**Total**
31 December 2008				
Trade and other payables	3,889	-	-	3,889
Borrowings	30,847	264,816	80,125	375,788

(in thousands of HRK)	**Less than 1 year**	**Between 1-5 years**	**Over 5 years**	**Total**
31 December 2007				
Trade and other payables	6,705	-	-	6,705
Borrowings	139,157	183,240	-	322,397

3.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including long-term and short-term borrowings, as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the balance sheet, plus net debt.

The gearing ratios were as follows:

	31 December 2008	**31 December 2007**
	(in thousands of HRK)	
Total borrowings (Note 21)	307,959	289,796
Less: Cash and cash equivalents (Note 18)	(138,088)	(355,255)
Net debt	169,871	(65,459)
Total equity	455,255	445,652
Total capital	**625,126**	**380,193**
Gearing ratio	**27%**	**-17%**

The increase in the gearing ratio during 2008 resulted primarily from the increase in net debt compared to 2007 and from the decrease in cash and cash equivalents that has been invested into loans given for new acquisitions.

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(a) Share-based payments

The Company measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the grant date. Estimating fair value for share-based payments requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model. The assumptions used for estimating fair value for share-based payments are disclosed in Note 19 /v/.

(b) Recent volatility in global and Croatian financial markets

The ongoing global liquidity crisis which commenced in the middle of 2007 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and, at times, higher interbank lending rates and very high volatility in stock markets. The uncertainties in the global financial markets have also led to bank failures and bank rescues in the United States of America, Western Europe, Russia and elsewhere. Indeed the full extent of the impact of the ongoing financial crisis is proving to be impossible to anticipate or completely guard against.

It is not possible to reliably estimate the effects of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Company's business in the current circumstances.

NOTE 5 – REVENUES

	2008	2007
	(in thousands of HRK)	
Service revenues:		
Income from corporate services – related parties (Note 26)	40,341	38,400
Other revenues:		
Dividend income – related parties (Note 26)	10,000	11,000
Interest income from loans – related parties (Note 26)	19,724	5,122
Interest income from cash with banks	3,775	4,258
Other	16	50
	73,856	**58,830**

The Company's operations are performed through one segment as described in Note 1.

NOTE 6 – STAFF COSTS

	2008	2007
	(in thousands of HRK)	
Gross salaries /i/	12,252	8,878
Share options granted (Note 19/v/)	1,489	-
Public transport	95	57
Other staff costs /ii/	5,924	2,866
	19,760	**11,801**

At 31 December 2008, the number of staff employed by the Company was 33 (2007: 24).

/i/ Pension contributions that the Company calculated for payment to mandatory pension funds for the year ended 31 December 2008 amounted to HRK 1,538 thousand (2007: 1,258 thousand).

/ii/ Other staff costs comprise of bonuses, education expenses, accruals for unused vacation days and jubilee awards.

NOTE 7 – MARKETING AND PROMOTION EXPENSES

	2008	2007
	(in thousands of HRK)	
Entertainment	1,209	1,067
Sponsorships and donations	1,265	548
Advertising and marketing expenses	100	201
	2,574	**1,816**

NOTE 8 – OTHER OPERATING EXPENSES

	2008	2007
	(in thousands of HRK)	
Rentals	5,021	4,883
Transportation services	3,554	3,261
Intellectual services	1,711	1,406
Supervisory Board compensation	1,679	1,416
Taxes and contributions irrespective of operating results	1,405	1,209
Travel expense and daily allowances	1,201	868
Insurance premiums	284	257
Telecommunication services	399	337
Office supplies	360	374
Services from related parties (Note 26)	606	359
Maintenance and security	471	215
Other	1,045	728
	17,736	**15,313**

NOTE 9 – OTHER GAINS / (LOSSES) – NET

	2008	2007
	(in thousands of HRK)	
Gain on sale of property, plant and equipment (Note 12)	90	103
Gain on sale of financial assets	-	656
Impairment loss from investment in subsidiary	-	(613)
Foreign exchange losses – net	1,120	(282)
	1,210	**(136)**

NOTE 10 – FINANCE COSTS – NET

	2008	2007
	(in thousands of HRK)	
Foreign exchange net (loss) / gain on borrowings	(2,256)	203
Finance costs:		
Interest expense on bank borrowings	(4,175)	(4,143)
Interest expense on loans from related parties (Note 26)	(529)	(166)
Interest expense on bonds	(6,931)	(6,995)
Interest expense on commercial papers	-	(21)
	(11,635)	(11,325)
	(13,891)	**(11,122)**

NOTE 11 – INCOME TAX

	2008	2007
	(in thousands of HRK)	
Current income tax	3,481	39
Deferred tax (Note 22)	(1,222)	-
	2,259	**39**

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate of 20% applicable to the Company's profit as follows:

	2008	2007
	(in thousands of HRK)	
Profit before taxation	20,725	18,080
Tax at 20%	4,145	3,616
Effect of expenses not deductible for tax purposes	578	834
Effect of income not subject to tax	(2,464)	(2,253)
Effect of utilisation of previously unrecognised tax losses	-	(2,158)
Current income tax	**2,259**	**39**
Effective interest rate	10.90%	0.21%

To date, the Tax Authority did not perform a tax audit of the Company's income tax return. In accordance with local regulations, the Tax Authority may at any time inspect the Company's books and records within 3 years following the end of the year in which the tax liability is reported and may impose additional tax assessments and penalties. The Company's management is not aware of any circumstances, which may give rise to a potential material liability in this respect.

In 2007, the Company entirely utilised tax losses from previous years in the amount of HRK 10,794 thousand.

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT

(in thousands of HRK)	**Buildings**	**Vehicles**	**Equipment**	**Total**
At 31 December 2006				
Cost	1,646	543	2,792	4,981
Accumulated depreciation	(109)	(533)	(1,894)	(2,536)
Net book amount	**1,537**	**10**	**898**	**2,445**
At 31 December 2007				
Opening net book amount	1,537	10	898	2,445
Additions	-	-	139	139
Disposals	(1,468)	(3)	-	(1,471)
Depreciation	(69)	(5)	(460)	(534)
Closing net book amount	**-**	**2**	**577**	**579**
At 31 December 2007				
Cost	-	477	2,931	3,408
Accumulated depreciation	-	(475)	(2,354)	(2,829)
Net book amount	**-**	**2**	**577**	**579**
At 31 December 2008				
Opening net book amount	-	2	577	579
Additions	-	100	114	214
Disposals	-	(4)	-	(4)
Depreciation	-	(8)	(300)	(308)
Closing net book amount	**-**	**90**	**391**	**481**
At 31 December 2008				
Cost	-	336	3,046	3,382
Accumulated depreciation	-	(246)	(2,655)	(2,901)
Net book amount	**-**	**90**	**391**	**481**

NOTE 13 – INTANGIBLE ASSETS

	31 December 2008	31 December 2007
	(in thousands of HRK)	
Opening net book amount	220	174
Additions	-	74
Amortisation	(72)	(28)
Closing net book amount	148	220
Cost	298	298
Accumulated amortisation	(150)	(78)
Closing net book amount	**148**	**220**

NOTE 14 – INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES

	31 December 2008	31 December 2007	31 December 2008	31 December 2007
	Holding in %	**Holding in %**	*(in thousands of HRK)*	
Cedevita d.o.o., Zagreb, Croatia	51%	51%	11,010	11,010
Neva d.o.o., Zagreb, Croatia	100%	100%	10,900	10,900
Atlantic Trade d.o.o., Zagreb, Croatia	100%	100%	10,000	10,000
Atlantic Italia S.r.l., Italy	100%	100%	139	139
Hopen Investments, BV, Netherlands /i/	100%	100%	91,017	25,800
Montana Plus d.o.o., Zagreb, Croatia	100%	100%	12,000	12,000
Atlantic Farmacia d.o.o., Zagreb, Croatia	90%	95%	95	100
Fidifarm d.o.o., Zagreb, Croatia	100%	100%	81,591	81,591
Farmacia Specijalizirana prodavaonica d.o.o. Zagreb, Hrvatska /ii/	100%	-	20	-
Atlantic Media d.o.o. /iii/	50%	-	25	-
			216,797	**151,540**

/i/ Based on Management Board Resolution, the Company has converted the loan to Hopen Investments, BV, Netherlands of EUR 9,000 thousand (HRK: 65,217 thousand) into capital reserves.

/ii/ In November 2008, the Company founded a subsidiary whose principal activity is retail sale of OTC products and food supplements in specialised stores.

/iii/ The Company is co-founder and has a 50% interest in Atlantic Media d.o.o., a jointly controlled entity which is involved in the media buying business.

NOTE 15a – FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

(in thousands of HRK)	Loans and receivables	Available-for-sale financial assets	Total
31 December 2008			
Financial assets			
Available-for-sale (Note 16)	-	35,041	**35,041**
Trade and other receivables (Note 17/i/)	368,342	-	**368,342**
Cash and cash equivalents (Note 18)	138,088	-	**138,088**
Total	**506,430**	**35,041**	**541,471**

(in thousands of HRK)	Other financial liabilities	Total
31 December 2008		
Financial liabilities		
Borrowings (Note 21)	307,959	**307,959**
Trade and other payables (Note 20)	3,889	**3,889**
Total	**311,848**	**311,848**

(in thousands of HRK)	Loans and receivables	Available-for-sale financial assets	Total
31 December 2007			
Financial assets			
Available-for-sale (Note 16)	-	35,041	**35,041**
Trade and other receivables (Note 17/i/)	201,637	-	**201,637**
Cash and cash equivalents (Note 18)	355,255	-	**355,255**
	556,892	**35,041**	**591,933**

(in thousands of HRK)	Other financial liabilities	Total
31 December 2007		
Financial liabilities		
Borrowings (Note 21)	289,796	**289,796**
Trade and other payables (Note 20)	6,705	**6,705**
Total	**296,501**	**296,501**

NOTE 15b – CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

As at 31 December 2008, financial assets classified in the category trade and other receivables that are not past due amounted to HRK 341,984 thousand (2007: HRK 190,603 thousand). Receivables not past due relate to receivables from related parties in the amount of HRK 340,883 thousand (2007: HRK 189,623 thousand) and the risk of non-collectibility is not significant.

Almost all of the Company's cash and cash equivalents in the amount of HRK 138,067 thousand (2007: HRK 355,237 thousand) are held at a bank's group member with an A- credit rating by Standard & Poor's.

The Company holds available-for-sale financial assets in the amount of HRK 35,041 thousand (2007: HRK 35,041 thousand) in a company with a BBB+ credit rating by Standard & Poor's.

NOTE 16 – AVAILABLE-FOR-SALE FINANCIAL ASSETS

As at 31 December 2008, the Company has an investment in an unlisted equity instrument in the amount of HRK 35,041 thousand (31 December 2007: HRK 35,041 thousand). This investment is carried at cost since its fair value cannot be reliably measured. During 2008 and 2007, there were no disposal nor impairment provisions on available-for-sale financial assets.

NOTE 17 – TRADE AND OTHER RECEIVABLES

	31 December 2008	31 December 2007
	(in thousands of HRK)	
Non-current receivables		
Loan receivables – related parties (Note 26)	320,116	138,136
Deposits	914	977
Less: Current portion of long-term loans – related parties	(12,269)	(20,019)
	308,761	**119,094**
Current receivables		
Trade receivables – related parties (Note 26)	6,031	5,620
Trade receivables	3	3
Short-term loan receivables– related parties (Note 26)	4,886	34,398
Current portion of long-term loans – related parties	12,269	20,019
Accrued interest receivable – related parties (Note 26)	24,205	11,503
Receivables for distribution of profit – related parties (Note 26)	12,000	11,000
Other receivables	17,173	660
	76,567	**83,203**
Total trade and other receivables	**385,328**	**202,297**

NOTE 17 – TRADE AND OTHER RECEIVABLES (continued)

/i/ Financial assets by category are as follows (Note 15a):

	2008	2007
	(in thousands of HRK)	
Category: Loans given and receivables		
Non-current loan receivables – related parties (Note 26)	320,116	138,136
Deposits	914	977
Trade receivables – related parties (Note 26)	6,031	5,620
Trade receivables	3	3
Short-term loan receivables – related parties (Note 26)	4,886	34,398
Accrued interest receivable – related parties (Note 26)	24,205	11,503
Receivables for distribution of profit – related parties (Note 26)	12,000	11,000
Other receivables	187	-
	368,342	**201,637**

All non-current receivables fall due within 5 years after the balance sheet date.

The fair value of non-current receivables approximates the carrying amounts, since the contracted interest rates reflect market rates.

As at 31 December 2008, trade and other receivables past due amounted to HRK 26,358 thousand (2007: HRK 11,034 thousand). All receivables past due relate to receivables from related parties and they were not provided for. The ageing analysis of past due but not impaired trade and other receivables by maturity periods is as follows:

	2008	2007
	(in thousands of HRK)	
Less than 3 months	7,367	1,076
3 to 6 months	5,738	2,241
Over 6 months	13,253	7,717
	26,358	**11,034**

The carrying amounts of the Company's trade and other receivables are denominated in the following currencies:

	2008	2007
	(in thousands of HRK)	
HRK	349,760	114,451
EUR	18,582	87,186
	368,342	**201,637**

Other classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Company does not hold any collateral as security other than bills of exchange and promissory notes.

/ii/ Other receivables comprise of HRK 13,460 thousand in advance for purchases from minority interest (2007: nil) in the subsidiary Cedevita d.o.o. (Note 27) and of HRK 2,626 thousand relating to deferred share based payment expenses (2007: nil).

NOTE 18 – CASH AND CASH EQUIVALENTS

	31 December 2008	31 December 2007
	(in thousands of HRK)	
Current account and cash on hand	650	2,212
Foreign currency account	1,936	1,049
Deposits with maturity up to one month /i/	135,502	351,994
	138,088	**355,255**

/i/ Accrued interest up to the balance sheet date is recorded within other revenue (Note 5).

Cash and cash equivalents are denominated in the following currencies:

	2008	2007
	(in thousands of HRK)	
EUR	137,438	1,049
HRK	650	354,206
	138,088	**355,255**

NOTE 19 – SHARE CAPITAL

	Number of shares	Ordinary shares	Share premium	Treasury shares	Total
			(in thousands of HRK)		
1 January 2007	**22,340**	**2,234**	**81,247**	**-**	**83,481**
Effect of share split /i/	33,510	-	-	-	-
New shares issued /ii/	2,031,175	81,247	(81,247)	-	-
Share capital before IPO	**2,087,025**	**83,481**	**-**	**-**	**83,481**
Increase in capital /iii/	382,970	15,319	313,854		329,173
Purchase of treasury shares /iv/	(3,359)	-	-	(3,063)	(3,063)
31 December 2007	**2,466,636**	**98,800**	**313,854**	**(3,063)**	**409,591**
Purchase of treasury shares /iv/	(1,922)	-	-	(1,391)	(1,391)
31 December 2008	**2,464,714**	**98,800**	**313,854**	**(4,454)**	**408,200**

NOTE 19 – SHARE CAPITAL (continued)

/i/ In July 2007, a share split was performed by reducing the nominal share amount from HRK 100 to HRK 40, whereby the total number of shares increased from the existing 22,340 to 55,850 (C series). The stated split did not have an effect on the value of the Company's share capital.

/ii/ After the share split, in July 2007 the Company's share capital was increased by conversion of the share premium account in the amount of HRK 81,247 thousand to an amount of HRK 83,481 thousand and it was divided among 2,087,025 ordinary shares with a nominal value of HRK 40 per share.

/iii/ On 18 October 2007, the Croatian Financial Service Supervisory Agency approved the Prospectus for the Initial Public Offering of the Company's ordinary shares. The Initial Public Offering included 382,970 ordinary shares newly issued on the Zagreb Stock Exchange (D series) with a nominal value of HRK 40 per share. The registration of shares was finalised on 31 October and the share price included in the public offering was set at HRK 935 per share, which increased the Company's share capital by HRK 15,318,800 to HRK 98,800 thousand, while the share premium was increased by HRK 342,758,150. The share premium was decreased by costs directly attributable to the Initial Public Offering, including consultants' fees of HRK 28,904 thousand.

/iv/ In 2008 the Company purchased 1,922 treasury shares (2007: 3,359) on the Zagreb Stock Exchange for an amount of HRK 1,391 thousand (2007: HRK 3,063 thousand). The consideration paid for the purchased treasury shares includes all directly attributable transaction costs.

All shares issued are ordinary shares, including all relevant rights. They have the right to vote at the Company's General Assembly, as well as the right to dividend payment.

The ownership structure at 31 December of the Company is as follows:

	2008		**2007**	
	Number of shares	**%**	**Number of shares**	**%**
Emil Tedeschi	1,302,304	52.72	1,302,304	52.72
Lada Tedeschi	191,589	7.76	191,589	7.76
DEG	171,971	6.96	171,971	6.96
Free float	755,827	30.61	757,749	30.68
Management of Company	43,023	1.74	43,023	1.74
Treasury shares	5,281	0.21	3,359	0.14
Total	**2,469,995**	**100.00**	**2,469,995**	**100.00**

NOTE 19 – SHARE CAPITAL (continued)

/v/ Share based payments

During 2008 the Company started a share option programme under which shares are granted to Management Board members and to selected employees.

One part of the share grant is subject to Group achieving its target growth in operating profit and subject to individual performance achievements. The other part is conditional on the employee completing two or more years of service (the vesting period).

The fair value of the equity-settled share based payment transactions amounted to HRK 4,115 thousand. Out of that amount, HRK 1,489 thousand has been reported as staff costs (Note 6), related to shares for which vesting conditions were met in 2008 (2,899 shares) and the remaining amount has been reported under Other receivables (Note 17 /ii/).

The fair value of the shares granted is estimated as of the grant date taking into account the terms and conditions upon which the options were granted. The significant inputs into the valuation model were estimated share price at exercise date of HRK 500 and exercise price shown in the table below. The volatility used for estimating share price was based on statistical analysis of daily share prices over the last 12 months.

Movements in the number of share options are as follows:

	Average exercise price in HRK per share	Options
At 1 January 2008	-	-
Granted	zero	9,496
At 31 December 2008		**9,496**

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Expiry date	Exercise price in HRK per share	Shares
2009	zero	2,899
2010	zero	2,830
2011	zero	2,830
2012	zero	641
2013	zero	296
		9,496

/vi/ Dividend distribution

According to the decision of the Company’s General Assembly in June 2008 (in January 2007), a distribution of dividend was approved in the amount of HRK 11,587 thousand (2007: 5,145 thousand).

NOTE 20 – TRADE AND OTHER PAYABLES

	31 December 2008	31 December 2007
	(in thousands of HRK)	
Trade payables	1,804	4,567
Trade payables – related parties (Note 26)	73	221
Other payables /i/	3,026	2,538
	4,903	**7,326**

/i/ Other payables are as follows:

	31 December 2008	31 December 2007
	(in thousands of HRK)	
Gross salaries payable	1,162	791
VAT payable	850	1,126
Accrued expenses	755	243
Other	259	378
	3,026	**2,538**

Financial liabilities are denominated in the following currencies:

	2008	2007
	(in thousands of HRK)	
EUR	277	705
HRK	3,612	6,000
	3,889	**6,705**

NOTE 21 – BORROWINGS

	31 December 2008	31 December 2007
	(in thousands of HRK)	
Long-term borrowings:		
Banks /i/	33,293	46,614
Related parties /ii/ (Note 26)	145,863	-
Bonds /iii/	114,577	114,359
Long-term debt	**293,733**	**160,973**
Short-term borrowings:		
Banks /i/	13,317	123,341
Related parties /ii((Note 26)	566	5,238
Bonds /iii/	343	244
	14,226	**128,823**
Total borrowings	**307,959**	**289,796**

NOTE 21 – BORROWINGS (continued)

/i/ The bank borrowing granted in 2005 in the amount of EUR 9 million was refinanced in July 2007 through new borrowings, according to which the remaining amount is repayable in 9 equal semi-annual instalments with a grace period of one year. The last instalment is due in June 2012.
In December 2007, the Company obtained a short-term borrowing for working capital purposes in the amount of HRK 110,000 thousand. The borrowing was repaid in January 2008.

/ii/ In November 2008, the Company was granted a EUR 20,000 thousand loan for further acquisition activities. The loan is repayable in 12 equal semi-annual instalments until 2016, with the first instalment falling due in May 2011.

/iii/ In December 2006, the Company issued 115,000 thousand bonds in the nominal amount of HRK 115,000 thousand. The bonds carry a nominal value of HRK 1 per bond and mature in December 2011. The bonds are listed on the Zagreb Stock Exchange. The carrying value of bonds as at 31 December 2008 and 31 December 2007 represents the nominal value less non-current portion of prepaid issuance expenses.

/iv/ Short-term bond liabilities include accrued interest and the current portion of prepaid issuance expense.

The exposure of the Company's borrowings to interest rate changes and the contractual repricing dates at the balance sheet date are as follows:

	31 December 2008	31 December 2007
	(in thousands of HRK)	
Up to 3 months	46,894	169,955
Up to 6 months	145,774	-
Fixed interest rate	115,291	119,841
	307,959	**289,796**

The maturity of long-term borrowings is as follows:

	31 December 2008	31 December 2007
	(in thousands of HRK)	
Between 1 and 2 years	13,009	13,318
Between 2 and 5 years	207,749	147,655
Over 5 years	72,975	-
	293,733	**160,973**

NOTE 21 – BORROWINGS (continued)

The average effective annual interest rate relating to borrowings from banks and financial institution at the balance sheet date was 6.29% (2007: 6.69%). The effective annual interest rate relating to bonds at the balance sheet date was 5.98% (2007: 5.98%)

The carrying amounts and fair value of long-term borrowings are as follows:

	Carrying amounts		Fair value	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007
	(in thousands of HRK)		*(in thousands of HRK)*	
Long-term borrowings				
Banks	33,293	46,614	33,293	46,614
Related parties	145,863	-	145,863	-
Bonds	114,577	114,359	105,800	112,240
	293,733	**160,973**	**284,956**	**158,854**

The fair values of bonds are based on the market quotation of Raiffeisenbank Austria d.d. Zagreb on the 31 December 2008 (in 2007: based on current bid price at the Zagreb Stock Exchange).

The carrying amount of short-term borrowings approximates their fair value.

The carrying amounts of the Company's borrowings are translated from the following currencies:

	31 December 2008	31 December 2007
	(in thousands of HRK)	
HRK	115,291	229,864
EUR	192,668	59,932
	307,959	**289,796**

NOTE 22 – DEFERRED TAX ASSETS

	2008	2007
	(in thousands of HRK)	
Deferred tax assets:		
- Deferred tax assets to be recovered after 12 months	3	-
- Deferred tax assets to be recovered within 12 months	1,219	-
Deferred tax assets	**1,222**	**-**

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the amounts recorded will be realised through future taxable profits of the Company. Temporary differences relate to accrued bonuses and expenses of unused vacation days.

NOTE 23 – PROVISIONS

(in thousands of HRK)	**Provisions for jubilee awards and termination benefits**	**Provisions for bonuses**	**Total**
At 31 December 2007	-	2,119	2,119
Analysis of total provisions:			
Non-current	-	-	-
Current	-	2,119	2,119
At 1 January 2008	**-**	**2,119**	**2,119**
Additions	19	5,514	5,533
Used during year	-	(2,119)	(2,119)
At 31 December 2008	**19**	**5,514**	**5,533**
Analysis of total provisions:			
Non-current	15	-	**15**
Current	4	5,514	**5,518**

NOTE 24 – COMMITMENTS

The Company has aggregate minimum lease payments under operating leases for equipment, vehicles and business premises as follows:

	31 December 2008	**31 December 2007**
	(in thousands of HRK)	
Not later than 1 year	4,208	3,355
Later than 1 year and not later than 5 years	4,234	6,162
	8,442	**9,517**

Capital expenditure contracted for at 31 December 2008 but not yet incurred amounted to HRK 2,694 thousand (2007: HRK nil).

NOTE 25 – CASH GENERATED FROM OPERATIONS

	Note	2008	2007
Net profit		**18,466**	**18,041**
Income tax	11	2,259	39
Depreciation and amortisation	12,13	380	562
Gain on sale of property, plant and equipment	9	(90)	(103)
Gain on sale of financial assets	9	-	(656)
Unrealised foreign exchange differences – net		3,129	50
Increase in provision for employee bonuses	23	3,414	2,119
Share based payment	19/v/	4,115	-
Interest income	5	(23,499)	(9,380)
Interest expense	10	11,635	11,325
Dividend income	5	(10,000)	(11,000)
Impairment of investment in subsidiary	9	-	613
Other non-cash items		212	(134)
Changes in working capital:			
(Increase) / decrease in trade and other receivables		(3,409)	3,693
(Decrease) / increase/(decrease) in trade and other payables		(5,995)	4,014
Cash generated from operations		**617**	**19,183**

Non cash transaction

The principal non-cash transaction is the conversion of loan receivable from Hopen to equity as discussed in Note 14/i/.

NOTE 26 – RELATED PARTY TRANSACTIONS

The Company enters into transactions with the following related parties as presented in Note 15, shareholders and other entities owned or controlled by shareholders.

Related party transactions, which relate to the year-end balances in the Balance Sheet as at 31 December 2008 and 2007 and transactions stated in the Income statement for the years then ended are as follows:

(all amounts expressed in thousands of HRK)	Note	31 December 2008	31 December 2007
RECEIVABLES			
Non-current receivables			
Loans given			
Subsidiaries		319,563	138,136
Other related parties		553	-
	17	320,116	138,136
Current receivables			
Short-term loans			
Subsidiaries	17	4,886	34,398
Interest receivable			
Subsidiaries	17	24,205	11,503
Trade receivables			
Subsidiaries	17	6,031	5,620
Receivables from distribution of profit			
Subsidiaries	17	12,000	11,000
LIABILITIES			
Trade and other payables			
Subsidiaries	20	73	221
Borrowings			
Subsidiaries		371	5,238
Shareholders		146,058	-
	21	146,429	5,238
REVENUES			
Revenues from corporate services			
Subsidiaries	5	40,341	38,400
Dividend income			
Subsidiaries	5	10,000	11,000
Interest income			
Subsidiaries	5	19,724	5,122
EXPENSES			
Other operating expenses			
Subsidiaries	8	606	359
Net finance costs			
Subsidiaries		245	166
Shareholders		284	-
	10	529	166
Key management compensation /i/			
Gross salaries and bonuses		8,134	6,759
Share based payment		426	-

/i/ Key management compensations relate to gross wages and bonuses for 3 employees (2007: gross wages for 3 employees).

NOTE 27 – POST BALANCE SHEET EVENTS

In January 2009, the Company finalized acquisition of 30% interest in subsidiary Cedevita d.o.o. for HRK 13,460 thousand. As a result of this transaction, the Company increased its share in Cedevita d.o.o. from 51% to 81%.