INSTITUT IGH, d.d.

2021

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT

Zagreb, July 2022

CONTENTS

1. INTRODUCTION

Articles 250.a and 250.b of the Companies Act and Article 21.a of the Accounting Act establish an obligation to submit an Annual Report, a true and fair view of the Company's position and the annual consolidated financial statements.

Annual Report of the Company INSTITUT IGH, d.d. (hereinafter: Company) includes all information and data required by law.

Annual financial statements of the Company are consolidated since we own shares and business interests in affiliate companies and subsidiaries.

The term „IGH Group“ will be applied in this Report to the Company and its affiliates and subsidies, all with the aim to present complete, true and substantially accurate information to the shareholders and investment community.

The Annual Report also includes principal financial statements prepared in line with the Accounting Act and International Financial Reporting Standards. According to the Accounting Act, the principal financial statements are the statements on the financial status of the Company (balance sheet), profit and loss account, Statement on other comprehensive income, Statement on changes in equity, Cash flow statement and Notes to the Financial Statements. Apart from this, Annual Report also includes the non-financial report, i.e. additional information, pursuant to provisions of Article 21 of the Accounting Act.

2. INTRODUCTORY NOTE BY THE CEO

The year 2021 was marked by the continuation of the COVID-19 pandemic and business activities influenced by it. After two devastating earthquakes in Croatia in the previous year, the necessary recovery mechanisms needed to be established which in practice turned out to be difficult, since they are connected with the public procurement system. During 2021, we continuously tried to point out to the competent authorities the problems of public procurement when it comes to infrastructure projects of public interest. Namely, a significant number of foreign service providers have appeared on the market, which is not disputed, but what is disputable is the result that, unfortunately, has been achieved. This primarily refers to unfair competition, the erosion of professional credibility and, what is particularly questionable and worrying, a deterioration of the quality of contracted engineering services, all as a result of the fact that the level of commitment between supply and the provision of services is not maintained. Simply put, the team with the offered references is too often not the team that performs the contracted service.

Despite all the difficulties, we have kept the number of employees at the same level as in 2020. We ended the year with 521 employees, with 13 more employees engaged in foreign branches.

When we talk about the impact of the COVID-19 pandemic on business, first of all, our primary goal was caring for employees. Business processes were adapted to the current circumstances, and the necessary measures were implemented to enable a smooth operation of the company. All this has led to a low infection rate among employees throughout the pandemic period. In the context of the pandemic's impact on the company's, the impact was more significant.

During 2021, we signed **248 new contracts totalling just over HRK 156 million**. I would single out several of these contracts, signed on the Croatian market.

The first, worth HRK 7.2 million, was concluded with the company Hrvatske ceste d.o.o. for complete technical supervision services over the construction of the express road Okučani - Bosnia and Herzegovina border / Phase 2, length 4.07 km. Another contract with the same client was signed, value just over HRK 10.5 million. This contract includes preliminary design development, environmental impact assessment and obtaining the Location permit for the reconstruction of the Zagreb Bypass (Jankomir - Ivanja Reka) the construction of a third traffic lane as well as the development of the Main and Working design and obtaining the Building permit for the section Jankomir - Lučko. The contract was signed as a Consortium with the company Inženjerski projektni zavod d.d.

Four groups of contracts related to the main inspections of building structures at four locations in Croatia must also be mentioned, approximate value of HRK 8 million, signed with HEP proizvodnja d.o.o. where Institut IGH is a part of the consortium together with the Institut za elektroprivredu d.d., EKONERG d.o.o. and GEOEXPERT-I.G.M. d.o.o.

Eight Framework agreements were also signed with clients such as INA- INDUSTRIJA NAFTE D.D., VIRTUS PROJEKT D.O.O., HŽ INFRASTRUKTURA D.O.O., HEP-PROIZVODNJA D.O.O. and HRVATSKE CESTE D.O.O. for a wide variety of services, approximate value is just over HRK 46 million.

The announced project of digitization of internal documentation also continued (**Document Management System**), which is a cost-effective measure from which significant savings are expected in terms of data and resource management efficiency.

After the adoption of the **Company Development Strategy 2020-2030**, and the establishment of a team to implement the Strategy, an annual plan with four focus areas was developed:

1. Focus on employees and mentoring
2. New markets and business segments
3. Scientific and research activities
4. Profitability

The Management Board monitored the implementation plan on a monthly basis, and at the end of the year the results were presented to the Company's Supervisory Board. The results showed 80% of the total realization of the set goals

As one of the Strategy goals is to further internationalize the Company's business, the focus in 2021 was on the assessment and visits to countries and markets such as Iraq and Egypt. A strategic decision was subsequently made to position the Company on the markets of the Middle East and North Africa (MENA) by opening a branch in Cairo that will serve as a HUB for the area

The Company continued to promote and implement **Building Information Modelling (BIM)** for future projects. During the implementation of the BIM process within the Company, a **market need for this specific knowledge was recognized** and in 2021, external training for individuals and companies was initiated, and an increased interest in this type of services on the market was recognized.

On behalf of the Management of Institut IGH, d.d.

Robert Petrosian, dipl.ing.građ.
CEO

3. ACTIVITIES

INSTITUT IGH, d.d. is the leading consulting company for design and engineering services in civil engineering in Croatia and the region. Together with its 14 subsidiaries and 6 affiliates it provides comprehensive support in infrastructure and investment projects, delivering optimal, complete and innovative solutions in the civil engineering sector in Croatia and international markets.

The Company is registered at the Commercial Court in Zagreb under the number MBS: 080000959, with its head office in Zagreb, Janka Rakuše 1. The Company's share capital is HRK 116.604.710,00 divided into 613.709 ordinary shares mark IGH-R-A, ISIN:HRIGH0RA0006 nominal value HRK 190,00, listed on the official market of the Zagreb Stock Exchange.

INSTITUT IGH, d.d. provides the following activities:

- Publishing activity
- Counselling and purchase of programming equipment (software)
- Research and development in technical & technological sciences
- Counselling on business & management
- Management of holding companies
- Architectural and engineering activity & technical consultancy
- Technical testing & analyses
- Scientific research, development-oriented research, publishing results of scientific and development research, scientific training and education, and maintenance and development of scientific and research structure
- Advancement of general, technical and autonomous regulations in the field of civil engineering and in other fields where civil engineering expertise is required. Analysis and coordination of the implementation of international regulations in civil engineering

- Improvement of development programs and construction technologies
- Preparation of environmental impact studies from the standpoint of protection, preservation and improvement of physical space
- Organization and implementation of activities aimed at further scientific and professional development
- Inspection of technical documents to check stability, safety, functionality, physical properties and cost-effectiveness
- Verification and evaluation of competence of companies performing activities of consequence to the safety, quality and functionality of man-made structures
- Expert evaluations in the field of civil engineering, technics, technology
- and cost-effectiveness of construction projects
- Establishment and maintenance of a structures & infrastructure register, and the monitoring of structural conditions, conditions of use, and maintenance conditions
- Technical activities in the field of environmental protection
- Technical activities in the field of physical planning, as related to the preparation of physical planning documents, and technical documents for the issuing of location permits

VALIDATION OF DESIGNS FOR:

- architectural design (architectural design of structures/buildings, interior design for structures/buildings, and landscaping design);
- mechanical engineering design (mechanical design of power plants, design of storage and transport of gaseous and liquid substances).

- programming and realization of geotechnical investigations;
- development of geotechnical opinions, studies, reports and design documents
- civil engineering design of geotechnical structures/facilities;
- laboratory testing of rock and soil;
- in-situ testing of rock and soil materials in boreholes;
- monitoring behaviour of geotechnical structures/facilities;
- laboratory and in-situ testing of geotextiles;
- geological investigation of energy-providing, metallic and non-metallic raw-materials;
- hydrogeological investigations (geological, structural geological, and hydrogeological investigations, testing hydraulic parameters of ground water, design of ground water well areas including works relating to water supply, and preparation of design support data for civil engineering structures);
- organization, supervision during realization and design of engineering-geological and hydrogeological works;
- study of ground water and engineering geological properties of soil for the preparation of studies and design documents in the field of environmental protection;
- geophysical investigations for environmental protection purposes, and for preparation of support data for archaeological explorations;
- activities for the protection and preservation of cultural assets, i.e.: survey and documenting of load-bearing structures of cultural assets and preparation of conceptual, preliminary, detailed and working designs for the repair of load-bearing structures of fixed cultural assets or architectural documenting of cultural assets and preparation of conceptual, preliminary, detailed and working designs for the works on fixed cultural assets, and for the repair of materials on fixed cultural assets.
- development of interdisciplinary activities needed for the improvement and advancement of civil engineering
- development of prototypes and series of measuring devices used in civil engineering
- consultancy and quality assurance services for technical equipment in structures/facilities
- elaboration and implementation of quality assurance programs
- typing and reproduction of technical documents
- certification services
- elaboration of technical approvals
- implementation of investment works in the country and abroad
- investigation services and provision and use of information and knowledge relating to industry and science
- services relating to quality control and quality in the import and export of goods
- representation of foreign companies
- geophysical survey as needed for the engineering-geological, hydrogeological and geotechnical survey works and control tests and quality control on civil engineering structures
- technical activities relating to physical development planning
- activities relating to management of construction projects
- activities relating to preparation of design documents for water management facilities and water systems
- preparation of survey reports with permanent topographic points as required for basic topographic activities
- preparation of survey reports for the measuring, marking and maintaining of the national border
- preparation of reports for the development of the Croatian Basic Map
- preparation of reports for the development of digital orthophoto charts
- preparation of reports for the development of detailed topographic maps
- preparation of reports for the development of general topographic maps

- preparation of cadastral survey reports
- preparation of technical reambulation reports
- preparation of reports for the conversion of cadastral plans into digital format
- preparation of reports for the conversion of digital cadastral plans into a given format
- preparation of reports concerning the homogenization of cadastral plans
- preparation of plot plans and other survey reports relating to land cadastre
- preparation of plot plans and other survey reports relating to real estate cadastre
- preparation of plot plans and other geodetic survey reports for the individual conversion of land cadastre plots into real-estate cadastre plots
- preparation of cadastral reports relating to utilities and geodetic/surveying activities that are needed for the provision of surveying services
- technical management of the cadastre for utility services
- preparation of special geodetic/surveying support data for preparation of physical-development documents and acts
- preparation of special geodetic support data for design work
- preparation of geodetic reports defining the condition of a structure prior to reconstruction work
- preparation of surveying designs
- stakeout (setting out) of structures and preparation of stakeout reports
- preparation of general geodetic plans for built structures
- geodetic monitoring of structures during construction, and preparation of surveying-monitoring report
- monitoring displacement of structures in the course of maintenance activities, and preparation of surveying-monitoring reports
- geodetic activities that are undertaken in the scope of urban land redistribution
- preparation of agricultural land redistribution designs and surveying activities performed in the scope of redistribution of agricultural land
- preparation of special surveying/geodetic support data for protected areas and areas under protection
- technical supervision of works: development of work-cadastre reports and
- Expert topographic activities for provision of topographic services, technical management of cadastre for utility service lines, elaboration of special
- topographic support data for the preparation of physical development documents and acts, preparation of special surveying support data for design work, preparation of surveying reports defining condition of a structure prior to reconstruction work, preparation of geodetic designs, stakeout of structures and preparation of stakeout reports, geodetic monitoring of structures during construction, and preparation of geodetic-monitoring reports, monitoring displacement of structures in the course of maintenance activities, and preparation of geodetic-monitoring reports, and preparation of special surveying support data for protected areas and areas under protection
- professional activities relating to nature protection

- professional activities relating to noise protection
- account-keeping activities
- aerial photography
- translation and interpretation services
- activities relating to real estate management and real estate maintenance
- activities relating to real estate brokerage
- real estate activities
- rental of motor vehicles
- rental of aircrafts

- activities relating to rental of yachts or boats, with or without crew (charter)
- rental of vessels
- own-account transport
- transport of passengers in national road transport
- transport of passengers in international road transport
- transport of cargo in national and international road transport
- organizing seminars, courses, fairs, events, exhibitions and concerts
- market research and public opinion polls
- purchase and sale of goods
- provision of service in trade
- commercial brokerage on national and international markets
- design and construction of structures and technical supervision of construction works
- design and construction of mining facilities and plants

ACTIVITIES ON RECORD

- IT services
- web design
- development and maintenance of websites
- electronic communication networks and service activities
- universal services in the field of electronic communications
- special tariff services
- electronic publishing services
- teaching computer science
- IT and related activities
- development of designs for construction of mining and petroleum engineering facilities and plants
- Construction of mining and petroleum engineering facilities and plants, and technical supervision of construction works on the mining and petroleum engineering facilities and plants

In compliance with the standards for sustainable development system, IGH has the following certificates:

- **ISO 9001 Quality Management System**
- **ISO 14001 Environmental Management System**
- **ISO 50001 Energy management system**
- **ISO 40001 Occupational Health and Safety Management Systems**

4. HISTORY

1949	• Establishment of INSTITUT IGH, d.d. as the Civil engineering laboratory Zagreb
1956	• Renamed to Civil Engineering Institute of Croatia
1961-1962	Opening of Regional offices in Split, Rijeka and Osijek • Gains the status of a research institution
1967-1973	• Opening of permanent field laboratories in Sisak, Karlovac, Dubrovnik, Pula, Zadar and Varaždin
1977	• The Institute merges with the Faculty of Civil Engineering and obtains a new name: Civil Engineering Institute
1991	• The Institute separates from the Faculty of Civil Engineering and reverts to its former name: Civil Engineering Institute of Croatia
1994	• Transition and privatization
1995	IGH – joint stock company
1997	• New office building opens in Rijeka and a new laboratory building is completed in Sisak
1999	• First accreditation according to HRN EN 45001 standard, later replaced by standard HRN EN ISO/IEC 17025 General requirements for the competence of testing and calibration laboratories
1999	• Establishment of IGH Cert – independent body within IGH for the Assessment and verification of the constancy of performance of construction products, by authorization of the Minister responsible
2000	Establishment of the Department for Study and Design development • New office building in Split completed and fully equipped
2003	• Establishment of IGH TD – independent body within IGH for assessment of properties of construction products by authorisation of the Minister responsible • Institute shares listed on the Zagreb Stock Exchange
2004	• IGH accredited according to HRN EN 45011 General requirements for bodies operating product certification systems • Over 400 testing standards for different construction products • IGH laboratory moves to new building in the IGH head office in Zagreb
2005	• IGH obtains approval for provision of the following conformity certification services: certification of products, certification of factory production control, supervision over factory production control and testing

2006
- IGH granted Certificate ISO 9001:2002 Quality Management System

2008
- Restructuring of the Company and new visual identity

2009
- Name change to INSTITUT IGH, joint stock company for research and development in civil engineering
- New organization
- New visual identity
- Granted Certificate ISO 14001 Environmental Management System
- Granted Certificate OHSAS 18001 Occupational Health and Safety Assessment Specification

2012
- New organization
- Appointment of multi-member management
- Increase of share capital by cash contribution, issue of new ordinary shares, individual nominal value of HRK 400,00
- Increase of share capital to HRK 105.668.000,00 by issuing 105.590 new shares, nominal value HRK 400,00 each for a price of HRK 760,00 per share
- Issuing Convertible bonds mark IGH-O-176A, ISIN: HRIGH0O176A8 in the amount of EURO 10.000.000,00
- Establishing IGH-ESOP d.o.o. as a new FORM OF Employee Share Ownership, with 173 member - founders, with the paid-up share capital of HRK 2.979.200,00
- Entry in the Register of Scientific Organizations in the technical sciences discipline, field of civil engineering

2013
- New organization
- Pre-bankruptcy settlement
- IGH – Notified Body for certification (assessment of properties of material) of products at the EU level for area of harmonized European standards
- IGH – Approved Body and Croatian Body for technical assessment according to authorization of the Minister responsible for the area of non-harmonized EU Standards
- IGH – Technical Assessment Body – TAB for technical assessment of construction products at the EU level

2014

- Increase of share capital through authorized share capital by investment of rights of conversion of part of claims of a part of creditors from the pre-bankruptcy settlement, from HRK 105.668.000,00 to HRK 123.483.600,00, issuing of new 44.539 non-materialized shares, issued in name, nominal value of HRK 400,00 each
- Decrease of share capital from HRK 123.483.600,00 to HRK 58.654.710,00 by decreasing the nominal value of shares by HRK 210, 00, from HRK 400,00 to HRK 190,00 to cover the loss realized in previous periods
- Increase of share capital from HRK 58.654.710,00 to HRK 116.604.710,00 by cash contribution, by issuing new 305.000 non-materialized shares, issued in name, nominal value HRK 190,00 each
- Change in the ownership structure, members of the Management, positions of the Management, power of representation of the Management members, Supervisory Board members, revocation and granting of general power of representation
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2015

- New organization
- Conversion of 349.539 shares mark IGH-R-C ISIN HRIGH0RC00004 nominal value HRK 190,00 each into 349.539 shares mark IGH-R-A ISIN HRIGH0RC00006 nominal value HRK 190,00 each
- Listing of 349.539 shares individual nominal value HRK 190,00, mark IGH-R-A, ISIN: HRIGH0RA00006 of the official market of the Zagreb stock exchange

2016

- Operational restructuring
- Opening of new markets
- Opening of Branch office in Georgia
- Operational indicators mark an increase owing to the change in business development trends

2017

- Successful completion of large scale infrastructure projects in Georgia
- Acquisition of IGH Mostar and establishment of business unit in Bjelina
- Rebranding and new visual identity

2018

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- Successful re-accreditation of IGH Laboratory by the Croatian Accreditat Agency (HAA), meeting all requirements set by the standard HRN EN ISO/ 17025. IGH Laboratory obtained a new, valid Certificate on Accreditation, v until 2024.
- Accreditation for low strain impact integrity testing (PIT - ASTM D5882-: High strain dynamic testing of deep foundations (PDA - ASTM D4945-: Standard penetration testing (SPP/SPT - HRN EN ISO 22476-3:2008) : Energy transfer measurement during standard penetration testing (SPP/ ASTM D4633-16), which expanded our area of accreditation of geotechn testing to IGH field investigations as well
- Signed the Contract for technical supervision of construction works on Bridge Mainland – Island of Pelješac with access roads with Hrvatske ceste d.o.o., on the basis of public procurement procedure and our offer for I 49,4 million (VAT exclusive)
- Obtaining of new certificate ISO 50001 Energy Management System
- Signed a Contract for supervision of works on the construction of TPP Banovići - Block 1-350 MW, for a net value of HRK 15.769.400,00.

2019

- Obtaining of new certificate ISO 50001 Energy Management System
- Signed a Contract for supervision of works on the construction of TPP Banovići - Block 1-350 MW, for a net value of HRK 15.769.400,00.
- Signed a Contract for supervision of works on the construction of the Bypass of Ston (DC414), sub-sections Sparagovići / Zaradeže - Prapratno and Prapratno – Doli for a net value of HRK 12.750.697,00 as well as supervision on the Project Improvement of the water supply and utility infrastructure on the Rijeka agglomeration area, for a net value of HRK 12.522.863,00
- Design of ID12 Vrbovec 2 Interchange, (D10) –Bjelovar–Virovitica–BC T. Polje, section Bjelovar – Virovitica– BC T. Polje (Hungarian State Borderline, app. 60 km long, for a net value of HRK 12.407.600,00.

2020

- New Business Strategy adopted for the period 2020 – 2030
- A contract signed with the Public Company Motorways of the Federation of Bosnia and Herzegovina worth app. HRK 30 million, with Institute IGH d.d. as the leading partner in the Consortium, for the design of the express road Mostar-Široki Brijeg-Croatian State border, section Polog-Croatian State border
- A contract signed with the Public Company Motorways of the Federation of Bosnia and Herzegovina worth HRK 15,7 million for technical supervision services of construction works on the Corridor Vc motorway, section Tarčin-Konjic, sub-section Tarčin-Ivan, entrance to the Tunnel Ivan
- The Ministry of Construction and Physical Planning gave its approval for the "2020-2022 vocational training program", namely for conducting internal and external education courses, for which academic hours will be allocated, which makes the company the only private institution in the Republic of Croatia that will provide vocational training services to all persons who have passed a professional exam, and who, in accordance with the Regulation on vocational training of persons performing physical planning and construction work are required to have at least twenty school hours of training in a period of two years
- The company, in accordance with the certification requirements, made the transition from the standard OHSAS 18001 to ISO45001:2018 and thereby emphasized the importance of occupational safety and health of employees as part of the company's culture.

- Implementation of the new Business Strategy 2020 – 2030
- Re-establishment of the visual identity developed in 2008
- A contract signed with Hrvatske ceste d.o.o. for supervision of construction works on the express road Okučani – B&H Stater border, valued HRK 7,2 million
- A contract signed with the Vukovar Port Authority for the development of study and design documentation. valued HRK 5,9 million.
- Contracts signed with HEP proizvodnja d.o.o. regarding the main inspection of building structures and facilities in Croatia, valued app. HRK 8 million
- A contract signed with Hrvatske autoceste d.o.o. for the reconstruction of the Zagreb City Bypass valued over HRK 10,5 million
- Preparation of conservation support dana and design for the reconstruction of the roof on the Poljud Stadium in Split
- Technical supervision on the construction of student dormitory complex of the University of Dubrovnik completed.

5. GROUP COMPONENTS

arent company of the Issuer is the Issuer himself. IGH Group members are partly complementary to the parent company, founded or acquired with the aim to provide complete range of services.

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First part of the provided expert services include testing, design and design validation, technical supervision and management in the field of architecture, civil engineering and scientific research. The second part of the services is provided by dedicated companies for the implementation of real-estate projects.

IGH Group consists of **14 subsidiaries and 6 affiliate companies** (as at 31 December.2020) providing core and similar activities, while the INSTITUT IGH, d.d. also operates through branch offices and representative offices abroad.

Dependent companies are companies in which the company owns more than 50% of the voting rights and/or controls the adoption and implementation of the financial and business policies of the company in which investments were made in order to benefit from its activities.

Affiliates are companies in which the Company owns between 20% and 50% of the voting rights and has a significant influence but not control, through participation in decision making of financial and business policies.

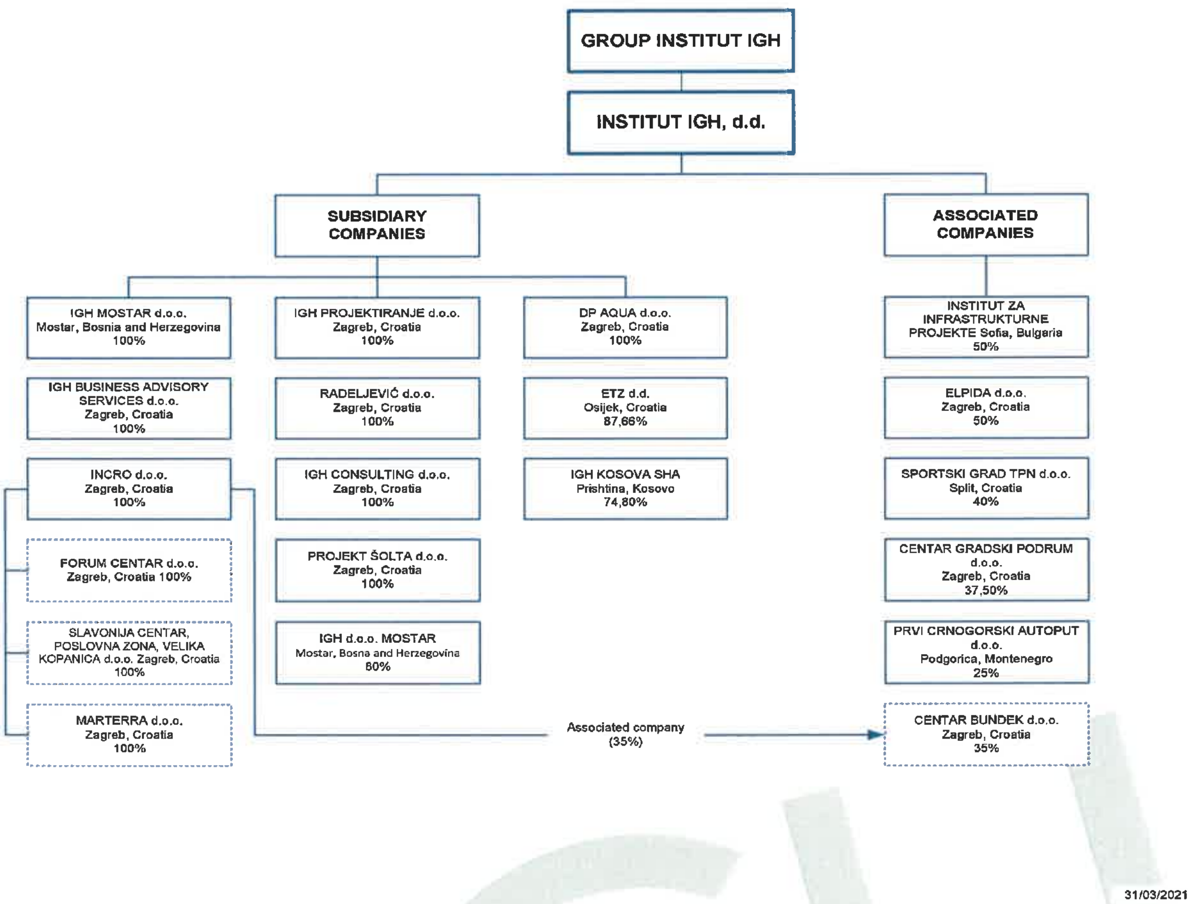

Figure 1. Group components on 31. December 2021.

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Consolidation includes the following subsidiaries:

SUBSIDIARY	ADDRESS
IGH d.o.o MOSTAR	Bišće Polje bb, Mostar, Bosna i Hercegovina
EKONOMSKO TEHNIČKI ZAVOD d.d. (ETZ d.d.)	Drinska 18, Osijek, Croatia
DP AQUA d.o.o.	Janka Rakuše 1, Zagreb, Croatia
IGH PROJEKTIRANJE d.o.o.	Janka Rakuše 1, Zagreb, Croatia
RADELJEVIĆ d.o.o.	Janka Rakuše 1, Zagreb, Croatia
IGH CONSULTING d.o.o.	Janka Rakuše 1, Zagreb, Croatia
IGH BUSINESS ADVISORY SERVICES d.o.o.	Janka Rakuše 1, Zagreb, Croatia
INCRO d.o.o.	Janka Rakuše 1, Zagreb, Croatia
MARTERRA d.o.o.	Janka Rakuše 1, Zagreb, Croatia
FORUM CENTAR d.o.o.	Janka Rakuše 1, Zagreb, Croatia
SLAVONIJA CENTAR, POSLOVNA ZONA VELIKA KOPANICA d.o.o.	Janka Rakuše 1, Zagreb, Croatia
PROJEKT ŠOLTA d.o.o.	Janka Rakuše 1, Zagreb, Croatia
IGH MOSTAR d.o.o.	Bišće Polje bb, Mostar, Bosnia and Herzegovina
IGH KOSOVA Sha	Kosovo, Priština

Tabe 1.Subsidiaries included in the consolidation

Having in mind that the company Projekt Šolta is under bankruptcy, and the company Montenegro was deleted from the register, these two companies are not included in the consolidation for 2021. Also, loss of control over the companies IGH Kosova SHA and IGH d.o.o. Mostar was recognized at the beginning of 2021 due to the fact that the agreement on the acquisition of shares was not realized in full.

Affiliates are:

AFFILIATE	ADDRESS
INSTITUT ZA INFRASTRUKTURNE PROJEKTE	Bugarska, Sofia
ELPIDA d.o.o.	Ventilatorska 24, Lučko, Croatia
SPORTSKI GRAD TPN d.o.o. u stečaju	Zrinsko-Frankopanska 211, Split, Croatia
CENTAR GRADSKI PODRUM d.o.o.	Augusta Cesarca 2, Zagreb, Croatia
CENTAR BUNDEK d.o.o.	Ede Murtića 11, Zagreb, Croatia
PRVI CRNOGORSKI AUTOPUT d.o.o.	Montenegro, Podgorica

Table 2. Affiliates included in the consolidation

The companies CENTAR BUNDEK d.o.o., CENTAR GRADSKI PODRUM d.o.o. were removed from the

Register during 2021, while the bankruptcy proceedings were opened against the company SPORTSKI GRAD TPN d.o.o.

The Company undertakes its business activities through **branches** in Georgia, The Republic of Kosovo and The Russian Federation (the procedure for closing this branch was initiated in 2022) and through its **representative office** in Bosnia and Herzegovina.

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6. SIGNIFICANT PROJECTS AFTER THE BALANCE SHEET DATE

In the period between 31 December 2021, prior to the preparation of this Report , the Company contracted new projects valued HRK **61,4 million**.

Below given are some of the most significant projects contracted in 2022

Novi ugovori u 2022.					
Redni broj	Zemlja	Naručitelj	Naziv projekta	Opis usluge	Neto ugovorna vrijednost za IGH
1	Hrvatska	Vodovod i kanalizacija d.o.o.	Ugovor o uslugama nadzora nad gradnjom za ugovore 1-6 (Upov, Mreža, Sdnu) u okviru projekta Poboljšanja vodno kom. infra. aglomeracije St-Solin	Nadzor	17.610.352
2	Hrvatska	Institut Ruđer Bošković	Ugovor o uslugama provođenja stručnog nadzora nad izvođenjem građevinskih radova	Nadzor	4.636.250
3	Hrvatska	Vodovod Dubrovnik d.o.o.	Ugovor o uslugama nadzora nad radovima za projekt sufinanciran od EU razvoj vodno-komunalne infrastrukture Dubrovnik	Nadzor	3.221.323
4	Gruzija	Roads Department Of Georgia	Provision of Services for the Preparation of Technical Documentation Related to the Process of Design Cost Estimate and Tender Procedures Required for the Road Rehabilitation Works	Projektiranje	2.877.139
5	Hrvatska	Sveučilište u Zagrebu	Izrada projektne i tehničke dokumentacije za zahvat cjelovite obnove potresom oštećene zgrade Sveučilišta u Zagrebu i Pravnog fakulteta	Projektiranje	2.018.948
6	Hrvatska	Hrvatske Ceste d.o.o.	Izrada općih i tehničkih uvjeta za radove na cestama	Projektiranje	1.746.719
7	Hrvatska	Sveučilište u Zagrebu, Medicinski fakultet	Ugovor o nabavi usluge izrade potrebne tehničke dokumentacije za projekt Fseu-Cjelovita obnova-Šalata 11	Projektiranje	1.285.500
8	Hrvatska	Hrvatske Autoceste d.o.o.	Izrada projekata sustavnih sanacija objekata, Grupa I - izrada projekata sanacije objekata na temelju izvanrednog pregleda objekata i glavnih pregled	Projektiranje	1.076.058
9	Hrvatska	Euroinspekt Tehnokem d.o.o.	Ugovor o pružanju usluga za gradilište, poboljšanje vodno-komunalne infrastrukture na području aglomeracije Rijeka - Komponenta A	Ispitivanje	987.417
10	Hrvatska	Hrvatske Ceste d.o.o.	Provedba glavnih pregleda 109 mostova na državnim cestama Republike Hrvatske	Istražni radovi	976.169
	Ukupno				36.435.874

*Table 3. **List of projects contracted at the beginning of 2022***

In January 2022, the Company officially opened a representative office in Cairo, the Arab Republic of Egypt. Also, a branch office was opened in Northern Macedonia, with regard to the announced tenders and investments in infrastructure projects in which the Company intends to participate.

At the same time in March 2022, the Company decided to close its branch office in the Russian Federation. The closure of the branch will not affect the Company's future business plan.

On 28 February 2022, a Bond mark: RAKU-O-272E was issued and INSTITUT IGH, d.d., based on the decision of the Management and consent of the Supervisory Board, became co-debtor for claims arising from the subject Bonds. This concluded the restructuring of Senior debt of INSTITUT IGH, d.d. from the 2013 pre-bankruptcy settlement.

7. VISION AND MISSION

VISION: Be a leading engineering company in the region and beyond, whose employees are the best experts and satisfied co-owners, improving the every-day quality of life and of the environment through their innovative engineering solutions.

MISSION: Tackle engineering challenges to our client's satisfaction, with a timely, professional and responsible approach, knowledge and innovation.

8. IGH's STRATEGY 2020 - 2030

The new decade marks a new strategic step forward for Institut IGH, based on our key values. Our course in the next ten year period is to keep the leading position on the traditional Croatian and East European markets, providing services in the field of design, construction supervision, project management, laboratory services in sectors in which we have so far demonstrated our superior expertise, such as road and railway infrastructure. IGH bases its corporate advantage on the comprehensive services it provides in civil engineering, which is an exceptional efficiency in project implementation for the client, along with maintaining a high level of quality of services.

The Strategy proposes four key courses of action:

1. **Focus on employees and mentoring**
2. **New markets and business segments**
3. **Scientific and research activities**
4. **Profitability**

Employees – our greatest asset

The experience gained on large and demanding projects, and experts who are capable of managing increasingly complex activities, must be kept in IGH. An invaluable pool of expertise and experience of IGH's experts is thus created, forming the basis for long-term sustainability of our business operations. Expanding the capabilities of professional staff through development and training of presently employed and bringing new team leaders and key experts to work on projects, as well as attract junior engineers is still in our focus. In addition, thanks to the implementation of the Quality Management System we would like to establish a mentoring system whereby junior engineers and designers can work together with more experienced experts in all phases of designs, thus ensuring a faster transfer of knowledge and ultimately a higher level of quality of our work and services and an added value for our partners. A systematic program of vocational education and training will enable our employees to develop their expertise and managerial skills, foreign languages and soft skills as well as application of new technologies such as BIM, as a part of the comprehensive digital transformation of the Company.

Client orientation

IGH's view is to be a partner to our clients and not only a contractor, to achieve this by focusing on the timely fulfilment of their requirements and a proactive approach.

Scientific and research activities

IGH was once recognisable by his contribution to the profession through research and development. We would like to return to these roots in the next period and become once more the centre of excellence in the field of scientific and research activities and implementation of education programmes: use of plastic based waste materials in building materials, development of new methods for testing building materials and structures, including methods of non-destructive testing, further development and issuance of eco-certificates, capacity building for water analysis, research and development on hydrogen.

Focus on new sectors and modernization of services

Energy, in the classic sense and especially energy from renewable sources such as wind, water and biomass is a great opportunity to expand our experience to this sector and additionally diversify our service portfolio and sectors in which we operate.

Buildings for industrial and civil purposes as well as Data Centres will in the future require state of the art design, technical supervision and strategic consultancy services. This is precisely where IGH wants to remain and be recognized as a top leading company.

We wish to be the leading company when it comes to improving services according to world standards, and be the leader in the trend towards modernization of services in civil engineering for all stakeholders. This primarily means promoting BIM processes and tools and establishes them as the standard in the industry.

Financial stability

Ensuring cash flow stability and further financial activities for IGH development in the next period, with complete fulfilment of commitments from the pre-bankruptcy settlement and its closure as a pre-requirement for easier business operation.
Increased involvement of all IGH assets on current and new foreign markets will ensure long-term and sustainable financial stability of the Company.

New markets

Our strategic goal in the next period is to turn towards the West and the Near East. This primarily means to the West European markets such as Austria, Germany, Sweden, as well as the markets of the Near East and North Africa where we have opened a branch office in Cairo.

Diagram 2. Symbolic presentation of the strategic areas of Instituta IGH, d.d.

9.ORGANIZATIONAL STRUCTURE

On 31 December 2021, the Company's organizational structure was as follows:

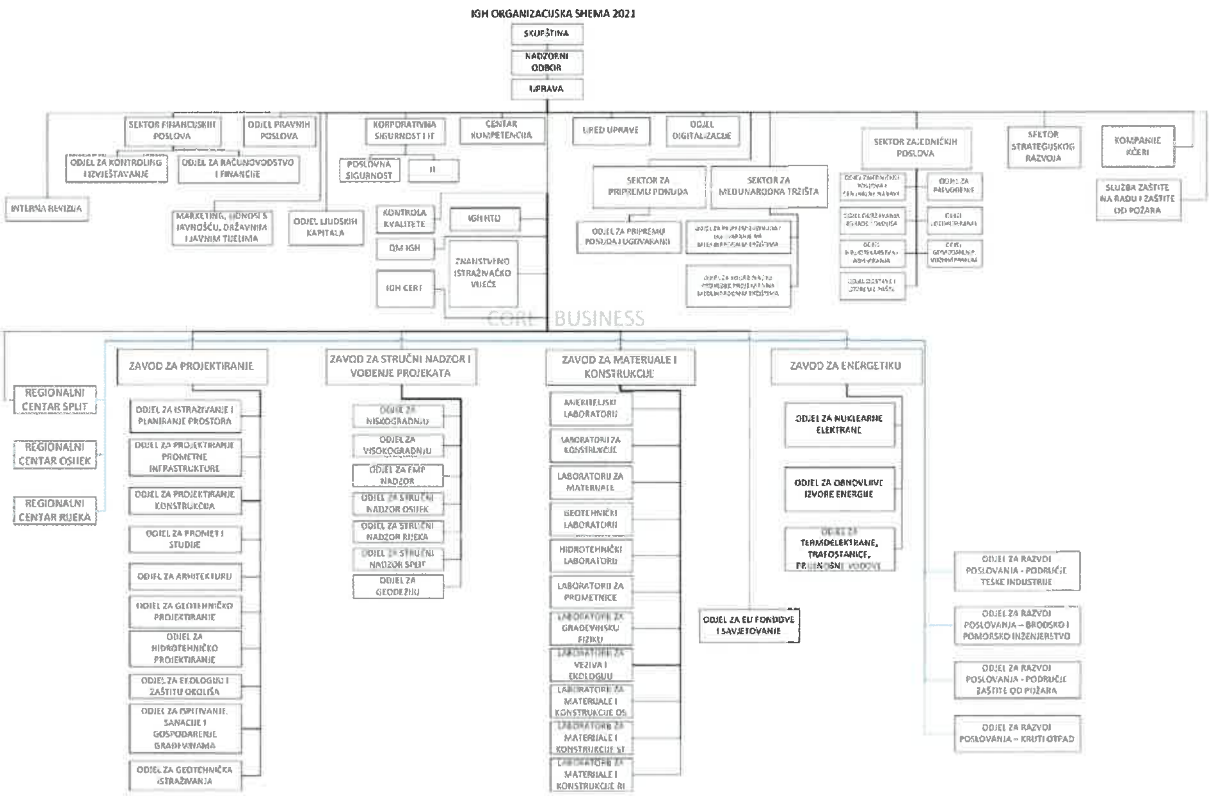

Figure 3. Organizational structure on 31 December 2021

10. NON-FINANCIAL REPORTING

Pursuant to provisions of Article 21a of the Accounting Act (OG 78/15, 120/16), EU Directive 2013/34/EU and the 2017/C 215/01 EU Commission Guidelines on non-financial reporting (methodology for reporting non-financial information), the Company included in its Annual Report all relevant information on business activities which are expected to be included in the non-financial report.

INSTITUT IGH, d.d. is particularly proud of the long-standing tradition of implementing and certification of the Quality Management System in accordance with the standard HRN EN ISO 9001:2015; the Environmental Management System in accordance with the standard HRN EN ISO 14001:2015; Energy Management System in accordance with the standard HRN EN ISO 50001:2018 and the Occupational Health and Safety Management System in accordance with the standard HRN ISO 45001:2015.
The Company received confirmation of compliance with the requirements of all these standards from the Certification Body DNV in December 2021, upon completion of audit

Laboratory activities have also been carried out for many years in accordance with the requirements of the standard HRN EN ISO/IEC 17025:2017 at several locations throughout Croatia (Zagreb, Split, Rijeka, Osijek, Pula, Varaždin, Dubrovnik). All organizational units conduct testing/ calibration/ sampling in accredited and non-accredited areas.
Accreditation in testing laboratories for 493 methods, i.e. 687 methods, if we take into account all the locations where accredited testing is conducted, began towards the end of 2021.

The quality of the metrological laboratory was confirmed through accreditation by the Croatian Accreditation Agency in March 2021 issuing a Certificate 2070 for 16 methods for calibration of measuring devices for: strength, length, frequency, mass, temperature.

Integrated management system at the INSTITUT IGH d.d is applied to all business processes and locations and, as a requirement of modern business operations, ensures continuous improvement of processes, corporate social responsibility and development of service quality.

In difficult times, when the Covid-19 pandemic and the effects of the earthquake greatly affected business, INSTITUT IGH d.d. sought to continue to promote corporate social responsibility through the development of its business processes by reorganization and digitization, by focusing on employees, encouraging and developing research work, as well as accountability to the environment.

Pursuing global goals to reduce carbon and water footprints, as well as responsible energy consumption, INSTITUT IGH d.d seeks to increase its efficiency through defined goals.

INSTITUT IGH d.d. will continue to improve its business model for the benefit of its clients, investors, employees and suppliers, as well as the entire social community.

Management Systems in INSTITUT IGH, d.d.

Integration of all management systems in INSTITUT IGH, d.d. was a priority in 2021, in order to facilitate their operation, increase their efficiency, reduce costs, reduce the number of management system documents and allow for easier access and understanding for the employees.

Within the framework of the management system, app. ten training events were held for all newly hired employees to increase awareness of management systems, awareness of the contribution of each employee to system efficiency, the quality system policy, the environment, energy and employee health and safety system policies.

More than 20 mostly integrated internal audits have been carried out in all locations, including construction sites, as separate units, where the INSTITUT IGH d.d. is present, mostly through technical supervision activities.
The audit of the certification company DNV was held in November and included the requirements of ISO9001 (recertification), ISO14001, ISO45001 and ISO50001 (supervision).
With the exception of a few isolated and recorded inconsistencies, the integrated management system is considered efficient and harmonized i.e. aligned with the standards based on audited samples. Certificates for the environmental management system, occupational health and safety management system, as well as energy management system remain in force, and a new certificate has been issued for the quality management system, valid until the end of 2024.

Quality Management System including laboratories

INSTITUT IGH, d.d. bases its activities on business standards, social responsibility and certified Quality Management System in accordance with the requirements of the standard ISO 9001:2015 within the framework of an integrated management system.

The laboratories meet the training requirements and make up the majority of all laboratories in Croatia. All laboratories are equipped with modern equipment for laboratory, in-situ testing, research services and calibration of measuring devices and are accredited in accordance with the standard HRN EN ISO/IEC 17025:2017. According to the attachment to the Accreditation Certificate obtained in 2021 a total of 687 testing methods was accredited in the testing laboratories, of which 194 methods overlap by location, so in all 493 different methods are accredited. In the application for audit by the Croatian Accreditation Agency for 2021, 22 new methods were registered, and 9 accredited methods were registered in a fixed area of accreditation where the issues of standards changed. The laboratory withdrew from two accredited methods because there were no customer requirements for them. Accreditation began at the end of 2021, and for objective reasons has not been completed until the completion of this Report.

The Metrological laboratory was evaluated by the Croatian Accreditation Agency in March 2021. Methods of calibration of length meters, force meters, vibration tables with a measuring system, non-automatic scales and temperature chambers were accredited. Five methods are accredited in the laboratory and eleven methods in-situ.

Environmental management system

Through the environmental management system, the INSTITUT IGH d.d. in 2021 revised its environmental aspects related to its own activities which have environmental impacts, taking into account the prospects of the life cycle. The recognized aspects are: energy use, waste production, CO2 emissions and exploitation of natural resources

An environmental protection department has been established with the aim of timely and accurate implementation of environmental protection activities, monitoring of legal regulation, development of procedures, instructions and other documentation in accordance with the requirements of all interested parties, as well as professional guidance for all employees in the field of environmental protection.

Based on the above, training was conducted for three employees

The below given types of waste were managed in 2021, in the stated quantities:

Type of waste	Waste management	Weight (t)	Share in the total mass of waste (%)
mixtures of concrete, bricks, tiles/tiles and ceramics not specified under 17 01 06*	recycled	166,290	62,775
mixed municipal waste	disposed of	63,000	23,783
biodegradable waste	recycled	14,150	5,342
mixed construction waste and waste from demolition of objects not specified under 17 09 01*, 17 09 02* and 17 09 03*	recycled	9,180	3,465
paper and cardboard	recycled	5,320	2,008
plastic	recycled	3,880	1,465
plastic packaging	recycled	1,558	0,588
other halogenated solvents and solvent mixtures	disposed of	0,303	0,114
absorbents, filter media, wipes and protective clothing not specified under 15 02 02*	recycled	0,300	0,113
non-chlorinated mineral-based motor, machine and oil lubricants	disposed of	0,274	0,103
packaging containing residues of hazardous substances or contaminated with hazardous substances	disposed of	0,237	0,089
laboratory chemicals consisting of or containing hazardous substances, including mixtures of laboratory chemicals	disposed of	0,181	0,068
insulation materials not specified under 17 06 01* and 17 06 03*	recycled	0,100	0,038
waste not otherwise specified	disposed of	0,092	0,035
used tires	recycled	0,030	0,011

metal packaging containing hazardous solid porous materials (for example, solid porous materials). asbestos), including empty pressurized containers	disposed of	0,003	0,001
Total		**264,898**	

Table 4. Data on the quantities of waste for Zagreb in 2021.

It is evident from the above given data that INSTITUT IGH, d.d. in Zagreb recycles over three quarters of waste, which can be seen in the diagram below (different shades of green indicate recycling).

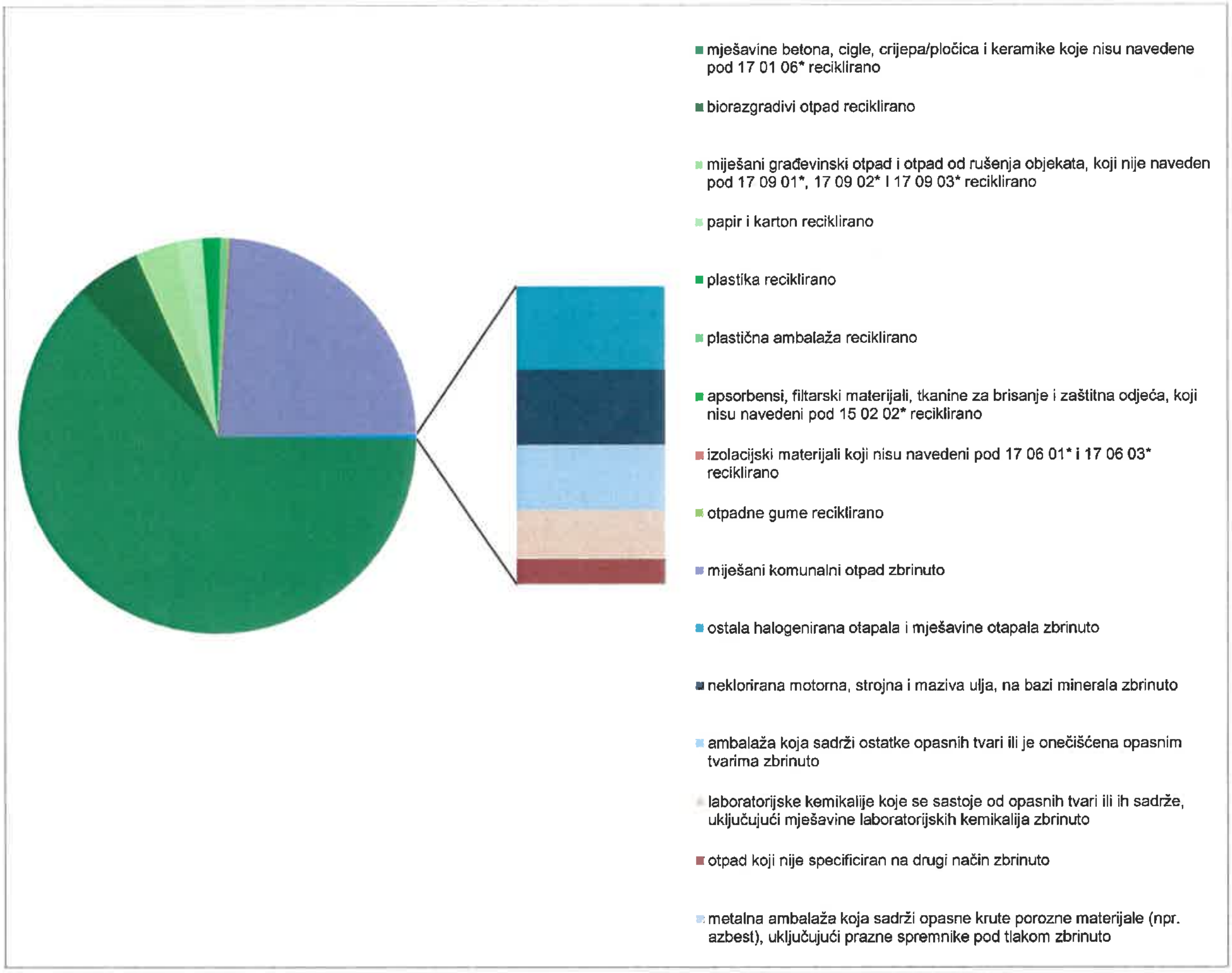

Figure 1. Comparison of recycled and disposed waste in 2021 - Zagreb

Rock wool, concrete, brick, tile and filler, expanded polystyrene and similar materials, which are brought to INSTITUT IGH d.d. as testing samples are returned into production for reuse in order to create an additional – longer value of the product. Extending the service life of construction products actually reduces the amount of waste and direct impact on the environment and supports the circular economy model.

The following quantities of waste have been recorded in the Register of environmental pollutants In the RC Rijeka:

Type of waste	Quantity (t)
17 01 01 - Concrete	26,13
17 09 04 - mixed construction waste and waste from demolition of objects not specified under 17 09 01*, 17 09 02* and 17 09 03*	15,32
20 01 01 - paper and cardboard	0,32

Table 5. Regional Centre Rijeka – type of waste

The following quantities of waste have been recorded in the Register of environmental pollutants in RC Osijek:

Type of waste	Quantity (t)
17 09 04 - mixed construction waste and waste from demolition of objects not specified under 17 09 01*, 17 09 02* and 17 09 03*	21,85

Table 6. RC Osijek – type of waste

Occupational Health and Safety Management System

The Occupational Health and Safety Management System ensures a framework for risk and opportunity management, providing healthy workplaces for employees, preventing injuries at work and occupational diseases. In order to keep up with the trends, a license for a record program in the field of occupational safety and fire protection was purchased. In addition of having a data base record the program also allows you to track the testing deadlines of equipment and systems in accordance with current legal requirements. All records have been entered and four employees were trained to work in the program, thus providing easier track of business activities from the point of view of occupational health and safety and fire protection.
The focus in this segment during 2021 was on the COVID-19 pandemic. Since the beginning of the pandemic, there have been no deaths in the INSTITUT IGH d.d., and as for the infected employees, the curve has been consistently lower compared to the number of confirmed cases in the Republic of Croatia.
But, given the increased risk of coronavirus, the number of hours lost is extremely small, since all measures given by the Civil Protection Board on wearing protective masks, the established distance, hand disinfection, disinfection of surfaces and rooms in which the infected person was mainly located, and regular ventilation of workplaces were constantly in effect. The Institute's Management has also taken organizational measures to hold only necessary meetings, to use digital forms of communication and, in the most difficult situations, work from home where possible.

As for work-related injuries, the analysis in the table below shows a decrease in the number of lost days and hours caused by work-related injuries in 2021 compared to previous years.

Year	Number of injuries	Lost working days	Frequency*	Severity of injuries**	Number of employees	Hours fund per employee	Total hours	Lost Hours	Lost Days
2013	4	100	0,03	0,74	651	2088	1359288	800	100
2014	3	50	0,02	0,39	613	2088	1279944	400	50
2015	2	59	0,02	0,49	578	2088	1206864	472	59
2016	3	26	0,03	0,23	532	2088	1110816	208	26
2017	4	22	0,04	0,22	473	2088	987624	176	22
2018	1	62	0,01	0,71	421	2088	879048	496	62
2019	5	99	0,05	1,01	469	2088	979272	792	99
2020	1	18	0,01	0,17	517	2088	1079496	144	18
2021	2	15	0,02	0,14	521	2088	1087848	120	15

Table 7. Analysis of injuries in the period 2013 - 2021 - Croatia

* Injury frequency index: number of injuries / number or work hours X 10.000

** Injury severity index calculation :total number of days lost / number of work hours x 10.000

Two more injuries were not included in this 2021 statistic. One employee had minor scratches and no lost hours, and the other had a back injury related to a previous health condition that he did not report to the employer.

Energy Management

The energy management system requires an energy audit per location, monitoring of energy consumption and compliance with legal requirements.

The energy review carried out within the framework of the energy management system in accordance with ISO 50001 includes Institute's locations of business: The head office in Zagreb, RC Split, RC Osijek, RC Rijeka. Other locations are energy-nonsignificant consumers and are not covered by the analysis.

In 2021 INSTITUT IGH, d.d. recorded consumption of the following energy sources per quantity:

Energy Group	Energy source	Consumption per unit of measurement	Consumption in kWh
Transport	Diesel fuel	220.666 l	2.361.126 kWh
Heating	Thermal energy	2.500.424 kWh	2.500.424 kWh
Electricity	Electricity	1.746.463 kWh	1.746.463 kWh
Heating	Fuel oil	30.024 l	299.039 kWh
Water	Water	6.824 m^3	-

Table 8. Energy consumption – Zagreb, RC Rijeka, RC Split and RC Osijek

A comparison of the total energy consumption in kWh shows that thermal energy has the greatest consumption

The Zagreb head office registered the following consumption in 2021:

Month 2021	Thermal energy (kWh)	El. energy NT (kWh)	El. energy VT(kWh)	El. energy total (kWh)	Water (m^3)	Gas (m^3)
1	412.000	26.593	53.285	79.878	425	48
2	303.000	32.692	62.227	94.919	464	87
3	257.000	37.757	72.296	110.053	438	99
4	193.000	39.338	69.122	108.460	432	100
5	63.530	37.813	69.101	106.914	524	116
6	15.670	38.922	74.581	113.503	524	76
7	12.420	49.943	97.621	147.564	313	111
8	14.140	46.327	83.113	129.440	447	66
9	26.820	38.597	71.696	110.293	509	99
10	212.850	34.696	65.824	100.520	493	129
11	279.450	30.873	63.183	94.056	401	128
12	342.520	32.304	66.923	99.227	400	125
Total	**2.132.400**	**445.855**	**848.972**	**1.294.827**	**5.370**	**1.184**

Table 9. Energy consumption – Zagreb

Regional Centre Split registered the following significant consumption in 2021:

Month 2021	El. energy kWh/NT	El. energy kWh/VT	El. energy total (kwh)	Water (m^3)	Fuel oil (l)
1	6.648	14.886	21.534	4	N/A
2	6.070	14.547	20.617	79	N/A
3	7.013	16.549	23.562	72	N/A
4	6.206	15.176	21.382	78	N/A
5	6.519	13.770	20.289	82	N/A
6	11.317	24.234	35.551	85	N/A
7	11.750	27.889	39.639	6	N/A
8	10.041	21.958	31.999	177	N/A
9	9.501	21.145	30.646	74	N/A
10	7.816	16.135	23.951	90	N/A
11	7.137	15.889	23.026	84	N/A
12	7.814	16.851	24.665	105	N/A
Total	**97.832**	**219.029**	**316.861**	**936**	**30.024**

Table 10. Energy consumption – RC Split

Regional Centre Osijek registered the following significant consumption in 2021:

Month 2021	Thermal energy (kWh)	El. energy kWh/NT	El. energy kWh/VT	El. energy total (kWh)	Water (m3)
1	64.000	2.448	5.492	7.940	16
2	47.000	2.575	6.028	8.603	27
3	55.000	3.039	6.529	9.568	33
4	38.000	2.754	5.293	8.047	32
5	7.000	2.748	5.055	7.803	28
6	288	2.386	8.518	10.904	28
7	288	2.294	5.803	8.097	29
8	288	2.234	5.094	7.328	31
9	288	2.237	4.672	6.909	64
10	30.906	2.486	5.382	7.868	36
11	58.376	2.285	5.046	7.331	35
12	66.589	2.611	5.150	7.761	45
Total	**368.024**	**30.097**	**68.062**	**98.159**	**404**

Table 11. Energy consumption – RC Osijek

Regional Centre Rijeka registered the following significant consumption in 2021:

Month 2021	El. energy kWh/NT	El. energy kWh/VT	El. energy total (kWh)	Water (m^3)	Gas (m^3)
1	887	1.785	2.672	56	485
2	704	1.471	2.175	27	412
3	1.327	2.156	3.483	17	268
4	652	1.228	1.880	86	356
5	870	1.509	2.379	29	356
6	548	1.146	1.694	34	356
7	744	1.513	2.257	59	356
8	378	794	1.172	58	356
9	569	991	1.560	56	400
10	898	1.482	2.380	104	412
11	779	1.599	2.378	84	433
12	734	1.180	1.914	32	465
Total	**9.090**	**16.854**	**25.944**	**642**	**4.655**

Table 12. Energy consumption – RC Rijeka

In conclusion, energy consumption is monitored and analysed, and energy saving efforts are visible. The greatest savings of energy sources were made on fuel consumption compared to last year. For other energy sources that significantly affect energy efficiency, we cannot take the same previous year (2021) for comparison because of the COVID 19 crisis. Namely, the near was extremely unusual. Working from home, self-isolation and isolation are also evident in energy consumption

11. RELATIONSHIP WITH EMPLOYEES

Employee rights in the Company, in 2021 were regulated by:

- The Labour Act
- Employment Regulation dated 23 March 2017 which entered into force on 1 April 2017, by which the previous Employment Regulation and its Amendments ceased to be valid
- Regulation on the use of company cars no. OD-2-11/2021 dated 1 July 2021, by which the previous Regulation on the use of company cars dated 8 July 2020 ceased to be valid
- Decision of the Management Board no.OD-15-1/2021 by which a consolidated text of the Regulation on Business Trips and Field Work was adopted, in force since 25 March.2021 and by which all previous Regulations/Decisions on this subject have ceased to be valid.
- Decision of the Management Board no. OD-74/2020 dated 20 July 2020 by which the Decision on Salary Classes came into force and by which the Decision on Salary Classes no 201/131-4 dated 23 March 2017 ceased to be valid.

Personnel structure

On 31 December 2021, INSTITUT IGH, d.d. had 521 employees, with an additional 13 employed in foreign branch offices. This is a decrease by 3 employees compared to 31 December 2020, when the Company had 537 employees.

AGE	LOW SKILLED	SKILLED	SECONDARY SCHOOL	HIGHER EDUCATION	UNIVERSITY DEGREE	MASTER'S DEGREE	DOCTORATE	Total	percentage
20-29			1 1	7	59			77	14%
30-39	1		9	7	84			101	19%
40-49			31	21	102	6	2	162	31%
50-59	1	1	37	14	52	9	6	120	22%
60-69	1		12	8	41	5	3	70	13%
70-75			1		2	1		4	1%
TOTAL	**3**	**1**	**101**	**57**	**340**	**21**	**11**	**534**	**100%**
Share	**0%**	**0%**	**19%**	**11%**	**64%**	**4%**	**2%**	**100%**	**-**

Table 13. S Age and educational structure of INSTITUT IGH, d.d. employees in Croatia and in branch offices on 31 Dec.2021.

12. TRANSACTIONS WITH SHARES

Company shares are listed on the official market of the Zagreb Stock Exchange d.d., mark IGH-R-A, ISIN: HRIGH0RA0006, and the Book of Shares is kept by the Central Depository and Clearing Company.

No.	SHAREHOLDER	IGH-R-A	% Share
1	AGRAM BANKA D.D. / AVENUE ENGINEERING AND CONSTRUCTION LIMITED (1/1)	239.500	39,03
2	AGRAM BANKA D.D./ AVENUE ENGINEERING AND CONSTRUCTION LIMITED (1/1)	75.500	12,30
3	AKCIONAR D.O.O.	12.500	2,03
4	INSTITUT IGH, d.d.	12.159	1,98
5	PBZ d.d./custodial account of the client	11.005	1,79
6	CAPTURIS d.o.o.	7.895	1,28
7	Mihaljević Branko	7.638	1,24
8	Čolina Ante	4.550	0,74
9	IPRO - INŽENJERING d.o.o.	4.512	0,73
10	Marus Anna	4.150	0,67
11	Others	234.300	38,21
	TOTAL	613.709	100

Table 14. Balance of IGH-R-A shares in the Book of Share on 31 December 2021
(Source: Central Depository and Clearing Company)

In 2021, the Zagreb Stock Exchange traded with 59.806 shares mark IGH-R-A in the amount of HRK 7.750.500,00 with the daily concluded prices ranging between HRK 97,00 and 155,00 (Source: ZSE, Trade information and statistics, Periodic Trade Reports, Review of Trade in 2021).

13. STATEMENT ON IMPLEMENTATON OF CORPORATE GOVERNANCE

The Company applies the Corporate Governance Code of the Zagreb Stock Exchange and once a year submits to the Zagreb Stock Exchange a Statement on its application, and announces it on its site www.igh.hr.

The largest shareholders are Avenue Engineering and Construction Limited, with 51,33% and Akcionar d.o.o. with 1,96 %, while all other shareholders hold less than 1,5% share in the Company. There are no holders of securities (shares) in the Company with specific control rights. There are no restrictions regarding voting rights in the Company. Each share carries one vote. There are no time limits for execution of voting rights in the Company, and there are no instances where, in cooperation with the Company, the financial rights pertaining from securities are separated from holding of these securities.
Rules on appointment and revocation of appointment of Management Board members are laid down in Articles 31-34 of the Articles of Association of the Company. Rules on the powers of the Board members are laid down in Article 33 of the Articles of Association. The Articles do not contain special rules on the powers of the Board members to issue Company shares or acquire own shares. Rules on appointment and revocation of appointment of Supervisory Board members and the powers of the Company Supervisory Board are given in Articles 23-30 of the Company's Articles of Association.

Company Management

The INSTITUT IGH, d.d. Management, in the period from 1 January 2021 to 31 December .2021 consisted of the following members:

1. From 29 July 2021 – three member Board: Robert Petrosian, President of the Management Board - Vedrana Tudor, Member of the Management Board – Miroslav Pauzar, Member of the Management Board
2. From 30 July 2021 – four member Board: Robert Petrosian, President of the Management Board - Vedrana Tudor, Member of the Management Board – Miroslav Pauzar, Member of the Management Board – Igor Džajić – Member of the Management Board

The Company Management acts in accordance with the Law and provisions of the Articles of Association of the Company.

Supervisory Board

The INSTITUT IGH, d.d. Supervisory Board, during 2021 had five members:

1. Žarko Dešković – Chairman of the Supervisory Board
2. Mariyan Tkach – Supervisory Board member since 26 August 2019 – Deputy Chairman of the Supervisory Board since 26 August 2020
3. Sergej Gljadelkin (16.6.1989.) – Member of the Supervisory Board
4. Igor Tkach – Member of the Supervisory Board
5. Dušica Kerhač - Member of the Supervisory Board, appointed representative of the employees – ceased to be a member of the Supervisory Board on 13 June 2021
6. Marin Božić – Member of the Supervisory Board since 14 June 2021 appointed representative of the employees

14. INTERNAL CONTROLS

In line with the Corporate Governance principles, the Management of the Company and its subsidiaries established respective internal control systems and risk management systems. An effective internal control system contributes to the preservation of the company's assets.

The Company Management is responsible for the implementation and execution of the internal control and internal audit systems, as an independent and autonomous task which contributes to the definition of risks and assesses the efficiency of controls.

Management of the Company and its subsidiaries are responsible for the implementation and execution of internal control of financial reporting. The internal control system is organized to ensure reasonable assurance to the Management regarding the preparation and fair presentation of separate and consolidated financial statements. Management of the Company and its subsidiaries have assessed the efficiency of internal control over financial reporting for 2021 and concluded that the internal control of financial reporting has fulfilled all set criteria.

15. RISK MANAGEMENT

Along with the risks already mentioned in the notes to the basic financial statements, the Company Management also reports on the following risks:

The Company concluded a pre-bankruptcy settlement on 5 Dec 2013 before the Commercial Court in Zagreb, Ref.no. 72. Stpn-305/2013. The subject settlement became valid and final on 28 Dec 2013. The Company received the Force of res judicta on 15 April 2014. Based on the fact that the pre-bankruptcy settlement is valid and final, the Company sees the pre-bankruptcy settlement risk as a potentially long-term risk, since settlement of commitments towards category a) financial institutions, is due within a period of 6,5 years with a grace period of 3,5 years. In terms of the long-term risk, the Company states that this is a risk over a longer time period in which adequate EBITDA might not be achieved to settle all commitments undertaken by the pre-bankruptcy settlement.

In the pre-bankruptcy settlement procedure, the Company upheld the claim of the City of Split in the amount of HRK 474,1 million. This claim was defined only for the pre-bankruptcy settlement purposes, as a hypothetical claim and a possible debt which has not been determined in fact. For it to become a factual claim, arbitration litigation would be required to prove its actual existence. Litigation on the subject has not been initiated until now, and if it is instituted, the Company Management has strong arguments to entirely deny the claim. We believe that there is no possibility of this becoming a claim, a commitment which the Company must settle.

The Company is aware of potential long-term risks, and thus actively undertakes actions to streamline and rationalize business operations and strengthen its market position. In accordance with the achieved improvements in business operations, the Company Management considers that the above stated risks shall not have a significant impact on the long-term viability of business operations.

16. FINANCIAL OVERVIEW

	IGH GROUP				INSTITUT IGH, d.d.		
in 000 HRK	2021	2020	Index		2021	2020	Index
Operating income	180.426	190.208	95%		178.666	180.664	99%
Operating costs	188.324	165.971	113%		157.945	156.222	101%
EBITDA	**-7.898**	**24.237**	-33%		**20.721**	**24.442**	85%
Ebitda margin	**-4%**	**13%**			**12%**	**14%**	
Current assets less inventories	103.910	98.363	106%		87.371	93.981	93%
Short-term liabilities less liabilities for loans and borrowings	79.761	64.599	123%		76.560	66.274	116%
Current ratio	**1,5**	**1,5**			**1,1**	**1,4**	

Table 5.Key financial indicators

INSTITUT IGH, d.d. in 2020 achieved an **EBITDA** amounting to **HRK 23,7 million** compared HRK 30 million in 2019. The EBITDA trend reflects an increase in expenditures of 7%.

Results of the IGH Group are primarily determined by activities of the parent company, which positively impacted the results of the whole Group.

A more detailed financial overview is provided in the annual financial statements given in **Attachment**.

17. SIGNATURE OF THE COMPANY'S MANAGEMENT

The Company's Management Board hereby gives the following statement and signs this Report:

„In accordance with our beliefs, knowledge and information at our disposal, we hereby state that all information set forth in this Report constitute a complete and accurate representation, and facts that could alter the completeness and accuracy of this Report have not been omitted.“

Robert Petrosian, President of the Management Board

Vedrana Tudor, Member of the Management Board

Miroslav Pauzar, Member of the Management Board

Igor Džajić, Member of the Management Board

18. ATTACHMENTS

1. **FINANCIAL STATEMENTS**
   1.1. Separate financial statements of the Company INSTITUT IGH, d.d. for the year ended on 31 December 2021 together with the independent auditor's report
2. **CORPORATE GOVERNANCE CODE - ANNUAL QUESTIONNAIRE**
3. **SCIENTIFIC COUNCIL OF INSTITUT IGH d.d.**

Attachment 3

SCIENTIFIC COUNCIL OF INSTITUT IGH D.D.

INSTITUT IGH d.d has been and remains an important professional and research institution in the field of civil engineering. The development of the Institute is based on the knowledge and experience of employees, capacities and professional attitude to work. The main determinant of development is the indivisibility of the professional and scientific components of the Institute.

By the decision of the Company's Management from 29 January 2021, a Scientific and Research Council was established to promote the research work of the INSTITUT IGH d.d. The Council consists of twelve permanent members and four associate members. The Council proposes to the Company's Management research projects of interest to the INSTITUT IGH d.d. and plans, implements, monitors and directs approved projects.

The scientific and research activities of INSTITUT IGH d.d. for the most part relate to research in the field of civil engineering, in accordance with the Scientific and Research Strategy 2015 - 2020. The newly established Council has initiated research work in other fields, especially in the field of environment and energy. During 2021 considerable efforts have been made in the research of plastic and its possible applications in construction, with an emphasis on the environmental impacts of micro plastics. A project related to the production of hydrogen is also being developed. Accordingly, a new Research Strategy 2022 - 2025 is currently being developed.

The Scientific and Research Council pays special attention to maintaining links with the scientific community in order to establish links with other research institutions in the Republic of Croatia and the European Union. During 2021, INSTITUT IGH d.d signed a Framework agreement on cooperation with the Faculty of Mechanical Engineering and Naval Architecture of the University of Zagreb and the Faculty of Food Technology of the University of Osijek.

A particularly important goal of the Scientific and Research Council is to strengthen the research profile by improving the quality of research and taking care of the younger generation of scientists and researchers.

INSTITUT IGH d.d., Zagreb

Annual Consolidated Financial Statements

together with the Independent Auditor's Report
for the year 2021

INSTITUT IGH d.d., Zagreb
Annual Consolidated Financial Statements
Together with the Independent Auditor's Report
For the year 2021

Responsibility for the Annual Financial Statements

The Management of INSTITUT IGH d.d., Zagreb, Janka Rakuše 1 (the "Company") and its subsidiaries (hereinafter referred to as the "Group") shall ensure that the Annual Consolidated Financial Statements of INSTITUT IGH d.d. and its subsidiaries (the Group) for the year 2021 are prepared in accordance with the current Croatian Accounting Act and International Financial Reporting Standards established defined by the European Commission and published in the Official Journal of the European Union. They shall provide a true and fair view of the consolidated financial position, consolidated operating results, consolidated changes in capital and consolidated cash flows of the Group for the subject period.

Based on the research conducted, the Management Board has a reasonable expectation that the Group has adequate resources to continue as a going concern for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing Consolidated Financial Statements.

The responsibilities of the Management Board include the following in preparing the Consolidated Financial Statements:

- selection and then consistent application of appropriate accounting policies in accordance with current financial reporting standards
- providing reasonable and prudent judgments and assessments
- preparation of Annual Consolidated Financial Statements on the going concern basis, unless it is unreasonable to assume so

The Management is responsible for keeping proper accounting records, which will at any time and with reasonable accuracy reflect the consolidated financial position, consolidated operating results, consolidated changes in capital and consolidated cash flows of the Group, and must also ensure that the financial statements comply with the Croatian Accounting Act in force. The Management is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Management Board:

Robert Petrosian
President of the Management Board

Miroslav Pauzar
Member of the
Management Board

Vedrana Tudor
Member of the
Management Board

IGOR DŽAJIĆ
Member of the
Management Board

Institut IGH, d.d.
Janka Rakuše 1
10 000 Zagreb
Republic of Croatia

In Zagreb, 25 July 2022

INSTITUT IGH d.d., Zagreb
Annual Consolidated Financial Statements
Together with the Independent Auditor's Report
For the year 2021

INDEPENDENT AUDITOR'S REPORT

To the shareholders of INSTITUT IGH d.d., Zagreb

Report on the audit of the Annual Consolidated Financial Statements

Qualified opinion

We audited the annual consolidated financial statements of the Company INSTITUT IGH d.d., Zagreb, Janka Rakuše 1, Zagreb (the Company) and its subsidiaries (collectively the Group) for the year ended 31 December 2021, which include the consolidated statement of the financial position as of 31 December, 2021, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, as well as respective Notes to the Consolidated Financial Statements, including a summary of significant accounting policies.

In our opinion, the enclosed annual consolidated financial statements present the Group's consolidated financial position as of 31 December 2020 truthfully and fairly, its consolidated financial performance and consolidated cash flows for the year then ended, in accordance with the International Financial Reporting Standards established by the European Commission and published in the Official Journal of the European Union (IFRS).

In our opinion, except for the possible effects of the matter described in our Report, in the Basis for Qualified Opinion Section, the attached Annual Consolidated Financial Statements give a true and fair view of the financial position of the Group as at 31 December 2021, financial performance and cash flows of the Group for the year then ended, in accordance with the Accounting Act and International Financial Reporting Standards(IFRS), established by the European Commission and published in the Official Gazette of the European Union.

Basis for Qualified Opinion

As stated in Note 38 "Events after the balance sheet date" to these Consolidated Financial Statements, the Management Board adopted a Decision, to close the INSTITUT IGH d.d. Moscow branch, Russia. Due to the current events related to the beginning of the war in Ukraine and the impossibility to access the property of the INSTITUT IGH d.d. branch in Moscow, Russia, we could not obtain sufficient and appropriate audit evidence on the value of assets, amounting to a total of HRK 5,356,401, liabilities amounting to a total of HRK 6,384,590, income, amounting to a total of HRK 2,783,827 and expenses, amounting to a total of HRK 2,661 .974 HRK.

In accordance with the above, we could not determine whether any restatements of these amounts were necessary and thus any possible effects on the Group's Consolidated Financial Statements for 2021.

We conducted our audit in accordance with International Auditing Standards (IAS). Our responsibilities under those standards are described in more detail in our Independent Auditor's Report, in the Section on the Auditor's responsibilities for the audit of the Annual Consolidated Financial Statements. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants ("IESBA Code") and have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key audit questions

Material uncertainty related to going concern

We draw attention to Note 2.6. "Going concern" and Note 36. "Effects of the pre-bankruptcy settlement agreement" with these Consolidated Financial Statements, which describe the process of fulfilling the pre-bankruptcy settlement concluded by the Decision of the Commercial Court in Zagreb No. 72 Stpn 305/13 dated 5 December 2013.

Material uncertainty related to going concern

As can be seen in Note 2.6. "Going concern", the Company, as of 31 December 2020, has a total of due liabilities under the pre-bankruptcy settlement amounting to HRK 78.974 thousand, which were to be settled by 31 December 2021. For part of the debt, the creditors have the right to start an enforcement procedure, but the creditors have not called for payment in the form of activation of enforcement until the date of this report.

As of 31 December 2021, the Group has negative capital in the amount of HRK 97,621 thousand, and the Group's short-term liabilities exceed the Company's short-term assets by HRK 195,751 thousand, and until the reporting date, the Group does not have sufficient free cash flow, all of which indicates that there is significant material uncertainty for the Group to continue as a going concern as described in Note 2.6. - Going concern.

Further to the above, the Management is making efforts to resolve the existing situation related to the pre-bankruptcy settlement and to improve the Group's current operations and financial position as described in Note 2.6. "Going concern" and Note 38 " Events after the balance sheet date" to the Consolidated Financial Statements, all in terms of meeting their obligations and in order to continue operating with profit and under the assumption of going concern. Our opinion has not been modified in relation to this issue.

Key audit matter

Key audit matters are those matters that, in our professional judgment, were of the greatest importance in our audit of the current period's annual consolidated financial statements and include the identified most significant risks of material misstatement, whether due to error or fraud, with the greatest impact on our audit strategy, the disposition of our available resources and time spent by the engaged audit team.

We addressed these matters in the context of our audit of the annual consolidated financial statements as a whole and in forming our opinion thereon, and we do not express a separate opinion on these matters. We have determined that the matter below is a key audit matter to be disclosed in our Independent Auditor's Report.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the audit of the Annual Consolidated Financial Statements (continued)

Key audit matter (continued)

Recognition and accrual of income
In the Statement of Comprehensive Profit for 2021, the Group reported revenue from sales in the amount of HRK 169,826 thousand (2020: HRK 165.990 thousand). On 31 December 2021, the Group reported revenues recognized over time in the amount of HRK 147,269 thousand 31 Dec 2020: HRK 133,470 thousand), contractual assets in the amount of HRK 4,402 thousand (31 Dec 2020: HRK 15,161 thousand), contractual liabilities in the amount of HRK 2,093 thousand (31 Dec 2020: HRK 3,329 thousand).

Key audit matter	How we addressed the key audit matter
The application of the principle of revenue recognition in accordance with IFRS 15 - Revenue from contracts with customers is complex and requires making significant assumptions and estimates. For contracts for which revenues are recognized over time, contractual revenues and expenditures are recognized according to the degree of completion of the project at the end of the reporting period. The expected loss is recognized immediately as expenditure immediately, regardless of the stage of completion. As part of the risk assessment, we assessed that there is a risk that the revenues shown in the financial statements are higher than the Group actually realized as part of its business activities, as well as a risk that the revenues are not properly divided/allocated in the period to which they belong. Accordingly, we believe that the accuracy and correct allocation of recognized revenue is associated with a material risk of misstatement in the financial statements and required our increased attention; therefore we consider it to be a key audit matter. Related announcements in the respective Annual Financial Statements See Notes 3.3 - Revenues, 3.24 - Key accounting judgments and estimates, 5. - Information about segments and 23. - Contract assets and liabilities, in the corresponding Annual Financial Statements.	Our audit procedures related to this area, among others, included the following: - consideration of compliance of the Group's accounting policy with the requirements of IFRS 15 - Revenue from Contracts with Customers, - understanding and evaluation of the design and operational efficiency of internal controls related to the collection and recording of transactions related to the recognition of revenue over time, - review of contract template for significant projects that were not completed as of 31 December 2021 and those started in the current year. We read the related Contracts in detail and compared the accounting entries of these contracts with the appropriate documents (approved estimates of total project costs, summaries of realized costs, invoice samples and reviews of work hours spent, analytics etc.). By testing the transactions template, we reviewed 5 steps established in the standard prepared by the Group, to determine whether revenue can be recognized at a certain point or over time. For contracts concluded in 2021 for which it was concluded that revenue is recognized over time, we compared the timing of revenue recognition with the degree of completion based on the input method (measured as a percentage of incurred costs in total costs). In addition to the procedures described above, we have sent inquiries to the Management to review the estimates related to the total costs of the project and the estimated margins per project. We also assessed the level of completeness and accuracy of the presentation and disclosure of revenue from sales in the Group's Consolidated Financial Statements.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the audit of the Annual Consolidated Financial Statements (continued)

Other questions

We draw attention to Note 37 "Non-financial Report" to the Annual Consolidated Financial Statements, which, in accordance with item (b) paragraph 8, Article 21.a of the current Accounting Act, specifies the website where the Separate Non-Financial Report of the Group will be published within the defined period. Our opinion has not been modified on this matter.

Other information in the Annual Report and Separate Non-Financial Report

Management is responsible for other information. The other information includes the information included in the Annual Report, but does not include the Annual Consolidated Financial Statements and our Independent Auditors' Report thereon that we received prior to the date of this Independent Auditors' Report and the Separate Non-Financial Report that we expect to be made available to us after that date.

Our opinion on the Annual Consolidated Financial Statements does not include other information. With regards to our audit of the Annual Consolidated Financial Statements, it is our responsibility to read the above stated other information and to consider whether the other information is materially inconsistent with the Annual Consolidated Financial Statements or our knowledge obtained during the performance of the audit or otherwise appears to be materially misstated, and whether the non-financial information required by the provisions of paragraph 1 or paragraph 2 of Article 21a of the Accounting Act is presented in a Separate Non-Financial Report.

If we conclude, upon reading the Separate Non-Financial Report, that it contains a material misstatement, we are required to communicate the matter to those charged with management of the Group. Regarding the Management Report and the Statement on the implementation of the Corporate Governance Code, we have also implemented the procedures required by the current Croatian Accounting Act (Accounting Act). These procedures include consideration of:

- whether the Management's Report has been prepared in all significant determinants in accordance with Article 21 of the Accounting Act and whether the Management Report has been prepared in all significant determinants in accordance with the attached financial statements,
- whether the specific information given in the Declaration on the implementation of the Corporate Governance Code, required by Article 22, paragraph 1, items 3 and 4 of the Accounting Act (relevant parts of the Statement on the implementation of the Corporate Governance Code), is prepared in all significant terms in accordance with the provisions of Article 22 of the Accounting Act,
- Does the Statement on the implementation of the Corporate Governance Code include disclosures in accordance with Article 22, Paragraph 1, Items 2, 5 and 6 of the Accounting Act.

Based on the procedures required to be performed as part of our audit of the Annual Consolidated Financial Statements and the above-mentioned procedures, in our opinion:

- The information contained in the Management Report and the relevant parts of the Statement on implementation of the Corporate Governance Code for the financial year for which the consolidated financial statements were prepared are harmonized in all significant respects with the Annual Consolidated Financial Statements of the Group on pages 11 to 70, on which we expressed our opinion as set forth in the above given section *Opinion,*

- The Management Report and relevant parts of the Statement on the implementation of the Corporate Governance Code were prepared, in all significant respects, in accordance with Articles 21 and 22 of the Accounting Act.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the audit of the Annual Consolidated Financial Statements (continued)

Other information in the Annual Statement (continued)

- Statement on the implementation of the Corporate Governance Code includes the information required by Article 22, paragraph 1, items 2, 5 and 6 of the Accounting Act.

Furthermore, taking into account the insight and understanding of the Group's business operations and the environment in which it operates, which we have acquired during our audit, it is our duty to report whether we have identified material misstatements in the Management Report and in other information obtained prior to the date of this Independent Auditor's Report. In this sense, we have nothing to report.

Responsibilities of the Management Board and those in charge of management of the Annual Consolidated Financial Statements.

The Management is responsible for the preparation of Annual Consolidated Financial Statements that present a true and fair view in accordance with IFRS, and for those internal controls for which the Management determines that are necessary for the preparation of annual unconsolidated financial statements that are free of material misstatement due to fraud or errors.

In preparing the Annual Consolidated Financial Statements, the Management is responsible for assessing the Group's ability to continue as a going concern, for disclosing, if applicable, issues related to going concern and using the going concern basis of accounting, unless the Management intends to liquidate the Group or cease operations or has no other alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process established by the Company.

Auditor's responsibilities for the audit of the Annual Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance is a higher level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Annual Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the audit of the Annual Consolidated Financial Statements (continued)

Auditor's responsibilities for the audit of the Annual Consolidated Financial Statements (continued)

- Obtain an understanding of internal controls relevant to the audit 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 Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a Going Concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent auditor's report to the related disclosures in the annual consolidated financial statements or, if such disclosures are inadequate, to modify our opinion.

  Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual consolidated financial statements, including the disclosures, and whether the annual consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Annual Separate Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our independent Auditor's Report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our Report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal requirements

On 30 July 2021, the General Assembly appointed us to audit the Group's Annual Consolidated Financial Statements for 2021.

We have been engaged to perform a statutory audit of the Group's Annual Consolidated Financial Statements since 2020, which represents an engagement of two years.

In the audit of the Group's annual consolidated financial statements for 2021, we determined the materiality for the consolidated financial statements as a whole in the amount of HRK 1,774 thousand, which represents approximately 1% of the realized sales revenue for 2021.

We chose sales revenue as the measure of materiality because we believe it is the most appropriate measure given the significant fluctuations in pre-tax profit in the current and prior periods.

Our audit opinion is consistent with the additional report for the Group's audit committee drawn up in accordance with the provisions of Article 11 of Regulation (EU) no. 537/2014.

During the period between the initial date of the audited Annual Consolidated Financial Statements of the Group for the year 2021 and the date of this Report, we did not provide prohibited non-audit services to the Company and associated companies, and we did not design or implement services for internal control procedures in the business year prior to the aforementioned period or risk management related to the preparation and/or control of financial information or the design and implementation of technological systems for financial information, and in performing the audit we preserved independence in relation to the Group.

Report based on the requirements of the Delegated Regulation (EU) 2018/815 amending Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards for the specification of a single electronic reporting format

Report on the auditor's opinion on the compliance of the Annual Consolidated Financial Statements (hereinafter referred to as: financial statements), prepared on the basis of provision of Article 462, paragraph 5 of the Capital Market Act (Official Gazette, No. 65/18, 17/20 and 83/21) applying the requirements of the Delegated Regulation (EU) 2018/815, which determines a single electronic reporting format for issuers (hereinafter: ESEF Regulation).

We conducted our engagement with reasonable belief that the financial statements have been prepared for the purposes of publication to the public based on Article 462 paragraph 5 of the Capital Market Act, which are contained in the electronic file igh19-2021-12-31_hr.zip, in all significant aspects in accordance with the requirements of the ESEF Regulation.

Responsibilities of the Management Board and those in charge of management

The Management is responsible for the preparation and content of financial statements in accordance with the ESEF Regulation.

In addition, the Board is responsible for maintaining a system of internal controls that reasonably ensures the preparation of financial statements free from material non-compliance with the reporting requirements of the ESEF Regulation, whether due to fraud or error.

Report on the audit of the Annual Consolidated Financial Statements (continued)

Report based on the requirements of Delegated Regulation (EU) 2018/815 amending Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards for the specification of a single electronic format for reporting (continued)

Responsibilities of the Management Board and those in charge of management (continued)

Management is also responsible for:

- publishing to the public the financial statements contained in the annual report in valid XHTML format;

- selection and use of XBRL tags in accordance with the requirements of the ESEF Regulation.

Those in charge of Management are responsible for overseeing the preparation of financial statements in ESEF format as part of the financial reporting process.

Responsibilities of the auditor

Our responsibility is to express a conclusion, based on the audit evidence gathered, about whether the financial statements are free of material non-compliance with the requirements of the ESEF Regulation. We conducted this engagement with reasonable assurance, in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Amended) - Assurance Engagements Other Than Audits or Reviews of Historical Financial Information.

Completed procedures

The nature, timing and extent of the procedures selected depend on the auditor's judgment. Reasonable belief is a high degree of assurance, however, it does not ensure that the scope of testing will reveal every significant (material) non-compliance with the ESEF Regulation.

We performed the following activities as part of the selected procedures:

- read the requirements of the ESEF Regulation,
- gained an understanding of the Group's internal controls relevant to the application of the requirements of the ESEF Regulation,
- identified and assessed the risks of significant non-compliance with the ESEF Regulation due to fraud or error, and
- based on this, designed and designed procedures to respond to the assessed risks and to obtain reasonable assurance for the purpose of expressing our conclusion.

Report based on the requirements of Delegated Regulation (EU) 2018/815 amending Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards for the specification of a single electronic format for reporting (continued)

Performed procedures (continued)

The aim of our procedures was to assess whether:

▫ financial statements, which are included in the consolidated annual statement, are made in valid XHTML format

▫ data, contained in the consolidated financial statements required by the ESEF Regulation, is marked and that all markings meet the following requirements:

o the XBRL marking language is used

o the elements of the basic taxonomy specified in the ESEF Regulation with the closest accounting significance were used, unless an additional element of the taxonomy was created in accordance with Annex IV of the Regulation on ESEF,

▫ labels comply with common labelling rules under the ESEF Regulation.

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

Conclusion

According to our belief, based on the procedures carried out and the evidence obtained, the financial statements presented in the ESEF format, contained in the above-mentioned electronic file and based on the provisions of Article 462, paragraph 5 of the Capital Market Act, prepared for publication to the public, are in accordance with all materially significant criteria. with the requirements from Articles 3, 4 and 6 of the ESEF Regulation for the year ended 31 December 2021.

In addition to this conclusion, as well as the opinion contained in this Independent Auditor's Report for the attached Consolidated Financial Statements and the Annual Report for the year ended 31 December 2021, we do not express any opinion on the information contained in those presentations or on the other information contained in the aforementioned file.

The engaged partner in the audit of the Consolidated Annual Financial Statements for 2021, which resulted in this Independent Auditor's Report, is Vlatka Rukavina, certified auditor.

In Zagreb, 25 July 2022

BDO Croatia d.o.o.
Radnička cesta 180
10000 Zagreb

Vedrana Stipić, Member of the Management Board

Vlatka Rukavina, Certified Auditor

INSTITUT IGH d.d.
Consolidated statement on comprehensive income
for the year ending 31 December 2021

DESCRIPTION	Note	2021 Thous.HRK	2020 Thous.HRK
Revenue from sale	5	**169.826**	165.990
Other operating income	6	**10.600**	24.218
Total revenue		**180.426**	190.208
Cost of consumables and raw materials	7	**(6.781)**	(7.077)
Cost of services	7	**(41.210)**	(43.861)
Staff costs	8	**(99.011)**	(99.087)
Other operating expenses	10	**(41.322)**	(15.946)
Total operating expenses		**(188.324)**	(166.971)
Profit from operations before depreciation and impairment		**(7.898)**	**24.237**
Depreciation	13	**(19.370)**	(13.043)
Impairments/value adjustment of other fixed assets	9	**(26.812)**	0
Value adjustment of receivables	9	**(4.266)**	(1.235)
Total depreciation and impairment		**(50.448)**	(14.278)
Profit/loss from loss of control over subsidiary		**(1.052)**	**3.556**
Financial revenue		3.566	4.986
Financial expenditure		(11.351)	(15.919)
Net financial expenditure	**11**	**(7.785)**	**(10.933)**
Share in profit/loss of related parties		**2**	**23**
Pre-tax profit		**(67.181)**	**2.605**
Corporate tax	12	**10.405**	443
Current year profit		**(56.776)**	**3.048**
of parent company capital holders		**(56.759)**	3.048
minority interest holders		**(17)**	0
Earnings per share (in HRK)		**(94,05)**	(5,08)
Other comprehensive income			
To be reclassified through profit and loss			
Foreign exchange differences		**(81)**	**411**
Other comprehensive profit for the year		**(81)**	411
Comprehensive profit for the year		**(56.857)**	3.459
of parent company capital holders		**(56.840)**	3.459
minority interest holders		**(17)**	0

Notes given in attachment comprise an integral part of these consolidated annual financial statements

INSTITUT IGH d.d.
Consolidated statement on comprehensive income
for the year ending 31 December 2021

DESCRIPTION		2021	2020
ASSETS		Thous.HRK	Thous.HRK
Intangible assess	13	**1.765**	2.245
Property, plants and equipment	14	**48.813**	190.591
Investment in property	15	**247**	247
Investments in related parties and other investments	16	**15.689**	14.581
Loans given	19	**493**	677
Trade receivables and other receivables	18	**2.213**	835
Deferred tax assets		**0**	7
NON-CURRENT ASSETS		**69.220**	209.183
Inventories	17	**692**	78.674
Trade receivables and other receivables	18	**54.559**	41.880
Loans given and deposits	19	**27.266**	24.382
Prepaid expenses	22	**11.140**	8.330
Contract assets	23	**4.402**	15.161
Cash and cash equivalents	20	**6.543**	8.610
CURRENT ASSETS		**104.602**	177.037
Non-current assets held for sale	21	**12.300**	57.600
TOTAL ASSETS		**186.122**	443.820
EQUITY AND LIABILITIES			
Share capital	25	**116.605**	116.605
Own shares	26	**(3.643)**	(3.809)
Reserves for own shares		**1.446**	1.446
Other reserves		**1.503**	1.503
Capital reserves		**(255)**	(255)
Revaluation reserves	26	**44.601**	97.183
Accumulated losses		**(258.935)**	(254.137)
Capital attributed to Company shareholders		**(98.138)**	(41.464)
Non-controlling interest		**517**	(398)
TOTAL EQUITY		**(97.621)**	(41.862)
Loans and borrowings	27	**12.764**	40.950
Lease liabilities	27	**10.808**	
Provisions	28	**11.223**	7.223
Deferred tax liabilities	12	**9.013**	21.384
Trade and other payables	29	**188**	198
NON-CURRENT LIABILITIES		**43.996**	69.755
Loans and borrowings	27	**158.986**	351.328
Lease liabilities	27	**9.896**	
Trade and other payables	29	**58.166**	50.314
Liabilities for advances received	30	**6.942**	6.942
Liabilities for deposits received	30	**419**	400
Provisions	28	**2.784**	3.219
Contract liabilities	23	**2.093**	3.329
Accrued and deferred income		**461**	395
CURRENT LIABILITIES		**239.747**	415.927
TOTAL EQUITY AND LIABILITIES		**186.122**	443.820

Notes given in attachment comprise an integral part of these consolidated annual financial statements

INSTITUT IGH d.d.
Consolidated statement of changes in equity
for the year ending 31 December 2021

(In thousands HRK)	Share capital	Capital reserves	Own shares	Reserves for own shares	Other reserves	Revaluation reserves	Accumulated loss	Capital attributed to shareholders	Non-controlling interest	Total
Status on 31 December 2019	116.605	(255)	(5.676)	1.446	953	102.232	(262.645)	(47.340)	(697)	(48.037)
Reserves for bonus and option shares	-	-	-	-	550	0	0	550	0	550
Sale of treasury shares			1.867					1867		1867
Transfer from revaluation reserves	-	-	-	-	-	(5.460)	5.460	0	0	0
Impact of loss of control over PB 45	-	-		-	-	0		0	299	299
Comprehensive income								0		0
Current year profit	-	-	-	-	-	0	3.048	3.048	0	3.048
Other comprehensive income	-	-	-	-	-	411		411		411
Total comprehensive income	-	-		-	-	411	3.048	3.459	0	3.459
Status on 31 December 2020	116.605	(255)	(3.809)	1.446	1.503	97.183	(254.137)	(41.464)	(398)	(41.862)

INSTITUT IGH d.d.
Consolidated statement on comprehensive income
for the year ending 31 December 2021

(In thousands HRK)	Share capital	Capital reserves	Own shares	Reserves for own shares	Other reserves	Revaluation reserves	Accumulated loss	Capital attributed to shareholders	Non-controlling interest	Total
Status on 31 December 2020	116.605	(255)	(3.809)	1.446	1.503	97.183	(254.137)	(41.464)	(398)	(41.862)
Sale of treasury shares	-	-	180	-	-	-	-	180	-	180
Acquisition of shares	-	-	(14)	-	-	-	-	(14)	-	(14)
Reserves for bonus and option shares	-	-	-	-	-	-	-	0	-	0
Transfer from revaluation reserves	-	-	-	-	-	(52.501)	52.501	0		0
Impact of loss of control over IGH d.o.o. Mostar and IGH Kosovo	-	-		-	-			0	932	932
Current year income	-	-	-	-	-	-	(56.759)	(56.759)	(17)	(56.776)
Other comprehensive income						(81)		(81)	0	(81)
Total comprehensive income	-	-	-	-	-	(81)	(56.759)	(56.840)	(17)	(56.857)
Status on 31 December 2021	116.605	(255)	(3.643)	1.446	1.503	44.601	(258.395)	(98.138)	517	(97.621)

Notes given in attachment comprise an integral part of these consolidated annual financial statements

INSTITUT IGH d.d.
Consolidated statement on cash flows
for the year ending 31 December 2021

DESCRIPTION	Note	2021	2020.
		Thous.HRK	Thous.HRK
Cash flow generated from operations			
Profit/loss before taxation		(67.181)	2.605
Adjustments:			
Depreciation	13,14	19.370	13.043
Value adjustments	9	31.078	1.235
Income from interest	11	(188)	(35)
Expenditure from interest	11	6.675	7.015
Net change in provisions		3.565	-
Unrealised exchange differences (net)	11	(3)	2.986
Profit from sale of fixed tangible and intangible assets	6	27.369	(3.209)
(Profit)/loss from sale/loss of control over subsidiary	11	1.052	(3.556)
Unrealized profit/loss through the equity method		(2)	(23)
Unrealized loss from financial assets and other expenditure		4.391	1.082
Result from operating activities before changes in working capital		26.126	21.143
(Increase)Decrease of short term receivables		(16.589)	3.550
(Increase) of contract assets		10.759	(2.311)
Increase (Decrease) of short-term liabilities		7.192	(13.390)
(Decrease) contract liabilities		1.236	(3.713)
Net cash flow from operating activities before interests and tax		28.724	5.279
Net cash flow from operating activities		28.724	5.279
Cash flows from investment activities			
Proceeds from given loans and deposits		294	12.374
Outflow for purchase of non-current tangible and intangible assets		(5.672)	-
Cash outflows for loans and deposits		(110)	(5.376)
Net cash flow from investment activities		(5.488)	6.998
Cash flows from financial activities			
Cash receipts from loan principal, loans and other borrowings		1.540	26.637
Cash receipts from sale of treasury shares		180	-
Cash outflows for repayment of principal loans and bonds		(18.406)	(18.721)
Cash outflows for rent		(8.603)	(1.762)
Other cash outflows from financing activities		(14)	(21.626)
Net cash flow from finance activities		(25.303)	(15.472)
Total cash flow increase		(2.067)	(3.195)
Cash and cash equivalents at beginning of the business year	20	8610	11.805
Cash and cash equivalents at the end of business year	20	6.543	8.610

Notes given in attachment comprise an integral part of these consolidated annual financial statements

1. GENERAL INFORMATION

Business activity
The Group is engaged in professional and scientific-research in the field of civil engineering, which includes design, elaboration of studies, technical supervision, consulting, investigation works, and proof of serviceability, laboratory testing and calibration. The Group is certified for these activities in accordance with the Sustainable Development Standards: EN ISO 9001, EN ISO 14001, OHSAS 18001

The Group includes 9 subsidiaries from the core business and 5 subsidiaries - design companies established for real estate projects. The Parent Company in the Group is Institut IGH d.d. (Company). The Company's registered office is in Zagreb, Croatia, Janka Rakuše 1. Except business operations run from the registered office, the Group conducts its business through subsidiaries in Georgia, Russia Bosnia and Herzegovina and Kosovo.

Company Bodies:

General Assembly

Chairman	Žarko Dešković

Members of the General Assembly are individual Company shareholders or their proxies.
Supervisory Board
In 2021, the Supervisory Board of Institut IGH d.d. consisted of 7 members, as follows:

- Žarko Dešković, Supervisory Board Chairman from 28 January 2021
- Mariyan Tkach - appointed Deputy-Chairman of the Supervisory Board on 26 August 2020
- Sergej Gljadelkin (PIN / OIB 50886241583) - Supervisory Board member
- Igor Aleksandrov Tkach - Supervisory Board member
- Marin Božić - Supervisory Board member

Management Board
The Management Board of Institut IGH, d.d. from 29 July 2021 consists of three members:
- Robert Petrosian - President of the Management Board, represents the Company solely and independently
- Vedrana Tudor - Management Board member, represents the Company together with another Management Board member
- Miroslav Pauzar - Management Board member, represents the Company together with another Management Board member

From 30 July 2021, the Management Board consists of four members:
- Robert Petrosian - President of the Management Board, represents the Company solely and independently
- Vedrana Tudor - Management Board member, represents the Company together with another Management Board member
- Miroslav Pauzar - Management Board member, represents the Company together with another Management Board member
- Igor Džajić - Management Board member, represents the Company together with another Management Board member

Company Procurators representing the Company with another Procurator are:
- Domagoj Šimunović
- Dario Bašić

Company's Audit Committee consists of three members:
- Gerhard Sattler
- Nadica Šalov
- Sergej Sergejević Gljadelkin

2. BASIS FOR PREPARATION

2.1. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS), valid throughout the EU. The consolidated financial statements of the Company and its subsidiaries, which the Company must also prepare in accordance with IFRS and Croatian law, were issued separately, at the same time as the non-consolidated financial statements. The consolidated financial statements as of and for the year ended December 31, 2021 are available together with these non-consolidated financial statements at the above address of the Parent Group.

The Group keeps accounting records in the Croatian language, in Croatian Kuna, and in accordance with Croatian legal regulations and accounting principles and practices followed by companies in Croatia.

The consolidated financial statements were approved by the Management Board on 25 July 2022. The balance sheet items are presented as of 31 December 2021.

2.2. New standards and interpretations of published standards not yet adopted or in force

The following amended standards have entered into force and are applicable for financial statements for 2021:

- IFRS 16 Leases - COVID-19 lease relief (Amendments)
  The amendments apply for annual reporting periods beginning on or after June 1, 2020.
- Amendments to IFRS 4: Insurance contracts
  postponement of the start of application of IFRS 9
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Reform of the benchmark interest rate - Phase 2

The Management has estimated that the mentioned changes have no impact on the Company's financial statements.

Standards, amendments to existing standards and interpretations that have been issued but are not yet effective by the date of publication of the financial statements are presented below. The Group intends to adopt these standards, if applicable, when they become effective.

The European Commission has approved the following changes in accounting principles applicable to reporting, which will take effect on or after January 1, 2021:

- IFRS 17 Insurance Contracts (May 2017) including amendments to IFRS 17: Insurance Contracts (June 2020)
- IFRS 16 Leases - COVID-19 lease relief (Amendments)
- Amendments to IAS 1: Presentation of financial statements: Classification of liabilities as short-term or long-term and Classification of liabilities as short-term or long-term
- Amendments to IAS 8: Accounting policies, changes in accounting estimates and errors: defining accounting estimates
- Amendments to IFRS 3: Business combinations
- Amendments to IAS 16: Real estate, plant and equipment
- Amendments to IAS 37: Provisions, contingent liabilities and contingent assets
- Amendments to the Annual Updates 2018-2020

These standards are not expected to significantly affect the Company's financial statements.

Standards that have not yet been approved by the European Commission and are not in force for the current period:

- IAS 1 Presentation of financial statements and IFRS guidelines 2: Disclosure of accounting policies (Amendments)

2. BASIS FOR PREPARATION - continued

2.2. New standards and interpretations of published standards not yet adopted or in force - continued

- Amendments to IAS 1: Presentation of financial statements: Classification of liabilities as short-term or long-term and Classification of liabilities as short-term or long-term - postponement of entry into force
- Amendments to IAS 12 Income taxes: Deferred tax related to assets and liabilities arising from a single transaction (Amendments)
- Amendments to IFRS 17 – Insurance contracts; comparative information.

These standards are not expected to significantly affect the Company's financial statements.

2.3. Basis for measurement

The financial statements are presented in accordance with the historical cost convention, except for the following:

- Revaluations of the value of land and buildings as stated in Note 3.9 (i)
- Investments in real-property as stated in Note 3.11.
- Assets at fair value through other comprehensive income as stated in Note 3.18
- Non-current assets intended for sale as stated in Note 3.22
- The methods used to measure the fair value are presented in Note 6.

2.4. Functional currency and presentation currency

These Financial Statements are presented in Croatian Kuna (HRK), which is the functional currency, rounded to the nearest thousand.

2.5 Use of estimates and judgements

The preparation of financial statements in accordance with IFRS requires the Management to make judgments, estimates and assumptions that affect the application of policies and amounts published for assets and liabilities, income and expenses. Estimates and associated assumptions are based on historical experience and various other factors, which are believed to be reasonable under the circumstances, the result of which forms the starting point for creating estimates of the value of assets and liabilities, which cannot be obtained from other sources. Actual results may differ from such estimates.

These estimates and respective assumptions are subject to regular reviews.

The impact of an estimate correction is recognized in the period in which the estimate was corrected if the correction affects only the period in which it was made or in the period in which the correction was made, and future periods if the correction affects current and future periods.

Judgements made by the Management Board in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in Note 5.

2. BASIS FOR PREPARATION (continued)

2.6 Going concern

During 2013, the Company initiated pre-bankruptcy settlement proceedings. On the basis of this, the Company concluded an agreement with creditors on the restructuring of liabilities, and limited the exposure arising from co-debtor relationships with certain related companies. Regardless of the financial restructuring, the Group increased the capital (recapitalized) at that time by issuing new shares and is in the process of selling certain assets in order to ensure the necessary solvency.

The pre-bankruptcy settlement proceedings were successfully completed by the Decision of the Commercial Court in Zagreb no. 72 Stpn-305/13 of 5 December 2013, approving the pre-bankruptcy settlement agreement between the debtor Institut IGH, d.d. and creditors. The pre-bankruptcy settlement became legally valid as of 28 December 2013. The effects and the completion of the pre-bankruptcy settlement plan are set out in detail in Note 35. The Company is undertaking all measures necessary to settle any remaining obligations to suppliers under the Pre-Bankruptcy Settlement. These debts will be settled from current operations as soon as possible.

In order to improve the profitability of operations and core business, the Group over the past years implemented a number of operational restructuring measures and had a more active market access. Unfortunately, the impact of the SARS-CoV-2 pandemic, which caused tectonic changes in the entire business world during 2020 and 2021, also affected the Group's business activities.

The Group marks a decrease in sales revenue and a loss in the amount of HRK 50,995 thousand (2020: profit of HRK 1,453 thousand). The Group's capital is still negative and amounts to minus HRK 96,795 thousand. On 31 December 2021, the Group's short-term liabilities exceeded current assets by HRK 184,839 thousand (2020: short-term liabilities exceed short-term liabilities by HRK 285,349 thousand).

From the legally concluded pre-bankruptcy settlement until 31 December 2021, the Group settled a total of HRK 291,024 thousand in liabilities incurred before the opening of the pre-bankruptcy settlement procedure. Total liabilities related to the pre-bankruptcy settlement amount to HRK 338,422 thousand. However, due to insufficient available funds, the Group did not settle the due debt during 2021, which should have been settled by the end of 2021. The total amount of outstanding claims of groups a) and b) amounted to HRK 21,602 thousand, while the due Senior debt instalments remained unsettled, in the amount of HRK 57,372 thousand. The Group's Management is undertaking efforts in order to regulate the relations with the relevant creditors within a reasonable period of time and settle the stated obligations. The intention is to settle these debts by selling or exchanging part of the Group's property that is pledged for these debts.

These financial reports have been prepared under the assumption of a going concern. However a significant uncertainty exists regarding the above stated which can raise doubt in the Group's ability to continue as a going concern. During 2021 the Group's Management made adjustments and changes to key business processes and activities, necessary for an efficient execution of the obligations under the pre-bankruptcy settlement and believes that, based on the business plans and Restructuring Agreements concluded with the largest creditor, the Group is able to continue with its business operations. In addition, significant activities were undertaken by the Group in completing the process of transferring assets as settlement of the pre-bankruptcy settlement obligations, all with the aim of further stabilizing the Company's operations and focusing on strategic goals and future development of the Company.

Below given is an outline of significant accounting policies adopted for the preparation of these financial statements. These accounting policies have been consistently applied for all periods included in these statements.

3. PRINCIPAL ACCOUNTING POLICIES

Consolidated Financial Statements of the Group include the Financial Statements of Institut IGH d.d. (Company) and companies controlled by Institut IGH d.d. (subsidiaries) as at and for the year ending 31 December 2021. Control is present if the Company has the power to govern the financial and operating policies of each Company in order to obtain benefits from its business operations.

3.1. Investment in associated companies

Associated companies are companies in which the Group has significant influence, but does not have control. Significant influence is the power to participate in decisions about the financial and business policies of the entity in which the investment was made, but it does not represent control or joint control of these policies. Investments in associated companies are initially recognized at cost, and subsequently under the equity method, tested for impairment. Impairment testing of investments in subsidiaries is carried out on an annual basis.

Transactions eliminated in consolidation

The balance and transactions among Group members and all unrealised profit from transactions among Group members are eliminated at consolidation of the financial statements. Unrealized profit from transactions with companies with shareholdings and mutual companies where the Group shares control with other owners is eliminated up to the Group share level in such companies. Unrealized profit from transactions with companies with shareholdings is eliminated by a decrease of investment into that company. Unrealized losses are eliminated in the same way as unrealized profit but only up to the amount which does not represent permanent decrease of assets.

Transactions with non-controlling interests

Non-controlling interests in subsidiaries are included in the comprehensive capital of the Group.
Losses from non-controlling interests in subsidiaries are added to the non-controlling interests in situations when the non-controlling interests are shown with a negative value. Adjustment of non-controlling interest is based on the proportional amount of net assets of the subsidiary without goodwill adjustment and recognition of profit or loss in the profit and loss account.

Transactions with non-controlling interest which result in loss of control over the subsidiary are treated by the Group as transactions with majority owners of the Group. When purchasing shares from non-controlling interest, the difference between the paid sum and the respective gained share of the book value of the subsidiary's net assets is shown as capital. Gains and losses from sale of non-controlling interest are also shown as capital.

Loss of control

After loss of control over a subsidiary, the Group ceases to recognize its assets and liabilities, any minority interest or other components of capital and reserves. Any surplus or deficit resulting from loss of control is recognized in the profit and loss. If the Group retains a part in the subsidiary, such part is shown at fair value at the day the control ceases to exist. After that, it is shown as investment valued according to the equity method or as financial assets available for sale, depending on the level of retained influence.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.1. Investment in associated companies (continued)

Goodwill (copy-paste u nekonsolidirani)

Goodwill, created by business merger is recognized as cost at the date of acquisition, decreased by any loss owing to decreased value. For the purpose of testing for decrease, goodwill is distributed to every cash generating unit of the Group (or groups of such units) where benefits from synergy, i.e. merger are expected. Cash-generating units to which goodwill is distributed undergo annual check for decreased value, or more often if there are indications of its possible decrease in value. If the reimbursable amount of the cash-generating unit is lower than its book value, the loss created by decrease is distributed so as to decrease the book value of goodwill distributed to the unit, and after that, proportionally to other property of the cash-generating unit on the basis of the book value of every item in that cash-generating unit. Loss due to decrease of goodwill value is directly recognized as profit or loss in the consolidated statements on comprehensive income. Once recognized loss from decrease of goodwill is not annulled in the next periods.
When disposing of the cash-generating unit, respective amount of goodwill becomes a part of the profit or loss from sale.

3.2. Revenue

Policies for recognition of revenue and enforcement obligations

Revenue is measured on the basis of fee specified in the contract with the customer. A Group recognizes revenue when it transfers control of a good or service to a customer. The transfer of control over goods or services may take place either continuously (revenue recognition over time) or on a specific date (recognition at a point in time, upon completion). Before revenue is recognized, the Group identifies the contract as well as the various obligations of performance contained in the contract. The number of obligations regarding performance depends on the type of contract and activity. Most contracts of the Group involve only one obligation of performance.

Recognition of revenue in accordance with IFRS 15 is applicable to the following sources of revenue:

(i) Construction contracts

The main revenue generated by the Group from construction contracts comes from design, study, supervision, consulting services, laboratory services, survey works and scientific research work for the reconstruction and construction of roads and other civil engineering structures.

In accordance with the main IFRS 15 principles, the Group's accounting policies for recognizing revenue from contracts with customers reflect:

- the dynamics by which contractual obligations are fulfilled, corresponding to the transfer of goods or services to the customer

- the amount the seller expects to be entitled to receive as compensation for their activities.

Contractual terms and the way in which the Group manages construction contracts are mainly derived from projects that contain a single performance obligation. The Group uses a cost-based method to measure progress to the completion of construction work i.e. the Management has chosen to use the input method to calculate revenue (expenses incurred until a certain date) from the construction contract.

3. PRINCIPAL ACCOUNTING POLICIES - continued

3.2 Revenue (continued)

(i) Construction contracts (continued)

Changes to the contract (relating to the price and / or scope of the contract) are recognized when approved by the client. If the changes relate to new products or services that are considered different and when the contract price increases by an amount reflecting the "standalone selling price" of the additional products or services, the changes are recognized as a separate contract. When a third party (such as a subcontractor) is involved in the delivery of a good or service, the Group determines if it assumes control of that product or service before it is transferred to the client. If control is taken before the transfer to the client, the Group recognizes as revenue the gross amount it expects to be entitled to receive on handover. In cases where control is not taken, the Group considers that it is not the originator in the transaction and recognizes as income only the amount corresponding to its remuneration as an intermediary.
The cost of obtaining a contract that would not have been incurred had the Group not obtained the contract is recognized as an asset if it is recoverable and is depreciated over the estimated contract life.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of the contract costs incurred that are likely to be recoverable. The expected contract loss is recognized immediately in the profit and loss account.

Contractual assets and contractual liabilities

Contractual liabilities are entered when the client has made payment for goods or services, and the Group did not fulfil its obligation by delivering these goods or services. If the Group delivered the goods or services to the client and the client did not pay for these, and the right to compensation is not conditioned by anything except by passing of time until maturity, receivables are recognized. Contractual assets are recognized if the right to compensation is conditioned by something else (e.g. by executing some other obligation).

(ii) Income from State aid

State aid is recognized when there is a reasonable belief that the Group will fulfil the conditions with which the aid is given and a reasonable belief that the same will be received. Accordingly, the Group does not recognize State aid until there is sufficient assurance that the Group will meet the requirements set for the State aid and that the aid will be received. State aid is recognized as profit or loss on a systematic basis over the period in which the costs for which the aid is intended to be covered are recognized. Receivables for State aid to compensate for expenses or losses already occurred, or for the purpose of providing immediate financial support to the entity without future related costs, are recognized as profit or loss of the period in which the receivables were incurred.

(iii) Financial revenue and costs

Financial revenue and costs comprise interest payable on loans and borrowings using the effective interest method, interest receivable on funds invested, dividend income, gains and losses from foreign exchange differences and gain/ losses from sale of investment in subsidiaries. Income from the write-off of financial liabilities is also reported within Financial Income.

Income from interest is recognised in the profit and loss account on an accrual basis using the effective interest rate method. Dividend income is recognised in the profit and loss account on the date when the Group's right to pay the dividend is established.

Financial costs comprise accrued interest on loans, changes in fair value of financial assets at fair value through profit or loss account, impairment losses from financial assets and losses from exchange rate differences. Costs from borrowings are recognised in the Profit and Loss Account using the effective interest rate method.

3. PRINCIPAL ACCOUNTING POLICIES - continued

3.2 Revenue (continued)

(iv) Income from rent

Revenues from rental services are recognised when rental services are provided and are related to operating leases.

3-3 Leases

a) Impact on the accounting of the Lessee

At the initial recognition these assets are evaluated on the basis of cash flows of the lease agreement. After initial recognition, the right of use will be valued according to international standards for assets under IAS 16, IAS 38 or IAS 40 and therefore applying the cost model, decreased by accumulated depreciation and accumulated impairment losses, the revaluation model or the fair value model.

In order to calculate the rent and respective asset with the right of use, discounting of future lease payments according to an appropriate discount rate is done. Thus, future rent payments which are discounted are determined according to contractual provisions , without VAT, since the obligation to pay this tax occurs when the invoice is issued by the Lessor and not on the day of the start of Lease Contract.

In order to implement all this, the rent payment must be discounted per implicit contracted interest rate, and if not available, per incremental borrowing rate. Incremental interest rate is determined on the basis of finance costs for obligations of similar duration and similar security, such as those in a Lease Agreement. When defining the duration of the lease, a period of irrevocability must be considered defined in the Contract, where the Lessee has the right to use the subject asset also considering potential extension options, if the Lessee is reasonably certain of the extension. In fact, when looking at the contracts which allow the Lessor to tacitly extend the Lease Contract after the first period, the period of lease is determined on the basis of facts such as the length of the first lease period, possible plans for the sale of the leased asset and any other circumstance indicating a reasonable safety of extension.
Exceptions to this are low value lease contracts (up to 30 thousand HRK) and short duration contracts which are recognized as costs in the period to which they refer.

The Group leases certain plants and equipment. Leases where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the beginning of the lease at the lower of the fair value of the leased property or the present value of minimum lease payments. Each lease payment is allocated between the liability and finance costs so as to achieve a constant rate on the balance outstanding on the remaining financial status. The interest element of finance costs is charged to profit or loss over the lease period. The property, plants and equipment acquired under finance leases are depreciated per useful life of the asset or the lease term, depending which is shorter.

Leases where the significant portion of risks and rewards of ownership are not retained by the Group are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

3.4 Foreign currencies

Transactions and balances in foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency at the reporting date are translated into the functional currency at the foreign exchange rate prevailing at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the conversion of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.4 Foreign currencies (continued)

Transactions and balances in foreign currencies

Non-monetary assets and items that are measured in terms of historical cost of a foreign currency are not converted per new exchange rate. Non-monetary assets and liabilities denominated in foreign currency that are stated at historical cost are converted into the functional currency at the foreign exchange rate prevailing at the date of the transaction.

Official exchange rate HRK on 31 December 2021 was HRK 7,517174 for 1 EURO (31 December 2020: HRK 7,536898 for 1 EURO).

Official exchange rate of GEL on 31 December 2021 was HRK 2,119100 for 1 GEL (31 December 2020: HRK 1,873600 for 1 GEL).

3.5 Group members

Items included in the financial statements of every individual Group in the Group are expressed in the currency of its respective primary economic environment. Consolidated financial statements are presented in Croatian Kuna, also the functional currency of the parent Group.

Revenue and expenditures and cash flows from foreign undertakings are recalculated into the functional currency of the company using the exchange rate which most accurately represents the exchange rate on the day of the transaction, and their assets and obligations are recalculated according to exchange rate value at the end of the year.

Net investment into Group members

Exchange rate differences from recalculation of the net investment into foreign undertakings are recognized as part of the principal amount. When selling the foreign undertaking, exchange rate differences are recognized in the profit and loss account as part of profit or loss from sale. Exchange rate differences from recalculation of foreign currency, owing to its non-material amount, are included in the accumulated loss amount.

3.6 Borrowings and costs of borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between gains (net of transaction costs) and the surrender value is recognised in the comprehensive income statement over the period of the borrowings using the effective interest method.

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

Borrowings from creditors classified as "Secured Creditors" (Note 2) are carried at fair value of the property under mortgage for the borrowings in question, since the collection of the relevant borrowings is possible solely from the mortgaged property.

3.7 Dividend

Dividend distribution to the Group's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Group's General Assembly of Shareholders.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.8 Taxation

Income tax

The income tax charge comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly to equity, in which case it is recognised in other comprehensive income.
Current tax is the expected tax payable on the taxable income for the year, using the tax rates enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

(i) Deferred tax assets and liabilities

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business merger and that affects neither accounting nor taxable profit as well as differences relating to investments in subsidiaries and mutually controlled companies when it is likely that the situation will not change in the near future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and if they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

3.9 Taxation

(ii) Tax exposure

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period when a decision is made.

Value added tax (VAT)

The Tax Administration requires the settlement of VAT on a net basis. VAT related to sales and purchases is recognised and disclosed in the financial position statement, on a net basis. Where receivables have been impaired, impairment loss is recorded in the gross amount of receivables, including VAT.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.10 Real-property, plants and equipment

(i) Land and buildings

Following initial recognition at cost, land and buildings are recognized at revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and any impairment.

Fair value is based on the market value, being the estimated amount for which an asset could be sold on the date of valuation between a willing buyer and a willing seller in an arm's length transaction.

When the carrying amount is increased as a result of revaluation, this increase should be recognised directly in other comprehensive income under revaluation reserves. The revaluation increase is recognised as income to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense.

When the carrying amount is decreased as a result of revaluation, this revaluation decrease should be recognised directly in revaluation reserves to the extent that the decrease does not exceed the amount held in the revaluation reserve for the same asset, while the remaining amount is charged to expenses for the period.

A valuation is performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Certain land and buildings are derecognised upon disposal or when no future benefits are expected from its use or disposal. Gains or losses arising from derecognition of lands and buildings (calculated as the difference between the net disposal proceeds and the carrying amount of the item) are included in profit or loss when they are derecognised.

The relevant portion of the revaluation surplus, realised in the previous valuation, is released to profit or loss from the surplus of the valued assets upon the disposal of the revalued asset

(ii) Land and buildings

Also, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Based on the valuation performed by independent valuers, the Group has revalued its properties and created revaluation reserves that are transferred to retained earnings/accumulated losses in accordance with the adopted depreciation policy.

Gains and losses from disposal of land and buildings are recognised within other income or expenses in the profit and loss account. When revalued assets are sold, the amounts included in revaluation reserves are transferred to retained earnings.

(iii) Plants and equipment

Plants and equipment are initially included in the financial statement at cost less accumulated depreciation and accumulated impairment, if any. Cost includes expenditure that is directly attributable to the acquisition of the items. Following initial recognition at cost, plants and equipment are carried at revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on plants and equipment and any impairment.

Fair value is based on the market value, being the estimated amount for which an asset could be sold on the date of valuation between a willing buyer and a willing seller in an arm's length transaction.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.10 Real-property, plants and equipment (continued)

(iv) Assets with right of use

Assets with the right of use are shown in the statement of financial position according to the calculated discounted method depending on the period of use.

Gains and losses from the termination of property rights are recognized within the profit or loss account, within other income or expenses.

When the carrying amount is increased as a result of revaluation, this increase should be recognised directly in other comprehensive income under revaluation reserves. The revaluation increase is recognised as income to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense.

When the carrying amount is decreased as a result of revaluation, this revaluation decrease should be recognised as expenditure. This revaluation decrease directly impacts the revaluation reserves to the extent that the decrease does not exceed the amount held in the revaluation reserve for the same asset.

A valuation is performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Certain land and buildings are derecognised upon disposal or when no future benefits are expected from its use or disposal. Gains or losses arising from derecognition of lands and buildings (calculated as the difference between the net proceeds from sale and the carrying amount of the item) are included in profit or loss when they are derecognised.

The relevant portion of the revaluation surplus, realised in the previous valuation, is released to profit or loss from the surplus of the valued assets upon the disposal of the revalued asset and during its use.

Also, accumulated depreciation on the revaluation date is excluded from the gross book value of the asset, and the net amount is adjusted to the revalued amount of the asset.

Based on the revaluation performed by independent valuers, the Group has revalued the value of equipment classified in the depreciation groups - Laboratory equipment and Measuring and control devices, and created revaluation reserves that are transferred to retained earnings / accumulated losses, in accordance with the adopted depreciation policy.

Gains and losses from disposal of equipment are recognized within profit or loss within other income or expenses. When revalued assets are sold, the amounts included in revaluation reserves are transferred to retained earnings.

(v) Subsequent costs

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 Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other maintenance costs are charged to profit or loss during the financial period in which they are incurred.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.10 Real-property, plants and equipment (continued)

(vi) Depreciation

Land and assets under construction are not depreciated. Depreciation of other property items, plants and equipment is calculated using the straight-line method to allocate their cost over their estimated useful lives or to their residual values as follows:

Buildings	20 years
Plants and equipment	1 to 8 years
Other	10 years

The remaining value of an asset is the estimated amount that the Group would currently obtain from the sale less the estimated costs of sale, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual value and useful life are reviewed, and adjusted if appropriate, at each reporting date.

If and asset's carrying amount is greater than its estimated recoverable amount, the difference is written-off to its revocable amount (Note 3.12).

Gains and losses from sale are determined as the difference between the income from sale and the carrying amount of the sold asset, and are recognised in profit or loss within other income/expenses.

3.11 Intangible assets

Patents, licenses and software

(i) Ownership of assets

Patents, licenses and software are capitalised on the basis of the costs incurred and costs of bring to use the specific asset.

(ii) Subsequent costs

Subsequent costs are capitalised only if they increase future economic benefits arising from the asset. All other costs are treated as costs in the profit and loss account, in the period as incurred.

(iii) Depreciation

Intangible assets under construction are not depreciated. Depreciation of other intangible assets is calculated using the straight-line method to allocate their cost over their estimated useful lives or to their residual values as follows:

Right to use property of third parties	1 to 2 years
Software, content and other assets	1 to 2 years

(iv) Goodwill

Goodwill represents the difference between the acquisition cost and the fair value of the Group's share in the net identifiable assets of the acquired subsidiary, the recognized amount of the non-controlling interest and the fair value of the previous share at the date of acquisition. Goodwill arising from the acquisition of a subsidiary is reported under intangible assets.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.12 Investment into property

Investment into property is recognised as an asset when it is likely that future economic benefits will arise from the investment and when the cost of investment can be reliably measured. Investment into property includes property held either to earn rental income or for capital appreciation or both.

Investment into property is initially recognised at cost including transaction costs incurred. Subsequently, investment into property is measured at fair value reflecting market conditions at the balance sheet date. Profit or loss from changes in fair value of investment into property is recognised in the profit or loss account of the period in which they are incurred.

3.13 Inventories

The cost of work in progress and finished goods comprise raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity).

Trade goods are carried at the lower than purchase cost and sales price (less applicable taxes and margins). Small inventory and tools are written-off when put into use.

3.14 Trade receivables

Trade receivables are amounts that relate to services sold in the ordinary course of business. If collection is expected within one year, the receivable is shown within current assets, and if not, then the receivable is shown within non-current assets. Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less any expected credit loss. Business model for management of receivables is an amortised cost model, a business model that is achieved by holding financial assets to collect contractual cash flows (principal and interest).

Impairment provisions for trade receivables and contractual assets are measured at an amount equal to the expected credit losses over the life of the loan, i.e. by applying a simplified approach to expected credit losses.
The Company uses historical observations (over a minimum of 2 years) to measure the expected credit losses of the Group on the days when the receivables are delayed, adjusted for estimated future expectations in the collection of receivables. Trade receivables are broken down by ageing structure.

Receivables are impaired and impairment losses for individual customers are incurred if there is objective evidence of impairment arising from one or more events after the initial recognition of the asset when that event affects the estimated future cash flows of the receivable that can be reliably determined. Objective evidence of impairment of financial assets for expected credit losses includes:

- significant financial difficulties with the issuer or debtor and / or
- breach of contract, such as late payment or non-payment of interest or principal and / or
- the likely initiation of bankruptcy or financial restructuring with the debtor

3.15 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments that are readily convertible to known amounts of money with original maturities of up to three months or less and which are subject to a slight risk of change in value. Cash and cash equivalents are measured at amortized cost because: (i) they are held for the purpose of collecting cash flows from contracts that represent an SPPI, and (ii) they are not reported as FVTPL.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.16 Share capital

Share capital consists of ordinary shares. Gains directly attributable to the issue of new shares or options are shown in equity as a deduction, net of income tax, from the proceeds. Any excess of the fair value of the compensation received over the nominal value of the shares issued is presented in the notes as a share premium. Where the Group purchases its equity share capital (own shares), the consideration paid, including any directly attributable transaction costs (net of income taxes), is deducted from equity attributable to the Company's shareholders until the shares are cancelled or reissued or disposed of. Where such shares are subsequently sold or reissued, any compensation, net of any directly attributable transaction costs and the related income tax effects, and is included in equity.

3.17 Employee benefits

(i) Pension obligations and post-employment benefits

In the normal course of business, through salary deductions, the Group 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 Group is not obliged to provide any other post-employment benefits.

(ii) Severance pay

Severance pay are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises severance pay 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 severance pay as a result of an offer made to encourage voluntary redundancy.

(iii) Regular retirement benefits

Benefits falling due more than 12 months after the reporting date are discounted to their present value based on the calculation performed at each reporting date by an independent actuary, using assumptions regarding the number of staff likely to earn regular retirement benefits, estimated benefit cost and the discount rate equal to the rate of return on bonds issued by the Republic of Croatia. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in profit or loss.

(iv) Share based payments

As part of the long-term reward plan, the Group receive share-based payments in exchange for the services they provide. The fair value on the date of approval is recognized as an employee expense, with the corresponding increase in capital and reserves during the period in which the employees exercise their unconditional right to the award. The recognized cost reflects the share of the total reward for the services rendered, and other non-market conditions that are expected to be met. The cumulative amount of the reward recognized on the date of reward reflects services rendered and non-market conditions satisfied.

3.18 Provisions

Provisions are recognised when the Group has a current obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of discounting is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation, determined using the estimated risk free interest rate as the discount rate. Where discounting is used, the discounting impact in each year is recognised as a financial expense and the carrying amount of the provision increases in each year to reflect the passage of time.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.19 Financial instruments

Non-derivative financial instruments

(i) Recognition and initial measurement

Trade receivables and issued debt securities are initially recognized at the time they arise. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.
A financial asset (unless the trade receivable has no significant financial component) or a financial liability is initially measured at fair value plus an item that is not carried at fair value through profit or loss, for transaction costs directly attributable to the acquisition or issue. Trade receivables without a significant financing component are initially measured at transaction cost.

(ii) Classification and subsequent measurement

Financial Assets

Upon initial recognition, financial assets are carried at amortized cost, fair value through other comprehensive income - debt investment, fair value through other comprehensive income - investment in equity or fair value through profit or loss account.

The Group does not change its financial asset management model, in which case all financial assets are reclassified on the first day of the first reporting period after the business model has been changed.

Financial assets are measured at amortized cost if they meet both of the following conditions and are not classified as assets at fair value through profit and loss account:

- It is within a business model aimed at holding assets to collect contractual cash flows; and
- based on the contractual terms, on certain dates, it receives cash inflows that represent the sole payment of principal and interest on the outstanding principal amount.

All financial assets not classified as financial assets at amortized cost as described above are measured at fair value through profit and loss account.

Financial assets at fair value through profit or loss are subsequently measured at fair value. Net gains and losses including all interest or dividend income are recognized in the profit and loss account.

Financial assets carried at amortized cost are subsequently measured at amortized cost using the effective interest method. Amortized cost is reduced by impairment losses. Interest income, foreign exchange differences and impairment losses are recognized in the profit and loss account. Any gain or loss from derecognition is recognized in the profit and loss account.

Financial liabilities - classification, subsequent measurement, profit and loss

Financial liabilities are classified as financial liabilities measured at amortized cost or at fair value through the profit and loss account. Financial liabilities are classified as financial liabilities at fair value through profit or loss when held for trading if it represents a derivative or if classified as such at initial recognition. Financial liabilities measured at fair value through the profit and loss account are measured at fair value, and net gain and loss, including all expenditure for interest, are recognized in the profit and loss account. Other financial liabilities are subsequently measured per amortized cost by applying the effective interest rate method. Expenditure for interest and gains and losses from exchange rate differences are recognized in the profit and loss account. Profit and loss at derecognition are also recognized in the profit and loss account.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.19 Financial instruments

Non-derivative financial instruments (continued)

(iii) Derecognition

Financial assets

The Group ceases to recognize financial assets when the contractual rights to cash flows from financial assets expire or if the Group transfers the rights to receive contractual cash flows in a transaction in which all key risks and rewards of ownership of the financial assets are transferred, or in which the Group neither transfers nor retains all risks and rewards of ownership and does not retain control over financial assets.

The Group enters into transactions in which it transfers assets recognized in the statement of financial position but retains all or almost all of the risks and rewards of the transferred assets. In such cases, the transferred property does not cease to be recognized.

Financial liabilities
The Group ceases to recognize a financial liability when its contractual obligations are fulfilled, cancelled or expired. The Group also ceases to recognize a financial liability when its terms have changed and when the cash flows of the changed liability are materially different, in which case the new financial liability is recognized at fair value under the changed conditions.

Upon derecognition of a financial liability, the difference between the carrying amount and the amount paid (including any transferred non-monetary assets or liabilities) is recognized in the profit and loss account.

(iv) Netting

Financial assets and financial liabilities are netted and the net amount is disclosed in the income statement when, and only when, the Group currently has a legally enforceable right to offset amounts and intends to settle them on a net basis or to realize the assets and at the same time settle the liability.

Effective interest method

The effective interest method is a method that calculates the amortized cost of a financial asset and distributes interest income over the relevant period. Effective interest rate is the rate at which estimated future cash inflows, including any fees paid or received that are an integral part of the effective interest rate, then transaction costs and other premiums and discounts, are discounted over the expected life of the financial asset or a shorter period, if applicable.

Income from debt instruments other than financial assets designated at fair value through profit or loss is recognized on an effective interest basis, recognized on an effective interest basis.

3.20 Financial guarantee for the contracted obligations and financial liabilities

Financial guarantee of contractual obligation

The financial guarantee for the contractual obligation is initially measured at fair value and subsequently measured at a higher value:

- the amount determined in accordance with the model of expected credit losses, according to IFRS 9, and
- the amount initially recognized, and if necessary, less the corresponding cumulative effect recognized in accordance with the revenue recognition policy.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.20 Financial guarantee for the contracted obligations and financial liabilities (continued)

Financial liabilities, classification and measurement

Financial liabilities, including loans, are initially measured at fair value less transaction costs and subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.
The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over a specified period. The effective interest rate accurately discounts estimated future cash payments over the expected life of the financial instrument or, where appropriate, for a shorter period to the gross carrying amount of the financial asset or the amortized cost of the financial liability, with the exception of financial assets less credit losses.

Financial liabilities are classified as financial liabilities at fair value through profit or loss when held for trading or as defined by the Group.

They are measured at fair value, and any related gain or loss is recognized in the profit and loss account, except for changes in the fair value of the liabilities resulting from changes in the Group's own credit risk that are recognized through other comprehensive income. The net gain or loss recognized in the profit and loss account also includes interest paid on a financial liability.

3.21 Operating segment reporting

The Group identifies operating segments on the basis of internal reports about the Group components that are regularly reviewed by the chief operating decision maker (which was identified as being the Group's Management Board) in order to allocate resources to the segments and to assess their performance. Details on the operating segments are disclosed in Note 5 to the Financial Statements.

3.22 Earnings per share

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

3.23 Non-current assets held for sale

Non-current assets held for sale are intended to settle the secured debt to financial institutions that have not waived their right to a separate settlement in the process of the pre-bankruptcy settlement. The estimated market value was determined based on the independent valuers' report that was based on the cost method, the comparative method and/or the income method depending on the type of property. Additional information on valuation methods are set out in Note 21.

3.24 **Key accounting judgements and estimates**

Critical judgements in applying accounting policies

The preparation of financial statements in conformity with IFRS requires the Management Board to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.24 Key accounting judgements and estimates (continued)

(i) Revenue recognition

The Group recognises revenues and expenses on design contracts on the basis of the estimated stage of completion of contracted work at the balance sheet date, which requires a certain degree of judgement. When the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected losses are recognised as an expense immediately.

(ii) Useful lives of property, plants and equipment

The Group reviews the estimated useful lives of property, plants and equipment at the end of each annual reporting period. During the year, there were no changes in estimated useful lives of non-current assets.

In the event of a +/- 10% change in useful life, with the remaining variables unchanged, the depreciation expense would change by HRK -/+ 690 thousand.

(iii) Impairment of assets

The Group regularly reviews the recoverability of each asset individually and if there is any indication of impairment, it shall be impaired to the estimated recoverable amount.

(iv) Pre-bankruptcy settlement and going concern

The Group considers all relevant information on all the key risk factors, assumptions and uncertainties that it is aware of and that are essential to the ability of the Group to continue as a going concern.

The Group continues to mark growth in business operations, while at the same time it is actively working to restructure debts to financial institutions through the sale of non-operating real estate and refinancing the operating part of the debt. Considering the stable base contracts, the successful deleveraging to nonfinancial institutions and all the information on the ongoing restructuring of debts to financial institutions, the Group believes that it meets all business requirements to continue as a going concern.

(v) Valuation of liabilities from pre-bankruptcy settlement

The Group has brought down liabilities relating to loan commitments that will be settled from the Group's property at the fair value of the corresponding property. The Management Board has taken the estimated value of the property as the reference value of the liabilities.

3.25 Determination of fair value

The Group has an established control framework with respect to fair value measurement which assumes the overall responsibility of the Management Board and the Finance Department in relation to monitoring all significant fair value measurements, consultation with external experts and the responsibility to report, with respect to the above, to those charged with corporate governance.

Fair value is measured using information collected from third parties in which case the Management Board and the Finance Department assess whether the evidence collected from third parties support the conclusion that such valuations meet the requirements of IFRSs, including the level in the fair value hierarchy where such valuations should be classified.

All significant issues related to fair values estimates are reported to the Supervisory Board.

Fair values are categorised into different levels in the fair value hierarchy based on the inputs used in valuation techniques as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3 - inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the fair value estimate is included in level 3.

In preparing these financial statements, the Group has made the following significant fair value estimates while preparing the financial statements as further explained in detail in the following notes:

- Note 14: Real-property, plants and equipment
- Note 15: Investment into real-property
- Note 16: Investments in related parties and other investments
- Note 21: Non-current assets held for sale

3.26 The Company and the Group

Consolidation includes the Company and subsidiaries as follows:

	2021		2020	
(in thousands HRK)	Share in ownership and voting rights (%)	Cost of acquisition	Share in ownership and voting rights (%)	Cost of acquisition
IGH Mostar d.o.o., Mostar	100	6.005	100	6.005
IGH Business advisory d.o.o. Zagreb	100	222	100	222
Incro d.o.o. , Zagreb	100	20	100	20
Forum centar d.o.o., Zagreb	100	30.748	100	30.748
IGH Projektiranje d.o.o., Zagreb	100	6.103	100	6.103
Radeljević d.o.o., Zagreb	100	116.827	100	116.827
IGH Consulting d.o.o., Zagreb	100	100	100	100
Marterra d.o.o., Zagreb	100	20	100	20
DP AQUA d.o.o., Zagreb	100	452	100	452
Slavonija centar, poslovna zona, Velika Kopanica	100	20	100	20
ETZ Ekonomsko tehnički zavod d.d., Osijek	88	6.684	88	6.684
IGH d.o.o., Mostar	-	-	80	1.130
IGH Kosova Sha Priština	-	-	75	40
Total		167.201		168.371

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.27 Comparative data

Due to adjustment in accordance with the ESEF Regulation, where necessary, comparative data has been reclassified to achieve consistency in the presentation of data ,with current financial year data and other data.

4. Impact of the Covid 19 virus pandemic of the Group's business operations

On 11 March 2020, the World Health Organization declared a global pandemic caused by the COVID-19 virus. On the same date, the Government of the Republic of Croatia adopted the Decision to declare an epidemic of the Corona virus disease in the territory of the entire Republic of Croatia.

In this COVID-19 pandemic situation in Croatia, the Group, as the provider of services of general economic interest, is an important factor in ensuring the operation of all aspects of society in extraordinary circumstances, and therefore the Group's core activity does not belong to the activities particularly strongly affected by the COVID-19 pandemic.

In accordance with the measures adopted by the National Headquarters of Civil Protection, the Group and its components operated on a smaller scale during the economic lock-down in March and April of 2020, which had an impact on the realization of planned revenues. In 2020, revenue from sale was lower than in 2019 by HRK 17 million, or by 9%.

During 2021, due to reduced economic activities, a decrease in business income and a decrease in the number of concluded Contracts was recorded, but this decline slowed down compared to 2020. Thus, business income in 2021 is lower by 1% or HRK 2 million compared to 2020.

Since the beginning of the pandemic, the Group has taken, and will continue to take, certain measures in terms of harmonizing expenses with the level of realized income, in order to preserve liquidity and financial stability.

5. Information on segments

The Group is organised into business units according to their locations and sectors of construction industry. Business units are engaged in designing, development of studies, supervision, consulting services, laboratory testing, survey work and scientific research.

Reportable segments are an integral part of the internal financial statements. The internal reports are regularly reviewed by the Group's Management Board that is also the chief operating decision maker, who assesses the success of business operations and makes business decisions.

Internal reporting of segment results is adjusted to business organisation and key indicators for each segment separately, and accordingly disclosure of this information is adjusted for the current year and previous period.

5. Information on segments (continued)

5.1. Revenue and business results per segment

Set out below is an analysis of the Group's revenue and results by its reporting segments, presented in accordance with IFRS 8, and also a reconciliation of segment financial performance with the profit or loss before tax. The revenue presented below relates to third-party sales. Inter-segment revenues are eliminated when reporting. The Company Management reports net income in its internal reports, i.e. sales revenue less the cost of co-operation (shown in Note 7). Accordingly, segment revenues are presented at this level.

	Segment revenue	
(in thousand Kuna)	2021	2020
Design department	**43.900**	35.534
Water Engineering, Geotechnical and Environmental Protection Department	**0**	11.868
Expert Supervision and Project Management Department	**50.894**	55.610
Department for Materials and Structures	**42.801**	30.476
RC Split	**0**	-
RC Osijek	**0**	-
RC Rijeka	**0**	113
Branch offices	**(1.990)**	1.231
Management and Administration	**3.448**	1.877
Segments total	**139.053**	136.710

5.2. Revenue - by geographical area

DESCRIPTION	2021 Thous. HRK	2020 Thous. HRK
Republic of Croatia	**133.735**	142.099
Rest of the World	**36.091**	23.891
Total	**169.826**	165.990

5. Information on segments (continued)

5.3. Revenue by category

DESCRIPTION	2021. Thous. HRK	2020. Thous. HRK
Revenue recognised over time	**147.269**	133.470
Revenue recognised at a point in time	**22.557**	32.520
Total	**169.826**	165.990

The Design Department's main activity is the development of design and study documentation for transport infrastructure - roads, railways and airports, including all structures on the roads.
Water Engineering, Geotechnical and Environmental Protection Department is engaged in design and studies, demonstrating serviceability, investigations and measurement, modelling, planning, in all hydro technical fields as well as all other activities needed to solve engineering problems at the contact of soil (rocks) and structure.

Technical Supervision and Project Management Department carries out expert supervision of construction works in civil engineering, building construction and energy. In addition, the activity includes advisory services, conducting professional spatial planning, urban planning, design, feasibility studies, expert opinion and expert assessment, property valuation and construction costs.

The Department of Materials and Structures deals with tests and certification of building materials. With about 600 test methods accredited according to HRN EN ISO / IEC 17025, our laboratories meet the qualification requirements and make approximately 60% of all laboratories in Croatia accredited in the field of construction.

Regional centres Split, Rijeka and Osijek participate in almost all major and significant projects in their areas of service from study development, design (roads with all related facilities, water engineering structures, building construction etc.), conducting expert supervision and providing consultancy services, conducting investigation works, laboratory testing and proof of serviceability, and scientific research work in the field of construction.

The accounting policies of the reportable segments are the same accounting policies as described in Note 3.20. Segment profit represents the profit earned by each segment without allocating central administration costs, depreciation, provisions, impairment, other income and other finance income and costs. The Group does not allocate assets and liabilities by segments.

6. Other operating income

DESCRIPTION	2021 Thous. HRK	2020 Thous. HRK
Income from subsequently collected receivables	**4.272**	217
Income from rent	**2.757**	3.469
Gain from sale of assets	**1.807**	3.200
Income from cancellation of provisions	**669**	1.369
Income from damages	**530**	577
Other income	**519**	273
Income from compensation, subsidies	**38**	4.860
Income from write-off of liabilities	**8**	10.254
	10.600	24.218

7. Cost of raw materials, consumables and services

DESCRIPTION	2021 Thous. HRK	2020 Thous. HRK
Cost of raw material and consumables	**4.789**	4.826
Cost of raw material and consumables	**1.425**	1.572
Cost of small inventory and spare parts	**567**	678
Cost of consumables and raw materials	**6.781**	**7.076**
Subcontractors	**28.750**	29.778
Other external costs	**4.670**	4.012
Maintenance	**1.979**	2.234
Production services	**1.833**	1.073
Rental expenses	**1.651**	4.323
Utilities	1.169	1.231
Transport, telephone, postal services	1.158	1.211
Cost of services	**41.210**	**43.862**

8. Staff costs

DESCRIPTION	2021 Thous. HRK	2020 Thous. HRK
Net salaries and wages	**57.303**	59.138
Taxes, contribution and other charges	**35.096**	31.733
Reimbursement of employee expenses (travel expenses, daily allowances, transportation)	**6.192**	6.376
Severance payments and other employee benefits	**420**	1.840
Total	**99.011**	99.087

On 31 December 2021, the Group had 534 employees (2020: 537 employees). In 2021, the Group paid 168 thousand HRK for non-taxable termination benefits (2020: 112 thousand HRK).

During the period, the Group accounted for pension and other contributions HRK 15.678 thousand (2020: for 573 employees a total amount of HRK 14.451 thousand).

9. Value adjustments

DESCRIPTION	2020 Thous. HRK	2019 Thous. HRK
Value adjustment of non-current assets		
Value adjustment of investment into real property	**26.812**	-
Value adjustment of investment in affiliates	-	-
	26.812	-
Value adjustment of short-term assets		
Value adjustment of trade receivables	**4.266**	(1.078)
Value adjustment of other receivables	-	(157)
Total	**4.266**	(1.235)

10. Other operating costs

DESCRIPTION	2021 Thous. HRK	2020 Thous. HRK
Loss on sale of non-current assets	**29.176**	3.084
Court disputes	**4.210**	399
Legal, consultancy and audit services	**1.857**	2.376
Insurance premiums	**1.279**	1.105
Education and training expenses	**1.211**	266
Bank fee and charges	**1.026**	1.402
Other expenses	**960**	5.149
Contributions to public services	**661**	1.608
Entertainment	**517**	400
Penalties	**232**	80
Taxes not dependent on result	**193**	77
Total	**41.322**	15.946

11. Financial revenue and expenditure

DESCRIPTION	2021 Thous. HRK	2020 Thous. HRK
Financial revenue		
Revenue from foreign exchange	**2.876**	4.351
Revenue from interest	**188**	35
Revenue from sale of shares		397
Other financial revenue	**502**	203
	3.566	4.986
Financial expenditure		
Expenditure due to foreign exchange losses	**6.675**	7.017
Interest expenditures	**3.632**	7.336
Unrealised losses from financial assets	**195**	1.565
Other financial expenditure	**849**	1
	11.351	15.919
Net financial expenditure	**(7.785)**	(10.933)

12. Corporate tax

Tax income consists of:

DESCRIPTION	2021 Thous. HRK	2020 Thous. HRK
Deferred tax	12.371	442

Adjustment of effective tax rate

The table below details the alignment of the tax expense shown in the statement of comprehensive income with the legal tax rate:

DESCRIPTION	2021 Thous. HRK	2020 Thous. HRK
Profit/loss before taxation	(67.181)	(2.605)
Tax rate 18% (2020: 18%)	(12.095)	469
Effects of non-taxable income and other decreases in tax base	(600)	(4.511)
Effects of unrecognized expenses and other increases in tax base	15.143	3.946
Effects of tax losses not recognised as deferred tax assets	(482)	(346)
Previously recognized deferred tax liabilities	(12.371)	442
Corporate tax	(10.405)	(443)
Effective tax rate	15%	-17%

Unused tax losses from previous periods amounting to HRK 51.371 thousand and relate to the tax loss incurred in 2017 that could be used until 2022. In 2020, the Group used the tax loss to reduce the tax base in the amount of HRK 1.921 thousand. The total amount of transfer tax losses is HRK 49.451 thousand and can be used until 2022. In 2021, the total amount of transfer tax losses decreased by HRK 20.835 thousand and at the end of the year it amounted to HRK 28.615 thousand.

Unused tax losses are not recognised as deferred tax assets in the statement of financial position, as it is unlikely that there will be sufficient taxable profits realised for the utilisation of these deferred tax assets.

The Group did not recognise deferred tax assets in the total amount of HRK 4.516 thousand from temporary differences and value adjustments of financial assets, value adjustments of receivables and tax unrecognized provisions. At the same time, the Group used unrecognized deferred tax assets (reduced the corporate tax base) by HRK 482 thousand on the basis of use of tax losses carried forward.

The deferred tax liability arises from the following:

2021 (in thousand HRK)	Opening balance	Through equity	Through profit and loss	Closing balance
Temporary difference:				
Revaluation of non-current assets	21.384	0	(12.371)	9.013
	21.384	0	(12.371)	9.013

2020 (in thousand HRK)	Opening balance	Through equity	Through profit and loss	Closing balance
Temporary difference:				
Revaluation of non-current assets	21.989	(163)	(442)	21.384
	21.989	(163)	(442)	21.384

13. Intangible assets

(in thousands HRK)	Right of usage of property of third parties	Assets under preparation	Goodwill	Total
For the year ending 31 December 2021				
As at 1 January	1.075	34	1.136	2.245
Net acquisition	1.580	1.585	0	3.165
Current year depreciation	(934)	-	0	(934)
Reduction	(24)	(1.580)	(1.104)	(2.708)
Value adjustment		(3)	0	(3)
As at 31 December 2020	1.697	36	32	1.765
As at 31 December 2020.				
Acquisition cost	19.535	44	10.979	30.558
Accumulated depreciation	(17.838)	(8)	(10.947)	(28.793)
Net book value	1.697	36	32	1.765

(in thousands HRK)	Right of usage of property of third parties	Assets under preparation	Goodwill	Total
For the year ending 31 December 2020				
As at 1 January	1.696	84	1.136	2.916
Net acquisition	19	-	-	19
Current year depreciation	(687)	-	-	(687)
Reduction	-	-	-	-
Value adjustment	(3)	-	-	(3)
As at 31 December 2020	50	-50	-	-
As at 1 January	1.075	34	1.136	2.245
As at 31 December 2020.				
Acquisition cost	40.864	3.974	12.083	56.871
Accumulated depreciation	(39.789)	(3.940)	(10.947)	(54.626)
Net book value	1.075	34	1.136	2.245

12. Real-property, plants and equipment

(in thousand HRK)	Property with right of use	Land	Buildings	Plants and equipment	Assets under construction	Other	Advances	Total
For the year ending 31 December 2021								
As at 1 January 2021	19.465	91.592	43.814	13.613	21.658	305	143	190.590
Current year depreciation	(13.535)	-	(1.467)	(3.406)	-	-	-	(18.408)
Direct purchase	14.419	-	-		959	-	421	15.799
Transfer to use	-	-	-	922	(922)	-		0
Revaluation	(526)	(80.716)	(34.688)	(1.514)	(21.295)	-	(430)	(139.168)
As at 31 December 2021	19.823	10.876	7.659	9.615	400	306	134	48.813
As at 31 December 2021								
Acquisition cost	36.818	10.876	20.375	63.193	400	481	314	132.457
Accumulated depreciation and impairment	(16.995)	0	(12.716)	(53.578)	0	(175)	(180)	(83.644)
Net book value	19.823	10.876	7.659	9.615	400	306	134	48.813

Land and buildings of the Group (including assets under construction) with a net carrying amount of HRK 112.273 thousand (2019: HRK 118.344 thousand) have been pledged as security for borrowings from commercial banks (Note 33).

14. Real-property, plants and equipment (continued)

(In thousands HRK)

For the year ending 31 December 2020	Property with right of use	Land	Buildings	Plants and equipment	Assets under construction	Other	Advances for tangible assets	Total
As at 1 January 2020	6.271	93.697	53.148	14.892	21.097	305	414	189.824
Current year depreciation	(4.148)	-	(6.022)	(2.186)	-	-	-	(12.356)
Direct purchase	16.263	-	-	-	1.977	-	1.113	19.353
Transfer to use	-	-	-	1.416	(1.416)	-	(1.383)	(1.383)
Value adjustment	-	(2.105)	(3.312)	(509)	-	-	-	(5.926)
Revaluation	1.079	-	-	-	-	-	-	(1. 079)
As at 31 December 2020	19.465	91.592	43.814	13.613	21.658	305	144	190.591
As at 31 December 2020								
Acquisition cost	24.321	108.488	112.568	78.610	28.633	650	197	353.467
Accumulated depreciation and impairment	(4.856)	(16.896)	(68.754)	(64.997)	(6.975)	(345)	(53)	(162.876)
Net book value	19.465	91.592	43.814	13.613	21.658	305	144	190.591

Land and buildings of the Group (including assets under construction) with a net carrying amount of HRK 8.622 thousand (*2020: HRK* 112.273 thousand) have been pledged as security for borrowings from commercial banks (Note 33).

14. Real-property, plants and equipment (continued)

Assets under construction relate to the investment in the construction of Office building at Janka Rakuše 1 in Zagreb.

The estimated market value for revaluation purposes was determined based on the independent valuers' report that was based on the cost method, the comparative method and/or the income method depending on the type of property.

The estimated market value of laboratory equipment and measuring instruments for revaluation purposes was determined based on the independent valuers' calculations who applied the cost method as the most appropriate method because it is based on the economic principle that the buyer of the property will not pay more than the price that the buyer would have paid for an asset of equal utility in case of a new purchase or construction. As at 31 December 2020, the net carrying amount of revalued assets before revaluation would have amounted to HRK 655 thousand (31 December 2020: HRK 725 thousand).

In prior years 2015 and 2016, the Group concluded a finance lease agreements used to purchase equipment - pavement structure control system and a friction testing machine. The lease will be repaid in 60 instalments at an interest determined using variable interest rates. At the day of the conclusion of the agreement, the effective interest rate was 6.07% for friction testing machine and 6.01% for pavement structure control system.

	2021 Thous.HRK	2020 Thous.HRK
Cost of capitalised finance leases	1.993	1.993
Accumulated depreciation	(1.993)	(1.132)
Net book value	**0**	**861**

(i) Valuation techniques and significant inputs

The following table summarizes the valuation methods and techniques used in measuring the fair value and significant inputs used in the valuation:

Valuation methods and techniques	**Significant unobservable inputs**
Land and buildings Fair value measurement of land and buildings was performed by certified property valuers. Depending on the intended use of the assets the methods used were the market value method (by further developing the cost method), the income method and the residual method. The calculation of the market value by further developing the cost method is performed by calculating the value of a newly built property and its impairment due to the passage of time, construction, furnishing, etc. The resulting price is adjusted to the market price through a number of factors specific to the observed building or land. The income method considers the present value of net cash flows that the assets could generate from rent taking into account the expected net rent based on comparable transactions. The residual method is based on an analysis of a specific investment and is focused on determining the value of land planned for development. The method is applied in the context of developing a project, if the investor wishes to determine the maximum price to pay for land in order to profitably realise a project	Correction factors used in calculating the market price. Average yield: 7-9% Among other factors, the estimated discount rate considers the underlying quality of the property, its location and the currently realisable rent conditions for similar locations and the comparative type of property. Specific expenses used in determining the net cash flow in the income method. Specific costs of construction, periods of financing, interest rates, required profit margins and other expenses in calculating the residual method.

Valuation methods and techniques	**Significant unobservable inputs**
Equipment Fair value measurement of equipment was performed by certified property valuers. They used the cost method and the DCF method (capital contribution method) to measure fair value. The cost method for measuring the value of equipment involves determining the value of the physical, functional and economic obsolescence of the equipment. Cost value is determined on the basis of the carrying value of the fixed assets register. In the process of evaluating physical obsolescence, the current useful life of assets, their total useful life and remaining useful life is analysed for each assessed asset separately. Functional obsolescence takes into account the ability to function over the remaining useful life. When assessing economic obsolescence, the economic obsolescence model and the economic indicators model are used. The DCF method is a variation of the income method according to which the market value of the asset is based on estimated future cash flows that are expected to be generated by functioning machinery and equipment	Correction factors used in calculating the market price. Among other factors, the estimated discount rate is the expected rate of return that the market requires in order to attract funds for a particular investment. Specific expenses used in determining the net cash flow in the DCF method

15. Investment into real-property

DESCRIPTION	2021 Thous. HRK	2020 Thous. HRK
As at 1 January	247	348
Value adjustment during the period	-	(101)
As at 31 December	247	247

Investment into real-property with a cost of HRK 18.263 thousand (2020: HRK 18.263 thousand) has been pledged as security for a borrowing from a commercial bank. Since the property is encumbered by a lien on third-party borrowing liabilities, the Group recognised an impairment loss of the property at the acquisition cost.

Valuation techniques and significant inputs

The following table summarizes the valuation methods and techniques used in measuring the fair value and significant inputs used in the valuation:

Valuation methods and techniques	**Significant unobservable inputs**
Land and buildings Valuation methods and techniques used are identical to those used in determining fair value of land and buildings in Note 14 (i).	Significant unobservable inputs are described in Note 14 (i).

16. Investment into affiliates and other investments

Investment into affiliates

Investment into affiliates relates to companies in which Institut IGH d.d. does not have independent control over management, irrespective of its own share.

	2021 (in thousand HRK)		2020 (in thousand HRK)	
	Ownership	Investment	Ownership	Investment
Centar Bundek d.o.o. Zagreb	**35%**	**31.960**	35%	31.960
Centar Gradski Podrum d.o.o.	**38%**	**21.533**	38%	21.533
Sportski grad TPN d.o.o. u stečaju	**40%**	**8**	40%	8
Elpida d.o.o.	**50%**	**31.300**	50%	31.300
Institut za infrastrukturne projekte d.o.o.	**50%**	**8**	50%	8
IGH Mostar d.o.o.	**80%**	**1.131**	-	-
Value adjustment		**(70.251)**		(70.251)
Total		**15.689**		14.558

Investment into investment funds

DESCRIPTION	31 Dec 2021 Thousand HRK	31 Dec 2020. Thousand HRK
Investment in shares in investment funds	**2.297**	2.297
Less: Value adjustment of share in investment funds	**(2.297)**	(2.297)
Total	**-**	-

17. Inventories

DESCRIPTION	31 Dec 2021 Thousand HRK	31 Dec 2020 Thousand HRK
Work in progress	**124**	129.123
Value adjustment of work in progress		(51.017)
Goods for sale	**568**	568
Stocks of finished products	**113**	113
Stocks of finished products	**(113)**	(113)
Total	**692**	78.674

18. Trade receivables and other receivables

DESCRIPTION	31 Dec 2021 Thousand HRK	31 Dec 2020 Thousand HRK
Long-term receivables		
Receivables from sale of apartments with deferred payments and other receivables	2.213	818
Short-term receivables		
Trade receivables	**95.876**	69.582
Less: value adjustment of trade receivables	**(45.823)**	(44.613)
Receivables from government institutions	**2.115**	2.118
Receivables from employees	**519**	740
Receivables from issued advances	**1.725**	-
Other receivables	**147**	14.053
Total	**55.659**	41.880

18. Trade receivables and other receivables (continued)

The following tables explain the changes in the corrections for trade receivables by using simplified ECL model between the beginning and end of the annual period:

	2021.
As at 31 December 2021	Thous. HRK
As at 1 January 2021	44.613
Newly created expected credit loss	4.568
Cancellation of previous credit loss	(3.358)
As at 31 December	45.823

	2020.
As at 31 December 2020	tis HRK
As at 1 January 2020	42.919
Newly created expected credit loss	(280)
Cancellation of previous credit loss	1.974
As at 31 December	44.613

For calculation of impairment on trade receivables, the Group applies a model based on expected credit losses (Simplified Approach) in accordance with IFRS 9, and the amount of the impairment does not have a material effect on the financial statements. The Group continues to apply value adjustments based on proven losses under certain conditions.

The ageing structure of trade receivables and other receivables was as follows:

31 December 2021		*(in thousand HRK)*	
	Gross amount	Value adjustment	Net amount
Not due	1.182	(1.182)	-
0-60 days	16.037	-	16.037
60-120 days	2.981	-	2.981
120-180 days	19.067	(2.206)	16.861
180-360 days	8.406	(69)	8.337
over 360 days	48.203	(42.366)	5.837
	95.876	**(45.823)**	**50.053**

31 December 2020	*(in thousand HRK)*		
	Gross amount	Value adjustment	Net amount
Not due	27.943		27.943
0-90 days	4.348	(246)	4.102
90-180 days	2.287	-	2.287
181-360 days	3.427	-	3.427
over 360 days	31.577	(44.367)	(12.790)
	69.582	(44.613)	24.969

19. Loans and deposits given

DESCRIPTION	31 Dec 2021 Thous.HRK	31 Dec 2020 Thous.HRK
Long-term loans		
Loans to third parties	453	677
Investment into securities	40	-
Loans and deposits given total	493	677
Short-term loans		
Loans given to affiliates	**4**	-
Loans given to third parties		281
Loans and deposits given	**26.790**	24.215
Interests receivables	**442**	-
Securities and factoring	**145**	-
Expected credit loss	**(115)**	(114)
Short-term loans total	**27.266**	**24.382**
Total	**27.759**	**25.059**

Loans to affiliates and third parties were granted with a certain interest rate, whereby for determining the profit tax base, the interest rates stated in Art. 14, par. 3 of the Corporate Income Tax Act are taken into account.

19. Cash and cash equivalents

DESCRIPTION	31 Dec 2021 Thous.HRK	31 Dec 2020 Thous.HRK
Giro accounts	4.537	5.505
Cash in hand	6	7
Foreign currency accounts	2.000	3.098
Total	6.543	8.610

20. Cash and cash equivalents currency breakdown

DESCRIPTION	2021 Thous.HRK	2020 Thous.HRK
HRK	4.538	4.844
GEL	1.080	583
BAM	410	1.325
EUR	513	1.827
Other currencies	2	31
Total	6.543	8.610

21. Non-current assets held for sale

DESCRIPTION	31 Dec 2021 Thous.HRK	31 Dec 2020 Thous.HRK
Acquisition cost		
As at 1 January	57.600	80.912
Sale	(45.300)	(23.312)
As at 31 December	12.300	57.600

Non-current assets held for sale are intended to settle the secured debt to financial institutions that have not waived their right to a separate settlement in the process of the pre-bankruptcy settlement. These assets refer to buildings and land.

(i) Valuation techniques and significant inputs

The following table summarizes the valuation methods and techniques used in measuring the fair value and significant inputs used in the valuation:

Valuation methods and techniques	Significant unobservable inputs
The fair value was estimated using methods applicable to each individual Group, the following methods were used: • The valuation of property carried out by authorised independent valuers (methods described in Note 3.9 (i)	Significant inputs are described in Note 3.9 (i)
• Review of rights of secured creditors	Amount of secured debt

22. Prepaid expenses

DESCRIPTION	31 Dec 2021 Thous.HRK	31 Dec 2020 Thous.HRK
Prepaid expenses	8.095	5.086
Advance payments received on account	2.431	2.178
VAT on advances	614	1.065
Total	11.140	8.330

23. Contract assets and contract liabilities

The following table shows information on trade receivables and payables based on the construction contracts, for which at the reporting date the Group reported contractual trade receivables or contractual obligations to customers:

DESCRIPTION	31 Dec 2021 Thous.HRK	31 Dec 2020 Thous.HRK
Contract assets	4.519	15.279
Expected credit loss	(117)	(117)
	4.402	15.161
Contract liabilities	2.093	3.839
Total	2.093	3.839

Contract assets primarily relate to the Company's rights to compensation for works performed but not collected at the reporting date. Contract assets are transferred to trade receivables when the rights become unconditional. This usually happens when the Group invoices the customer. A description of the methodology for calculating expected credit losses on a contract asset is described in Note 31.

Contract liabilities primarily relate to deferred income for construction works, for which revenue is recognized over time.

24. Share capital

	Number of shares 2021	Ownership share 2021	Number of shares 2020	Ownership share 2020
AVENUE ENGINEERING AND CONSTRUCTION LTD	239.500	39,03%	239.500	39,03%
AVENUE ENGINEERING AND CONSTRUCTION LTD (1/1)	75.500	12,30%	75.500	12,30%
AKCIONAR D.O.O.	12.500	2,03%	12.500	2,04%
INSTITUT IGH, D.D.	12.159	1,98%	13.359	2,18%
PRIVREDNA BANKA ZAGREB D.D.	11.005	1,79%	7.754	1,26%
CAPTURIS d.o.o.	7.895	1,28%	0	0%
MIHALJEVIĆ BRANKO	7.638	1,24%	6.380	1,04%
ČOLINA ANTE	4.550	0,74%	0	0%
IPRO - INŽENJERING D.O.O.	4.512	0,73%	4.512	0,74%
MARUS ANNA	4.150	0,67%	5.000	0,81%
Other shareholders	234.300	38,21%	240.149	39,13%
AGRAM INVEST D.D.	0	0%	9.055	1,48%
Total	613.709	100%	613.709	100%

The Company's share capital comprises 613,709 shares, ticker IGH-R-A, ISIN: HRIGHORA0006, with a nominal amount of HRK 190.00 per share, which amounts to HRK 116,605 thousand. The shares were listed on the Official Market of the Zagreb Stock Exchange. Each share holds voting and dividend rights.

Based on the final pre-bankruptcy settlement agreement of 28 December 2013, creditors transferred into the PIK and Junior debt have the right, upon the maturity period of six years, to convert their remaining claims into share capital and thus become a part of the ownership structure of the Group, up to 20% of the share capital. The PIK debt represents 63.6% of debt towards banks in the pre-bankruptcy settlement and is to be paid in one instalment after six years at a fixed interest rate of 4.5% per annum, which will also be paid upon maturity. After 6 years, creditors have the right to exercise an option to convert debt into equity up to a maximum of 20% of the share capital at the time of conversion. The details of the pre-bankruptcy settlement agreement are described in Note 35.

Given the above, the Group has an obligation to calculate the probability and amount of conversion of debt into equity. Due to the significant uncertainty of key variables in the calculation, the Group did not calculate and recognise the equity component as at 31 December 2021.

25. Reserves

Under Croatian regulations, the Group must place into reserves a twentieth part (5%) of the current year profit until total reserves, together with the share premium, reach 5% of share capital. Both legal reserves and reserves for own shares are non-distributable.
The Group owns 15.529 own shares, of which 12.159 own shares are held by Institut IGH, ETZ owns 870 and IGH projektiranje d.o.o. owns 2.150 Institut IGH shares. Own shares are recorded at acquisition cost and are released using the weighted average price method.

DESCRIPTIONS	Number of own shares 31 Dec 2021	Number of own shares 31 Dec 2020
As at 1 January	**16.729**	16.729
Increase during the year	**0**	
Decrease during the year	**(1.200)**	
As at 31 December	**15.529**	16.729

The Management Board of the Group has the right to receive bonus shares and treasury shares. There was no award on this basis during the year 2021, while the remaining amount will be allocated in accordance with the Group's possibilities in the coming years. The Net Asset Value of treasury shares and bonus shares is presented in Other Reserves according to market value of the share on the reporting date.

26. Revaluation reserves

(In thousands HRK)	Revaluation reserves for non-current tangible assets	Foreign exchange differences from recalculation of foreign operations	Total
As at 31 December 2019	102.828	(596)	102.232
Transfer to accumulated losses	(1.848)		(1.848)
Foreign exchange differences from translation of foreign operations		411	411
Decrease due to write-offs	(3.612)		(3.612)
As at 31 December 2020	**97.368**	**(185)**	**97.183**
Transfer to accumulated losses	**(52.501)**		**(52.480)**
Foreign exchange differences from translation of foreign operations		**(101)**	**(101)**
As at 31 December 2021	**44.888**	**(286)**	**44.602**

Revaluation reserves are not distributable to shareholders.

27. Loans and borrowings

DESCRIPTION	31 Dec 2021 Thous.HRK	31 Dec 2020 Thous.HRK
Long term borrowings		
Bank loans-senior debt /iii/	12.489	27.204
Other borrowings	275	526
	12.764	27.730
Short term borrowings		
Bank loans-PIK debt /i/	32.862	131.045
Issued bank bonds /vi/	-	47.800
Bank loans (separate creditors) /v/	25.583	25.622
Bank loans -current portion of senior debt /iii/	77.696	81.629
Bank loans - other	-	3.074
Other borrowings		
Accrued interest payable	873	988
	21.972	54.754
	158.986	344.912
Loans and borrowings total	171.750	372.642

/i/ Bank borrowings in the amount of HRK 32,682 thousand (2020: HRK 131.045 thousand) and liabilities arising from issued bonds in the amount of HRK 46.964 thousand (2019: HRK 46.964 thousand) are secured with the Group's land and buildings, shares in the affiliates and pledged Group inventories.

In accordance with the pre-bankruptcy settlement agreement, creditors are classified into the following categories:

/ii/ The 'PIK debt' represents claims that will be settled by selling pledged assets of the Group or its related parties. The final maturity of the PIK claims is 6 years from the day the pre-bankruptcy settlement became final at an interest rate of 4.5% per annum, which is also paid on final maturity

/iii/ The 'Senior debt' comprises a portion of creditor claims which will be settled by payment in semi-annual instalments in accordance with the provisions of the settlement and additional agreements with creditors of category a), which fall due on 30 June and 31 December with an interest rate set at 4.5% per annum.

/iv/ The 'Junior debt' relates to part of creditor claims which will be settled in accordance with the provisions of the settlement agreement. Final maturity of junior claims is 6 years from the day the pre-bankruptcy settlement becomes legally valid. Interest amounting to 4.5% is calculated annually and becomes due in one instalment upon final maturity of the junior debt.

/v/ Secured creditors have not waived their right for separate settlement in the pre-bankruptcy settlement proceedings, and have the right to initiate separate enforcement procedures to enforce property sales and settlement of their claims. If the sale of pledged assets does not generate sufficient funds to settle secured claims, secured creditors are not entitled to settlement of outstanding claims in full, but their claims are considered to be settled entirely through the sale of the pledged assets. Regarding these borrowings, the Group is not obligated to repay principal or interest from the ordinary course of business, but the settlement is made only from the sale of pledged property.

27. Loans and borrowings (continued)

/vi/ Issued shares

On 6 June 2012 the Group issued convertible bonds in the amount of EUR 10 million for a partial rescheduling of liabilities arising from previously issued financial instruments and financing of the working capital.

On 10 June 2013, the Settlement Council of the Financial Agency adopted the Decision on initiating pre-bankruptcy settlement proceedings over INSTITUT IGH, d.d. Owners of convertible bonds as secured creditors have not waived their right for separate settlement in the pre-bankruptcy settlement proceedings, and have the right to initiate separate enforcement procedures to enforce property sales and settlement of their claims. In the event that the funds obtained from the realisation of the pledge will not be sufficient to cover the claims secured, the bondholders are not entitled to settle up to the full amount of the secured claim but their claim is deemed to be fulfilled by the realisation of the pledge. Regarding these bonds, the Group is not obligated to repay principal or interest from the ordinary course of business, but the settlement is made only from the sale of pledged property.

The value of pledged land and buildings amounts to HRK 46,964 thousand and the value of bond payables was reduced to the stated amount.

Bond obligation was settled during 2021.

27. Loans and borrowings (continued)

Analytical review of loans and borrowings is as follows:

(in thous.HRK)	Bank loans - PIK debt /ii/	Bank loans - Senior debt/iii/	Bank loans - Junior debt/iv/	Bank loans - secured creditors /v/	Bank loans- other	Issued bonds /vi/	Other borrowings	Accrued interest payable	Total
Net book value									
As at 1 January 2021	131.045	108.832	-	25.622	3.074	47.800	1.514	54.754	392.279
Non-monetary repayment	(98.160)	(18.639)	-	-	(3.074)	**(47.800)**	(366)	(32.782)	(200.821)
Exchange rate difference	(23)	(8)	-	(39)	-	-	-	-	(70)
As at 31 December 2021	32.862	90.185	-	25.583	-	-	1.148	21.972	171.750

(in thous.HRK)	Bank loans - PIK debt /ii/	Bank loans - Senior debt/iii/	Bank loans - Junior debt/iv/	Bank loans - secured creditors /v/	Bank loans- other	Issued bonds /vi/	Other borrowings	Accrued interest payable	Total
Net book value									
As at 1 January 2020	129.589	96.282	7.693	25.622	16.885	70.973	1.681	46.666	395,391
Payments	-	(17.582)	-	-	(13.811)		(1.311)	-	(32.704)
Non-monetary repayment	-	-	(7.693)	-	-	(24.009)	-	(2.352)	(34.054)
Loans received	-	-	-	-	-	-	1.226	10.742	11.968
Transfer of liabilities	-	29.097	-	-		-	-	(302)	28.795
Exchange rate difference	1.456	1.035	-	-	-	836	(82)	-	3.236
As at 31 December 2020	131.045	108.832	-	25.622	3.074	47.800	1.514	54.754	372.641

27. Loans and borrowings - continued

Analytical review of loans and borrowings is as follows:

	Currency	Interest rate	2021	Up to 1 year	1 - 2 years	2 - 5 years	Over 5 years
Financial liabilities							
Commercial bank	EUR	4,50%	716	440	276	-	-
Third parties	EUR	4,50%	115.497	115.497	-	-	-
Third parties	EUR	4,50%	22.092	22.092	-	-	-
Liabilities for interest	HRK	-	286	286	-	-	-
Non-interest bearing other liabilities to secured creditors							
Third parties	EUR	-	24.209	24.209	-	-	-
Loans from other financial institutions	HRK	-	836	836	-	-	-
Other finance liabilities							
Loans from related parties	HRK	3%	1.653	1.653	-	-	-
Loans from non-related parties	HRK	4,50%	2.637	2.623	15	-	-
Other borrowings	RUB	4%	2	2	-	-	-
Lease obligations - IFRS 16	HRK	4,50%	20.704	9.870	5.416	5.416	-
Total			**188.632**	**177.508**	**5.708**	**5.416**	-

	Currency	Interest rate	2020	Up to 1 year	1 - 2 years	2 - 5 years	Over 5 years
Financial liabilities							
Commercial bank	EUR	4,50%	992	416	576	-	-
Commercial bank	HRK	6,50%	-	-	-	-	-
Third parties	EUR	4,50%	239.006	235.957	3.048	-	-
Third parties	EUR	4,50%	24.172	-	24.172	-	-
Liabilities for interest	HRK	-	389	389	-	-	-
Non-interest bearing other liabilities to secured creditors							
Third parties	EUR	-	534	534	-	-	-
Third parties	EUR	-	14.333	14.333	-	-	-
Third parties	EUR	-	12.419	12.419	-	-	-
Loans from other financial institutions	HRK	-	836	836	-	-	-
Bonds	EUR	-	46.964	46.964	-	-	-
Other finance liabilities							
Loans from related parties	HRK	3%	1.346	1.346	-	-	-
Loans from non-related parties	HRK	4,50%	148	148	-	-	-
Other borrowings	RUB	4%	531	531	-	-	-
Lease obligations	EUR	6,01-6,07%	-	-	-	-	-
Lease obligations - IFRS 16	HRK	4,50%	19.571	6.416	6.416	6.739	
Total			**361.240**	**320.288**	**34.212**	**6.739**	-

28. Lease liabilities

DESCRIPTION	31 Dec 2021 Thous.HRK	31 Dec 2020 Thous.HRK
Long-term liabilities		
Lease obligations	**10.808**	13.221
	10.808	13.221
Short-term liabilities		
Lease obligations	**9.896**	6.416
	9.896	6.416

(in thousand HRK)	Lease obligations
Net book value	
As at 1 Jan 2021	19.638
Payments	(17.650)
Increase to the right of use assets	18.721
Exchange rate differences	(5)
As at 31 Dec 2021	20.704

(in thousand HRK)	Lease obligations
Net book value	
As at 1 Jan 2020	6.940
Payments	(1.762)
Loans received	14.469
Exchange rate differences	(9)
As at 31 Dec 2020	19.638

29. Provisions

(In thousand HRK)	Unused vacation days	Retirement benefits	Legal disputes	Total
As at 31 December 2020				
Long-term	-	678	6.545	7.223
Short-term	3.198	-	21	3.219
	3.198	678	6.566	10.442
Increase in provisions	-	23	4.211	4.234
Total during the year	(436)	-	(233)	(669)
As at 31 December 2021				
Long-term	-	701	10.522	11223
Short-term	2.762	-	22	2.784
	2.762	701	10.544	14.007
As at 31 December 2019				
Long-term	-	506	7.685	8.191
Short-term	2.929	-	21	2.950
	2.929	506	7.706	11.141
Increase in provisions	269	172	464	905
Total during the year	-	-	(1.604)	(1.604)
As at 31 December 2020	3.198	678	6.566	10.442
As at 31 December 2020				
Long-term	-	678	6.545	7.223
Short-term	3.198	-	21	3.219
	3.198	678	6.566	10.442

(i) Unused vacation days

In 2021, the provision for unused vacation days was accrued based on the expectations that unused vacation days from 2021 will be used in 2022.

(ii) Retirement benefits

In 2021 the Group increased provisions for retirement benefits in the amount of HRK 23 thousand.

(iii) Legal disputes

The amounts of provisions relate to a number of legal disputes initiated against the Group. Based on the expert opinion of a legal counsel, the Group's Management Board believes that the outcome of these legal disputes will not give rise to any significant loss beyond the amount provided for as at 31 December 2021.

30. Trade payables and other payables

DESCRIPTION	31 Dec 2021 Thous.HRK	31 Dec 2020 Thous.HRK
Long-term liabilities		
Trade payables	188	188
	188	188
Short-term liabilities		
Domestic trade payables	**30.645**	16.145
Trade payables per pre-bankruptcy settlement	**133**	133
Foreign trade payables	**6.463**	10.071
Liabilities towards government institutions	**8.851**	11.307
Liabilities to employees	**6.335**	6.840
Interests payable	**0**	19
Municipal charges	**2.065**	1.925
Other liabilities	**3.674**	3.874
	58.166	50.314
Total	**58.354**	50.502

As at 31 December 2021, the carrying value of short-term liabilities approximates their fair value, due to the short-term nature of these liabilities.
Other liabilities relate to those other short-term liabilities.
Group's exposure to foreign exchange rate risk and solvency risk is presented in Note 31.

31. Payables for advances and deposits received

DESCRIPTION	31 Dec 2021 Thous.HRK	31 Dec 2020 Thous.HRK
Advances received		
Advances from domestic clients	**3.239**	3.003
Advances from foreign clients	**2.985**	2.692
Calculation of advances given	**718**	1.247
Total	**6.942**	6.9422
Deposits received		
Deposits and guarantees received	**419**	400
Total	**419**	400

32. Financial instruments and risk management

Financial risk factors

The Group is exposed to various financial risks related to foreign exchange, interest rate, credit and solvency risk. The Group monitors these risks and seeks to minimise their potential impact on the Group's financial exposure. The Group does not use derivative financial instruments to actively hedge its financial risk exposure.

Market risk

Market risk relates to financial instruments. IFRS defines market risk as the risk of fluctuation of fair value or future cash flows of financial instruments due to changes in market prices. Market risk comprises three types of risk: foreign exchange risk, interest rate risk and other price risks.

The Group operates on the Croatian and international markets. The Management Board determines the cost of its services based on the market price of the relevant market.

32. Financial instruments and risk management

a) Price risk

The Group is engaged in the professional and scientific research in the field of civil engineering, the area where the financial crisis has had a significant impact causing relative market inactivity.

However, positive macroeconomic indicators in the last period have stimulated market recovery and corresponding prices.

b) Foreign currency exchange risk

The Group's official currency is the Croatian Kuna (HRK). However, the Group has invested in financial instruments and entered into transactions denominated in currencies that do not represent its functional currency. Accordingly, the Group is exposed to foreign exchange risk of its currency in relation to other currencies in a way that may adversely affect the result and value of the Group.

Transactions denominated in foreign currencies are translated into Croatian Kuna by applying the exchange rates in effect at the balance sheet date. The resulting foreign exchange differences are credited or charged to the income statement. Changes in exchange rates may affect the profits mainly as a result of foreign exchange gains or losses arising on translation of receivables in foreign currency (EUR) and borrowings and liabilities contracted with a foreign currency clause (EUR). Due to part of its income being earned in foreign markets and liabilities denominated in other currencies, the Group is exposed to foreign exchange risk primarily through EUR and therefore the expected changes are not significant.

Due to part of its income being earned in foreign markets and liabilities denominated in other currencies, the Group is exposed to foreign exchange risk primarily through EUR and therefore the expected changes are not significant.

The total exposure of the Group to changes in foreign exchange rates at the reporting date was as follows:

(In thousands HRK)	Liabilities		Assets	
	2021	2020	2021	2020
European Union (EUR)	61.874	180.950	23.932	26.675
Bosnia and Hercegovina (BAM)	37	834	421	673
USA (USD)	120	1.187	54	86
Russian Federation (RUB)	2.673	428	3.412	1.617
Georgia (GEL)	3.985	7.532	7.932	15.289

Foreign currency sensitivity analysis

The Group is mainly exposed to fluctuations in the exchange rate of the Croatian Kuna to the Euro, in terms of received loans, suppliers and trade receivables. The Group is additionally exposed to changes in the Croatian Kuna exchange rate relative to the GEL due to the operations of the Georgia subsidiary.

The sensitivity analysis includes only open cash items in foreign currency and their recalculation at the end of the period based on the percentage change in exchange rates. The sensitivity analysis includes monetary assets and monetary liabilities in the currency. A negative number indicates a decrease in profit where the Croatian Kuna changes against the relevant currency by the percentage specified above. In case of a reverse proportional change of the Croatian Kuna against the relevant currency, there would be an equal and opposite impact on the profit.

32. Financial instruments and risk management (continued)

b) Foreign currency exchange risk (continued)

The depreciation of the Croatian Kuna against the exchange rate of the currencies shown by 1% would have the following effects on profit of the Group:

Effect of EUR currency		Effect of USD currency		Effect of GEL currency	
2021	2020	2021	2020	2021	2020
(In thousands HRK)		(In thousands HRK)		(In thousands HRK)	
(379)	(1.543)	(1)	(11)	39	78

Effect of BAM currency		Effect of RUB currency	
2021	2020	2021	2020
(In thousands HRK)		(In thousands HRK)	
4	(2)	7	12

The mean exchange rates of currencies to HRK significant for the Group are as follows:

	31 December 2021	31 December 2020
EUR	7,517174	7,536898
BAM	3,843470	3,853555
USD	6,643548	6,139039
RUB	0,089400	0,082861
GEL	2,119100	1,873600

c) Interest rate risk
Interest rate risk is the risk of a change in the value of a financial instrument due to changes in market rates in relation to the interest rates applied to the financial instrument.

The Group uses loans with predominantly fixed interest rates and is not exposed to the risk of changing interest rates. The Group does not use active hedging instruments against exposure to interest rate risk.

d) Credit risk

Credit risk is the risk that one party to a financial instrument will cause the other party financial losses due to default, in whole or in part, at the time of maturity. Failure to do so would endanger the liquidity of the Group and reduce the value of its assets. On December 31 2020 financial assets that could potentially expose the Group to credit risk consist mainly of loans given, trade receivables and other receivables.

The value of financial assets at the reporting date shows the maximum exposure to credit risk. The Group regularly monitors the risk that the other party will not fulfil its obligations.

Trade receivables, other receivables, and receivables from given loans are adjusted for the amount of provisions for doubtful and disputed receivables. The Group applies a simplified IFRS 9 approach for measuring expected credit losses, using the expected value adjustment for all trade receivables and contract assets. In order to measure expected credit losses, trade receivables and contract assets are grouped based on common credit risk characteristics and maturity dates. In the same types of contracts, contract assets are tied to the same risk characteristics as trade receivables. Therefore, the Group concluded that expected loss rates for trade receivables can also be used to calculate losses for contractual assets.

32. Financial instruments and risk management (continued)

d) Credit risk 8continued)

Expected loss rates are based on collection data for the 24-month period prior to 31 December 2021 and historical credit losses during that period.

Furthermore, the Group is exposed to credit risk through cash deposits in banks. As of 31 December 2021, the Group cooperated with eleven banks, while it kept its money and deposits in seven banks. Risk management is focused on doing business with the most respectable foreign and domestic banks in the country and abroad and on daily contacts with banks.

Deposits in banks consist of money on account and deposits with a maturity of up to 3 months, which are charged upon maturity and are therefore classified as held-to-maturity assets in accordance with IFRS 9 and are measured at amortized cost. Credit risk is measured using a general approach. The Group uses the daily CDS value, which covers insurance for a period of 5 years. CDS with 5 years insurance has the highest market liquidity and is therefore chosen as the benchmark. CDS is sensitive to an increase in default risk - regardless of whether insurance with a 3-year or 5-year term is selected. Domestic banks do not have a rating or CDS indicator as a risk measure.

The Group took the CDS for the Republic of Croatia to measure the risk, which at 31 December 2021 amounted to 1,11%. Credit risk, calculated according to the formula: amount of deposits * number of days * CDS / 365. For deposits on demand, the Group uses 2 days in calculating the amount of credit risk.

e) Liquidity risk

Liquidity risk is the risk of the Group facing difficulties in settling its liabilities. Liquidity risk arises in the general funding activities of the Group and the management of assets. It includes the risk of being unable to fund assets under appropriate maturities and prices and the risk of being unable to sell its assets at a reasonable price and in an appropriate time frame. Financial instruments include investments that may be insolvent and that the Group is unable to turn into cash to meet its liquidity requirements.

In order to ensure the necessary liquidity, the Management actively monitors and manages the collection of receivables and planned outflows.

Table showing analysis of liquidity risk

The tables were prepared on the basis of non-discounted cash outflows of financial liabilities at their due date. The tables include both principal and interest cash flows.

2021 (in thousand HRK)	Net book value	Contracted cash flows	Up to 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years
Non-derivate financial liabilities						
Loans received and financial leasing	**188.632**	188.632	177.508	5.708	5.416	-
Trade and other payables	**53.621**	**53.621**	**53.423**	198	-	-

	242.253	**242.253**	**230.931**	**5.906**	**5.416**	-

32. Financial instruments and risk management (continued)

e) Liquidity risk (continued)

2020 (in thousand HRK)	Net book value	Contracted cash flows	Up to 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years
Non-derivate financial liabilities						
Loans received and financial leasing	392.278	408.277	352.623	18.896	36.758	-
Trade and other payables	49.783	49.783	49.585	198	-	-
	442.061	458.060	402.208	19.094	36.758	-

Non-interest bearing liabilities payable up to one month mainly consist of trade payables and other current liabilities.

Interest bearing liabilities include short-term and long-term loans, borrowings and bonds.

The tables were prepared on the basis of non-discounted cash inflows of financial assets at their due date. The tables include both principal and interest cash flows.

(in thousand HRK)	Net book value	Contracted cash flows	Up to 1 year	From 1 to 2 years	From 2 to 5 years
The year 2021					
Non-derivative financial assets					
Loans given	29.144	29.144	25.664	-	-
Trade and other receivables	41.750	41.750	39.733	-	-
	70.894	**70.894**	**65.397**		

(in thousand HRK)	Net book value	Monetized cash flows	Up to 1 year	From 1 to 2 years	From 2 to 5 years
The year 2020					
Non-derivative financial assets					
Loans given	24.950	24.950	24.950	-	-
Trade and other receivables	43.538	43.538	42.703	835	1
	68.488	68.488	67.653	835	1

Fair value of financial instruments

The fair value of financial assets and financial liabilities is determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions used for trading on active liquid markets are determined on the basis of quoted market prices

- The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models, based on discounted cash flow analysis using prices from observable current market transactions and quotes offered for similar instruments

32. Financial instruments and risk management (continued)

e) Liquidity risk (continued)

Financial instruments held to maturity in the ordinary course of business are recorded at the purchase cost or net amount less the portion repaid. Fair value is determined as amount for which a financial instrument could be traded between knowledgeable, willing parties in an arm's length transaction, except in the event of a forced sale or for liquidation purposes. The fair value of a financial instrument is its quoted securities market price, or the amount obtained using the discounted cash flow method.

As at 31 December 2021, the reported amounts of cash, short-term deposits, receivables, short-term liabilities, accrued expenses, short-term borrowings and other financial instruments approximate their market values due to the short-term nature of those assets and liabilities.

The Management Board believes that the book value of long-term deposits, receivables and borrowings as at 31 December 2021 approximates their fair value due to the application of variable interest rates on liabilities.

Capital risk management

Net debt-to-equity ratio

The Group monitors capital in line with laws and regulations valid in the Republic of Croatia which require a minimum deposit of HRK 200.000 for joint stock companies. Owners do not require any special measures with regard to management of capital. There is no capital goals internally monitored.

33. Transactions with related parties

The Group considers that its key shareholders and entities under their control or influence (subsidiaries and affiliates), key management (see below), close family members of key management and legal entities that are controlled or significantly influenced by key management personnel and their close family members are directly related parties, in accordance with the provisions set out in International Accounting Standard 24"*Related Party Disclosures*".

	2021	2020
DESCRIPTIONS	**Thous. HRK**	Thous. HRK
Revenues from sales of services to subsidiaries	**2.889**	1.179
Revenues from sale of services to related companies	**5**	-
Revenue from previously value adjusted receivables from subsidiaries	**3.316**	275
Interest income on loans given to subsidiaries	**19**	1
Interest income on loans given to related parties	**4**	5
Receivables from positive exchange rate differences related to companies controlled by the same party	**109**	134

Total	**6.342**	1.594
	Thous. HRK	Thous. HRK
DESCRIPTION	**tis HRK**	tis HRK
Receivables for services provided to subsidiaries	**3.922**	255
Total	**3.922**	255
Liabilities to subsidiaries	**50.534**	705
Liabilities for advance payment to subsidiaries	-	2
Total	**50.534**	707

33. Transactions with related parties (continued)

Information on co-debtor relationships and guarantees issued to related parties is stated in Note 33.

Management Board and Supervisory Board compensation:
The total compensation of Management Board and the Supervisory Board members in 2021 amounted to HRK 2.534 thousand (in 2020 this amount was HRK 3.583 thousand).

Compensation for the Supervisory Board members

(in thousand HRK)	Compensation	Participation on sessions
Žarko Dešković	185	7
Sergej Gladeljkin	64	4
Dušica Kerhač	87	4
Igor Tkach	78	5
Mariyan Tkach	65	7
Total	479	

Compensation for the Management Board members

(in thousand HRK)	Salary - fixed component	Salary - variable component	Other	Total
Džajić Igor	592	5	0	596
Pauzar Miroslav	587	20	11	619
Petrosian Robert	699	10	0	709
Tudor Vedrana	587	13	11	611
Total	2.465	48	22	2.535

34. Potential liabilities

DESCRIPTION	31 Dec 2021 In thous. HRK	31 Dec 2020 In thous. HRK
Guarantees given to third parties-externally	**33.043**	37.220
Co-debtor in loans to related parties	**15.680**	15.680
Guarantees for related parties	**0**	647
Total	**48.723**	53.547

Litigations
As at 31 December 2021, several legal disputes are in progress against the Group for which potential liabilities have not been recorded in the statement of financial position as at 31 December, due to

the Management Board's estimates that, as at 31 December 2021, there is no probability that liabilities will arise for the Group.

An overview of co-debtor relationships in related party loans is as follows:

DESCRIPTION	2021	2020
	In thous. HRK	In thous. HRK
Incro d.o.o. Zagreb	15.680	15.680
Total	15.680	15.680

35. Earnings per share

Basic earnings per share are calculated as follows:

DESCRIPTION	2021	2020
	In thous. HRK	In thous. HRK
Profit/loss for the year (in thousands of HRK)	(56.775)	3.048
Weighted average number of shares	603.700	600.350
Profit/(loss) per share in HRK	(94,05)	(5,08)

As stated in Note 36, a part of the Group's debt can be converted into equity as part of the pre-bankruptcy settlement, 6 years after the settlement will have become legally valid, up to 20% maximum of the share capital at the time of conversion. Due to the uncertainty of significant variables in the calculation, the Group did not calculate diluted earnings per share in the event of conversion of the stated portion of debt into equity.

36. Effect of the pre-bankruptcy settlement

On 17 May 2013 the Group submitted a Proposal to initiate pre-bankruptcy settlement proceedings. On 5 December 2013 the Commercial Court in Zagreb accepted the Proposal and approved the settlement. In April 2014, the Court ruled that the pre-bankruptcy settlement became legally valid as of 28 December 2013.

a. Settlement with suppliers

An agreement was reached according to which 30% of claims are converted into the Group's share capital. 20% of claims will be repaid in cash after the share capital increase or the sale of the Group's assets. The remaining 50% of claims will be repaid in 10 equal semi-annual instalments over the period of 5 years. During 2018, the Group settled trade payables totalling HRK 10.041 thousand as prescribed in the provisions of the pre-bankruptcy settlement. During 2019 the Group also settled liabilities to related parties, natural persons for service contracts and royalties, non-financial institutions and the Ministry of Finance in the total amount of HRK 2.912 thousand. During 2020 all remaining obligations were settled amounting to HRK 196 thousand.

b. Settlement with banks

PIK debt
Out of the total debt, 63.6% was converted into the PIK debt during the initiation of pre-bankruptcy settlement procedure. The PIK debt is to be repaid in one instalment 6 years after the pre-bankruptcy settlement became legally valid. Up to the maturity date, a fixed interest rate of 4.5% per annum is included in the calculation, which is also payable in one instalment 6 years after the pre-bankruptcy settlement became legally valid. The PIK debt will be settled through the sale of assets which are pledged as collateral.
Six years after the settlement will have become legally valid, the Group is obliged to proportionally convert the PIK debt to the senior debt until the senior debt reaches the net

indebtedness limit which is equal to 3.5 times of the prior year consolidated EBITDA. If the current Senior debt amount exceeds the default ratio, the PIK debt is not converted into the Senior debt. The Group did not make the conversion on 31 December 2020 because the pre-requirement stated in pre-bankruptcy settlement was not fulfilled.
Under the valid pre-bankruptcy settlement, EBITDA is defined as earnings before interest, taxes, depreciation of tangible and in tangible assets and one-off items of income and expenses.
Interest is considered to be the interest expense on the debtor's debts.

One-off income and expenses are those that do not relate to the operating business of the Group and are not repetitive. One-off income and expenses relate specifically to, but are not limited to, income and expenses from the sale of fixed assets.

36. Effect of the pre-bankruptcy settlement (continued)

b. Settlement with banks 8continued)

Six years after the settlement will have become legally valid and through the process of converting the PIK debt to the senior debt, the creditors had the right to convert their remaining claims into equity at a price of HRK 400 per share, but max. up to 20% of the share capital. If the General Assembly did not invite a creditor to subscribe for the shares, then the outstanding PIK debt is due upon the creditors' call. Creditors did not request the fulfilment of their rights, the deadline was 31 December 2019. Since the PIK debt was not transferred into shares or into Senior debt, the total amount of HRK 211.081 thousand will be returned or settled by income from sale of assets, or acquisition of the mortgaged assets.

If the sale of pledged assets is realised, the PIK debt (including interest) is settled first and the remainder of receipts is used to settle parts of the senior debt which had liens on that particular asset. If the sales result in a surplus of cash over the creditors' claims, then the surplus belongs to the debtor i.e. the Group.

Senior debt

The first instalment of the Senior debt becomes due 24 months from the date the pre-bankruptcy settlement will have become legally valid. The payments fall due 30 June and 31 December of each year. Instalments are paid 2 times a year with a fixed interest rate of 4.5% per annum. Interest are accrued and paid over the entire repayment period a.
During 2016, the Group signed an agreement with banks from the creditor category a), whereby the grace period is extended by an additional 18 months, so that the total grace period is 42 months after the pre-bankruptcy settlement becomes legally valid, consequently reducing the repayment period to 6.5 years after the first instalment becomes due.
As a result of the above, the first instalment of the senior debt of creditors from category a) becomes due 42 months from the date the pre-bankruptcy settlement will have become legally valid. The payments fall due 30 June and 31 December of each year, and the first instalment becomes due on the first of the above dates 42 months after the settlement became legally valid, which is on 30 June 2017. Instalments are paid 2 times a year with a fixed interest rate of 4.5% per annum. Interest are accrued and paid over the entire repayment period. Liabilities for interests accrued on the senior debt for 2021 has been settled in the amount of HRK 0 thousand (2020: HRK 0 thousand). Group is late in paying the Senior debt but the creditors, until the date of this Report, have not made claims for payment in the sense of enforcement. In case the negotiations are not successful, creditors can initiate an enforcement procedure.

Junior debt

The Junior debt has the same repayment schedule as the PIK debt the only difference being that junior debt holders have no liens on the Group's assets. Junior debt was due on 31 December 2019. A fixed interest rate of 4,5% p.a. is calculated on the principle amount. creditors have not activated the rights they have come into on 28 December 2019 and the obligation was written-off in 2020.

Secured creditors

The principal of the debt towards creditors who have not waived their right to separate settlement in the process of the pre-bankruptcy settlement agreement (secured creditors) is classified as short-term and is presented in Note 27 in the principal amount of HRK 73.423 thousand.
Pledged assets are intended to cover the secured debt and are classified long-term assets held for sale as presented in Note 23 in the amount of HRK 57.600 thousand.
A lien was entered over a part of assets of a subsidiary in which the Group owns shares, proportionally to the amount of the claim of the secured creditor in the amount of HRK 16.875 thousand.
The value of long-term tangible assets held for sale for the purpose of settlement of liabilities to creditors who are not dependent on the pre-bankruptcy settlement (secured creditors) is reduced to

36. Effect of the pre-bankruptcy settlement (continued)

the amount of liabilities to secured creditors. Since the ownership over these properties has not changed, their value as well as the related liabilities is recorded in the balance sheet.
It should be noted that the Group is not obliged to pay principal or interest from the ordinary course of business, and the settlement is realised solely through the takeover or sale of pledged property.

Effect on the Group's statement of financial position after the settlement of liabilities to secured creditors by transferring assets held for the settlement of these liabilities, is presented in the following table:

(In thousands HRK)	Balance sheet as at 31 Dec 2021	Settlement of liabilities towards secured creditors	Balance sheet after settlement of liabilities
Non-current assets	69.220	(16.875)	52.345
Non-current assets held for sale	12.300	(12.300)	0
Current assets	104.602	-	104.602
TOTAL ASSETS	**186.122**	(29.175)	**156.947**
Total equity	(97.621)	-	(97.621)
Non-current liabilities	43.996	-	43.996
Current liabilities	239.747	(25.622)	214.125
TOTAL CAPITAL AND LIABILITIES	**186.122**	(25.622)	**160.500**

(In thousands HRK)	Balance sheet as at 31 Dec 2020	Settlement of liabilities towards secured creditors	Balance sheet after settlement of liabilities
Non-current assets	209.183	(16.875)	192.308
Non-current assets held for sale	57.600	(57.600)	-
Current assets	177.037	-	177.037
TOTAL ASSETS	443.820	(74.475)	369.345
Total equity	(41.862)		(41.862)
Non-current liabilities	69.755		69.755
Current liabilities	415.927	(73.423)	342.504
TOTAL CAPITAL AND LIABILITIES	443.820	(73.423)	370.397

Set out below is a short overview of the effects of the pre-bankruptcy settlement agreement on the statement of financial position:

	2021 *In thousands HRK*	2020 *In thousands HRK*
PIK debt (Note 27)	32.862	131.045
Senior debt (Note 27)	77.176	80.037
	110.038	211.082
Secured creditors - principal (Note 35)	25.622	73.423
	25.622	73.423

Since the legally valid pre-bankruptcy settlement up to 31 December 2021, the Group settled an amount of HKR 173.047 thousand incurred before initiating the pre-bankruptcy settlement, by payments in cash, issuing registered shares, converting a part of receivables of a part of creditors into equity, payment of priority claims and other claims of employees with taxes and contributions, and write-off in accordance with the provisions of the pre-bankruptcy settlement, settled a total of HRK 321,892 thousand of liabilities that arose before the opening of the pre-bankruptcy settlement procedure.

36. Effect of the pre-bankruptcy settlement (continued)

On the Balance Sheet date, the PIK debt amounts to HRK 32.862thousand, the and current Senior debt maturity amounts to HRK 52.832 thousand while the total Senior debt amounts to HRK 73.423 thousand.

After the balance sheet date, the Group shall continue to cover liabilities towards creditors in part from sale, in part from the acquisition of assets, in order to reduce and settle its obligations from the pre-bankruptcy settlement.

The following was settled during 2021:

- HRK 46.964 thousand per issued bond by transfer of the Group's assets (land and buildings)
- HRK 98.183 thousand PIK debt by transfer of assets of subsidiaries, and
- HRK 32.782 related interest

37. Non-Financial reporting

Report on the status of the preparation of the Non-Financial Report on the sustainability of the Group for the year 2021.

Preparation of the Non-Financial Report on the sustainability of the Group for 2021 is in progress. In accordance with the provisions of the current Accounting Act, the non-financial report will be published on IGH's website within the given deadlines. The report will be published on the following link https://www.igh.hr.

38. Events after the balance sheet date

At the beginning of 2022, the Group continued negotiations and concluded an agreement with the creditor Group B2 KAPITAL d.o.o., regulating the method of settlement of the Group's remaining PIK debt and remaining obligations per Senior debt, all in accordance with the pre-bankruptcy settlement from 2013.

According to the subject agreement, the Group settles the entire remaining PIK debt of the Group in the amount of HRK 32.862 thousand and Senior debt of HRK 77.176 thousand. As part of the above stated, the Group is a co-debtor in the issue of annuity bonds of Rakušina d.d.

Impact of the war in Ukraine on the Group's business operations

Due to the events resulting from the war in Ukraine and the sanctions imposed on Russia, the Group's subsidiary in Russia found itself with limited business opportunities. Likewise, access to the resources of the branch is limited in itself and there is uncertainty relating to the development of future events and the market, as well as options for new contracts and new projects. As a result of the above, the Management Board at its session on 2 March 2022, adopted the decision to close the INSTITUT IGH d.d. branch. Moscow, Russia.

As of 31 December 2021, within the Consolidated Financial Statements of the Company INSTITUT IGH d.d., receivables, liabilities, income and expenses relating to the subsidiary INSTITUT IGH d.d. Moscow, Russia, are presented as follows:

Item	31 Dec 2021 Thous. HRK
Total assets	5.356
Total liabilities	6.385
Total income	2.784
Total expenditure	2.662

39. Approval of the Financial Statements

Financial Statements were adopted by the Management Board and approved for issuance on 25 July 2022

Robert Petrosian	Miroslav Pauzar	Vedrana Tudor	Igor Džajić
President of the Management Board	Management Board member	Management Board member	Management Board member

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