enna energia naturalis

ANNUAL REPORT FOR 2020

CONSOLIDATED ANNUAL REPORT FOR 2020
together with Independent Auditor's report

Management Board presents its Management Board's Report together with audited consolidated financial statements for the year ended 31 December 2020.

Principal activity

Energia Naturalis d.o.o. ("the Company" or "ENNA") is a limited liability company founded in Republic of Croatia and registred at the Commercial court in Osijek under number 030107258, PIN 65900776536. The registered office of the Company is in Gospodarska zona 13, Vukovar, Croatia.

As at 31 December 2020, the Company had direct control over following subsidiaries:

- Prvo plinarsko društvo d.o.o., Croatia (100%)
- Eko Reci Krug d.o.o., Croatia (100%)
- Eko Reciklažni Park d.o.o., Croatia (100%)
- ENNA PROPERTIES d.o.o., Croatia (100%)
- ENNA AGRO d.o.o., Croatia (100%)
- Infinity Resort Zadar d.o.o., Croatia (100%)
- ENNA Transport d.o.o., Croatia (100%)
- ENNA Logic d.o.o., Croatia (100%)
- Jadran Estate d.o.o., Croatia (100%)
- ENNA Biomasa Vukovar d.o.o., Croatia (100%)

As at 31 December 2020, the Company had indirect control through subsidiary Prvo plinarsko društvo d.o.o. in following subsidiaries:

- PPD d.o.o., Bosnia and Herzegovina (100%)
- PPD Hungaria Energiakereskedo Kft, Hungary (100%)
- PPD energija d.o.o., Slovenia (100%)
- PPD Global S.A., Switzerland (100%)
- PPD Italia Srl, Italy (100%)
- PPD Fueling LNG, Croatia (100%)

As at 31 December 2020, the Company had indirect control through subsidiary ENNA Agro d.o.o. in:

- ENNA Fruit d.o.o., Croatia (76%).

As at 31 December 2020, the Company had indirect control through subsidiary ENNA PROPERTIES d.o.o.:

- Project Consultum SRB d.o.o., Serbia (100%).

Furthermore, as at 31 December 2020, the Company had significant influence in Luka Ploče d.d. (37.62%) and through joint venture in Terra mineralna gnojiva d.o.o. had significant influence in Petrokemija d.d. (27.26%).

Financial results

In 2020, the Group had total consolidated revenue of HRK 11.2 billion (2019: HRK 8.8 billion) and profit after tax of HRK 245.6 million (2019.: 281.6 million). Other financial results of Group are presented in consolidated income statement in accompanied financial statements.

Financial risk management

Group regularly reviews the currency, interest rate risk, credit risk and liquidity risks that arise from the ordinary course of business.

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Trade receivables and loans given are presented net of allowance for doubtful receivables. At the reporting date, there were no significant concentrations of credit risk.

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Certain assets and liabilities principally trade receivables and trade payables, and loans, are denominated in foreign currencies, which are retranslated at the prevailing exchange rate at each reporting date. The resulting differences are charged or credited to the income statement but do not affect cash flows significantly.

The Group is exposed to interest rate risk as certain loans are agreed at floating rates. The Group does not hedge this exposure to interest rate risk as the company operated with low credit indebtness. Management expects that the effect of interest risk can not significantly influence on its business operations.

Expected development of the Group

Energia Naturalis d.o.o. as a holding company operated with more than 20 subsidiaries during 2020 in gas trading, wholesale and retail sales of gas, gas distribution, logistics and transport and other businesses.

In mid-March 2020, ENNA sold the companies Prvo plinarsko društvo – distribucija plina d.o.o. and Prvo plinarsko društvo – opskrba kućanstva d.o.o. Consolidation of local natural gas distributors is a necessity in the Republic of Croatia in order to ensure a better market position, optimize the costs of maintaining the distribution network and security of natural gas supply. The sale of these two subsidiaries represents a new era of business for the ENNA Group, which in the gas segment has focused even more strongly on gas wholesale, especially on foreign markets.

Due to the covid-19 pandemic and the global economic crisis, for the energy and logistics sector, 2020 was a year of global challenges, such as the oil and gas market crisis. Gas prices on the spot market during the summer reached their historic lows. These circumstances also affected the operations of Croatian companies in the domestic and European energy market. The ability to react quickly to market changes and the skill of adaptation have become the most important factor of successful business.

The subsidiary ENNA Transport also responded well to the crisis. In the business area Sjever in 2020, the 30.4% more full trains were transported than in the previous year. In the segment of intermodal transport (transported containers), a growth of over 30.2% was achieved.

During 2020 ENNA invested in segment of production and processing and distribution of fruits and vegetables. In this segment the Company expects significant growth in forecoming periods.

At the same time, in a year of many challenges, the ENNA Group felt the need to help the wider community and we had several large donations to hospitals across the country and the Civil Protection of the Ministry of the Interior of the Republic of Croatia in the total value of HRK 6.4 million. During autumn, our Zaklada Novo Sutra selected Slavonian students and projects that will receive donations during 2021.

Management Board

Members of the Management Board until signing of finanacial statements were as follows:

Pavao Vujnovac	President of the Management Board
Sabina Škrtić	Member of the Management Board
Damir Spudić	Member of the Management Board

Events after the reporting date

During 2021, the Company sold its subsidiary Eko Reci Krug d.o.o. and ENNA Biomasa d.o.o. In 2021, the company established a subsidiary ENNA Opskrba d.o.o. Subsidiary ENNA Fruit d.o.o. founded the subsidiaries ENNA Farms d.o.o. and ENNA Fruit d.o.o. (Serbia). During 2021, the company increased its ownership share in the associated company Luka Ploče d.d. at 38.27%.

The effect of global pandemic of COVID-19 on activities of Group is presented in note Events after reporting date.

The restatement of prior period errors is explained in the financial statements in note 35.

Other

The Company did not purchase it's own issued capital during 2020. Operations of the Company does not include research and development. The Company does not have established representative offices.

Management Board's report is authorised by Management Board and is signed below to signify this:

Pavao Vujnovac
President of the Management Board

Sabina Škrtić
Member of the Management Board

Damir Spudić
Member of the Management Board

26 May 2021

Management is required to prepare consolidated financial statements for each financial year which give a true and fair view of the consolidated financial position of the Group at the reporting date and of the results of its consolidated operations and consolidated cash flows, in accordance with International standards of financial reporting as adopted by European Union, and is responsible for maintaining proper accounting records to enable the preparation of such consolidated financial statements at any time. It has a general responsibility for taking such steps as are reasonably available to it to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Management is responsible for selecting suitable accounting policies to conform with applicable accounting standards and then apply them consistently; make judgements and estimates that are reasonable and prudent; and prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

Management is responsible for the preparation and content of the consolidated annual report in accordance with Article 21 of the Accounting Act of the Republic of Croatia.

The annual report of the Group is authorised by management and is signed below to signify this:

Pavao Vujnovac
President of the Management Board

Sabina Škrtić
Member of the Management Board

Damir Spudić
Member of the Management Board

Energia Naturalis d.o.o.
Gospodarska zona 13
32000 Vukovar
Croatia

26 May 2021

Deloitte.

Deloitte d.o.o.
ZagrebTower
Radnička cesta 80
10 000 Zagreb
Croatia
TAX ID: 11686457780

Tel: +385 (0) 1 2351 900
Fax: +385 (0) 1 2351 999
www.deloitte.com/hr

INDEPENDENT AUDITOR'S REPORT

To the owner of Energia Naturalis d.o.o., Vukovar

Opinion

We have audited the consolidated financial statements of Energia Naturalis d.o.o., Vukovar (the Company) and its subsidiaries ("together the Group"), which comprises the consolidated statement of financial position as at 31 December 2020, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (hereinafter "financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards adopted by the European Union (IFRSs).

Basis for Opinion

We conducted our audit in accordance with the Audit Act and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our 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 opinion.

Emphasis of matter

As described in note 35: "Correction of prior period errors", the Group, corrected accounting errors in the preceeding periods. Our opinion is not modified for this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the consolidated Annual Report, but does not include the consolidated financial statements and our auditor's report. Our opinion on the consolidated financial statements does not cover the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. With respect to the consolidated Management Report included in the consolidated Annual Report, we have also performed the procedures prescribed by the Accounting Act. These procedures include examination of whether the Management Report include required disclosures as set out in Articles 21 and 24 of the Accounting Act.

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INDEPENDENT AUDITOR'S REPORT (continued)

Based on the procedures performed during our audit, to the extent we are able to assess it, we report that:

- Information included in the other information is, in all material respects, consistent with the attached consolidated financial statements.
- Consolidated Management Report has been prepared, in all material respects, in accordance with Articles 21 and 24 of the Accounting Act.

Based on the knowledge and understanding of the Group and its environment, which we gained during our consolidated audit of the financial statements, we have not identified material misstatements in the other information.

Responsibilities of Management those Charged with Governance for the consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the 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 control.
- Obtain an understanding of internal control 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

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- Conclude on the appropriateness of 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 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 financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on these consolidated financial statements. We are responsible for directing, supervising and auditing the Group. We are solely responsible for our audit opinion.

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 control that we identify during our audit.

Domagoj Vuković
Director and certified auditor

Zagreb, 26 May 2021

Deloitte d.o.o.
Radnička cesta 80
10 000 Zagreb
Croatia

	Note	2020 HRK'000	2019 (restated) HRK'000
Revenue from sale	6	**11,094,771**	8,733,787
Other operating income	7	**79,006**	68,712
Total operating revenue		**11,173,777**	8,802,499
Change of inventory in progress and finished goods		**12,071**	-
Cost of goods sold and services rendered	8	**(10,582,984)**	(8,297,498)
Employee costs	9	**(60,807)**	(54,184)
Depreciation and amortization		**(61,009)**	(61,122)
Other operating expense	10	**(209,983)**	(113,677)
Total operating expense		**(10,902,712)**	(8,526,481)
Operating profit		**271,065**	276,018
Finance income	11	**102,967**	47,807
Finance costs	11	**(134,740)**	(82,085)
Net finance costs		**(31,773)**	(34,278)
Share of profit in equity accounted investees, net of tax	16	**68,216**	90,839
Profit before tax		**307,508**	332,579
Income tax expense	12	**(61,886)**	(50,973)
Profit after tax		**245,622**	281,606
Other comprehensive income/(loss)		**(29)**	236
Total compehensive income		**245,593**	281,842
Profit after tax attributable to:			
Owners of the Company		**243,121**	281,601
Non-controlling interests	24	**2,501**	5
Total compehensive income attributable to:			
Owners of the Company		**243,092**	281,837
Non-controlling interests		**2,501**	5

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

	Note	31 December 2020	31 December 2019 (restated)	1 January 2019 (restated)
ASSETS		**HRK'000**	HRK'000	HRK'000
Non-current assets				
Property, plant and equipment	13	**302,572**	318,640	316,945
Intangible assets and goodwill	14	**94,577**	102,120	102,120
Investment property	15	**35,873**	2,484	2,484
Investments	16	**330,072**	259,296	259,296
Trade and other receivables	18 (a)	**3,894**	16,708	16,708
Derivative financial assets	20 (a)	**47**	927	927
Deferred tax assets	12	**4,642**	5,765	5,765
Total non-current assets		**771,677**	705,940	704,245
Current assets				
Investments	16	-	292,566	292,566
Loans given	17	**76,035**	95,774	95,774
Trade and other receivables	18 (b)	**2,091,597**	1,122,383	1,122,383
Income tax receivables		-	134	134
Inventories	19	**209,309**	139,046	139,046
Derivative financial assets	20 (a)	**754,811**	757,089	757,089
Deposits	21	**131,402**	27,928	27,928
Cash and cash equivalents	22	**500,651**	90,907	90,907
Total current assets		**3,763,805**	2,525,827	2,525,827
Total assets		**4,535,482**	3,231,767	3,230,072
EQUITY AND LIABILITIES				
EQUITY				
Issued capital	23(a)	**112,209**	112,209	112,209
Foreign exchange reserves	23(b)	**(435)**	(406)	(406)
Other reserves	23(c)	**48,484**	23,314	23,314
Retained earnings		**715,476**	600,929	599,234
Total equity and reserves attributable to owners		**875,734**	736,046	734,351
Non-controlling interest	24	**32,574**	-	-
Total equity and reserves		**908,308**	736,046	734,351
LIABILITIES				
Non-current liabilities				
Provisions	25	**2,206**	7,251	7,251
Borrowings	26	**303,098**	210,155	210,155
Trade and other payables	27	**2,307**	-	-
Derivative financial liabilities	20 (b)	**76**	182	182
Total non-current liabilities		**307,687**	217,588	217,588
Current liabilities				
Borrowings	26	**535,397**	212,079	212,079
Trade and other payables	27	**2,023,912**	1,310,637	1,310,637
Derivative financial liabilities	20 (b)	**737,707**	732,146	732,146
Income tax payable		**22,471**	23,271	23,271
Total current liabilities		**3,319,487**	2,278,133	2,278,133
Total equity and liabilities		**4,535,482**	3,231,767	3,230,072

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

	Issued capital	Foreign exchange reserves	Other reserves	Retained earnings	Total attributable to owners	Non-controlling interest	Total
	HRK'000	HRK'000	HRK'000	HRK'000	**HRK'000**	HRK'000	**HRK'000**
As at 1 January 2019	**112,209**	**(647)**	**22,972**	**469,153**	**603,687**	**3**	**603,690**
Prior period errors (note 35)	-	-	-	(20,347)	**(20,347)**	-	**(20,347)**
As at 1 January 2019 (restated)	**112,209**	**(647)**	**22,972**	**448,806**	**583,340**	**3**	**583,343**
Total compehensive income							
Profit for the year (restated)	**-**	**-**	**-**	**281,601**	**281,601**	**5**	**281,606**
Other comprehensive income	**-**	**241**	**-**	**(5)**	**236**	**-**	**236**
Total compehensive income	**-**	**241**	**-**	**281,596**	**281,837**	**5**	**281,842**
Transactions with owners							
Increase of non-controlling interest without change of control	-	-	-	8	**8**	(8)	**-**
Transfer to reserves	-	-	342	(342)	**-**	-	**-**
Dividends	-	-	-	(129,139)	**(129,139)**	-	**(129,139)**
Total transactions with owners	**-**	**-**	**342**	**(129,473)**	**(129,131)**	**(8)**	**(129,139)**
As at 31 December 2019 (restat ed)	**112,209**	**(406)**	**23,314**	**600,929**	**736,046**	**-**	**736,046**
As at 1 January 2020 (restated)	**112,209**	**(406)**	**23,314**	**600,929**	**736,046**	**-**	**736,046**
Total compehensive income							
Profit for the year	-	-	-	243,121	**243,121**	2,501	245,622
Other comprehensive income	-	(29)	-	-	**(29)**	-	**(29)**
Total compehensive income	**-**	**(29)**	**-**	**243,121**	**243,092**	**2,501**	**245,593**
Transactions with owners							
Acquisition of a subsidiary (note 28)	-	-	26,596	-	**26,596**	30,073	**56,669**
Sale of subsidiaries (note 28)	-	-	(1,426)	1,426	**-**	-	**-**
Dividends	-	-	-	(130,000)	**(130,000)**	-	**(130,000)**
Total transactions with owners	**-**	**-**	**25,170**	**(128,574)**	**(103,404)**	**30,073**	**(73,331)**
As at 31 December 2020	**112,209**	**(435)**	**48,484**	**715,476**	**875,734**	**32,574**	**908,308**

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

	Note	2020	2019 (restated)
		HRK'000	HRK'000
Cash from operating activities	29	**293,164**	578,641
Interest paid		**(8,445)**	(6,164)
Income tax paid		**(61,696)**	(10,594)
Net cash from operating activities		**223,023**	561,883
Cash flows from investing activities			
Acquisition of property, plant, equipment and intangible assets		**(54,860)**	(47,422)
Proceeds from sale of property, plant, equipment and intangible assets		**15,136**	27,308
Acquisition of subsidiaries, net of cash		**(5,666)**	(24,000)
Sale of subsidiaries, net of cash		**75,728**	49
Loans given		**(441,756)**	(420,819)
Repayment of loans given		**374,484**	350,346
Investment in associates and joint venture		**(2,371)**	(19,533)
Sale of investments in associates and joint ventures		**-**	137,382
Investment in securities and other investments		**344,735**	(289,720)
Proceeds from sale of investment in securities and other investments		**(327,608)**	-
Dividends received from associates		**-**	36,400
Net payments/(receipts) to deposits		**(103,445)**	14,098
Interest received		**15,503**	2,693
Net cash used in investing activities		**(110,120)**	(233,218)
Cash flows from financing activities			
Proceeds from borrowings		**938,517**	726,560
Repayment of borrowings		**(596,052)**	(852,531)
Repayment of lease liabilities		**(45,624)**	(39,123)
Dividends paid		**-**	(148,286)
Net cash used in financing activities		**296,841**	(313,380)
Net increase in cash and cash equivalents		**409,744**	15,285
Cash and cash equivalents at 1 January		**90,907**	75,622
Cash and cash equivalents at 31 December	22	**500,651**	90,907

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

1. GENERAL

Energia Naturalis d.o.o. ("Company") is a limited liability company founded in Republic of Croatia and registred at the Commercial court in Osijek under number 030107258, PIN 65900776536. The owner of the Company is Mr Pavao Vujnovac (100%). The headquarters of the Company is located at Gospodarska zona 13, Vukovar, Croatia.

The Group comprise of Energia Naturalis d.o.o. and its subsidiaries presented in note 5 ("Group").

The principal activity of the Group is distribution and supply of natural gas in the County of Vukovarsko-srijemska (City Vukovar and municipalities: Borovo, Markušica, Trpinja, Tordinci, Negoslavci, Bogdanovci, Tompojevci, Nijemci and Tovarnik) and trading and supply of natural gas in Republic of Croatia, Slovenia, Hungary, Italy and Switzerland. Additionally, Group has activities as supply of electrical energy, projects of improvement of energy efficiencies, sale of metals and coal and transport via railways.

At 31 December 2020 there were 694 individuals employed by the Group (31 December 2019: 291 employees).

2. BASIS OF PREPARATION

Statement of compliance

Consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS EU"). These consolidated financial statements have been presented for the Group. Financial statements of the Group comprise of consolidated financial statements of the Company and its subsidiaries. The unconsolidated statements of the Company are prepared separately and were approved and issued on 7 April 2021.

Financial statements were authorised for issue by Management on 26 May 2021.

Basis of measurement

The financial statements have been prepared on the historical cost basis, except where otherwise stated. Methods used in determining fair value are set out in note 4.

Functional and presentation currency

These financial statements are prepared in the Croatian kuna („HRK"), which is also the functional currency, rounded to the nearest thousand.

Going concern

The financial statements have been prepared under the assumption that the Group will continue to operate as a going concern. Management believes that the use of the going concern assumption in preparation of financial statements with respect to the abovementioned facts is appropriate.

Use of estimates and judgements

The preparation of financial statements in conformity with IFRS EU requires management to make judgments, 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 recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs EU that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in separate note.

2. BASIS OF PREPARATION
(continued)

Presentation of the financial statements

These financial statements are prepared on the consistent presentation and classification basis. When the presentation or classification of items in the financial statements is amended, comparative amounts are reclassified unless the reclassification is impracticable. During 2020, the Company recognized the restatement of errors of previous periods, the effect of which is shown in note 35.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

A. Basis of consolidation

Consolidated financial statements include the financial statements of Energia Naturalis d.o.o. ("the Company") and the companies over which Energia Naturalis d.o.o. has control (subsidiaries) as at and for the year ended 31 December 2020. The Company and its subsidiaries together are referred as a Group. Control is achieved where the Company has the power to govern the financial and operating policies of an investee so as to obtain benefits from its activities.

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases. The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of consideration transferred, the amount of any non-controlling interest in the acquiree and acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Company's interest in the enterprise. Unrealised gains arising from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Investments in associates

Associates are all entities over which the Group or the Company have significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. The Group accounts for investments in associates using the equity method and the Company accounts for them at cost.
The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.
Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.
Impairment testing for investments in associates is conducted on an annual basis.

C. Investments in joint ventures

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. Investments in joint ventures are accounted for using the equity method of accounting and are initially recognised at cost. The Group's share of its joint venture's post-acquisition profits or losses is recognised in the profit or loss, and its share of post-acquisition movements in reserves is recognised in reserves. Movements in net assets of the joint venture are adjusted against the carrying amount of the investment.
When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.
Unrealised gains on transactions between the Group and joint venture are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.
Impairment testing for investments in joint ventures is conducted on an annual basis.

D. Non-controlling interest

Non-controlling interest is initially measured as a proportionate share of net asset that can be identified at an acquisition date.

E. Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business, less accumulated impairment loss, if any.
For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.
A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.
On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Property, plant and equipment

Property, plant and equipment are recognised at cost, less accumulated depreciation and impairment losses. The cost comprises the purchase price of an asset, including import duties and non-refundable sales taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.
Maintenance and repairs are expensed as incurred. Where it is obvious that expenses incurred resulted in increase of expected future economic benefits to be derived from the use of an item of property, plant and equipment beyond the originally assessed standard performance of the asset, they are added to the carrying amount of the asset. Gains or losses on the retirement or disposal of fixed assets are recognised in profit or loss for the period in which they arise.
Depreciation commences on putting an asset into use. Depreciation is provided so as to write down the cost or revalued amount of an asset, other than land and assets under development, over the estimated useful life of the asset using the straight-line method as follows:

Gas network	10-50 years
Buildings	20-40 years
Tools and office equipment	2-10 years
Vehicles	4-5 years

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its useful life. The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each reporting date.
If the carrying amount of an asset exceeds its estimated recoverable amount, it is written down immediately to its recoverable amount.

G. Intangible assets

Intangible assets which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses.
Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss when incurred.
Amortization is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, as follows:

Other intangible assets	14 years
Software	2 years

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Investment property

Investment property is property held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business. Investment property comprise land and buildings.
Investment property are initially recognized at cost, including directly attributable costs. After initial recognitions, the Company uses cost model for measurement.
Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss when incurred.
Amortization is recognised in profit or loss on a straight-line basis over the estimated useful life, as follows:

Buildings	20 years

Land and assets under contruction are not depreciated.

I. Impairment of assets

The carrying amounts of the property, plant and equipment, intangible assets and investment property are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.
An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash flows that largely are independent from other assets and groups of assets.
Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.
The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.
Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

J. Inventories

Inventories of gas, finished goods, merchandise and raw materials are valued at the lower of cost, using the weighted average method, or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale. Cost includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location decreased by any discounts received. The value of slow moving and obsolete stock is reduced and charged to the current year profit or loss.

K. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Financial instruments

a) Recognition

Financial assets and financial liabilities are recognized in the Group's statement of financial position when the Group becomes a party to the contractual provision of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

b) Classification of financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; at fair value through other comprehensive income (FVOCI) or at fair value through profit or loss (FVTPL). The Group classifies its financial assets into following categories: at amortised cost (trade and other receivables, loans given) and at fair value through profit or loss (derivative financial assets).

Debt instruments that meet the following conditions are measured subsequently at amortised cost and if are not measured at fair value through profit or loss (FVTPL):

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVOCI) and if are not measured at fair value through profit or loss (FVTPL):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At initial recognition of equity investment not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is performed on an investment basis.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Further, at initial recognition the Group may make the following irrevocable election/designation at initial recognition of a financial asset that meets other criteria for measurement at an amortised cost or FVOCI criteria, as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio levela because this best reflects the way the business is managed and information is provided to management. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL, because are not held for collection of contractual cash flows or for sales of financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.
In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets.

c) Subsequent measurement of financial assets

Financial assets at fair value through profit or loss (FVTPL)

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method.

d) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.
On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss, except for equity instruments measured at FVOCI.

e) Reclassification

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets.

f) Financial liabilities and equity instruments

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. The Group measures financial liabilities at amortised cost or at fair value through profit or loss (derivative financial liabilities).

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Financial liabilities

Other financial liabilities, included liabilities for loans and borrowings are initially measured at fair value less transaction costs. Other financial liabilities are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liablities

The Group derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired.

g) Derivative instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at their fair value. All derivative instruments are carried as assets when their fair value is positive, and as liabilities when their fair value is negative. Changes in the fair value of derivatives are reported in profit or loss for the period in which they arise.

The Group uses derivative financial instruments in order to optimally hedge exposure to foreign exchange risk and market risk arising from operating, financing and investing activities. The Group does not hold or issue derivative financial instruments for speculative purposes. Derivative financial instruments include forward contracts in foreign currency and future contracts.

Spot transactions related to buying and selling of foreign currencies and futures are recognized on trade date basis. A positive or a negative fair value of spot transactions from the trade date till the settlement date is reported in the statement of financial position under receivables and liabilities, respectively, and is included in profit or loss.

M. Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost (loans given) and trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables based on simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors. The Group currently do not adjust ECL for general

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

economic conditions, as the Group did not analyse influence of macroeconomic factors on historical loss rates, including time value of money where appropriate.
For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.
Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk
In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.
Basically, the Group uses due dated in estimating an increase of credit risk. The Group estimates that an increase in credit risk occurs if a debtor is more than 90 days due.
Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default,
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default
The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event (see above);
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used (trade receivables).

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

N. Provisions

Provisions are recognised when the Group has a present 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. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When 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. When discounting is used, the reversal of such discounting 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the foreign exchange rate ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.
Non-monetary assets and items that are measured in terms of historical cost of a foreign currency are not retranslated. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at fair value, are translated into functional currency at foreign exchange rates ruling at the dates at which the values were determined.
Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

Items included in the financial statements of each of the Group's entities are measured using the currency of the economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Croatian kuna ("HRK"), which is also the Company's functional currency.
Income and expense items and cash flows of foreign operations are translated into the Company's and Group's presentation currency at rates approximating the foreign exchange rates ruling at the dates of transactions (average exchange rates for the year) and their assets and liabilities are translated at the exchange rates ruling at the year end. All resulting exchange differences are recognised in a separate component of equity. The applicable foreign exchange rates for relevant currencies are included within currency risk disclosures.
Exchange differences arising from the translation of the net investment in foreign operations are taken to equity. When a foreign operating unit is sold, arising exchange differences are released in profit or loss as part of the gain or loss on sale.

P. Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because of items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax
Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and are accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognised on the basis of taxable temporary differences on investments in subsidiaries and associates and joint ventures.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax laws that have been enacted or substantively enacted by the statement of financial position date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and Company intend to settle its current tax assets and liabilities.

Current and deferred tax for the period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax and deferred tax arises from the accounting for a business acquisition, the tax effect is included in the calculation of the business acquisition.

R. Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are recognised in profit or loss as the related service is provided.

S. Net finance income/(costs)

Finance income and costs comprises interest income and penalty interest, and foreign currency gains and losses. Foreign currency gains and losses include gains decreased by losses from dealing in foreign currencies, calculated as the difference between the contractual and official foreign exchange rates.

Interest income is recognised as it accrues in profit or loss, using the effective interest rate method.

Finance costs comprise interest expense on borrowings, penalty interest expense and foreign currency losses. Borrowing costs are recognised in profit or loss using the effective interest rate method.

Realised gains and losses from derivative instruments include gains deducted by losses from forward trading of foreign currencies, calculated as a difference between forward FX rate and a spot currency rate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

T. Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16. This policy is applied to contracts entered into, on or after 1 January 2019.

i) The Group as a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'Property, plant and equipment' and lease liabilities in 'Borrowings' in the statement of financial position.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets (under USD 5,000) and short-term leases (up to one year). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

ii) The Group as a lessor

A Group determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. The Group recognises lease payments received under operating leases as income on a straightline basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES
(continued)

U. Dividend payment

Share in profit is recognised in the statement of changes in equity and as a liability in the period in which dividend is declared.

V. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for customer returns, rebates and other similar allowances.

Sale of natural gas, electrical energy and goods

Basic principle of IFRS 15 is that Group recognizes sales revenue for delivery of natural gas, electrical energy or goods to customer for a transaction price expected in exchange for contracted good or natural gas. Basic principle of revenue recognition is described in a five-step model.

The Group estimates if contracts include other liabilities that should be allocated over a transaction price. In determining a transaction price, the Group considers effects of variable fees, significant financing components and other fees payable to customers.

Revenue from transport and other services

Basic principle of IFRS 15 is that Group recognizes sales revenue for services rendered for a transaction price expected in exchange for contracted service. Basic principle of revenue recognition is described in a five-step model.

The Group estimates if contracts include other liabilities that should be allocated over a transaction price. In determining a transaction price, the Group considers effects of variable fees, significant financing components and other fees payable to customers.

Interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rent revenue

Rent revenue is allocated over a lease period using a straight-line basis.

Revenue from construction contracts

Revenue from construction contracts is recognized based on input method (incurred expenses until defined date) by measuring progress in fulfillment of a contract.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

W. New standards and interpretations not yet adopted

Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements, the following amendments to the existing standards were issued by IASB and adopted by the EU and which are not yet effective:

- Amendments to IFRS 4 Insurance Contracts "Extension of the Temporary Exemption from Applying IFRS 9" adopted by the EU on 16 December 2020 (the expiry date for the temporary exemption from IFRS 9 was extended from 1 January 2021 to annual periods beginning on or after 1 January 2023),
- Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases" - Interest Rate Benchmark Reform – Phase 2 adopted by the EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021).

The Company anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Company in the period of initial application.

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at reporting date):

- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- IFRS 17 "Insurance Contracts" including amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 1 "Presentation of Financial Statements" - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 16 "Property, Plant and Equipment" - Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022),
- Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" - Onerous Contracts – Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022);
- Amendments to IFRS 3 "Business Combinations" - Reference to the Conceptual Framework with amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2022),
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),
- Amendments to various standards due to "Improvements to IFRSs (cycle 2018 - 2020)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.).

The Company anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Company in the period of initial application.

4. DETERMINANTION OF FAIR VALUE

The fair value is established at a price that can be realized by selling the assets or sold for the transfer of obligations in an orderly transaction between market participants at the measurement date or, in case of their absence, at a price that can be realized on the most favourable market where the Group has access at the measurement date. Usually the fair value of the financial instruments measured at fair value at reporting date can be reliably determined within a reasonable range of estimates. For certain other financial instruments, including cash and cash equivalents, deposits, loans given, trade receivables, borrowings, trade and other payables, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

Determination of fair value hierarchy

IFRS 7 Financial Instruments: Disclosures requires the determination of fair value hierarchy of financial instruments on three levels and disclosure of financial instruments which are measured in financial statements at fair value:

Level 1: The fair value of financial instruments is based on their quoted market price available in an active market.

Level 2: The fair value of financial instruments is estimated using valuation techniques based on observable inputs, reference to the fair value of another instrument that is substantially the same, discounted cash flow techniques, or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Level 3: The fair value of financial instruments is estimated using valuation techniques based on unobservable inputs.

Financial instruments measured at fair value are as follows:

31 December 2020	**Level 1 HRK'000**	**Level 2 HRK'000**	**Level 3 HRK'000**	**Total HRK'000**
Financial assets measured at fair value				
Other investments	-	-	15,074	**15,074**
Future contracts	754,858	-	-	**754,858**
	754,858	-	15,074	**769,932**
Financial liabilities measured at fair value				
Future contracts	(737,783)	-	-	**(737,783)**

31 December 2019	**Level 1 HRK'000**	**Level 2 HRK'000**	**Level 3 HRK'000**	**Total HRK'000**
Financial assets measured at fair value				
Other investments	-	-	307,451	**307,451**
Future contracts	758,016	-	-	**758,016**
Other receivables	-	-	90,672	**90,672**
	758,016	-	398,123	**1,156,139**
Financial liabilities measured at fair value				
Future contracts	(732,328)	-	-	**(732,328)**

4. DETERMINANTION OF FAIR VALUE (continued)

As at 31 December 2020, the Group investments relate to financial assets – futures and forward contracts in the amount of HRK 754,858 thousand (31 December 2019: HRK 758,016 thousand) and financial liabilities - futures and forward contracts in the amount of HRK 737,783 thousand (31 December 2019: HRK 732,328 thousand) that are measured at quoted price at an active market and are classified in Level 1.
Investments classified in Level 3 as at 31 December 2020 relate to investment in shares of a non-listed company of HRK 15,074 thousand (31 December 2019: HRK 14,866 thousand).
Investments classified in Level 3 as at 31 December 2019 relate to investment in shares of a non-listed company of HRK 14,866 thousand and investments in depositary rights and convertible bonds of HRK 292,566 thousand. Current value of depositary rights and convertible bonds is estimated to be a reasonable estimation of their fair value as they are acquired from non-related companies around reporting date.
Other investments as at 31 December 2019 classified at Level 3 relate to receivables from acquired loans given held for trading of HRK 90,672 thousand. Current value of this receivables is estimated to be a reasonable estimation of their fair value as they are acquired from non-related companies around reporting date.

Trade and other receivables
The carrying value of trade and other receivables is estimated to be a reasonable estimation of their fair value.

Given loans and deposits
Carrying value of given loans and deposits is approximately equal to its fair value, based on current maturity.

Financial liabilities
Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Derivative financial instruments
Fair value of derivative instruments traded on regulated market is determined based on publically available daily settlement price.

Other
The carrying amount of other financial assets and other financial liabilities on the reporting date approximate their fair values.

5. SUBSIDIARIES

Group consists of the Company and the following subsidiaries in which the Company has control:

Name of subsidiary	Country	**Ownership (%) 31 December 2020**	Ownership (%) 31 December 2019
Direct - in ownership of Energia Naturalis d.o.o.			
Prvo plinarsko društvo d.o.o.	Croatia	**100%**	100%
Prvo plinarsko društvo - opskrba kućanstava d.o.o. (i)	Croatia	**0%**	100%
Prvo plinarsko društvo - distribucija plina d.o.o. (i)	Croatia	**0%**	100%
Eko Reciklažni Park d.o.o.	Croatia	**100%**	100%
ENNA Properties d.o.o.	Croatia	**100%**	100%
ENNA Agro d.o.o. (ii)	Croatia	**60%**	100%
ENNA Turizam d.o.o. (iii)	Croatia	**0%**	100%
Infinity Resort Zadar d.o.o. (iii)	Croatia	**100%**	0%
ENNA Transport d.o.o.	Croatia	**100%**	100%
ENNA Logic d.o.o.	Croatia	**100%**	100%
ENNA Biomasa Vukovar d.o.o. (iv)	Croatia	**100%**	100%
Jadran Estate d.o.o.	Croatia	**100%**	100%
Eko Reci Krug d.o.o. (v)	Croatia	**100%**	0%
Indirect - in ownership of Prvo plinarsko društvo d.o.o.			
PPD Hungaria Energiakereskedo Kft	Hungary	**100%**	100%
PPD Global S.A.	Switzerland	**100%**	100%
PPD energija d.o.o.	Slovenia	**100%**	100%
PPD d.o.o.	Bosnia and Herzegovina	**100%**	100%
PPD Italia Srl (vii)	Italy	**100%**	0%
PPD Fueling LNG d.o.o. (vii)	Croatia	**100%**	0%
Indirect - in ownership of ENNA AGRO d.o.o.			
ENNA Fruit d.o.o. (viii)	Croatia	**76%**	0%
Indirect - in ownership of ENNA LOGIC d.o.o.			
ENNA MODAL d.o.o. (vi)	Croatia	**0%**	100%
ENNA ROSCO d.o.o. (vi)	Croatia	**0%**	100%
Indirect - in ownership of ENNA TURIZAM d.o.o.			
Infinity Resort Zadar d.o.o. (iii)	Croatia	**0%**	100%

i/ Subsidiaries Prvo plinarsko društvo - Opskrba kućanstva d.o.o. and Prvo plinarsko društvo - Distribucija plina d.o.o. were sold on 31 March 2020 to unrelated persons.
ii/ The Company sold a 100 % ownership in ENNA Agro d.o.o. on 14 January 2020 to a related person. The Company purchased a 60% ownership in ENNA Agro d.o.o. on 22 September 2020 from a related person.
iii/ The Company merged on 11 March 2020 with subsidiary ENNA Turizam d.o.o. by merger of ENNA Turizam d.o.o., the Company obtained ownership in Infinity Resort Zadar d.o.o.
iv/ A subsidiary ENNA Biomasa Vukovar d.o.o. was sold in January 2021 to unrelated persons.
v/ A subsidiary ENNA Eko Reci Krug d.o.o. was sold in January 2021 to unrelated persons.
vi/ Subsidairies ENNA Modal d.o.o. and ENNA Rosco d.o.o. merged to ENNA Logic d.o.o. on 9 October 2020.
vii/ A subsidiary Prvo plinarsko društvo d.o.o. founded PPD Italia Srl (Italy) and PPD Fueling LNG d.o.o., (Croatia) during 2020.
viii/ A subsidiary ENNA Agro d.o.o. founded ENNA Fruit d.o.o. during 2020. In which as of 31 December 2020 it has 76% ownership.

6. REVENUE FROM SALES

	2020 HRK'000	2019 HRK'000
Revenue by type		
Sales of gas - companies	**10,676,806**	8,402,009
Sales of gas - households	**13,143**	25,326
Sale of electricity and heat production	**2,900**	2,159
Sale of goods	**270,543**	179,079
Revenue from transports	**122,941**	108,543
Revenue from energy efficiency	**8,438**	8,438
Revenue from construction contracts	**-**	8,233
	11,094,771	8,733,787
Revenues by geographical region		
European Union (including Switzerland)	**11,025,621**	8,696,492
Third countries	**69,150**	37,295
	11,094,771	8,733,787

Sales revenue is recognized at a point in time.

7. OTHER OPERATING INCOME

	2020 HRK'000	2019 HRK'000
Income from storage services	**45,393**	19,705
Income from distribution fee	**3,748**	443
Other income	**29,865**	46,109
Income from bargain purchase	**-**	2,455
	79,006	68,712

Other operating income includes profit from the sale of equipment, vehicles and other receivables Other operating income in 2019 of HRK 32,829 thousand relates to a income from a court settlement.

8. COST OF GOODS SOLD AND SERVICES RENDERED

	2020	2019
	HRK'000	HRK'000
Cost of purchased gas	**10,354,191**	8,082,386
Cost of purchased electrical energy	-	1,525
Cost of goods and services	**228,793**	213,587
	10,582,984	8,297,498

9. EMPLOYEE COSTS

	2020	2019
	HRK'000	HRK'000
Gross salaries	**54,825**	47,738
Contributions on salaries	**5,982**	6,446
	60,807	54,184

Employee expenses of the Group include HRK 10,980 thousand (2019: HRK 8,561 thousand) of defined pension contributions paid into obligatory state funds. Contributions are calculated as a percentage of employees' gross salaries.

10. OTHER OPERATING EXPENSE

	2020	2019
	HRK'000	HRK'000
Raw materials	82,586	-
Sponsorships and donations	27,221	21,812
Intellectual services	11,055	7,051
Rent	2,240	1,407
Contributions and fees	8,443	8,352
Other employees expenses	8,302	7,146
Bank charges	7,046	7,300
Transportation expense	5,841	-
Maintenance	3,437	1,757
Energy expense	4,685	1,463
Impairment of receivables	1,722	5,466
Impairment of loans given	21,052	288
Impairment of investments	-	18,757
Impairment of other receivables	6,711	9,993
Provision expense	175	1,966
Representation	1,502	1,890
Telecommunication and post	1,280	1,281
Marketing	2,205	2,613
Utility expenses	2,090	-
Other expenses	12,390	15,135
	209,983	**113,677**

Other costs include analysis costs, insurance costs, freight and other costs.

11. NET FINANCE COSTS

	2020.	2019.
	HRK'000	HRK'000
Interest income	13,265	12,604
Net gain on sale of investments	11,380	-
Net gain on sale of subsidiaries	6,477	-
Realised gains on derivative instruments	813	124
Unrealised gains on derivative instruments	402	-
Foreign exchange gains	70,630	35,079
Total finance income	102,967	47,807
Interest expense	(60,331)	(21,134)
Net loss on sale of subsidiaries	-	(23,283)
Realised loss on derivative instruments	(1,219)	(368)
Foreign exchange losses	(73,190)	(37,300)
Total finance costs	(134,740)	**(82,085)**
Net finance cost	(31,773)	(34,278)

12. INCOME TAX

Recognised in profit or loss:

	2020 HRK'000	2019 HRK'000
Income tax expense		
Current tax expense	**60,763**	51,786
Deferred tax expense/(benefit)	**1,123**	(813)
	61,886	50,973

Reconciliation of effective tax rate is as follows:

	2020 HRK'000	2019 HRK'000
Profit before tax	**307,508**	332,579
Income tax using tax rate of 18% (2019: 18%)	**(55,351)**	(59,864)
Non-deductible expenses	**(19,500)**	(9,787)
Non taxable income and tax incentives	**616**	348
Effect of share of profit in equity accounted investees, net of tax	**12,279**	16,351
Tax losses not recognised as deferred tax assets	**(1,728)**	(1,761)
Utilised tax losses previously not recognised as deferred tax assets	**118**	3,877
Effect of different tax rates	**1,680**	(137)
Tax expense	**(61,886)**	(50,973)
Effective tax rate	**20%**	15%

The Group's income tax calculation is prepared in accordance with the Croatian tax laws and regulations.
In accordance with tax regulations, as at 31 December 2020, the Group has unused tax losses in the gross amount of HRK 20,433 thousand (2019: HRK 16,743 thousand) which consist of tax losses in Croatia, Slovenia and Bosnia and Herzegovina. These tax losses may be carried forward in Croatia and Bosnia and Herzegovina for five years subsequent to the year in which they were incurred in, and can be carried forward indefinitely in Slovenia.

12. INCOME TAX (continued)

Movement of deferred tax assets is as follows:

	As at 1 January 2020	Recognised in profit or loss	As at 31 December 2020
	HRK'000	HRK'000	HRK'000
Property, plant and equipment	986	(507)	**479**
Intangible assets	4,779	(616)	**4,163**
	5,765	**(1,123)**	**4,642**

	As at 1 January 2019	Recognised in profit or loss	As at 31 December 2019
	HRK'000	HRK'000	HRK'000
Property, plant and equipment	-	986	**986**
Intangible assets	4,924	(145)	**4,779**
Inventories	28	(28)	-
	4,952	**813**	**5,765**

As at 31 December 2020, the Group has HRK 5,422 thousand of temporary differences (gross) not recognized as deferred tax assets (31 December 2019: HRK 11,179 thousand).
The Group did not recognise unused tax losses as deferred tax assets in the statement of financial position because it is not likely that there will be sufficient taxable profits realized to use this deferred tax assets in the originated company.
Unused tax losses (gross) at the reporting date are as follows:

	2020	2019
	HRK'000	HRK'000
Tax losses - expires at 31 December 2020	**-**	807
Tax losses - expires at 31 December 2021	**5**	5
Tax losses - expires at 31 December 2022	**89**	1,896
Tax losses - expires at 31 December 2023	**551**	879
Tax losses - expires at 31 December 2024	**5,064**	8,220
Tax losses - expires at 31 December 2025	**9,947**	-
Tax losses - no expire	**4,777**	4,936
	20,433	16,743

13. PROPERTY, PLANT AND EQUIPMENT

	Gas network	Land and buildings	Plant and equipment	Tools and office equipments	Vehicles	Assetes under construction	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Cost							
Balance at 1 January 2019	**129,562**	**6,676**	**-**	**21,010**	**4,406**	**30,287**	**191,941**
Initial recognition of IFRS 16	-	3,224	-	-	143,624	-	146,848
Additions	1,011	1,633	2,956	15,713	4,488	23,141	48,942
Acquisition of subsidiaries	-	41,233	-	-	-	17,355	58,588
Sale of subsidiaries	-	-	-	(1,261)	-	-	(1,261)
Disposals and write offs	-	-	-	(5,575)	(1,048)	(14,705)	(21,328)
Transfer	2,500	5,476	10,907	-	-	(7,976)	10,907
Transfer to investment property	-	-	-	-	-	(3,583)	(3,583)
Transfer from investment property	-	21,759	-	2,668	-	-	24,427
Balance at 31 December 2019	**133,073**	**80,001**	**13,863**	**32,555**	**151,470**	**44,519**	**455,481**
Balance at 1 January 2020	**133,073**	**80,001**	**13,863**	**32,555**	**151,470**	**44,519**	**455,481**
Additions	-	5,854	3,152	1,730	36,639	14,185	61,560
Acquisition of subsidiaries (note 28)	-	73,355	30,623	4,774	7,310	-	116,062
Sale of subsidiaries (note 28)	(133,073)	(8,779)	-	(3,741)	(7,403)	-	(152,996)
Disposals and write offs	-	(954)	(34)	(8,317)	(29,824)	(5,407)	(44,536)
Transfer	-	-	699	(210)	210	(699)	-
Transfer to investment property	-	(5,608)	-	-	-	(30,675)	(36,283)
Balance at 31 December 2020	**-**	**143,869**	**48,303**	**26,791**	**158,402**	**21,923**	**399,288**
Accumulated depreciation							
Balance at 1 January 2019	**54,913**	**135**	**-**	**10,954**	**1,842**	**-**	**67,844**
Correction of prior period errors (note 35)	20,347	-	-	-	-	-	20,347
Balance at 1 January 2019 (restated)	**75,260**	**135**	**-**	**10,954**	**1,842**	**-**	**88,191**
Depreciation for the year	4,315	2,665	739	7,584	36,219	-	51,522
Sale of subsidiaries	-	-	-	(791)	-	-	(791)
Disposals and write offs	-	-	-	(1,730)	(680)	-	(2,410)
Transfer from investment property	-	329	-	-	-	-	329
Balance at 31 December 2019 (restated)	**79,575**	**3,129**	**739**	**16,017**	**37,381**	**-**	**136,841**
Balance at 1 January 2020 (restated)	**79,575**	**3,129**	**739**	**16,017**	**37,381**	**-**	**136,841**
Depreciation for the year	1,079	3,763	1,926	4,709	38,672	-	50,149
Acquisition of subsidiaries (note 28)	-	996	1,448	397	7	-	2,848
Sale of subsidiaries (note 28)	(80,654)	(1,380)	-	(3,412)	(468)	-	(85,914)
Disposals and write offs	-	(226)	-	(4,130)	(2,852)	-	(7,208)
Balance at 31 December 2020	**-**	**6,282**	**4,113**	**13,581**	**72,740**	**-**	**96,716**

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Carrying amounts							
Balance at 1 January 2019 (restated)	54,302	6,541	-	10,056	2,564	30,287	103,750
Balance at 31 December 2019 (restated)	**53,498**	**76,872**	**13,124**	**16,538**	**114,089**	**44,519**	**318,640**
Balance at 1 January 2020 (restated)	53,498	76,872	13,124	16,538	114,089	44,519	318,640
Balance at 31 December 2020	**-**	**137,587**	**44,190**	**13,210**	**85,662**	**21,923**	**302,572**

Assets under construction of HRK 21,923 thousand relate to land and buildings and a heat pipeline in construction. Property, plant and equipment with a carrying amount of HRK 121,499 thousand are pledged as collateral for bank loans (note 26). Plant and equipment worth HRK 3,400 thousand are pledged as collateral for trade payables (note 27).

Movement of assets with right-of-use is as follows:

	Land and buildings	**Vehicles**	**Equipment**	**Total**
	HRK'000	**HRK'000**	**HRK'000**	**HRK'000**
Balance as at 1 January 2019	3,224	143,624	-	146,848
Depreciation expense	(1,409)	(35,139)	-	(36,548)
Increase of right-of-use assets	41,233	1,910	-	43,143
Balance as at 31 December 2019	**43,048**	**110,395**	**-**	**153,443**
Balance as at 1 January 2020	43,048	110,395	-	153,443
Depreciation expense	(2,226)	(35,553)	(143)	(37,922)
Increase of right-of-use assets	5,121	2,214	-	7,335
Acquisition of subsidiary	3,011	-	2,554	5,565
Smanjenje imovine s pravom uporabe	-	(26,169)	-	(26,169)
Balance as at 31 December 2020	**48,954**	**50,887**	**2,411**	**102,252**

Overview of expenses related to implementation of IFRS 16 is presented below;

	2020	2019
	HRK'000	HRK'000
Depreciation of right of use assets	**37,922**	36,548
Interest expense	**4,513**	5,068
Short term lease and small-value assets expense	**2,240**	1,407
Variable expenses not included in lease liabilities	**-**	-
	44,675	43,023

14. INTANGIBLE ASSETS AND GOODWILL

	Software and other rights	Other intangible assets	Intangible assets under construction	Goodwill	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Cost					
Balance at 1 January 2019	**7,709**	**86,157**	**577**	**15,598**	**110,041**
Additions	375	13	-	-	388
Transfer	577	-	(577)	-	-
Disposals and write offs	(866)	-	-	(7,632)	(8,498)
Acquisition of subsidiaries	-	-	-	11,184	11,184
Balance at 31 December 2019	**7,795**	**86,170**	**-**	**19,150**	**113,115**
Balance at 1 January 2020	**7,795**	**86,170**	**-**	**19,150**	**113,115**
Additions	550	-	-	-	550
Disposals and write offs	(281)	-	-	-	(281)
Acquisition of subsidiaries (note 28)	152	-	-	72	224
Sale of subsidiaries (note 28)	(965)	-	-	(72)	(1,037)
Balance at 31 December 2020	**7,251**	**86,170**	**-**	**19,150**	**112,571**
Accumulated amortization					
Balance at 1 January 2019	**3,602**	**-**	**-**	**-**	**3,602**
Charge for the year	2,129	6,130	-	-	8,259
Disposals and write offs	(866)	-	-	-	(866)
Balance at 31 December 2019	**4,865**	**6,130**	**-**	**-**	**10,995**
Balance at 1 January 2020	**4,865**	**6,130**	**-**	**-**	**10,995**
Charge for the year	1,729	6,152	-	-	7,881
Disposals and write offs	**(248)**	**-**	**-**	**-**	**(248)**
Acquisition of subsidiaries (note 28)	14	-	-	-	14
Sale of subsidiaries (note 28)	(648)	-	-	-	(648)
Balance at 31 December 2020	**5,712**	**12,282**	**-**	**-**	**17,994**
Carrying amounts					
Balance at 1 January 2019	4,107	86,157	577	15,598	106,439
Balance at 31 December 2019	**2,930**	**80,040**	**-**	**19,150**	**102,120**
Balance at 1 January 2020	**2,930**	**80,040**	**-**	**19,150**	**102,120**
Balance at 31 December 2020	**1,539**	**73,888**	**-**	**19,150**	**94,577**

Intangible assets relate to the right of usage (for gas regulatory stations located on third party land), software and other rights. Other intangible assets relate to investments in other assets under the Energy Efficiency Agreement concluded with the Varaždin General Hospital and the Zagreb Police Academy. The Group capitalized interest expense of HRK 855 thousand during 2018 in other intangible assets.

15. INVESTMENT PROPERTY

	Land	Buildings	Assets under construction	Total
	HRK'000	HRK'000	HRK'000	HRK'000
Cost				
Balance at 1 January 2019	**1,118**	**23,694**	**18,974**	**43,786**
Transfer	1,938	14,368	(16,306)	-
Disposal and write offs	(942)	(9,400)	-	(10,342)
Transfer from property, plant and equipment	140	3,443	-	3,583
Transfer to property, plant and equipment	(683)	(21,076)	(2,668)	(24,427)
Sale of subsidiaries	(1,136)	(8,410)	-	(9,546)
Balance at 31 December 2019	**435**	**2,619**	**-**	**3,054**
Balance at 1 January 2020	**435**	**2,619**	**-**	**3,054**
Addition	-	85	-	85
Transfer	-	27,047	(27,047)	-
Transfer from property, plant and equipment	5,608	-	30,675	36,283
Balance at 31 December 2020	**6,043**	**29,751**	**3,628**	**39,422**
Accumulated amortization				
Balance at 1 January 2019	**-**	**631**	**-**	**631**
Charge for the year	-	1,342	-	1,342
Disposal and write offs	-	(697)	-	(697)
Sale of subsidiaries (note 28)	-	(377)	-	(377)
Transfer to property, plant and equipment	-	(329)	-	(329)
Balance at 31 December 2019	**-**	**570**	**-**	**570**
Balance at 1 January 2020	**-**	**570**	**-**	**570**
Charge for the year	-	2,979	-	2,979
Balance at 31 December 2020	**-**	**3,549**	**-**	**3,549**
Carrying amounts				
Balance at 1 January 2019	1,118	23,063	18,974	43,155
Balance at 31 December 2019	**435**	**2,049**	**-**	**2,484**
Balance at 1 January 2020	435	2,049	-	2,484
Balance at 31 December 2020	**6,043**	**26,202**	**3,628**	**35,873**

Carrying value of investment property is approximatelly equal its fair value.

16. INVESTMENTS

	31 December 2020 HRK'000	31 December 2019 HRK'000
Non-current investments		
Investment in associates (a)	**67,272**	69,024
Investment in joint ventures (b)	**247,726**	175,387
Other investments (c)	**15,074**	14,885
	330,072	259,296
Current investments		
Other investments (c)	**-**	292,566

a) Investment in associates

Investment in associates as at 31 December 2020 include 37.62% of share capital in Luka Ploče d.d.
On 31 December 2020 the subsidiary holds 37.62% of share capital and voting rights of Luka ploče d.d. Principal activity of an associate is rendering maritime traffic services, stevedoring, warehousing of goods and forwarding agents activities. During 2021, the Company increased shareholding to 38.27% (note 37). Financial information of an associate, together with amount of an investment in associate is presented below:

	31 December 2020 HRK'000	31 December 2019 HRK'000
Share of ownership in Luka Ploče d.d.	**37,62%**	36,16%
Non-current assets	**393,610**	363,486
Current assets	**184,238**	232,430
Non-current liabilities	**(139,212)**	(146,392)
Current liabilities	**(32,362)**	(32,527)
Net assets (100%)	**406,274**	416,997
Investment in associate	**91,440**	93,192
Impairment expense	**(24,168)**	(24,168)
Investment in associate	**67,272**	69,024

	2020 000'kn	2019 000'kn
Revenue	**215,971**	170,131
(Loss)/profit after tax (100%)	**(10,694)**	2,697
Other comprehensive income (100%)	**-**	-
Total comprehensive (loss)/income (100%)	**(10,694)**	2,697
Share of the Group in total comprehensive (loss)/income	**(4,023)**	975

16. INVESTMENTS (continued)

b) Investment in joint ventures

Investment in joint ventures as at 31 December 2020 include 50% of issued capital in Terra mineralna gnojiva d.o.o. (31 December 2019: 50%)

Investment in joint venture Terra mineralna gnojiva d.o.o. ("TMG") was incorporated on 2 July 2018 with INA d.d. Issued capital of TMG amount to HRK 500 thousand and the subsidiary Prvo plinarsko društvo d.o.o. paid in HRK 250 thousand of this issued capital. The subsidiary Prvo plinarsko društvo d.o.o. and INA d.d. signed a Contract on increase of share capital of Petrokemija d.d. on 31 October 2018 and paid in HRK 150 million each, for 30,000,000 million of shares of Petrokemija d.d. With this transaction, a joint venture TMG acquired a 54.52% of shareholding and voting rights in Petrokemija. Financial information of a joint venture, together with amount of an investment in joint venture is presented below.

	31 December 2020	31 December 2019
	HRK'000	HRK'000
Share of ownership in Terra mineralna gnojiva d.o.o.	**50,00%**	50,00%
Non-current assets	**603,160**	627,408
Current assets	**879,011**	823,068
Non-current liabilities	**(204,252)**	(205,003)
Current liabilities	**(590,062)**	(860,867)
Net assets (100%)	**687,857**	384,606
Investment in joint venture	**247,726**	175,387

	2020	2019
	HRK'000	HRK'000
Revenue	**1,782,557**	2,144,769
Profit/(loss) after tax (100%)	**265,001**	154,262
Other comprehensive income (100%)	**-**	-
Total comprehensive loss (100%)	**265,001**	154,262
Share of the Group in total comprehensive income/(loss) (i)	**72,239**	**46,809**

c) Other investments

Other investments relate to financial assets measured at fair value.

Non-current other investments at 31 December 2020 of HRK 15,074 thousand (31 December 2019: HRK 14,866 thousand) relate to investment in shares where a Group owns 9% of shareholding.

Current other investment at 31 December 2019 of HRK 292,566 thousand relate to 71,180 convertible bonds in Fortenova Group Topco B.V and 17,795 depositary rights of Fortenova Group Stak Stiching. As at 31 December 2019, the Company holds 6.29% of ownership. During 2020, the Company acquired additional HRK 64,175 thousand of investments in depository rights and HRK 256,701 thousand of investments in convertible bonds. The investments were sold in 2020 to a related party.

17. LOANS GIVEN

	31 December 2020 HRK'000	31 December 2019 HRK'000
Loans given - related parties	**70,575**	54,158
Loans given - other	**26,800**	41,904
Impairment of loans given	**(21,340)**	(288)
	76,035	95,774

Loans given were approved at an interest rate from 1.9%-8% (2019: 4%-8%) and mature within one year. Loans given to third parties are secured with debenture notes and/or mortgages.

18. TRADE AND OTHER RECEIVABLES

	31 December 2020 HRK'000	31 December 2019 HRK'000
a) Non-current receivables		
Trade receivables - gross	**3,894**	6,490
Receivables from related parties	**-**	10,218
	3,894	16,708
b) Current receivables		
Trade receivables - gross	**1,509,130**	741,258
Receivables from related parties	**329,007**	78,062
Receivables from companies of systematic importance	**19,679**	19,679
Interest receivables	**1,545**	10,494
Impairment of financial assets	**(4,599)**	(5,484)
Receivables for prepayment of dividends	**-**	130,000
Advances given	**220,585**	36,390
VAT receivables	**8,010**	8,833
Other receivables	**8,240**	103,151
	2,091,597	1,122,383

Trade receivables are secured with bank guarantees and debenture notes. Trade receivables in the amount of HRK 338,522 thousand have been pledged as a collateral for secured bank loans.

Receivables from companies of systematic importance as at 31 December 2020 include receivables for sold goods of HRK 19,679 thousand from customers under the regulation of Law for the Extraordinary Administration for Companies with Systematic Importance for the Republic of Croatia.

Other receivables as at 31 December 2020 relate to prepaid expenses and accrued income. Other receivables as at 31 December 2019 include HRK 90,672 thousand of receivables for acquired loans held by the Group for trading, which were sold during 2020.

Receivables for prepayment of dividends on 31 December 2019 relate to dividend prepayment of HRK 130 million to the owner.

19. INVENTORIES

	31 December 2020	31 December 2019
	HRK'000	HRK'000
Gas in warehouse	110,655	105,504
Raw materials	23,882	-
Work in progress and semi-finished goods	50,382	-
Merchandise	20,883	33,542
Finished goods	3,507	-
	209,309	139,046

Inventories in the amount of HRK 80,915 thousand were provided as collateral for bank loans (note 26).

20. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

a) Derivative financial assets

	31 December 2020	31 December 2019
	HRK'000	HRK'000
Non-current derivative financial assets		
Future contracts	47	927
Current derivative financial assets		
Future contracts	754,176	757,089
Forward contracts	635	-
	754,811	757,089

Future contracts are classified as financial assets at fair value through profit or loss.

20. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES) (continued)

b) Derivative financial liabilities

	31 December 2020	31 December 2019
	HRK'000	HRK'000
Non-current derivative financial liabilities		
Future contracts	**76**	182
Current derivative financial liabilities		
Future contracts	**737,474**	732,146
Forward contracts	**233**	-
	737,707	732,146

Future contracts are classified as financial liabilities at fair value through profit or loss.

21. DEPOSITS

	31 December 2020	31 December 2019
	HRK'000	HRK'000
Deposits in banks	**43,798**	10,604
Deposits in non-financial institutions	**87,604**	17,324
	131,402	27,928

Deposits in non-financial institutions and in banks include deposits given as a performance guarantee. Average interest rate on deposits amounts to approximately 0.1% (2019: 0.1%) and deposits mature in 2021.

22. CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
	HRK'000	HRK'000
Cash in banks	**500,648**	90,892
Cash on hand	**3**	15
	500,651	90,907

Average interest rate amounts to approximately 0.1% (2018: 0.1%).

23. CAPITAL AND RESERVES

a) Issued capital

The Company was founded with a share capital of HRK 20 thousand. During 2018, an issued capital was increased for HRK 44,489 thousand from retained earnings and HRK 67,700 thousand from other reserves. Total issued capital on 31 December 2020 amount to HRK 112,209 thousand.
The sole owner of the Company as at 31 December 2020 is Mr Pavao Vujnovac.

b) Foreign exchange translation reserve

Foreign exchange translation reserve relate to foreign exchange differences on translation of share capital, reserves and retained earnings of a subsidiaries.

c) Payment of dividends and other reserves

Dividends of HRK 130,000 thousand were declared for payment to owners in 2020 (2019: HRK 129,139 thousand).

Management of a subsidiary Prvo plinarsko društvo d.o.o. in previous years increased share capital based on reinvested profit by HRK 90,700 thousand what is presented as an increase of other reserves in consolidated financial statements. During 2018 was increased an issued capital of the Company for HRK 67,700 thousand from above mentioned other reserves from a business combination of a merger of a related company Prvo plinarsko društvo – financijska ulaganja d.o.o. Furthermore, during 2020, the subsidiary Prvo plinarsko društvo - distribucija plina d.o.o. was sold, the value of other reserves decreased by HRK 1,426 thousand and amounted to HRK 48,484 thousand as at 31 December 2020.

24. NON-CONTROLLING INTERESTS

Non-controlling interests of the Group arise from the ownership interest in the subsidiaries.

On 22 September 2020 the Company acquired a 60% stake in ENNA Agro d.o.o., which owns a 76% in ENNA Fruit d.o.o.

Condensed financial statements of subsidiaries for the year 2020 are as follows:

31 December 2020 in HRK thousand	**ENNA Fruit d.o.o.**	**ENNA Agro d.o.o.**	**Total**
Share of ownership of non-controlling interests	54,40%	40,00%	
Non-current assets	109,389	76	
Current assets	189,298	65,108	
Non-current liabilities	(84,578)	-	
Current liabilities	**(157,731)**	**(60,422)**	
Net assets / (liabilities)	56,378	4,762	
Share attributable to non-controlling interests in net assets	**30,669**	**1,905**	**32,574**

2020 in HRK thousand	**ENNA Fruit d.o.o. (i)**	**ENNA Agro d.o.o. (i)**	**Total**
Revenue	172.777	6	
Profit after tax	5.328	(993)	
Other comprehensive income	-	-	
Total comprehensive income	5.328	(993)	
Share attributable to non-controlling interests in total comprehensive income/(loss)	**2.898**	**(397)**	**2.501**

(i) The share in total profit / loss includes the period from the acquisition of control until 31 December 2020.

24. NON-CONTROLLING INTERESTS (continued)

In December 2019, the subsidiary acquired the remaining minority influence in ENNA Transport d.o.o. of 0.04%. Condensed financial statements of subsidiaries for the year 2019 are as follows:

2019 **in HRK thousand**	**ENNA transport d.o.o.**
Share of ownership of non-controlling interests	0,04%
Revenue	108,788
Profit after tax	8,372
Other comprehensive income	-
Total comprehensive income	8,372
Share attributable to non-controlling interests in total comprehensive income	**5**

Movement of non-controlling interests

in HRK thousand	**2020**	2019
As at 1 January	-	3
Decrease of non-controlling interests by acquisition, without change in control	-	(8)
Acquisition of a subsidiary (note 28a)	30,073	-
Share in profit for the year	2,501	5
As at 31 December	**32,574**	**-**

Acquisition of non-controlling interests

In December 2019, the Company acquired additional 0.04% of non-controlling interests in ENNA Transport d.o.o. Effect of acquisition on a non-controlling interest is a decrease of non-controlling interest for HRK 8 thousand and increase of retained earnings for HRK 8 thousand.

25. PROVISIONS

	31 December 2020	31 December 2019
	HRK'000	HRK'000
As at 1 January	**7,251**	10,570
Increase in provision	**175**	1,966
Utilisation of provision	**-**	(1,392)
Decrease in provision	**(5,220)**	(3,893)
As at 31 December	**2,206**	7,251

Provisions relating to the provision for the cost of warranty repairs.

26. BORROWINGS

	31 December 2020	31 December 2019
	HRK'000	HRK'000
Non-current borrowings		
Secured bank loans	**239,806**	92,274
Lease liabilities	**63,292**	117,881
	303,098	210,155
Current borrowings		
Non-secured bank loans	**35,173**	7,782
Secured bank loans	**458,549**	166,243
Lease liabilities	**41,675**	38,054
	535,397	212,079
Total	**838,495**	422,234

Repayment terms of borrowings as at 31 December 2020 are as follows:

	Total	**Until 1 year**	**1 to 5 years**	**More than 5 years**
	HRK'000	**HRK'000**	**HRK'000**	**HRK'000**
Non-secured bank loans	**35,173**	35,173	-	-
Secured bank loans	**698,355**	458,549	194,911	44,895
Lease liabilities	**104,967**	41,675	22,371	40,921
Total	**838,495**	535,397	217,282	85,816

26. BORROWINGS (continued)

Borrowings are secured by lien over some trade receivables (note 13), debenture notes and bills of exchange. Carrying value of borrowings are approximate to their fair value.
Contractual terms of borrowings and maturity dates are as follows:

	Currency	Maturity	Amount
HRK'000			
Secured bank loans	HRK	2021	**70,000**
Secured bank loans	HRK	2021	**150,000**
Secured bank loans	HRK	2021	**50,250**
Secured bank loans	HRK	2020-2023	**73,778**
Secured bank loans	HRK	2020-2022	**37,500**
Secured bank loans	HRK	2021	**38,000**
Secured bank loans	HRK	2020-2023	**38,750**
Secured bank loans	HRK	2020-2023	**58,333**
Secured bank loans	HRK	2019-2028	**13,429**
Secured bank loans	HRK	2021	**15,000**
Secured bank loans	HRK	2021	**7,000**
Secured bank loans	EUR	2020-2028	**96,064**
Secured bank loans	HRK	2021	**5,000**
Secured bank loans	HRK	2021	**6,700**
Secured bank loans	HRK	2021	**10,000**
Secured bank loans	EUR	2020-2027	**16,366**
Secured bank loans	EUR	2020-2027	**8,398**
Secured bank loans	RSD	2021-2023	**2,265**
Secured bank loans	EUR	2021-2023	**1,521**
			698,354
Non-secured bank loans	EUR	2021	**8,490**
Non-secured bank loans	EUR	2021	**15,428**
Non-secured bank loans	EUR	2021	**11,256**
			35,174
Lease liabilities	EUR	2019-2118	**100,243**
Lease liabilities	HRK	2019-2021	**4,724**
			104,967

Borrowings were approved with interest rate from 1.25% - 3.5%

27. TRADE AND OTHER PAYABLES

	31 December 2020	31 December 2019
	HRK'000	HRK'000
Non-current liabilites		
Trade payables	**2,307**	-
Current liabilities		
Trade payables	**1,319,662**	595,496
Related party payables	**18,175**	94,882
Liabilities for VAT	**117,033**	147,021
Advances received	**515,843**	420,469
Liabilities to employees	**5,493**	2,622
Liabilities for taxes, contributions and levies	**6,592**	3,742
Deferred revenue	**32,914**	37,419
Deposits received	**1,054**	4,692
Interest liabilities	**101**	170
Other liabilities	**7,045**	4,124
	2,023,912	1,310,637

Deferred revenue as at 31 December 2020 of HRK 35,657 thousand (31 December 2019: HRK 38,400 thousand) relate to received support for a contracts for energy efficiency.
Trade payables in the amount of HRK 3,400 thousand are secured by property, plant and equipment (note 13).

28. ACQUISITION AND SALE OF SUBSIDIARIES

a) Acquisition of subsidiaries

In July 2020, the company acquired shares in the subsidiary Meet the Sea d.o.o. for HRK 6,700 thousand and thus gained control over subsidiary. Identified value of net assets acquired is as follows:

2020	Carrying value	Increase	Fair value
	HRK'000	HRK'000	HRK'000
Property, plant and equipment	1	6,614	**6,615**
Trade and other receivables	7	-	**7**
Cash and cash equivalents	6	-	**6**
Identifiable net assets	**14**	**6,614**	**6,628**

The table below summarizes the methods and techniques for assessing the fair value at the acquisition date:

Acquired assets	Methods and valuation techniques
Property, plant and equipment	Market model and cost model - for vehicles, a model considers market prices for similar items and depreciated replacement cost of that asset.
Current assets and current liabilities	Trade receivables and other receivables, loans given, trade payables and other liabilities are stated at nominal values less impairment losses and are approximaterly equal to their fair values, considering that these receivables and payables are current.

A goodwill was identified as follows:

in HRK thousand	2020
Consideration paid	6,700
Fair value of identifiable net assets	(6,628)
Goodwill	**72**

28. ACQUISITION AND SALE OF SUBSIDIARIES (continued)

The Company acquired 60 % ownership for HRK 60,000 in the subsidiary ENNA Agro d.o.o. in September 2020 from a related party and obtained control in ENNA Agro Group. ENNA Agro Group consists of the acquired company and its subsidiary ENNA Fruit d.o.o. in which ENNA Agro d.o.o. has 76% ownership. In acquisition of the subsidiary was identified other reserve ("merger reserve") as the company acquired was under common control.

Identified value of net liabilities acquired is as follows:

2020	Carrying value	Increase	Fair value
	HRK'000	HRK'000	HRK'000
Property, plant and equipment	106,598	-	**106,598**
Intangible assets	138	-	**138**
Inventories	77,767	-	**77,767**
Loans given	3,800	-	**3,800**
Trade and other receivables	74,819	-	**74,819**
Deposits	29	-	**29**
Cash and cash equivalents	1,088	-	**1,088**
Borrowings	(148,107)	-	**(148,107)**
Trade and other payables	(59,403)	-	**(59,403)**
Identifiable net assets	**56,729**	**-**	**56,729**

The table below summarizes the methods and techniques for assessing the fair value at the acquisition date:

Acquired assets	Methods and valuation techniques
Property, plant and equipment	Market model and cost model - a model considers market prices for similar items and depreciated replacement cost of that asset.
Intangible assets	Cost model considers depreciated replacement cost of that asset.
Inventories	Market model - inventories are recognised at sales price less cost of sales and finishing.
Borrowings	Borrowings are recognised at fair value, using market interest rate.
Current assets and current liabilities	Trade receivables and other receivables, loans given, trade payables and other liabilities are stated at nominal values less impairment losses and are approximaterly equal to their fair values, considering that these receivables and payables are current.

28. ACQUISITION AND SALE OF SUBSIDIARIES (continued)

The acquisition of the subsidiary identifies as the other reserve ("merger reserve") as follows:

in HRK thousand	**2020**
Consideration paid	60
Non-controlling interest, based on linear amounts of recognised assets and liabilities (note 25)	30,073
Fair value of identifiable net assets	(56,729)
Goodwill	**(26,596)**

b) Disposal of subsidiaries

The Group disposed 100% of ownership in subsidiary ENNA Agro d.o.o in January 2020 to related persons. Further, in March 2020, the Group sold its shares in the subsidiaries Prvo plinarsko društvo - distribucija plina d.o.o. and Prvo plinarsko društvo – opskrba kućanstava d.o.o.. In December 2020, the Group sold its shares in subsidiaries Meet the Sea d.o.o. and ENNA Green d.o.o.

During June 2019, the Group sold a 100% ownership in the subsidiary ENNA Turizam Projekt 2 d.o.o. related parties and in December 2019 a 100% ownership in the subsidiary ENNA Turizam Projekt 1 d.o.o. (later Shore d.o.o.).

Effect of sale of subsidiaried on statement of financial position of the Group is as follows:

in HRK thousand	**2020**	**2019**
Property, plant and equipment	67,082	470
Intangible assets and goodwill	388	-
Investment property	-	9,169
Inventories	14,680	-
Financial assets and other receivables	10,549	20
Borrowings	(15,350)	(9,861)
Trade and other payables	(8,365)	(163)
Income tax liability	267	-
Net assets and liabilities	**69,251**	**(365)**
Consideration received, in cash	83,427	100
Cash and cash equivalents, disposed of	(7,699)	(51)
Net inflow of cash from sale of subsidiaries	**75,728**	**49**

28. ACQUISITION AND SALE OF SUBSIDIARIES (continued)

Results of operations of disposed subsidiaries were as follows:

	2020	2019
	HRK'000	HRK'000
Operating revenue	17,518	28,986
Operating expenses	(16,326)	(39,849)
Operating profit	**1,192**	**(10,863)**
Finance income	6	41
Finance costs	(1)	(107)
Profit before taxation	**1,197**	**(10,929)**
Income tax	-	-
Profit/(loss) after tax from discontinued operations	**1,197**	**(10,929)**

29. CASH FLOWS FROM OPERATIONS

	2020	2019 (restated)
	HRK'000	HRK'000
Cash flows from operating activities		
Profit after tax	**245,622**	281,606
Adjustments for:		
Income tax	**61,886**	50,973
Depreciation and amortisation	**61,009**	61,122
Interest expense	**12,889**	10,714
Interest income and exchange rate differences	**(13,294)**	(12,446)
Unrealised gain on financial instruments	**8,613**	(19,579)
Share of profit in associates and joint ventures	**(68,216)**	(90,839)
Loss from sale of associates and joint ventures	**-**	15,807
Loss from sale of subsidiaries	**(6,477)**	7,218
Gain on bargain purchase	**-**	(2,455)
(Gain)/Loss from write offs and disposal of property, plant and equipment	**(8,103)**	1,255
Provision expense	**175**	1,966
Income from reversal of provision	**(3,828)**	(3,893)
Impairment of investment in associates	**-**	18,757
Discount expense for sale of trade receivables	**47,442**	10,420
Write off of liabilities based on prebankruptcy settlement	**(15,463)**	-
Income from court settlements	**-**	(32,829)
Impairment and write off of financial assets	**29,485**	15,747
Cash flows from operating activities before working capital changes	**351,740**	313,544
Increase in inventory	**(7,176)**	(47,575)
Decrease in trade and other receivables	**(784,669)**	160,066
Increase in trade and other payables	**733,269**	152,606
Cash from operating activities	**293,164**	578,641

30. RELATED PARTY TRANSACTIONS

Related parties are those companies which have the power to exercise control over the other party or are under common control or which have a significant influence on the other party in making business or financial decisions. Transactions between the Company and its subsidiaries are eliminated through consolidation and are not presented in this note.

Transactions with related parties were as follows:

2020	**Sales revenue**	**Other operating income**	**Cost of sales**	**Other operating expenses**	**Interest income**	**Interest expense**
	HRK'000	**HRK'000**	**HRK'000**	**HRK'000**	**HRK'000**	**HRK'000**
Associates and joint ventures	299,876	173	(10,795)	(33)	1,092	-
Key management	-	-	-	-	2,072	-
Related companies of key management and ultimate owner	233,421	445	(1,556,989)	(42)	4,004	-
Total	**533,297**	**618**	**(1,567,784)**	**(75)**	**7,168**	**-**

2019	**Sales revenue**	**Other operating income**	**Cost of sales**	**Other operating expenses**	**Interest income**	**Interest expense**
	HRK'000	**HRK'000**	**HRK'000**	**HRK'000**	**HRK'000**	**HRK'000**
Associates and joint ventures	448,782	102	(5,498)	(32)	1,246	-
Key management	-	77	-	-	2,608	-
Related companies of key management and ultimate owner	185,862	434	(1,359,564)	(207)	705	(868)
Total	**634,644**	**613**	**(1,365,062)**	**(239)**	**4,559**	**(868)**

31 December 2020	**Trade receivables**	**Interest receivables**	**Loans given**	**Trade payables**	**Advances received**
	HRK'000	**HRK'000**	**HRK'000**	**HRK'000**	**HRK'000**
Associates and joint ventures	41,710	-	-	(18,174)	-
Key management	5	98	-	-	-
Related companies of key management and ultimate owner	287,292	339	70,574	(1)	(59,481)
Total	**329,007**	**437**	**70,574**	**(18,175)**	**(59,481)**

30. RELATED PARTY TRANSACTIONS (continued)

31 December 2019	Trade receivables	Interest receivables	Loans given	Trade payables
	HRK'000	HRK'000	HRK'000	HRK'000
Associates and joint ventures	88,227	-	-	(2)
Key management	24	2,763	54,158	-
Related companies of key management and ultimate owner	29	610	-	(99,880)
Total	**88,280**	**3,373**	**54,158**	**(99,882)**

Short-term other investments on 31 December 2019 in the amount of HRK 292,566,000 related to investments in 17,795 depositary rights in Fortenova Group Stak Stiching and 71,180 convertible bonds in Fortenova Group Topco B.V. The Company acquired another HRK 64,175,000 in depositary rights and HRK 256,701,000 in convertible bonds in 2020. Investments were sold in 2020 to a related party.

Key management

During 2020, remuneration in the amount of HRK 5,109 thousand (2019: HRK 5,489 thousand) was paid to the key management of the Company, which during 2020 consisted of 8 persons (during 2019: 10 persons).
For the year ended 31 December 2019, dividends in the amount of HRK 130,000 thousand were declared for payment to the owner, and was paid to the owner of the Company as a prepayment (note 18).

31. CONTINGENCIES

Environmental matters

The Company performs on-going monitoring and analyses of the environmental impact of its business processes. Key indicators of such impact comprise emission of air pollutants and the quantity of waste from the manufacturing process, which the Company regularly reports to the competent institutions, local self-government units and stakeholders on a timely and true basis. Staff dealing with environmental and nature conservation are trained at seminars and workshops where they are informed about the obligations and activities arising from nature conservation and environmental legislation.
The Company develops analyses and is in the process of achieving compliance with the EU regulations imposing strict caps for pollutant emissions and reduced green-house gas (GHG) emissions, GHG emission trading scheme, environmental permits, ecologically significant areas and corridors (National ecological network).

32. CLASSIFICATION OF FINANCIAL INSTRUMENTS

31 December 2020	Financial assets at FVTPL	Financial assets at amortised cost	Financial liabilities at FVTPL	Other financial liabilities	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Financial assets measured at fair value					
Other investments	15,074	-	-	-	**15,074**
Future contracts	754,858	-	-	-	**754,858**
	769,932	-	-	-	**769,932**
Financial assets not measured at fair value					
Loans given	-	76,035	-	-	**76,035**
Trade and other receivables	-	1,866,896	-	-	**1,866,896**
Deposits	-	131,402	-	-	**131,402**
Cash and cash equivalents	-	500,651	-	-	**500,651**
	-	**2,574,984**	-	-	**2,574,984**
Financial liabilities measured at fair value					
Futures contracts	-	-	(737,783)	-	**(737,783)**
Financial liabilities not measured at fair value					
Borrowings	-	-	-	(838,495)	**(838,495)**
Trade and other payables	-	-	-	(1,352,783)	**(1,352,783)**
	-	-	-	**(2,191,278)**	**(2,191,278)**

32. CLASSIFICATION OF FINANCIAL INSTRUMENTS (continued)

31 December 2019	Financial assets at FVTPL	Financial assets at amortised cost	Financial liabilities at FVTPL	Other financial liabilities	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Financial assets measured at fair value					
Other investments	307,451	-	-	-	**307,451**
Future contracts	758,016	-	-	-	**758,016**
Trade and other receivables	90,672	-	-	-	**90,672**
	1,156,139	**-**	**-**	**-**	**1,156,139**
Financial assets not measured at fair value					
Loans given	-	95,774	-	-	**95,774**
Trade and other receivables	-	873,196	-	-	**873,196**
Deposits	-	27,928	-	-	**27,928**
Cash and cash equivalents	-	90,907	-	-	**90,907**
	-	**1,087,805**	**-**	**-**	**1,087,805**
Financial liabilities measured at fair value					
Futures contracts	-	-	(732,328)	-	**(732,328)**
Financial liabilities not measured at fair value					
Borrowings	-	-	-	(422,234)	**(422,234)**
Trade and other payables	-	-	-	(697,294)	**(697,294)**
	-	**-**	**-**	**(1,119,528)**	**(1,119,528)**

Financial assets and liabilities do not include receivables from state and liabilities toward state.

33. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Detailed quantitative explanations are presented through these financial statements.

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and loans given. The credit policy of the Group includes analysis of the creditworthiness of each custromer before setting terms of payments and delivery through use of information prepared by companies specialised for creditworthiness in Croatia. Further, the Group diminished this risk with strict measures of collection of receivables and with received instruments for securing payments (bills of exchange and debenture notes).
Current receivables are continuously monitored and their collectivity is estimated. In case of uncertainties are recognized impairments of receivables.
The Group adopted simplified approach for measuring losses for lifetime ECL for trade receivables.

Trade and other receivables

Group's exposure to credit risk is influenced by individual characteristics of customers. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before standard payment and delivery terms and conditions are offered.
The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

Receivables for loans given

At reporting date the Group had receivables for given loans to key management, related parties and third parties.
The Group recognises a lifetime ECL if a significant increase in credit risk occurs after initial recognition. However, if a credit risk of a financial instrument did not significantly increased since initial recognition, a Group measures a credit loss based on 12-month ECL.

(ii) Liquidity risk

Liquidity risk is managed by maintaining cash necessary for payment of current liabilities, ensuring that credit lines and deposits held are adequate (by using flexible financing by agreeing terms to be available on demand) and that all liabilities can be paid. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.
The Group pays special attention to cash flows, by daily monitoring of changes and by continued planning and comparing of planned and actual cash flows on quarterly and weekly basis, and by monitoring maturity of receivables and liabilities. All liabilities are settled on time, especially liabilities for taxes and contributions (income tax, VAT, personal income tax, levies, contributions) and liabilities to employees for salaries. The current account was not blocked during 2020 or in previous years. As the Group has not used other instruments for maintaining liquidity (bank overdraft), the Group does not expect liquidity problems in the future, especially as the current liabilities are settled on time.

33. FINANCIAL INSTRUMENTS – RISK MANAGEMENT (continued)

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates. The Group is not significantly exposed to market risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk
Currency risk is risk of changes in value of financial instruments from changes in currencies. The Company is exposed to currency risk on purchases, trade payables, loans given and borrowings that are denominated in a currency other than the respective functional currencies of the Company. The currencies in which these transactions primarily are denominated are Euro (EUR), American dollar (USD), Hungarian forint (HUF), Serbian dinar (RSD) and convertible mark (BAM). During 2020 and 2019, the Group used derivative instruments for hedging an exposure to currency risk of changes in Euro. Management expects that the effect of currency risk can not significantly influence on its business operations.

Interest rate risk
The Group is exposed to interest rate risk as certain loans are agreed at floating rates. The Group does not hedge this exposure to interest rate risk as the company operated with low credit indebtness. Management expects that the effect of interest risk can not significantly influence on its business operations.

Price risk
Price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices. The Group invests in derivative financial instruments which price is linked to market index quoted on official platforms. The Group estimates and controls exposure to price risk by regular monitoring of investments, by establishing limits and approvals for investments and through various statistical methods of controlling risk. We consider that the price risk level can not significantly influence on business operations. The Group used derivative instruments (future contracts) during 2020 for hedging an exposure to changes in sales and purchase price of gas. Gain/loss on these derivative instruments is presented in Sales revenue (for hedging of sales price of gas) and Cost of sales (for hedging of purchase price of gas).

Credit risk exposure
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	31 December 2020	31 December 2019
	HRK'000	HRK'000
Loans given	**97,375**	96,062
Trade and other receivables	**1,871,495**	969,352
Deposits	**131,402**	27,928
Cash and cash equivalents	**500,651**	90,907
	2,600,923	1,184,249

33. FINANCIAL INSTRUMENTS – RISK MANAGEMENT (continued)

The maximum exposure to credit risk for trade and related party receivables at the reporting date by geographic regions:

	31 December 2020	31 December 2019
	HRK'000	HRK'000
Domestic	**292,310**	277,329
Foreign	**1,549,721**	558,699
	1,842,031	836,028

Receivables from companies of systematic importance on 31 December 2020 include net trade receivables for sold goods of HRK 19,679 thousand from customers under the regulation of Law for the Extraordinary Administration for Companies with Systematic Importance for the Republic of Croatia. The Company has a right to collect receivables if certain performance indications of Konzum plus d.d. are achieved, and which are based on available financial information for 2018 achieved.

Impairment losses

The ageing of gross trade and related party receivables at the reporting date was:

	31 December 2020	31 December 2019
	HRK'000	HRK'000
Not due	**1,348,719**	744,057
Due 0 to 60 days	**484,091**	77,346
Due 61 to 180 days	**4,513**	11,346
Due 180 to 365 days	**1,983**	2,134
Due more than 365 days	**2,725**	1,145
	1,842,031	836,028

Movement in expected credit losses of financial assets is as follows:

	31 December 2020	31 December 2019
	HRK'000	HRK'000
As at 1 January	**5,484**	5,824
Increase in impairment	**1,722**	5,466
Write off	**-**	(5,806)
Reversal of impairment	**(2,607)**	-
As at 31 December	**4,599**	5,484

33. FINANCIAL INSTRUMENTS – RISK MANAGEMENT (continued)

Liquidity risk

The following are contractual maturities of Group's financial assets:

31 December 2020	Carrying amount	Contractual cash flows	Until 1 year	1 to 5 years
	HRK'000	HRK'000	HRK'000	HRK'000
Non-derivative financial assets				
Loans given	76,035	**78,316**	78,316	-
Trade and other receivables	2,095,491	**1,866,896**	1,863,002	3,894
	2,171,526	**1,945,212**	**1,941,318**	**3,894**

31 December 2019	Carrying amount	Contractual cash flows	Until 1 year	1 to 5 years
	HRK'000	HRK'000	HRK'000	HRK'000
Non-derivative financial assets				
Loans given	95,774	**98,653**	98,653	-
Trade and other receivables	1,139,091	**1,141,293**	1,124,509	16,784
	1,234,865	**1,239,946**	**1,223,162**	**16,784**

The following are contractual maturities of Group's financial liabilities

31 December 2020	Carrying amount	Contractual cash flows	Until 1 year	1 to 5 years	More than 5 years
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Non-derivative financial liabilities					
Borrowings	838,495	**1,020,875**	552,552	297,979	170,344
Trade and other payables	1,352,783	**1,353,366**	1,350,476	2,040	850
	2,191,278	**2,374,241**	**1,903,028**	**300,019**	**171,194**

31 December 2019	Carrying amount	Contractual cash flows	Until 1 year	1 to 5 years	More than 5 years
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Non-derivative financial liabilities					
Borrowings	422,234	**493,049**	195,156	150,776	147,117
Trade and other payables	697,294	**697,294**	697,294	-	-
	1,119,528	**1,190,343**	**892,450**	**150,776**	**147,117**

33. FINANCIAL INSTRUMENTS – RISK MANAGEMENT (continued)

Currency risk

The Group is exposed to foreign currency risk on purchases and sales, deposits, loans given and borrowings that are denominated in a currency other than the Kuna. The currency giving rise to this risk are primarily EUR, USD and HUF. During 2020 and 2019, the Group used derivative instruments (forward contracts) for hedging an exposure to currency risk of changes in Euro and American dollar. Gain from derivative instruments is presented under finance income in note 11.
The following significant exchange rates in comparison to the Croatian kuna applied during the year:

	Average rate		Rate at reporting date	
	2020	2019	**2020**	2019
EUR	**7.53**	7.41	**7.54**	7.44
100 RSD	**6.47**	6.26	**6.47**	6.26
100 HUF	**2.15**	2.28	**2.07**	2.25
BAM	**3.85**	3.79	**3.85**	3.81

The exposure to foreign currency risk is as follows:

	Currency			
31 December 2020	**EUR**	**HUF**	**RSD**	**BAM**
	HRK'000	**HRK'000**	**HRK'000**	**HRK'000**
Cash and cash equivalents	311,205	11,638	3,620	2,006
Derivative financial assets	754,858	-	-	-
Loans given	3,268	-	-	-
Trade and other receivables	1,514,154	18,855	-	15,109
Deposits	112,785	9,254	-	13
Derivative financial liabilities	737,783	-	-	-
Trade and other payables	(913,711)	(5,170)	(161)	(9,185)
Borrowings	(252,179)	-	(1,521)	-
	2,268,163	**34,577**	**1,938**	**7,943**

33. FINANCIAL INSTRUMENTS – RISK MANAGEMENT (continued)

The exposure to foreign currency risk is as follows:

	Currency		
31 December 2019	**EUR**	**RSD**	**HUF**
	HRK'000	**HRK'000**	**HRK'000**
Cash and cash equivalents	66,787	51	6,029
Derivative financial assets	758,016	-	-
Trade and other receivables	566,402	-	35,895
Deposits	23,281	-	3,702
Derivative financial liabilities	(732,328)	-	-
Trade payables	(675,077)	(182)	(11,189)
Borrowings	(163,372)	-	-
	(156,291)	**(131)**	**34,437**

The strengthening of EUR by 1% in relation to kuna at the reporting date would have increased result of the Group before tax by HRK 22,682 thousand (2019: decreased by HRK 1,563 thousand). This analysis assumes that all other variables, in particular interest rates, remain constant. A 1% percent weakening of EUR against the kuna at reporting date would have had the equal but opposite effect on equity and result, on the basis that all other variables remain constant.

The strengthening of HUF by 1% in relation to kuna at the reporting date would have increased result of the Group before tax by HRK 345 thousand (2019: HRK 344 thousand). This analysis assumes that all other variables, in particular interest rates, remain constant. A 1% percent weakening of HUF against the kuna at reporting date would have had the equal but opposite effect on equity and result, on the basis that all other variables remain constant.

The strengthening of RSD by 1% in relation to kuna at the reporting date would have increased result of the Group before tax by HRK 19 thousand (2019: decreased HRK one thousand). This analysis assumes that all other variables, in particular interest rates, remain constant. A 1% percent weakening of RSD against the kuna at reporting date would have had the equal but opposite effect on equity and result, on the basis that all other variables remain constant.

The strengthening of BAM by 1% in relation to kuna at the reporting date would have increased result of the Group before tax by HRK 79 thousand. This analysis assumes that all other variables, in particular interest rates, remain constant. A 1% percent weakening of BAM against the kuna at reporting date would have had the equal but opposite effect on equity and result, on the basis that all other variables remain constant.

33. FINANCIAL INSTRUMENTS – RISK MANAGEMENT (continued)

Interest rate risk

Interest rate risk sensitivity analysis

The Group is exposed to interest rate risk as it borrows funds at variable and fixes interest rates. Secured bank loans that are agreed with variable interest rates and given loans with variable interest rate expose the Group to interest rate risk. As at reporting date, financial instruments were categorised based on interest rate risk as follows:

	31 December 2020	31 December 2019
	HRK'000	HRK'000
Instruments with fixed interest rate		
Non-secured bank loans	**(11,256)**	(6,282)
Secured bank loans	**(292,825)**	-
	(304,081)	(6,282)
Instruments with variable interest rate		
Loans given	**97,375**	96,062
Non-secured bank loans	**(23,918)**	(1,500)
Secured bank loans	**(405,529)**	(258,517)
	(332,072)	(163,955)

At 31 December 2020, if variable interest rates on loans given had been higher by 1%, with all other variables held constant, the profit before tax would have been HRK 760 thousand higher (2019: HRK 750 thousand). At 31 December 2020, if interest rates on secured bank loans had been lower by 1%, with all other variables held constant, the profit before tax would have the equal but opposite effect on result before tax.

At 31 December 2020, if variable interest rates on bank loans had been higher by 1%, with all other variables held constant, the profit before tax would have been HRK 7,920 thousand lower (2019: HRK 3,110 thousand). At 31 December 2020, if interest rates on secured bank loans had been lower by 1%, with all other variables held constant, the profit before tax would have the equal but opposite effect on result before tax.

Capital risk management

Capital risk management is conducted in a way that ensures a going concern of the Group while maximising return to shareholders through optimization of debt to equity balance.

The equity structure of the Group consists of share capital, reserves and retained earnings.

The Company manages the capital and for the purpose of proper capital structure, in accordance with the economic conditions on the market, decides if the retained earnings should be distributed to shareholders, wheather to increase or decrease the capital, etc.

Risk of specific instruments

Forward currency contracts

The Group makes forward contracts in foreign currency to hedge against foreign currency risk and meet its foreign currency obligations. The forward contract in foreign currency is a contract between two parties that obligates them to exchange different currencies based on a predetermined exchange rate and on a predetermined future date.

Forward contracts in foreign currency result in exposure to market risk, due to the changes of foreign currency exchange rate, which is related to the contract amounts. The market risk appears because of the possibility of exchange rate changes. Forward contracts with a positive fair value result in credit exposure towards the contract's counterparty.

The nominal amounts represent corresponding reference amounts of foreign currency on which the fair values of forward contracts that the Group trades are based. While the nominal amounts of forward contracts do not represent the present fair value of the contracts and, therefore, they do not necessarily indicate the future cash flows of forward contracts that the Group owns, the corresponding price changes, resulting from variables specified by nominal amounts, influence the fair value of these financial instruments.

At 31 December 2020 and 31 December 2019, the Group did not had significant exposure to forward contracts.

Future contracts

The Group uses future contract for long and short position exposure to base assets. Base asset of futures are market indexes of natural gas for purchase and sale of gas. Future contracts are settled in cash (cash delivery) that is exposed to changes of base assets on a specific future dates. Purchase of future contracts (long position) neutralises exposure to Group to both positive and negative changes of price of base assets. Sale of future assets (short position) neutralises both positive and negative changes of price of base assets.

Changes of market value of future contracts are recognised as a gain or loss from financial instruments.

34. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Management has made the following judgements, a part from those involving estimates, which have the most significant effect on the amounts recognised in the financial statements:

Classification of financial assets and liabilities

The accounting policies represent a framework under which the Group's assets and liabilities are initially classified into different accounting categories. In classifying the financial assets and liabilities, the Group considers whether they meet the definition of assets and liabilities held for trading, as provided in note 3: Financial instruments.

Fair value measurement

Some of the Group's financial instruments are measured at fair value and it is usually possible to determine their fair values within a reasonable range of estimates.

Determination of the fair value of financial assets and liabilities, for which market price is not available, requires the use of valuation models. For financial instruments that are rarely traded and have non transparent price, the fair value is less objective and requires a different degree of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the individual instrument.

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective by nature and involve uncertainties and matters that significantly depend on judgments, such as interest rates, volatility, and estimated cash flows, and therefore cannot be determined with complete accuracy. The Company measures fair value based on the fair value hierarchy as explained in note 4: Fair value.

34. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Trade and other receivables

The Management uses judgement in estimating impairment of trade and other receivables. The Group assesses changes in credit risk of trade receivables for initial recognition until a reporting date for estimation of collectability of trade receivables.

Loans given

The Management uses judgement in estimating impairment of loans given. The Group assesses changes in credit risk of loans given for initial recognition until a reporting date for estimation of collectability of loans given.

Income tax

Tax calculations are performed based on the Company's interpretation of current tax laws and regulations. These calculations which support the tax return may be subjected to review and approval by the local tax authorities.

Impairment of investments

The Company annually performs impairment tests for investments in associates and joint ventures where indications exist, based on the results of a static analysis of the Company's exposure compared to the net assets of associates and joint ventures. For investments identified as such, the Company estimates the recoverable amount and compares it with the carrying amount. As a result of the impairment tests performed, except from impairments disclosed in note 10 and note 16, the Company believes that no indications for impairment of inventments in associates and joint ventures exists.

Impairment of goodwill

The Company annually performs impairment tests for goodwill recognised on acquisition of subsidiaries. Recoverable cash generated unit is analysed based on calculation of value in use. As a result of the impairment tests performed, the Company believes that no indications for impairment of goodwill.

Impairment of property, plant and equipment

Croatian Energy Regulatory Agency ("CERA") is an organization responsible for development of methodologies related to the price of gas in the public service section and price for distribution.
Under the Act on gas market and Act on the Regulation of Energy Activities, CERA adopted the Methodology for determing tariff items for the gas distribution ("Methodology") which is published in Official Gazette number 48/2018.

34. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

This Methodology determines:

- model for the regulation of energy distribution of gas,
- formula and elements for calculating the allowed revenue of distribution system operators,
- audit procedure of the allowed revenue, tariff items and tariff models,
- methods, elements and criteria for calculating the amount of tariff items and allowed revenue of distribution system operators,
- characteristics and requirements for the establishment of the regulatory account, and methods, elements and criteria for calculation and audit of tariff items in the model of regulatory account,
- the application procedure for the assessment or alteration of the tariff items amount,
- data, documentation and other materials used for calculation and audit of the amount of allowed revenue and tariff items.

The amounts of the tariff items for the gas distribution are determined by the Methodology for determing tariff items for the gas distribution ("Methodology") and the Decision on the amount of the tariff items for the natural gas distribution ("Decision"), set by Croatian Energy Regulatory Agency ("CERA"). The last Decision that CERA took is for duration of the second regulation period from 2018 to 2021 (Official Gazette, 127/18).

The Metodology is based on the method of incentive based regulation-allowed revenue cap method. Revenue-allowed revenue is calculated based on article 9 of Methodology. The amount of current tariff item for a gas distribution based on Methodology does not recover the amount of the gas network in property, plant and equipment during the concession period.

Due to the fact that the Management of the Company has no possibility on determining useful life of a gas network and tariff items for the gas distribution, solely CERA's decisions on the tariff items for the relevant period have a direct impact on the performance of the subsidiary and on the recoverable value of the property, plant and equipment.

Useful life of property, plant and equipment and intangible assets

The Group annualy performs estimated useful life of property, plant and equipment and intangible assets at the end of reporting period. During the year, the Group estimated that there is no change in estimated useful life, except as explained in note 35.

Revenue recognition for contruction contracts

he Group recognizes revenue and expenses from construction contracts based on estimated stage of completion on reporting date what requires a certain level of estimate. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. Contract expenses are recognized as an expense in a period when are incurred. If it is estimated that total contract expenses will be higher than contruction revenue an expected loss on a contract is recognised immediately as an expense.

Provision for warranties

The Group recognised a provision for repairs in warranty period in accordance with contracted amount based on a Construction contracts with customers. Construction projects were finalised during the end of 2018 and as it was not possible to estimate historic costs in warranty period, the Group used a conservative approach to estimate possible expenses for warranties to a total warranty amount agreed with customers. Warranty provisions based on construction contracts amount to HRK 2,206 thousand.

Internally developed intangible assets

The Group has recognized HRK 1,664 thousand of capitalized internally developed software as at 31 December 2020 (31 December 2019: HRK 1,664 thousand). The Group estimated that this software can be recognized as an intangible assets as following conditions have been met:

- The Group has adequate technical feasibility of completing the software so that it will be available for use or sale;
- Market for purchase and use of sotware exist;
- Technical and financial resources to complete development of software and to use or sale are adequate;
- Expenditure attributable to the software during its development can be reliably measured.

35. CORRECTION OF PRIOR PERIOD ERRORS

In previous years, the Group depreciated the gas network in accordance with the regulations prescribed in Article 11 of the Methodology for a period of 35 years. This was not in accordances with the expected duration of the concession period for the gas network, but the Group complied with the rules because the subsidiary performed energy activities in the form of public services (regulated activity). In order to correct this inconsistency between legislation and accounting policies, the Group has made an estimation of the life of the gas network in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and has adjusted the useful life to the duration of the concession.

Impact of adjustments on the consolidated financial position of the Group is shown below:

1 January 2019		**Reclassification**	
thousand HRK	**As previously reported**	**Adjustments**	**As restated**
Property, plant and equipment	124,097	(20,347)	**103,750**
Total	**124,097**	**(20,347)**	103,750
Retained earnings	469,153	(20,347)	**448,806**
Total	**469,153**	**(20,347)**	**448,806**

31 December 2019		**Reclassification**	
thousand HRK	**As previously reported**	**Adjustments**	**As restated**
Property, plant and equipment	337,292	(18,652)	**318,640**
Total	**337,292**	**(18,652)**	318,640
Retained earnings	619,581	(18,652)	**600,929**
Total	**619,581**	**(18,652)**	**600,929**

The impact of the adjustments on the Group's consolidated financial result is set out below:

2019		**Reclassification**	
thousand HRK	**As previously reported**	**Adjustments**	**As restated**
Depreciation	(62,817)	1,695	**(61,122)**
Profit after tax	**279,911**	**1,695**	**281,606**
Total comprehensive income	**280,147**	**1,695**	**281,842**

36. OFF-BALANCE SHEET ITEMS

Issued guarantees

As at 31 December 2020, the Group had issued bank guarantees as part of regular operations of EUR 58,480 thousand and HRK 39,517 thousand and HUF 850,000 thousand (31 December 2019: EUR 46,218 thousand and HRK 55,426 thousand).

37. CAPITAL COMMITMENTS

As at 31 December 2020 and 31 December 2019, the Group had no contracted capital commitments.

38. EVENTS AFTER REPORTING DATE

During the 2021, the Company incorporated subsidiary ENNA Opskrba d.o.o. and sold the subsidiaries ENNA Biomasa Vukovar d.o.o. and Eko Reci Krug d.o.o.
Subsidiary ENNA Fruit d.o.o. founded ENNA Farms d.o.o. and ENNA Fruit d.o.o., Serbia during 2021.
During 2021, the Company acquired additional shares in Luka Ploče d.d. and increased shareholding to 38.27%.
In March 2020 were brought extraordinary measures due to a global pandemic of a COVID-19 virus. The Group can not quantify effect of pandemic on future operations of the Group. A most significant activity of Group is import and trade of natural gas where Group can modify purchases and sales based on changed market conditions (based on increased or decreased demand). Railways transport activities are increased due to transfer of part of transport to railways and due to easier transportation of cargo train due to stoppage of passenger trains. The Group also conducts all measures that a credit risk is minimised.