

**ENERGANA BENKOVAC d.o.o.**  
**Poslovno industrijska zona Šopot br. 28,**  
**Šopot (Grad Benkovac)**

**Financial Statements and**  
**Independent Auditor's Report**  
**for the Year Ended 31 December 2021**

**ENERGANA BENKOVAC d.o.o., Grad Benkovac**

**Financial Statements and  
Independent Auditor's Report  
for the Year Ended 31 December 2021**

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## MANAGEMENT REVIEW OF BUSINESS OPERATIONS IN 2021

During 2021, the company ENERGANA BENKOVAC very successfully implemented the activities planned in the business plan.

In addition to the financial indicators presented below, a significant indicator of successful operations is the total electricity produced, which in 2021 amounted to 44,614,960.00 kWh, of which 41,174,231.00 kWh was delivered to the distribution network, which is for 5.24% more than planned. During 2021, a total of 8,464.99 operating hours of the power plant were achieved, ie 4.5% more than planned. The amount of biomass consumed is 62,874.55 tons.

Last year, a permit was obtained from the Croatian Energy Regulatory Agency to perform the energy activity of heat supply. In the second half of the year, the company started delivering thermal energy to contracted partners.

Despite the daily challenges, with clear goal setting and employee commitment, another successful year for the company was achieved.

### 1. BASIC INFORMATION ABOUT THE COMPANY

Company ENERGANA BENKOVAC limited liability company for energy production ("Company") based in Šopot (City of Benkovac), Business and Industrial Zone Šopot no. 28, was established on December 4, 2015 by the Declaration of Establishment. The Company is registered in the Commercial Court in Zadar under the registration number of the subject MBS 081004454, OIB 39497681306. The share capital of the Company amounts to HRK 1,520,000, and represents the role of the founder and owner of the Company.

According to the National Classification of Activities (NKD 2007), issued by the Central Bureau of Statistics, the Company's core business is 35.11 - Electricity production.

#### Activities

The main activities of the Company are:

- ▣ design and construction of buildings and professional construction supervision
- ▣ professional spatial planning activities
- ▣ buying and selling goods
- ▣ performing trade mediation on the domestic and foreign markets
- ▣ Representation of foreign companies
- ▣ business and management consulting
- ▣ electricity production
- ▣ transmission of electricity
- ▣ electricity distribution
- ▣ electricity supply
- ▣ organizing the electricity market
- ▣ electricity trade
- ▣ heat production
- ▣ distribution of thermal energy
- ▣ heat supply
- ▣ activity of the buyer of thermal energy
- ▣ biofuel production
- ▣ forest management
- ▣ production, placing on the market or import of forest reproductive material
- ▣ activity of public road transport of passengers or cargo in internal road traffic
- ▣ freight transport in domestic and international road transport
- ▣ transport for own needs
- ▣ wood processing, manufacture of wood and cork products, except furniture, manufacture of articles of straw and plaiting materials
- ▣ biomass production
- ▣ energy production
- ▣ energy transfer
- ▣ energy storage
- ▣ energy distribution
- ▣ management of energy facilities
- ▣ energy supply
- ▣ energy trade and
- ▣ organizing the energy market

## Bodies of the Company

The company has a company assembly and management.

The Assembly of the Society consists of GEEN CJ a.s., Czech Republic - the only member of the Society.

The Management Board of the Company during 2021 consisted of:

Aleš Mokry - member of the Management Board, represents the Company individually and independently, from 15.05.2020. years. until 13.05.2021;

Aleš Mokry - President of the Management Board, represents the Company individually and independently, from 25.11.2020. years until 13.05.2021;

Božo Šparelić - member of the Management Board, represents the company with another member of the Management Board or the President of the Management Board, from 25.11.2020. years;

Romeo Čerina - member of the Management Board, represents the company with another member of the Management Board or the President of the Management Board, from 25.11.2020. years;

Filip Varhol - President of the Management Board, represents the Company individually and independently, from 13.05.2021. to 04.01.2022. years;

Aleš Mokry - President of the Management Board, represents the Company individually and independently, from 04.01.2022. years.

## Organization and workers

As of December 31, 2021, the Company employed 18 employees.

## 2. FINANCIAL INDICATORS AND ACHIEVED RESULT

In the period from 1 January to 31 December 2021, the Company generated total revenues in the amount of HRK 61,682,300 (down 3.61% compared to the previous year) and total expenses in the amount of HRK 48,048,192 (down 13.12%) compared to the previous year). Based on the difference between income and expenses, the profit before tax was realized in the amount of HRK 13,634,108 (an increase of 56.98% compared to the previous year). The income tax liability for 2021 amounts to HRK 2,671,654. Net profit for 2021 amounts to HRK 10,962,454 (an increase of 61.09% compared to the previous year).

### 2.1. REVENUES

In 2021, revenues amounted to HRK 61,682,300, which is 3.61% less than in the previous year.

Operating revenues, in the amount of HRK 60,897,348, consist of revenues from the sale of electricity (97.51% of total revenues), revenues from the supply of thermal energy (0.80%), revenues from leases (0.27%), and other revenues 0.15%), and participate in the structure of total revenues with 98.73%

The Company has only one customer for the supply of electricity, HROTE - Croatian Energy Market Operator d.o.o.

Financial income participates in the structure of total income 1.27%, and in 2021 it consisted of interest income (HRK 400,823), foreign exchange gains (HRK 383,210) and other financial income (HRK 919).

## 2.2. TOTAL EXPENDITURES

In 2021, total expenditures amounted to HRK 48,048,192, which is 13.12% less than the previous year.

In the structure of total expenditures, the most significant are material costs (59.43%), which in 2021 amounted to HRK 28,554,308, which is 6.57% less than the previous year.

Staff costs amounted to HRK 2,426,952 (5.05%), which is 11.01% more than the previous year.

Depreciation amounted to HRK 10,443,265 (21.73% of total expenses), which is 1.34% more than in the previous year.

Other expenses in 2021 amounted to HRK 878,438 (1.83%), which is 13.76% more than in the previous year.

Other operating expenses amounted to HRK 105,009 (0.22% of total expenses).

Financial expenses amounted to HRK 5,640,220 (11.74% of total expenses), and decreased by 50.86% compared to the previous year.

## 3. SIGNIFICANT INVESTMENTS IN 2021 AND FUTURE ACTIVITIES

In 2021, among the company's most significant investments are the expansion of the dry wood chip warehouse, the upgrade of the transport line to dryers, investment in software and investment in employee education.

In order to expand business and future investments, land was purchased on the neighbouring plot on which the construction of new plants is planned.

## 4. RISK MANAGEMENT

### CURRENCY RISK

Currency risk is the risk that the value of financial instruments will change due to changes in exchange rates. The Company is exposed to changes in the value of EUR, as liabilities on loans and credit received by the bank are denominated in EUR.

Therefore, the Company is exposed to currency risk arising from changes in the EUR exchange rate and may affect future business results and cash flows. In this part, the Company does not use derivative instruments for active hedging against currency risk exposure.

### INTEREST RATE RISK

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates relative to interest rates applicable to financial instruments. The Company has no long-term liabilities with a variable interest rate, and as a result there is no exposure to interest rate risk.

#### CREDIT RISK

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. Financial assets that could potentially expose the Company to credit risk include cash and trade receivables. Receivables from customers are stated according to the customer HROTE d.o.o., and no difficulties in collection are expected. Therefore, there is no additional risk for the collection of receivables from customers. There is no additional credit risk for settling the Company's short-term liabilities that would increase the value of provisions.

#### LIQUIDITY RISK

Liquidity risk, also called financing risk, is the risk that the Company will face difficulties in obtaining funds to meet its obligations under financial instruments. The Company's short-term liabilities maturing in 2022 are covered by current assets. Managing this risk comes down in part to reconciling inflows from electricity sales and liabilities for loans, borrowings and to suppliers. No increase in liquidity risk is expected in the coming period.

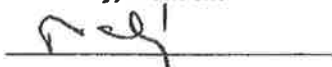
The reduction in liquidity may be affected by the COVID-19 pandemic, whose negative impact in 2021 was significantly less than in 2020, but also the Russian-Ukrainian war.

#### 5. ENVIRONMENTAL PROTECTION AND MEASURES TAKEN


The company annually conducts all necessary controls and tests of authorized organizations so that the results of flue gas emissions are in line with European standards and according to the requirements of the Environmental Protection Agency. The measurement results are regularly submitted to the competent agencies and confirm that all environmental impacts are below the permitted limits.

Benkovac, May 12, 2022

Aleš Mokry, President of the Management Board



Božo Šparelić, Member of the Management Board



Romeo Čerina, Member of the Management Board



ENERGANA BENKOVAC d.o.o.  
ŠOPOT  
OIB:39497681306

## **INDEPENDENT AUDITOR'S REPORT**

**To the Owners of the company ENERGANA BENKOVAC d.o.o., Šopot (Grad Benkovac)**

**Report on the Audit of the Annual Financial Statements**

### **Opinion**

We have audited the enclosed annual financial statements of ENERGANA BENKOVAC d.o.o., Šopot (Grad Benkovac), Poslovno industrijska zona Šopot br. 28 ("the Company") for the year ended 31 December 2021, the Income statement, the Statement of changes in equity and the Cash flows statement for the year then ended, and the accompanying Notes to the financial statements including a summary of significant accounting policies and other explanations.

In our opinion, the accompanying annual financial statements, give a true and fair view of the financial position of the Company as at 31 December 2021, and of the financial performance and the cash flows of the Company for the year then ended in accordance with the Accounting Act and the Croatian Financial Reporting Standards (the "HSFI").

### **Basis for Opinion**

We conducted our audit in accordance with Accounting act, Auditing 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 annual financial statements section of our Independent Auditor's report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.0

### **Responsibilities of the Management Board and those charged with governance for the annual financial statements**

The Management Board is responsible for the preparation of annual financial statements that give a true and fair view in accordance with CFRS and for such internal control as the Management Board determines is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the Management Board is responsible for evaluation of the Company'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 the Management Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

### **Responsibilities of the Auditor for the Audit of the annual financial statements**

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Independent Auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but it 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 group, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

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

- Identify and assess the risks of material misstatement of the annual 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of the Management's Board 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 determine significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Independent Auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Independent Auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

**Report on Compliance with Other Legal or Regulatory Requirements**

The Management Board is responsible for the preparation of annual financial statements for the year ended 31 December 2021 in prescribed form based on the Statute of structure and content of annual Financial Statements (Official Gazette 95/16,144/20) and in accordance with other regulations governing the operations of the Company ("Standard annual financial statements"). Financial information presented in Company's standard annual financial statements are in accordance with the information presented in the Company's annual financial statements given on pages 5 to 37 on which we expressed our opinion as stated in the Opinion section above.

In Zagreb, May 12<sup>th</sup> 2022

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



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Vedrana Stipić, Member of the  
Management Board



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Vlatka Rukavina, Certified Auditor



BDO Croatia d.o.o.  
Zagreb, Radnička cesta 180  
OIB: 76394522236

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## ENERGANA BENKOVAC d.o.o., Šopot (Grad Benkovac)

Income Statement  
for the year ended 31 December 2021

	<i>Note</i>	2021 (HRK)	2020 (HRK)
<b>OPERATING INCOME</b>			
Sales income	4.1.	60,640,678	59,923,840
Other income	4.1.	256,670	488,639
<b>Total operating income</b>		<b>60,897,348</b>	<b>60,412,479</b>
<b>OPERATING EXPENSES</b>			
Material and service cost	4.3.	(28,554,308)	(30,563,804)
Employees costs	4.4.	(2,426,952)	(2,186,184)
Depreciation	4.5.	(10,443,265)	(10,305,092)
Other expenses	4.6.	(878,438)	(772,207)
Other operating expenses	4.7.	(105,009)	-
<b>Total operating expenses</b>		<b>(42,407,972)</b>	<b>(43,827,287)</b>
<b>NET OPERATING RESULT</b>			<b>16,585,192</b>
<b>FINANCIAL INCOME</b>	4.2.	<b>784,952</b>	<b>3,577,081</b>
<b>FINANCIAL EXPENSES</b>	4.8.	<b>(5,640,220)</b>	<b>(11,477,119)</b>
<b>NET FINANCIAL RESULT</b>		<b>(4,855,268)</b>	<b>(7,900,038)</b>
<b>TOTAL REVENUES</b>		<b>61,682,300</b>	<b>63,989,560</b>
<b>TOTAL EXPENSES</b>		<b>(48,048,192)</b>	<b>(55,304,406)</b>
<b>Profit before taxes</b>		<b>13,634,108</b>	<b>8,685,154</b>
Corporate Income tax	4.9.	(2,671,654)	(1,879,810)
<b>PROFIT FOR THE YEAR</b>		<b>10,962,454</b>	<b>6,805,344</b>

The accompanying notes are integral part of these financial statements.

## ENERGANA BENKOVAC d.o.o., Šopot (Grad Benkovac)

Statement of Financial position  
for the year ended 31 December 2021

	<i>Note</i>	<b>Dec 31<sup>st</sup> 2021</b> (HRK)	<b>Dec 31<sup>st</sup> 2020</b> (HRK)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	5	2,348,125	3,767,503
Tangible assets	6	109,657,633	114,426,502
Financial assets	7	21,281,987	20,297,639
<b>Total non-current assets</b>		<b>133,287,745</b>	<b>138,491,644</b>
<b>Current assets</b>			
Inventories	8	1,557,937	3,129,301
Trade receivables	9	5,925,346	6,663,692
Receivables from the State and other institutions	10	1,317,057	27,700
Receivables from Employees	11	1,000	1,000
Other receivables	12	1,234,040	1,225,956
Current financial assets	13	113,616	113,616
Cash	14	6,196,780	9,135,950
<b>Total current assets</b>		<b>16,345,776</b>	<b>20,297,215</b>
<b>Accrued income and deferred charges</b>	15	<b>1,159,395</b>	<b>1,291,015</b>
<b>TOTAL ASSETS</b>		<b>150,792,916</b>	<b>160,079,874</b>

The accompanying notes are integral part of these financial statements.

## ENERGANA BENKOVAC d.o.o., Šopot (Grad Benkovac)

Statement of Financial position  
for the year ended 31 December 2021

	<i>Note</i>	<b>Dec 31<sup>st</sup> 2021</b> (HRK)	<b>Dec 31<sup>st</sup> 2020</b> (HRK)
<b>CAPITAL AND LIABILITIES</b>			
<b>Capital</b>			
Share capital	16	1,520,000	1,520,000
Capital reserves		3,837,709	3,837,709
Accumulated loss	16	4,078,994	(2,726,350)
Profit for the year		10,962,454	6,805,344
<b>Total capital</b>		<b>20,399,157</b>	<b>9,436,703</b>
 <b>Financial liabilities</b>	 17	 111,678,110	 131,410,330
<b>Short-term liabilities</b>			
Loans from banks	19	9,753,898	9,425,473
Accounts payables	18	5,192,420	7,294,350
Liabilities to employees	20	210,424	140,259
Taxes and contributions	21	2,891,190	1,965,900
Other payables	22	406,859	406,859
<b>Total short-term liabilities</b>		<b>18,454,791</b>	<b>19,232,841</b>
 Deferred payment of expenses and income of the future period		 260,858	 -
 <b>TOTAL CAPITAL AND LIABILITIES</b>		 <b>150,792,916</b>	 <b>160,079,874</b>

The accompanying notes are integral part of these financial statements.

**ENERGANA BENKOVAC d.o.o., Šopot (Grad Benkovac)**

**Statement of changes in equity  
for the year ended 31 December 2021**

DESCRIPTION	Subscribed capital	Reserves	Retained earnings / Retained losses	Profit for the year	Total
	HRK			HRK	HRK
<b>Balance as at 31 December 2019</b>	<b>1,520,000</b>	<b>3,837,709</b>	<b>(3,982,600)</b>	<b>1,256,250</b>	<b>2,631,359</b>
Transfer	-	-	1,256,250	(1,256,250)	-
Profit for the year	-	-	-	-	-
<b>Balance as at 31 December 2020</b>	<b>1,520,000</b>	<b>3,837,709</b>	<b>(2,726,350)</b>	<b>6,805,344</b>	<b>9,436,703</b>
Transfer	-	-	6,805,344	(6,805,344)	-
Profit for the year	-	-	-	10,962,454	10,962,454
<b>Balance as at 31 December 2021</b>	<b>1,520,000</b>	<b>3,837,709</b>	<b>4,078,994</b>	<b>10,962,454</b>	<b>20,399,157</b>

## ENERGANA BENKOVAC d.o.o., Šopot (Grad Benkovac)

Statement of cash flows  
for the year ended 31 December 2021

Description	2021 HRK	2020 HRK
<b>Cash flow from operating activities</b>		
Cash inflows from customers	69,593,152	66,494,282
Cash inflows from tax refunds	-	1,889,220
Other cash inflows from operating activities	41,673	341,027
<b>I. Total cash flow from operating activities</b>	<b>69,634,825</b>	<b>68,724,529</b>
Cash payments for suppliers	(34,060,783)	(36,742,987)
Cash outflows for employees	(1,790,091)	(1,705,842)
Cash outflows for insurance damages covers	(253,974)	(350,773)
Cash outflows for interests	(3,347,681)	(2,666,019)
Tax paid	(2,774,509)	(2,851,300)
Other cash outflows from operating activities	(3,993,199)	(3,117,056)
<b>II. Total cash flow from operating activities</b>	<b>(46,220,237)</b>	<b>(47,433,977)</b>
<b>A) NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>23,414,588</b>	<b>21,290,552</b>
<b>Cash flows from investing activities</b>		
Cash inflows from repayment of loans and savings deposits	-	86,000
<b>II. Total cash inflows from investing activities</b>	<b>-</b>	<b>86,000</b>
Cash outflows for the purchase of tangible and intangible fixed assets	(3,517,288)	(2,739,618)
Cash outflows based on loans and savings deposits	(1,502,680)	(8,845,074)
<b>III. Total cash outflows from investing activities</b>	<b>(5,019,968)</b>	<b>(11,584,692)</b>
<b>B) NET CASH FLOWS FROM INVESTMENT ACTIVITIES</b>	<b>(5,019,968)</b>	<b>(11,498,692)</b>
<b>Cash flows from financing activities</b>		
Cash receipts from principal of loans, borrowings and other borrowings	-	4,693,085
<b>IV. Total cash receipts from financial activities</b>	<b>-</b>	<b>4,693,085</b>
Cash outflows for repayment of principal of loans, borrowings and others borrowing and debt financial instruments	(21,333,790)	(8,261,583)
<b>V. Total cash outflows from financing activities</b>	<b>(21,333,790)</b>	<b>(8,261,583)</b>
<b>C) NET CASH FLOWS FROM FINANCIAL ACTIVITIES</b>	<b>(21,333,790)</b>	<b>(3,568,498)</b>
<b>D) NET INCREASE OR DECREASE IN CASH FLOW</b>	<b>(2,939,170)</b>	<b>6,223,362</b>
<b>E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>58</b>	<b>2,912,588</b>
<b>F) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>6,196,780</b>	<b>9,135,950</b>

**1. GENERAL**

**1.1. Legal framework, activities and employees**

The Company ENERGANA BENKOVAC limited liability company for energy production ("the Company") based in Šopot (Grad Benkovac), Poslovno industrijska zona Šopot br. 28, was established on December 4<sup>th</sup> 2015 by the Statements of Establishment. The company is registered in the Commercial Court in Zadar under the registration number of the subject MBS 081004454, PIN 39497681306.

The Company's subscribed capital is stated in amount of HRK 1,520,000 and represents stake of the founder and owner of the Company.

The principal activities of the Company refer to the following:

- design and construction of buildings and professional supervision of construction
- professional spatial planning activities
- purchase and sale of goods
- performing trade mediation on the domestic and foreign markets
- representation of foreign companies
- business and management consulting
- production of electricity
- electricity transmission
- electricity distribution
- electricity supply
- organization of the electricity market
- electricity trade
- heat production
- distribution of thermal energy
- heat supply
- activity of the buyer of thermal energy
- biofuel production
- forest management
- production, placing on the market or import of forest reproductive material
- activity of public road transport of passengers or cargo in internal road traffic
- freight transport in domestic and international road transport
- transport for own needs
- manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials
- biomass production
- energy production
- energy transfer
- energy storage
- energy distribution
- management of energy facilities
- energy supply
- energy trade and
- organizing the energy market

**1.1. Legal framework, activities and employees (continued)**

As at December 31st 2021 the Company employed 18 employees (as at December 31st 2020, 17 employees).

**1.2. Company Profile**

**General Assembly**

General Assembly is the highest body of the Company and consists of one member:

GEEN CJ a.s., Czech Republic, member of the Company

**Management Board**

The Management Board of the Company during 2021 consists of:

Aleš Mokrý - member of the Management Board, represents the Company individually and independently, appointed by the decision of the members of the Company on 15.05.2020. Revoked by the decision of the members of the Company on May 13, 2021.

Aleš Mokrý - President of the Management Board, represents the Company individually and independently, appointed by the decision of the members of the Company on 25.11.2020. Revoked by the decision of the members of the Company on May 13, 2021

Božo Šparelić - member of the Management Board, represents the Company with another member of the Management Board or the President of the Management Board, appointed by the decision of the members of the Company on 25.11.2020.

Romeo Čerina - member of the Management Board, represents the Company with another member of the Management Board or the President of the Management Board, appointed by the decision of the members of the Company on 25.11.2020.

Filip Varhol - President of the Management Board, represents the Company individually and independently, appointed by the decision of the members of the Company on 13.05.2021. Revoked by the decision of the members of the Company from 04.01.2022.

## **2. BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS**

### **2.1. Compatibility statements and basis for presentation**

Financial statement of the Company that ended December 31st 2021 are prepared in accordance with the Accounting Law (OG 78/15, 134/15, 120/16, 116/18, 42/20, 47/20) and the Croatian Financial Reporting Standards ("CFRS") (OG 86/15,105/20,09/21) issued by the Committee for Financial Reporting Standards nominated by Government of the Republic of Croatia, and in accordance with the Regulations on the structure and content of the annual financial statements (OG 95/16,144/20).

### **2.2. Basis for preparation**

The financial statements are compiled by applying basic accounting assumptions of occurrence of an event by which the effects of transactions are noted when they happened and are shown in the financial statements in the correct period also by applying the basic accounting assumptions of unlimited conducting of business.

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

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

Future events and their inflows could not be predicted with certainty and, following to this, the real results may differ from the estimated. Estimates utilized during preparation of the financial statements are subject to changes by the occurrence of new events, by gathering of additional experience, obtaining of additional information and comprehensions and by a change of environment in which the company operates.

Preparation of the financial statements in accordance with the CFRS requires from management to make judgments, estimates and assumptions that affect the application of policies and the amounts of disclosed assets and liabilities, income and expenses. Key estimates used by the application of accounting policies during preparation of the financial statements relate to depreciation count of long-term tangible and intangible property, value decrease of property, value provision of inventories, value provision of receivables and provisions and the disclosure of potential liabilities.

### **2.4. Reporting currency**

The financial statements of the Company are prepared in HRK as measuring and reporting currency of the Company. As at 31 December 2021, the official exchange rate of the Croatian kuna was HRK 7,517174 for EUR 1 (31 December 2018 HRK 7,536898)

### 3. SUMMARY OF ACCOUNTING POLICIES

Summary of accounting policies applied for preparation of the financial statements is set below. Policies are consistently applied to all the years presented, unless otherwise indicated.

#### Basics of preparation

The financial statements have been prepared under the going concern basis and recognized in the financial statements for the period to which they relate, and using the going concern basis.

#### a) Revenue recognition

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

#### *Revenue from sale of electricity*

Revenue from the sale of electricity is recognized if all major risks and rewards of ownership have been transferred to the buyer, when it is possible to determine reliably the amount of revenue and if it is probable that the electricity will be collected. Revenue is recognized if it is possible to reliably determine the costs incurred or to be incurred in connection with the sale.

#### *Service revenue*

Service revenue is recognized in the period in which the services are carried out, under condition that the amount of revenue can be measured reliably and it is probable that the Company will receive reimbursement for the share of services actually carried out in relation to the total services to be performed.

#### *Interest income*

Interest income is recognized on a time proportional basis using the effective interest rate, so that the actual return on the asset is taken into account. Interest generated by holding assets with commercial banks (demand assets and time deposits) is recognized as income in the current period after they have been accrued. Interest arising from trade receivables is recognized in income on calculation. Interest income is included in finance income in the income statement.

#### *Revenues from sales of products and goods*

Revenue from the sale of products and goods is recognized if all major risks and rewards of ownership of the products and goods have been transferred to the customer, the amount of revenue can be reliably determined, and it is probable that the goods or goods sold will be collected. Also, revenue is recognized if it is possible to reliably determine the costs incurred or to be incurred in connection with the sale.

**3. SUMMARY OF ACCOUNTING POLICIES (continued)****b) Operating expenses**

Operating expenses represent decrease of economic gains in the given time frame in the form of assets outflow or liabilities creation which in turn decreases capital, except for the one which is used for dividends.

The recognition of operating expenses is necessary to comply with the following criteria:

- expenses result in decrease of funds or increase of liabilities that can be reliably measured,
- expenses have direct relation between incurred costs and revenues,
- when it is expected to achieve revenues in more of the following reporting periods, recognition of expenses is performed by allocation on reporting periods,
- expense is immediately recognized in the reporting period when outflow does not achieve future economic benefit, but there are no conditions to be recognized as an asset in balance sheet,
- expense is immediately recognized in the reporting period and when the obligation arose, and no conditions to be recognized as an asset.

Operating expenses consist of material costs, service costs, staff costs, depreciation and value adjustments of fixed and current assets, and other operating expenses covered directly by operating income.

Expenses on the basis of business rent are charged in the income statement for the duration of the rent.

**c) Intangible assets**

Intangible assets are initially stated at acquisition cost. The cost of acquisition of intangible fixed assets at the time of purchase includes acquisition after deduction of trade discounts and rebates, import duties, non-refundable acquisition taxes, and costs that can be directly attributed to the preparation of these assets for their intended use.

Subsequent to initial recognition, intangible assets are measured at cost less accumulated amortization and accumulated impairment losses.

Intangible assets are amortized on a straight-line basis over their estimated useful lives. Amortization on newly acquired intangible assets is calculated from the first day of the month following the commissioning. The principles on amortization of intangible assets are contained in CFR 5 - Non-current intangible assets.

Intangible assets in use consist of a license to use the software and an investment in another's assets.

	2021	2020
	(od - do %)	
Investment in others assets	20	20
Software	50	50

**3. SUMMARY OF ACCOUNTING POLICIES (continued)****d) Tangible assets**

Tangible assets are initially stated at acquisition cost, which includes the purchase price, including import duties and non-refundable taxes, net of trade discounts and rebates, and any costs directly attributable to bringing the asset to its working condition for its intended use.

Tangible assets are recognized if it is probable that future economic benefits that are attributable to the asset will flow to the Company if the cost of the asset can be measured reliably.

Subsequent to initial recognition, an asset is carried at cost less accumulated depreciation and accumulated impairment losses.

Subsequent to initial recognition, an asset whose fair value can be measured reliably is stated at revalued amount, which is its fair value at the date of revaluation less any subsequent impairment and any subsequent accumulated impairment losses. An increase in the value of an asset due to revaluation is granted directly to equity as a revaluation reserve. Revaluation is performed on a regular basis so that the carrying amount does not differ materially from that which would be determined by determining fair value at the balance sheet date.

Costs of current maintenance and repairs, replacements, and small-scale investment maintenance are recognized as an expense in the period in which they are incurred. In situations where it is clear that the costs have resulted in an increase in the future expected economic benefits to be obtained from the use of the asset beyond its originally estimated capacity, they are capitalized or included in the carrying amount of the asset. Gains and losses on disposals of assets are recognized in the income statement in the period in which they arise.

Depreciation of assets begins when the assets are ready for use, i.e. when they are located and, in the conditions, necessary for use. Depreciation of assets ceases when the assets are classified as held for sale. Depreciation is calculated by writing off the cost of each individual asset, except for land and long-term intangible and tangible assets in preparation, over the estimated useful life of the asset using the straight-line method, as follows:

	2021	2020
	(%)	
Buildings	5	5
Technical plants - power plants	7,14	7,14
Equipment	20	20
IT equipment	50	50
Furniture	10	10

Assets under construction include costs directly related to the acquisition or construction of fixed assets, increased by the appropriate amount of the variable and fixed part of the general costs incurred during the acquisition or construction. Depreciation of assets under construction begins when they are ready for use. Costs incurred in replacing the main parts of the Company's equipment, which significantly extend their useful life, are capitalized. Maintenance, replacement or partial replacement costs are recognized as an expense in the period in which they are incurred.

**3. SUMMARY OF ACCOUNTING POLICIES (continued)**

**e) Impairment of tangible and intangible assets**

At each reporting date, the Company checks the carrying amounts of its tangible and intangible assets to determine whether there are any indications that impairment losses have incurred. If there are such indications, the recoverable amount of the asset is estimated to determine any loss incurred by impairment. If it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

The recoverable amount is the greater of the net selling price or the value of the asset in use. For the purposes of estimating the value in use, the estimated future cash flows are discounted to present value using a discount rate before tax that reflects the current market valuation of the time value of the cash and the risks specific to that asset, for which estimates of future cash flows were not aligned.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than the carrying amount, the carrying amount of that asset (the cash-generating unit) is reduced to the recoverable amount. Impairment losses are recognized as an expense immediately unless the asset is land or buildings that are not used as investment property, i.e. investment in real estate in a revalued amount, in which case the impairment loss is recognized as a decrease in the value through revaluation of the asset

In the subsequent reversal of the impairment loss, the carrying amount of the asset (the cash generating unit) increases to the revised estimated recoverable amount of the asset, whereby the higher carrying value does not exceed the carrying amount that would have been determined if there was no recognized loss in previous years. Impairment reversal is immediately recognized as income unless the asset concerned is stated at estimated value, in which case the reversal of the impairment loss is recognized as an increase due to revaluation.

**f) Financial assets**

Financial assets are cash and invested resources, items and the waiver of rights aimed at gaining income and on the date of the Balance Sheet are classified as follows:

- financial assets intended for trading for which its fair value is recognised in the Profit and loss statement;
- investment retained until maturity;
- loans and receivables;
- financial assets prepared for sale for which its fair value is recognised in the principal as a revaluated provision.

**g) Cash**

Cash includes cash at the bank on the foreign currency and HRK giro accounts.

**3. SUMMARY OF ACCOUNTING POLICIES (continued)****h) Receivables**

Receivables are initially measured at their fair value. At each balance sheet date, receivables that are expected to be collected for a period that is longer than one year are expressed at the depreciated cost with the application of the effective interest rate method reduced by losses for impairment costs. Short-term receivables are expressed at the initially recognised nominal value reduced by the relevant amount of value provision for estimated uncollectible amounts and the value decreases.

The value of receivables is decreased, and impairment losses arise only and exclusively if objective evidence exists that the reduced value resulted from certain or more events that arose after the initial recognition of assets, when such an event impacts the estimated future cash flows from receivables which can be reliably determined. At each date of a Balance Sheet /Statement of Financial Position, it is estimated whether objective evidence in respect of a value decrease of a single receivable exists. If objective evidence exists in respect of a value decrease of receivables, the amount of loss is measured as the difference between the net book value and estimated future cash flows. The netbook value of receivables will be decreased directly or by using a separate account of value provision. The amount of a loss is recognised by debiting the Statement of Comprehensive Income for the current year.

**i) Foreign currencies**

The Company's financial statements are presented in the currency of the primary economic environment in which the entity operates or in its functional currency. Non-monetary items denominated in foreign currency are translated using the exchange rates prevailing at the fair value measurement date. Non-monetary items denominated in foreign currencies at the historical the cost is not converted.

Foreign exchange differences arising from the calculation of non-monetary assets at fair value through profit or loss are recognized in the statement of comprehensive income. Exchange differences arising from the recalculation of non-monetary assets at fair value are recognised in the statement of comprehensive income, except exchange differences arising from recalculation of non-monetary assets available for sale, where profit or loss are recognized directly in equity. In this category of non-cash items, each gain is recognized, that is, any loss incurred by recalculation is also recognized directly in equity.

**j) Corporate income tax**

Tax expense represents the aggregate amount of current tax liabilities and deferred taxes.

***Current tax liability***

Current tax liability is based on taxable profit for the year. Taxable profit differs from net profit for the period reported in the Statement of comprehensive income because it excludes items of income and expense that are taxable or non-taxable in other years, as well as items that are never taxable or deductible. The Company's current tax liability is calculated by applying the tax rates that are in effect, i.e. in the process of adopting the reporting date.

**3. SUMMARY OF ACCOUNTING POLICIES (continued)****j) Corporate income tax (continued)***Deferred taxes*

Deferred tax is the amount expected to be due as a liability or become recoverable on the basis of the difference between the carrying amount of assets and liabilities in the financial statements and the related tax base used to calculate the taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available on which temporary differences can be utilized. Deferred tax liabilities and tax assets are not recognized on temporary differences arising out of goodwill or initial recognition of other assets and liabilities, except for business mergers, in transactions that do not affect either the tax or accounting profit.

*Value Added Tax*

Tax Administration requires VAT settlement on a net basis. VAT resulting from sales and purchase transactions is recognized and reported in the balance sheet / statement of financial position on a net basis. In the case of impairment of receivables for impairment, the impairment loss is expressed in gross amount receivables, including VAT.

**k) Provisions**

A provision is recognized when the Company has a present obligation (legal or derivative) that has arisen as a result of past events and it is likely that the outflow of funds will be required to settle this obligation and the amount of the liability can be estimated reliably. Provisions are reviewed on the reporting date and are consistent with the currently based best estimate. When the amount of the cash value decrease is significant, the amount of the provision is the present value of the costs expected to arise in order to settle the liability, determined using the estimated risk-free interest rate as a discount rate. When discounting is used, every year the discounting effect is recognized as a financial expense and the value of the provision is increased annually over the time passed.

Provisions for restructuring costs are recognized when the Company has developed a formal restructuring plan communicated to the parties to which the plan relates to.

The amount recognized as a provision reflects the best possible estimate of the benefit that will be required to pay in order to settle the present liability at the end of the reporting period, taking into account the risks and uncertainties associated with the liability. If the provision is measured using the cash flow estimates required to settle the present liability, the carrying amount of the liability is the present value of these cash flows.

When a refund of some or all of the economic benefits needed to make the provision settled is expected from the third party, the related claim is recognized as an asset if it is almost entirely certain that the remuneration will be received and if the amount of receivables can be reliably determined.

**3. SUMMARY OF ACCOUNTING POLICIES (continued)**

**l) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in net profit or loss in the period in which they are incurred. Short-term borrowings and loans from suppliers are stated at the originally borrowed amount less repayments. Interest expense is charged to the income statement in the period to which the interest relates.

**m) Potential assets and contingent liabilities**

Contingent liabilities are not recognized in the financial statements. They are disclosed, unless the likelihood of the outflow of the accompanying economic benefits is not material. Potential assets are not recognized in the financial statements but are disclosed when the inflow of economic benefits is probable.

**n) Subsequent events**

Subsequent events which provide additional information on the position of the Company on the balance Sheet date (events which results in adjustments) are stated in the financial statements. Events which do not result in adjustments are stated in the Notes to the financial statements if being of any material significance.

**o) Leases**

Leases are classified as finance leases whenever the terms of the lease transfer all the risks and rewards substantially incidental to ownership of the asset to the lessee. All other leases are classified as operating leases.

*Company as a lessee*

Fees payable under operating leases are recognized as an expense on a straight-line basis over the term of the lease, unless another systematic basis reflects better the timing of the expenditure of economic benefits than the leased asset. Contingent leases based on operating leases are recognized as an expense in the period in which they are incurred. Incentives received to conclude an operating lease are recognized as a liability. The total benefit of the incentive is recognized on a straight-line basis as a reduction in the cost of the lease, unless some other systematic basis better reflects the time dynamics of spending the economic benefits from the leased assets.

**3. SUMMARY OF ACCOUNTING POLICIES (continued)**

**p) Comparative information**

Comparative information has been reclassified as necessary to conform to the current year's presentation.

**r) Accrued income**

Revenues calculated on the basis of contractual terms, which are not invoiced in the current period, are stated within active accruals.

**s) Deferred expenses payment**

Deferred cost allocation is made on the basis of the distribution of costs according to the time periods to which they relate. The part of costs that will be recognized in the following accounting periods is stated within the accrued accruals.

**4. NOTES TO THE INCOME STATEMENT****4.1. OPERATING REVENUES**

	2021 (HRK)	2020 (HRK)
Income from sale of electrical energy	60,147,581	59,923,840
Rental income	166,347	199,386
Liabilities write off	75,465	235,581
Reimbursement of damages	-	42,989
Revenues from thermal energy	493,097	-
Other operating revenues	14,858	10,683
	<b>60,897,348</b>	<b>60,412,479</b>

Sales income is generated exclusively on the domestic market.

Sales income from the sale of electricity represent the basic income of the Company. In the total structure of the Company's revenue, revenue from electricity sales represent 99% of total revenue. Revenue from the sale of electricity is generated on the basis of monthly invoices for electricity produced in the Benkovac cogeneration plant on the basis of the valid Electricity Purchase Agreement and the acquired status of a privileged producer.

**4.2. FINANCIAL INCOME**

Financial income represents 1,27% of the Company's total income in 2021, and consists of interest and exchange rate differences in relations with related and unrelated entities.

	2021 (HRK)	2020 (HRK)
Interest revenues	400,823	631,020
Foreign exchange differences	383,210	2,946,061
Other financial revenues	919	-
	<b>784,952</b>	<b>3,577,081</b>

**4.3. MATERIAL COSTS AND SERVICES**

	2021 (HRK)	2020 (HRK)
Raw materials	20,219,519	21,871,128
Energy consumed	143,640	278,509
Cost of other materials	528,866	440,211
<b>a) Total material costs</b>	<b>20,892,026</b>	<b>22,589,848</b>
Management fee	1,481,942	1,616,509
Transportation services	-	157,667
Co-operators costs	3,854,479	2,683,746
Utilities	389,913	495,314
Maintenance services	662,834	549,009
Other external services	1,273,113	2,471,711
<b>b) Total cost of services</b>	<b>7,662,282</b>	<b>7,973,956</b>
	<b>28,554,308</b>	<b>30,563,804</b>

**4.4. EMPLOYEES COSTS**

	2021 (HRK)	2020 (HRK)
Net salaries	1,563,382	1,395,691
Taxes and contributions from salaries	567,625	532,447
Contributions on gross salaries	295,945	258,046
	<b>2,426,953</b>	<b>2,186,184</b>
<b>Number of employees as at December 31<sup>st</sup></b>	<b>18</b>	<b>17</b>

**4.5. DEPRECIATION**

	2021 (HRK)	2020 (HRK)
Depreciation of intangible assets	1,419,378	1,443,551
Depreciation of tangible assets	9,023,886	8,861,541
	<u>10,443,265</u>	<u>10,305,092</u>

**4.6. OTHER EXPENSES**

	2021 (HRK)	2020 (HRK)
Insurance premiums	260,533	290,242
Tuition costs	17,578	11,388
Payment transaction costs and other bank costs	192,301	130,831
Other expenses	408,026	339,746
	<u>878,438</u>	<u>772,207</u>

**4.7. OTHER OPERATING EXPENSES**

	2021 (HRK)	2020 (HRK)
Other operating expenses	<u>105,009</u>	<u>-</u>
	<u>105,009</u>	<u>-</u>

**4.8. FINANCIAL EXPENSES**

	2021	2020
	(HRK)	(HRK)
Interest expenses	5.272.926	10,660,988
Foreign exchange losses	367.294	816,131
	<u>5.640.220</u>	<u>11,477,119</u>

**4.9. CORPORATE INCOME TAX**

The Company calculates and pays corporate income tax in accordance with the laws and regulations of the Republic of Croatia. Income tax is calculated by applying a rate of 18% to taxable profit (18% during 2020).

Difference between income and expenses, and tax expense is shown as follows:

	2021	2020
	(HRK)	(HRK)
Income	61.682.300	63,989,560
Expenses	(48.048.193)	(55,304,406)
<b>Profit (loss) for the year</b>	<b>13.634.107</b>	<b>8,685,154</b>
<i>Increase of tax base</i>		
Representation costs	17.767	14,586
Personal transport costs	48.394	34,315
Interest for loan from owners and affiliated companies	1.156.145	1,673,498
	169	-
Increase for all other expenses	1.222.476	44,949
<b>Total tax increase of tax base</b>		<b>1,767,348</b>
<i>Decrease of tax base</i>	(14.062)	
State aid for education and training	(14.062)	(9,110)
<b>Total tax decrease of tax base</b>		<b>(9,110)</b>
<b>Tax base</b>	<b>14.842.521</b>	<b>10,443,392</b>
Tax loss carried forward	-	-
<b>Tax base after tax loss</b>	<b>14.842.521</b>	<b>10,443,392</b>
Corporate income tax rate	18%	18%
<b>Tax expense recognizes in profit and loss statement</b>	<b>2.671.654</b>	<b>1,879,810</b>

**ENERGANA BENKOVAC d.o.o., Šopot (Grad Benkovac)**

**Notes to the Financial Statements  
for the year ended 31 December 2021**

**5. INTANGIBLE ASSETS**

	Dec 31 <sup>st</sup> 2021 (HRK)	Dec 31 <sup>st</sup> 2020 (HRK)
Purchase value	7,111,892	7,111,892
Value adjustment	4,763,767	3,344,389
	<u>2,348,125</u>	<u>3,767,503</u>

*Purchase value of intangible assets is given below:*

	Dec 31 <sup>st</sup> 2021 (HRK)	Dec 31 <sup>st</sup> 2020 (HRK)
<i>Purchase value:</i>		
Software	40,000	40,000
Investment in others assets	7,071,892	7,071,892
	<u>7,111,892</u>	<u>7,111,892</u>

**6. TANGIBLE ASSETS**

Structure of tangible assets is as follows :

	2021			2020		
	Purchase value	Value adjustment	Net book value	Purchase value	Value adjustment	Net book value
Land	1.764.716	-	1.764.716	457,176	-	457,176
Buildings	33.512.101	5.100.479	28.411.622	30,686,584	3,386,235	27,300,349
Technical plant and equipment	103.053.908	23.754.319	79.299.588	102,176,877	16,435,072	85,741,805
Furniture	229.684	47.978	181.706	34,093	8,711	25,382
Other assets			0	950,662	48,872	901,790
<b>Total</b>	<b>138.560.409</b>	<b>28.902.777</b>	<b>109.657.632</b>	<b>134,305,392</b>	<b>19,878,890</b>	<b>114,426,502</b>

Management believes that the carrying amounts of technical plant and equipment that are stated at amortized cost in the financial statements approximate their fair values.

The stocktaking of tangible assets was performed as part of the annual inventory check as of December 31<sup>st</sup> 2021. Depreciation was calculated on the straight-line basis using the tax rates provided for in Article 12 of the Income Tax.

## ENERGANA BENKOVAC d.o.o., Šopot (Grad Benkovac)

Notes to the Financial Statements  
for the year ended 31 December 2021

## 6. TANGIBLE ASSETS (continued)

(HRK)	Land	Buildings	Equipment	Tools, vehicles	Other assets	TOTAL
<b>PURCHASE VALUE</b>						
Balance as at 31 Dec 2021	1.764.716	33.512.102	103.053.909	229.685	-	138.560.411
Increase	1.307.540	2.825.518	891.576	366.984	-	5.391.617
Expenses, disposals and sales	-	-	14.545	171.392	950.662	1.136.599
Balance as at 31 Dec 2020	457.176	30.686.584	102.176.878	34.093	950.662	134.305.393
Increase	-	569.151	1.039.608	7.000	500.000	2.115.759
Expenses, disposals and sales	-	-	-	-	-	-
Balance as at 01 Jan 2020	457.176	30.117.433	101.137.270	27.093	450.662	132.189.634
<b>VALUE ADJUSTMENT</b>						
Balance as at 31 Dec 2021	-	5.100.480	23.754.320	47.980	-	28.902.779
Depreciation 2021	-	1.714.244	7.319.247	39.268	-	9.072.758
Expenses, disposals and sales	-	-	-	-	48.872	-
Balance as at 31 Dec 2020	-	3.386.236	16.435.073	8.712	48.872	19.878.893
Depreciation 2020	-	1.525.239	7.288.728	3.293	44.283	8.861.543
Expenses, disposals and sales	-	3.333	346	0	-	3.679
Balance as at 01 Jan 2020	-	1.864.330	9.146.691	5.419	4.589	11.021.029
<b>PRESENT VALUE</b>						
Balance as at 31 Dec 2020	457.176	27.300.348	85.741.805	25.381	901.790	114.426.500
Balance as at 31 Dec 2021	1.764.716	28.411.621	79.299.589	181.705	-	109.657.631

**7. LONG TERM FINANCIAL ASSETS**

Long-term financial assets stated in the Statement of Financial Position (Balance Sheet) as at 31 December 2021 amount to HRK 21,281,987 (as at 31 December 2020, HRK 20,297,639 were disclosed), and relate to loans granted to entrepreneurs within the group ( 66%) and deposits (34%):

	Dec 31 <sup>st</sup> 2021 (HRK)	Dec 31 <sup>st</sup> 2020 (HRK)
Given loans	13,367,987	13,367,987
Given deposits	7,914,000	6,929,652
	<u>21,281,987</u>	<u>20,297,639</u>

**8. INVENTORIES**

	Dec 31 <sup>st</sup> 2021 (HRK)	Dec 31 <sup>st</sup> 2020 (HRK)
Raw materials	1,554,838	2,811,184
Inventory in use	3,100	3,100
Value adjustment of inventory in use	-	315,017
	<u>1,557,938</u>	<u>3,129,301</u>

Structure of raw materials and materials as at 31<sup>st</sup> December 2021 :

BALANCE AS AT 31 DECEMBER 2020	AMOUNT IN HRK
Wooden logs	1,164,003
Wood chips	390,835
<b>Total</b>	<u>1,554,838</u>

**9. TRADE RECEIVABLES**

As at 31.12.2021 the Company has receivables from domestic customers in the amount of HRK 5,925,346, out of which 88,36% relate to receivables from customers for delivered goods and services, and 11,64% to receivables for accrued interest.

In the structure of trade receivables as at 31.12.2021. year, receivables from the buyer of electricity, Hrvatski operator tržišta energije d.o.o. (HROTE), make up 96,83%.

In relation to 31.12.2020. year, receivables from customers on 31.12.2021. years are lower by 1,43%.

**10. RECEIVABLES FROM STATE AND OTHER INSTITUTIONS**

Receivables from the state and other institutions stated in the Balance Sheet on December 31<sup>st</sup> 2021 in the amount of HRK 1,317,057 (on 31 December 2020 in the amount of HRK 27,700) and relate to the difference in input tax in relation to calculated VAT and receivables for paid advances on profits.

**11. RECEIVABLES FROM EMPLOYEES**

Receivables from employees as at 31.12.2021. are HRK 1,000 and have not changed compared to the previous period.

**12. OTHER SHORT TERM RECEIVABLES**

	Dec 31 <sup>st</sup> 2021 (HRK)	Dec 31 <sup>st</sup> 2020 (HRK)
Advances	379,199	1,189,160
Receivables from cessions	74,624	36,796
Interest receivables	780,217	
	<u>1,234,040</u>	<u>1,225,956</u>

The largest part of receivables for advances given (95.03%) relates to wooden chips paid and delivered in 2022, as of the date of this Report.

Receivables acquired by cession relate to related companies, Energana Gospić 1 d.o.o. (74%) and Pellets B2E d.o.o. (26%).

**13. CURRENT FINANCIAL ASSETS**

	Dec 31 <sup>st</sup> 2021 (HRK)	Dec 31 <sup>st</sup> 2020 (HRK)
Current loans granted	<u>113,616</u>	<u>113,616</u>
	<u>113,616</u>	<u>113,616</u>

**14. CASH**

	Dec 31 <sup>st</sup> 2021 (HRK)	Dec 31 <sup>st</sup> 2020 (HRK)
Cash in HRK accounts	6,095,508	9,133,256
Cash in foreign currency account	101,272	2,694
	<u>6,196,780</u>	<u>9,135,950</u>

Cash in the foreign currency account is stated in accordance with the applicable accounting regulations, and the balance as at December 31<sup>st</sup> 2021 is adjusted to the middle exchange rate of the Croatian National Bank (CNB).

**15. PAID EXPENSES FOR THE FUTURE PERIOD AND ACCRUED INCOME**

	Dec 31 <sup>st</sup> 2021 (HRK)	Dec 31 <sup>st</sup> 2020 (HRK)
Prepaid loan approval fees	1,138,567	1,275,195
Paid expenses of the future period	20,829	15,820
	<u>1,159,395</u>	<u>1,291,015</u>

**16. CAPITAL*****a) Share capital***

On 31<sup>st</sup> December 2021, the share capital of the Company amounts to HRK 1,520,000 (as at 31 December 2020 in the same amount).

Company owners:

GEEN CJ a.s., Czech Republic , (100%)

***b) Accumulated loss***

	Dec 31 <sup>st</sup> 2021 (HRK)	Dec 31 <sup>st</sup> 2020 (HRK)
Balance on January 1 <sup>st</sup>	<u>(2,726,350)</u>	<u>(2,726,350)</u>
Loss of previous year	<u>-</u>	<u>-</u>
Balance on December 31st	<u>(2,726,350)</u>	<u>(2,726,350)</u>

***c) Retained earnings***

	Dec 31 <sup>st</sup> 2021 (HRK)	Dec 31 <sup>st</sup> 2020 (HRK)
Balance on January 1 <sup>st</sup>	<u>-</u>	<u>-</u>
Profit for previous year	<u>6,805,344</u>	<u>-</u>
Balance on December 31st	<u>6,805,344</u>	<u>-</u>

**17. LONG-TERM FINANCIAL LIABILITIES**

	<b>Dec 31<sup>st</sup> 2021</b>	<b>Dec 31<sup>st</sup> 2020</b>
	<b>(HRK)</b>	<b>(HRK)</b>
Loan liabilities from related parties	28,822,429	<b>38,942,470</b>
Loans from banks	82,713,961	<b>92,467,860</b>
Other long term liabilities	141,720	-
	<b>111,678,110</b>	<b>131,410,330</b>

In 2018, the company completed the investment in the power plant for the production of electricity from biomass. The construction of the power plant was financed on the basis of loans from the associated company.

In 2020, liabilities were refinanced with a bank loan. The loan agreement was concluded on March 24<sup>th</sup> 2020. The loan amount is HRK 108,000,000, and the maturity date is April 30<sup>th</sup> 2030.

**18. ACCOUNTS PAYABLE**

	<b>Dec 31<sup>st</sup> 2021</b>	<b>Dec 31<sup>st</sup> 2020</b>
	<b>(HRK)</b>	<b>(HRK)</b>
Domestic accounts payable	4,942,391	<b>5,072,416</b>
Foreign accounts payable	250,029	<b>2,221,934</b>
	<b>5,192,420</b>	<b>7,294,350</b>

**19. SHORT TERM BANK LOANS**

As at 31<sup>st</sup> December 2021 liabilities for long-term loans from banks maturing in the period of up to one year in the amount of HRK 9,753,898 were disclosed.

The loan is disclosed in Note 17.

Notes to the Financial Statements  
for the year ended 31 December 2021**20. LIABILITIES TO EMPLOYEES**

	<b>Dec 31<sup>st</sup> 2021</b> (HRK)	<b>Dec 31<sup>st</sup> 2020</b> (HRK)
Liabilities for net wages	124,679	123,017
Liabilities based on business trips	6,347	9,785
Other liabilities to employees	79,398	7,457
	<u>210,424</u>	<u>140,259</u>

**21. TAXES AND CONTRIBUTIONS**

	<b>Dec 31<sup>st</sup> 2021</b> (HRK)	<b>Dec 31<sup>st</sup> 2020</b> (HRK)
Liabilities for corporate income tax (note 13.)	2,780,276	1,659,220
Liabilities for income tax and surtax	16,308	10,873
VAT liabilities	47,181	234,949
Liabilities for contributions	46,478	58,777
Other tax and contribution liabilities	947	2,081
	<u>2,891,190</u>	<u>1,965,900</u>

**22. OTHER PAYABLES**

	<b>Dec 31<sup>st</sup> 2021</b> (HRK)	<b>Dec 31<sup>st</sup> 2020</b> (HRK)
Commitments under cession	<u>406,859</u>	<u>406,859</u>
	<u>406,859</u>	<u>406,859</u>

Other short-term liabilities relate to payments made under the cessions agreement.

In 2021, the company also had calculated costs for which no invoice was received in the amount of HRK 260,858 and most of that amount relates to management services for 2021 from the company GEEN Development.

**23. RELATED PARTY TRANSACTIONS**

A party is related to an entity when, directly or indirectly through one or more intermediaries, it controls, is controlled by the entity or is under the joint control of the entity (which includes the parent, subsidiaries and subsidiaries), has a stake in the entity that gives it significant influence over that entity or has joint control over the subject.

**Purchase transactions**

(in HRK)	Revenue from services		(in HRK)	Service expenses	
	2021.	2020.		2021.	2020.
Energana Gospić 1 d.o.o.	-	2,000	GEEN DEVELOPMENT a.s.	601,923	857,698
Energana Županja d.o.o.	-	-	GEEN HOLDING a.s.	880,019	876,106
Peleti B2E d.o.o.	-	-	Geen CJ a.s.		32,000
Total	-	2,000	Total	1,481,942	1,765,804

**Financial transactions**

(in HRK)	Financial revenues		(in HRK)	Financial expenses	
	2021.	2020.		2021.	2020.
Geen CJ a.s.	339,295	-	GEEN DEVELOPMENT a.s.	1,724	32,813
Energana Gospić 1 d.o.o.	49,503	42,633	GEEN HOLDING a.s.	1,284	12,247
Energana Županja d.o.o.	331,773	346,222	ENERGANA GOSPIĆ 1 d.o.o.	-	436
Peleti B2E d.o.o.	19,547	21,092	Geen CJ a.s.	2,126,691	1,985,289
Total	740,118	409,947	Total	2,129,699	2,033,439

Open balances from purchase transactions at the end of the reporting period:

(in HRK)	Receivables from affiliated companies		(in HRK)	Liabilities to affiliated companies	
	31.12.2021.	31.12.2020.		31.12.2021.	31.12.2020.
Energana Gospić 1 d.o.o.	74,624	2,500	Geen CJ a.s.	-	961,317
Energana Županja d.o.o.	-	-	Geen Development a.s.	-	740,402
			Geen Holding a.s.	303,984	481,743
Total	74,624	2,500	Total	303,984	2,183,462

**ENERGANA BENKOVAC d.o.o., Šopot (Grad Benkovac)**

**Notes to the Financial Statements  
for the year ended 31 December 2021**

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

Open balances from financial transactions at the end of the reporting period:

<i>(in HRK)</i>	Receivables from affiliated companies for loans and interests		<i>(in HRK)</i>	Liabilities to affiliated companies for loans and interests	
	31.12.2021.	31.12.2020.		31.12.2021.	31.12.2020.
Energana Gospić 1 d.o.o.	1,901,713	1,800,000	Geen CJ a.s.	28,821,995	38,942,035
Peleti B2E d.o.o.	718,156	653,350			
Energana Županja d.o.o.	11,528,335	10,914,637			
<b>Total</b>	<b>14,148,204</b>	<b>13,367,987</b>	<b>Total</b>	<b>28,821,995</b>	<b>38,942,035</b>

Expenses from related parties are realized at standard market prices that are comparable to prices towards unrelated parties. Open amounts are not secured by payment instruments (debentures, bills of exchange, bank guarantees) and will be paid in cash.

In addition to the above listed companies, related parties of the Company are members of the Management Board. In 2021, no remuneration was paid to members of the Management Board.

**24. NOTES TO THE CASH FLOW STATEMENT**

Cash flow statement for the period 01.01. to 31.12.2021. was compiled by the direct method.

Overview of cash flows by activities:

DESCRIPTION	2021.	2020.
Cash receipts from operating activities	<b>69,634,825</b>	68,724,529
Cash receipts from investing activities	-	86,000
Cash receipts from financing activities	-	4,693,085
<b>Total cash receipts</b>	<b>69,634,825</b>	<b>73,503,614</b>
Cash outflows from operating activities	<b>46,220,237</b>	47,433,977
Cash outflows from investing activities	<b>5,019,968</b>	11,584,692
Cash outflows from financing activities	<b>21,333,790</b>	8,261,583
<b>Total cash outflows</b>	<b>72,573,995</b>	<b>67,280,252</b>
<b>Net cash flow</b>	<b>(2,939,170)</b>	<b>6,223,362</b>
Cash at the beginning of the period	<b>9,135,950</b>	2,912,588
Cash at the end of the period	<b>6,196,780</b>	9,135,950
Difference	<b>(2,939,170)</b>	<b>6,223,362</b>

**24. NOTES TO THE CASH FLOW STATEMENT (continued)**

Cash receipts from business activities in 2021 relate to the collection of trade receivables, while for 2020 they relate to the collection of trade receivables (97%), receipts from tax refunds (3%).

Structure of cash outflows:

Cash outflows	HRK	%
Cash receipts from operating activities	46,220,237	63,69
Cash receipts from investing activities	5,019,968	6,92
Cash receipts from financing activities	21,333,790	29,40

In the structure of outflows from operating activities, the most significant are expenditures to suppliers (74%), expenditures for interest (7%), and other expenditures (9%). Other expenditures refer to expenditures for income tax, contributions from and to salaries, advances.

Cash outflows from operating activities	HRK	%
Cash outflows for suppliers	34,060,783	73,69
Cash outflows for employees	1,790,091	3,87
Cash outflows for insurance	253,974	0,55
Cash outflows for interest	3,347,681	7,24
Income tax outflows	2,774,509	6,00
Other cash outflows	3,993,199	8,64
<b>Total</b>	<b>46,220,237</b>	<b>100,00</b>

In the structure of expenditures for 2021, expenditures from financial activities (29%), which relate to the repayment of loans and borrowings, are also significant. In 2020, they were significantly less represented (12%).

Expenditures for investment activities were more significant in 2020 (17%) than in 2021 (7%).

Turnover with related companies :

	Cash receipts			Cash outflows	
	2021.	2020.		2021.	2020.
Energana Županja d.o.o.	277,085	-	Geen CJ a.s.	12,049,730	2,004,916
Energana Gospić 1 d.o.o.	9063	-	Geen Development a.s.	1,166,633	1,262,976
Geen CJ a.s.	4,719	-	Geen Holding a.s.	1,138,733	1,051,822
<b>Total</b>	<b>290,867</b>	<b>-</b>	Energana Županja d.o.o.		569,074
			Energana Gospić 1 d.o.o.		1,977,195
			<b>Total</b>	<b>14,355,096</b>	<b>6,865,983</b>

**25. NOTES TO THE STATEMENT OF CHANGES IN EQUITY**

During 2021, the only changes were achieved by transferring the results to retained earnings, as in the previous year.

## 26. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized in the balance sheet when the Company becomes a party to the contractual provisions of the financial instruments. Trade receivables are stated at nominal amount less allowance for impairment based on estimated amounts that are not expected to be collected. Loans are stated at the amount received, ie approved, less costs directly attributable to the approval. Liabilities to suppliers are stated in nominal amount.

### 26.1. Capital risk management

#### *Net debt to equity ratio*

The capital structure is analysed at least twice a year through an analysis of capital costs and associated risks.

### 26.2. Currency risk management

The official currency of the Company is the Croatian kuna ("HRK"). However, certain transactions in foreign currencies are translated into Croatian kuna using the exchange rates prevailing at the balance sheet date and, as a result, the Company is potentially exposed to the risk of changes in foreign exchange rates.

### 26.3. Interest rate risk management

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates relative to the interest rates applied to the financial instrument. Cash flow risk is the risk that the interest expense of a particular financial instrument will fluctuate over time.

There were no significant changes in the impact of interest rate risk on the Company's operations.

As a source of interest rate risk, the Company also recognizes the mismatch of active and passive interest-bearing transactions and strives to achieve a balance in relation to deposit interest rates when contracting lending interest rates.

## **24. FINANCIAL INSTRUMENTS (continued))**

### **26.4. Credit risk management**

Credit risk is the risk that the counterparty will fail to meet its financial obligations and thereby cause financial losses to the Company.

Assets that could potentially expose the Company to credit risk consist mainly of available cash and cash equivalents, trade receivables and loans and deposits.

Customers are classified into risk groups according to the financial indicators of operations and previous operations with the Company, and appropriate credit risk protection measures are applied for each group. For the categorization of customers, data from the official financial statements of customers are mainly used, and the Company's data on previous operations with them are used.

There were no suspicious or disputed receivables from customers.

### **26.5. Liquidity risk management**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations to the counterparty. The Company manages liquidity risk by continuously monitoring and analysing projected and actual cash flows based on the maturity of financial assets and liabilities.

Liquidity risk has a very negative impact on the Company's operations due to the economic environment. The instruments used for monitoring and reducing liquidity risk are: analysis and management of cash flows, analysis of assets and sources of financing assets, analysis of creditworthiness of customers, payment security instruments, etc.

## **27. LITIGATION AND CONTINGENCIES**

There are no relevant legal disputes initiated against the Company at the Balance sheet date, which could have material influence on the standing of the Company.

**ENERGANA BENKOVAC d.o.o., Šopot (Grad Benkovac)**

Notes to the Financial Statements  
for the year ended 31 December 2021

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**28. COVID 19**

The company did not have a significant impact of the COVID-19 pandemic on business activities during 2021, without material negative effects. There were generally no significant additional costs associated with the Covid-19 pandemic.

**29. SUBSEQUENTS EVENTS**

Russia's aggression against Ukraine and the application of international sanctions against the Russian Federation had no direct consequences on the property or operations of ENERGANA BENKOVAC d.o.o., ie there was no material damage or related uncertainties.

The company ENERGANA BENKOVAC d.o.o. there are no claims against entities in the territory of Ukraine or the Russian Federation, nor are there any business activities in the territory of these states.

According to the Management Board, possible exchange rate changes caused by the war in Eastern Europe will not have a significant impact on the Company's operations.

As at 04<sup>th</sup> January 2022 by the decision of the members of the Company Aleš Mokry was appointed as a President of the Management Board and represents the Company individually and independently.

**30. APPROVAL OF ANNUAL FINANCIAL STATEMENTS**

These financial statements were adopted and approved by the Management Board on May 12<sup>th</sup> 2022.

Signed on behalf of the Management Board:

Aleš Mokry, President of the Management Board



Božo Šparelić, Member of the Management Board



Romeo Čerina, Member of the Management Board



ENERGANA BENKOVAC d.o.o.  
ŠOPOT  
OIB:39-197581306