

ENERGANA BENKOVAC d.o.o.
Poslovno industrijska zona Šopot br. 28,
Šopot (City of Benkovac)

Financial Statements and
Independent Auditor's Report
for the Year Ended 31 December 2022

ENERGANA BENKOVAC d.o.o., Šopot (City of Benkovac)
Poslovno industrijska zona Šopot br. 28,
Šopot (City of Benkovac)

Financial Statements and
Independent Auditor's Report
for the Year Ended 31 December 2022

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MANAGEMENT REVIEW OF BUSINESS OPERATIONS IN 2022

During 2022, 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 2022 amounted to 44,753,440.00 kWh, of which 41,055,404.00 kWh was delivered to the distribution network, which is for 3.03% more than planned.

During 2022, a total of 8,420.61 operating hours of the power plant were achieved, ie 2.07% more than planned. The amount of biomass consumed is 64,779.16 tons.

Last year, the investment in the construction of a briquette production plant was started. According to the current plan, the end of the investment is planned for 2023. The investment will contribute to the increase of productivity and business income of the company.

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 2022 consisted of:

Aleš Mokrý - President of the Management Board, represents the Company individually and independently since 04th January 2022

Božo Šparelić - member of the Management Board, represents the company with another member of the Management Board or the President of the Management Board, since 25th November 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, since 25th November 2020

Organization and workers

As of December 31, 2022, the Company employed 18 employees.

2. FINANCIAL INDICATORS AND ACHIEVED RESULT

In the period from 1 January to 31 December 2022, the Company generated total revenues in the amount of HRK 71,829,443 (increase of 14.13% compared to the previous year) and total expenses in the amount of HRK 60,353,198 (increase of 20.39% compared to the previous year). Based on the difference between income and expenses, the profit before tax was realized in the amount of HRK 11,476,244 (down 15.83% compared to the previous year). The income tax liability for 2022 amounts to HRK 2,213,880. Net profit for 2022 amounts to HRK 9,262,364 (down 15.51% compared to the previous year).

2.1. REVENUES

In 2022, revenues amounted to HRK 71,829,443, which is 14.13% more than in the previous year.

Operating revenues, in the amount of HRK 71,238,546, consist of revenues from the sale of electricity (85.87% of total revenues), revenues from the supply of thermal energy (1.04%), revenues from the sale of wood chips (12.46%), and other revenues (0.63%), and participate in the structure of total revenues with 99.18%.

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 0.82%, and in 2022 it consisted of interest income (HRK 388,025) and foreign exchange gains (HRK 202,872).

2.2. TOTAL EXPENDITURES

In 2022, total expenditures amounted to HRK 60,353,198, which is 20.39% less than the previous year.

In the structure of total expenditures, the most significant are material costs (68.95%), which in 2022 amounted to HRK 41,615,430, which is 9.52% more than the previous year.

Staff costs amounted to HRK 2,434,651 (4.03%), which is 1.02% more than the previous year.

Depreciation amounted to HRK 10,613,802 (17.59% of total expenses), which is 1.34% more than previous year.

Other expenses in 2022 amounted to HRK 1,030,261 (1.71%), which is 5.35% more than in the previous year.

Other operating expenses amounted to HRK 96,451 (0.16% of total expenses).

Financial expenses amounted to HRK 4,562,604 (7.56% of total expenses), down compared to the previous year.

3. SIGNIFICANT INVESTMENTS IN 2022 AND FUTURE ACTIVITIES

During 2022, the investment in the construction of a briquette production plant was started, the realization of which is planned in 2023. The goal of the investment is to increase productivity, increase business income and create new jobs.

In addition to the above, the company invests year after year in the maintenance of the existing plant, spare parts, software, as well as in the education of its employees.

After the construction and commissioning of the plant for the production of briquettes, the company certainly plans to build new plants.

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 2023 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.

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 15th, 2023

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

RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

The Management Board of ENERGAN BENKOVAC d.o.o., Šopot (Grad Benkovac), Poslovno industrijska zona Šopot br. 28 ("the Company") is responsible for ensuring that the annual financial statements for the year 2022 are prepared in accordance with the Accounting Act and the Croatian Financial Reporting Standards issued by the Committee for Financial Reporting Standards to give a true and fair view of the financial position and the financial performance of the Company for that period.

After making inquiries, the Management Board reasonably expects the Company to have adequate resources to continue to operate in the foreseeable future. Accordingly, the Management Board prepared the annual financial statements using the going concern basis of accounting.

In preparing the annual financial statements, the Management Board is responsible for:

- selection and consistent application of suitable accounting policies in accordance with the applicable financial reporting standards;
- giving reasonable and prudent judgments and estimates;
- using the going concern basis of accounting unless it is inappropriate to presume so.

The Management Board is responsible for keeping the proper accounting records, which at any time with reasonable certainty present the financial position and the financial performance of the Company, and also their compliance with the Accounting Act and the Croatian Financial Reporting Standards issued by the Committee for Financial Reporting Standards. The Management Board is also responsible for safe keeping the assets of the Company and also for taking reasonable steps for prevention and detection of fraud and other irregularities.

Signed on behalf of the Management Board:

Aleš Mokry, President of the Management Board



Božo Šparelić, Member of the Management Board



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

Romeo Čerina, Member of the Management Board



ENERGAN BENKOVAC d.o.o.
Poslovno industrijska zona Šopot br. 28
23 420 Šopot (Grad Benkovac)
The Republic of Croatia
Grad Benkovac, May 15th, 2023

INDEPENDENT AUDITOR'S REPORT

To the Owners of the company ENERGAN 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 ENERGAN BENKOVAC d.o.o, Šopot (Grad Benkovac), Poslovno industrijska zona Šopot br. 28 ("the Company") which comprise the Statement of Financial Position as at December 31, 2022, the Statement of Profit and Loss, the Statement of Cash Flow, the Statement of Changes in Capital for the then ended year and the Notes to the financial statements, including significant accounting policies.

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 2022, and of its financial performance and cash flows for the year then ended in accordance with the Croatian Financial Reporting Standards ("CFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in our Independent Auditors' Report under section *Auditor's responsibilities for the audit of the annual financial statements*. 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.

Other information

The Management is responsible for other information. Other information includes the Management Report included in the Annual Report but does not include the annual financial statements and our Independent Auditor's Report thereon.

Our opinion on the annual financial statements does not include other information.

In relation with our audit of the annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Regarding the Management Report, we also performed the procedures prescribed by the Accounting Act. These procedures include considering whether the Management Report is prepared in accordance with Article 21 of the Accounting Act.

Based on the procedures conducted, to the extent that we are able to assess, we report that:

1. The information in the attached Management Report is harmonized, in all significant aspects, with the attached financial statements; and
2. The attached Management Report is prepared in accordance with the Article 21 of the Accounting Act.

Based on our knowledge and understanding of the Company's operations and its environment acquired within the framework of the audit of the financial statements, we are obliged to report if we have established that there are significant misrepresentations in the attached Management Report. In this sense, we have nothing to report.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the Audit of the Annual Financial Statements (continued)

Responsibilities of the Management and Those Charged with Governance for the annual financial statements

The Management 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 Management determines 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 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.

Auditors' responsibilities 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 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 annual financial statements.

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

- Identify and assess the risks of material misstatement of the annual 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 controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern. 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 operations under the assumption of going concern.

INDEPENDENT AUDITOR'S REPORT (continued)**Report on the Audit of the Annual Financial Statements (continued)****Auditors' responsibilities for the audit of the annual financial statements (continued)**

- Evaluate the overall presentation, structure and content of the annual financial statements, including 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 controls that we identify during our audit.

In Zagreb, May 15th, 2023



Hrvoje Stipić, President of the
Management Board

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



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



Vlatka Rukavina, Certified Auditor

ENERGANA BENKOVAC d.o.o., Šopot (Grad Benkovac)
Income Statement
for the year ended 31 December 2022

	<i>Note</i>	2022 (HRK)	2021 (HRK)
OPERATING INCOME			
Sales income	4	61,914,246	60,640,678
Other income	4	9,324,300	256,670
Total operating income		71,238,546	60,897,348
OPERATING EXPENSES			
Material and service cost	6	(41,615,430)	(28,554,308)
Employees costs	7	(2,434,651)	(2,426,952)
Depreciation	8	(10,613,802)	(10,443,265)
Other expenses	9	(1,030,261)	(878,438)
Other operating expanses	10	(96,451)	(105,009)
Total operating expenses		(55,790,595)	(42,407,972)
NET OPERATING RESULT		15,447,951	18,489,376
FINANCIAL INCOME	5	590,897	784,952
FINANCIAL EXPENSES	11	(4,562,604)	(5,640,220)
NET FINANCIAL RESULT		(3,971,707)	(4,855,268)
TOTAL REVENUES		71,829,443	61,682,300
TOTAL EXPENSES		(60,353,199)	(48,048,192)
Profit before taxes		11,476,244	13,634,108
Corporate Income tax	12	(2,214,026)	(2,671,654)
PROFIT FOR THE YEAR		9,262,218	10,962,454

The accompanying notes are integral part of these financial statements.

ENERGANA BENKOVAC d.o.o., Šopot (Grad Benkovac)
Statement of Financial position
As at 31st December 2022

	<i>Note</i>	Dec 31st 2022 (HRK)	Dec 31st 2021 (HRK)
ASSETS			
Non-current assets			
Intangible assets	13	967,428	2,348,125
Tangible assets	14	103,634,569	109,657,633
Financial assets	15	28,431,987	21,281,987
Total non-current assets		133,033,984	133,287,745
Current assets			
Inventories	16	655,014	1,557,937
Trade receivables from related parties	31	74,624	-
Trade receivables	17	7,119,263	5,925,346
Receivables from the State and other institutions	18	2,213,999	1,317,057
Receivables from Employees	19	1,000	1,000
Other receivables	20	968,060	1,234,040
Current financial assets	21	113,616	113,616
Cash	22	3,950,776	6,196,780
Total current assets		15,096,352	16,345,776
Accrued income and deferred charges	23	1,022,767	1,159,395
TOTAL ASSETS		149,153,103	150,792,916
CAPITAL AND LIABILITIES			
Capital			
Share capital	24	1,520,000	1,520,000
Capital reserves		3,837,709	3,837,709
Accumulated loss		15,041,429	4,078,975
Profit for the year		9,262,218	10,962,454
Total capital		29,661,356	20,399,138
Financial liabilities	25	100,117,943	111,678,110
Short-term liabilities			
Accounts payable to related parties	31	252,903	-
Loans from banks	27	10,895,570	9,753,898
Accounts payables	26	5,154,633	5,192,420
Liabilities to employees	28	220,167	210,424
Taxes and contributions	29	2,443,518	2,891,209
Other payables	30	407,013	406,859
Total short-term liabilities		19,373,804	18,454,810
Deferred payment of expenses and income of the future period		-	260,858
TOTAL CAPITAL AND LIABILITIES		149,153,103	150,792,916

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 2022

DESCRIPTION	Subscribed capital	Reserves	Retained earnings / (Retained losses)	Profit for the year	Total
	HRK	HRK	HRK	HRK	HRK
Balance as at 31 December 2020	1,520,000	3,837,709	(2,726,369)	6,805,344	9,436,683
Transfer to retained earnings	-	-	6,805,344	(6,805,344)	-
Profit for the year	-	-	-	10,962,454	10,962,454
Balance as at 31 December 2021	1,520,000	3,837,709	4,078,975	10,962,454	20,399,138
Transfer to retained earnings	-	-	10,962,454	(10,962,454)	-
Profit for the year	-	-	-	9,262,218	9,262,218
Balance as at 31 December 2021	1,520,000	3,837,709	15,041,429	9,262,218	29,661,356

The accompanying notes are integral part of these financial statements.

ENERGANA BENKOVAC d.o.o., Šopot (Grad Benkovac)
Statement of cash flows
for the year ended 31 December 2022

DESCRIPTION	2022 HRK	2021 HRK
Cash flow from operating activities		
Cash inflows from customers	80,644,155	69,593,152
Other cash inflows from operating activities	67,343	41,673
I. Total cash inflow from operating activities	80,711,498	69,634,825
Cash payments for suppliers	(48,530,780)	(34,060,783)
Cash outflows for employees	(2,730,844)	(1,790,091)
Cash outflows for insurance damages covers	-	(253,974)
Cash outflows for interests	(2,815,330)	(3,347,681)
Tax paid	(3,709,228)	(2,774,509)
Other cash outflows from operating activities	(3,149,863)	(3,993,199)
II. Total cash outflow from operating activities	(60,936,045)	(46,220,237)
A) NET CASH FLOWS FROM OPERATING ACTIVITIES	19,775,453	23,414,588
Cash flow from investing activities		
Cash outflows for the purchase of tangible and intangible fixed assets	(2,988,218)	(3,517,288)
Cash outflows from repayment of loans and savings deposits	(5,650,000)	(1,502,680)
III. Total cash outflows from investing activities	(8,638,218)	(5,019,968)
B) NET CASH FLOWS FROM INVESTMENT ACTIVITIES	(8,638,218)	(5,019,968)
Cash flow from financing activities		
Cash outflows for repayment of principal of loans, borrowings and others borrowing and debt financial instruments	(11,883,239)	(21,333,790)
Other cash outflows from financial activities	(1,500,000)	-
V. Total cash outflows from financing activities	(13,383,239)	(21,333,790)
C) NET CASH FLOWS FROM FINANCIAL ACTIVITIES	(13,883,239)	(21,333,790)
D) NET INCREASE OR DECREASE IN CASH FLOW	(2,246,004)	(2,939,170)
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	6,196,780	9,135,950
F) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3,950,776	6,196,780

The accompanying notes are integral part of these financial statements.

1. GENERAL

1.1. Legal framework, activities and employees

The Company ENERGAN BENKOVAC limited liability company for energy production ("the Company") based in Šopot (Grad Benkovac), Poslovno industrijska zona Šopot br. 28, was established on December 4th, 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

As at December 31st 2022 the Company employed 18 employees (as at December 31st 2021, 18 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:

Božo Šparelić	Member of the Management Board	represents the Company from 25 th November 2020
Romeo Čerina	Member of the Management Board	represents the Company from 25 th November 2020
Filip Varhol	President of the Management Board	represented the Company until 04 th January 2022
Aleš Mokry	President of the Management Board	represents the Company from until 04 th January 2022

2. BASIS FOR PREPARATION OF 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, 114/22) and the Croatian Financial Reporting Standards ("CFRS") (OG 86/15, 105/20, 150/22, 155/22), and in accordance with the Regulations on the structure and content of the annual financial statements (OG 95/16, 144/20, 150/22).

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.

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 2022, the official exchange rate of the Croatian kuna was HRK 7,53450 for EUR 1 (31 December 2021 HRK 7,517174).

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

Compiling financial statements in accordance with HSFIs requires management to make judgments, estimates and assumptions that affect the application of policies and the amounts of disclosed assets and liabilities, income and expenses. Areas involving a higher degree of judgment or complexity, that is, areas where assumptions and estimates are significant for the financial statements, are presented in note 2.3. with financial statements. The Company's financial statements are prepared according to the historical cost principle.

3.1. 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.

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.

3.2. 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,

3.2. Operating expenses (continued)

- 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.

3.3. 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 *CFRS 5 - Non-current intangible assets*.

Intangible assets in use consist of a license to use the software.

<i>Depreciation groups</i>	2022	2021
Investment in others assets	20	20
Software	50	50

3.4. 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.

ENERGANA BENKOVAC d.o.o., Šopot (Grad Benkovac)
Notes to the Financial Statements (continued)
for the year ended 31 December 2022

3.4. Tangible assets (continued)

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:

Depreciation groups	2022	2021
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.

3.5. 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.

3.6. 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.

3.7. Inventories

Inventories are measured at the lower of cost or net realizable value. Based on the provisions of the mentioned standard, inventory valuation is covered as follows:

- Inventories of finished goods and work in progress are determined in accordance with the provisions of CFRS 10, where conversion costs include costs directly related to organizational units of production such as the value of direct raw materials and materials, direct labor etc. Added to this are the systematically distributed fixed and variable general production costs that were incurred by the conversion of raw materials and materials into finished products. The cost of stocks of raw materials and materials, spare parts and finished products is carried out using the weighted average cost method,
- The company evaluates the value of non-current stock as well as old stock. The value of non current and old inventory is reduced and adjusted to the fair value of the inventory,
- Small inventory includes tools, plant and office inventory, and similar means of work that are expected to be used for up to one year, and assets that are not considered long-term assets. Small inventory stocks are written off at a rate of 100%.

3.8. Cash

Cash consists of cash in the bank and cash register. Cash equivalents include demand deposits and term deposits with a maturity of up to three months.

3.9. 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.

3.10. 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.

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.

3.11. 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.

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.

3.12. 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.

3.13. 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.

3.14. 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.

3.15. 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.

3.16. 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.

3.17. Comparative information

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

3.18. Accrued income

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

3.19. 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.

ENERGANA BENKOVAC d.o.o., Šopot (Grad Benkovac)
Notes to the Financial Statements (continued)
for the year ended 31 December 2022

NOTES TO THE INCOME STATEMENT

4. OPERATING REVENUES

DESCRIPTION	2022 (HRK)	%	2021 (HRK)
Income from sale of electrical energy	61,172,552	85.87	60,147,581
Income from thermal energy	741,694	1.04	493,097
Total revenue	61,914,246		60,640,678
Rental income	181,316	0.25	166,347
Liabilities write off	203,562	0.29	75,465
Income from the sale of other services	8,878,391	12.46	-
Reimbursement of damages	21,300	0.03	-
Other operating revenues	39,731	0.06	14,858
Total other operating revenues	9,324,300		256,670
Total operating revenues	71,238,546	100.00	60,897,348

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.

In 2022, the company also generated income from the sale of other services related to the sale of wood chips.

5. FINANCIAL INCOME

Financial income represents 0.82% of the Company's total income in 2022 and consists of interest and exchange rate differences in relations with related and unrelated entities.

DESCRIPTION	2022 (HRK)	2021 (HRK)
Interest revenues	388,025	400,823
Foreign exchange differences	202,872	383,210
Other financial revenues	-	919
Total financial income	590,897	784,952

ENERGANA BENKOVAC d.o.o., Šopot (Grad Benkovac)
Notes to the Financial Statements (continued)
for the year ended 31 December 2022

6. MATERIAL COSTS AND SERVICES

DESCRIPTION	2022 (HRK)	2021 (HRK)
a/ Material costs		
Raw materials	24,535,972	20,219,519
Energy consumed	195,245	143,640
Cost of other materials	1,134,794	528,867
Total material costs	25,866,011	20,892,026
b/ Costs of goods sold /i/	7,591,628	-
c/ Other external costs - services		
Management fee	1,129,246	1,481,942
Co-operators costs	4,087,684	3,854,479
Utilities	497,811	389,913
Maintenance services	1,124,066	662,834
Other external services	1,318,984	1,273,114
Total external costs	8,157,791	7,662,282
Total material costs and services	41,615,430	28,554,308

/i/ The cost of goods sold shown in the Profit and Loss Account in the amount of HRK 7,591,628 refers to wood chips that the Company started selling in 2022.

7. EMPLOYEES COSTS

DESCRIPTION	2022 (HRK)	2021 (HRK)
Net salaries	1,578,854	1,563,382
Taxes and contributions from salaries	556,682	567,625
Contributions on gross salaries	299,116	295,945
Total employees costs	2,434,652	2,426,952
Number of employees as at December 31st	18	18

8. DEPRECIATION

DESCRIPTION	2022 (HRK)	2021 (HRK)
Depreciation of intangible assets	1,436,552	1,419,378
Depreciation of tangible assets	9,177,251	9,023,887
Total depreciation cost	10,613,803	10,443,265

9. OTHER EXPENSES

DESCRIPTION	2022 (HRK)	2021 (HRK)
Insurance premiums	318,206	260,533
Tuition costs	8,080	17,578
Payment transaction costs and other bank costs	212,367	192,301
Other expenses	491,607	408,026
Total other expenses	1,030,260	878,438

ENERGANA BENKOVAC d.o.o., Šopot (Grad Benkovac)
Notes to the Financial Statements (continued)
for the year ended 31 December 2022

10. OTHER OPERATING EXPENSES

	2022	2021
DESCRIPTION	(HRK)	(HRK)
Other operating expenses	96,451	105,009
Total other operating expenses	96,451	105,009

11. FINANCIAL EXPENSES

	2022	2021
DESCRIPTION	(HRK)	(HRK)
Interest expenses	4,261,144	5,273,224
Foreign exchange losses	301,460	367,294
Total financial expenses	4,562,604	5,640,518

12. 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 2021).

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

	2022	2021
DESCRIPTION	(HRK)	(HRK)
Income	71,829,443	61,682,300
Expenses	(60,353,199)	(48,048,193)
Profit (loss) for the year	11,476,244	13,634,107
<i>Increase of tax base</i>		
Representation costs	26,624	17,767
Personal transport costs	54,797	48,394
Interest for loan from owners and affiliated companies	737,953	1,156,145
Increase for all other expenses	10,182	170
Total tax increase of tax base	829,556	1,222,476
<i>Decrease of tax base</i>		
State aid for education and training	(5,656)	(14,062)
Total tax decrease of tax base	(5,656)	(14,062)
Tax base	12,300,144	14,842,521
Corporate income tax rate (tax rate 18%)	2,214,026	2,671,654

ENERGANA BENKOVAC d.o.o., Šopot (Grad Benkovac)
Notes to the Financial Statements (continued)
for the year ended 31 December 2022

NOTES TO THE STATEMENT OF FINANCIAL POSITION

13. INTANGIBLE ASSETS

DESCRIPTION	Software investment	Investment in other assets	Total intangible assets
	HRK	HRK	HRK
PURCHASE VALUE			
Balance as at 1 Jan 2021	40,000	7,071,892	7,111,892
Balance as at 31 Dec 2021	40,000	7,071,892	7,111,892
Increase	55,855	-	55,855
Balance as at 31 Dec 2022	95,855	7,071,892	7,167,747
VALUE ADJUSTMENT			
Balance as at 1 Jan 2021	-	3,344,389	3,344,389
Depreciation	-	1,419,378	1,419,378
Balance as at 31 Dec 2021	-	4,763,767	4,763,767
Depreciation	-	1,436,552	1,436,552
Balance as at 31 Dec 2022	-	6,200,319	6,200,319
PRESENT VALUE			
Balance as at 31 Dec 2021	40,000	2,308,125	2,348,125
Balance as at 31 Dec 2022	95,855	871,573	967,428

ENERGANA BENKOVAC d.o.o., Šopot (Grad Benkovac)
Notes to the Financial Statements (continued)
for the year ended 31 December 2022

14. TANGIBLE ASSETS

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 31st, 2022. Depreciation was calculated on the straight-line basis using the tax rates provided for in Article 12 of the Income Tax.

DESCRIPTION	Land	Buildings	Technical plant and equipment	Tools, plant inventory and transport assets	Advances	Assets under construction	Other assets	Total
	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK
PURCHASE VALUE								
Balance as at 1 Jan 2021	457,176	30,686,584	102,176,878	34,093	-	-	950,662	134,305,393
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 2021	1,764,716	33,512,102	103,053,909	229,685	-	-	-	138,560,411
Increase	-	-	11,723	-	3,439,850	1,566,120	-	5,017,693
Expenses, disposals and sales	-	-	-	-	(1,863,507)	-	-	(1,863,507)
Balance as at 31 Dec 2022	1,764,716	33,512,102	103,065,631	229,685	1,576,343	1,566,120	-	141,714,597
VALUE ADJUSTMENT								
Balance as at 1 Jan 2021	-	3,386,236	16,435,073	8,712	-	-	48,872	19,878,893
Depreciation	-	1,665,372	7,319,246	39,268	-	-	-	9,023,886
Transfer	-	48,872	-	-	-	-	(48,872)	-
Balance as at 31 Dec 2021	-	5,100,480	23,754,319	47,980	-	-	-	28,902,779
Depreciation	-	1,753,752	7,380,971	42,527	-	-	-	9,177,250
Balance as at 31 Dec 2022	-	6,854,232	31,135,290	90,507	-	-	-	38,080,029
PRESENT VALUE								
Balance as at 31 Dec 2021	1,764,716	28,411,623	79,299,590	181,705	-	-	-	109,657,633
Balance as at 31 Dec 2022	1,764,716	26,657,870	71,930,342	139,178	1,576,343	1,566,120	-	103,634,569

ENERGANA BENKOVAC d.o.o., Šopot (Grad Benkovac)
Notes to the Financial Statements (continued)
for the year ended 31 December 2022

15. LONG TERM FINANCIAL ASSETS

Long-term financial assets stated in the Statement of Financial Position (Balance Sheet) as at 31 December 2022 amount to HRK 28,431,987 (as at 31 December 2021 HRK 21,281,987 were disclosed), and relate to loans granted to entrepreneurs within the group (66.89%) and deposits (33.11%):

DESCRIPTION	Dec 31, 2022 (HRK)	Dec 31, 2021 (HRK)
Given loans (note 31)	19,017,987	13,367,987
Given deposits	9,414,000	7,914,000
Total long term financial assets	28,431,987	21,281,987

16. INVENTORIES

DESCRIPTION	Dec 31, 2022 (HRK)	Dec 31, 2021 (HRK)
Raw materials	655,014	1,554,838
Inventory in use and car tires	-	3,100
Total inventories	655,014	1,557,938

Structure of raw materials and materials as at 31st December 2022:

BALANCE DEC 31, 2022	VALUE (HRK)
WOODEN LOGS	433,374
WOOD CHIPS	221,640
Total	655,014

17. TRADE RECEIVABLES

As at December 31, 2022, the Company has receivables from domestic customers in the amount of HRK 7,119,263 (as at Dec 31, 2021 in the amount of HRK 5,925,346). The share of customers in total receivables is 68.61%.

In the structure of trade receivables as at December 31, 2022, receivables from the buyer of electricity, Hrvatski operator tržišta energije d.o.o. (HROTE), make up 79.77%.

In relation to December 31, 2021, receivables from customers on December 31, 2022, are increased by 1.43%.

18. RECEIVABLES FROM STATE AND OTHER INSTITUTIONS

Receivables from the state and other institutions stated in the Balance Sheet on December 31st, 2022, in the amount of HRK 2,213,999 (on 31 December 2021 in the amount of HRK 1,317,057) and relate to the receivables for paid advances on profit.

19. RECEIVABLES FROM EMPLOYEES

Receivables from employees as at 31.12.2022. are HRK 1,000 and have not changed compared to the previous period.

ENERGANA BENKOVAC d.o.o., Šopot (Grad Benkovac)
Notes to the Financial Statements (continued)
for the year ended 31 December 2022

20. OTHER SHORT TERM RECEIVABLES

	Dec 31, 2022	Dec 31, 2021
DESCRIPTION	(HRK)	(HRK)
Advances	82,597	379,199
Interest receivables	885,463	780,217
Total other short term receivables	968,060	1,234,040

The largest part of receivables for advances given relates to goods and services delivered in 2023, as of the date of this Report.

21. SHORT-TERM FINANCIAL ASSETS

	Dec 31, 2022	Dec 31, 2021
DESCRIPTION	(HRK)	(HRK)
Short term loans granted	113,616	113,616
Total short-term loans granted	113,616	113,616

22. CASH

	Dec 31, 2022	Dec 31, 2021
DESCRIPTION	(HRK)	(HRK)
Cash in HRK accounts	3,894,395	6,095,508
Cash in foreign currency account	56,381	101,272
Total cash	3,950,776	6,196,780

Cash in the foreign currency account is stated in accordance with the applicable accounting regulations, and the balance as at December 31st 2022 is adjusted to the middle exchange rate of the Croatian National Bank (CNB).

23. PAID EXPENSES FOR THE FUTURE PERIOD AND ACCRUED INCOME

	Dec 31, 2022	Dec 31, 2021
DESCRIPTION	(HRK)	(HRK)
Prepaid loan approval fees	1,001,939	1,138,567
Paid expenses of the future period	20,828	20,828
Ukupno aktivna vremenska razgraničenja	1,022,767	1,159,395

24. CAPITAL

a) Share capital

On 31st December 2022, the share capital of the Company amounts to HRK 1,520,000 (as at 31 December 2021 in the same amount).

Company owners:

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

ENERGANA BENKOVAC d.o.o., Šopot (Grad Benkovac)
Notes to the Financial Statements (continued)
for the year ended 31 December 2022

24. CAPITAL (continued)

b) Retained earnings

	Dec 31, 2022	Dec 31, 2021
DESCRIPTION	(HRK)	(HRK)
Balance on January 1 st	4,078,975	(2,726,369)
Profit of previous year	10,962,454	6,805,344
Balance on December 31st	15,041,429	4,078,975

25. LONG-TERM FINANCIAL LIABILITIES

	Dec 31, 2022	Dec 31, 2021
DESCRIPTION	(HRK)	(HRK)
Loan liabilities from related parties	27,109,718	28,822,429
Loans from banks	72,898,809	82,713,961
Other long-term liabilities	109,416	141,720
Total long-term liabilities	100,117,943	111,678,110

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 24th, 2020. The loan amount is HRK 108,000,000, and the maturity date is April 30th, 2030.

26. ACCOUNTS PAYABLE

	Dec 31, 2022	Dec 31, 2021
DESCRIPTION	(HRK)	(HRK)
Domestic accounts payable	4,946,223	4,942,391
Foreign accounts payable	208,410	250,029
Total accounts payable	5,154,633	5,192,420

27. SHORT TERM BANK LOANS

As at 31st December 2022 liabilities for long-term loans from banks maturing in the period of up to one year in the amount of HRK 10,895,570 were disclosed.

The loan is disclosed in Note 25.

28. LIABILITIES TO EMPLOYEES

	Dec 31, 2022	Dec 31, 2021
DESCRIPTION	(HRK)	(HRK)
Liabilities for net wages	127,215	124,679
Liabilities based on business trips	-	6,347
Other liabilities to employees	92,952	79,398
Total liabilities to employees	220,167	210,424

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for the year ended 31 December 2022

29. TAXES AND CONTRIBUTIONS

	Dec 31, 2022	Dec 31, 2021
DESCRIPTION	(HRK)	(HRK)
Liabilities for corporate income tax	2,214,026	2,780,276
Liabilities for income tax and surtax	9,532	16,308
VAT liabilities	161,852	47,181
Liabilities for contributions	58,108	46,478
Other tax and contribution liabilities	0	965
Total taxes and contributions	2,443,518	2,891,208

30. OTHER SHORT-TERM LIABILITIES

	Dec 31, 2022	Dec 31, 2021
DESCRIPTION	(HRK)	(HRK)
Other short-term liabilities	407,013	406,859
Total other short-term liabilities	407,013	406,859

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

31. 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, dependent entities 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

Revenue from services			Service expenses		
(in HRK)	2022	2021	(in HRK)	2022	2021
Energana Gospić 1 d.o.o.	2,039	-	GEEN DEVELOPMENT a.s.	304,309	601,923
			GEEN HOLDING a.s.	824,937	880,019
Total	2,039	-	Total	1,129,246	1,481,942

Financial transactions

Financial revenues			Financial expenses		
(in HRK)	2022	2021	(in HRK)	2022	2021
GEEN CJ a.s.	-	339,295	GEEN DEVELOPMENT a.s.	-	1,724
Energana Gospić 1 d.o.o.	47,844	49,503	GEEN HOLDING a.s.	394	1,284
Energana Županja d.o.o.	322,747	331,773	GEEN CJ a.s.	1,215,919	2,126,691
Peleti B2E d.o.o.	17,366	19,547			
GEEN DEVELOPMENT a.s.	3,234	-			
GEEN HOLDING a.s.	499	-			
Total	391,690	740,118	Total	1,216,313	2,129,699

ENERGANA BENKOVAC d.o.o., Šopot (Grad Benkovac)
Notes to the Financial Statements (continued)
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31. RELATED PARTY TRANSACTIONS (continued)

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

(in HRK)	Receivables from affiliated companies		(in HRK)	Liabilities to affiliated companies	
	Dec 31, 2022	Dec 31, 2021		Dec 31, 2022	Dec 31, 2021
Energana Gospić 1 d.o.o.	65,023	65,023	GEEN CJ as	-	303,984
Peleti B2E d.o.o.	9,601	9,601	Geen Development a.s.	145,183	-
			Geen Holding a.s.	107,721	-
Total	74,624	74,624	Total	252,904	303,984

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

	Receivables from affiliated companies for loans and interests			Liabilities to affiliated companies for loans and interests	
	Dec 31, 2022	Dec 31, 2021		Dec 31, 2022	Dec 31, 2021
Energana Gospić 1 d.o.o.	1,949,557	1,901,713	GEEN CJ as.	27,109,282	28,821,995
Peleti B2E d.o.o.	735,522	718,156			
Energana Županja d.o.o.	17,218,372	11,528,335			
Total	19,903,451	14,148,204	Total	27,109,282	28,821,995

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 2022, no remuneration was paid to members of the Management Board.

32. 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.

32.1. 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.

32.2. 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.

32. FINANCIAL INSTRUMENTS (continued)

32.3. 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.

32.4. 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.

32.5. 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.

33. 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.

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34. SUBSEQUENTS EVENTS

After the balance sheet date, in accordance with the Law on the introduction of the euro as the official currency in the Republic of Croatia, the euro was introduced as the official currency in the Republic of Croatia. The financial statements for the year 2022 have been drawn up in HRK as the reporting currency that was valid until December 31, 2022, while the financial statements for future periods will be drawn up in EUR as the new reporting currency.

In addition, after the Balance Sheet date, there were no events that would significantly affect the Company's annual financial statements for 2022, which should therefore be published.


35. APPROVAL OF ANNUAL FINANCIAL STATEMENTS

These financial statements were adopted and approved by the Management Board on May 15th, 2023.

Signed on behalf of the Management Board:


Aleš Mokry, President of the Management Board


Božo Spargić, Member of the Management Board


Romeo Cerina, Member of the Management Board

ENERGANA BENKOVAC d.o.o.
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