Granolio d.d., Zagreb

Annual Report for the Year 2021
together with the Independent Auditor's Report

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

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Annual Management Board Report on the Business Performance and for the Year 2021

General information on the company Granolio d.d.

GRANOLIO d.d. (“the Company”) is a joint stock company registered at the Commercial Court in Zagreb, Croatia. The Company's personal tax identification number (OIB) is 59064993527, and its company registration number (MBS) is 080111595.
The registered seat of the Company is in Zagreb, Budmanijeva 5.

The Company has a Shareholders' Assembly, a Supervisory Board, and a Management Board.

The members of the Management Board are as follows:	Hrvoje Filipović, President Drago Šurina, Member Vladimir Kalčić, Member
Members of the Supervisory Board are as follows:	Franjo Filipović, President Jurij Detiček, Deputy President Davor Štefan, Member Tihomir Osmak, Member

At 31 December 2021, the total share capital of the Company amounts to HRK 19,016,430 and is divided into 1,901,643 ordinary shares, with a nominal value of HRK 10.00 each. The shares are traded under the ticker GRNL and since 23 March 2015 have been listed on the Official Market of the Zagreb Stock Exchange.
The majority shareholder, holding over 58.11% of the Company’s share capital at 31 December 2021, is Mr Hrvoje Filipović.
At 31 December 2021, the ten largest shareholders of Granolio held a total ownership interest of 96.28%.

The principal activity of the Company comprises the production of and trade in agricultural products and cattle. At 31 December 2021 the business system of the Company had five active operations, of which two are production centres: grain mills Farina and Kopanica engaged in the production, packaging, warehousing and dispatch of grain mill products.

The business unit Bjeliš is a grain drying and storage silo.
The Osijek business unit is responsible for the storage, sale and dispatch of seed material, sale of grains and oleaginous plants and sales platform management.
The Granolio unit in Zagreb provides logistic, management, accounting and IT support to the Company's business.
Farina and Kopanica mills are subject to International Food Standards (IFS), which enables the Company to export its flour to EU Member States.
The Company sells five flour brands on the market: Farina, Mlin Kopanica, Ekoklas, Mlineta, and Belje.

farina mlin Kopanica ekoklas

Mlineta

Because of Granolio's focus on the product and delivery quality as well as on building long-term relationships with customers, Granolio is engaged in the production of private labels for many retail chains in Croatia. Currently, flour is produced for 15 private labels.

Group's mills production capacities as at 31 December 2021 are shown in the following table.

Mills production capacity as at 31 December 2021:

Mill	Ton / 24 hours
Farina	320
Kopanica	230
	550

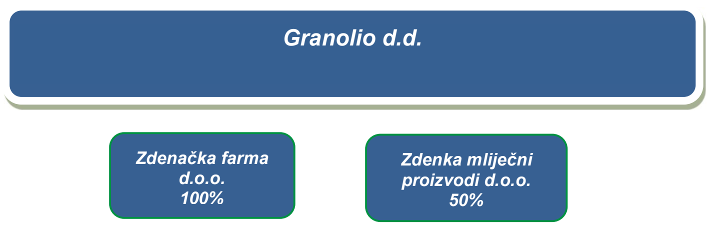
Subsidiaries

As at 31 December 2021, the Company held the entire equity interest in Zdenačka farma d.o.o. It had a controlling interest in the company Zdenka - mliječni proizvodi d.o.o. which is consolidated in the Granolio Group since 2011.

The Company has a minority interest in companies Žitozajednica d.o.o., Zagrebačke pekarne Klara d.d., and Prehrana trgovina d.d.

The ownership interests of Granolio in its subsidiaries as at 31 December 2021 are presented in the chart below:

Granolio Group Structure as at 31 December 2021



Significant transactions in the current accounting period

In early 2020, a pandemic of the COVID-19 virus spread to the entire world. In addition to the health of the world's population, the pandemic has had an impact on the global economy, monetary and fiscal policies of individual countries, the movement of goods and services between countries, and the purchasing power.

As the Company operates within the food processing industry and there was no significant impact of the pandemic on the sale of the Company's products although it lasts for two years now.

Despite the very unfavourable circumstances caused by the spread of the COVID-19 pandemic and the impact of that crisis on global and local flows of goods, long-term and strong relationships with suppliers have contributed to stable operations. The company managed to avoid interruptions or significant delays in production and ensured an uninterrupted supply of the market with the required products.

The Company's priorities in the uncertain epidemiological situation remain the maintenance of a positive health bulletin of employees, ensuring the smooth continuation of production and continuous supply of customers and consumers, and social responsibility in the broadest sense.

During 2021. the Company entered into a Agreement which regulated loan obligations towards financial institution in such a way that the liability was written off in the amount of HRK 60,500 thousand, while the remaining debt of HRK 42,000 thousand was settled from shortterm loan from nonfinancial company.

At the end of 2020. year the Company entered into a Shortterm Loan Agreement with suppliers which regulated Existing Loan in the way that the liability was written off in the amount of HRK 156.861 thousand while the remaining debt of HRK 4.700 thousand will be settled by the end 2022.

The Company repays liabilities to financial institutions and continues to repay liabilities to suppliers, in accordance with the pre-bankruptcy settlement.

Analysis of the 2021 business performance

In '000 HRK

	1-12 2021	1-12 2020	change	
Operating income	**446.417**	**445.493**	**924**	**0%**
EBIT	**52.697**	**39.283**	**13.415**	**(34%)**
margin %	12%	9%		
EBITDA	**71.165**	**53.745**	**17.421**	**32%**
margin %	16%	12%		
Net financial result	**(1.392)**	**(6.054)**	**4.662**	**77%**
Net result	**45.891**	**33.888**	**12.003**	**(35%)**
margin %	10,3%	7,6%		

In 2021, a more favourable operating result was achieved compared to the same period last year. A better operating result was achieved in the milling segment, and in the position of other operating revenues.

The net financial result represents the difference between financial income and financial expenses. Net financial result is better than last year because in 2021. year there were no value adjustments of financial assets.

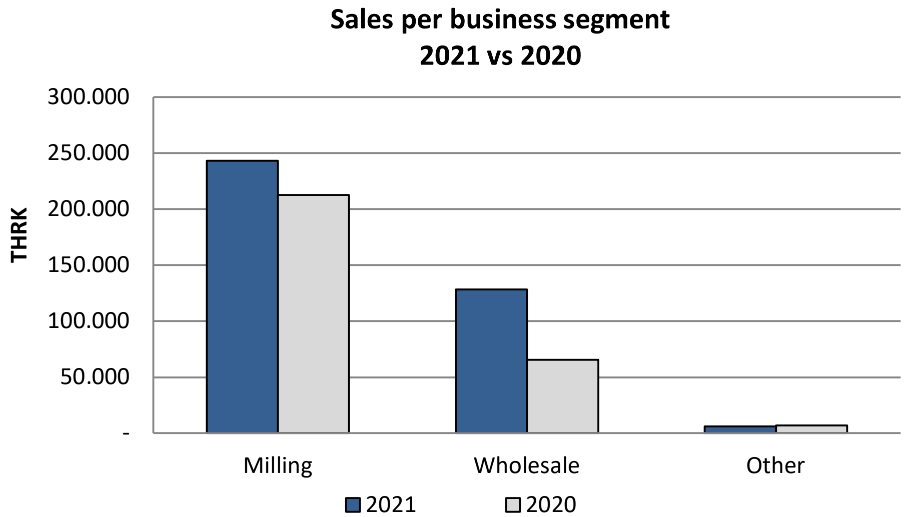
Net debt/EBITDA In '000 HRK

	31 Dec 2021	31 Dec 2020	change	
Total debt	**94,518**	**157,444**	**(62,926)**	**-40%**
Cash and cash equivalents	1,931	1,636	295	18%
Financial assets	22,474	20,140	2.334	12%
Net debt	**70,113**	**135,668**	**(65.555)**	**-48%**
EBITDA	71,165	53,745	17,421	32%
Net debt/EBITDA	**0.99**	**2.52**		

The total debt reported as at 31 December 2021 includes all liabilities to financial and non financial institutions.

The total debt of the Company was reduced based on the Agreement which regulates the obligations under the loan and by repayment to financial institutions in regular operations.

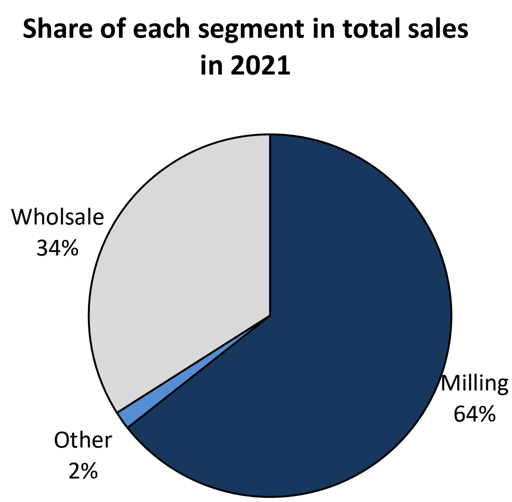
The total revenue from sales of products and services realized in 2021 is higher than the revenues realized in the previous year by 33%. Largest increase is visible in the milling and wholesale (95%) segments.



The company sold 118 thousand tons of flour in 2021 and 116 thousand tons in the previous year. The average selling price of flour realized in 2021 is higher by 12% than the average selling price in the previous year. Average price of wheat used in our production was 18% higher than price in the previous year.

The wholesale segment consists of the sale of raw materials and the sale of cereals and oilseeds. The volume of business in this segment mostly depends on the availability of funds.

The Other segment represents, for the most part, revenues from the provision of drying and storage services, receipt of goods and other services.



The cost of employees is higher than in the previous year by 5% as a result of an increase in part of salaries and new hireings.

Total capital investment in tangible assets in 2021 amounted to HRK 6.5 million (2020: HRK 4.3 million). Procurement refers to the procurement of equipment and tools for production plants and to software upgrades as well as procurement of scale for Bjeliš silos.

The net financial result in 2021 amounted to HRK (1) million (2020: HRK (6) million). The amount represents difference between accrued interest on loans, negative FX differences and other financial liabilities and interests on given loans, positive FX differences and other financial assets.

Significant events after the end of the accounting period and the strategic goals of the Company

Geopolitical trends in the east Europe caused economic and political uncertainty and instability in the markets for energy, raw materials for sowing, cereals and, consequently, all other goods and services at the beginning of 2022.year.

The Management Board of the Company takes all necessary actions to minimize the emerging risks.

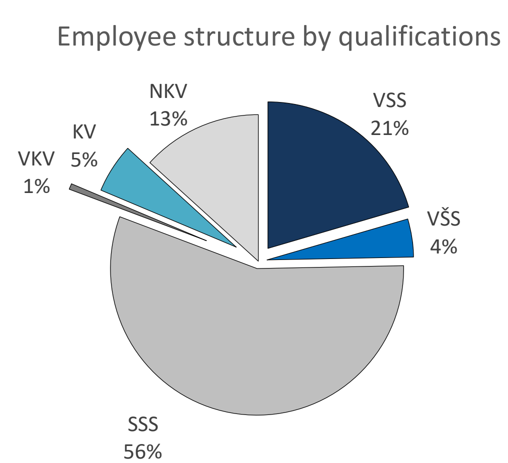
Investments are underway in the construction of solar power plants for all major electricity consumers in the Granolio Group, which should be completed by autumn 2022. This investment will reduce consumption by about 30 percent and reduce the impact of any further increase in electricity prices on the Company's operations.The required amount of raw materials is provided until the new harvest, and the packaging until the end of the year, which reduces the risk of shortages and possible procurement at high prices.The Company will respond to the total increase in operating costs by increasing the prices of its products.

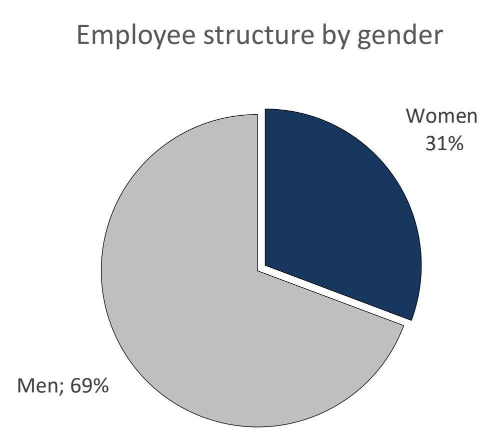
As far as capital investments are concerned, all plants are maximally technologically qualified and there is currently no need for capital investments.

The company expects that in 2022 it will continue to operate smoothly. It is expected that it will successfully settle all obligations, including those determined in the pre-bankruptcy proceedings, in the manner agreed in the pre-bankruptcy settlement.

Employees

In 2021, the Company employed 161 employees based on working hours (2020: 170 employees). The structure of employees as at 31 December 2021, according to the criteria of education and gender, is shown in the following graphs:





Research and development
In the period observed, the Company had no research and development projects.

Purchase of own shares
As of the date of issue of the Annual Management Board Report on the business performance and the position of the Company, the Company did not engage in any purchases of its own shares.

Environmental protection
In the area of environmental protection, the Company applies integrated and systematic solutions and implements environmentally friendly production processes.

Risks

Details about the risks to which the Company is exposed are presented in the notes to the annual financial statements.

Corporate Governance Statement

The Corporate Governance Statement has been prepared pursuant to the provisions of Article 272.p of the Companies Act.

As a company whose shares are listed in the Official Market of the Zagreb Stock Exchange, Granolio d.d. (hereinafter: the Company) in 2021 applied the recommendations provided in the Code of Corporate Governance developed by the Croatian Financial Services Supervisory Agency and Zagrebačka burza d.d., and in force since 01 January 2020; with departures from certain recommendations and guidelines provided therein.

Deviations from the recommendations of the Code are limited to provisions whose application at a given time are not practical or enforceable given the circumstances of the business, or is not foreseen given the legal framework in which the Company operates.

In relation to the recommendations contained in Chapter 1 of the Code, in 2021 the Company published only the Articles of Association on its website and planes to take actions to expand the number of acts published on its website. In relation to the recommendations contained in Chapter 2 of the Code, in 2021 the Company did not adopt special procedures for approving and publishing transactions between members of the Management Board or Supervisory Board and the Company but planes to adopt them in year 2022.

In relation to the recommendations contained in Chapters 3 and 4 of the Code, the Company's Supervisory Board has not adopted a formal procedure for the appointment of the Management Board, but plans to adopt it in 2022. The Company's Supervisory Board has not established an Appointing Committee and a Remuneration Committee due to the fact that the Supervisory Board has three to five members and performs tasks within the competence of these committees. The function of the Audit Committee, in accordance with the Audit Act, is performed by the appointed Audit Committee, whose members are also members of the Supervisory Board. Furthermore, the Supervisory Board, which consists of male members in a term that began before 2020, has set a target for the percentage of female members of the Supervisory Board and Management Board to be achieved in the next five years, but the detailed plan is still under development, and and the set goal that in the five-year period until 2025 at least one member of the Supervisory Board will be a woman, in 2021 was not achieved. In this regard, given that in 2021 there were no new appointments of members of the Supervisory Board, the data from Art. 16. of the Code, and also the expected minimum time load of each member of the Supervisory Board is not determined at the time of his appointment. The Supervisory Board has two members, who are not independent, and in 2021 it did not evaluate the work and circumstances in accordance with the Code, but it is preparing to do the same for 2022.

In relation to the recommendations contained in Chapter 5 of the Code, the Company's Articles of Association and/or internal acts do not contain formal rules governing responsibilities and reporting procedures at the level of the parent company and subsidiaries, but financial managers of subsidiaries are responsible for reporting. No formal act on the profile of the management board for the effective execution of the management's responsibilities has been adopted, as the management board has been operating effectively in its current composition for many years. The management did not evaluate its own work in 2021, but it is preparing to do the same in relation to its work in 2022.

In relation to Chapter 6 of the Code, as stated, the Remuneration Committee has not been established, and the remuneration policy of board members was adopted in 2020 and was approved at the General assembly.

Regarding the recommendations from Chapter 7 of the Code, internal business control and risk management is performed partly through the activities of the business function Controlling, and partly through the activities of the Company's management bodies and external auditors and certification companies. Also, in 2021, all formal policies and procedures from this chapter of the Code were not adopted, but the company plans to adopt them in year 2022.

The Company applies the recommendations from Chapter 8 of the Code, except with regard to Art. 72, as already mentioned, and the information from Art. 74 of the Code, the Company plans to include in the annual report for 2022.

With regard to the recommendations from Chapter 9 of the Code, the Statute provides only for voting by raising ballots or handing over ballots, while with regard to the recommendations from Chapter 10 of the Code, the Company plans to implement activities defined by the adopted policies.

Detailed explanations related to the non-application or deviation from certain recommendations of the Code in 2021, the Company presented in the annual questionnaire which is an integral part of the Code and which is submitted to the Zagreb Stock Exchange d.d. together with the annual financial statements.

Internal control and risk management

Although the company does not have an established internal audit function, internal business supervision and risk management is partly performed through the activities of the business controlling function. Also, the main responsibilities of the Audit Committee of the Supervisory Board include monitoring the financial reporting process and submitting recommendations or proposals to ensure its integrity regarding financial reporting, as well as monitoring the effectiveness of the internal quality control system and risk management system.

In addition to the recommendations of the Code, the Management Board and the Supervisory Board are making increased efforts to establish adequate corporate governance and transparent information, respecting the structure and organization of the Company, strategy and business objectives, distribution of powers and responsibilities with special emphasis on effective identification, measurement and monitoring of business risks, as well as the establishment of appropriate internal control mechanisms.

The Company has prepared separate and consolidated financial statements for the Granolio Group, which consists of Granolio d.d. and the subsidiary Zdenačka farma d.o.o. which is owned by Granolio d.d. and for the subsidiary Zdenka - mliječni proizvodi d.o.o., where the Company is a co-owner.

Significant Shareholders and Limited Shareholders' Rights

The majority shareholder, holding over 58% of the Company's share capital and voting rights, is Mr Hrvoje Filipović.

All the shares have been fully paid in, and there are no restrictions to the rights arising from the shares.

Rules for the Appointment and Revocation of the Supervisory Board

The Supervisory Board of the Company consists of three or five members. The exact number of the Supervisory Board members is determined by the decision of the Company's shareholders at their General Assembly.

As long as there is a prescribed obligation, one member of the Supervisory Board is a representative of employees, who is appointed and revoked as specified in the Labour Act. One member of the Supervisory Board is appointed and revoked directly by Hrvoje Filipović, as long as he holds at least 25% of the total number of issued ordinary shares of the Company.

Other Supervisory Board members are elected and revoked by the Company's General Assembly, based on the proposals of shareholders who individually or collectively represent at least one twentieth of the share capital of the Company at the time of the election.

Rules for the Appointment and Revocation of the Management Board, Amendments to the Statute and Special Powers of the Management Board

Pursuant to the Statute of Granolio d.d., the Management Board consists of three to seven members, depending on the decision adopted by the Supervisory Board. The members and President of the Management Board are appointed by a decision of the Supervisory Board for a mandate up to five years, with the possibility of re-appointment. The Supervisory Board may issue a decision revoking a member or the President of the Supervisory Board for a relevant reason.

The Statute can be amended only by a decision adopted in the General Shareholders Meeting by majority vote as defined for an amendment in the applicable legislation or the Statute.

The affairs and operations of the Company are managed by the President and members of the Management Board based on the principle of segregation of duties and responsibilities for individual areas of operations or scope of responsibilities. The work and segregation of duties and responsibilities are regulated by the Rules of Procedure for the Management Board, adopted by the Management Board with the consent of the Company's Supervisory Board. The President of the Management Board represents the Company solely, and the Management Board members represent the Company jointly with the President of the Management Board or another Management Board Member. The Company's Management Board must receive a consent from the Supervisory Board for, inter alia, deciding about the overall maximum indebtedness of the Company for a particular business year, maximum exposure on loans granted to related companies, maximum exposure of the Company with respect of guarantees, sureties and other security instruments issued to third legal and natural persons, about establishing and/or discontinuing any directly related companies, branch offices and business units, about purchasing or selling the shares in other companies in Croatia and abroad, about any fixed asset investments in excess of HRK 15,000,000.00, acquisition and sale of real estate with a net book value higher than HRK 5,000,000.00; establishing a charge on the real estate for purposes other than disposal in the ordinary course of business and conclusion of contracts worth in excess of HRK 5,000,000.00, with the exception of product, goods, energy, short-term debt and service sales contracts as part of the Company's ordinary business; decisions that affect the reputation of the Company and in all other cases determined by the Supervisory Board or the Assembly.

Composition and Operation of the Supervisory Board

Pursuant to the Companies Act and the Company's Statute, the principal responsibilities of the Supervisory Board comprise permanent supervision of the Company's operations and appointing and revoking the President and members of the Management Board. The composition of the Supervisory Board and changes of its members are presented in the accompanying financial statements.

In 2021, the Supervisory Board held 5 sessions. One member of the Supervisory Board, Mr. Davor Štefan, was not present at one meeting due to impediment, while all members of the Supervisory Board were present at the other meetings. In 2021, the Audit Committee held one meeting attended by all board members.

The Supervisory Board assessed the cooperation between the Supervisory Board and the Management Board, as well as the adequacy of the support and information it received from the Management Board during 2021, as satisfactory.

Composition and operation of the Management Board

Pursuant to the Companies Act, the Company's Statute and the Rules of Procedure for the Management Board, the principal power of the Management Board comprises managing the operations and affairs of the Company and representing the Company before third parties. In addition, the Management Board is charged with the responsibility to undertake, autonomously or with a prior consent of the Supervisory Board, any actions and adopt any decisions it considers necessary for effective management and control of the Company's operations. This, inter alia, implies adopting Company by-laws, decisions on the business and development plans of the Company, reporting to the Supervisory Board about the business performance and position of the Company, establishing bodies or boards of the Company, as well as deciding on all other issues for which the Management Board is responsible according to the

Statute or another by-law, and those issues that, under the positive law or Statute, do not fall within the area of responsibilities of another corporate body of the Company.

Description of the Work of the General Assembly

At the General Assembly, the Company shareholders may participate and vote themselves or through their proxies, which applies to the shareholders registered at the Central Depositary and Clearing Company 21 days before the Assembly. Each ordinary share entitles to one vote at the General Assembly. The Company shareholders may participate in a General Assembly in person or through their representatives, i.e. proxies. A General Assembly is convened in cases specified by law and the Company's Statute. The Assembly is convened by the Company's Management or Supervisory Board when it is necessary for the benefit of the Company. The invitation and the agenda are published at least one month before the date of the General Assembly. Any propositions of the shareholders which counter those of the Management Board and/or Supervisory Board, containing the full name of the proposing shareholder and his or her explanation, or propositions of the shareholders regarding the appointment of the Company's auditor must be received by the Company at least 14 days prior to the General Assembly, excluding the date of receipt of the counter-proposition.

Shareholders representing at least one twentieth of the share capital of the Company may require an issue to be included in the General Assembly agenda, by providing an explanation and the decision proposal. The request must be received by the Company at least 30 days in advance of the General Assembly, excluding the day of the request receipt.

The activities and decisions of the General Assembly are valid if at least 50% of the voting shares are present in a meeting. All decisions under the proposed agenda items are adopted by simple majority, except for those requiring qualified majority, i.e. three-quarters of the share capital being represented in the Assembly. Each share with a nominal amount of HRK 10.00 entitles to one vote in the Assembly.

The General Assembly is chaired by the Chairperson or Deputy Chairperson in case of the Chairperson's absence. The Chairperson and the Deputy Chairperson are elected by the General Assembly for a term of 4 (four) years based on the proposal of the Supervisory Board. The Chairperson chairs the Assembly and, before opening the discussion on the agenda items, determines the validity of proxies and the quorum. The Chairperson determines the sequence of the individual agenda item discussions, the sequence and manner of voting on the individual proposals, as well as on all procedural matters not regulated by law or the Statute. In addition, the Chairperson signs decisions adopted at the Assembly, the list of the present shareholders, the manner of voting and the voting results, makes other required notes, communicates on behalf of the Assembly with other bodies of the Company and third parties in cases stipulated by law and the Statute and performs other tasks, duties and responsibilities specified by law and the Statute.

The Members of the Management Board of Granolio d.d. in 2021 were the following:

President of the Management Board: Hrvoje Filipović (re-appointed on 23 February 2016)

Members of the Management Board: Drago Šurina (re-appointed on 23 February 2016)
Vladimir Kalčić (re-appointed on 23 February 2016)

The members of the Supervisory Board of Granolio d.d. in 2021 were the following:

President of the Supervisory Board: Franjo Filipović (re-appointed on 13 June 2019)

Members of the Supervisory Board:
Davor Štefan (re-appointed on 13 June 2019)
Jurij Detiček (re-appointed on 13 June 2019)
Tihomir Osmak (first time appointed on 13 July 2019)

This Corporate Governance Statement forms an inseparable part of the Company's Annual Report for the year 2021.

Responsibility for the financial statements

The Management Board of Granolio d.d., Zagreb, Budmanijeva 5, Zagreb (hereinafter: the Company) is obliged to ensure that the annual unconsolidated financial statements of the Company for 2021 are prepared in accordance with the applicable Croatian Accounting Act and International Financial Reporting Standards established by the European commissions and published in the Official Journal of the European Union, so as to provide a true and fair view of the unconsolidated financial position, unconsolidated results of operations, unconsolidated changes in equity and unconsolidated cash flows of the Company for that period.

After making enquiries, the Management Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to accept the going concern principle when preparing the financial statements.

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

- selecting and then consistently applying suitable accounting policies.
- making reasonable and prudent judgments and estimates.
- preparing the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue its business.

The Management Board is responsible for keeping proper accounting records, which disclose, with reasonable accuracy, at any time the unconsolidated financial position, unconsolidated business results, unconsolidated changes in equity and unconsolidated cash flows of the Company and their compliance with the applicable Croatian Accounting Act. Furthermore, the Management Board is responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of and for the Management Board:

28. April 2022

Hrvoje Filipović dipl.oec.
President of the Management Board

Drago Šurina dipl.oec.
Member of the Management Board

Vladimir Kalčić dipl.oec.
Member of the Management Board

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of Granolio d.d., Zagreb:

Report on the audit of the unconsolidated annual financial statements

Opinion

We performed an audit of the annual unconsolidated financial statements of Granolio d.d., Zagreb, Budmanijeva 5 ("the Company"), for the year ended 31 December 2021, which include the Unconsolidated Statement of financial position as at 31 December 2021, Unconsolidated Statement of comprehensive income, the Unconsolidated Statement of cash flows and the Unconsolidated Statement of changes in equity for the year then ended, as well as the accompanying Notes to the unconsolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying annual unconsolidated financial statements present a true and fair view of the Company's financial position as at 31 December 2021 and its financial performance and cash flows for the year then ended, in accordance with the Accounting Act and International Financial Reporting Standards established by the European Commission and published in the Official Journal of the European Union ("IFRS").

Basis for Opinion

We conducted our audit in accordance with the International Auditing Standards (ISAs). Our responsibilities under those standards are further described in our Independent Auditors' report under section Auditors' responsibilities for the audit of the unconsolidated 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 qualified opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 3.2. to the unconsolidated financial statements, which indicates that, based on the submitted request for pre-bankruptcy proceedings of the Company, the Commercial Court in Zagreb on 28 December 2018 adopted the final Decision on the Company's pre-bankruptcy settlement with its creditors. The Company continues to carry out measures included in the restructuring programme of the Company, maintaining the Company liquid and solvent. The Management Board of the Company believes that the Company can continue its operations as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of Mater

The Company has prepared the annual consolidated financial statements of the Company, and in order to better understand the operations of the Company as a whole, users should read the annual consolidated financial statements of the Company related to these annual unconsolidated financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, are of most significance in our audit of the unconsolidated annual financial statements for the current period and include the most significant recognized risks of significant misstatement due to error or fraud with the greatest impact on our audit strategy, the allocation of our available resources, and the time spent by the engaged audit team.

These matters were addressed in the context of our audit of the unconsolidated annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Report on the audit of the unconsolidated annual financial statements (continued)

Key audit matters (continued)

We have determined the matters described below as the key audit matters to be communicated in our Independent Auditor's report:

Key audit matter	How we addressed the key audit matter
Revenue recognition In 2021, the Company in its Statement of comprehensive income has stated sales revenues in the amount of HRK 377,767 thousand. These revenues arise from the following activities: Revenue comprises the fair value of the consideration received or receivable for the sale of goods or services in the ordinary course of the Company's activities. Revenues are stated in amounts less value added tax, quantity rebates and sales discounts. The Company recognizes revenue when the amount of revenue can be measured reliably, when the Company will have future economic benefits and when specific criteria for all activities of the Company are met. In accordance with International Financial Reporting Standard 15, Sales Revenue is recognized when the Company delivers goods to a customer, when it no longer has the influence on the management of the goods and when there is no outstanding liability that could affect the acceptance of the product by the customer. Delivery is made when the products are shipped to a specific location; the risks of loss are transferred to the customer and when one of the following is determined: the wholesaler accepts the products in accordance with the contract, or the deadline for acceptance of products has expired or the Company has objective evidence that all acceptance criteria are met. Considering the significance of revenues presented in the Statement of Comprehensive Income and the risk of recognizing them, we concluded that the occurance, accuracy and completeness of revenues and their distribution in the correct reporting period is a key audit matter. See notes 3.8 "Revenue Recognition" and 6 "Sales revenue" in the accompanying annual unconsolidated financial statements.	Our audit procedures related to this matter included, but were not limited to: - Gaining an understanding of the sales process by interviewing key sales personnel; - Gaining an understanding of key controls related to the recognition of sales revenue; - Examining the effectiveness of internal controls related to occurrence and accuracy of the revenue recognition; - Conducting detail tests on the sample in order to identify unusual or irregular items and the correct allocation of revenue between reporting periods; - Comparison of obtained external confirmations of the amount of outstanding trade receivables at the reporting date and the balances presented in the Company's records on the same date; - Assessment of the compliance of the sales revenue recognition policy with International Financial Reporting Standard 15 - Revenue from Contracts with Customers; - Assessing the adequacy of disclosures related to the recognition of sales revenue in accordance with International Financial Reporting Standard 15 - Revenue from Contracts with Customers.

INDEPENDENT AUDITOR'S REPORT (continued)

Key audit matters (continued)

Other information in the Annual Report

Management board is responsible for other information. Other information includes the Management Report and the Statement of Application of the Corporate Governance Code, but does not include the annual unconsolidated financial statements and our Independent Auditor's Report thereon.

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

In relation to our audit of the annual unconsolidated financial statements, it is our responsibility to read other information and consider whether the other information is materially inconsistent with the annual unconsolidated financial statements or our audit findings or otherwise appear to be materially misstated.

Regarding the Management Report and the Statement on the Application of the Corporate Governance Code, we also carried out the procedures required by the Croatian Accounting Act (the “Accounting Act”). These procedures include considering:

- whether the Company’s Management Report has been prepared in accordance with Article 21 of the Accounting Act and whether the Management Report has been prepared in all material respects in accordance with the accompanying financial statements;
- whether the specific information in the Statement on the Application of the Corporate Governance Code required under Article 22, paragraph 1, items 3 and 4 of the Accounting Act ("relevant parts of the Statement on the Application of the Corporate Governance Code") has been prepared in accordance with Article 22 of the Accounting Act.
- whether the Statement on the Application of the Corporate Governance Code includes disclosures in accordance with Article 22, paragraph 1, items 2,5 and 6 of the Accounting Act.

Based on the procedures required to be performed as part of our audit of the annual unconsolidated financial statements and the above procedures, in our opinion:

- The information contained in the Management Report and the relevant parts of the Statement of Application of the Corporate Governance Code for the financial year for which the unconsolidated financial statements have been prepared is consistent, in all material respects, with the Company’s annual unconsolidated financial statements set out on pages 24 to 80 and the opinion as set out in the Qualified Opinion section above;
- The Management Report and the relevant parts of the Statement on the Application of the Corporate Governance Code have been prepared, in all relevant respects, in accordance with Articles 21 and 22 of the Accounting Act;
- The Statement on the Application of the Corporate Governance Code shall include the information required by Article 22, paragraph 1, items 2, 5 and 6 of the Accounting Act.

Furthermore, taking into account the knowledge and understanding of the Company's operations and the environment in which it operates, which we acquired during our audit, we are required to report whether we have identified material misstatements in the Management Report and Corporate Governance Statement received up to the date of this Independent Auditor's Report. In that sense, we have nothing to report.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Report on the audit of the unconsolidated annual financial statements (continued)

Responsibilities of the Management board and those charged with governance for the unconsolidated annual financial statements

Management board is responsible for the preparation of unconsolidated annual financial statements that give a true and fair view in accordance with IFRSs, and for those internal controls that the Management board determines are necessary to enable the preparation of annual financial statements that are free from material misstatement due to fraud or error.

In preparing the unconsolidated annual financial statements, Management board is responsible for evaluation of the Company's ability to continue operations assuming going concern principle, disclosure, if applicable, issues related to going concern, and using accounting based on going concern principle, unless the Management board intends to liquidate the Company or discontinue its business or there is no realistic alternative but to do so.

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

Auditor's Responsibility for the audit of consolidated annual financial statements

Our goals are to obtain reasonable assurance about whether the unconsolidated annual financial statements, as a whole, are free from material misstatement as a result of fraud or error, and to issue an independent auditors' report that includes our opinion. Reasonable assurance is a higher level of assurance, but this is no guarantee that an audit performed in accordance with IAS will always detect a material misstatement when it exists. Misstatements may result from fraud or error and are considered as important, if it can reasonably be expected that, individually or in aggregate, they affect the economic decisions of users made based on these unconsolidated annual financial statements.

As an integral part of the audit report in accordance with ISA, we make professional judgments and maintain professional scepticism throughout the audit process. In addition, we:

- identify and assess the risks of material misstatement of the annual unconsolidated financial statements due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of non-detecting a material misstatement of fraud is greater than the risk of error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or circumvention of internal controls.

- acquire 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.

- assess the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the audit of the unconsolidated annual financial statements (continued)

Auditor’s Responsibility for the audit of consolidated annual financial statements (continued)

- conclude on the appropriateness of the accounting basis used based on the going concern principle used by the Management Board and, based on the obtained audit evidence, we conclude on whether there is significant uncertainty regarding events or circumstances that may create significant doubts about the ability to continue operating for an indefinite period of time. If we conclude that there is significant uncertainty, in our independent auditors’ report we are required to call our attention to related disclosures in the unconsolidated annual financial statements or, if these are inappropriate, to modify our opinion.

  Our conclusions are based on the audit evidence obtained up to the date of our independent auditors’ report. However, future events or conditions may cause the Company to discontinue its operations on a going concern.

- evaluate the overall presentation, structure and content of the unconsolidated annual consolidated financial statements, including disclosures, as well as whether the annual unconsolidated financial statements reflect the transactions and events which they are based on in a way that achieves a fair presentation.

We communicate with those charged with governance, among other issues, the intended scope and timing of audit and important audit findings, including any significant deficiencies in internal controls identified during our audit.

We also make a statement to those charged with governance that we have complied with the relevant ethical requirements regarding independence and that we will communicate with them any relationship and other matters that may reasonably be considered to affect our independence as well as, where applicable, on related safeguards.

Among the issues communicated to those charged with governance, we identify those issues that are the most important in auditing the annual unconsolidated financial statements of the current period and therefore present the key audit matters.

We describe these matters in our Independent Auditor's Report, unless the law or regulation prevents the matters from being publicly disclosed, or when we decide, in extremely rare circumstances, that the matter should not be reported in our Independent Auditors’ Report because the negative consequences of the disclosure could reasonably be expected to outweigh the benefits of public interest from such communication.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the audit of the unconsolidated annual financial statements (continued)

Statement on other legal requirements

On 16 June 2021, we were appointed by the General Assembly of the Company to audit the annual unconsolidated financial statements of the Company for 2021.

We are engaged to perform the legal audit of the annual unconsolidated financial statements of the Company for the first time for 2019, which is a three-year engagement.

In the audit of the annual unconsolidated financial statements of the Company for 2021, we determined the significance for the unconsolidated financial statements as a whole in the amount of HRK 4,427 thousand, which represents approximately 1.2% of the realized sales revenue for 2021.

We have chosen sales revenue as a measure of materiality because we believe it is the most appropriate measure given the significant fluctuations in profit before tax in the current and prior periods.

Our audit opinion is consistent with the supplementary report for the Audit committee of the Company prepared in accordance with the provisions of Article 11 of Regulation (EU) no. 537/2014.

During the period between the starting date of the audited annual consolidated financial statements of the Company for 2021 and the date of this Independent Auditor's Report, we did not provide prohibited non-audit services to the Company and did not provide services for the design and implementation of internal control procedures or risk management related to preparation and/or control of financial information or the design and implementation of technological systems for financial information, and we have maintained independence in relation to the Company.

Report based on the requirements of Delegated Regulation (EU) 2018/815 amending Directive 2004/109 / EC of the European Parliament and of the Council as regards regulatory technical standards for the specification of the European Single Electronic Format

Auditor's assurance report on the compliance of annual unconsolidated financial statements (hereinafter: financial statements), prepared pursuant to the provision of Article 462, paragraph 5 of the Capital Market Act (Official Gazette, nos. 65/18, 17/20 and 83/21) by applying the Delegated Regulation (EU) 2018/815 establishing a single electronic reporting format for issuers (hereinafter: the ESEF Regulation).

We conducted the engagement with expressing reasonable assurance as to whether the financial statements prepared for the purposes of public disclosure pursuant to Article 462, paragraph 5 of the Capital Market Act, which are contained in the electronic file *granoliodd-2021-12-31-hr,* in all material aspects prepared in accordance with the requirements of the ESEF Regulation

Responsibilities of Management and those charged with governance

The Management of the Company is responsible for the preparation and content of the financial statements in accordance with the ESEF Regulation. In addition, the Management of the Company is responsible for maintaining a system of internal controls that reasonably assures the preparation of financial statements without material non-compliance with the reporting requirements of the ESEF Regulation, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the audit of the unconsolidated annual financial statements (continued)

Report based on the requirements of the ESEF Regulation (continued)

Responsibilities of Management and those charged with governance (continued)

The Management of the Company is also responsible for:

- public disclosure of the financial statements contained in the annual report in a valid XBRL format, and
- selection and use of XBRL codes in accordance with the requirements of the ESEF Regulation.

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

Auditor's responsibilities

It is our responsibility to express a conclusion, based on the audit evidence gathered, as to whether the financial statements are free from material non-compliance with the requirements of the ESEF Regulation. We conducted this reasonable assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (revised) - Assurance engagements other than audits or reviews of historical financial information.

Procedures performed

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

As part of the selected procedures, we have performed the following activities:

- we have read the requirements of the ESEF Regulation,
- we have gained an understanding of the Bank's internal controls relevant to the application of the requirements of the ESEF Regulation,
- we have identified and assessed the risks of material non-compliance with the ESEF Regulation due to fraud or errors; and
- based on that, we have planned and designed procedures for responding to assessed risks and for obtaining reasonable assurance for the purpose of expressing our conclusion.

The aim of our procedures was to assess whether:

- the financial statements, which are included in the separate and consolidated annual report, are prepared in the valid XHTML format,
- the information contained in the separate and consolidated financial statements required by
- ESEF Regulation, are labelled and all labels meet the following requirements:
- XBRL markup language was used,
- the elements of the basic taxonomy listed in the ESEF Regulation with the closest accounting meaning were used, unless an additional element of taxonomy has been created in accordance with Annex IV ESEF Regulations,
- the labels comply with the common labelling rules under the ESEF Regulation.

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

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the audit of the unconsolidated annual financial statements (continued)

Report based on the requirements of the ESEF Regulation (continued)

Conclusion

In our opinion, based on the procedures performed and the evidence obtained, the financial statements presented in ESEF format, contained in the above-mentioned electronic file and based on the provision of Article 462, paragraph 5 of the Capital Market Act prepared for the purposes of public disclosure, in all material respects are in line with the requirements from articles 3, 4 and 6 of the ESEF Regulation for the year ended 31 December 2021.

In addition to this conclusion, as well as the opinion contained in this Independent Auditor's Report for the accompanying unconsolidated financial statements and the annual report for the year ended 31 December 2021, we do not express any opinion on the information contained in these statements or other information contained in the file stated above.

The engaged partner involved in the audit of the Company's annual unconsolidated financial statements for 2021 which results in this Independent Auditor's Report, is the certified auditor Vedrana Stipić.

Zagreb, 26 April 2022

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Radnička cesta 180
10000 Zagreb

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VStipić
Vedrana Stipić, Board Member

VStipić
Vedrana Stipić, Certified Auditor

Unconsolidated Statement of Comprehensive Income

for the year ended 31 Dec 2021

in '000 HRK

	Note	2021	2020
Income			
Sales revenue	6	377.767	285,041
Other operating income	7	68.650	160,452
Total operating income		**446.417**	**445,493**
Changes in inventories	18	922	(233)
Material expenses	8	(351.774)	(253,120)
Staff costs	9	(19.808)	(18,891)
Depreciation and amortisation	15, 16,17	(7.283)	(7,987)
Other costs	11	(2.592)	(2,607)
Value adjustment expenses	10	(11.185)	(6,475)
Other operating expenses	12	(1.999)	(116,895)
Total operating expenses		**(393.719)**	**(406,210)**
Operating profit/(loss)		**52.698**	**39,283**
Financial income	13	326	557
Financial expenses	13	(4.764)	(6,611)
Net financial result		**(4.438)**	**(6,054)**
Result before taxation		**48.260**	**33,229**
Income tax	14	(5.415)	659
Profit/(loss) after taxation		**42.845**	**33,888**
Other comprehensive income		-	
Total comprehensive income/(loss)		**42.845**	**33,888**
Earnings per share			
Basic and diluted earnings/(loss) per share (in HRK and lipa)	31	**22,53**	**17.82**

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

Unconsolidated Statement of Financial Position
as at 31 Dec 2021

in '000 HRK

	Note	31 Dec 2021	31 Dec 2020
I NON-CURRENT ASSETS			
Intangible assets			
Software and other intangible assets		466	466
Right of use assets		1,167	1,167
	15,16	**1,633**	**1,634**
Property, plant and equipment			
Land		9,184	8,684
Buildings		105,998	104,099
Plant, equipment, and tools		8,919	9,952
Other tangible assets		72	75
Investment property		4,615	4,615
Tangible assets under construction		9,310	9,410
	17	**138,098**	**136,835**
Financial assets			
Investment in subsidiaries	18a	70,427	70,427
Shares at fair value through profit or loss	18b	1,036	1,031
Given loans, deposits and similar	18c	147	144
		71,610	**71,602**
II CURRENT ASSETS			
Inventories	13	**17,424**	**13,340**
Receivables			
Receivables from related parties	30	11,823	12,890
Trade receivables	20a	56,381	51,998
Receivables from the State and other institutions	20b	7,066	280
Other receivables	20c	3,646	15,437
		78,916	**80,605**
Financial assets			
Given loans to related parties	21, 30	10,672	11,396
Investments in securities	21a	150	150
Given loans, deposits and similar	21b	8,459	8,450
		19,281	**19,996**
Cash and cash equivalents	22	1,931	1,636
Prepaid expenses and accrued income	23	732	379
TOTAL ASSETS		**329,625**	**326,072**

Unconsolidated Statement of Financial Position (continued)

as at 31 Dec 2021

in '000 HRK

	Note	31 Dec 2021	31 Dec 2020
I EQUITY AND RESERVES			
Subscribed capital		19,016	19,016
Capital reserves		84,196	84,196
Revaluation reserves		48,671	51,674
Legal reserves		5,158	3,497
Reserves for own shares		800	800
Loss carried forward		(82,929)	(118,158)
Profit or loss for the year		42,845	33,888
	24	**117,757**	**74,913**
II NON-CURRENT LIABILITIES			
Deferred tax liability	14	10,684	11,343
Liabilities to banks and other financial institutions	25	25,189	107,139
Loan liabilities	26	2,000	-
Lease liabilities	16	650	907
Trade payables		10,955	22,074
Liabilities for securities	27	6,266	26,983
		55,744	**168,446**
III CURRENT LIABILITIES			
Liabilities for loans from related companies	30	2,000	-
Liabilities to related companies	30	12,693	1,533
Liabilities to banks and other financial institutions	25	2,644	3,774
Loan liabilities	26	51,665	9,700
Lease liabilities	16	257	419
Liabilities for pre-payments		802	523
Trade payables	28a	73,715	53,053
Liabilities for securities	27	3,848	8,522
Taxes, contributions and similar duties payable	28b	6,881	3,382
Accrued expenses and deferred income		99	51
Other current liabilities	28c	1,520	1,756
		156,124	**82,714**
TOTAL LIABILITIES		**329,625**	**326,072**

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

Unconsolidated Statement of Changes in Equity
for the year ended 31 Dec 2021

in '000 HRK

	Share capital	Capital reserves	Legal reserves	Reserves for own shares	Revaluation reserves	(Accumulated loss) /retained earnings	Profit/(loss) of the year	TOTAL
As at 1 January 2020	**19,016**	**84,196**	**3,497**	**800**	**54,676**	**(107,675)**	**(13,485)**	**41,025**
Distribution of results for 2019	-	-	-	-	-	(13,485)	13,485	**-**
Revaluation depreciation	-	-	-	-	(3,002)	3,002	-	-
Total transactions with owners	-	-	-	-	*(3,002)*	*(10,483)*	13,485	-
Profit of the year	-	-	-	-	-	-	33,888	33,888
Total other comprehensive income for the year	-	-	-	-	-	-	33,888	**33,888**
As at 31 December 2020	**19,016**	**84,196**	**3,497**	**800**	**51,674**	**(118,158)**	**33,888**	**74,913**
As at 1 January 2021	**19,016**	**84,196**	**3,497**	**800**	**51,674**	**(118,158)**	**33,888**	**74,913**
Distribution of results for 2020	-	-	1,661	-	-	32,227	(33,888)	-
Revaluation depreciation	-	-	-	-	(3,002)	3,002	-	-
Total transactions with owners	-	-	*1,661*	-	*(3,002)*	35,229	*(33,888)*	-
Net profit for the year	-	-	-	-	-	-	45,891	**42,845**
Total other comprehensive income for the year	-	-	-	-	-	-	45,891	**42,845**
As at 31 December 2021	**19,016**	**84,196**	**5,158**	**800**	**48,672**	**(82,929)**	**45,891**	**117,758**

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

Unconsolidated Statement of Cash Flows – indirect method

for the year ended 31 Dec 2021

	Notes	in '000 HRK **2021**	in '000 HRK **2020**
Result before taxation		**48,260**	**33,229**
Adjusted by:			
Depreciation	15,16,17	7,283	7,987
(Profit)/loss from sale and disposal of fixed assets, net	12	16	115,510
Value adjustment of other receivables	10	11,185	6,475
Value adjustment of other financial assets	13	-	4,500
Write-off of liabilities	7	(61,395)	(156,859)
Write-off of receivables		292	-
Inventory surplus		(5,175)	(879)
Losses from other financial activities		3,046	
Net interest expense		1,343	1,353
Operating result before changes in working capital		**4,855**	**11,319**
Decrease/(increase) in inventories		1,091	7,922
(Increase)/decrease in receivables		(11,771)	(3,500)
(Decrease)/increase in liabilities		19,020	(2,438)
(Paid)/Collected advances		1,965	(2,950)
Operating result after changes in working capital		**15,160**	**10.353**
Income tax paid		-	-
Interest paid		(1,357)	(1,567)
Cash flow from operating activities		**13,802**	**8,786**
Interest charged		111	701
Cash outflows for the purchase of real estate, plant, equipment and intangible assets		(8,518)	(3,139)
Cash receipts from sale of financial assets		(6)	-
Deposits paid		(2,313)	(70)
Cash outflows for loans granted	21	(7,336)	(3,830)
Cash receipts from collection of granted loans	21	6,979	3,905
Cash flow from investing activities		**(11,083)**	**(2,433)**

Unconsolidated Statement of Cash Flows – indirect method (continued)

for the year ended 31 Dec 2021

	Note	in '000 HRK 2021	in '000 HRK 2020
Cash outflows for repayment of loans and borrowings	25	(47,635)	(7,959)
Cash receipts on loans received	26	49,000	5,000
Net expenses on securities	27	(3,463)	(4,040)
Cash outflows for repayment of leases	15	(325)	(429)
Cash flow from financing activities		**(2,423)**	**(7,428)**
Net changes in cash and cash equivalents		**(296)**	**(1,075)**
Cash at beginning of the period		1,635	2,711
Cash at the end of the period	**21**	**1,931**	**1,635**

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

1. GENERAL INFORMATION

Granolio d.d. ('the Company') was incorporated as a Croatian joint stock company in December 1996. The registered seat of the Company is in Zagreb and its business units are located in Gornji Draganac, Slavonski Brod, Velika Kopanica and Osijek.

Based on Decision No. 48. St-2021/2017 dated 27 July 2017; Commercial Court in Zagreb has opened a pre-bankruptcy procedure against Granolio d.d. and nominated Nada Reljić for the commissioner. On 6 December 2018, at the hearing for the amended restructuring plan vote at the Commercial Court in Zagreb, the restructuring plan was approved. The Court's Decision confirming the pre-bankruptcy agreement entered into force on 28 December 2018.

The following subsidiaries made up the Granolio Group as at 31 December 2021:

Zdenka - mliječni proizvodi d.o.o., Veliki Zdenci,
Zdenačka farma d.o.o., Veliki Zdenci.

The core activities of the company Granolio d.d. and its subsidiaries comprise the production of food, agricultural production, warehousing of agricultural products and trade in bakery industry products, agricultural products and raw materials for agricultural production.

In mid-2007, the Company acquired the entire share in Zdenačka farma d.o.o., Veliki Zdenci, for HRK 2,820 thousand. The subsidiary produces high-quality milk produced by dairy cows of high genetic potential.

Pursuant to the decision of the Company's General Assembly dated 16 March 2015, the share capital of Zdenačka farma was increased from HRK 13,520 thousand to HRK 29,520 thousand by issuing a new business share in the amount of HRK 16,000 thousand.

Around the middle of 2008 the Company acquired the entire equity share in Prerada žitarica d.o.o., Grubišno Polje, for HRK 5,206 thousand. The subsidiary's activities include grains warehousing and drying. As at 27 November 2017, the share capital of Prerada Žitarica was increased from HRK 23,121 thousand to HRK 63,821 thousand by issuing a new business share in the amount of HRK 40,700 thousand. On 30 April 2018, the Commercial Court in Zagreb adopted the Decision on the Merger, formally ceasing the operations of the company Prerada žitarica.

In 2011, Granolio d.d. acquired a controlling interest in the subsidiary, enabling it to exercise power in making operational decisions of its subsidiaries, as well as to govern the financial and business policies, the appointment of the members of the Management Board or the majority of vote at Zdenka mliječni proizvodi d.o.o. and Žitar d.o.o.

On 4 March 2019, the Company sold its shares in the company Žitar d.o.o. The transaction was entered into the court registry on 14 March 2019.

At 31 December 2020 the Management Board of the company Granolio d.d. consisted of the following members:
Hrvoje Filipović - Chairman (since 23 February 2011),
Vladimir Kalčić - Member (since 23 February 2011),
Drago Šurina - Member (since 23 February 2011), and

At 31 December 2020 the Supervisory Board of the company Granolio d.d. consisted of the following members:
Franjo Filipović – Chairman (since 23 February 2011),
Jurij Detiček – Member (since 23 February 2011),
Tihomir Osmak– Member (since 13 June 2019),
Davor Štefan – Member (since 16 January 2015

2. APPLICATION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) AND INTERPRETATIONS

2.1. First application of new amendments to existing standards in force for the current reporting period

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current financial period:

- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16) – extended period of application of the exemption until 30 June 2022 (effective for annual periods beginning on or after 1 April 2021);
- Interest Rate Benchmark Reform – Phase 2 introduces amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 and is not mandatorily effective until annual periods beginning on or after 1 January 2021.

The adoption of these amendments to existing standards did not lead to significant changes in the Company's financial statements.

Standards and amendments to existing standards published by the IASB and adopted in the European Union, but not yet in force

At the date of approval of these financial statements, the following amendments to existing standards published by the IASB and adopted in the European Union were published, but not in force:

- *Annual Improvements to IFRSs - 2018-2020 cycle - (effective for annual periods beginning on or after 1 January 2022);*
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment – Onerous Contracts Cost of Fulfilling a Contract): The amendments define what costs should be included in the entity's assessment of whether the contract will be detrimental (effective for annual periods beginning on or after 1 January 2022);
- IAS 16 Property, Plant and Equipment (Amendment - Proceeds before Intended Use): The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss (effective for annual periods beginning on or after 1 January 2022);
- IFRS 3 Business Combinations Amendment – Reference to the Conceptual Framework (effective for annual periods beginning on or after 1 January 2022).

2. APPLICATION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) AND INTERPRETATIONS (CONTINUED)

2.2. Standards and amendments to the existing standards issued by IASB and not yet adopted by the EU

IFRS currently adopted in the European Union do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), except for the following new standards and amendments to existing standards, the adoption of which the European Union has not yet decided on 28 April 2022 relate to IFRSs issued by the IASB:

- IFRS 17 Insurance Contracts
- IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-current)
- IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 (Amendment – Disclosure of Accounting Policies)
- IAS 8 Accounting policies, Changes in Accounting Estimates and Errors (Amendment - Definition of Accounting Estimates)
- IAS 12 Income Taxes (Amendment – Deferred Tax related to Assets and Liabilities arising from a Single Transaction)

Amendments stated above are effective for annual periods beginning on or after 1 January 2022.

The Company expects that the adoption of these new standards and amendments to existing standards will not lead to significant changes in the Company's financial statements in the period of the first application of the standards.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

The unconsolidated financial statements are prepared in accordance with the International Financial Reporting Standards ("the IFRSs") as adopted by the European Union.

3.2 Basis of preparation

The financial statements of the Company have been prepared on the historical cost basis, except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below, and in line with the International Financial Reporting Standards ("the IFRSs") as adopted by the European Union, and Croatian laws. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The Company maintains its accounting records in the Croatian language, in Croatian Kuna and in accordance with Croatian laws and the accounting principles and practices observed by enterprises in Croatia.

On 6 December 2018, at the hearing for the amended restructuring plan vote at the Commercial Court in Zagreb, the restructuring plan was approved. The Court's Decision confirming the pre-bankruptcy agreement entered into force on 28 December 2018.

The Company expects to continue its operations as a going concern and to settle all liabilities determined in the pre-bankruptcy settlement procedure. The Company has a sufficient level of liquidity to ensure the fulfilment of obligations to creditors and, in accordance with the business plan, estimates that a positive cash flow will be generated from the core business in future periods.

Throughout 2020, a stable cash flow and funds were provided to meet due liabilities to suppliers, employees, and the state, which was achieved through careful planning and liquidity management. So far, the Company has regularly repaid its liabilities in accordance with the pre-bankruptcy settlement and it is expected that it will continue to operate smoothly and repay its liabilities in accordance with the final settlement in the future. The further investment and business plan will depend on the restructuring plan adopted as part of the pre-bankruptcy settlement.

The Management Board of the Company continues intensively with activities for achieving capital adequacy as an essential condition for ensuring the long-term survival of the Company.

3.3 Interests in associates and joint ventures

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results, assets and liabilities of associates or joint ventures are reported in these unconsolidated financial statements at cost, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

The requirements of IAS 9 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Company's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3.4 Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a Company entity undertakes its activities under joint operations, the Company as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Company accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a Company entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Company does not recognise its share of the gains and losses until it resells those assets to a third party.

3.5 Investments in subsidiaries

Subsidiary is an entity in which the Company has significant influence in making financial and business policy decisions and controlling such policies. The assumption is that control exists when a parent owns, directly or indirectly through a subsidiary, more than half of the voting power of the entity, unless in exceptional cases when can be clearly proven that such ownership is not control. Control also exists when the parent company has half or less than half the voting power of the entity when there is:

a) the power over more than half of the voting rights under agreements with other investors

b) the power to manage the financial and business policies of the entity based on a statute or agreement

c) the power to appoint or dismiss most of the members of the management or equivalent administrative body or

d) the power to give a decisive vote at the meetings of the management or the equivalent administrative body.

Investments in companies over which the Company has control and significant impact in these financial statements are stated at cost, less any impairment losses, if necessary.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Functional and presentation currency

The financial statements are prepared in the Croatian currency, the Croatian Kuna (HRK), which is also the Company's functional currency, rounded to the nearest thousand.

Transactions denominated in foreign currencies are translated to the Croatian Kuna by applying the exchange rates in effect at the transaction dates. Assets and liabilities denominated in a foreign currency are retranslated at the exchange rates in effect at the reporting date. Gains and losses on the retranslation from transaction dates to the reporting date are included in the statement of comprehensive income.

3.7 Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires from management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. These estimates and the underlying assumptions are based on past experience and various other pertinent factors and are believed to be reasonable under given circumstances and constitute a reliable basis for developing estimates of the carrying amounts of assets and liabilities that are not readily available from other sources. Actual results may differ from those estimates.

The estimates and underlying assumptions are regularly reviewed. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Judgements made by the Management Board in applying IFRS that have a significant impact on the financial statements and areas of judgement involving a risk of material adjustment in the following year are presented in Note 4.

3.8 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for products, goods or services sold in the regular course of the Company's operations. Revenues are stated net of value added tax, quantity and sales discounts.

The Company recognises revenue when the amount of the revenue can be measured reliably, when future economic benefits will flow into the Group and when the specific criteria for the entire Group's activities described below are met.

(i) Income from the wholesale of products and trade goods

The Company produces and distributes its own products as well as third-party merchandise (wholesale operations). Wholesale revenue is recognised when the Company has delivered the goods to the wholesaler, when it no longer controls the management of the goods and when there is no outstanding liability that could affect the acceptance of the products by the wholesaler.

A delivery is completed when the products are dispatched to a specific location, the risk of loss are transferred to the wholesaler and one of the following is met: the wholesaler has accepted the goods in accordance with the underlying contract; or the acceptance deadline has passed; or the Company has objective evidence that all the acceptance criteria are met.

Products are sold at the agreed volume discounts, with the right of the customers to return faulty goods. Sales revenue is recognised based on the price from the underlying sales contract, less any estimated volume and sales discounts, and returns. The discounts and returns are assessed based on past experience. Volume discounts are assessed based on anticipated annual sales. When sales are made under terms and conditions that involve financing elements, i.e. where the collection period is longer than 60 days, the receivables are classified as short-term financial assets.

(ii) Income from the retail sale of products and merchandise

Retail product and merchandise sales are recognised upon the sale to the customer. Retail sales are generated in cash. The Company does not have specific customer award schemes.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8. Revenue recognition (continued)

(iii) Sale of services

Service sales are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(iv) Financial income

Financial income consists of interest earned on investments and foreign exchange gains. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised when the right to receive payment has been established.

3.9 Foreign currencies

Foreign-currency transactions and balances

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

Non-monetary assets and items denominated in foreign currencies that are measured at historical cost are not re-translated.

Foreign-currency denominated non-monetary assets and liabilities measured at historical cost currencies are translated to the functional currency using the exchange rate list in effect at the transaction dates.

At 31 December 2020 the official exchange rate of the Croatian Kuna against 1 euro (EUR) was HRK 7.536898; and at 31 December 2019 it was HRK 7.442580, respectively.

3.10 Borrowing costs

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset, which is a time-consuming asset that is required to be ready for its intended use or sale, are charged to the cost of the asset until it is largely ready for intended use or sale.

Investment income earned on the temporary investment of earmarked loan funds until the beginning of their spending on a qualifying asset is deducted from borrowing costs whose capitalization is acceptable.

All other borrowing costs are included in profit or loss in the period in which they are incurred.

3.11 Employee benefits

(i) Pension obligations and other post-employment benefits

In the normal course of business the Group makes payments, through salary deductions, to mandatory pension funds on behalf of its employees, as required by law. All contributions paid to the mandatory pension funds are recognised as salary expense when accrued. The Company is not obliged to provide any other post-employment benefits.

(ii) Long-term employee benefits

The Company does not recognise liability for long-term employee benefits (jubilee awards), as they are not included in the employment contracts or defined by other legal acts.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Short-term employee benefits

The Company recognises a provision for bonuses to employees when there is a contractual obligation or a past practice giving rise to a constructive obligation.

(iv) Share-based payments

The Company makes no share-based payments to its employees.

3.12 Dividends

Dividends payable to shareholders are recognized as a liability in the financial statements in the period in which they are approved by the Company's Assembly of Shareholders.

3.13 Operating segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Based on the internal reporting structure, the Company monitors the performance of the following segments:

- Milling
- Wholesale
- Other (services, livestock, other activities)

The Company identifies operating segments on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker (Management Board) in order to allocate resources to the segments and to assess their performance. Details about the operating segments are disclosed in Note 5 to the unconsolidated financial statements. Comparative information has been presented on the principle of comparability.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Taxation

(i) Income tax

Income tax expense comprises current and deferred taxes. Income tax expense is recognised in profit or loss to the extent of the tax relating to items within equity when the expense is also recognised through other comprehensive profit.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the date of the financial statements, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax assets and liabilities

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

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are recognised only to the extent that it is probable that they could be utilised as a tax benefit.

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

(iii) Tax exposure

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

(iv) Value added tax (VAT)

The Tax Authorities require that VAT is settled on a net basis. VAT on sale and purchase transactions is recognised in the unconsolidated statement of financial position on a net basis. Where an amount receivable is impaired, the impairment loss is recognised in the gross amount of the receivable, i.e. including VAT.

3.15 Property, plant and equipment

Land and buildings used for goods or services production or delivery or administrative purposes are reported in the statement of financial position in revalued amounts, which represent their revaluation date fair value less the value adjustment (accumulated depreciation) and accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Every increase resulting from land and building revaluation is reported in the statement of comprehensive income, except if it cancels the decrease resulting from the revaluation of the same asset which has been previously recognised in the statement of profit or loss, and in that case the increase is recorded in the statement of profit or loss up to the amount of the previously stated decrease. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. The purchase cost entails the professional services fee cost, and in case of qualifying assets, borrowing costs capitalised pursuant to the Company’s accountancy policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property’s revaluation reserve is transferred directly to retained earnings.

Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The following useful lives are used in the calculation of depreciation:

	2021	2020
Buildings	40 years	40 years
Plants and equipment	10 years	10 years
Office equipment	4 years	4 years
Telecommunications equipment	2 years	2 years
Personal cars	2.5 years	2.5 years
Delivery vehicles	4 years	4 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or during the lease period, if shorter of the two. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16. Investment property

Investment property refers to property held for the purpose of lease income or increase in property value or both. After initial recognition, the Company chose for its subsequent measurement accounting policy a purchase cost model and applies its policy to all of its investment property.

3.17. Intangible assets

Intangible assets may be acquired in exchange for a non-cash asset or for cash, or a combination of both, where the cost of such an asset is determined at the fair value unless the exchange lacks commercial substance or the fair value of the asset received or disposed of cannot be determined reliably, in which case the cost is determined as the carrying amount of the asset disposed of.

(i) Brands and contracts with customers

Contracts with customers have a finite useful life and are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided using the straight-line method over the useful life which is estimated at 6 years.

Trademark licences are carried at cost and have an indefinite useful life, as the analyses of all relevant factors at the reporting date do not indicate any foreseeable limit to the period over which the identified rights will generate cash inflows. Intangible assets with indefinite useful lives are tested for impairment annually and are carried at cost less accumulated impairment losses.

(ii) Computer software

Software licences are capitalised based on the cost, which includes the cost of purchase and costs incurred in bringing software into a working condition for its intended use. The cost is amortised over the useful life of software, which has been estimated at 5 years.

3.18. Impairment of property, plant and equipment and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When 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. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease, in line with the applicable Standard stipulating the requirements concerning the relevant asset revaluation.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. Impairment loss reversal is immediately recognised as income, unless the relevant asset is not stated as a revalued amount, in which case the reversed impairment loss is stated as an increase due to revaluation in line with the applicable Standard stipulating the requirements concerning the relevant asset revaluation. In 2020, the company made a loss from the sale of brands. As at 31 December 2021, the value of brands in non-current intangible assets is zero.

3.19 Leases

All leases are calculated by recognizing the right to use and the lease liabilities except for:

- Low value leases; and
- Leases whose lease term ends in a period of 12 months from the date of first application or less.

The lease liability is calculated at the present value of the contractual future payments to the lessor over the term of the lease, less the discount rate determined in relation to the rate inherent in the lease, unless it is (as is usually the case) not easy to determine, in which case the Company's incremental borrowing rate at the inception of the lease is used. Variable lease payments are included in the calculation of lease obligations only if they depend on an index or rate. In this case, the initial calculation of the lease liability assumes that the variable element will remain unchanged for the duration of the lease. Other variable lease payments represent an expense in the period to which they relate.

At the date of initial recognition, the carrying amount of the lease liability includes:

- amounts expected to be paid by the lessee under residual value guarantees;
- the cost of executing the purchase option if it is certain that the lessee will use that option; and
- payment of fines for termination of the lease if the lease period reflects that the lessee will take the opportunity to terminate the lease

Assets with the right of use are initially measured at the amount of the lease liability, less all lease incentives received and increased by:

- all lease payments made on or before the start date of the lease;
- all initial direct costs; and
- the amount of the provision recognized in the event that the Company contractually bears the costs of dismantling, removing or rebuilding the location of the property.

Assets with the right to use are reduced by the accumulated depreciation calculated on a straight-line basis over the term of the lease, or the remaining economic life of the asset, if it is considered to be shorter than the lease term.

The useful life of the asset with the right of use is shown as follows:

	2021	2020
Vehicles	5 years	5 years
Equipment	10 years	10 years

After the initial measurement, the lease liability increases to reflect interest on lease obligations and decreases to reflect lease payments made.

The lease liability is subsequently measured when there is a change in future lease payments resulting from a change in the index or rate, or when there is a change in the estimate of the term of any lease.

For financial leases, the Company recognizes assets with the right of use and the lease liability.

3.20. Inventories

Inventories of raw materials and spare parts are stated at the lower of cost and net realizable value, determined using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less all variable selling costs.

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

Trade goods are carried at the lower of purchase cost and selling price (less applicable taxes and margins).

Small inventory and tools are expensed when put into use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21. Cash and cash equivalents

Cash and cash equivalents consist of balances on accounts with banks and cash in hand. For the purposes of the unconsolidated statement of financial position, outstanding bank overdrafts are included in current liabilities.

3.22. Equity

The share capital consists of ordinary shares. Amounts recognised in equity as a result of issuing new shares or options are presented net of the related transaction costs and profit tax. Any fair value of the consideration received in excess of the nominal value of issued shares is recognised as capital gains.

3.23. Financial instruments

Financial assets and financial liabilities are recognised when a Company entity becomes a party to the contractual provisions of the instruments.

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

3.24. Financial assets

Financial assets and financial liabilities are recognised in the statement of financial position of the Company when the Company becomes a party to the contractual provision of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs which may be directly attributed to the acquisition or issuing the financial assets and financial liabilities (other than financial assets and financial liabilities measured at fair value through profit or loss) are added to or deducted from the fair value of financial assets and financial liabilities at initial recognition, where appropriate. Transaction costs which may be directly attributed to the acquisition of financial assets or financial liabilities at fair value through profit and loss are recognised immediately in profit and loss. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

All regular purchases or sales represent purchases or sales of financial assets which require delivery in the framework established in regulations or market practice. All recognised financial assets are subsequently entirely measured at depreciated cost, fair value through other comprehensive income or fair value through profit or loss, depending on the business model and characteristics of contracted cash flows of financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

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

3.24. Financial assets (continued)

(i) Depreciated cost and effective interest method

The effective interest method is a method of calculating the depreciated cost of a debt instrument and of allocating interest income over the relevant period. For financial assets, aside from purchased or incurred credit-

impaired financial assets (i.e. assets which were credit-impaired during the initial recognition), the effective interest rate is a rate that accurately discounts the estimated future cash inflow (including all fees and points paid or received, which constitute an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding the expected credit losses, during the expected life of a debt instrument or, where appropriate, during a shorter period, to gross carrying amounts of the debt instrument at initial recognition. For purchased or incurred credit-impaired financial assets, the effective interest rate adjusted to the loan is calculated by discounting estimated future cash flows, including expected credit losses, to the depreciated cost of the debt instrument at initial measurement.

The depreciated cost of financial assets is the amount at which the financial instrument is measured at initial recognition, less of payments of principal and plus accumulated depreciation, using the effective interest rate method for any difference between the opening amount and amount at maturity, adjusted for any loss. Gross carrying amount of financial assets is the depreciated cost of financial assets before adjustments for any loss.

Interest income is recognised by applying the effective interest rate for debt instruments, which are subsequently measured at depreciated cost and FVTOCI.

For financial assets, other than purchased or incurred credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, aside for the financial assets which subsequently became credit-impaired.

For financial assets which subsequently became credit-impaired, interest income is recognised by applying the effective interest rate to the depreciated cost of financial assets. If, in the following reporting periods, the credit risk for the credit-impaired financial instrument improves in the way that the financial instrument is no longer credit-impaired, the interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial assets.

For the purchased or incurred credit-impaired financial assets, the Company recognises interest income by using the effective interest rate adjusted by the credit risk to the depreciated cost of financial assets at initial recognition. The calculation is not returned to a gross basis, even if the credit risk of the financial assets subsequently improves so that the financial assets are no longer credit impaired.

Interest income is recognised in profit or loss.

(ii) Impairment of financial assets

The Company recognises the provisions for expected credit losses from debt instruments measured at depreciated cost and for trade receivables. The amount of expected credit losses is calculated at every reporting date in order to reflect the changes in the credit risk since the initial recognition of an individual financial instrument. The Company always recognises life-long expected credit losses (ECL) for trade receivables based on a selected simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for debtor-specific factors. The Company currently does not adjust the loss rate for future macroeconomic conditions, since it has not performed an analysis of the impact of macroeconomic factors on historical loss rates, including the time value of money, where appropriate.

For all other financial instruments, the Company recognises the lifelong ECL in case of a significant increase in credit risk since initial recognition. However, if the credit risk for the financial instrument has not significantly

increased since the initial recognition, the Company measures the loss for this financial instrument in the amount equal to a 12-month ECL. Life-long ECL represents expected credit losses resulting from all potential cases of default during the expected lifetime of the financial instrument.

By contrast, a 12-month ECL represents a part of the life-long ECL, on account of the probability of a default status in the 12 months following the reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.24. Financial assets (continued)

Significant increase in credit risk

When assessing whether the credit risk for the financial instrument significantly increased since the initial recognition, the Company compares the risk of default on the reporting date to the risk of default of the financial instrument on the date of initial recognition. During the assessment, the Company considers both quantitative and qualitative information which are reasonable and available, including the historical experience, which can be accessed without unnecessary costs or engagements.

In particular, the Company relies on days of default when assessing significant credit risk deterioration. If the debtor is in default more than 360 days, then the Company assumes that there is a significant increase in credit risk.

Despite the aforementioned, we assume that the credit risk for the financial instrument has not significantly increased since the initial recognition if we determine that the financial instrument has a low credit risk at the reporting date. We conclude that the financial instrument has a low credit risk if:

- The financial instrument has a low risk of default;
- The debtor has a strong ability to settle his/her contractual obligations in the short term; and
- Adverse changes in economic and business conditions in the long term may, but do not necessarily have to, decrease the lessee’s ability to meet his/her contractual cash flow obligations.

However, the Company does not currently use the simplification of a low credit risk when assessing the significant increase in credit risk. The Company regularly monitors the efficiency of criteria used to determine whether there has been a significant increase in credit risk and reviews them so that the criteria may identify a significant increase in credit risk before any default occurs.

(ii) Definition of default status

The following facts, which represent a case of default for internal credit risk management purposes are considered by the Company as a historical experience which proves that financial assets meeting any of the following criteria are in general not recoverable:

- if the debtor breached the financial clauses; or
- data developed internally or obtained from external sources point to the fact that it is highly unlikely that the debtor will pay his/her creditors, including the Company, in full (without considering any collateral held by the Company).

Notwithstanding the above analysis, the Company considers that there was a default when the financial assets matured more than 360 days and the liabilities were not paid, unless the Company has reasonable and substantiated information to show a more appropriate delay criterion.

(iii) Credit-impaired financial assets

Financial assets are credit-impaired when one or more events with an adverse effect on estimated future cash flows and financial assets occurred. Proof of credit impairment of the financial asset includes data available on the following events:

- significant financial difficulties of the issuer or debtor;
- breach of contract, such as a default (defined above);
- when the issuer, due to the debtor’s financial difficulties, grants the debtor a concession, which he would otherwise not consider;
- it becomes probable that the debtor will go into bankruptcy or undertake another type of financial restructuring;
- the disappearance of an active market for a specific financial asset because of financial difficulties.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.24 Financial assets (continued)

(iv) Write-off policy

The Company writes off financial assets when there are data pointing to the fact that the debtor is in serious financial difficulties and that there is no real chances of return, for example when the debtor has gone into liquidation or bankruptcy or when trade receivables are due more than 3 years, whatever happens first. Written-off financial assets can still be subject to enforcement activities within the Company recovery procedures, with regard to the relevant legal advice, where appropriate. As previously described, revenue from the collection of financial assets is recognised in profit or loss.

(v) Measurement and recognition of expected credit losses

Measurement of expected credit losses is the function of Probability of Default (PD), Loss Given Default (LGD), i.e. size of loss in case of default, and Exposure at Default (EAD). Assessment of Probability of Default and Loss Given Default is based on historical data and information provided in previous paragraphs. In terms of exposure in the moment of default, for the financial assets it represents a gross carrying amount of the assets at the reporting date. As for the exposure at the time of default, for financial assets it represents the gross carrying amount of the asset at the reporting date.

When assessing the PD and LGD parameters, the Company relies on external investment rating agencies' publications.

For the financial assets, the expected credit loss is assessed as the difference between all contractual cash flows maturing in line with the contract and all expected cash flows, discounted at the original effective interest rate. If the Company measured provisions for expected loan losses for financial instruments in the amount equal to life-long ECL in the previous reporting period, but at the current reporting date it determined that the life-long ECL conditions are no longer met, the Company measures the loss in the amount equal to a 12-month ECL at the current reporting date, except for the assets for which a simplified approach was used (trade receivables). The Company recognises impairment gains and losses in the profit and loss account for all financial instruments with the appropriate adjustment of the carrying amount through the loss provisions account.

(vi) End of financial asset recognition

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

(vii) Measurement and recognition of expected credit losses (continued)

If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralised borrowing for the asset received.

in case of financial asset recognition measured at depreciated cost, the difference between the asset's carrying amount and the amount of the consideration received and receivable is recognised in profit or loss. furthermore, in the event that recognition of debt investment measured at fvtoci ceases, cumulative profit or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss, except in case of equity instruments for which the fvtoci option has been selected.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.24. Financial assets (continued)

Loans and receivables

The Company always reports the provisions for losses of trade receivables in the amount equal to the life-long ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position. The Company recognised a loss in the amount of 100% of all receivables over 360 days past due as past experience shows that the relevant receivables can usually not be recovered.There were no changes in the assessment techniques or material assumptions during the current reporting period.

The Company writes off trade receivables when there are data pointing to the fact that the debtor is in serious financial difficulties and that there is no real chances of return, for example when the debtor has gone into liquidation or bankruptcy or when trade receivables are due more than 2 years, whatever happens first. None of the trade receivables are subject to enforcement activities. The following table details the risk profile of trade receivables based on the Company's provision matrix. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provisions for loss allowance based on past due status is not further distinguished between the Company's different customer bases.

3.25 Financial liabilities and equity instruments

All financial liabilities are measured subsequently at depreciated cost by using the effective interest rate method or at fair value through profit or loss.

The Company measures all financial liabilities at depreciated cost.

However, for financial liabilities which arise when the transfer of financial assets does not meet the derecognition criteria or when the continued participation approach is applied, and for contracts on financial guarantees issued by the Company, subsequent measurement takes place in line with specific accounting policies provided below.

Financial liabilities subsequently measured at amortised cost

Financial liabilities which are not (i) contingent consideration recognised by an acquirer in a business combination; (ii) held for trading; (iii) measured at fair value through profit or loss; are subsequently measured at depreciated cost, using the effective interest rate method.

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

Classification as debt or equity

Debt and equity instruments are classified as financial liabilities or as principal pursuant to the essence of the agreement.

Financial liabilities

Other financial liabilities, including borrowings and loans, as well as bonds, are initially measured at fair value less transaction costs. Other financial liabilities are later measured at depreciated cost by applying the effective interest rate method, and the interest expenses are recognised based on the effective yield.

The effective interest rate method represents a method used for calculating the depreciated cost of the financial liability and distributing the interest expenses throughout the relevant period. The effective interest rate is the rate pursuant to which the estimated future cash flows are discounted during the expected lifetime of the financial liability or, where applicable, during a shorter period.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's liabilities are paid, cancelled or expired.

4. KEY ACCOUNTING JUDGEMENTS AND ESTIMATES

In the application of the Company's accounting policies, which are described in Note 3, management of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in the application of accounting policies

The following are the critical judgements, apart from those involving estimations, that the Management Board has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the unconsolidated financial statements.

(i) Revenue recognition
In making their judgement, the Management Board considered the individual criteria for the recognition of revenue from the sale of goods set out in IFRS 15 "Income" and, in particular, whether the Company had transferred to the buyer the significant risks and rewards of ownership of the goods.

(ii) Consequences of certain legal disputes
There are a number of legal actions which have arisen from the regular course of operations of individual companies within the Company. The Management Board makes estimates of probable outcomes of these legal actions and recognises provisions for the Company's liabilities that may arise from these legal actions on a consistent basis.

(iii) Recoverable amount of trade and other receivables
The recoverable amount of trade and other receivables is determined as the present value of future cash flows, discounted using the market interest rate in effect at the measurement date. Current receivables without the interest rate are measured at the originally invoiced amounts if the discounting effect is not material.

(iv) Useful life of property, plant and equipment
As described in Note 3.15 above, the Company reviews the estimated useful lives of property, plant and equipment at the end of each reporting period.

5. A) THE IMPACT OF COVID-19 PANDEMIC

In early 2020, a pandemic of the COVID-19 virus spread throughout the world. In addition to the health of the world's population, the pandemic has also affected the global economy, monetary and fiscal policies of individual countries, the movement of goods and services between countries and the purchasing power.
As the Company operates within the food processing sector, there was no significant impact of the pandemic on the sale of the Company's products. (Note 6)

Despite the very unfavourable circumstances caused by the spread of the COVID-19 pandemic and the impact of that crisis on global and local flows of goods, long-term strong relationships with suppliers have contributed to stable operations. The company managed to avoid interruptions or significant delays in production and ensured an uninterrupted supply of the market with the required products.

The Company's priorities in these uncertain times remain the maintenance of a positive health bulletin of employees, ensuring the smooth continuation of production and continuous supply of customers and consumers, and social responsibility in the broadest sense.

B) THE INFLUENCE OF GEOPOLITICAL DEVELOPMENTS IN UKRAINE

Although the Granolio Group does not do business directly with companies from Ukraine or Russia, we expect an impact on further increases in energy prices, rising wheat prices, and other inputs in the Group's production that could lead to increased final prices of our products.
The Group takes all necessary actions to minimize all risks. Considering that we have successfully overcome the challenges related to market trends after the COVID pandemic, we expect to successfully overcome the potential difficulties related to the recent development of the situation in Ukraine through adequate adjustment of the procurement, sales and finance processes.

6. SALES REVENUE

	in '000 HRK 2021	2020
Sales revenue – domestic	286,909	235,345
Sales revenue – foreign	85,079	42,575
Revenue from services	5,779	7,121
	377,767	**285,041**

the reporting segments form a part of the internal financial reporting. the internal reports are reviewed regularly by the company's management board, as the chief decision-maker, which uses them as a basis for assessing the performance of the segments and making operating decisions.

The Company monitors its performance through the following operating segments:

- Milling
- Wholesale
- Other (services, livestock)

Segment information – industry analysis:

The operating income of the Company, analysed by reporting segments presented in accordance with IFRS 8, and the reconciliation of the segment performance with the profit or loss on taxation as reported in the separate statement of comprehensive income.

	in '000 HRK 2021	2020
Milling	243,281	210,254
Wholesale	128,376	67,605
Other	6,110	7,182
	377,767	**285,041**

Territorial analysis of sales

	in '000 HRK 2021	2020
Croatia	292,655	242,467
Serbia	49,278	4
Italy	18,829	13,540
Slovenia	9,130	12,713
Bosnia and Herzegovina	7,607	9,109
Austria	237	2,240
Kosovo	25	296
Hungary	6	2,418
Romania	-	2,130
Bulgaria	-	62
Montenegro	-	62
	377,767	**285,041**

7. OTHER OPERATING INCOME

in '000 HRK

	2021	2020
Inventory surplus	5,175	953
Income from subsidies	10	950
Subsequent credit notes from suppliers	84	412
Other operating income	63,381	158,137
	68,650	**160,452**

Other operating income consists of income from rent, collection of damages, sale of fixed assets, subsequently collected sued receivables and write-off of the loan under the Agreement on the regulation of loan obligations in the amount of HRK 60.500 thousand. (31. December 2020: HRK 156.861 thousand)

8. MATERIAL EXPENSES

The structure of material expenses is as follows:

in '000 HRK

	2021	2020
Raw materials and consumables used	193,256	162,936
Energy consumption	7,916	7,796
Inventory spillage, breakage and similar costs	896	860
Cost of small inventory	235	362
Cost of inventories for sold livestock	131	66
Other material expenses	173	205
Raw materials and consumables used	**202,607**	**172.225**
Cost of goods sold	**127,417**	**60.720**
Telephone, post and transportation services	11,811	10,807
Maintenance and security services	2,031	2,447
Intellectual services	1,941	1,206
Rental costs	1,349	1,258
Quality control services	1,235	1,281
Promotions and sponsorships	836	559
The cost of service grinding	-	-
Selling costs (freight-forwarding, goods handling, etc.)	459	564
Other external costs	2,088	2,053
Other external costs	**21,750**	**20,175**
	351,774	**253,120**

Inventory spillage, breakage and similar costs comprise mostly the standard spillage and breakage in the production in the amount of HRK 830 thousand (2020: HRK 760 thousand)

Auditor's fee for 2021. amounts to HRK 115 thousand (2020: HRK 113 thousand): HRK 115 thousand for the audit of the Company (2020: HRK 113 thousand).

9. EMPLOYEE COSTS

		in '000 HRK
	2021	**2020**
Net salaries	12,962	12,336
Taxes and contributions from salaries	4,463	4,285
Contributions on salaries	2,383	2,270
	19,808	**18,891**

As at 31 December 2021, the Company has 169 employees (31 December 2020: 174).

10. VALUE ADJUSTMENTS EXPENSES

		in '000 HRK
	2021	**2020**
Value adjustment of other receivables (Note 20c)	11,185	6,475
	11,185	**6,475**

11. OTHER EXPENSES

		in '000 HRK
	2021	**2020**
Reimbursement of expenses to employees	1,302	1,101
Insurance premiums	470	484
Contributions, membership fees and other compensations	458	528
Business travel expenses	43	22
Banking services and payment costs	96	98
Taxes that do not depend on the result	132	120
Other costs	92	254
	2,592	**2.607**

Reimbursement of expenses to employees mainly relates to compensation for transportation costs to work HRK 688 thousand (2020: HRK 719 thousand) and Christmas bonuses, severance pay and other compensation for employees in the amount of HRK 614 thousand (2020: HRK 382 thousand).

12. OTHER OPERATING EXPENSES

		in '000 HRK
	2021	**2020**
Subsequently approved cassa sconto	560	507
Entertainment costs	567	390
Penalties, damages	47	524
Donations and sponsorships	125	90
Waste, breakage and breakdown of goods	125	144
Write-offs of receivables	292	3
The carrying amount of intangible assets sold	-	115,000
Other operating expenses	284	238
	1.999	**116.895**

13. FINANCIAL INCOEM AND EXPENSES

Financial income

		in '000 HRK
	2021	**2020**
Default interest	33	201
Interest on loans granted	132	130
Positive exchange rate differences	160	227
	326	**557**

In 2019, income from investments in shares in the entrepreneur relates to the payment of profit in the Company Zdenka in the amount of HRK 2,000 thousand.

Financial expenses

		in '000 HRK
	2021	**2020**
Value adjustment of other financial assets (Note 21b)	-	4,500
Interest on loans and borrowings	1,207	1,318
Discount interest on bills of exchange	175	291
Negative exchange rate differences	196	381
Default interest	92	74
Other financial expenses	3,094	47
	4,764	**6.611**

14. INCOME TAX

Income tax comprises:

		in '000 HRK
	2021	**2020**
Current income tax	6,074	-
Total income tax expense	**6,074**	**-**

Effective tax rate reconciliation

A reconciliation of tax expense per the statement of comprehensive income and taxation at the statutory rate is detailed in the table below:

		in '000 HRK
	2021	**2020**
Profit/(loss) before taxation	48,260	33,229
Income tax at a rate of 18%	*8,687*	5,981
Effect of non-taxable income	-	(9,489)
Effect of non-deductible expenses	8,188	-
Effect of (reversal)/generating transferred tax losses	(22,700)	(42,718)
Income tax	**6,074**	**-**
Effective tax rate	**12.58%**	**-**

14. INCOME TAX (CONTINUED)

Unused tax losses

In accordance with tax regulations, the Company has transferable tax losses in the amount of zero kunas at 31 December 2021 (as at 31 December 2020, HRK 25,658 thousand).

Deferred tax assets are not recognized in the Company's books due to the uncertainty of making sufficient future tax gains that would be reduced by tax losses carried forward.

Deferred tax liabilities arise from the following:

in '000 HRK

2021	Opening balance	Recognised in profit or loss	Merger of subsidiary	Closing balance
Revaluation depreciation	11,343	(659)	-	10,684
Deferred tax liability	**11,343**	**(659)**	**-**	**10,684**

in '000 HRK

2020	Opening balance	Recognised in profit or loss	Merger of subsidiary	Closing balance
Revaluation depreciation	12,002	(659)	-	11,343
Deferred tax liability	**12,002**	**(659)**	**-**	**11,343**

Movement of deferred tax liability

in '000 HRK

	31 Dec 2021	31 Dec 2020
Balance at 1 January	11,343	12,002
Decrease	(659)	(659)
	10,684	**11,343**

Under Croatian regulations, the Tax Administration may at any time audit the books and records of a Croatian company in a period of three years following the year in which the tax liability is declared and impose additional taxes and penalties. The Management Board of the Company is not aware of any circumstances which may give rise to a potential material liability in this respect.

15. INTANGIBLE ASSETS

Movement of intangible assets in 2020: **in '000 HRK**

	Trademarks, concessions, licenses	Customer list	Software	TOTAL
Cost				
Balance 1 January 2020	120,000	10,000	2,486	132,486
Increase	-	-	183	183
Sale	(120,000)	-	-	(120,000)
Balance 31 December 2020	-	10,000	2,669	12,669
Value adjustment				
Balance 1 January 2020	-	9,302	2,320	11,622
Amortisation	-	699	231	930
Balance 31 December 2020	-	10,000	2,552	12,552
Carrying value 1 January 2020	120,000	699	165	120,864
Carrying value 31 December 2020	-	-	117	117

15. INTANGIBLE ASSETS (CONTINUED)

Movement of intangible assets in 2021: in '000 HRK

	Trademarks, concessions, licenses	Customer list	Software	TOTAL
Cost				
Balance 1 January 2021	-	10,000	2,669	**12,669**
Increase	-	-	500	**500**
Sale	-	-	-	**-**
Balance 31 December 2021	**-**	**10,000**	**3,169**	**13,169**
Value adjustment				
Balance 1 January 2021	-	10,000	2,552	**12,552**
Amortisation	-		151	151
Balance 31 December 2021	**-**	**10,000**	**2,703**	**12,703**
Carrying value 1 January 2021	**-**	**-**	**117**	**117**
Carrying value 31 December 2021	**-**	**-**	**466**	**466**

16. RIGHT TO USE ASSETS AND LEASE LIABILITY

(a) Right-to-use assets

in '000 HRK

	Vehicles	Equipment	TOTAL
Balance at 1 January 2020	**225**	**2,630**	**2,855**
Increase	-	1,242	1,242
Transfer to property	-	(2,228)	(2,228)
Depreciation	(124)	(184)	(307)
Balance at 31 December 2020	**101**	**1,461**	**1.562**
Increase	-	-	-
Transfer to property	-	-	-
Depreciation	(87)	(308)	(395)
Balance at 31 December 2021	**14**	**1,153**	**1,167**

(b) Lease liability

in '000 HRK

	Vehicles	Equipment	TOTAL
Balance at 1 January 2020	**209**	**298**	**507**
Increase	-	1,242	1242
Lease payment	(91)	(297)	(388)
Interest expense	(14)	(25)	(39)
Exchange rate difference	-	3	3
Balance at 31 December 2020	**104**	**1,221**	**1,325**
Increase	-	-	-
Lease payment	(85)	(279)	(364)
Interest expense	(4)	(45)	(49)
Exchange rate difference	(2)	(4)	(6)
Balance at 31 December 2021	**13**	**893**	**906**

(c) Maturity of liabilities

in '000 HRK

	31 Dec 2021	31 Dec 2020
Lease liability	**907**	**1,325**
(Current maturity)	(257)	(418)
Long-term lease liability	**650**	**907**

The maturity of the lease liability is as follows:

in '000 HRK

	31 Dec 2021	2022	2023	2024	from 2025
Operating lease	907	257	253	263	134
	907	**257**	**253**	**263**	**134**

Interest on operating and finance leases ranges from 4% to 5%.

17. PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment in 2020:

in '000 HRK

	Land	Buildings	Plant, equipment, and tools	Other tangible assets	Investment property	Current investments	TOTAL
Cost							
Balance 1 January 2021	**8,684**	**176,755**	**96,845**	**207**	**4,615**	**9,410**	**296,516**
Transfer from the right of use	-	-	100	-	-	(100)	-
Increases	500	6,199	1.307	-	-	-	8,006
Sale and write-off	-	-	(171)	(11)	-	-	(182)
Balance 31 December 2021	**9.184**	**182,954**	**98.081**	**196**	**4,615**	**9,310**	**304,340**
Impairment allowance							
Balance 1 January 2021	-	**72,655**	**86.893**	**133**	-	-	**159,681**
Revaluation depreciation	-	2,189	1.472	-	-	-	3,661
Depreciation	-	2,112	1.023	-	-	-	3,135
Sale and write-off	-	-	(169)	(9)	-	-	(178)
Balance 31 December 2021	-	**76,956**	**89.162**	**123**	-	-	**166,241**
Carrying value at 1 January 2021	**8.684**	**104,099**	**9.952**	**75**	**4,615**	**9,410**	**136,836**
Carrying value at 31 December 2021	**9.184**	**105,998**	**8.919**	**73**	**4,615**	**9,310**	**138,099**

Tangible assets in the amount of HRK 105.998 thousand (2020: HRK 104,099 thousand) are pledged as collateral for the Company's credit liabilities (Note 25). The last assessment of tangible assets was performed in 2020 and was in accordance with the situation in the business books on 31 December 2020. The value of buildings, if shown at cost, would amount to HRK 105.998 thousand, and land to HRK 9.184 thousand as at 31 December 2021.

Notes to the unconsolidated financial statements (continued)
for the year ended 31 December 2021

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Movements in property, plant and equipment in 2020:

in '000 HRK

	Land	Buildings	Plant, equipment, and tools	Other tangible assets	Investment property	Current investments	TOTAL
Cost or revaluation							
Balance at 31 December 2020	**8,684**	**176,491**	**93,005**	**213**	**4,615**	**9,384**	**292,391**
Additions		264	2,666	-	-	26	2,956
Sale and disposal		-	(1.483)	(6)	-	-	(1,489)
Balance at 31 December 2020	**8,684**	**176,755**	**96.845**	**207**	**4,615**	**9,410**	**296,516**
Impairment allowance							
Balance at 01. January 2020	**-**	**63,387**	**84.974**	**119**	**-**	**-**	**153,480**
Revaluation depreciation	-	2,189	1,472	-	-	-	3,661
Depreciation and amortisation	-	2,079	992	18	-	-	3,089
Sale and disposal	-	-	(974)	(4)	-	-	(978)
Balance at 31 December 2020	**-**	**72,655**	**86.893**	**119**	**-**	**-**	**159,681**
Carrying value at 1 January 2020	**8,684**	**108,104**	**8.031**	**93**	**4,615**	**9,384**	**138,911**
Carrying value at 31 December 2020	**8,684**	**104,099**	**9.952**	**75**	**4,615**	**9,410**	**136,835**

Tangible assets in the amount of HRK 104,099 thousand (2020: HRK 108,104 thousand) have been pledged as collateral for the Company's borrowings (Note 25).

18. NON-CURRENT FINANCIAL ASSETS

(a) Investment in subsidiaries

	31 Dec 2021	31 Dec 2020
Zdenka mliječni proizvodi d.o.o., Veliki Zdenci	42,767	42,767
Zdenačka farma d.o.o., Veliki Zdenci	27,660	27,661
	70,427	**70,428**

Shares of Zdenka – mliječni proizvodi d.o.o. value 42.767 thousand kuna (31.December 2020: null kuna) have been pledged as collateral for the Company's borrowings (Note 26).

(b) Shares at fair value through profit or loss

in '000 HRK

	31 Dec 2021	31 Dec 2019
Zagrebačke pekarne Klara d.d., Zagreb	500	494
Prehrana trgovina d.d., Zagreb	536	536
Žitozajednica d.o.o., Zagreb	1	1
	1,037	**1,031**

Ownership interest

	31 Dec 2021	31 Dec 2020
Zdenačka farma d.o.o., Veliki Zdenci	100.00%	100.00%
Zdenka mliječni proizvodi d.o.o., Veliki Zdenci	50.00%	50.00%
Zagrebačke pekarne Klara d.d., Zagreb	1%	1%
Prehrana trgovina d.d., Zagreb	11.48%	11.48%
Žitozajednica d.o.o., Zagreb	1.28%	1.28%

Voting rights are the same as ownership rights.

(c) Given loans, deposits and similar

in '000 HRK

	31 Dec 2021	31 Dec 2020
Loans to natural persons	147	144
	147	**144**

Movements in non-current loans for the year are provided in Note 21.

19. INVENTORIES

in '000 HRK

	31 Dec 2021	31 Dec 2020
Raw material	6,721	7,189
Trade goods	8,867	4,855
Finished goods	1,830	1,206
Work in progress	6	90
	17,424	**13,340**

20. TRADE RECEIVABLES, RECEIVABLES FROM THE STATE AND OTHER INSTITUTIONS AND OTHER RECEIVABLES

a) Trade receivables

in '000 HRK

	31 Dec 2021	31 Dec 2020
Domestic sales	78,403	72.934
Subcontractor receivables	4,931	5.857
Foreign sales	5,732	5.281
Expected credit losses	(32,585)	(32.074)
	56,381	**51.998**

Subcontractor receivables refer to commodity loans for intermediate products required for sowing given to farmers who simultaneously supply raw materials for production and trade goods.

Expected credit losses of trade receivables

	2021	2020
Balance at 1 January	**32,074**	**32.368**
Value adjustment of trade receivables	1,089	-
Impaired receivables write-off	(15)	-
Recovery of impaired receivables	(563)	(294)
Balance at 31 December	**32,585**	**32.074**

The ageing analysis of outstanding receivables from customers where no impairment has been made is shown in the following table:

in '000 HRK

	31 Dec 2021	31 Dec 2020
Not yet due	45,449	34,925
0-90 days past due	9,056	13,702
91-180 days past due	414	1,199
181-360 days past due	147	315
> 360 days	1,315	1,857
	56,381	**51,998**

20. TRADE RECEIVABLES, RECEIVABLES FROM THE STATE AND OTHER INSTITUTIONS AND OTHER RECEIVABLES (CONTINUED)

b) Receivables from the State and other institutions

in '000 HRK

	31 Dec 2021	31 Dec 2020
VAT receivables	6,918	-
Income tax advance payments	110	110
Other receivables from the State and other institutions	38	170
	7,066	**280**

c) Other receivables

in '000 HRK

	31 Dec 2021	31 Dec 2020
Receivables with recourse factoring	-	10.096
Prepayments made	2,566	4.252
Interest receivables	978	987
Other receivables	102	102
	3,646	**15.437**

Receivables from recourse factoring in the amount of HRK 10,096 thousand were adjusted during 2021. Year. It refers to receivables based on bills of exchange with recourse right, discounted at factoring companies. Movements in receivables from recourse factoring are presented in the following table:

Receivables from recourse factoring

in '000 HRK

	2021	2020
Balance at 1 January	**10,096**	**16,571**
Value adjustment of trade receivables	(10,096)	(6,475)
Balance at 31 December	**-**	**10,096**

21. CURRENT FINANCIAL ASSETS

a) Investment in securities

in '000 HRK

	31 Dec 2021	31 Dec 2020
Investments in bills of exchange	150	150
	150	**150**

b) Given loans, deposits and similar

in '000 HRK

	31 Dec 2021	31 Dec 2020
Loans to legal entities	8,413	8,413
Short-term loans to natural persons	32	24
Given deposits	14	13
	8,459	**8,450**

Notes to the unconsolidated financial statements (continued)
for the year ended 31 December 2021

21. CURRENT FINANCIAL ASSETS (CONTINUED)

Movement in given loans in 2021

in '000 HRK

	1 Jan 2021	Increase in given loans	Collection of given loans	Transfer of a portion of long-term loans to short-term and vice versa	FX differences	Value adjustment	31 Dec 2021
Given long-term loans							
Given loans to natural persons	144	40	-	(37)	-	-	147
Total long-term loans	**144**	**40**	**-**	**(37)**	**-**	**-**	**147**
Short-term loans							
Given loans to natural persons	24	-	(29)	37	-	-	32
Given loans to related parties	11,396	7,296	(8,020)	-	-	-	10,672
Given loans to companies	8,413	-	-	-	-	-	8,413
Total short-term loans	**19,833**	**7,296**	**(8,049)**	**37**	**-**	**-**	**19,117**
TOTAL	**19,976**	**7,336**	**(8,049)**	**-**	**-**	**-**	**19,264**

Movement in given loans in 2020

	1 Jan 2020	Increase in given loans	Collection of given loans	Transfer of a portion of long-term loans to short-term and vice versa	FX differences	Value adjustment	31 Dec 2020
Given long-term loans							
Given loans to natural persons	145	-	-	(3)	1	-	144
Total long-term loans	**145**	**-**	**-**	**(3)**	**1**	**-**	**144**
Short-term loans							
Given loans to natural persons	48	-	(27)	3	1	-	24
Given loans to related parties	10,375	4,899	(3,878)	-	-	-	10,327
Given loans to companies	12,913	-	-	-	-	(4,500)	8,413
Total short-term loans	**23,336**	**4,899**	**(3,905)**	**3**	**1**	**(4,500)**	**19,833**
TOTAL	**23,481**	**4,899**	**(3,905)**	**-**	**2**	**(4,500)**	**19,976**

22. CASH AND CASH EQUIVALENTS

in '000 HRK

	31 Dec 2021	31 Dec 2020
Bank accounts – domestic currency	1,646	1,253
Bank accounts – foreign currency	283	381
Cash in hand	2	2
	1,931	**1,636**

23. PREPAID EXPENSES AND ACCRUED INCOME

in '000 HRK

	31 Dec 2021	31 Dec 2020
Prepaid expenses	732	379
	732	**379**

Movements in prepaid expenses during the year were as follows:

in '000 HRK

	2021	2020
Balance at 1 January	**379**	**390**
Increase in prepaid expenses	4,059	463
Decrease in prepaid expenses	(3,706)	(474)
Balance at 31 December	**732**	**379**

24. EQUITY AND RESERVES

Equity represents own permanent sources of funding the operations of the Company. It consists of the share capital, legal reserves, revaluation reserves, retained earnings and the result for the year.

By decision of the Assembly of the Company in 2012 Granolio d.o.o. was transformed into a joint stock company by issuing ordinary shares. The share capital of the Company in the amount of HRK 5,000 thousand has been divided into 500,000 ordinary shares of the "A" series, each with a nominal amount of HRK 10.

The new legal form of the Group was registered at the Commercial Court in Zagreb on 21 February 2012.

Pursuant to the decision of the Company's Shareholders, the share capital of the Company was increased from HRK 5,000 thousand to HRK 12,000 thousand by transferring retained earnings in the amount of HRK 7,000 thousand. The share capital was increased through an issue of ordinary shares with a nominal value of HRK 10 per share, subscribed by the shareholders in proportion to their respective shares in the Company's capital as of that date. The share capital increase was registered at the Commercial Court in Zagreb on 28 September 2011.

Pursuant to the decision of the Company shareholders dated 2 September 2014, the share capital was increased by an additional contribution of HRK 7,016,430.00 from HRK 12,000 thousand to HRK 19,016,430.00. Based on a public invitation to the subscription of the new shares, the share capital was increased by cash contributions made based on an issue of 701,643 new non-materialised shares in the nominal amount of HRK 10 per share at a single final issue price per share of HRK 134.00. The Company made a public invitation to subscribe minimum 671,642 up to maximum 789,157 new shares. The share subscription took place in the period from 25 to 27 November 2014.

As of 31 December 2017, the Company's subscribed capital, as registered in the court registry, amounts to HRK 19,016,430. The total number of shares is 1,901,643, and the nominal value per share amounts to HRK 10. The result of the sale of shares through the public offering is also capital gain amounting to HRK 87,004 thousand, which in the period from 1 January 2014 to 31 December 2015 had been decreased by recapitalization costs incurred in that period of total value of HRK 2,817 thousand.

24. EQUITY AND RESERVES (CONTINUED)

The ownership structure of the share capital at 31 December 2021 is presented below, with the largest 10 shareholders holding 96.22% of the shares at that date:

	31 Dec 2021		31 Dec 2020	
	Number of shares (in thousands)	**Ownership %**	**Number of shares (in thousands)**	**Ownership %**
Filipović Hrvoje	1,105	58.11%	1,105	58.11%
HOK - osiguranje d.d.	379	19.90%	379	19.90%
Societe Generale-Splitska banka d.d./Erste plavi OMF kategorija B	149	7.83%	149	7.83%
C.I.M Banque	105	5.52%	100	5.26%
Auctus j.d.o.o.	38	2.00%	38	2.00%
Capturis d.o.o.	26	1.35%	25	1.31%
OTP banka d.d./1MO	14	0.74%	14	0.74%
OTP banka d.d./ SZAIF d.d.	6	0.30%	8	0.44%
OTP banka d.d./Generali Victoria fond	6	0.29%	7	0.37%
HITA vrijednosnice d.d./1195	4	0.23%	3	0.18%
Ostali	70	3.68%	74	3.89%
	1.902	**100.00%**	**1.902**	**100.00%**

25. LIABILITIES TO BANKS AND OTHER FINANCIAL INSTITUTIONS

		in '000 HRK
	31 Dec 2021	**31 Dec 2020**
Non-current liabilities		
Bank loans	25,189	107,139
	25,189	**107,139**
Current liabilities		
Bank loans	2,644	3,774
	2,644	**3,774**
	27,833	**110,913**

Summary of borrowing arrangements

Non-current liabilities for bank loans refer to loans received before the opening of the pre-bankruptcy procedure. All loan liabilities are contained in the pre-bankruptcy settlement establishing the further repayment dynamics. The repayment dynamics is presented in Note 25 through the liability maturity review.

The value of non-current assets secured by a mortgage to credit borrowings from banks as at 31 December 2021 amounted to null HRK (as at 31 December 2020: HRK 104,145 thousand). An Agreement was concluded with the bank which regulated loan obligations in such a way that the liability in the amount of HRK 60,500 thousand was written off while the remaining debt of HRK 42,000 thousand was settled from a short-term loan of a non-financial corporation.

25. LIABILITIES TO BANKS AND OTHER FINANCIAL INSTITUTIONS (CONTINUED)

Movement in liabilities to banks and other financial institutions for 2021:

	Opening balance 1 January 2020	Increase in loan liabilities	Payment of loan principal	Transfer to loan liabilities	Transfer from non-current to current and vice versa	FX differences	Closing balance at 31 December 2020
Long-term loans							
Long-term bank loans	107,139	-	(38,048)	(38,572)	(5,330)	-	25,189
Total long-term loans	**107,139**	**-**	**(38,048)**	**(38,572)**	**(5,330)**	**-**	**25,189**
Short-term loans							
Short-term bank loans	3,774	-	(6,460)	-	5,330	-	2,644
Total short-term loans	**3,774**	**-**	**(6,460)**	**-**	**5,330**	**-**	**2,644**
TOTAL	**110,913**	**-**	**(44,508)**	**(38,572)**	**-**	**-**	**27,833**

Movement in liabilities to banks and other financial institutions for 2020:

	Opening balance 1 January 2020	Increase in loan liabilities	Payment of loan principal	Transfer to loan liabilities	Transfer from non-current to current and vice versa	FX difference s	Closing balance at 31 December 2020
Long-term loans							
Long-term bank loans	113,619	-	-	-	(6,480)	-	107,139
Total long-term loans	**113,619**	**-**	**-**	**-**	**(6,480)**	**-**	**107,139**
Short-term loans							
Short-term bank loans	3,754	-	(6,460)	-	6,480	-	3,774
Total short-term loans	**3,754**	**-**	**(6,460)**	**-**	**6,480**	**-**	**3,774**
TOTAL	**117,373**	**-**	**(6,460)**	**-**	**-**	**-**	**110,913**

25. LIABILITIES TO BANKS AND OTHER FINANCIAL INSTITUTIONS (CONTINUED)

Bank loans and finance leases' maturity is as follows:

in '000 HRK

	Balance 31 Dec 2021	**2022**	**2023**	**2024**	**2025**	**from 2026**
Liabilities to banks	27,833	2,644	2,346	3,479	3,479	15,885
	27,833	**2,644**	**2,346**	**3,479**	**3,479**	**15,885**

Foreign-currency loans are detailed in the following table:

	31 Dec 2021	**31 Dec 2020**
Total liabilities to financial institutions stated in thousands of EUR.	2	15

26. LOAN LIABILITIES

	Opening balance at 1 Jan2021	**Increase in loan liabilities**	**Repayment of loan principle**	**Transfer from long-term to short-term and vice versa**	**Write off**	**Closing balance at 31 Dec 2021**
Long-term liabilities						
Long-term liabilities for corporate loans	-	-	-	-	-	-
Short-term liabilities for loans of natural persons	-	-	-	2,000	-	2,000
Total long - term loans	**-**	**-**	**-**	**2,000**	**-**	**2,000**
Short-term liabilities						
Short-term liabilities for corporate loans	4,700	47,000	(2.000)	-	(35)	49,665
Short-term liabilities for loans of natural persons	5,000	-	(1.000)	(2,000)	-	2,000
Total short - term loans	**9,700**	**47,000**	**(3.000)**	**(2,000)**	**(35)**	**51,665**
TOTAL	**9,700**	**47,000**	**(3.000)**	**-**	**(35)**	**53,665**

The value of non-current assets encumbered with mortgages for loans from non-financial entities as at 31 December 2021 amounted to HRK 98,920 thousand (31 December 2020: HRK 0). The mortgage is based on the new loans contract settled in 2021.
The long-term commitment for loans to individuals matures by the end of 2023.

26. LOAN LIABILITIES (CONTINUED)

	Opening balance at 1 Jan2020	Increase in loan liabilities	Repayment of loan principle	Transfer from long-term to short-term and vice versa	Write off	Closing balance at 31 Dec 2020
Long-term liabilities						
Long-term liabilities for corporate loans	159,567	-	-	(5,320)	(154,247)	-
Total long - term loans	**159,567**	**-**	**-**	**(5,320)**	**(154,247)**	**-**
Short-term liabilities						
Short-term liabilities for corporate loans	3,494	-	(1,500)	5,320	(2,614)	4,700
Short-term liabilities for loans of natural persons	-	5,000	-	-	-	5,000
Total short - term loans	**3,494**	**5,000**	**(1,500)**	**5,320**	**(2,614)**	**9,700**
TOTAL	**163,061**	**5,000**	**(1,500)**	**-**	**(156,861)**	**9,700**

At the end of 2020, the Company entered into a Loan Agreement with companies which regulated loan liability in such a way that the liability was written off in the amount of HRK 156,861 thousand, while the remaining debt of HRK 4,700 thousand should be settled in 2021.

27. LIABILITIES FROM SECURITIES

in '000 HRK

	31 Dec 2021	31 Dec 2020
Long-term liabilities from securities	6,266	26,983
Short-term liabilities from securities	3,848	8,522
	10,114	**35,505**

Liabilities under securities refer to liabilities for bills of exchange to the companies Erste factoring d.o.o. HRK 0 (2020: HRK 21,928 thousand) and CIM Bank HRK 10,114 thousand (2020: HRK 13,577 thousand).

Movement of liabilities from securities in 2021

	Opening balance 1 Jan 2021	Increase of liabilities from securities	Repaym ent	Debt write-off	Transfer from long term to short term	Closing balance on 31 December 2021.
Long-term liabilities						
Liabilities from securities	26,983	-	-	(18,232)	(2,485)	6,266
Short-term liabilities						
Short - term liabilities from securities	8,522	-	(3,462)	(3,697)	2,485	3,848
TOTAL	**35,505**	**-**	**(3,462)**	**(21,929)**	**-**	**10,114**

27. LIABILITIES FROM SECURITIES (CONTINUED)

Movement of liabilities from securities in 2020

	Opening balance 1 Jan 2020	**Increase of liabilities from securities**	**Repayment**	**Transfer from long term to short term**	**Closing balance on 31 December 2020.**
Long-term liabilities					
Liabilities from securities	29,879	-	-	(2,896)	26,983
Short-term liabilities					
Short - term liabilities from securities	9,666	-	(4,040)	2,896	8,522
TOTAL	**39,545**	**-**	**(4,040)**	**-**	**35,505**

The maturity of the securities is shown as follows:

in '000 HRK

	Balance 31 Dec 2021	**2022**	**2023**	**2024**	**2025**	**from 2026**
Long-term liabilities under securities	10,114	3,358	1,743	1,253	1,253	2,507
	10,114	**3,358**	**1,743**	**1,253**	**1,253**	**2,507**

28. CURRENT LIABILITIES

(a) Trade payables

in '000 HRK

	31 Dec 2021	**31 Dec 2020**
Suppliers in the country	71,617	51,641
Suppliers abroad	2,097	1,411
Liabilities for uninvoiced goods	-	1
	73,714	**53,053**

Age structure of trade payables as at 31 December 2021:

in '000 HRK

	31 Dec 2021	**31 Dec 2020**
Not yet due	49,163	30,120
0-90 days past due	22,134	19,558
91-180 days past due	1,015	1,931
181-360 days past due	737	772
> 360 days	666	672
	73,715	**53,053**

(b) Liabilities for taxes, contributions and similar

in '000 HRK

	31 Dec 2021	31 Dec 2020
Profit tax	6,074	-
Taxes and contributions from and to salaries	569	520
Other tax and contribution liabilities	238	119
VAT liabilities	-	2.743
	6,881	**3.382**

(c) Other current liabilities

in '000 HRK

	31 Dec 2021	31 Dec 2020
Liabilities to employees	1,158	1,091
Interest payable to financial institutions	358	323
Other current liabilities	4	342
	1,520	**1,756**

29. COMMITMENTS

As at 31 December 2021, the Company has commitments under rental agreements in the total amount of HRK 941 thousand which do not qualify for recognition in accordance with IFRS 16 and are not yet realised or disclosed in the statement of financial position.

The contractual commitments under space rental agreements are as follows:

in '000 HRK

	31 Dec 2021	2022	2023	2024	2025	Od 2026
Rentals	941	927	2	2	2	8
	941	**927**	**2**	**2**	**2**	**8**

30. RELATED-PARTY TRANSACTIONS

in '000 HRK
31 Dec 2021

	Assets		Liabilities	
	Trade and other receivables	**Given loans**	**Loans received**	**Other liabilities**
Zdenačka farma d.o.o., Veliki Zdenci	5,501	481	-	-
Zdenka- mliječni proizvodi d.o.o., Veliki Zdenci	-	-	2,000	101
Stan arka d.o.o., Zagreb	160	4,430	-	-
Pet na treću d.o.o.	5,312	-	-	145
SP ONE d.o.o.	-	-	-	12,447
Key management	851	5,761	-	
	11,824	**10,672**	**2,000**	**12,693**

in '000 HRK
31 Dec 2020

	Assets		Liabilities	
	Trade and other receivables	**Given loans**	**Non-current liabilities**	**Current liabilities**
Zdenačka farma d.o.o., Veliki Zdenci	5,744	135	-	-
Zdenka- mliječni proizvodi d.o.o., Veliki Zdenci	-	-	-	26
Stan arka d.o.o., Zagreb	160	4,430	-	-
Pet na treću d.o.o.	6,250			
SP ONE d.o.o.		1,070		1,508
Key management	736	5,761	-	-
	12,890	**11,396**	**-**	**1,534**

Income and expenses for the year ending on 31 December 2021 and 31 December 2020, arising from transactions with related parties, were as follows

in '000 HRK

	2021		2020	
	Income	**Expenses**	**Income**	**Expenses**
Zdenačka farma d.o.o., Veliki Zdenci	4,495	230	3,928	23
Zdenka- mliječni proizvodi d.o.o., Veliki Zdenci	-	76	-	24
SP ONE d.o.o.	-	21,546	-	4,611
Pet na treću d.o.o..	-	1,170	5,000	
Key management	115	-	115	-
	4,610	**23,022**	**9,043**	**4,658**

The key management of the Company consists of members of the Management Board and the Supervisory Board of Granolio d.d.

Compensation paid to key management personnel during 2021 amounted to HRK 1,680 thousand (2020: HRK 1,164 thousand).

During 2021, the members of the Supervisory Board were paid HRK 133 thousand in remuneration (in 2020: HRK 185 thousand).

31. EARNING PER SHARE

in '000 HRK

	31 Dec 2021	**31 Dec 2020**
Profit/(loss)	42,845	33,888
Profit/(loss) attributable to the shareholders	42,845	33,888
Weighted average number of ordinary shares used in the calculation of the basic earnings per share	1,901,643	1,901,643
Profit/(loss) per share (in HRK and lp)	**22.53**	**17.82**

32. RISK MANAGEMENT

32.1. Financial risk

Equity risk management

Net debt-to-equity (Gearing ratio)

The Company reviews the capital structure annually. As part of this review, the cost of capital and the risks associated with each class of capital are presented.

The gearing ratio at the date of the statement of financial position was as follows:

		in '000 HRK
	31 Dec 2021	**31 Dec 2020**
Debt (long-term and short-term loans and liabilities for securities)	37,947	146,418
Lease liabilities (non-current and current)	907	1,326
Loan liabilities (non-current and current)	55,665	9,700
Cash and cash equivalents	(1,931)	(1,636)
Net debt	**92,588**	**155,808**
Equity	120,803	74,913
Debt to equity ratio	**0.77**	**2.08**

Debt is defined as long-term and short-term loans, liabilities under securities and lease and loan obligations. Equity represents the value of capital and reserves.

The Company's capital consists of a debt, which includes received loans and leases, cash and cash equivalents and of the equity attributable to the shareholders comprising share capital, reserves, retained earnings and profit for the year.

Categories of financial instruments

		in '000 HRK
	31 Dec 2021	**31 Dec 2020**
Financial assets		
Cash	1,931	1,636
Loans and receivables	101,390	100,846
Financial liabilities held at depreciated cost:		
Liabilities for loans and securities	37,947	146,418
Payables to suppliers	97,363	76,636
Loan liabilities	55,665	9,700
Lease liabilities	907	1,326
Other liabilities	2,422	2,356

Financial risk management objectives

The Company finances a part of its operations using foreign-currency denominated borrowings. Therefore, the Company is subject to an impact of changes in the applicable foreign exchange and interest rates. The Company is also exposed to credit risk which arises from the sales it has made with deferred payment.

The Company seeks to reduce the effects of these risks to the lowest possible level.

32. RISK MANAGEMENT (CONTINUED)

32.1. Financial risk (continued)

Price risk management

The largest market on which the Company provides its services is the market of the Republic of Croatia. The Company's Management Board determines the prices of the services based on market prices. The purchase function is centralised, which in itself provides the Company an image of a respectable customer with a good starting negotiating position.

Currency risk

The Company is exposed to the risk of changes in foreign exchange rates. The exchange rate risk arises from the portion of the Company's loan debt tied to the movements in the exchange rate of the Croatian kuna (HRK) against the euro (EUR). Significant fluctuations in the HRK/EUR exchange rate could affect the value of the Company's foreign-currency denominated assets and liabilities. In addition, according to the 2021 data, the Company generates around 23% of its total revenue on foreign markets and in euros, which is another aspect of the Company's performance being subject to the fluctuations in the EUR/HRK exchange rate.

At the reporting date, the Company did not use any financial instruments to hedge its position from unfavourable exchange rate movements.

The carrying amounts of the Company’s foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows

in original currency in '000 HRK

	Assets		Liabilities	
	31 Dec 2021	**31 Dec 2020**	**31 Dec 2021**	**31 Dec 2020**
European Union (EUR)	973	532	950	421

Foreign currency sensitivity analysis

The Company is mainly exposed to the fluctuations in the exchange rate of the Croatian kuna (HRK) against the euro (EUR) because this is the currency in which the majority of intermediary food product purchase and sale transactions on international markets are carried out.

The following table analyses the Company's sensitivity to a five percent (5%) increase and decrease in the HRK exchange rate against the relevant foreign currencies. A sensitivity rate of 5% is a rate representing management's assessment of realistically possible changes in exchange rates. Sensitivity analysis includes only open monetary items in foreign currency, and it recalculates items adjusted for a 10% change in exchange rates. A positive number indicates an increase in profit or principal when the value of the HRK increases by 5% in relation to the currency in question. In the event of a fall in the value of the HRK by 5% in relation to the currency in question, the impact on profit or principal would be the same but opposite, i.e. the amounts in the table would be negative.

in ‘000 HRK

	Increase/decrease in exchange rate	**Effect on profit before taxes**
2021		
EUR	+5%	9
	-5%	(9)
2020		
EUR	+5%	42
	-5%	(42)

32. RISK MANAGEMENT (CONTINUED)

32.1. Financial risk (continued)

Credit risk

The Company is exposed to the risk of default of a portion of its trade receivables. The Company transacts generally with retail chains with which it has a long history of cooperation. As a result, the Company's presents mainly to the extent it reflects potential issues in the retail industry. The Company seeks to minimise its credit risk exposure by monitoring the financial position of its customers, applying strict collection measures and obtaining various instruments of collateral such as promissory notes and bills of exchange.

In addition to credit risk arising from trade debtors, the Company is also exposed to credit risk from dealing with subcontractors in the production of grains and oleaginous plants, as it extends credit to them for required seeds and intermediary products during the sowing season. The subcontractors generally settle the liabilities for the intermediary products and seeds by delivering oleaginous plants and crops if the parties agree on the product price during the harvest season. It is possible and it happens that, in practice, some cooperative farmers fail to produce crops and oleaginous plans in quantities sufficient to settle the commodity loans for a variety of reasons. The Company protects itself from such situations by obtaining additional collateral, such as personal guarantees of the agricultural farm owners, their family members, establishing pledge on the agricultural equipment and facilities, fiduciary title to harvested crops or grains on stock, co-ownership of the crops, and similar. The instruments to secure the settlement are negotiated separately with each individual farmer, depending on the relationship history.

Where an individual subcontractor cannot repay a commodity loan due to unfavourable weather conditions and/or market prices of crops/oleaginous plants, the Company enters into a deferred payment arrangement with such subcontractors at a certain interest rate, a settlement arrangement involving the next season's harvest or settlement in another crop not affected by poor weather conditions (e.g. rain during wheat harvest may reduce the wheat quality, but at the same time improve the quality of crops harvested in the autumn). It is common for subcontractors to sow several different types of crops/plants to reduce the risk of poor weather conditions adversely affecting a particular crop/plant, but also as a safeguard against unfavourable movements in the prices of a particular crop, i.e. to disperse the risk.

During its operations, the Company enters into factoring contracts and/or discounted bills with factoring houses. The ultimate risk arising from the recoverability of the debt from the principal debtor is borne by the Company. At the reporting date, the contingent liabilities of the Company arising from factoring deals with recourse amount to HRK 21.9 million and arose from business operations with Agrokor, which has since 2017 underwent a restructuring and business model change.

Interest rate risk

Given the level of debt owed to financial institutions, which mostly bears interest at a variable rate based on benchmark interest rates (EURIBOR, LIBOR, ZIBOR and interest rates on the treasury bills of the Croatian Ministry of Finance), the Company is exposed to the risk of growth in interest rates. At the reporting date, the Company did not use any financial instruments to hedge its position from unfavourable interest rate movements.

As the Company borrows both at fixed and variable rates, it is exposed to the interest rate risk. A vast majority of the loans raised by the Group bear interest at variable rates.

The sensitivity analysis below is based on the risk of changes in interest rates at the date of the statement of financial position. For variable-rate debt, the analysis is prepared assuming the amount of the liability outstanding at the date of the statement of financial position was outstanding for the whole year. If the interest rates would change by 0.5 percent, and all other variables remained constant, there would be a change in the interest expense of the Company in the amount of HRK 0 at 31 December 2021 (2020: HRK 0,6 thousand).

32. RISK MANAGEMENT (CONTINUED)

32.1. Financial risk (continued)

Liquidity risk

The following tables detail the remaining contractual maturities of the Company's non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities by reference to the earliest date on which the Company can be required to pay. The tables include both principal and interest cash outflows. The non-discounted amount of interest payments has been derived from interest rate curves at the end of the reporting period. The contractual maturity is defined as the earliest date on which the Company can be required to make the payment

	Weighted average effective interest rate %	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
At 31 December 2021							
Non-interest-bearing		42,659	20,903	25,268	10,955	-	99,785
Interest bearing		2,864	5,603	53,446	20,199	12,406	94,518
		45,523	**26,506**	**78,713**	**31,155**	**12,406**	**194,304**
At 31 December 2020							
Non-interest-bearing		16,144	32,741	17,435	36,159	15,398	117,876
Interest bearing		1,087	1,773	7,033	55,841	56,205	121,939
		17,231	**34,514**	**24,468**	**92,000**	**71,603**	**239,816**

32. RISK MANAGEMENT (CONTINUED)

32.1. Financial risk (continued)

Liquidity risk (continued)

The following table details the Company's remaining contractual maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Weighted average effective interest rate %	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
At 31 December 2021							
Non-interest-bearing		14,216	15,605	32,682	7,737	1,365	71,604
Interest bearing		486	433	4,040	9,647	5,798	20,405
		14,702	**16,038**	**36,722**	**17,384**	**7,163**	**92,010**
At 31 December 2020							
Non-interest-bearing		26,526	28,548	15,726	737	10,096	81,634
Interest bearing		144	4	2,069	18,887	24	21,128
		26,670	**28,552**	**17,795**	**19,624**	**10,120**	**102,761**

32. RISK MANAGEMENT (CONTINUED)

32.1. Financial risk (continued)

Fair value measurement

Some of the Company's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets and financial liabilities	**Fair value on the day**		**Fair value level**	**Valuation method and main input**	**Relevant unavailable input**	**Unavailable input in relation to fair value**
	31 Dec 2021	31 Dec 2020				
Shares and units in private equity firms (Note 16).		1% in shares of Zagrebačka pekarna Klara d.d. engaged in the industrial production of bread, pastries and other related food products - HRK 494 thousand; and 11.48% in shares of Prehrana trgovina d.d. engaged in trade - HRK 536 thousand	Level 3	Income (profit) approach - the method of discounted cash flow is used to determine the present value of future economic benefits to be realized on the basis of ownership of the entities in which the investment is made.	Long-term revenue growth rates determined according to management experience and knowledge of market conditions in the above economic segments, which amount to 3% (2020: 3%).	A slight increase in revenue growth rates, observed in isolation, would lead to an increase in fair value (see under 1).
					Long-term operating profit margins before tax determined based on management experience and knowledge of market conditions in the above economic segments, ranging from 8 to 11 percent.	A significant increase in operating profit margin before tax would, in isolation, lead to an increase in fair value.
					The weighted average cost of capital determined by the capital asset valuation model (CAPM) is 12%.	A slight increase in the weighted average cost of capital would, observed in isolation, lead to a decline in fair value.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties under common market conditions.

The Management Board considers that the carrying amounts reported in these financial statements of financial assets and financial liabilities carried at amortised cost approximate their fair values.

32. RISK MANAGEMENT (CONTINUED)

32.2. Industry risk

One of the food industry risks arises from the fact that eating and diet habits of consumers as well as consumer awareness of the impact of the diet on their health have significantly evolved over the past two decades. Such trends pose an imperative for the producers in terms of seeking to expand the existing line of products and further improve the quality of the current products.

Flour production

Flour production could be adversely affected by extraordinary events such as fire, explosions, failure of production equipment, prolonged or unplanned maintenance, construction of roads or closing of main transport routes, flooding, storms, or other extreme weather conditions. Although the Company has arranged an insurance coverage for its facilities, the insurance coverage is inherently limited by caps on insured sums and may not be sufficient to cover all the costs. In addition, the Company may be exposed to costs not covered by insurance.

32.3. Risks arising from the ordinary course of business

Market risk

The food product demand is relatively steady in relation to product prices. Factors impacting the demand are of the following nature: demographic (increase of population), economic (increase in the number of tourists and food consumption at hospitality facilities; higher production volumes in the confectionery and baking industries), political (EU membership that enables seamless export to both EU Member States, but also a higher competition on domestic markets on the part of producers coming from other Member States).

Input commodity and product delivery risks

Wheat, being the key flour production input, has a significant influence on the flour production and prices, both in terms of wheat production and price levels. A key domestic source of the input is represented by a broad base of farmers with whom the Company cooperates by making deliveries of seeds and other intermediate products required for sowing and accepting settlement using mostly offsetting arrangements involving produced wheat/crops at a pre-defined purchase price.

The input commodity purchase risk is mitigated, as the Company has established a sales division that is present on international commodity markets and is currently able to purchase, at a time, sufficient quantities of wheat at the current market price. Croatia's accession to the European Union has lifted all administrative barriers to input commodity purchases from the territory of the European union.

The product delivery risk arises from a potential discontinued production as a result of fault of the milling plant or cancellation of existing contract with the flour transporter.

The Company seeks to mitigate the production downtime risk by hiring staff resident in the vicinity of the mill plants who possess adequate skills to eliminate fault within a reasonable time. As the expansion of the milling operations is expected to bring a higher level of finished product orders, the warehousing capacities are being expanded to accommodate sufficient stock required to make timely deliveries.

The Company seeks to mitigate the product delivery risk arising from the potential cancellation of the contract with the flour transporter by relying on a broad base of transporters without being concentrated to either transporter by the scope of the services used.

The pandemic of the COVID-19 virus also has a possible impact on the mentioned risks of raw material procurement and product delivery.

Competition risk

The Company sells its products and goods mainly on the domestic market. As a result of Croatia's accession to the European Union, the administrative burden to entering the markets of other Member States has become smaller, which also applies to competitors entering the Croatian market.

32. RISK MANAGEMENT (CONTINUED)

32.3. Risks arising from the ordinary course of business (continued)

The flour market strives for increasing concentration, ie reducing the total number of flour producers (by enlarging or shutting down small mills) in order to achieve economies of scale to lower production costs per unit of product and thus strengthen the competitive position in the market. To this end, in May 2014, the Company acquired the milling business of the companies Belje d.d. Darda and PIK Vinkovci d.d. from the Agrokor concern. With Croatia's accession to the European Union, the Society is no longer faced only with domestic competition, which is why the need to strengthen competitiveness is even more pronounced.

Key supplier and key customer concentration risk

The Company's major suppliers are those supplying the raw material and seeds for sowing. The Company seeks to cooperate with as many suppliers as possible to mitigate the risk of discontinued cooperation with a key supplier. Despite this, the Company cannot provide any assurance that a potential termination of cooperation with a key supplier will not have a significant impact on the Company's performance and financial position.

The risk of owner change

The majority shareholder of the Company is Mr Hrvoje Filipović, who holds an ownership interest of 58.11%. As the majority shareholder, Mr Hrvoje Filipović has the controlling influence over the shareholders of the Company, by means of the rights and powers pertaining to him as a Company shareholder. The majority share in the Company enables Mr Filipović to exercise his influence in all decisions made in a General Shareholders' Meeting.

No assurance can be provided that the influence of Mr Filipović, as the majority shareholder, will not have a significant effect on the performance and financial condition of the Company.

Working capital risk

Managing working capital successfully is a key area of the Company's operations. The Company may become exposed to a pressure both by competitors and key suppliers to reduce the settlement period for purchases, while simultaneously being under pressure from customers to extend the payment periods on sales.

The Company has made significant investments in improving its logistics to improve the inventory turnover ratio and the operational efficiency ratio. Although the Company has been managing its working capital successfully, no assurance can be given that this will continue in the future, and the Company's performance and financial position may become affected.

Input commodity price risk

The operating results are largely influenced by the price of wheat as the key input commodity for the Company's production. Poor weather conditions, diseases and pests, political instability and other external factors may cause the volatility of the wheat prices. Overall economic conditions, unforeseeable demand and problems occurring in the production and distribution, along with potential diseases and pests, as well as weather conditions at the time of harvest may have a negative impact on the wheat prices. Regardless of the Company's ability to satisfy the wheat demand on the domestic market, movements in wheat prices on the domestic market are affected by fluctuations in the wheat prices on global commodity exchanges. The Company's past performance is conclusive of the past wheat purchase price fluctuations positively correlating with historic flour price fluctuations. However, a certain period of time is required for the flour price to become aligned with the wheat price fluctuations, as a result of which there is a short time frame in which the Company's margin becomes negatively impacted where the wheat prices increase. Regardless of the past indications of the correlation between the flour and wheat prices, the Company cannot warrant that a potential future increase in wheat prices will be fully offset with higher flour prices and that the historic margin levels will be preserved.

The Company seeks to mitigate the risk of changes in wheat prices by participating actively on futures markets.

Granolio has been managing the risks and input commodity purchase prices actively, by using various future trading techniques on global commodity markets, and without any pronounced open positions.

32. RISK MANAGEMENT (CONTINUED)

32.3. Risks arising from the ordinary course of business (continued)

Dependence on the management and key personnel

The Company relies heavily on its staff as one of its key competitive advantages. This means that the Company should exercise great efforts in an attempt to retain top personnel at all levels in order to preserve its leading position on the market. The Company cannot warrant that it will be able to retain its current management and other leading employees or to attract new top personnel in the future. The potential loss of the current and the inability to attract new key personnel could have a significant impact on the Company's operations.

IT risks

The Company relies on a number of IT systems in support of the efficient management of the distribution capacities, for the purpose of communication with its customers and suppliers, human resource management and performance evaluation and to collect all information for management decision-making purposes. The Company's operations are becoming increasingly dependent on the use of such systems, and any system downtime or failure resulting from malicious codes, hacking attacks, hardware or software issues or otherwise could have a significant impact on the Company's operations and financial position.

Antitrust and competition law non-compliance risk

It is a part of the overall strategy of the Company to become the leading flour producer on the Croatian market and flour supplier in the region, which may render the Company non-compliant with the market competition rules. The Croatian legislation governing market competition, which is aligned with the EU rules, forbids any form of abuse of the dominant position, especially any direct or indirect imposition of purchase or selling prices or other unfair commercial terms and conditions, limiting production, markets or technological progress to the disadvantage of customers, or imposing any unequal conditions for the same type of deals with other enterprises that may bring them in a disadvantaged competitive position, or additional obligations to counterparties as a prerequisite for entering contracts with them that are in their nature and according to the customary commercial practice not directly related to the subject matter of such contracts.

In addition, the legislation forbids any agreements, decisions, associations or joint actions on the part of enterprises aimed at, or resulting in infringing the competition rules on a given market.

Although the Company is not aware of any infringement of competition rules and has never been a respondent in proceedings initiated before the Competition Agency, it cannot warrant that no such proceedings will ever be initiated. Any infringement of the competition rules is subject to significant administrative sanctions. For instance, a fine of up to 10% of the total annual revenue generated in the most recent year for which final financial statements are available may be imposed for entering into non-permissible deals or abuse of the dominant position. Therefore, any administrative sanction could have an adverse impact on the financial position and performance of the Company.

To mitigate the risk, the Company intends to arrange additional education for its employees in the area of market competition rules and implement procedures to be followed in concluding contracts and undertaking other actions that may result in a breach of competition rules and make sure that the procedures are consistently followed.

Furthermore, before undertaking any future acquisition, the Company may have to ask from the Competition Agency to assess the eligibility of the intended concentration. The Company cannot warrant that a concentration will be assessed as permissible or permissible under conditions precedent, such as the disposal of certain assets or certain other steps that might affect the revenue, profit or cash flows of the Company. The concentration eligibility assessment itself could affect the timing of the acquisition.

Litigation risk

As any business entity, so is also the Company exposed to the risk of becoming a counterparty in legal actions initiated before courts, regulatory or other competent authorities that may arise from its ordinary course of business. These include mainly claims involving the Company's debtors or suppliers. The risk of potential future claims raised by customers on the grounds of losses or injuries caused by the consumption of products cannot be excluded. The Company cannot provide any assurance that the outcome of potential future legal and regulatory proceedings or measures will not have a significant impact on its performance and financial condition.

32. RISK MANAGEMENT (CONTINUED)

32.3. Risks arising from the ordinary course of business (continued)

The risk of obligations or losses not covered by insurance

The level of insurance coverage is common for the industry in which the Company operates. The insurance policies of the Company include mainly those providing coverage for occupational injuries, machinery faults, property damage, as well as crop insurance. Still, not all contingent liabilities and losses can be covered by insurance, and the Company cannot warrant that it will not be exposed to situations in which no insurance coverage will be available or that such situations would not have a material impact on the Company's operations and financial condition.

32.4. General risks

Business environment risk

The business environment risk includes political, legal and macroeconomic risks prevailing in the business environment of the Company, which is primarily the Croatian market on which the Company generates almost 87% of its total revenue (data for 2020), followed by the markets of Serbia, Italy, Bosnia and Herzegovina, Slovenia, Hungary and Romania.
The governments in power so far have introduced economic reforms to develop and stabilise free market economy by privatising state-owned companies, attracting foreign direct investments, and implemented reforms required in the pre-accession stage. Despite the significant progress towards establishing a full market economy, reaching the level of infrastructure of West European countries will take several more years and additional investments. The Company cannot warrant that Croatia will fully implement the intended reforms or that the political environment will favour their implementation. In addition, the Company cannot warrant that the Government in power will not introduce new regulations, fiscal or monetary policies, including taxation, environmental and public procurement policy, an indemnity policy for nationalised property or a new foreign exchange policy.
The legal framework of the Republic of Croatia is still evolving, which may give rise to a certain level of legal uncertainty. As a result, the Company may come into a position of not being able to succeed in exercising or protecting some of its rights.

The Company's operations are subject to the impact of the macroeconomic environment, economic conditions and economic activity developments. In the periods of disadvantaged economic conditions, the Company could have problems in expanding its business or meeting its financial obligations. Under such circumstances, the Company's access to financial markets could become more difficult, and its borrowing costs could increase, which would affect the performance and financial position of the Company. If the current economic situation would persist, the Company, its customers and suppliers could face difficulties in accessing capital markets, which could have an adverse impact on the current revenue and profit levels.

The Company is also under the influence of international trends, as wheat, being the Company's key input commodity, is an exchange traded commodity and hence subject to potential political instability in the major wheat producing countries (China, Russia, the USA). Still, as already mentioned above, the Company is able to meet its core input commodity needs entirely from domestic sources, while seeking to neutralise any fluctuations in the commodity price with an active access to futures markets.

32. RISK MANAGEMENT (CONTINUED)

32.4. General risks (continued)

Risk of changes in legal framework

As a food producer, the Company is exposed to strict regulatory requirements applicable to human foods, product safety, occupational health and safety, security and environmental protection (including those applicable to waste waters, sewage, clean air, noise, waste disposal, environmental cleaning and similar), as well as product ingredients and contents, packaging, designation, advertising and market competition. Food production generates waste, emission of hazardous agents into the atmosphere and waters, which is why the Company has the obligation to obtain various licences and adhere to a variety of regulation. Health, safety and environmental regulations in Europe and other developed countries are becoming increasingly stringent, and their implementation is increasingly gaining on importance. The Company seeks to keep pace and anticipate any such changes, as any non-compliance could result in various sanctions. The Company considers being currently compliant with all the applicable regulations and rules as well as deadlines set by different regulators. However, it cannot warrant that it will not incur significant costs to eliminate any potential instances of non-compliance or the resulting negative publicity, or to adapt to amended regulations, as well as that the resulting impact on its operations and financial condition would not be significant. For instance, the Company is the current owner or lessee of a number of properties and facilities, including production plants and distribution centres some of which were previously used for other commercial or industrial purposes. Although the Company is currently not aware of any facts that would give rise to additional obligations regarding the environmental status of the properties and facilities, any contamination identified as a result of current or previous operations and the resulting obligation to eliminate it could cause significant costs to the Company. Additional regulations, or interpretations of current regulations, could be introduced in the future, which may affect the Company's business and products. The Company cannot provide any warranty that any costs of complying with any such future initiatives will not have a significant impact on the performance and financial condition of the Company.

33. CONTINGENT LIABILITIES

	Amount	Balance in original currency on 31 December 2020	Balance in HRK on 31 December 2020	Maturity
Zdenka-mliječni proizvodi d.o.o. Loan 1	EUR 3,294,190	EUR 603,770	4,538,644	31 Dec 2024
Zdenka-mliječni proizvodi d.o.o. Loan 2	HRK 40,000,000	HRK 7,541,536	7,541,536	30 Apr 2024
Zdenka- mliječni proizvodi d.o.o Loan 3	EUR 1,395,751	EUR 308,567	2,319,552	31 Dec 2023
Zdenka- mliječni proizvodi d.o.o Loan 4	EUR 4.617.681	EUR 3.186.944	23.956.814	30.Sep 2032
Total			**38.356.546**	

Legal disputes

There are no significant legal actions outstanding against the Company. The Management Board of the Company is confident of a successful defence as well as of no losses suffered by the Company. Hence, no provision for legal disputes has been recognised.

34. EVENTS AFTER THE BALANCE SHEET DATE

Geopolitical trends in Eastern Europe at the beginning of 2022 caused economic and political uncertainty and instability in the markets of energy, raw materials for sowing, cereals and, consequently, all other goods and services.

The Management Board of the Company takes all necessary actions to minimize the emerging risks.

The Company continues to repay part of its liabilities in accordance with the pre-bankruptcy settlement.

In the period between the balance sheet date and the date of signing this report, there were no significant events that would affect the financial position of the Company.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Management Board and authorized for issue on 28 April 2022

Signed on behalf of and for the Management Board:

Hrvoje Filipović dipl.oec.
President of the Management Board

Drago Šurina dipl.oec.
Member of the Management Board

Vladimir Kalčić dipl.oec.
Member of the Management Board