

Zagreb Holding Ltd.



ZAGREB
HOLDING

2020 Annual Statement



Our vision:

To be a reliable
member of Zagreb's
families and a
positive energy in
urban life.



ZAGREB
HOLDING

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BASIC INFORMATION ABOUT ZAGREB HOLDING LTD.

Zagreb Holding Ltd. (hereinafter: the Company) carries out its core business operations through 14 subsidiaries.

Ownership: City of Zagreb is the founder and full owner of Zagreb Holding Ltd.

Assembly: City of Zagreb is the sole member of the Assembly and its representatives in 2020 were the following:

- Milan Bandić
- Olivera Majić
- Slavko Kojić

Supervisory Board Members of the Supervisory Board in 2020 were the following:

- Ljubo Jurčić, President
- Nikola Mijatović, Deputy President
- Andrea Šulentić
- Gojko Bežovan
- Ivan Šikić (until 23 November 2020)
- Josip Budimir
- Mihaela Grubišić Šeba
- Mario Župan
- Dražen Hrkač

In 2020, employee representatives did not appoint a member of their own to the Supervisory Board.

Management Board of the Company

- Ana Stojić Deban, President of the Management Board
- Daniela Franić, Member of the Management Board
- Bernard Mršo, Member of the Management Board
- Marica Dusper, Member of the Management Board

Registered office: Ulica grada Vukovara 41, Zagreb

Court Reg. No.: 080042653

PIN: 85584865987

Share capital: HRK 3,177,043,600

Number of employees as at

31 December 2020: 5,304

Number of bonds quoted on the Official Market of the Zagreb Stock Exchange: 2,300,000,000

Date of issue: 15 July 2016

Maturity date: 15 July 2023

Interest rate: 3.8750%

Main activities of the Company:

- cleaning and waste disposal services
- waste disposal and management
- landscaping and green space maintenance services
- construction and project management
- parking services in public areas and in public garages
- storage and renting services
- construction and management of electronic communication infrastructure and electronic communication networks
- public and unclassified state roads: construction, management, maintenance and protection, including traffic lights and signs, machinery and asphalt production

Basic Information about Subsidiaries of Zagreb Holding Ltd.

Name	Primary services
Arena Zagreb	management and maintenance of sports facilities
Zagreb Bus Terminal	bus terminal services
City Waste Disposal	collection of waste from private households and public areas; maintenance of clean public areas
City Cemeteries	funerary and related activities
Zagreb Freight Station	storage of goods
Vladimir Nazor	organised vacations for young people and travel agency
Zagreb Markets	wholesale and retail markets; storage
Real Estate Management	management of facilities owned by Zagreb Holding
Project Management	construction and project management
Zagreb Roads	maintenance of unclassified roads; maintenance and construction of regional and local roads
Zagreb Digital City	construction and management of electronic communication infrastructure and electronic communication networks
Zagrebparking	public parking lot and garage services
Landfill Management	waste collection
Zrinjevac	maintenance of public green spaces

COMMENT OF THE PRESIDENT OF THE MANAGEMENT BOARD

Comment of Ana Stojić Deban, President of the Management Board of Zagreb Holding, on performance in 2020:

Business operations of Zagreb Holding in 2020 were characterised by the crisis caused by the novel coronavirus and the devastating earthquake that hit Zagreb in March. The declaration of the epidemic, along with the imposition of social distancing measures, was also followed by measures limiting or fully suspending business activities in certain fields, which has slowed down the entire economy to a significant degree. Such circumstances have had a great impact on Zagreb Holding as well.

Considering the wide range of services provided by Zagreb Holding, the negative impact on business operations has been felt in nearly all business areas. Among others, the catering and hospitality industry, tourism, wholesale and retail markets and bus terminal services have been directly affected by the measures introduced in order to prevent the spread of the epidemic, since their primary business activities were suspended. The majority of our commercial activities have been affected indirectly due to the overall market situation and reduced volume of business, while the third category, our municipal companies, have seemingly been least affected by the crisis. However, they were operating in a reduced capacity since they were unable to carry out their regular activities, which has had an impact on the income generated from services provided to the City of Zagreb, small-scale municipal activities and similar operations.

The strong earthquake that hit Zagreb on 22 March has affected the operating income and total operating costs even further. Translated into figures, the income from business activities generated in 2020 amounted to HRK 1.9 billion, representing a year-on-year decrease by 11% (HRK 237.5 million). At the same time, the costs of business activities increased and amounted to HRK 2 billion, representing a year-on-year increase by HRK 115.2 million (6%).

Cost of material and services amounted to HRK 790.6 million, representing an increase by HRK 55 million (7.5%), caused primarily by significantly higher costs of disposal of bulky waste, biowaste, waste plastic packaging, waste wood and other waste fractions. At the end of 2019, a new collective bargaining agreement for Zagreb Holding employees was signed, increasing the employees' base salary and employee benefits, which led to related costs increasing by 8.3% in 2020.

Additionally, in early 2020, the Constitutional Court temporarily suspended the implementation of the amended 2019 Regulation on Municipal Waste Management, which caused the price of waste management to remain unchanged, while the costs are still present and growing. For that reason, the effects of waste management regulations from previous years extended to 2020 as well and they had a negative impact on the financial performance of subsidiary City Waste Disposal as a provider of public services of collecting mixed and biodegradable municipal waste and activities related to public services in the City of Zagreb. Consequently, the subsidiary ended the financial year 2020 operating at a loss of HRK 245 million.

The Company's performance is ultimately a reflection of all these events and activities. After a number of years in which we made a profit, at the end of 2020, the Company operated at a loss of HRK 230.4 million.

It must be pointed out that all costs caused by the lockdown were borne by Zagreb Holding due to the fact that, as a company owned by a local self-government unit, it was not an eligible beneficiary of economic aid measures provided by the Government of the Republic of Croatia.

On the other hand, as a company that primarily operates in the public interest, we provided a series of aid measures to citizens and entrepreneurs for the purpose of mitigating the impact of the epidemic and helping repair the damage caused by the earthquake. By doing so, we partly assumed the role of the state. The significance of these measures may be best evidenced by over 147,000 citizens and business users who exercised the right to such measures, while the financial effects of the measures resulted in a decrease in income of approximately HRK 10 million. Aid and support to citizens and the local community were also provided by donations amounting to HRK 3.6 million.

However, despite these difficulties, business stability has been preserved. The Company has managed to fulfil its obligations toward suppliers and investors, including the payment of salaries to all employees, and to preserve jobs.

Investments suffered because the investment cycle involving large-scale procurement was suspended. Despite that, we invested HRK 100 million in new machinery, equipment, expansion of capacities and improvement of services. Additional investments of HRK 171.7 million were made by procuring assets under the real estate exchange agreement concluded with the City of Zagreb (land and building of the wholesale market and cold storage facilities).

HRK 72.5 million was also invested in the construction of public facilities for the City of Zagreb. In 2020, we also completed one of the capital projects for the City of Zagreb and its citizens – reconstruction of the Sveti Duh Clinical Hospital and construction of the day-care hospital and underground garage.

Focus on growth and development

The previous year, in addition to affecting the fulfilment of our business objectives, has also demonstrated the high level of stability and resilience of the entire system to the crisis caused by unpredictable business events. In that period, we aimed to be a factor of stability in the community in which we operate, primarily through the activities of our departments in repairing the damage caused to the city by the earthquake and through aid measures for our citizens and business entities with which we do business.

Considering the negative effects of regulatory legislation on our operations and the impact of the epidemic on the economy, we have adjusted our future mid-term plans. We once again face a process of restructuring and changes, which is necessary to ensure that the requirements for continuation of the investment cycle and refinancing of bonds have been met. Our focus is also on the use of EU funds. Back in 2019, we started creating an investment catalogue in order to prepare the projects for the new Financial Framework 2021-2027 to the best of our abilities and to be able to use EU funds. Some of the projects from that catalogue are already being carried out. In July last year, the project “Zagreb Žitnjak Safe and Secure Parking” was approved. Total project value is HRK 24 million and eligible costs amount to 85% of the project value (HRK 20.4 million). After the reporting period, in March 2021, the Grant Agreement was signed for the project “Intervention measure to decrease landfilling municipal waste created in the City of Zagreb”, which has been in preparation since 2018. A grant of HRK 75.7 million in total was approved for the project (80% of the project value).

The past year has also shown that the complexity of a system such as Zagreb Holding, also allows for quick adaptation to extraordinary situations. We face numerous business challenges in our day-to-day operations at nearly all levels. However, thanks to the synergy within the Company, we are able to almost instantaneously respond and react to crises, which ultimately ensures business stability and the continuity and stability of services provided to the citizens of Zagreb.

SIGNIFICANT BUSINESS EVENTS IN 2020

IMPACT OF EPIDEMIC AND NATURAL DISASTERS ON COMPANY'S OPERATIONS

Following the declaration of a pandemic caused by the coronavirus, the Croatian Government declared the SARS-CoV-2 outbreak an epidemic in the entire territory of the Republic of Croatia on 11 March 2020. With the aim of protecting the health of the Croatian population, a series of measures were introduced in order to prevent a further spread of the novel coronavirus, which also affected the economy.

Considering the wide range of services that the Group provides to the citizens of Zagreb, the measures had a negative effect on the operations of nearly all of the Group's components, which is reflected in:

- activities directly affected by the measures introduced in order to prevent the spread of the pandemic due to the suspension of primary business activities;
- activities indirectly affected due to the overall market situation and decline in economic activities.

Compared to 2019, the complete suspension or restriction of certain activities in 2020 had a direct impact on the decrease in operating income from bus terminal services (by HRK 20.2 million or 49.3%), catering and hospitality industry and tourist (travel agency) services (by HRK 15.2 million or 40.2%) and wholesale and retail markets (by HRK 7.9 million or 11.1%).

Due to the decline in nearly all economic activities in the country, the greatest decrease in operating income was recorded in construction and project management (by HRK 115.1 million or 57%), in public road management and maintenance (by HRK 26.4 million or 8.5%) and in landscaping and maintenance of green spaces (by HRK 23.4 million or 10.5%).

The Government of the Republic of Croatia introduced a series of economic aid measures as a result of the coronavirus pandemic. However, Zagreb Holding, as a company fully owned by a local self-government unit, was not an eligible beneficiary of the measures, thus bearing all the costs caused by the lockdown.

In order to protect the employees' health and ensure the smooth functioning of services that have to be available 24/7, a high level of protection and social distancing measures were implemented in all business segments. Furthermore, the employees who belong to high-risk groups (persons with disabilities, persons with chronic illnesses, persons over the age of 60), who have children under 10 years of age and/or who care for their elderly (at-risk) parents were allowed to work from home or to use extra 10 days of paid leave. Wherever possible, employees were divided into teams that took turns in working from home. In cases where remote work could not be arranged due to the nature of services, adjustments to the work schedule were made, i.e. shift work was introduced.

In such conditions, Zagreb was hit by a strong earthquake on 22 March 2020, which affected the operating income and total operating costs even further. All available resources of the Group were utilised and soon after the earthquake, workers and machinery of several subsidiaries and of related company Water Supply and Drainage Ltd. were engaged in public area maintenance activities. They were at the disposal of citizens and incident response teams of the City of Zagreb 24/7 for as long as necessary. Only a few hours after the earthquake, the Call Centre of Zagreb Holding also opened toll-free helplines for the purpose of providing additional support.

Aid measures for citizens and business entities

Zagreb Holding is a public company founded by the City of Zagreb. Accordingly, the Company's main task is to achieve financial and non-financial objectives and interests of the broader social community in relation to the defined objectives and needs of the City of Zagreb as its full owner.

In times of crisis, which defined 2020, the Company aimed to be a factor of stability in the local community in which it operates. In that context, a number of aid measures for our citizens and business entities were introduced with a view to mitigate the impacts of the epidemic and help repair the damage caused by the earthquake. The measures were symbolically named “COVID Measures” and “Earthquake Measures”.

In order to mitigate the impact of the COVID-19 epidemic on all citizens/users of the Company's services, filing applications for enforcement and sending dunning letters was suspended, except in cases of debts where the limitation period was soon to expire pursuant to the laws of the Republic of Croatia. Moreover, due dates for bills were extended by 90 days for service users aged 65 and above, Business entities which are the Company's tenants and which could not carry out their activities based on the decision of the Civil Protection Headquarters of the Republic of Croatia were either fully exempt from the obligation of paying rent or their rent was reduced by 50%. Also, the tenants indirectly affected by the COVID-19 crisis in such a way that their income dropped were granted a reduction in rent up to 50% of the amount due and a 90-day deferment period, with an option of payment in 12 monthly instalments.

Earthquake Measures applied to the owners of real property labelled as unusable following a structural soundness report. In such cases, the payment of fees for waste removal, gas consumption and water supply services was automatically suspended. The measures were also applied appropriately to the owners of real estate labelled as temporarily unusable.

In addition, free removal of damaged vehicles, bulky waste and debris was provided to citizens affected by the earthquake, as was free parking in public garages. For citizens whose real estate was damaged in the earthquake, the validity of privileged and commercial parking permits purchased in the previous period was suspended (at the users' request).

By 31 December 2020, more than 147,000 citizens and business users exercised the right to one of the aforementioned benefits, while the financial effects of the measures resulted in a decrease in income of approximately HRK 10 million. Aid and support to citizens and the local community were also provided by donations in cash and material goods in the amount of HRK 3.6 million.

A set of measures concerning the payment of parking fees was also adopted, which affected the income generated in this business segment. These were measures by means of which our own assets were put into use as public goods. In the hardest-hit city areas, payment of parking fees at public parking lots was suspended. This applied to 11,074 parking spaces in total and the measure was in force until 18 May. Due to a poor epidemiological situation and healthcare system overload, free parking around all healthcare institutions founded by the City of Zagreb and the Republic of Croatia was introduced on 28 October. This measure is still in effect. Measures related to parking services, coupled with the impact of movement restrictions, resulted in a decrease in income generated from these activities by HRK 26 million (17%).

Financial aid was also provided to the employees whose homes were damaged in the earthquake. In accordance with the collective bargaining agreement, solidarity support in the total amount of HRK 1.2 million was paid out for repairing the damage caused by the earthquake. Also, at the request of the employees, 693 days of paid leave were approved for these purposes.

Performance at the end of 2020 is a reflection of all the aforementioned impacts and the Company ended the year operating at a loss of HRK 230.4 million. However, despite the negative and unforeseeable impacts on business operations discussed above, the Company managed to maintain the financial stability of operations, duly fulfil its obligations toward employees and preserve jobs, which were never at risk, despite the full lockdown in certain activities. The Company has also fulfilled its obligations to financial institutions, settled overhead costs and paid suppliers.

Damage to public facilities caused by the earthquake

The earthquake that hit Zagreb in March and consequently the earthquake that struck Banovina in December has not caused any significant damage to the municipal infrastructure managed by the Company, nor to the majority of facilities used by the Company in the ordinary course of business. An exception are the public facilities at city cemeteries, which are managed by subsidiary City Cemeteries. The largest damage was to Mirogoj's arcades and the Church of Christ the King, both category-zero historical monuments. For the purpose of protecting people's lives and preventing greater damage, following a preliminary structural soundness report, emergency repair measures were implemented at all facilities, which cost HRK 3.1 million.

Extensive damage was also suffered by housing units belonging to subsidiary Vladimir Nazor at Grad Mladih hostel complex. Damage was notified to the insurance company, but the majority of the housing units are not suitable for use until they are repaired.

Accommodating citizens whose homes were damaged by the earthquake

Based on the Mobilisation Order issued by the Ministry of the Interior of the Republic of Croatia, Civil Protection Headquarters, Zagreb Holding was engaged to secure accommodation (food and shelter) to the citizens of the City of Zagreb whose homes were damaged by the earthquake on 22 March 2020. Accommodation was secured in the Arena Hostel, managed by subsidiary Vladimir Nazor, starting from 11 September 2020. After the earthquake that hit Sisak, Petrinja, Glin and Zagreb on 29 December, another four families from Zagreb were accommodated in the Arena Hostel. Total number of persons accommodated in the hostel at the end of the year was 199.

To make their stay as comfortable as possible, the subsidiary furnished one additional hostel floor and common rooms. Internet connection was also provided in the entire hostel. The value of the investment amounted to HRK 990 thousand.

IMPACT OF REGULATORY CHANGES ON BUSINESS OPERATIONS

As a provider of services of general economic interest, the Company is exposed to dynamic changes in regulatory legislation, particularly with respect to waste management services.

Business operations of subsidiary City Waste Disposal, as a provider of public services of collecting mixed and biodegradable municipal waste and activities related to public services in the City of Zagreb, are largely managed by the Regulation on Municipal Waste Management (Official Gazette 50/2017, 89/2019) and the Decision on the Manner of Providing the Public Service of Collecting Mixed Municipal Waste and Biodegradable Municipal Waste and Activities Related to Public Services in the City of Zagreb (Official Gazette of the City of Zagreb 2/2018 and 24/2019).

To fulfil the obligations arising from said legal regulations, in the past few years, major infrastructure investments have been made and the number of employees has increased due to the expansion of the physical volume of business processes. An additional burden is imposed on the subsidiary's operations by the price of handling individual fractions of separately collected waste, which rises alongside the increase in the amount of separately collected recyclable waste. In 2020, the cost of disposal of bulky waste, biowaste, waste plastic packaging, waste wood and other waste fractions amounted to HRK 111 million in total, representing a year-on-year increase by HRK 68 million. The volume of waste disposed of increased from 39.4 thousand tonnes in 2019 to 79.1 thousand tonnes in 2020. At the same time, income from sales of secondary raw materials is not high enough to cover the new costs. Compared to the previous year, income from sales of separately collected waste amounted to HRK 7.4 million, representing an increase by HRK 1.8 million (31.7%).

The subsidiary's business operations have been affected even further by the Decision of the Constitutional Court of the Republic of Croatia adopted in January 2020, which temporarily suspended the enforcement of all general and individual regulations and acts taken pursuant to the Regulation,

consequently rendering the implementation of a new public service fee collection system impossible. Since the planned increase in the price of public services did not occur by the end of 2020, this was the third year in a row in which subsidiary City Waste Disposal operated at a loss (HRK 245 million in 2020).

In November 2020, the Ministry of Economy and Sustainable Development submitted the Draft Proposal of the Waste Management Act for public debate. This Act will redefine the legal framework of City Waste Disposal's operations and allow for the preparation, adoption and implementation of a new public service fee collection system, which would result in increased income and stabilise the subsidiary's financial position.

CREDIT RATING OF ZAGREB HOLDING

The international rating agency Moody's published the long-term credit rating of the City of Zagreb and Zagreb Holding on two occasions in 2020. In the report published on 30 September 2020, Moody's affirmed Zagreb Holding's Ba2 long-term rating with a positive outlook, only to upgrade its rating to Ba1 with a stable outlook on 17 November 2020.

The agency stated in the report, among other things, that the upgraded City of Zagreb's rating reflects the country's upgraded rating, the continuation of good budget management practices and a stable financial basis, which has been estimated to withstand the impact of the coronavirus pandemic.

The upgrade of Zagreb Holding's rating is based on a very strong connection with its owner, the City of Zagreb, its clear public policies and its key role in the utility sector in Zagreb.

Standard & Poor's also published its credit rating on 1 October. Referring to the City of Zagreb's rating, Standard & Poor's downgraded Zagreb Holding's rating from B+ to B- with a stable outlook.

The opinions of both agencies take into account the impact of the coronavirus pandemic and the very strong financial and institutional connection between Zagreb Holding and its owner – the City of Zagreb.

NEW COLLECTIVE BARGAINING AGREEMENT APPLICABLE AS OF 1 JANUARY 2020

A new Collective Bargaining Agreement for Employees of Zagreb Holding Ltd. was concluded at the end of 2019. It has been in effect as of 1 January 2020 and, among other things, redefined salaries and other cash and non-cash employee benefits arising from their employment. Base salary for jobs with a complexity coefficient of 1.00 has been increased from HRK 2,884.87 (gross) to HRK 3,052.20 (gross). The permanent addition to salary, which previously amounted to HRK 608.00 (gross), has been increased to HRK 1,000.00 (gross). A 0.15% bonus for every year of service with the employer has also been introduced.

The Christmas bonus and vacation allowance, which prior to the conclusion of the new Collective Bargaining Agreement amounted to HRK 2,884.87 each, are now granted as tax-free benefits. The right to a tax-free bonus and employee service awards has also been established.

Following the entry of the new Collective Bargaining Agreement into effect, staff costs increased by HRK 61 million (8.3%) year-over-year, amounting to a total of HRK 794 million.

The new Collective Bargaining Agreement has also established the right of employees to take one day of paid leave for children's first day of primary school.

INVESTMENTS REALISED

In 2020, Zagreb Holding Ltd. realised HRK 271.9 million worth of investments and invested HRK 72.5 million in the construction of public facilities for the City of Zagreb. Of the total amount of investments, HRK 171.7 million pertained to procuring assets under the real estate exchange agreement concluded with the City of Zagreb (land and building of the wholesale market and cold storage facilities), while the remaining HRK 100.0 million pertained to investments in new machinery, equipment, expansion of capacities and improvement of services.

Some of the most significant investments in 2020 were the investments in waste management system improvements, amounting to HRK 24.1 million in total (8.9% of the Company's total investments realised). However, this is relatively low compared to the previous years (2017: HRK 42.6 million; 2018: HRK 63.5 million; 2019: HRK 85.4 million).

Following the investments in the expansion of the municipal infrastructure for separate waste collection, new vehicles, machinery, information system and training, the trend towards increased separate waste collection continued in 2020 as well, with the volume increasing by 76.2% year-over-year. Total volume of waste collected in 2020 amounted to 306,441 tonnes, 172,225 tonnes (56.2%) of which was mixed municipal waste, while 134,216 tonnes (43.8%) separately collected waste.

Besides the infrastructure expansion, one of the main causes of this increase was the waste collected during post-earthquake debris removal in Zagreb, when 6,930 tonnes of construction waste, 4,281 tonnes of bulky waste and 73 tonnes of waste wood was collected in public areas and disposed of. The volume of mixed municipal waste that the subsidiary disposed of at landfills also decreased by 18.7% in 2020.

Investments in new capacities and business modernisation

Regarding the investments in public service quality improvements, HRK 19 million was invested in the maintenance of unclassified roads and maintenance and construction of regional and local roads. Of that, HRK 18 million was invested in new vehicles, machinery and equipment for performing primary business activities. HRK 13.2 million in total was invested in the maintenance of public green spaces, HRK 10.9 million of which was invested in the procurement of transport vehicles, tractors, general purpose machinery and equipment.

Total investments in funerary services and other activities amounted to HRK 7.5 million. Among other things, a new cremation furnace was procured, which was put into service immediately before a significant increase in the number of cremations due to the coronavirus pandemic. Works on the expansion of the Crematorium, which started in late 2019, were also resumed in 2020. After the completion of works, which is planned for 2021, the number of columbarium niches and urn burial plots will be increased significantly.

Further investments were also made to expand the capacities of various commercial activities. Investments in tourism amounted to HRK 11.4 million in total, HRK 9.5 million of which was invested in modernising and expanding accommodation facilities. HRK 2.8 million was invested in storage activities, mostly in the reconstruction of Hall 7 at the Business Unit Žitnjak for the purpose of storing records of the Company and of other interested entities in the market.

Over the last few years, we have also initiated several projects aimed at revitalising and reconstructing city markets. In 2020, floor covering and roofing works at the Špansko Market were completed, air curtains were procured and installed at the Dolac Market and the investment in the preparation of a conservation study for the reconstruction of the Branimir Market was partially realised.

Further investments in the modernisation of the plant for generating electricity and heat from landfill gas were also made. During the reporting period, from January to December 2020, 16,142,267 m³ of landfill gas was extracted and 28,230,694 kWh of electricity was generated in total, which is sufficient for covering the average annual electricity consumption of about 9,410 households.

Construction of public facilities for the City of Zagreb

Zagreb Holding also constructs public facilities for the City of Zagreb, such as kindergartens, schools, health institutions, sports facilities and other facilities of public interest.

The construction of an extension to the Jelkovec Primary School, which began in 2019, was completed in 2020. Reconstruction works on the Sveti Duh Clinical Hospital and construction of the day-care hospital and underground garage, which started in 2017, were also completed. The underground

garage was opened in early January 2021 as the tenth public garage managed by Zagreb Holding – subsidiary Zagrebparking. It has four underground levels with 477 parking spaces, covering an area of 14,445 m². The garage is also equipped with 10 electric vehicle charging stations, family parking spaces, parking spaces for hybrid vehicles and free bicycle parking spaces. This garage solves the major, long-standing problem of parking requirements of the entire hospital and the neighbouring area (as there are two schools, two kindergartens, a church, etc. located in its immediate vicinity). The new garage also has all the characteristics of a “green” garage and it will undoubtedly increase the quality of parking services provided in the City of Zagreb.

The construction of the Markuševac Nursing Home started in 2020 and public procurement procedures were initiated for the construction of the 12th Grammar School, for which the Agreement on Construction Right and the Preliminary Lease Agreement have been concluded.

Co-funded projects

In early October 2020, the Grant Agreement for the project “Zagreb Žitnjak Safe and Secure Parking” (INEA/CEF/TRAN/M2019/2097832) was concluded between the Innovation and Networks Executive Agency (INEA) and Zagreb Holding, subsidiary Zagreb Freight Station. Total project value is HRK 24 million (EUR 3.2 million) and eligible costs amount to 85% of the project value (HRK 20.4 million, i.e. EUR 2.7 million). The aim of the project is to reconstruct the existing public parking lot and transform it into a safe and secure parking area at the premises of the subsidiary Zagreb Freight Station in Žitnjak, Slavenska Avenija 52, in accordance with all EU security standards and Directive 2010/40, which defines safe and secure parking areas as the main priority. By completing this project, Zagreb and the Republic of Croatia will become an important element of the European network of safe and secure parking areas. With the aim of increasing the energy efficiency in transport, subsidiary Zagrebparking applied to a public call announced by the Environmental Protection and Energy Efficiency Fund for co-funding the procurement of energy-efficient vehicles by legal entities. The project and co-funding of the procurement of 15 electric bicycles have been approved. The value of the investment amounts to HRK 150 thousand and the grant of the Environmental Protection and Energy Efficiency Fund for the procurement amounts to HRK 60 thousand.

Projects for improving the waste management system

The “Procurement of Bins for Separate Waste Collection” project, for which the City of Zagreb and Zagreb Holding – subsidiary City Waste Disposal submitted an application to the public call of the Environmental Protection and Energy Efficiency Fund announced in 2018, was launched in 2020. Total project value is HRK 77 million, 85% of which is co-funded by the EU, while the remaining 15% is funded by the City of Zagreb. Procurement of 66,400 containers of various volumes for various types of useful waste was approved and their distribution started in February 2020. After the reporting period, in March 2021, the Grant Agreement for the project “Intervention measure to decrease landfilling municipal waste created in the City of Zagreb” was concluded between the Ministry of Economy and Sustainable Development, Environmental Protection and Energy Efficiency Fund and City of Zagreb as grant beneficiaries. Total eligible costs for the project amount to HRK 93.6 million, of which HRK 75.7 million (80%) represents grants. This project has been implemented with a view of contributing to improvement of the waste management system through reducing the quantities of mixed municipal waste and increased rate of separate collection in the area of the city of Zagreb, and to sustainable development and sustainability of resources. Back in 2018, subsidiary City Waste Disposal drafted the Programme for Reducing Disposal of Municipal Waste Generated in the City of Zagreb as the basis for project application to the restricted call of the Ministry of Economy and Sustainable Development, measure M1.4.3. – Intervention measure to decrease landfilling municipal waste created in the City of Zagreb, as defined in the Waste Management Plan of the Republic of Croatia for the Period 2017-2022. The project covers the investments made by subsidiary City Waste Disposal in vehicles and equipment for separate waste collection and the investments made by subsidiary Zrinjevac in biowaste equipment in the period from 2015 to 2022.

RESEARCH AND DEVELOPMENT ACTIVITIES

In line with the recent technological trends, the Company's efforts are primarily focused on the digitalisation of its business operations and the establishment of a service that on the one hand will allow users to manage all services from a single platform and on the other hand, will ensure the improvement of operational efficiency and business safety.

PROJECT OF UPGRADING MANAGEMENT OF THE GROUP'S SERVICES PORTFOLIO / E-PLATFORM

Encouraged by numerous opportunities for the development and improvement of digital services, the Group launched a project aimed at upgrading the management of the Group's services portfolio and master data, modernising the existing IT systems and setting-up the so-called e-Platform. The single platform represents a new centralised IT system that will enable management of services and service users, development of new digital communication channels, as well as improved data presentation and interactive communication with all users of municipal, energy-related and other services provided by the Group, at the same time taking into account the existing e-systems and portals that have been developed by some Group members or the City of Zagreb.

At the moment, the data on service users/customers/buyers and their outstanding liabilities is stored and updated in several different IT systems that are active within the Group. With the aim of improving the quality of their services and adapting to the needs of their users/customers, some of the Group's components have already invested efforts into the development of individual e-services. Besides that, the single utility bill service has been implemented in the e-Citizen system.

The development and introduction of the single IT system platform will bring the following results:

- increased efficiency of the Group's operations by reducing the need for a lengthy execution of operational tasks and focusing on the development and achievement of strategic objectives
- the Group's focus on the development of the City of Zagreb by making decisions based on timely and high-quality information.

The benefits that the e-Platform will bring to the users of the Group's services are the following: a single access and management portal for all digital services of the Group, single access point for all necessary information on services provided by Zagreb Holding, its subsidiaries and related companies, activation and deactivation of certain services (if applicable) and insight into the status of all services as well as into the payment balance of due liabilities, all of which will be achieved by using modern digital technologies and channels. Besides that, the introduction of the registers (MDM) and e-Platform will make it easier for the Group to keep its operations compliant with the regulations governing personal data protection, while the e-Platform will offer the possibility of payment by credit/debit cards.

The project is planned to be carried out in the following phases:

A. Data cleansing

This phase was started in 2019 and among other things, involves the analysis of business processes and system design. Considering the system's complexity, this phase of the project is estimated to take between 12 and 16 months.

B. MDM system and register development and implementation

This is the critical phase of the overall platform implementation as the establishment of the MDM and single registers represents the foundation of all future systems. This phase has been estimated to take 12 months.

C. Moj ZGH (“My Zagreb Holding”) portal development and implementation

This phase comprises the development of a public portal containing information about all services provided by the Group, as well as a user portal that service users may access by logging in via the NIAS system, allowing them to review all the services they have subscribed to.

D. Online payment system development and implementation

This is the final phase of the first platform development cycle, during which the platform needs to be integrated with the IPG system, allow the user to generate a HUB 3 payment form with a 2D barcode by selecting the items to be paid and enable online card payment.

The analysis and system design were completed in mid-2020, after which the development phase involving the key points of master data cleansing and integration with the existing systems began. Both phases are estimated to be completed by mid-2021, after which (user) testing and training will take place, followed by a transition into the production phase.

ESTABLISHING INFORMATION SECURITY IN THE CORPORATE SECURITY SYSTEM / CYBER

Along with the development of the single e-Platform, the project “Establishment of Information Security System in the Corporate Security System / Cyber” was also started in 2019. Based on a current state analysis, the Information Security Policy has been drawn up and adopted and operational measures have been prescribed, which among other things also include employee training. The Rules on Information Security have been defined and the project “Information System for Monitoring, Coordination and Management – Security Operation Centre” has been launched.

The Rules on Information Security and addendums thereto set a framework for information security management and serve as a basis for successful management and monitoring of risks related to data and information security. The objective is to protect employees and all information assets in terms of confidentiality, completeness and availability of information and legal and business interests of the Group. The Rules define the roles and responsibilities with regard to information security management, basic information security measures and management of undesirable situations. They represent the basis for conducting further activities in the area of information security.

The aim of the project is to establish a standardised, more secure and more reliable network and information system in accordance with ISO 27001 (Information Security Management) for the purpose of smooth functioning of the Group's business operations, which will eventually lead to the provision of secure and reliable services to the citizens of the City of Zagreb.

Information System for Monitoring, Coordination and Management – SOC, as a centralised system for monitoring, detecting and managing security incidents, through an externalised service of setup and continuous proactive monitoring of security events in the information system, is aimed at developing the ability of timely detection and resolution of security events/incidents in the information system, thus decreasing a potentially negative impact on business operations. SOC ensures data confidentiality, completeness and availability, which is achieved by applying prescribed information security measures and standards. Information security management enables the Company to significantly reduce the damage caused by potential security incidents, allows for further digitalisation and the Group's openness to the internet, ensures further implementation of smart devices and achieves compliance with regulations such as GDPR. SOC services will cover all information systems within the domain of the Company's computer network.

In November 2020, the project was applied for co-funding to the 2020 CEF Telecom Call – Cybersecurity (CEF-TC-2020-2), announced as part of the Connecting Europe Facility 2014-2021 programme. Total project value is HRK 3.3 million (EUR 432 thousand). The expected amount of grants is HRK 2.4 million (EUR 324 thousand), i.e. 75% of the project value.

EXPECTED FUTURE DEVELOPMENT OF THE COMPANY

Development strategy of Zagreb Holding, which defines the development framework and mid-term implementing action plan, has been defined in the 2015-2020 Development Strategy of Zagreb Holding. In the previous period, in accordance with the strategic and development objectives falling within the scope of the Strategy, the Company intensified the process of transforming from a classic to a modern company as a true service for the citizens. This has been achieved by encouraging technological advancements and increasing the overall level of the quality of our services.

DEVELOPMENT AREAS IN THE COMPANY'S FOCUS

The Company's vision is fulfilled by conducting activities and projects contributing to the realisation of the three key strategic objectives:

Strategic objective 1 – High-quality reliable public service

Strategic objective 2 – Growth and development

Strategic objective 3 – Corporate sustainability (corporate social responsibility, social, economic and environmental aspect)

The Company's development objective is to increase the quality and the scope of its public services to the benefit of the citizens, businesses and the local government and self-government of the City of Zagreb, thus improving the standard of living for the citizens, the competitiveness of the City's economy and the reputation of the City of Zagreb in comparison with other cities. In the fulfilment of said objective, the Company is also guided by the need to meet public interests and to achieve sustainable profitability, the key elements being efficient cost management, improvement of business processes and the development of an integrated information system on the reporting, management and operational levels, along with carefully considered investments in the development of new services and improvement in the quality of existing services.

In 2020, the Company continued drawing up the 2021-2027 Development Strategy. The following areas serve as the basis for designing the strategy:

- Customer relations management
- Development of strategic investments / projects
- Energy efficiency
- Digital business transformation
- Human resources development and management
- New products and services development
- Liabilities, receivables, operating assets and capital management
- Non-operating assets management
- Overall safety management
- Sustainable growth and corporate social responsibility.

The Company has also defined development projects which serve as the basis for the long-term development strategy and allow us to prepare for the new EU Financial Framework 2021-2027. The projects have been categorised based on the areas of funding and stage of preparedness. This concerns projects aligned with the objectives of the new EU perspective and related to digitalisation, which would allow for increasing the accessibility of services to service users even further, improving and reconstructing city markets and transforming them into public areas integrated into the daily life of city districts, and projects focused on sustainable development and environmental protection, which in part relate to waste management and the water supply system. The Group also plans to construct new public facilities.

The projects were registered in the Central Electronic Registry of Development Projects of the Republic of Croatia in 2020 and some of them were also launched by the end of the reporting year.

MANAGEMENT REPORT AND BUSINESS ANALYSIS FOR 2020

PERFORMANCE

In 2020, Zagreb Holding Ltd. generated a loss of HRK 230.4 million. With decrease in operating income and increase in operating expenses, in 2020 the Company generated operating loss (EBIT) of HRK 151.9 million, whereas EBITDA amounted to HRK 28.1 million. Financial activities generated loss in the amount of HRK 119.5 million.

Description	1-12/2020	1-12/2019 (restated)	Change
	In HRK 000	In HRK 000	2020/2019
1	2	3	4=2/3
Operating income	1,850,271	2,087,733	(11%)
Operating expenses	(2,002,191)	(1,886,990)	6%
Financial income	86,161	85,067	1%
Financial expenses	(205,698)	(194,162)	6%
Total income	1,936,432	2,172,800	(11%)
Total expenses	(2,207,889)	(2,081,152)	6%
(Loss)/profit before tax	(271,457)	91,648	
<i>Tax income/(expenses)</i>	<i>41,091</i>	<i>(10,039)</i>	
(Loss)/profit for year	(230,366)	81,609	
(Loss)/profit from revaluation of real estate property (net)	(15,416)	60,169	
Total comprehensive (loss)/profit for year	(245,782)	141,778	
<i>EBIT</i>	<i>(151,920)</i>	<i>200,743</i>	
<i>EBITDA</i>	<i>28,141</i>	<i>395,260</i>	
<i>Loss from financial activities</i>	<i>(119,537)</i>	<i>(109,095)</i>	

REVENUES

In 2020, under the negative impact of the COVID-19 pandemic and the natural disaster (earthquake) that struck the City of Zagreb in March, operating income was generated in the amount of HRK 1,850 million, which represents a year-on-year decrease of HRK 237 million (11%).

Sales income at Company level amounted to HRK 1,603 million (2019: HRK 1,749 million). Total decrease in sales income amounted to HRK 147 million (8%) compared to the previous year. The most significant reduction in sales income was registered in the segment of public road management and maintenance (HRK 27 million drop), landscaping and maintenance of green spaces (HRK 23 million drop), parking (HRK 26 million drop), facility management (HRK 43 million drop) and sales income generated through selling and building public facilities for the City of Zagreb under IFRIC 12 Service Concession Arrangements (HRK 6 million drop).

EXPENSES

In 2020, operating expenses amounted to HRK 2,002 million, representing an increase by HRK 115 million (6%) compared to the previous year.

In the structure of operating expenses, the most significant increase pertained to staff costs (by HRK 61 million), costs of material and services (by HRK 55 million) and value adjustment (by HRK 37 million), whereas the costs of amortisation/depreciation, provisioning and other operating expenses dropped compared to 2019.

Increase in costs of material and services over the two comparative periods was influenced by increased costs of material pertaining to the costs of collection of waste plastic and metal packaging and biodegradable waste, increased costs of municipal services, increased volume of asphalt mixtures production and increased maintenance costs.

The Company's staff costs in 2020 amounted to HRK 794 million, having increased by HRK 61 million compared to 2019, as a result of higher costs of gross salaries and higher non-taxable employee benefits under the new Collective Bargaining Agreement, applicable as of 1 January 2020 and also owing to a larger average number of employees compared to the previous year.

Costs of value adjustment in 2020 amounted to HRK 149 million, representing a year-on-year increase by HRK 37 million, due to greater losses resulting from change of fair value of investment property and value adjustment of trade receivables and receivables from related companies.

The Company's losses from financial activities in 2020 increased by HRK 10 million. Increased losses from financial activities were impacted by decreased income from interest and share in the profit of related companies.

INVESTMENTS

In 2020, the Company realised HRK 272 million worth of investments and invested HRK 72 million in the construction of public facilities for the City of Zagreb.

BALANCE SHEET

Balance Sheet (Statement of Financial Position) as of 31 December 2020, compared to the balance as at 31 December 2019:

Description	31/12/2020	Share	31/12/2019 (restated)	Share	Change 2020/2019
	In HRK 000	%	In HRK 000	%	%
Non-current assets	10,832,969	91%	10,890,043	90%	(1%)
Current assets	1,129,488	9%	1,177,092	10%	(4%)
Total assets	11,962,457	100%	12,067,135	100%	(1%)
Equity	5,285,378	44%	5,516,998	46%	(4%)
Non-current liabilities	4,772,415	40%	4,930,968	41%	(3%)
Current liabilities	1,904,664	16%	1,619,169	13%	18%
Total equity and liabilities	11,962,457	100%	12,067,135	100%	(1%)

As at 31 December 2020, the Company's total assets amounted to HRK 11,962 million, representing a decrease by HRK 105 million compared to the balance as at 31 December 2019. The Company realised a total of HRK 272 million worth of investments in 2020, representing a year-on-year increase by HRK 131 million (93%). A 4% decrease in current assets resulted from a decrease in inventories, increase in receivables from related companies and a decrease in cash.

Total equity and liabilities as at 31 December 2020 were HRK 105 million lower than as at 31 December 2019. In the structure of equity and liabilities, equity was reduced by the current year's loss, non-current liabilities were reduced by repayment of long-term loans, whereas current liabilities increased by HRK 285 million due to an increase in the liabilities arising from loans, trade payables, liabilities to related companies and other liabilities.

OTHER STATEMENTS

Pursuant to Article 21a, paragraph 8, item (b) of the Accounting Act, the standalone non-financial report will be published no later than six months after the balance sheet date.

MOST SIGNIFICANT RISKS AND UNCERTAINTIES THAT THE ZAGREB HOLDING LTD. IS EXPOSED TO

The most significant financial risks with respect to which Zagreb Holding Group implements a system of risk identification, monitoring and management, are currency risk, interest risk and liquidity risk.

Zagreb Holding Group is mainly exposed to the currency risk of fluctuation of the HRK to EUR exchange rate arising from liabilities under long-term loans, 21% of which are linked to EUR. Compared to previous years, when Zagreb Holding Group was exposed to currency risk of fluctuation of the HRK to EUR exchange rate, the issuing of HRK bonds of Zagreb Holding LTD. and closing of Eurobonds significantly reduced the exposure of Zagreb Holding Group to currency risk.

The Group is not significantly exposed to the risk of interest rate fluctuations due to the fact that 12% of its total loans payable are tied to variable interest rates, whereas 88% of the total amount of the Group's loans payable were contracted at a fixed interest rate. Issued HRK bonds with a fixed annual coupon of 3.875% account for the majority of the Group's loans payable with a fixed interest rate.

The Group uses the following instruments to monitor and mitigate the liquidity risk: cash flow analysis and management, asset analysis and analysis of sources of asset funding, buyer creditworthiness analysis, guarantees, contracts for open credit lines based on the revolving principle and other similar instruments.

As a provider of services of general economic interest and an entity established by a unit of local self-government, the Group is exposed to corporate environmental risk and to the influence of the regulator and the City of Zagreb when it comes to determining the prices of individual services. Some of the activities of the Group, including the pricing of services based on such activities, are managed by regulatory bodies of the Republic of Croatia, whereas others are under the influence of the City of Zagreb. On the other hand, the costs of providing these services are under the influence of the market, where prices can vary on weekly or monthly basis. The impact of regulatory legislation has negative implications on the activity of waste management and increased operating costs, and consequently has a significant impact on regulated energy-related activities of gas distribution and supply.

The Group has no way of influencing legislative or regulatory changes, but finds the potential for annulling the negative consequences of regulatory changes in responsible corporate governance and relying on Group synergy to minimise potentially negative financial implications in individual business segments.

CORPORATE GOVERNANCE STATEMENT

Pursuant to Article 22 of the Accounting Act (Official Gazette 78/15, 120/16, 116/18, 42/20, 47/20), the Management Board of the company Zagreb Holding Ltd., Zagreb, Ulica Grada Vukovara 41 (hereinafter: the Company), hereby issues the following:

STATEMENT

of Compliance with the Code of Corporate Governance in 2020

1. The Company voluntarily applies the Code of Corporate Governance of the Company Zagreb Holding Ltd., enacted by the following Company bodies: the Management Board, on 23 December 2015; the Supervisory Board, on 11 May 2016; and the Company Assembly, on 12 May 2016. The Code is publicly available on the Company's website.
2. In the financial year 2020, the Company complied with and implemented in all material respects the recommendations set forth by the Code, publishing all information the publication of which is required under the applicable regulations, and the publication of which is in the best interest of the investors and all stakeholders.

Certain minor deviations from the recommendations prescribed by the Code involve the following: the meetings of the Supervisory Board are called as needed in accordance with everyday information about the Company's activities, operations and problems received from the Management Board, the Company Assembly and the public, including information that has been brought to the attention of the Supervisory Board and that affects the activities of the Company directly or indirectly, due to which Supervisory Board meetings are convened to discuss different topics and are not limited to the topics set forth by the Articles of Association and the legislation. For this reason, the framework plan of the activities of the Supervisory Board was not adopted. Members of the Audit Committee are not members of the Supervisory Board. Supervisory Board has the discretion to decide about the composition of the Audit Committee. The Audit Committee has not prepared the rules prescribing the services that an external audit company and its affiliates are not allowed to provide to the Company, services that they are allowed to provide only with previous approval of the Committee, and services that they are allowed to provide without the approval of the Committee, considering that the Audit Committee supervises the activities of the external audit company and any extra services that the external auditor may provide to the Company, as regulated by the Audit Act and the EU Regulation on specific requirements regarding the statutory audit of public interest entities.

The subsidiaries and related companies of Zagreb Holding Group have also complied with and implemented in all material respects the recommendations set forth by the Code. Minimal deviations from the implementation of the Code are related to the obligation to quarterly submit written reports to the Management Board and to the Assembly of the related companies. Instead of a quarterly-based approach, this obligation was fulfilled by submitting monthly consolidation packages comprising the basic financial statements (profit and loss statement, balance sheet, cash flow etc.).

Heads of the Company's subsidiaries and members of the management boards of the related companies largely kept their operations within the confines of the approved annual plans, whereas deviations from the plans mostly pertained to those operational items that were impossible to foresee, such as provisioning costs and value adjustment costs.

3. The Company ensures the efficiency of the internal control system in financial reporting, consisting of different records and methods implemented to initiate, identify, analyse, classify and record business events, including all measures and procedures to be implemented in connection with the accounting statement of business events and compilation of reliable financial statements.

The Internal Audit Department is in charge of reviewing the efficiency of the internal control system which organises and supervises the flow of accurate, concrete and integral information about the

Company.

The Company is under the obligation to engage independent external auditors as an important corporate governance instrument, in order to ensure that the financial reports adequately reflect the actual state of the Company as a whole.

4. In 2020, the Management Board of the Company had the following structure: Ana Stojić Deban – President of the Management Board, Daniela Franić, Marica Dusper and Bernard Mršo – Members of the Management Board. Members of the Management Board are appointed for a four-year term.

The Management Board manages the Company's operations in line with the Articles of Association and legal regulations. Members of the Management Board represent the Company individually and independently, unless a special decision by a member of the Company requires a member of the Management Board to represent the Company jointly with other members of the Management Board or jointly with one other member who is authorised to represent the Company independently and individually. If more than one member of the Management Board is appointed, one of them shall be appointed president of the Management Board. The scopes of authority of the members of the Management Board are defined by a special decision of the Company Assembly.

The Management Board is under the obligation to make sure that the Company keeps business and other records and business-related documentation, prepares bookkeeping documents, makes realistic evaluations of its assets and liabilities and compiles financial and other reports in line with accounting regulations and standards and with applicable laws and regulations. In the course of the financial year, the Management Board submitted reports on the Company's operations to the Supervisory Board in accordance with the Companies Act.

The Supervisory Board supervises the management of the Company's operations in accordance with the Companies Act, the Company's Articles of Association, Rules of Procedure of the Supervisory Board and other applicable regulations. The Company Assembly elects and dismisses members of the Supervisory Board, who are appointed for a four-year term. One member of the Supervisory Board serves as a representative of the workers and is elected and dismissed in line with the provisions of the Labour Act. Members of the Supervisory Board regularly receive detailed information and reports about the Company's state, management and activities in order to be able to efficiently fulfil their obligation of supervising the management of the Company's operations. In addition, the Supervisory Board exercises internal control and supervision through the Audit Committee, which provides expert support to the Supervisory and Management Board required for them to efficiently fulfil the obligations of corporate governance, risk management, financial reporting and control of the Company. The Supervisory Board's report on performed supervision of the Company management is a constituent part of the Company's annual statements that are submitted to the Company Assembly.

Members of the Supervisory Board are as follows:

- Ljubo Jurčić
- Nikola Mijatović
- Gojko Bežovan
- Ivan Šikić (until 23 November 2020)
- Josip Budimir
- Mihaela Grubišić Šeba
- Andrea Šulentić
- Mario Župan
- Dražen Hrkač

The Company Assembly is composed of the City of Zagreb as the sole member of the Company represented by representatives appointed pursuant to the Conclusion on the Representatives of the City of Zagreb in the Assemblies of the Companies Zagreb Holding Ltd., Development Agency Zagreb-Technological Park Zagreb Ltd. and Zagreb Centre for Waste Management Ltd. These representatives are as follows:

- Milan Bandić, Mayor of the City of Zagreb
- Olivera Majić, Deputy Mayor of the City of Zagreb
- Slavko Kojić, special senior advisor to the Mayor for investments and foreign financing expert.

The Company Assembly normally convenes once a year. However, the Assembly must also convene whenever this is required by the Company's interests as well as in cases prescribed by the law or the Company's Articles of Association.

The Company Assembly adopts decisions on the Company's financial statements; utilisation of generated profit and loss coverage; alienation and encumbrance of the Company's real estate; investments in the development and construction of new facilities and investments in other companies; the Company's annual operational plan; increase or reduction in the Company's share capital; appointment and dismissal of Management Board members; appointment and dismissal of Supervisory Board members; status changes; amendments to the Articles of Association and winding up of the Company. In addition to these matters, the Assembly also decides upon any other issues falling under its scope of authority pursuant to the applicable laws, the Company's Articles of Association and other by-laws.

5. As regards the implementation of the diversity policy, the Company's primary objective is to ensure the application of the principle of equal opportunities and diversity in all processes and functions and to integrate it into the day-to-day decision-making process. In this context, special importance is attached to implementing anti-discrimination measures, ensuring equality among people irrespective of the age, gender, ethnic, national or any other group to which they belong and building an inclusive work environment. In order to ensure the implementation of the diversity policy as one of the elements of corporate social responsibility, the Company enacted the Code of Conduct as a legal framework and established the Ethics Committee and the Irregularities Committee, which committees within their respective scopes of authority have the task to identify actions that represent discrimination on any basis and to propose sanctions for such behaviour.

Special attention is devoted to the protection and promotion of the rights of persons with disabilities. The Company is one of the entities responsible for the implementation of measures and activities as prescribed by the 2016-2020 Zagreb Strategy for Equalisation of Opportunities for Persons with Disabilities. The aim of these measures and activities is to ensure complete integration of persons with disabilities through their integration into important spheres of life by allowing them to participate on equal terms in the political, public and cultural life; through their integration into educational processes; into the labour market; health and rehabilitation system; social protection; legal protection and protection against violence; research, development, etc. One of the elements identified in the Strategy – vocational rehabilitation and employment – is a key factor for ensuring social inclusion and economic independence of persons with disabilities, considering that any form of work or employment is a precondition for their integration into an ordinary life routine. The result of the implementation of these measures is the fact that the Company employs 185 persons with disabilities, representing 3.49 % of the Company's total workforce. They successfully participate in the Company's day-to-day business operations.

Pursuant to Article 22 of the Accounting Act, this Statement constitutes a separate section and a constituent part of the 2020 Annual Statement of the Company.

In Zagreb, 27 April 2021

President of the Management Board

Ana Stojić Deban



STATEMENT OF PERSONS RESPONSIBLE FOR PREPARATION OF FINANCIAL STATEMENTS OF ZAGREB HOLDING LTD. UNDER ARTICLE 403 OF THE CAPITAL MARKET ACT

We hereby declare that the following is true, to our best knowledge:

- International Financial Reporting Standards were followed in the preparation of the audited financial statements of Zagreb Holding Ltd. (non-consolidated) for the period from 1 January 2020 to 31 December 2020. The statements fully and truthfully represent assets and liabilities, profits and losses, financial position and operations of the issuer.
- Management Report of Zagreb Holding Ltd. (non-consolidated) for the period from 1 January 2020 to 31 December 2020 truthfully represents the development, business results and the position of the issuer, along with a description of the major risks to which the issuer is exposed.

In Zagreb, 27 April 2021

Ana Stojić Deban

President of the Management Board
Zagreb Holding Ltd.



Bernard Mršo

Member of the Management Board
Zagreb Holding Ltd.



Daniela Franić

Member of the Management Board
Zagreb Holding Ltd.



Marica Dusper

Member of the Management Board
Zagreb Holding Ltd.



ANNUAL
NON-CONSOLIDATED
FINANCIAL
STATEMENTS
FOR THE YEAR 2020
AND
INDEPENDENT
AUDITOR'S REPORT



ZAGREBAČKI
HOLDING

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RESPONSIBILITY FOR THE ANNUAL NON-CONSOLIDATED FINANCIAL STATEMENTS

The Management Board is obliged to ensure that the annual non-consolidated financial statements of Zagrebački holding doo, Zagreb, Ulica grada Vukovara 41 (the "Company") for 2020 are prepared in accordance with International Financial Reporting Standards which have been established by the European Commission and published in the Official Journal of the European Union ("IFRS") so as to provide a true and fair view of the non-consolidated financial position, non-consolidated results of operations, non-consolidated cash flows and non-consolidated changes in equity of the Group for that period.

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

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

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

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

The Management Board is also responsible for the preparation and content of the Annual report and the Statement on the implementation of corporate governance code in accordance with the Croatian Accounting Act. The Company's consolidated financial statements have been issued separately and simultaneously at the same time as the non-consolidated financial statements.

The Management Board approved the issuance of non-consolidated annual financial statements on 27 April 2021



Ana Stojić Deban
President of the Management Board



Daniela Franić
Member of the Management Board



Bernard Mršo
Member of the Management Board



Marica Dusper
Member of the Management Board

Zagrebački holding d.o.o., Zagreb
Avenija grada Vukovara 41
10000 Zagreb
Republika Hrvatska



INDEPENDENT AUDITOR'S REPORT

To the owner of Zagrebački holding d.o.o., Zagreb

Report on the audit of unconsolidated annual financial statements

(Translation - the Croatian text is authoritative)

Qualified opinion

We have audited the unconsolidated annual financial statements of the company Zagrebački holding d.o.o., Avenija grada Vukovara 41, Zagreb (hereinafter "the Company"), which comprise the unconsolidated Statement of financial position as at 31 December 2020, unconsolidated Statement of comprehensive income, unconsolidated Statement of changes in equity and unconsolidated Statement of cash flows for the year then ended, including accompanying notes, and summary of principal accounting policies.

In our opinion, except possible corrections that may arise from what is stated in the section *Basis for qualified opinion*, the accompanying unconsolidated annual financial statements give a true and fair view of the unconsolidated financial position of the Company as at 31 December 2020, and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards determined by the European Commission and published in the Official Journal of the EU ("IFRS").

Basis for qualified opinion

Leases

As shown in Note 17, in addition to the unconsolidated financial statements, during 2009 and 2008, the Company, as a lessor, contracted a number of lease agreements, which were recorded as an operating leases. The initial classification of these contracts is not in accordance with International Financial Reporting Standard 16 - "Leases", which states that a lease is classified as a finance lease if it transfers substantially all the risks and benefits incidental to ownership of the related assets, which is characteristic of the aforementioned leases contracted by the Company. If the Company had correctly classified the lease agreements, as finance leases in the unconsolidated Statement of Financial Position as at 31 December 2020, finance lease receivables, net of earned future income would have been higher by HRK 297,066 thousand, property, plant and equipment would be lower by HRK 199,390 thousand, retained earnings would be higher by HRK 135,469 thousand, deferred tax liability would be lower by HRK 6,803 thousand, and profit for 2020 would be lower by HRK 30,990 thousand.

Impairment of Loans granted

As shown in Notes 23 and 38 to the consolidated financial statements, the Company has receivables from loans and interest from affiliated companies in the amount of HRK 396,049 thousand for which was determined an increase in credit risk. As at 31 December 2020, for the mentioned loans, principal and interest receivables overdue more than a year amounted to HRK 28,724 thousand. As at 31 December 2020, the Company did not prepare a calculation of expected credit losses for these receivables related to the application of International Financial Reporting Standard 9 *Financial Instruments*. During our audit, we were unable to obtain sufficient and appropriate audit evidence to ascertain the effects that would be required to reflect in the accompanying financial statements. Accordingly, we have not been able to determine whether, and to what extent, adjustments are required on this basis, as well as their impact on the Company's unconsolidated financial statements.

We conducted our audit in accordance with International Standards of Auditing (ISAs). Our responsibilities under those standards are further described in our Independent Auditor's report under section Auditor's 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.

Emphasis of matter

We draw attention to Note 17 and 20 of the unconsolidated annual financial statements, in which it is stated that certain municipal land registers have not been entirely organized. The Company has been undergoing the process of entering the title over land and construction sites into appropriate land registries, which would confirm their ownership. Even though the Company is in possession of documents confirming its ownership, there is uncertainty regarding the resolving of the status of these properties. Our qualified opinion has not been modified in this respect.

Furthermore, we draw attention to Note 3 to the unconsolidated financial statements describing the uncertainty of the duration and outcome of the COVID 19 pandemic. The Company is still unable to quantify all the negative impacts of the COVID 19 pandemic on operations in all segments. The possible adverse effects on the Company's operations that may follow in subsequent periods depend on various external factors such as the length and scope of the emergency measures. Our qualified opinion has not been modified on this issue.

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.

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

Key audit matter	How we addressed the key audit matter
<p><u>Estimates of fair value of investment property (IAS 40)</u></p> <p>A description of the key valuations and judgments regarding the valuation of investment property is presented in Notes: 2 (i), 3, 7, 11 and 20 to the financial statements.</p> <p>As at 31 December 2020, the Company disclosed in the unconsolidated Statement of financial position the amount of HRK 2,115,032 thousand of investment property, whereby due to the new valuation of investment property, an increase in fair value through profit or loss in the net amount of HRK 181 thousand was determined. (2019: gains of HRK 144,335 thousand).</p> <p>Fair valuation was performed based on the appraisal of a qualified assessor authorized to appraise the value of the property. The assessor performed assessment on the basis of the Real Estate Valuation Act (OG 78/2015) and the Ordinance on Real Estate Valuation Methods (OG 105/2015). This investment property mainly refers to business buildings and construction land in the area of the City of Zagreb.</p> <p>In accordance with stated above, due to the importance and use of judgments in estimating fair value, we believe that the valuation of the Company's investment property is key audit matter.</p>	<p>We estimated the competence and abilities of the Assessors and confirmed their qualifications. We also estimated their independence and the scope of their work and reviewed the contract for unusual conditions and / or agreed remuneration. We confirmed that the scope of their work was appropriately determined.</p> <p>We tested on the sample the correctness of the classification of investment property, including new investments, rental income and related expenses, confirming the same with the balances stated in the Company's books.</p> <p>We have reviewed the Assessor's reports and confirmed that they have been compiled in accordance with the prescribed methods.</p> <p>We analysed on a sample the appropriateness of the Assessor's choice of a particular assessment method and the related rationale. We have verified that the changes identified by the reassessment in the Company's financial statements have been recorded correctly.</p> <p>We also assessed the adequacy of disclosures in the financial statements.</p>

Key audit matter (continued)

Key audit matter	How we addressed the key audit matter
<p><u>Revenue recognition</u></p> <p>A description of key revenue recognition policies and information is provided in Notes: 2 u), x), 5, 6, 7 and 14, together with the unconsolidated financial statements.</p> <p>In the Profit and Loss Account for 2020, the Company stated the amount of HRK 1,603,734 thousand of sales revenue.</p> <p>Sales revenue is largely made up of a high volume of individually low value transactions. We have identified the following types of revenue recognition claims that we consider to be a key audit issue due to the complexity of collecting and recording them:</p> <ul style="list-style-type: none"> - completeness of revenues recorded on the basis of reliance on the collection system, - the accuracy and completeness of revenues recognized on the basis of transactions and the adequacy of the allocation of the total value of transactions between several elements in the transaction package. 	<p>We evaluated the design and implementation of key controls when monitoring the invoicing system. We analysed the adequacy and consistency of the Company's adopted revenue recognition policies. Our information systems auditors have performed additional procedures that include transaction integrity control and review of application controls. For subsidiaries of the Company that have an externalized account preparation service, contracts have been reviewed and procedures for understanding the system of internal controls and information security and reviewing transactional data integrity controls have been performed. We performed an evidentiary test on a sample of non-systematic adjustments that are outside the normal billing process. We confirmed the calculated balances and transactions with independent customer confirmations on the reference sample. According to the sample, we checked the correctness of income statements for the respective periods. We also assessed the adequacy of the disclosures in the financial statements.</p>

Other matters

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

Other Information in the Annual Report

Management is responsible for other information. Other information includes information included in the Company's Annual Report, which contains the Management Report and the Statement on the Application of the Corporate Governance Code.

Our opinion on the annual consolidated financial statements does not include other information, nor the management report and the Statement of Corporate Governance unless expressly stated in our report, and we do not express any form of conclusion expressing assurance about them.

In connection with our audit of the unconsolidated annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. In this sense, we do not have anything to report.

The Management Board is responsible for the preparation of the Management Report of the Company as an integral part of the Annual Report of the Company. Regarding the Management Report and the Statement on the Application of the Corporate Governance Code, we also checked the procedure required by the Croatian Accounting Act (the "Accounting Act").

Other Information in the Annual Report (continued)

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:

- In our opinion, based on the work performed during the audit, the information in the attached Management Report of the Company for 2020 is consistent with the attached annual financial statements of the Company for 2020;
- In our opinion, based on the work performed during the audit, the attached management report of the Company for 2020 has been prepared in accordance with Article 21 of the Accounting Act.
- Based on knowledge and understanding of the Company's operations and its environment acquired during the audit, we did not find any material misstatement in the accompanying report of the Company's management. In our opinion, based on the work performed during the audit, the statement on the application of the Corporate Governance Code, included in the Company's Annual Report for 2020, is in accordance with the requirements set out in Article 22, paragraph 1, items 3 and 4 of the Accounting Act;
- The statement on the application of the corporate governance code includes the information required by Article 22, paragraph 1, items 2, 5, 6 and 7 of the Accounting Act.

Furthermore, taking into account the knowledge and understanding of the Company's operations and its environment, 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. In that matter, we have nothing to report.

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

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

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

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

Auditor's responsibilities for the audit of the unconsolidated annual financial statements

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

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

- Identify and assess the risks of material misstatement of the unconsolidated annual financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated annual financial statements, including disclosures, and whether the unconsolidated annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain enough audit evidence related to financial information from individuals or business activities within the Company to express our opinion on the unconsolidated financial statements. We are responsible for routing, monitoring, and performing company auditing. We are solely responsible for expressing our opinion.

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

Auditor's responsibilities for the audit of the unconsolidated annual financial statements (continued)

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

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

BDO Croatia d.o.o., Crowe Horwath Revizija d.o.o. and Audit d.o.o. are jointly responsible for performing the audit and for the audit opinion according to the requirements of the Auditing Act, applicable in Croatia.

Report on other legal requirements

Appointment of auditors

BDO Croatia d.o.o. was appointed auditor of the Company on 30 September 2020 by the General Assembly of the Company based on the proposal of the Supervisory Board of the Company, which represents a continuous engagement of six years.

Crowe Horwath Revizija d.o.o. was appointed auditor of the Company on 30 September 2020 by the General Assembly of the Company based on the proposal of the Supervisory Board of the Company, which represents the second year of engagement for this auditor.

Audit d.o.o. was appointed auditor of the Company on 30 September 2020 by the General Assembly of the Company based on the proposal of the Supervisory Board of the Company, which represents the second year of engagement for this auditor.

Consistency with the Supplementary Report to the Audit Committee

Our audit opinion is consistent with the additional report for the Company's auditing board, prepared in accordance with the provisions of Article 11 of Regulation (EU) No. 537/2014.

Providing non-audit services

During the period between the initial date of the audited unconsolidated annual financial statements of the Company for the year 2020 and the date of this report, we did not provide the Company with prohibited non-scheduled services, and in the business year prior to the aforementioned period, 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 on other legal requirements (continued)

The partners engaged in the audit of the Company's annual unconsolidated financial statements for 2020, that resulted with this Independent Auditor's Report, are Ivan Štimac, certified auditor for BDO Croatia d.o.o., Sonja Hecker Tafra, certified auditor for Crowe Horwath Audit d.o.o. and Darko Karić, certified auditor for Audit d.o.o.

In Zagreb, April 27th, 2021



Hrvoje Stipić president of
the Management Board



Ivan Štimac
Certified Auditor

BDO Croatia d.o.o.
Trg J. F. Kennedy 6b

10000 Zagreb

BDO CROATIA
BDO Croatia d.o.o.
za pružanje revizorskih, konzalting
i računovodstvenih usluga
Zagreb, J. F. Kennedy 6/b



Sonja Hecker Tafra
Director



Sonja Hecker Tafra
Certified Auditor

Crowe Horwath Revizija
d.o.o.

Petra Hektorovića 2
Grand Center, VIII kat
10 000 Zagreb

 Crowe Horwath Revizija d.o.o.
Zagreb

Darko Karić
Director



Darko Karić
Certified Auditor

Audit d.o.o.
Silvija Strahimira
Kranjčevića 41
10000 Zagreb



ZAGREBAČKI HOLDING d.o.o.

Non-consolidated Statement of comprehensive income

For the year ended 31 December 2020

	Notes	2020	2019
			restated
		('000 HRK)	('000 HRK)
OPERATING REVENUE			
Sales revenue	5,6	1,602,734	1,749,400
Other operating revenue	7	247,537	338,333
Total		1,850,271	2,087,733
OPERATING EXPENSES			
Material expenses and services	8	(790,576)	(735,094)
Employee benefit expenses	9	(794,082)	(733,101)
Depreciation and amortization	10	(180,061)	(194,517)
Impairment of assets	11	(149,016)	(111,834)
Provisions	12	(28,622)	(38,727)
Other operating expenses	13	(59,834)	(73,717)
Total		(2,002,191)	(1,886,990)
NET OPERATING (LOSS) / PROFIT		(151,920)	200.743
Finance income	14	86,161	85,067
Finance expenses	15	(205,698)	(194,162)
NET FINANCIAL LOSS		(119,537)	(109,095)
TOTAL INCOME		1,936,432	2,172,800
TOTAL EXPENSES		(2,207,889)	(2,081,152)
PROFIT BEFORE TAX		(271,457)	91,648
Tax expense	16	41,091	(10,039)
(LOSS) / PROFIT FOR THE YEAR		(230,366)	81,609
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
(Loss)/profit from property revaluation, net	29	(15,416)	60,169
Total comprehensive (loss) / profit for the year		(245,782)	141,778

Ana Stojić Deban
President of the Management Board

Daniela Franić
Member of the Management Board

Bernard Mršo
Member of the Management Board

Marica Dusper
Member of the Management Board

The accounting policies and notes which follow form an integral part of these unconsolidated financial statements.

	Notes	31 Dec 2019	31 Dec 2018	1 Jan 2018
			restated	restated
		('000 HRK)	('000 HRK)	('000 HRK)
NON-CURRENT ASSETS				
Property, plant and equipment	17	4,762,939	4,758,853	4,799,765
Investment property	20	2,115,032	2,125,696	2,156,050
Right - of - use assets	19	5,958	8,940	-
Intangible assets	18	19,460	16,553	4,815
Investments in subsidiaries	21	2,407,666	2,407,666	2,407,666
Financial assets	22	125,738	125,209	124,835
Non-current receivables	23	1,330,187	1,422,228	1,567,479
Deferred tax assets	16	65,989	24,898	15,777
Total non-current assets		10,832,969	10,890,043	11,076,387
CURRENT ASSETS				
Inventories	24	103,297	273,683	88,281
Receivables from a related party	25	823,779	656,003	491,157
Trade receivables and other receivables	26	170,748	178,119	173,524
Financial assets	27	2,451	3,378	3,659
Cash and cash equivalents	28	29,213	65,909	78,795
Total current assets		1,129,488	1,177,092	835,416
TOTAL ASSETS		11,962,457	12,067,135	11,911,803



Ana Stojić Deban
President of the Management Board



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Member of the Management Board



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Member of the Management Board



Marica Dusper
Member of the Management Board

The accounting policies and notes which follow form an integral part of these unconsolidated financial statements.

ZAGREBAČKI HOLDING d.o.o.

Non-consolidated Statement of financial position / Balance sheet

At 31 December 2020

	Notes	31 Dec 2019	31 Dec 2018	1 Jan 2018
			restated	restated
		('000 HRK)	('000 HRK)	('000 HRK)
EQUITY				
Share capital	29	3,177,044	3,177,044	3,177,044
Revaluation reserves	29	1,654,352	1,669,768	1,610,020
Other reserves	29	319,977	319,977	319,977
Retained earnings	29	134,005	350,209	268,179
Total capital and reserves		5,285,378	5,516,998	5,375,220
NON-CURRENT LIABILITIES				
Loans and borrowings	30	1,164,210	1,218,509	1,483,869
Bonds	31	2,271,278	2,261,551	2,251,358
Provisions	33	208,945	232,548	226,879
Deferred income	34	755,215	840,448	875,682
Deferred tax liability	16	363,053	366,437	353,468
Other long-term liabilities	32	9,714	11,475	14,698
Total non-current liabilities		4,772,415	4,930,968	5,205,954
KRATKOROČNE OBVEZE				
CURRENT Liabilities	36	501,158	393,863	356,592
Trade and other payables	35	125,284	90,196	105,102
Liabilities to related parties	30	1,242,306	1,093,341	819,073
Loans and borrowings	34	35,916	35,630	35,839
Current maturity of deferred revenue recognition		-	6,139	14,023
Ukupno kratkoročne obveze		1,904,664	1,619,169	1,330,629
TOTAL EQUITY AND LIABILITIES		11,962,457	12,067,135	11,911,803



Ana Stojić Deban
President of the Management Board



Bernard Mršo
Member of the Management Board



Daniela Franić
Member of the Management Board



Marica Dusper
Member of the Management Board

The accounting policies and notes which follow form an integral part of these non-consolidated financial statements

ZAGREBAČKI HOLDING d.o.o.

Non-consolidated Statement of changes in equity

For the year ended 31 December 2020

('000 HRK)

	Share capital	Capital reserves from profit	Revaluation reserves	Retained earnings	Total
Balance at 31 December 2017	3,833,236	319,977	2,712,033	146,147	7,011,393
Impact of correction of errors	-	-	(74,285)	(4,148)	(78,433)
Balance at 01 January 2018 (restated)	3,833,236	319,977	2,637,748	141,999	6,932,960
<i>Comprehensive income</i>					
Profit for the period	-	-	-	94,308	94,308
Profit from real estate revaluation (net)	-	-	4,945	-	4,945
Other comprehensive income for the period	-	-	4,945	-	4,945
Total comprehensive income for the period	-	-	4,945	94,308	99,253
<i>Transactions with owners recognized directly in equity</i>					
Company division	(656,192)	-	(1,032,673)	31,872	(1,656,993)
Total transactions with owners of the Company	(656,192)	-	(1,032,673)	31,872	(1,656,993)
Balance at 31 December 2018 (restated)	3,177,044	319,977	1,610,020	268,179	5,375,220
<i>Comprehensive income</i>					
Profit for the period	-	-	-	81,609	81,609
Profit from real estate revaluation (net)	-	-	59,748	421	60,169
Other comprehensive income for the period	-	-	59,748	421	60,169
Total comprehensive income for the period	-	-	59,748	82,030	141,778
Balance at 31 December 2019 (restated)	3,177,044	319,977	1,669,768	350,209	5,516,998
<i>Comprehensive income</i>					
Loss for the period	-	-	-	(230,366)	(230,366)
Loss from real estate revaluation (net)	-	-	(15,416)	14,162	(1,254)
Other comprehensive (loss) / income	-	-	(15,416)	14,162	(1,254)
Total comprehensive loss for the period	-	-	(15,416)	(216,204)	(231,620)
Balance at 31 December 2020	3,177,044	319,977	1,654,352	134,005	5,285,378

The accounting policies and notes which follow form an integral part of these non-consolidated financial statements

	2020	2019
		restated
	('000 HRK)	('000 HRK)
<i>Profit (loss) for the year</i>	<i>(230,366)</i>	<i>81,609</i>
Tax expense recognised in profit or loss	(41,091)	10,039
Finance expenses recognised in profit or loss	179,213	177,745
Investment revenue recognised in profit or loss	(27,058)	(37,475)
Impairment of current assets	31,758	31,840
Change in fair value if investment property	(181)	(144,335)
Impairment of other non-current assets	18,399	42,341
Depreciation and amortization of non-current tangible and intangible assets	180,061	194,517
Profit from assets sold	-	(912)
Increase / (decrease) in non-current provisions	(19,997)	5,669
Decrease of deferred income for assets financed by others	(36,957)	(35,234)
Losses from foreign exchange translations	12,658	2,598
Changes in working capital:		
(Increase)/decrease in inventories	(7,833)	(7,374)
Reduction of advances for current assets	14,955	1,230
Increase in trade receivables	(20,441)	(43,697)
(Increase)/decrease in receivables from related parties	(190,781)	(187,695)
Decrease in receivables from employees	(3)	(19)
(Increase)/decrease in receivables from the state	(9,046)	(3,511)
Decrease / (increase) of other receivables	29,487	11,019
Decrease in trade payables and liabilities to related parties	99,326	17,103
Decrease in liabilities for taxes and contributions	43,986	2,454
Decrease in employee benefits liabilities	6,642	3,976
(Decrease)/increase of other non-current liabilities	28,053	(8,194)
(Decrease)/increase of other current liabilities	(20,842)	(13,780)
<i>Net cash flows from operating activities</i>	<i>39,942</i>	<i>99,914</i>

The accounting policies and notes which follow form an integral part of these non-consolidated financial statements.

	2020	2019
		restated
	(‘000 HRK)	(‘000 HRK)
Cash flows from operating activities		
Cash flows from operating activities	39,942	99,914
Income taxes paid	(6,139)	(13,021)
Interests paid	(199,801)	(168,689)
Net cash flows from operating activities	(165,998)	(81,796)
Cash flows from investing activities		
Expenses for procurement of tangible and intangible assets	(99,729)	(141,534)
Decrease / (increase) in advances for non-current assets	2,256	(2,257)
Gains from sale of non-current tangible assets	21,180	-
Decrease (increase) of non-current receivables	92,041	145,251
Decrease in current financial assets	927	281
Increase in financial assets	(529)	(374)
Interests collected	15,166	37,203
Dividend received	16,891	22,894
Net cash flows from investing activities	48,203	61,464
Cash flows from financing activities		
Loans and borrowings received	780,505	679,078
Repayment of loans and borrowings	(699,406)	(671,632)
Net cash (used in)/from financing activities	81,099	7,446
Net decrease in cash and cash equivalents	(36,696)	(12,886)
Cash and cash equivalents at 1 January	65,909	78,795
Cash and cash equivalents at 31 December	29,213	65,909

The accounting policies and notes which follow form an integral part of these non-consolidated financial statements

1/ GENERAL INFORMATION**History, incorporation and statutory changes**

On 27 December 2005, The City of Zagreb and Zagrebački holding d.o.o. ("the Company") had performed several share transfer agreements, based on which the ownership interests in 22 companies were transferred in full from the City of Zagreb to the Company. The transferred equity interests in the nominal amount of HRK 4,036,590 thousand represent assets that are at the free disposal of the Company. Pursuant to these agreements, the City of Zagreb increased the subscribed capital of the Company, by converting the receivables under the Share Transfer Agreement by a total of HRK 4,036,590 thousand in equity of the Company.

In 2006 and 2007, several companies were merged into the Company, and the Company underwent several statutory changes, all of which were registered at the Commercial Court in Zagreb.

Upon the merger, the merged entities transferred all of their assets and liabilities to the Company as the acquirer. Pursuant to the underlying merger agreements and the applicable provisions of the Companies Act, the share capital of the Company was not increased by the share capital of each of the merged entities because it held the entire share capital in each of the entities.

In 2013, the Company defined a Demerger plan involving the establishment of new companies and transfer of a part of its assets and liabilities to the new companies. Until the end of 2013, the following operating units had been spun off: Water supply (as a result of the underlying changes of the Water Act, OG 153/09, 63/11, 130/11 and 56/13), Facility management, Construction and sale of flats, and Publishing (as a result of the strategic focus to separate commercial operations from the communal activities), resulting in the establishment of four new companies.

Pursuant to the Decision (No Tt-13/25472-2) of the Commercial Court in Zagreb, dated 8 November 2013, the demerger of the Company involving the establishment of the following new companies was entered into the Court registry: Gradsko stambeno komunalno gospodarstvo d.o.o., Vodoopskrba i odvodnja d.o.o., Zagrebačka stanogradnja d.o.o. and AGM d.o.o.

As part of the demerger involving the establishment of the above-mentioned companies, the share capital was distributed by reducing the share capital of the Company by HRK 2,069,128 thousand from HRK 4,208,629 thousand to HRK 2,139,501 thousand.

Following the Company's statutory changes and registration of new companies, the Company had entered into the Contract on transfer of business shares with City of Zagreb as transferor whereas the Company acquired the following companies: Gradsko stambeno komunalno društvo d.o.o., Vodoopskrba i odvodnja d.o.o., AGM d.o.o. and Zagrebačka stanogradnja d.o.o. Equity was transferred to the Company in the total amount of HRK 2,069,128 thousand which is the same as nominal value of share capital for each of above mentioned companies. This was based on transfer of equity receivables from City of Zagreb to additional share capital of the Company during the year 2013 as it is stated in Commercial Court in Zagreb.

1/ GENERAL INFORMATION / CONTINUED

Company activities

As at 31 December 2020, the Company comprised the following subsidiaries:

NAME OF THE COMPANY/SUBSIDIARY	ADDRESS	PRINCIPAL ACTIVITIES	OWNERSHIP INTEREST	
			2020	2019
Zagrebački holding	Avenija grada Vukovara 41	public transport; water supply; cleaning, waste management; travel agency; sports, facility and real estate management	100% the City of Zagreb	100% the City of Zagreb
1/ Gradska groblja	Aleja Hermanna Bollea 27	funeral and related services	100% Zagrebački holding	100% Zagrebački holding
2/ Čistoća	Radnička 82	waste collection, cleaning services	100% Zagrebački holding	100% Zagrebački holding
3/ Zrinjevac	Remetinečka 15	landscaping services	100% Zagrebački holding	100% Zagrebački holding
4/ Zagrebparking	Šubićeva 40/III	services of public parking and public garage management	100% Zagrebački holding	100% Zagrebački holding
5/ Zagrebačke ceste	Donje Svetice 48	regional and local road management, maintenance and construction	100% Zagrebački holding	100% Zagrebački holding
6/ Autobusni kolodvor Zagreb	Avenija Marina Držića 4	bus station services	100% Zagrebački holding	100% Zagrebački holding
7/ Tržnice Zagreb	Šubićeva 40/V	wholesale and retail markets, warehousing	100% Zagrebački holding	100% Zagrebački holding
8/ ZGOS	Zeleni trg 3	waste management	100% Zagrebački holding	100% Zagrebački holding
9/ Zagrebački digitalni grad	Av.Dubrovnik 15	lease of telecommunication cables and network	100% Zagrebački holding	100% Zagrebački holding
10/ Upravljanje projektima	Jankomir 25	construction and project management	100% Zagrebački holding	100% Zagrebački holding
11/ Arena Zagreb	Ul. V. Vukova 8	sports facility management	100% Zagrebački holding	100% Zagrebački holding
12/ Robni terminali Zagreb	Jankomir 25	warehousing	100% Zagrebački holding	100% Zagrebački holding
13/ Vladimir Nazor	Maksimir 52	travel agency and organised youth travel	100% Zagrebački holding	100% Zagrebački holding
14/ Upravljanje nekretninama	Jankomir 25	real-estate management	100% Zagrebački holding	100% Zagrebački holding

1/ GENERAL INFORMATION / CONTINUED

Companies and institutions owned by the Company, which comprise Zagrebački holding Group (hereinafter: the Group):

NAME OF THE AFFILIATED COMPANY	ADDRESS	LEGAL FORM	PRINCIPAL ACTIVITY	OWNERSHIP INTEREST	
				2019	2018
1/ Gradska plinara Zagreb d.o.o.	Radnička 1	limited liability company	gas distribution	100% Zagrebački holding	100% Zagrebački holding
2/ Gradska plinara Zagreb - Opskrba d.o.o.	Radnička 1	limited liability company	gas supply	100% Zagrebački holding	100% Zagrebački holding
3/ Zagreb plakat d.o.o.	Hebrangova 32	limited liability company	lease of advertising space	51% Zagrebački holding	51% Zagrebački holding
4/ Gradska ljekarna Zagreb	Kralja Držislava 6	institution	pharmacy services	100% Zagrebački holding	100% Zagrebački holding
5/ Gradsko stambeno komunalno gospodarstvo d.o.o.	Savska cesta 1	limited liability company	facility management	100% Zagrebački holding	100% Zagrebački holding
6/ Vodoopskrba i odvodnja d.o.o.	Folnegovićeve 1	limited liability company	collection, purification and distribution of water	100% Zagrebački holding	100% Zagrebački holding
7/ AGM d.o.o.	Mihanovićeve 28	limited liability company	publishing	100% Zagrebački holding	100% Zagrebački holding
8/ Zagrebačka stanogradnja d.o.o.	Jankomir 25	limited liability company	construction and sale of apartments	100% Zagrebački holding	100% Zagrebački holding
9/ Centar d.o.o.	Avenija grada Vukovara 41	limited liability company	organisation of youth sports events	100% Zagrebački holding	100% Zagrebački holding
10/ Gradska plinara Bjelovar d.o.o.*	F. Rusana 21, Bjelovar	limited liability company	gas distribution	100% Gradska plinara Zagreb d.o.o.	100% Gradska plinara Zagreb d.o.o.

* In 2019 Elektrometal distribucija plina d.o.o. changed the name in Gradska plinara Bjelovar d.o.o.

1/ GENERAL INFORMATION / CONTINUED**Principal activities**

During the year, the principal activities of the Company comprised the provision of the following services::

- a/ Cleaning and waste removal services
- b/ Landscaping services
- c/ Management, maintenance, construction and protection of regional and local roads
- d/ Parking services
- e/ Warehousing and rental services
- f/ Waste disposal and management
- g/ Project management and construction
- h/ Other services

Employees

The Company, as at 31 December 2020 employed 5.304 employees (31 December 2019: 5.291 employees), as hereinafter indicated:

Podružnica	31 Dec 2020	31 Dec 2019
Direkcija	191	185
Čistoća	1.981	1.945
Zrinjevac	783	796
Zagrebačke ceste	710	702
Zagrebparking	402	420
Tržnice Zagreb	306	305
Gradska groblja	301	283
Robni terminali Zagreb	237	242
Vladimir Nazor	165	178
Autobusni kolodvor Zagreb	86	89
Upravljanje nekretninama	55	57
ZGOS	31	35
Upravljanje projektima	25	24
Zagrebački digitalni grad	25	24
Arena Zagreb	6	6
Total:	5.304	5.291

1/ GENERAL INFORMATION / CONTINUED

During 2020 the members of the Management Board of the Company and branch managers were as follows:

1. Ana Stojić Deban, President of the Management Board since 16 June 2015
2. Daniela Franić, Member of the Management Board since 6 March 2015
3. Bernard Mršo, Member of the Management Board since 8 August 2016
4. Marica Dusper, Member of the Management Board since 2 January 2019

Branch managers

- 1/ Gradska groblja, Patrik Šegota since 2 January 2019 till 9 November 2020, Roko Gruja acting branch manager by special authorization since 9 November 2020
- 2/ Čistoća, Jure Leko since 01 April 2019
- 3/ Zrinjevac, Igor Toljan since 15 November 2017
- 4/ Zagrebparking, Ana Preost since 16 December 2017
- 5/ Zagrebačke ceste, Dragan Perić since 09 September 2019
- 6/ Autobusni kolodvor, Luka Grabušić since 11 November 2019
- 7/ Tržnice Zagreb, Stanko Gačić since 9 August 2016
- 8/ ZGOS, Anita Udovičić since 15 November 2017
- 9/ Zagrebački digitalni grad, Gordana Pokrajčić since 15 November 2017
- 10/ Upravljanje projektima, Marija Caharija since 17 November 2017
- 11/ Robni terminali Zagreb, Krunoslav Gašparić since 2 January 2018
- 12/ Vladimir Nazor, Tomislav Družak since 9 August 2016 till 8 January 2020, Goran Kršnjavi v acting branch manager by special authorization since 13 January 2020
- 13/ Arena Zagreb, Sretan Šarić since 7 July 2017
- 14/ Upravljanje nekretninama, Zdravka Ramljak since 4 April 2016

Supervisory Bord

The members of the **Supervisory Board** of the Company during 2020 were as follows:

1. Ivan Šikić member (since 21 September 2017 till 23 November 2020)
2. Gojko Bežovan, member (since 21 September 2017)
3. Andrea Šulentić member (since 28 May 2015 until 27 May 2019), member (since 05 June 2019)
4. Nikola Mijatović, member (deputy president since 27. September 2017 to 7 August 2020) since 29 September 2020
5. Mario Župan, member (since 8 August 2016)
6. Ljubo Jurčić, member (since 21 September 2017), president (since 27 September 2017)
7. Josip Budimir, member (since 21 September 2017)
8. Mihaela Grubišić Šeba, member (since 21 September 2017)
9. Dražen Hrkač, member (since 2 May 2018)
10. Ilija Ćorić member (since 11 February 2021)

1/ GENERAL INFORMATION / CONTINUED

Audit Committee of the Company:

1. Mirko Herak, president since 10 December 2013
2. Mirka Jozić, deputy president since 10 December 2013
3. Daniela Juroš Pečnik, member since 21 April 2016

Assembly of the company

The only member of **the Assembly** is City of Zagreb, and its representatives during 2020 were as follows:

1. Milan Bandić (since 22 April 2015 to 28. February 2021) Jelena Pavičić Vukičević (since 2 March 2021)
2. Slavko Kojić (since 28 June 2013)
3. Olivera Majić (since 14 June 2017)

2/ BASIC ACCOUNTING POLICIES

a/ Statement of Compliance

The Company's non-consolidated financial statements have been compiled in accordance with the Accounting Act and International Financial Reporting Standards as adopted by the European Union ("IFRS").

Management Board approved the issuing of these non-consolidated financial statements on 27 April 2021, for their submission to and adoption by the General Assembly.

The Company has made certain adjustments to some figures that were published previously in non-consolidated financial statements, where this was necessary, this has been explained in Note 4.

b/ Bases for preparing non-consolidated financial statements

The Company's non-consolidated financial statements include the Company's separate financial statements. The Company's non-consolidated financial statements were prepared on the historical cost basis, with the exception of revaluation of land, investment property and part of financial assets recognised at fair value, as indicated in Notes 17, 20 and 22 accompanying the financial statements, and with application of the basic accounting assumption of the Company operating as a going concern.

Preparation of non-consolidated financial statements in compliance with the IFRS requires the management to make certain judgements, estimates and assumptions that affect the application of policies and presented figures pertaining to assets and liabilities, income and expenditure. Areas that involve a higher degree of judgement or complexity, or in other words, areas where assumptions and judgements are significant for the non-consolidated financial statements, have been presented (Note 3.)

c/ Adoption of new and amended International Financial Reporting Standards (IFRS)

c/1 Standards and interpretations effective in the current period

The following new standards and amended existing standards and interpretations published by the International Accounting Standards Board and adopted in the EU were effective in the current period:

- **Amendments to IFRS 16** Leases - Covid-19-Related Rent Concessions, published on 28 May 2020 (effective for annual reporting periods beginning on or after 1 June 2020).
- **Amendments to IFRS 3** Business Combinations, published on 22 October 2018 (effective for annual reporting periods beginning on or after 1 January 2020).
- **Interest Rate Benchmark Reform** (Amendments to IFRS 9, IAS 39 and IFRS 7), published on 26 September 2019 and effective for annual reporting periods beginning on or after 1 January 2020.
- **Amendments to IAS 1 and IAS 8** Definition of Material, published on 31 October 2018 and effective for annual reporting periods beginning on or after 1 January 2020.
- **Amendments to Reference to the Conceptual Framework** published on 29 March 2018 and effective for annual reporting periods beginning on or after 1 January 2020.

Adoption of the mentioned standards and interpretations has not had a significant impact on the Company's financial statements.

c/2 Standards and interpretations issued by the International Accounting Standards Board that have been adopted in the EU but are not yet effective

- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16** Interest Rate Benchmark Reform - Phase 2, published on 27 August 2020 and effective for annual reporting periods beginning on or after 1 January 2021.
- **Amendments to IFRS 4** Insurance Contracts - Extension of the Temporary Exemption from Applying IFRS 9, published on 25 June 2020 (effective for annual reporting periods beginning on or after 1 January 2021).

At present, the Company assesses the impact of the new standards and interpretations on its financial statements. The new standards and interpretations are not expected to have a significant impact on the Company's financial statements.

2/ BASIC ACCOUNTING POLICIES / CONTINUED

c/ Adoption of new and amended International Financial Reporting Standards (IFRS) / continued

c/3 Standards and interpretations issued by the International Accounting Standards Board that have not yet been adopted in the EU

As at the date of issuing these financial statements, the following standards, revisions and interpretations issued by the IASB have not yet been adopted, but are expected to be in 2021:

- **IFRS 17** Insurance Contracts (published on 18 May 2017, involving amendments to IFRS 17 published on 25 June 2020 (effective for annual reporting periods beginning on or after 1 January 2023)).
- **Amendments to IAS 1** Presentation of Financial Statements, Classification of Liabilities as Current or Non-current (published on 23 January 2020 and amended on 15 July 2020, effective for annual reporting periods beginning on or after 1 January 2023).
- **Amendments to IFRS 3** Business Combinations, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets 2018-2020 (all published on 14 May 2020 and effective for annual reporting periods beginning on or after 1 January 2022).
- **Amendments to IAS 1** Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies, published on 12 February 2021 (effective for annual reporting periods beginning on or after 1 January 2023).
- **Amendments to IAS 8** Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates, published on 12 February 2021 (effective for annual reporting periods beginning on or after 1 January 2023).
- **Amendments to IAS 16** Property, Plant and Equipment – Proceeds before Intended Use (effective for annual reporting periods beginning on or after 1 January 2022).
- **Amendments to IAS 37** Provisions, Contingent Liabilities and Contingent Assets, Onerous Contracts – Cost of Fulfilling a Contract (effective for annual reporting periods beginning on or after 1 January 2022).
- **Annual Improvements to IFRS Standards 2018–2020** (effective for annual reporting periods beginning on or after 1 January 2022).

Unless otherwise indicated above, the new standards and interpretations are not expected to have a significant impact on the Company's financial statements.

d/ Consolidation requirement

The Company owns other legal entities – affiliated companies, i.e. entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Consolidated financial statements present the results of the Company and its affiliates ("the Group") as those of a single economic entity.

These separate non-consolidated financial statements have been compiled because the Company is legally required to do so. However, to gain a more complete understanding of the Company's business operations, these separate non-consolidated financial statements are to be read in conjunction with the consolidated financial statements prepared in compliance with the International Financial Reporting Standards and published by the Company.

2/ BASIC ACCOUNTING POLICIES / CONTINUED**e/ Presentation currency**

The Company's non-consolidated financial statements are reported in HRK, which is also the Company's functional currency. All amounts disclosed in the non-consolidated financial statements are expressed in HRK thousands, unless stated otherwise. The applicable HRK foreign exchange rate as at 31 December 2020 was HRK 7.536898 for EUR 1.00 (as at 31 December 2019: HRK 7.442580 for EUR 1.00).

f/ Intangible assets**Computer software**

Software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. These costs are amortised over their useful life of five years..

g/ Right-of-use assets

All leases are accounted for by recognising right-of-use assets and lease liabilities, except:

- leases of low-value assets; and
- leases ending within 12 months from the date of initial application of the standard.

Right-of-use assets are recognised as a separate item in the Statement of Financial Position.

Right-of-use assets are initially measured at the amount of lease liabilities less any lease incentives received and increased for:

- all lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Company is contractually required to bear the costs of dismantling and removing the underlying asset, or restoring the site on which it is located.

Right-of-use assets are reduced by accumulated depreciation, which is calculated on a straight-line basis over the shorter of the lease term or the remaining economic life of the asset.

Useful life of right-of-use assets is as follows:

	2020	2019
	years	years
Buildings	3-10	3-10
Plant and equipment	4-5	4-5
Vehicles	2-5	2-5

Liabilities arising from leases of right-of-use assets

Lease liabilities are measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate. The Company's incremental borrowing rate is the rate that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment, under similar requirements and conditions.

2/ BASIC ACCOUNTING POLICIES / CONTINUED**g/ Right-of-use assets / continued**

As at the date of initial recognition, the carrying amount of lease liabilities also includes the following:

- the amounts expected to be payable by the lessee under residual value guarantees
- the price of exercising a purchase option if it is certain that the lessee will exercise this option; and
- payment of lease termination penalties if the lease term reflects the lessee exercising a lease termination option.

After initial recognition, a lease liability is increased to reflect interest on the lease liability and reduced to reflect the lease payments made. A lease liability is remeasured when there is a change in future lease payments resulting from a change in an index or a rate or when there is a change in the assessment of a lease term.

h/ Property, plant and equipment

Buildings held for use in the production or supply of goods or services or for administrative purposes are recognised at cost in the Statement of Financial Position (Balance Sheet), whereas land is recognised in revaluated amounts representing their fair value as at the revaluation date less accumulated impairment losses. Revaluation is carried out regularly (every three to five years) so that the carrying amount does not differ materially from the amount that would be determined using the fair value as at the end of the reporting period. The most recent revaluation was carried out in 2019 by an independent certified appraiser based on the estimated fair value of land (Note 17).

Any revaluation increase arising on the revaluation of such land and buildings is recognised under other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously recognised. A decrease in the carrying amount arising on the revaluation of such land and buildings is charged to profit or loss to the extent that it exceeds the balance held in the revaluation reserve relating to a previous revaluation of that asset.

Properties under construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Depreciation of properties under construction, which is calculated on the same basis as for other properties, begins when the asset is available for intended use.

Freehold land is not depreciated. Fixtures and equipment are recognised at cost less value adjustment and accumulated impairment losses.

Depreciation is calculated by writing off the purchase or estimated value of an asset, except freehold land and properties under construction, over the estimated useful life using the straight-line method. Estimated useful life, residual value and depreciation method are reviewed at each financial year-end and, if expectations differ from previous estimates, any change is accounted for prospectively. Assets held under finance leases are depreciated over their estimated useful life on the same basis as owned assets or over the lease term, whichever is shorter.

Gain or loss on sale or disposal of property, plant and equipment is determined as the difference between sale proceeds and the carrying amount of the asset and it is recognised in profit or loss.

2/ BASIC ACCOUNTING POLICIES / CONTINUED**h/ Property, plant and equipment / continued**

Property, plant and equipment are depreciated using the straight-line method over the estimated useful life at annual rates ranging from 1.25% to 25%, as follows:

	2020	2019
Buildings	20-80 years	20-80 years
<i>Commercial buildings made of concrete and</i>	<i>60-80 years</i>	<i>60-80 years</i>
<i>Commercial buildings made of brick and other</i>	<i>40-60 years</i>	<i>40-60 years</i>
<i>Other buildings</i>	<i>20-40 years</i>	<i>20-40 years</i>
Trucks and other heavy machinery	10-20 years	10-20 years
Vehicles and means of transport	4-10 years	4-10 years
Plant and equipment	4-10 years	4-10 years
Office equipment	4-5 years	4-5 years

Residual value is calculated based on the prices applicable as at the date of purchase or valuation.

Assets under construction include costs directly attributable to the procurement or construction of non-current assets, increased by the corresponding amount of the variable and fixed portion of general expenses arising during the procurement or construction. Depreciation of assets under construction begins when the asset is available for use. Any costs arising from the replacement of the main components of the Company's facilities that increase their production capacity or extend their useful life significantly are capitalised. Maintenance, replacement or partial replacement costs are recognised as expenses in the period in which they are incurred.

Impairment of tangible and intangible assets

At each reporting date, the Company assesses the carrying amounts of its tangible and intangible assets to find whether there is any indication that an impairment loss has been incurred. If there is an indication of impairment, the recoverable amount of the asset is assessed to determine any potential impairment losses.

The recoverable amount is the higher of an asset's net selling price and its value-in-use. In measuring value-in-use, expected future cash flows are discounted to the present value by applying a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than the carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately as an expense unless the asset relates to land or a building not used as an investment property, i.e. investment property at a revalued amount, where the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or 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. A reversal of an impairment loss is recognised as income immediately unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2/ BASIC ACCOUNTING POLICIES / CONTINUED**i/ Investment property**

Investment property is property held by the Company for capital appreciation or to earn rentals. Investment properties are initially measured at cost, except in case of transfer from Company-occupied property. After initial recognition, investment property is measured at fair value. Gains or losses arising from changes in fair value of investment property are included in profit or loss for the period in which they arise.

For a transfer from investment property to Company-occupied property, the fair value as at the date of transfer will be the 'cost' of the property under IAS 16. For a transfer from Company-occupied property to investment property, IAS 16 will be applied up to the date of its reclassification, when any difference arising between the carrying amount under IAS 16 and its fair value will be recognised as a revaluation reserve under IAS 16.

An investment property is derecognised on sale or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising from derecognition of property, which is calculated as the difference between the net sale proceeds and net carrying amount of the property, is recognised as gain or loss for the period in which the property was derecognised.

In 2020, fair value measurement of investment property was performed based on an appraisal by a qualified and authorised property appraiser, which showed net gains in the amount of HRK 181 thousand (2019: HRK 144,335 thousand) due to changes in fair value included in the Profit and Loss Statement (Note 20)..

j/ Financial assets

The Company recognises financial assets in its financial statements when it becomes a party to the contractual provisions of the instrument. Depending on the business model for managing assets and the financial asset's contractual cash flow characteristics, the Company measures financial assets at amortised cost, fair value through other comprehensive income or fair value through profit or loss.

The Company classifies assets as presented below

DESCRIPTION	Classification / Measurement
Non-current assets	
Financial assets at FVTOCI	Equity instruments / FVTOCI
Financial assets at FVTPL	FVTPL
Loans granted and deposits given	Held for collection / amortised cost
Non-current receivables	Held for collection / amortised cost
Current assets	
Cash and cash equivalents	Held for collection / amortised cost
Trade receivables and other receivables	Held for collection / amortised cost
Loans granted and deposits given and other financial assets	Held for collection / amortised cost

2/ BASIC ACCOUNTING POLICIES / CONTINUED**j/ Financial assets / continued****Financial assets at FVTPL**

This category includes financial assets held for trading.

The Company's business models reflect how the Company manages its assets with the aim of generating cash flows.

Financial assets at FVTOCI*Initial recognition*

The Company recognises financial assets or liabilities when, and only when, it becomes a party to the contractual provisions of the instrument.

The Company initially recognises financial assets at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset.

Subsequent measurement

After initial recognition, the Company measures financial assets at FVTOCI.

Loans granted and deposits given

The Company's loans granted are held within a business model the objective of which is to hold financial assets to collect their contractual cash flows. Contractual terms give rise to cash flows that are solely payments of principal and interest on specified dates, where principal is the fair value of the asset at initial recognition.

Based on that, loans granted are measured at amortised cost.

Measurement at amortised cost includes the following:

Interest revenue calculated using the effective interest rate, which is also applied when calculating the gross carrying amount of the asset.

Trade receivables

Trade receivables that do not have a significant financing component at initial measurement are measured at their transaction price in accordance with IFRS 15.

Impairment

The Company recognises impairment of financial assets based on expected credit losses (ECL). At each reporting date, the Company measures ECLs and recognises them in the financial statements.

ECLs from financial instruments are measured in a way that reflects:

an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

the time value of money; and

reasonable and supportable information about past events, current conditions and forecasts of future economic conditions.

Regarding trade receivables, the Company applies a simplified approach under IFRS 9 to measure ECLs using expected credit loss provisions.

To measure ECLs on trade receivables, the Company has divided customers into particular groups and determined potential future losses by analysing the age structure and historical data.

The age structure analysis showed ECLs in certain segments, which are recognised in the 2020 Profit and Loss Statement (Notes 11 and 26).

Derecognition of financial assets

The Company derecognises financial assets when:

- contractual rights to the financial asset's cash flows expire;
- a financial asset is transferred and this transfer is eligible for derecognition.

The Company transfers financial assets if, and only if, either:

- (a) it transfers the contractual rights to receive the cash flows of that financial asset; or
- (b) it retains the contractual rights to receive the cash flows of that financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement.

2/ BASIC ACCOUNTING POLICIES / CONTINUED**j/ Financial assets / continued**

When transferring a financial asset, the Company must evaluate the extent to which it retains the risks and rewards of ownership of the financial asset. In case when all the risks and rewards of ownership of the financial asset are transferred, the Company derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer.

If the Company retains substantially all the risks and rewards of ownership of the financial asset, the Company continues to recognise the financial asset.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Company determines whether it has retained control of the financial asset. If the Company has not retained control of the financial asset, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer. If the Company has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset.

k/ Investments in affiliated companies

Affiliated companies are companies in which the Company has control over their activities, either directly or indirectly. Control exists if the Company has all of the following elements: a) the Company has power over an entity; b) the Company has exposure or rights to variable returns from its involvement with the entity; and c) the Company has the ability to use its power over the entity to affect the amount of the entity's returns. Investments in affiliated companies are recognised at cost of acquisition adjusted for any potential impairment of individual investments.

l/ Cash and cash equivalents

Cash comprises cash at bank and on hand. Cash equivalents comprise demand deposits and term deposits up to three months.

m/ Inventories

Inventories comprise spare parts, material, work in progress and finished goods. They are recognised at the lower of weighted average price minus value adjustment of obsolete and excess inventories and net realisable value. Management makes a value adjustment of inventories based on a review of the overall inventory age and based on a review of individual significant amounts disclosed under inventories. Inventories of work in progress and finished goods are recognised in financial records at the lower of cost and net realisable value.

n/ Foreign currencies

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are recognised in the non-consolidated profit and loss statement in the period in which they arise. Exchange differences arising on the translation of non-monetary items carried at fair value are included in the non-consolidated profit and loss statement for the period, except for the exchange differences arising on the retranslation of non-monetary items available for sale, in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any foreign exchange component of that gain or loss is also recognised directly in equity.

o/ Severance pay, service awards and solidarity support

For defined-benefit pension plans, the cost of benefits is determined using the projected unit credit method based on an actuarial projection carried out at each reporting date. Actuarial gains and losses are recognised in the period in which they arise.

2/ BASIC ACCOUNTING POLICIES / CONTINUED**o/ Severance pay, service awards and solidarity support / continued**

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over a specific period until the benefits become vested.

The Company grants its employees a one-off long service award, solidarity support (in the event of an employee's death, death of an employee's close relative, disability, procurement of medical aids, birth of a child, sick leave lasting over 90 days, etc.) and retiring allowance. Benefit obligations and costs are determined using the projected unit credit method. The projected unit credit method views each period of service as giving rise to an additional "unit" of benefit entitlement and measures each unit separately to build up the final obligation. A benefit obligation is measured at the present value of future cash flows using a discount rate similar to the interest rate on issued government bonds, where the currency and duration of the bonds correspond to the currency and estimated duration of the benefit obligation.

p/ Corporate income tax

Tax expense represents the sum of the current tax liability and deferred taxes.

Current taxes

Current tax liability is based on the taxable income for the year. Taxable income differs from the net income for the period reported in the non-consolidated profit and loss statement because it excludes items of income and expenses that are taxable or deductible in other years as well as items that are never taxable or deductible. The Company's current tax liability is calculated using the tax rates enacted or substantively enacted as at the reporting date.

Deferred taxes

Deferred tax is the amount expected to be payable or recoverable based on the difference between the carrying amount of assets and liabilities in non-consolidated financial statements and the corresponding tax basis used in the calculation of taxable profit, which is calculated using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, whereas deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

Deferred tax liabilities and tax assets are not recognised for temporary differences arising from goodwill or the initial recognition of an asset or liability other than in a business combination which, at the time of the transaction, does not affect either the taxable or the accounting profit. Deferred tax liabilities are recognised based on taxable temporary differences arising from investments in affiliates and associates, and interests in joint arrangements, but only to the extent that the Company is able to control the reversal of temporary differences and it is probable that the reversal will not occur in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Deferred tax is measured at the tax rates that are expected to apply to the period when the liability is settled or asset is realised, based on tax rates/laws that have been enacted or substantively enacted by the reporting period. The calculation of deferred tax liabilities and assets reflects the amount expected to be payable or recoverable as at the reporting date. Deferred tax assets and liabilities can be offset if there is a legal right to set off current tax assets against current tax liabilities and when the tax amounts are levied by the same taxing authority, and the Company intends to realise the asset and settle the liability at the same time.

Current and deferred tax for the period

Deferred tax is credited or debited in the non-consolidated profit and loss statement, unless it relates to items directly debited or credited under equity, in which case deferred tax is also recognised under equity, or when the tax arises from initial recognition in a business combination.

2/ BASIC ACCOUNTING POLICIES / CONTINUED**r/ Provisions**

Provisions are recognised if the Company has a present obligation (legal or constructive) as a result of a past event, if it is probable that an outflow of resources will be required to settle the obligation and if a reliable estimate can be made of the amount of the obligation. Where there are a number of similar obligations, the probability that an outflow of resources will be required in settlement is determined by considering the class of obligations as a whole. Provisions for employee benefits and rehabilitation of natural resources are measured at the present value of expenses expected to be required to settle the liability by applying a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The effect of increased provisions, which reflects the passage of time, is recognised as an interest expense.

s/ Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that necessarily takes a substantial period of time to get ready for its intended use or sale) are included in the cost of the asset until such time as the asset is substantially ready for its intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised under net income or loss in the period in which they are incurred.

Short-term suppliers' loans and borrowings are recognised at the initial principal value less repayments made. Interest expenses are charged to P&L in the period to which the interest relates.

t/ Financial liabilities and equity instruments issued by the Company

Classification as liabilities or equity

Debt and equity instruments are classified either as financial liabilities or equity in accordance with the substance of the contractual arrangement.

Equity instruments

Equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Liabilities under financial guarantee contracts

Liabilities under financial guarantee contracts are initially measured at fair value and subsequently recorded at the higher of:

- amount of liability under the contract as determined in accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with revenue recognition policies.

Financial liabilities

Financial liabilities are classified either as financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at fair value are recognised through changes in FVTPL. Financial liabilities are classified as liabilities at FVTPL if they are held for trading or designated as being at FVTPL.

A financial liability is classified as held for trading if:

- it is incurred principally for the purpose of repurchasing it in the near term; or
- it is part of a portfolio of identified financial instruments that the Company manages together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not a designated and effective hedging instrument.

2/ BASIC ACCOUNTING POLICIES / CONTINUED**t/ Financial liabilities and equity instruments issued by the Company / continued**

After initial recognition, financial liabilities not held for trading may be designated as at fair value with recognition of changes in FVTOCI:

- if it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- if the financial liability is part of a group of financial assets or financial liabilities or both that is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the group is provided internally on that basis; or
- if it is an integral part of a contract containing one or more embedded derivatives. Financial liabilities at fair value where changes in fair value are recognised through profit or loss and any gain or loss is also recognised in profit or loss.

Net gain or loss recognised in profit or loss also includes any interest paid on the financial liability. Fair value is determined as described in Note 40 to the Financial Statements – Financial Instruments.

Other financial liabilities

Other financial liabilities, including liabilities under loans and borrowings, are initially measured at fair value less transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, where interest expense is recognised on an effective yield basis.

The effective interest method is a method used in the calculation of the amortised cost of a financial liability and in the allocation of interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash outflows over the expected term of the financial liability or over a shorter period, if applicable.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's liabilities have been settled, cancelled or have expired.

u/ Segment reporting

In accordance with IFRS 8, the Company has defined operating segments based on internal reports on the Company's components, whose operating results are reviewed regularly by the chief operating decision maker to allocate resources to the segments and assess their performance. Details about the operating segments are presented in Note 6 to the non-consolidated financial statements.

The Company particularly monitors and discloses performance of the Company's basic operating segments. Segment activities form the basis for the Company's primary segment reporting. Certain financial information by business or geographical areas are presented in Note 6 to the non-consolidated financial statements.

t/ Contingent liabilities and assets

Contingent liabilities are not recognised in non-consolidated financial statements. They are disclosed unless the possibility of an outflow of economic benefits is remote. Contingent assets are not recognised in non-consolidated financial statements, but they are disclosed when it is more likely than not that an inflow of benefits will occur.

u/ Events after the reporting date

Events after the reporting date providing further information about the Company's position as at the reporting date (adjusting events) are disclosed in non-consolidated financial statements. Non-adjusting events after the reporting date are disclosed in the notes where material.

2/ BASIC ACCOUNTING POLICIES / CONTINUED**v/ Revenue recognition**

Contracts with customers

The Company applies the five-step model for recognising revenue from contracts with customers:

- 1) identifying the contract with a customer;
- 2) identifying the performance obligations in the contract;
- 3) determining the transaction price;
- 4) allocating the transaction price to the performance obligations in the contract; and
- 5) recognising revenue when (or as) the entity satisfies a performance obligation.

Revenues are recognised for each separate performance obligation in the contract at the transaction price. The transaction price is the amount of consideration to which the Company expects to be entitled under a contract in exchange for transferring promised goods or services to a customer. The first-time adoption of this standard has had no impact on the Company's financial statements. Revenues are recognised net of returns, discounts, bonuses and premiums as well as net of taxes directly related to the products sold and services provided.

The Company's business operations and revenue generation are subject to several laws, the most significant of which are the following:

- Utilities Management Act
- Act on Local and Regional Self-Government
- Waste Act
- Cemeteries Act
- Free Zones Act.

Based on that, revenue is recognised as follows:

- revenue from cleaning and waste disposal services comprises revenue from cleaning and waste disposal services provided to customers based on the price list applicable to the City of Zagreb, which is calculated according to the services provided to citizens and businesses;
- revenue from public road management and maintenance is recognised based on the percentage of completion of services provided and works performed in accordance with the contracts concluded with customers;
- revenue from apartment sales is recognised at the moment when the significant risks and rewards of ownership have transferred to the buyer. During construction of apartments, construction revenues and costs are recognised in accordance with IFRS 15.
- revenue from warehousing and operating leases is recognised under income in accordance with IAS 17 on a straight-line basis over the relevant lease term;
- revenue under time and materials contracts is recognised at contract unit prices for labour hours expended and direct costs incurred;
- revenue from cemetery fees is recognised based on the fees charged to service users in accordance with the applicable price list;
- revenue from travel agencies is seasonal in nature and recognised upon completion of services.
- Construction contracts – contract revenue includes the amount agreed in the initial contract, plus revenue from alternations in the original contract work, plus claims and incentive payments up to the amount that is expected to be collected and that can be measured reliably. When the outcome of a construction contract can be estimated reliably, revenue is recognised as income or loss in proportion to the stage of completion of the performance obligation over time. Costs are also recognised as income or loss in proportion to the stage of completion of the performance obligation over time. Completion of the performance obligation is estimated based on the measurement of the stage of completion of works. When completion of the performance obligation cannot be measured reliably, contract revenue is recognised only if it is probable that contract costs will be recovered. Expected contract losses are recognised immediately in profit or loss.
- Service Concession Arrangements – revenues related to construction or upgrade services under a concession arrangement are recognised based on completion of the performance obligation over time, in accordance with the Company's accounting policy on construction contracts. Revenue from management services is recognised in the period when the Company provides such services.

Revenue from government grants includes::

2/ BASIC ACCOUNTING POLICIES / CONTINUED**x/ Revenue recognition / continued**

- grants related to assets, including non-monetary grants at fair value, are presented in the non-consolidated statement of financial position (balance sheet) as deferred income. In the non-consolidated profit and loss statement, they are recognised as revenue over the period of use and they must be matched with the related (amortisation) costs on a systematic basis;
- grants received as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised as revenue for the period in which it becomes receivable.

Government grants are not recognised unless there is reasonable assurance that (a) the Company will comply with any conditions attached to the grant and (b) the grant will be received.

Government grants whose primary condition is that the Company should purchase, construct or otherwise acquire long-term assets are recognised in the non-consolidated statement of financial position (balance sheet) as deferred income and transferred to profit or loss on a systematic and rational basis over the useful life of the asset. Other government grants are recognised as revenue on a systematic basis over the periods necessary to match them with the related costs which they are intended to compensate. Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss for the period in which they become receivable.

Financial income

Interest revenue is recognised on a time proportion basis taking into account the effective yield on the underlying asset.

Dividend revenue is recognised when the right to receive payment is established.

x/ Derivative financial instruments

The Company uses various derivative financial instruments to manage its exposure to interest rate risk and currency risk, including forward foreign exchange contracts, interest rate swaps and currency swaps.

Embedded derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. Any gain or loss resulting from remeasurement to fair value is recognised as profit or loss unless the derivative is a designated and effective hedging instrument, in which case the time of recognition as profit or loss depends on the type of hedging. The Company designates certain derivatives to hedge the fair value of recognised assets, recognised financial liabilities or firm commitments (fair value hedge), to hedge highly probable forecast transactions, to hedge currency risk under firm commitments (cash flow hedge) or to hedge a net investment in a foreign operation.

Derivatives with a positive fair value are classified under financial assets, whereas derivatives with a negative fair value are classified under financial liabilities. A derivative is classified under non-current assets or non-current liabilities if the remaining period until the maturity of the instrument is longer than 12 months and if the realisation of an asset or settlement of a liability is not expected within 12 months. Other derivatives are classified under current assets or current liabilities. Derivatives embedded in other financial instruments or host contracts are accounted for as separate derivatives when the risks and characteristics of the embedded derivative are not closely related to those of the host contract and if the host contract is not measured at fair value with changes in fair value recognised in profit or loss.

An embedded derivative is recognised under non-current assets or non-current liabilities if the remaining period until the maturity of the hybrid instrument is longer than 12 months and if the realisation of an asset or settlement of a liability is not expected within 12 months. Other embedded derivatives are recognised under current assets or current liabilities.

y/ Comparative amounts

Where necessary, certain comparative information has been reclassified to conform to the current year presentation (Note 4).

3/ USE OF ESTIMATES IN THE PREPARATION OF NON-CONSOLIDATED FINANCIAL STATEMENTS

Key judgements in applying accounting policies

In applying the Company's accounting policies, the directors 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 related assumptions are based on past experience and other relevant factors. The actual results may differ from those estimates. The estimates and underlying assumptions are continually reviewed. 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 revision and future periods if the revision affects both current and future periods.

For the purpose of financial reporting, the Company measures some of its assets and liabilities at fair value.

In estimating the fair value of assets and liabilities, the Company uses market data where available. If Level 1 inputs are not available, the Company engages independent certified appraisers to perform the valuation.

The Company works closely with independent certified appraisers to define the valuation methods and inputs to the fair value model.

Useful life of property, plant and equipment and intangible assets

Determination of the useful life of assets is based on past experience with similar assets and on forecast changes in the economic environment and industry-specific factors. The estimated useful life is reviewed annually or whenever there are indications of significant changes in the underlying assumptions. We believe that this accounting estimate is significant considering the substantial share of depreciable assets in total assets. Therefore, any significant change in the underlying assumptions could be material for the Company's financial position and performance.

Impairment of non-current assets

Impairment is recognised in the Company's non-consolidated financial statements whenever the net carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, i.e. the higher of fair value less costs of disposal and value in use. Fair value less costs of disposal is determined on the basis of observable inputs from related sale transactions under regular market conditions involving similar assets or from observable market prices less additional costs of disposal of the asset.

Value-in-use is measured using discounted cash flow. The most significant assumptions in determining cash flow are discount rates, time values, cash flow projection period, and assumptions and judgements used in determining cash receipts and expenditures.

Availability of taxable profit against which deferred tax assets can be recognised

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that future profit will be available to be utilised. Significant judgements are required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profit together with future tax planning strategies. In 2020 and 2019, deferred tax assets were recognised for all available deductible differences. The carrying amount of deferred tax assets is disclosed in Note 16 to the non-consolidated financial statements.

Actuarial estimates used to calculate employee remuneration and benefits

The cost of defined benefits was determined using independent actuarial estimates. Actuarial estimates involve assumptions for discount rates, future salary increases and mortality or fluctuation rates. Due to the long-term nature of those plans, there is uncertainty surrounding those estimates. As at 31 December 2020, provisions for employee remuneration and benefits amounted to HRK 97,526 thousand (31 December 2019: HRK 96,265 thousand) (Note 39).

Impact of the COVID-19 pandemic and natural disaster (earthquake) on the going concern assumption

The COVID-19 pandemic has had a significant negative impact on global economy and consequently on the Company's operations, through reduction in planned operating income and increase in costs resulting from protection of employee's health and implementation of measures aimed at stopping the epidemic from spreading.

3/ USE OF ESTIMATES IN THE PREPARATION OF NON-CONSOLIDATED FINANCIAL STATEMENTS / CONTINUED

Impact of the COVID-19 pandemic and natural disaster (earthquake) on the going concern assumption / continued

Operations in 2020 were characterised by implementation of necessary measures of social distancing and lockdown introduced with the intention to curb the pandemic. COVID-19 pandemic has caused unpredictable social, security and health-related risks for the employees and users of the Company's services.

Negative COVID-19 pandemic impacts on the economy which also impacted Company operations in 2020 were the following:

- Part of sales activities halted as a direct consequence of COVID-19 pandemic (core business activities of subsidiary Zagreb Markets, Bus Terminal, Vladimir Nazor and Arena Zagreb)
- Sales activities decreased in other business segments as a result of all other market activities being diminished.
- Cost of material and staff costs increased as a result of implementation of recommended occupational health and safety measures aimed at preventing the spreading of epidemic and providing additional protection for employees who belong in high-risk groups.

Considering that the Company is 100%-owned by a local self-government unit, it was not an eligible employer to apply for the most significant government grants for job retention, which meant that all lockdown-related costs had to be borne by the Company itself.

The Company implemented the necessary protection measures and adapted to operating in a crisis situation. Operating expenses were reduced to the necessary minimum in the light of the current circumstances, with a view of managing business continuity.

Despite the described impacts on the Company's operations in 2020 and inability to benefit from government grants for job retention, the Company managed to maintain financial stability of operations with only minimal support in the form of quarterly moratorium on a portion of its tax liabilities and loan payables.

Apart from the mentioned impacts, considering the uncertainty in terms of duration and outcome of the pandemic, it is still very hard to quantify all the negative impacts on the Company's operations in all segments. Possible negative impacts on the Company's operations that could occur in the upcoming periods depend on various external factors, such as duration and scope of the extraordinary measures.

Due to the unpredictability of the COVID-19 pandemic on the economy and on the living standard of users of the Company's services in the upcoming business year, it is currently impossible to estimate the effects in terms of potential future decrease in sales revenue and estimated operating expenses pertaining to:

- Cost of material and staff costs as a result of employee protection measures
- Costs of expected credit losses in trade receivables as a result of service users' decreased purchase power

The natural disaster (earthquakes) that struck Zagreb in March 2020 and Petrinja and the surrounding area in December 2020 represented an additional negative impact on the Company's operations by requiring additional efforts to be invested in order to maintain the financial stability of operations.

The earthquake did not cause any significant damage to the municipal infrastructure managed by the Company, or to the majority of the facilities used for day-to-day operations. An exception were public facilities at the Mirogoj City Cemetery, which is managed by the subsidiary City Cemeteries. The largest damage was to Mirogoj's arcades and the Church of Christ the King, both category-zero historical monuments. After a preliminary structural soundness report, emergency repair measures were implemented with a view of protecting human lives and preventing the occurrence of even greater damage. These measures are still in effect. A virtual tour of the Mirogoj Cemetery arcades is available at the website of subsidiary City Cemeteries, which allows the users to check damaged burial plots. A digital record of damage on the burial plots with exact locations and photographs has also been made.

The most extensive damage was suffered by housing units belonging to subsidiary Vladimir Nazor at Grad Mladih hostel complex. Damage has been notified to the insurance company; however, the majority of the housing units at that site remain unsuitable for use until repaired..

3/ USE OF ESTIMATES IN THE PREPARATION OF NON-CONSOLIDATED FINANCIAL STATEMENTS / CONTINUED

Impact of the COVID-19 pandemic and natural disaster (earthquake) on the going concern assumption / continued

Damage caused by the earthquake on other Company facilities has not had a significant impact on the performance of core business activities.

Impact of the COVID-19 pandemic and the aftermath of the earthquake were taken into consideration when deciding whether the going concern assumption was appropriate.

The Management Board found that there was no material uncertainty when it comes to the going concern assumption and it believes that the going concern assumption is appropriate for the purposes of preparation of annual financial statements

Consequences of certain legal disputes

The Company and its affiliates are parties to numerous legal disputes and procedures initiated in the ordinary course of business. The management makes estimates when the most probable outcomes of such legal actions have been assessed and the provisions are recognised on a consistent basis (Note 33).

Fair value measurement and valuation process

For the purpose of financial reporting, the Company measures some of its assets at fair value. In estimating the fair value of assets and liabilities, the Company uses market data where available. If Level 1 inputs are not available, the Company engages independent certified appraisers to perform the valuation. The Company coordinates the valuation process and works closely with independent certified appraisers to define the valuation methods and inputs to the fair value model.

Fair value measurement of land subsequently measured using the revaluation model in accordance with IAS 16 was performed by an independent certified appraiser in 2019 using the comparative method. The comparative method is appropriate for determining the market value of non-built up and built up land. It is also used to appraise apartments, garages as ancillary buildings, garage parking spaces, parking lots and commercial premises. The comparative method determines the market value based on at least three purchase prices (transactions) pertaining to comparables.

Fair value measurement of investment property subsequently measured at fair value in accordance with IAS 40 was performed by an independent certified appraiser using the comparative method for commercial premises and land, while the income approach was used for structural elements of leased buildings. The income approach was applied to the fair value measurement of structural elements (of leased properties). In the income approach, the income value is determined based on the income generated in the market (sustainable income). If income relations are subject to significant deviations in the foreseeable future, or if they significantly deviate from the income generated in the market, income value may also be determined on the basis of periodically varying income. Income value of built-up land comprises the value of the land, the value of the building and the value of devices. Based on the fair value hierarchy, they were classified as Level 2 assets according to the comparative method and as Level 3 assets according to the income approach (Note 20).

The Company applies IFRS 13 as a single source of guidance on fair value measurement and disclosures about fair value measurements. IFRS 13 has a broad range of application. Requirements pertaining to fair value measurement are also applied to financial and non-financial instruments for which some other IFRS prescribes or allows fair value measurement and disclosure, excluding share-based payment transactions within the scope of IFRS 2 – Share-based Payment, leasing transactions within the scope of IFRS 16 – Leases and measurements that have some similarities to fair value, but are not fair value (such as net sales/realisable value in inventories or value-in-use in impairment of assets)

3/ USE OF ESTIMATES IN THE PREPARATION OF NON-CONSOLIDATED FINANCIAL STATEMENTS / CONTINUED

Impairment of investments in affiliated companies

The Company tests investments in affiliated companies for impairment on an annual basis. Recoverable amounts of cash-generating units are determined based on cash flows estimates from the affiliates' business plans and based on expected return. These calculations require the use of estimates and the management believes that no reasonably possible change in any of the key assumptions could cause the carrying amount of cash-generating units to exceed their recoverable amount.

Expected loss model

IFRS 9 has introduced the expected credit loss (ECL) model. Calculation of expected impairment loss is based on reasonable and supportable information available without undue cost or effort, which includes information about past events and current and foreseeable future conditions and circumstances. To determine expected future requirements for impairment, historical probability of default is usually used, supplemented by future parameters relevant for credit risk (Note 2.j, 11 and 26).

4/ CORRECTIONS PERTAINING TO PREVIOUS YEARS - 2018 AND 2019 FINANCIAL STATEMENTS RESTATEMENT AND RECLASSIFICATION OF PREVIOUS COMPARATIVE AMOUNTS

In 2020, the Company made the following corrections pertaining to previous periods, and the Management Board is of the opinion that such corrections contribute to a better accounting presentation of financial statements. Changes in accounting policies and restatements were performed retroactively for non-consolidated financial statements for the years 2018 and 2019, and their effects are presented in the tables below. Considering the restatements for previous periods, as required by IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, the Company presented the balances for the latest presented period, i.e. as at 1 January 2019.

Property, plant and equipment - IAS 16

In 2020, an accounting error was corrected pertaining to revaluation of land under real estate pertaining to wholesale market and cold storage facilities and the Green Market, which revaluation was recorded in previous years.

To fulfil the requirements of IAS 8, the financial statements present the derecognition of the effects of revaluation for the mentioned land. As required under IAS 8, it was necessary to adjust the items pertaining to land, revaluation reserves and deferred tax liability for each presented period, as if no revaluation was performed, as evident in the statements of financial position / balance sheet and comprehensive income statement for 2018 and 2019.

Other

Other corrections pertained to recognition of costs of maintenance fees from previous years in the period in which they were incurred (costs arising from the contractual liability pertaining to apartments leased to the City of Zagreb in the period in which they were incurred). The Company is obligated to pay maintenance fees. As required under IAS 8, it was also necessary to adjust items pertaining to costs of municipal services and liabilities owing to the City of Zagreb for each presented period, as visible in the statements of financial position / balance sheet and comprehensive income statement for 2018 and 2019. The effect on profit and loss account in 2018 amounted to HRK 1,348 thousand and in 2019 to HRK 1,356 thousand, while the effect on retained earnings amounted to HRK 4,148 thousand.

The effect of the above-described corrections on the presented operating results for 2018 and 2019 was as follows:

	Originally presented result	Result after restatement	Effects of restatement
	(In HRK 000)	(In HRK 000)	(In HRK 000)
Profit for 2018	95,656	94,308	(1,348)
Total comprehensive income for 2018	100,601	99,253	(1,348)
Retained earnings	178,019	(173,871)	(4,148)
Profit for 2019	82,965	81,609	(1,356)
Total comprehensive income for 2019	211,755	141,778	(69,977)
Retained earnings	274,096	268,600	(5,496)

4/ CORRECTIONS PERTAINING TO PREVIOUS YEARS - 2018 AND 2019 FINANCIAL STATEMENTS RESTATEMENT AND RECLASSIFICATION OF PREVIOUS COMPARATIVE AMOUNTS / CONTINUED

a) Restated amounts previously reported - Profit and Loss Statement and Other Comprehensive Income Statement for 2018

	2018 (according to previous statement) (In HRK 000)	Other (In HRK 000)	2018 (restated) (In HRK 000)
OPERATING INCOME			
Sales income	1,666,814	-	1,666,814
Other operating income	337,887		337,887
Total	2,004,701	-	2,004,701
OPERATING EXPENSES			
Cost of material	(678,455)	(1,348)	(679,803)
Staff costs	(675,069)	-	(675,069)
Depreciation	(175,832)	-	(175,832)
Value adjustment of assets	(102,933)	-	(102,933)
Provisioning	(46,524)	-	(46,524)
Other operating expenses	(80,161)	-	(80,161)
Total	(1,758,974)	(1,348)	(1,760,322)
FINANCIAL INCOME	88,070	-	88,070
FINANCIAL EXPENSES	(224,752)	-	(224,752)
TOTAL INCOME	2,092,771	-	2,092,771
TOTAL EXPENSES	(1,983,726)	(1,348)	(1,985,074)
PROFIT/LOSS BEFORE TAX	109,045	(1,348)	107,697
TAX INCOME (EXPENSES)	(13,389)	-	(13,389)
PROFIT FOR YEAR	95,656	(1,348)	94,308
Other comprehensive net income			
Income from property revaluation less taxes	4,945	-	4,945
Total comprehensive income (loss) for the year	100,601	(1,348)	99,253

4/ CORRECTIONS PERTAINING TO PREVIOUS YEARS - 2018 AND 2019 FINANCIAL STATEMENTS RESTATEMENT AND RECLASSIFICATION OF PREVIOUS COMPARATIVE AMOUNTS / CONTINUED

b) Restated amounts previously reported - Profit and Loss Statement and Other Comprehensive Income Statement for 2019

	2019 (according to previous statement)	Property, plant and equipment	Other	2019 (restated)
	(In HRK 000)	(In HRK 000)	(In HRK 000)	(In HRK 000)
OPERATING INCOME				
Sales income	1,749,400	-	-	1,749,400
Other operating income	338,333	-	-	338,333
Total	2,087,733	-	-	2,087,733
OPERATING EXPENSES				
Cost of material	(733,738)	-	(1,356)	(735,094)
Staff costs	(733,101)	-	-	(733,101)
Depreciation	(194,517)	-	-	(194,517)
Value adjustment of assets	(111,834)	-	-	(111,834)
Provisioning	(38,727)	-	-	(38,727)
Other operating expenses	(73,717)	-	-	(73,717)
Total	(1,885,634)	-	(1,356)	(1,886,990)
FINANCIAL INCOME	85,067	-	-	85,067
FINANCIAL EXPENSES	(194,162)	-	-	(194,162)
TOTAL INCOME	2,172,800	-	-	2,172,800
TOTAL EXPENSES	(2,079,796)	-	(1,356)	(2,081,152)
PROFIT/LOSS BEFORE TAX	93,004	-	(1,356)	91,648
TAX INCOME (EXPENSES)	(10,039)	-	-	(10,039)
PROFIT FOR YEAR	82,965	-	(1,356)	81,609
Other comprehensive net income				
Income from property revaluation less taxes	128,790	(68,621)	-	60,169
Total comprehensive income (loss) for the year	211,755	(68,621)	(1,356)	141,778

4/ CORRECTIONS PERTAINING TO PREVIOUS YEARS - 2018 AND 2019 FINANCIAL STATEMENTS RESTATEMENT AND RECLASSIFICATION OF PREVIOUS COMPARATIVE AMOUNTS / CONTINUED

c) Restated amounts previously reported - Statement of Financial Position/Balance Sheet as at 31 December 2018

	As at 31/12/2018 (according to previous statement)	Property, plant and equipment	Other	As at 31/12/2018 (restated)
NON-CURRENT ASSETS	(In HRK 000)	(In HRK 000)	(In HRK 000)	(In HRK 000)
Property, plant and equipment and advances	4,890,357	(90,592)	-	4,799,765
Investment property	2,156,050	-	-	2,156,050
Intangible assets	4,815	-	-	4,815
Investments in affiliated companies	2,407,666	-	-	2,407,666
Financial assets	124,835	-	-	124,835
Non-current receivables	1,567,479	-	-	1,567,479
Deferred tax assets	15,777	-	-	15,777
Total non-current assets	11,166,979	(90,592)	-	11,076,387
CURRENT ASSETS				
Inventories	88,281	-	-	88,281
Trade receivables and other receivables	664,681	-	-	664,681
Financial assets	3,659	-	-	3,659
Cash at bank and on hand	78,795	-	-	78,795
Total current assets	835,416	-	-	835,416
TOTAL ASSETS	12,002,395	(90,592)	-	11,911,803
EQUITY				
Share capital	3,177,044	-	-	3,177,044
Revaluation reserves	1,684,305	(74,285)	-	1,610,020
Other reserves	319,977	-	-	319,977
Retained earnings	178,019	-	(4,148)	173,871
Profit	95,656	-	(1,348)	94,308
Total equity	5,455,001	(74,285)	(5,496)	5,375,220
NON-CURRENT LIABILITIES	3,976,804	-	-	3,976,804
DEFERRED TAX LIABILITY	369,775	(16,307)	-	353,468
DEFERRED INCOME	875,682	-	-	875,682
CURRENT LIABILITIES	1,325,133	-	5,496	1,330,629
TOTAL EQUITY AND LIABILITIES	12,002,395	(90,592)	-	11,911,803

4/ CORRECTIONS PERTAINING TO PREVIOUS YEARS - 2018 AND 2019 FINANCIAL STATEMENTS RESTATEMENT AND RECLASSIFICATION OF PREVIOUS COMPARATIVE AMOUNTS / CONTINUED

d) Restated amounts previously reported - Statement of Financial Position/Balance Sheet as at 31 December 2019

	2019 (according to previous statement)	Restatements for 2018	Property, plant and equipment	Reclassifications	As at 31/12/2019 (restated)
	(In HRK 000)	(In HRK 000)	(In HRK 000)	(In HRK 000)	(In HRK 000)
NON-CURRENT ASSETS					
Property, plant and equipment and advances	4,933,129	(90,592)	(83,684)	-	4,758,853
Investment property	2,125,696	-	-	-	2,125,696
Right-of-use assets	8,940	-	-	-	8,940
Intangible assets	16,553	-	-	-	16,553
Investments in affiliated companies	2,407,666	-	-	-	2,407,666
Financial assets	125,209	-	-	-	125,209
Non-current receivables	1,422,228	-	-	-	1,422,228
Deferred tax assets	24,898	-	-	-	24,898
Total non-current assets	11,064,319	(90,592)	(83,684)	-	10,890,043
CURRENT ASSETS					
Inventories	273,683	-	-	-	273,683
Trade receivables and other receivables	834,122	-	-	-	834,122
Financial assets	3,378	-	-	-	3,378
Cash at bank and on hand	65,909	-	-	-	65,909
Total current assets	1,177,092	-	-	-	1,177,092
TOTAL ASSETS	12,241,411	(90,592)	(83,684)	-	12,067,135
EQUITY					
Share capital	3,177,044	-	-	-	3,177,044
Revaluation reserves	1,812,674	(74,285)	(68,621)	-	1,669,768
Other reserves	319,977	-	-	-	319,977
Retained earnings	274,096	(4,148)	-	-	268,600
Profit	82,965	(1,348)	-	(1,356)	81,609
Total equity	5,666,756	(79,781)	(68,621)	(1,356)	5,516,998
NON-CURRENT LIABILITIES	3,724,083	-	-	-	3,724,083
DEFERRED TAX LIABILITY	397,807	(16,307)	(15,063)	-	366,437
DEFERRED INCOME	840,448	-	-	-	840,448
CURRENT LIABILITIES	1,612,317	5,496	-	1,356	1,619,169
TOTAL EQUITY AND LIABILITIES	12,241,411	(90,592)	(83,684)	-	12,067,135

5/ SALES REVENUE

Division by markets

	2020	2019
	(‘000 HRK)	(‘000 HRK)
Croatia	1,602,731	1,749,369
European union	3	31
	1,602,734	1,749,400

Division of sales revenue into related parties and external customers:

	2020	2019
	(‘000 HRK)	(‘000 HRK)
Revenue from sales to related parties (Note 38)	834,913	918,180
Revenues from sales to external customers	767,821	831,220
	1,602,734	1,749,400

6/ SEGMENT INFORMATIONS

In accordance with IFRS 8, the Company identified its operating segments on the basis of internal reports about the components of the Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The Company identified its operating segments on the basis of reports regularly reviewed by the Management and used by it in making strategic decisions. Operating segments have been formed by the nature of the business of the Group's subsidiaries (Note 1), identifying seven activities as operating segments, whereas the eleventh segment includes all other activities of the Company.

Operating segments are as follows:

- 1/ Cleaning and waste removal services
- 2/ Management, maintenance, construction and protection of regional and local roads
- 3/ Parking services
- 4/ Warehousing and rental services
- 5/ Landscaping services
- 6/ Facility management
- 7/ Project management and construction
- 8/ Other services

6/ SEGMENT INFORMATIONS / CONTINUED

Set out below is a breakdown of revenue and results of the Company by its reporting segments presented in accordance with IFRS 8. The presented sales comprise sales to third parties.

	2020	2019
	(‘000 HRK)	(‘000 HRK)
Cleaning and waste removal	364,703	360,061
Management and maintenance of public roads	312,471	339,686
Landscaping	199,750	222,860
Construction and project management	192,990	199,339
Parking	127,111	152,705
Lease and warehousing	81,007	85,221
Facility management	73,736	117,185
Other revenues	250,966	272,343
	1,602,734	1,749,400

Other revenues comprise the following:

	2020	2019
	(‘000 HRK)	(‘000 HRK)
Funeral services	103,990	80,134
Market revenues	63,306	71,243
Travel agency	22,519	37,688
Bus station services	20,824	41,059
Telecommunication lines and network lease	20,416	19,813
Waste disposal	17,966	16,544
Maintenance and facility management	1,945	5,862
	250,966	272,343

6/ SEGMENT INFORMATIONS / CONTINUED

Segment revenues and results 2020

2020	Facility managemen nt	Cleaning and waste collection	Constructi on and project managemen nt	Construction and project management	Parking	Lease and warehousing	Landscaping	Other	Elimination	Total
('000 HRK)										
Sales revenue – external customers	73,736	364,703	312,471	192,990	127,111	81,007	199,750	250,966	-	1,602,734
Intersegmental sales	92,768	9,290	10,766	91	1,058	2,350	13,834	58,833	(188,990)	-
Total sales revenue	166,504	373,993	323,237	193,081	128,169	83,357	213,584	309,799	(188,990)	1,602,734
Expenses of other operations, net other revenue from primary operations	(152,974)	(619,256)	(308,994)	(136,353)	(104,810)	(54,520)	(211,926)	(354,811)	188,990	(1,754,654)
Profit /(loss) from operating activities	13,530	(245,263)	14,243	56,728	23,359	28,837	1,658	(45,012)	-	(151,920)
Finance income	36,870	2,335	1,512	28,474	579	404	33	15,954	-	86,161
Financijski rashodi	(141,013)	(1,790)	(323)	(9,155)	(659)	(266)	(28)	(52,464)	-	(205,698)
Finance expense	(104,143)	545	1,189	19,319	(80)	138	5	(36,510)	-	(119,537)
Net finance result	(90,613)	(244,718)	15,432	76,047	23,279	28,975	1,663	(81,522)		(271,457)
Profit / (loss) before tax										41,091
Tax revenue/(expense)										(230,366)

6/ SEGMENT INFORMATIONS / CONTINUED
Segment revenues and results 2019 (restated)

2019 (‘000 HRK)	Facility managem nt	Cleaning and waste collection	Constructi on and project managem nt	Construction and project management	Parking	Lease and warehousing	Landscaping	Other	Elimination	Total
Sales revenue – external customers	117,185	360,061	339,686	199,339	152,705	85,221	222,860	272,343	-	1,749,400
Intersegmental sales	78,912	11,181	9,009	96	952	2,215	4,916	74,070	(181,351)	-
Total sales revenue	196,097	371,242	348,695	199,435	153,657	87,436	227,776	346,413	(181,351)	1,749,400
Expenses of other operations, net other revenue from primary operations	(88,843)	(508,812)	(328,643)	(140,142)	(101,913)	(23,826)	(225,870)	(311,959)	181,351	(1,548,657)
Profit / (loss) from operating activities	107,254	(137,570)	20,052	59,293	51,744	63,610	1,906	34,454	-	200,743
Finance income	50,581	4,461	428	20,587	878	459	67	7,606	-	85,067
Financijski rashodi	(137,071)	(2,423)	(650)	(11,686)	(544)	(223)	(34)	(41,531)	-	(194,162)
Finance expense	(86,490)	2,038	(222)	8,901	334	236	33	(33,925)	-	(109,095)
Net finance result	20,764	(135,532)	19,830	68,194	52,078	63,846	1,939	529	-	91,648
Profit / (loss) before tax										(10,039)
Tax revenue/(expense)										81,609

6/ SEGMENT INFORMATIONS / CONTINUED
Segment assets and liabilities as at 31 December 2020

	Facility	Cleaning and	Constructi	Constructio	Parking	Lease and	Landscaping	Other	Elimination	Total
('000 HRK)	management	waste collection	on and project managem ent	n and project managem ent		warehousing				
Property, plant and equipment	784,432	455,247	285,345	178,837	103,413	312,545	366,375	2,276,745	-	4,762,939
Right-of-use asset	-	115	239	-	1,195	3,686	346	377	-	5,958
Intangible assets	4,833	11,779	169	-	106	307	615	1,651	-	19,460
Investment property	806,111	-	-	-	-	1,308,921	-	-	-	2,115,032
Inventories	38	12,879	44,825	10,008	981	798	23,600	10,168	-	103,297
Trade receivables, net	1,003	47,512	6,377	434	7,639	7,979	3,004	21,082	-	95,030
Investments in subsidiaries	2,407,666	-	-	-	-	-	-	-	-	2,407,666
Unallocated assets	2,470,202	79,312	235,468	570,464	98,477	36,947	135,881	1,269,503	(2,443,179)	2,453,075
Total assets	6,474,285	606,844	572,423	759,743	211,811	1,671,183	529,821	3,579,526	(2,443,179)	11,962,457
Bonds issued	2,271,278	-	-	-	-	-	-	-	-	2,271,278
Trade payables	9,233	78,882	68,810	13,436	10,789	5,682	31,378	40,994	-	259,204
Employee benefits liabilities	2,545	14,860	5,825	331	3,454	2,038	5,904	7,543	-	42,500
Capital and unallocated liabilities	4,191,229	513,102	497,788	745,976	197,568	1,663,463	492,539	3,530,989	(2,443,179)	9,389,475
Total equity	6,474,285	606,844	572,423	759,743	211,811	1,671,183	529,821	3,579,526	(2,443,179)	11,962,457
31.12.2020. Other segmental information										
<i>Capital expenditure:</i>	5,348	24,115	18,810	3	5,518	1,778	12,849	201,943	-	270,364
Property, plant and equipment	1,634	22,674	18,791	3	5,518	1,778	12,849	201,473	-	264,720
Intangible assets	3,714	1,441	19	-	-	-	-	470	-	5,644
<i>Depreciation and impairment</i>	33,976	38,691	11,061	42,191	10,963	4,142	7,764	31,273	-	180,061

6/ SEGMENT INFORMATIONS / CONTINUED
Segment assets and liabilities as at 31 December 2019 (restated)

	Facility	Cleaning and	Constructi	Constructio	Parking	Lease and	Landscaping	Other	Elimination	Total
('000 HRK)	management	waste collection	on and project managem ent	n and project managem ent		warehousing				
Property, plant and equipment	880,612	468,687	214,585	220,833	108,327	314,696	373,649	2,177,464	-	4,758,853
Right-of-use asset	-	392	601	-	1,730	4,820	373	1,024	-	8,940
Intangible assets	1,584	12,817	150	-	141	381	692	788	-	16,553
Investment property	839,111	-	-	-	-	1,286,585	-	-	-	2,125,696
Inventories	178,050	9,339	44,853	10,771	1,016	960	21,202	7,492	-	273,683
Trade receivables, net	913	48,621	11,647	241	11,903	9,555	5,870	17,597	-	106,347
Investments in subsidiaries	2,407,666	-	-	-	-	-	-	-	-	2,407,666
Unallocated assets	1,986,966	82,605	183,929	546,603	68,665	17,433	66,027	1,363,858	(1,946,689)	2,369,397
Total assets	6,294,902	622,461	455,765	778,448	191,782	1,634,430	467,813	3,568,223	(1,946,689)	12,067,135
Bonds issued	2,261,551	-	-	-	-	-	-	-	-	2,261,551
Trade payables	6,346	47,558	40,330	27,118	5,539	4,371	21,390	42,803	-	195,455
Employee benefits liabilities	2,126	12,441	4,846	280	2,972	1,728	5,069	6,396	-	35,858
Capital and unallocated liabilities	4,024,879	562,462	410,589	751,050	183,271	1,628,331	441,354	3,519,024	(1,946,689)	9,574,271
Total equity	6,294,902	622,461	455,765	778,448	191,782	1,634,430	467,813	3,568,223	(1,946,689)	12,067,135
31/12/2019 Other segmental information										
<i>Capital expenditure:</i>	2,010	85,357	2,130	42	3,155	6,988	6,108	27,984	-	133,774
Property, plant and equipment	1,174	73,254	2,129	42	3,155	6,988	5,417	27,662	-	119,821
Intangible assets	836	12,103	1	-	-	-	691	322	-	13,953
<i>Depreciation and impairment</i>	55,057	31,050	10,883	42,187	10,395	3,950	8,692	32,303	-	194,517

6/ SEGMENT INFORMATIONS / CONTINUED
Segment assets and liabilities as at 31 December 2018 (restated)

('000 HRK)	Facility managemen t	Cleaning and waste collection	Constructio n and project managemen t	Constructio n and project managemen t	Parking	Lease and warehousing	Landscapin g	Other	Elimination	Total
Property, plant and equipment	1,135,911	304,207	177,152	262,140	114,987	310,530	238,012	2,256,826	-	4,799,765
Intangible assets	1,206	1,969	151	-	176	358	29	926	-	4,815
Investment property	920,443	-	-	-	-	1,235,607	-	-	-	2,156,050
Inventories	16	6,496	41,031	12,464	932	900	20,099	6,343	-	88,281
Trade receivables, net	745	46,739	9,808	241	10,543	8,630	1,829	15,955	-	94,490
Investments in subsidiaries	2,407,666	-	-	-	-	-	-	-	-	2,407,666
Unallocated assets	1,704,572	56,550	175,390	434,426	20,074	4,946	63,743	1,397,022	(1,495,987)	2,360,736
Total assets	6,170,559	415,961	403,532	709,271	146,712	1,560,971	323,712	3,677,072	(1,495,987)	11,911,803
Bonds issued	2,251,358	-	-	-	-	-	-	-	-	2,251,358
Trade payables	8,262	21,406	58,649	6,594	4,132	3,813	25,095	39,849	-	167,800
Employee benefits liabilities	1,582	10,340	4,752	243	2,747	1,670	4,629	5,919	-	31,882
Capital and unallocated liabilities	3,909,357	384,215	340,131	702,434	139,833	1,555,488	293,988	3,631,304	(1,495,987)	9,460,763
Total equity	6,170,559	415,961	403,532	709,271	146,712	1,560,971	323,712	3,677,072	(1,495,987)	11,911,803
31/12/2018 Other segmental information										
<i>Capital expenditure:</i>	10,009	63,503	22,541	4	15,029	4,685	21,025	26,629	-	163,425
Property, plant and equipment	8,727	62,469	22,392	4	14,853	4,685	21,025	26,532	-	160,687
Intangible assets	1,282	1,034	149	-	176	-	-	97	-	2,738
<i>Depreciation and impairment</i>	54,147	23,372	8,716	42,143	7,055	3,019	6,893	30,487	-	175,832

7/ OTHER REVENUE

	2020	2019
	(‘000 HRK)	(‘000 HRK)
Revenue from subsidies and grants /i/	42,768	41,920
Unrealized gains from changes in fair value of investment property * /ii/ (Notes 11 and 20)	88,284	185,190
Revenue from reversal of deferred revenue recognition /iii/	20,293	20,446
Amounts recovered (Note 26)	20,176	30,042
Revenue from reversal of other provisions (Note 33)	31,932	38,038
Revenue from reversal of provisions for unused vacations (Note 9)	18,277	12,017
Other (total items not materially significant)	25,807	10,680
	247,537	338,333

/i/ Income from grants and subsidies was largely provided by the City of Zagreb and the state:

	2020	2019
	(‘000 HRK)	(‘000 HRK)
Grants and subsidies provided by the City (Note 38)	19,995	21,523
Grants and subsidies provided by the state and others	22,773	20,397
	42,768	41,920

Subsidies and grants in the most significant amount refer to financial grants from the budget for financing the lease of the Arena Zagreb facility.

/iii/ Revenues from deferred revenue recognition are stated in accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance during the period of use and are systematically linked to the related costs (depreciation) - see note 2 (x).

/ii/ The net gain from the change in the fair value of the investment property is shown as follows:

	2020.	2019.
	(‘000 HRK)	(‘000 HRK)
Unrealized gains on changes in the fair value of real estate investments	88,284	185,190
Unrealized losses from changes in the fair value of investment property (Note 11)	(88,103)	(40,855)
Net increase of fair value (Note 20)	181	144,335

8/ MATERIAL AND SERVICE EXPENSES

	2020	2019
		restated
	('000 HRK)	('000 HRK)
Raw material and supplies	150,128	174,256
Energy	68,227	73,394
Write-off of small inventory	10,006	10,468
<i>a) Total material expenses</i>	<i>228,361</i>	<i>258,118</i>
<i>b) Change in inventories of production and finished</i>	<i>(2,995)</i>	<i>(627)</i>
<i>c) costs of goods sold</i>	<i>5,551</i>	<i>4,619</i>
Subcontractors	148,434	142,686
Maintenance services	90,159	84,719
Utility services and fees	160,872	84,951
Transportation	47,333	45,580
Intellectual services	16,525	25,412
Data processing and software maintenance	21,405	20,750
Lease and rentals	13,076	12,864
Insurance premiums	10,767	9,491
Banking services and payment transaction costs	5,324	6,258
Advertising	1,407	2,809
Other external services	44,357	37,464
<i>d) total external services</i>	<i>559,659</i>	<i>472,984</i>
	790,576	735,094

The reduction in the cost of raw materials in 2020 compared to the previous year is a consequence of the reduced scope of work in the segment of management and maintenance of public roads. The increase in utility costs refers to the costs of disposing of separately collected waste in the segment of maintaining cleanliness and waste disposal. Reducing the cost of intellectual services refers to reducing the cost of lawyers and other intellectual services.

The costs of other external services refer to the costs of agency workers, rental of licenses, cleaning costs, costs of medical examinations, fees for technical inspections of vehicles and others.

Audit costs in 2020 amount to HRK 271 thousand (2019: HRK 157 thousand) and are disclosed in this note within intellectual services.

9/ EMPLOYEE BENEFITS EXPENSES

	2020	2019
	(‘000 HRK)	(‘000 HRK)
Net salaries and fees	426,392	396,745
Taxes and contributions	252,432	235,419
Employee reimbursements and other material rights	115,258	100,937
	794,082	733,101
Number of employees at 31 December	5,304	5,291

The average number of employees based on the realized working hours paid by the Company in 2020 is 5,133 (2019: 5,082 employees).

/ i / Compensation of employees and other material rights of employees include benefits regulated by the Collective Agreement such as compensation of transport costs to and from work up to the amount of public transport costs, occasional awards and gifts to employees (jubilee awards, Christmas, Easter, holiday and etc.), costs of education and professional training and more.

	2020	2019
	(‘000 HRK)	(‘000 HRK)
Employee costs	794,082	733,101
Expenses for reservations for unused vacations	19,440	18,277
Revenues from cancellation of provisions for unused vacations	(18,277)	(12,017)
	795,245	739,361

10/ DEPRECIATION AND AMORTISATION

	2020	2019
	(‘000 HRK)	(‘000 HRK)
Amortization of property, plant and equipment (note 17)	173,171	189,292
Amortization of intangible assets (note 18)	3,407	2,199
Amortization of right-of-use asset (note 19)	3,483	3,026
	180,061	194,517

11/ IMPAIRMENT OF ASSETS

	2020	2019
	(‘000 HRK)	(‘000 HRK)
Losses from change in fair value of investment property (Note 7 /i/)	88,103	40,855
Value adjustment of trade receivables (Note 26)	30,154	27,816
Value adjustment of related parties receivables	8,633	-
Value adjustment of other current assets	3,666	807
Value adjustment of property, plant and equipment (Note 17)	18,399	42,341
Impairment of other fixed assets	61	15
	149,016	111,834

12/ PROVISIONS

	2020	2019
	(‘000 HRK)	(‘000 HRK)
Provisions for employee benefits under IAS 19	2,393	12,915
Provisions for initiated court disputes	5,833	6,336
Provisions for the repair of natural resources (Note 33)	-	1,199
Provisions for unused vacation days	19,440	18,277
Other provisions	956	-
	28,622	38,727

13/ OTHER BUSINESS EXPENSES

	2020	2019
	(‘000)	(‘000)
Fines, penalties and damage compensation /i/	24,557	28,391
Gifts, donations and sponsorships	9,672	5,929
Administrative and court costs	2,747	3,788
Taxes and contributions independent of the result	2,310	5,173
Write-offs	12,326	4,024
Membership fees to professional communities	1,368	1,761
Entertainment expenses	641	948
Spomenička renta i troškovi zaštite okoliša	688	636
Other (deficits, net book value of disposed assets, fees AB and SB, etc.) /ii/	5,525	23,067
	59,834	73,717

/ i / Expenses from damages mostly relate to the branch of ZGOS for eco rent, which is paid at the price of 65 kn / ton of disposed municipal waste at the Jakuševac landfill and paid compensation for reduced quality of life in the area of impact of the building intended for waste disposal Prudinec / Jakuševac in accordance with the conclusion of the Assembly of the City of Zagreb of June 5, 2014.

/ ii / Other operating expenses relate to deficits, cost of inventories sold and property, plant and equipment, subsequently determined expenses and other unmentioned expenses.

14/ FINANCE INCOME

	2020	2019
	(‘000 HRK)	(‘000 HRK)
Income from share in profits of subsidiaries /i/	16,891	22,849
Interest income on loans to related companies	20,702	28,189
<i>Total financial income from associated companies (Note 38)</i>	<i>37,593</i>	<i>51,038</i>
Interest income on deposits and loans of unrelated companies	6,357	9,285
Other financial income /ii/	26,808	19,494
Foreign exchange gains	15,403	5,250
	86,161	85,067

/ i / Revenues from profit shares of affiliated companies refer to profit shares in 2019 for:

- Gradska plinara Zagreb d.o.o. in the amount of HRK 8,755 thousand (50% of the realized profit in 2019 according to the Decision of the Assembly)
- Gradska plina Opskrba d.o.o. in the amount of HRK 989 thousand (50% of the realized profit in 2019 according to the Decision of the Assembly)
- Gradsko stambeno komunalno gospodarstvo d.o.o. in the amount of HRK 4,399 thousand (50% of the realized profit in 2019 according to the Decision of the Assembly)
- Zagreb plakat d.o.o. in the amount of HRK 2,748 thousand (51% of the determined amount to be paid to the owners from the realized profit in 2019 according to the Decision of the Assembly)

/ ii / Other financial income refers to discount income.

15/ FINANCE EXPENSES

	2020	2019
	(‘000 HRK)	(‘000 HRK)
Interest expense	157,160	156,186
The cost of the bond discount and issue /i/	19,304	21,133
Interest expense from related parties	2,611	3,276
Other interest expense /ii/	9,740	8,090
Foreign exchange losses	16,883	5,477
	205,698	194,162
<i>Net effect of foreign exchange</i>		
Foreign exchange gains	15,403	5,250
Foreign exchange losses	(16,883)	(5,477)
Foreign exchange losses	(1,480)	(227)

/i/ In July 2016, the Company prematurely purchased 48.77% of Euro bonds by issuing new bonds with a nominal value of 1,800,000 thousand with a coupon of 3.875%. In July 2017, it repaid the remaining 51.23% of Euro bonds and issued another bond tranche of a nominal value of HRK 500,000,000 with a coupon of 3.875%. Issued bonds mature on 15 July 2023.

/ii/ Other interest expenses mainly relate to the discount on the sale of receivables.

16/ TAX EXPENSE

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

Income tax recognized in profit or loss

	2019	2018
		restated
	(‘000 HRK)	(‘000 HRK)
Tax expense includes:		
Current tax for the year	-	19,160
Deferred tax expenses based on the origin AN reversals of temporary differences	(41,091)	(9,121)
Tax (income) / expense recognized in profit or loss	(41,091)	10,039

The relationship between the accounting profit and tax expense of the current year:

	2019	2018
		restated
	(‘000 HRK)	(‘000 HRK)
Profit before tax	(271,457)	91,648
Income tax at a rate of 18%	(48,862)	16,497
Effect of permanent differences (net)	7,887	2,663
The effect of temporary differences recognized as deferred tax assets	(116)	(9,121)
Tax revenue recognized in profit or loss	(41,091)	10,039

In 2020, the Company made a tax loss that can be carried forward for the next 5 years in accordance with tax regulations.

The Company has reviewed the possibility of generating taxable income in the next 5 years and has recognized deferred tax assets arising from tax losses for amounts that are considered recoverable from future taxable profit.

16/ TAX EXPENSE / CONTINUED

Balance of deferred tax - deferred tax asset and deferred tax liability

2020	Opening balance (restated)	Profit tax recognised in profit or loss	Stated in other comprehensive income	Credited directly to equity	Closing balance
<hr/>					
(‘000 HRK)					
<i>Temporary differences</i>					
Deferred tax assets					
Provisions IAS 19	17,328	116	-	-	17,444
Land value adjustment and real estate depreciation	7,570	-	-	-	7,570
Tax loss	-	40,975	-	-	40,975
Deferred tax liability					
Land	338,804	-	(4,714)	-	334,090
Property, plant and equipment	27,633	-	1,376	(46)	28,963
Deferred tax assets	24,898	41,091	-	-	65,989
Deferred tax liability	366,437	-	(3,338)	(46)	363,053

Revaluation reserves for property, plant and equipment were formed in previous periods and entered in the Company's reports by merging the companies in 2007. As previously stated in the accounting policies, the Company applies the revaluation model to land while property, plant and equipment are subsequently measured at amortized cost. Revaluation reserves formed in the current period relate to real estate that has been reclassified in the current period to Investment property in accordance with IAS 40.

16/ TAX EXPENSE / CONTINUED

Balance of deferred tax - deferred tax asset and deferred tax liability

2019 (restated)	Opening balance (restated)	Profit tax recognised in profit or loss	Stated in other comprehensive income	Credited directly to equity	Closing balance
<hr/>					
(‘000 HRK)					
<i>Temporary differences</i>					
Deferred tax assets					
Provisions IAS 19	15,777	1,551	-	-	17,328
Land value adjustment and real estate depreciation	-	7,570	-	-	7,570
Deferred tax liability					
Land	325,688	-	13,116	-	338,804
Property, plant and equipment	27,780	-	-	(147)	27,633
Deferred tax assets	15,777	9,121	-	-	24,898
Deferred tax liability	353,468	-	13,116	(147)	366,437

In accordance with tax regulations, the Tax Administration may at any time review the books and records of companies for a period of three years after the end of the year in which the tax liability is stated and may impose additional tax liabilities and penalties. The Company's management is not aware of any circumstances that could lead to potential significant liabilities in this regard.

17/ PROPERTY, PLANT AND EQUIPMENT

('000 HRK)	Land	Buildings	Plant and equipment	Tools and vehicles	Other assets	Assets construction	Total tangible assets
PURCHASE VALUE							
Balance at 31 December 2018	2,698,223	3,544,407	598,905	554,860	45,884	169,825	7,612,104
Effects of modifications (note 4)	(90,592)	-	-	-	-	-	(90,592)
Balance at 1 January 2019	2,607,631	3,544,407	598,905	554,860	45,884	169,825	7,521,512
New purchases	-	5,129	11,863	2,224	-	100,605	119,821
Transfer from assets under	-	14,396	37,997	38,063	-	(90,456)	-
Reclassifications from intangible	-	40,576	(40,480)	8	-	(123)	(19)
Revaluation	73,324	182	-	-	-	-	73,506
Expenditure, alienation and sales	(3,366)	(5,082)	(7,937)	(16,747)	(16)	(408)	(33,556)
Yield from finished products	-	840	-	-	-	-	840
Transfer to real estate investment	-	(3,183)	-	-	-	-	(3,183)
Acquisition of an economic entity	-	-	883	9	-	-	892
Balance at 31 December 2019 (restated)	2,677,589	3,597,265	601,231	578,417	45,868	179,443	7,679,813
New purchases	-	6,277	10,395	2,227	-	245,821	264,720
Transfer from assets under	130,930	49,529	31,494	23,960	-	(236,583)	(670)
Reclassifications from intangible	-	(22)	-	(2)	-	59	35
Revaluation	-	7,644	-	-	-	-	7,644
Expenditure, alienation and sales	(49)	(1,978)	(10,728)	(15,022)	-	(8)	(27,785)
Value adjustment	-	(3,606)	-	-	-	-	(3,606)
Yield from finished products	191	-	-	-	-	-	191
Return to the City /i/	(33,775)	(139,558)	-	-	-	-	(173,333)
Transfer to real estate investment	-	(12,455)	-	-	-	-	(12,455)
Balance at 31 December 2020	2,774,886	3,503,096	632,392	589,580	45,868	188,732	7,734,554
IMPAIRMENT							
Balance at 31 December 2018	14,862	1,793,825	478,558	417,908	129	16,465	2,721,747
Depreciation	-	134,992	21,375	32,925	-	-	189,292
Value adjustment	35,841	-	89	1	-	6,410	42,341
Reclassifications (transfers from /	-	10,295	(10,295)	-	-	-	-
Expenditure, alienation and sales	(2,665)	(3,429)	(7,780)	(16,706)	-	(327)	(30,907)
Acquisition of an economic entity	-	-	742	1	-	-	743
Balance at 31 December 2019	48,038	1,935,683	482,689	434,129	129	22,548	2,923,216
Depreciation	-	112,970	23,521	36,680	-	-	173,171
Value adjustment	-	18,399	-	-	-	-	18,399
Reclassifications (transfers from /	-	35	-	-	-	-	35
Expenditure, alienation and sales	-	(1,906)	(10,437)	(14,953)	-	-	(27,296)
Return to the City	-	(112,775)	-	-	-	-	(112,775)
Transfer to real estate investment	-	(3,135)	-	-	-	-	(3,135)
Balance at 31 December 2020	48,038	1,949,271	495,773	455,856	129	22,548	2,971,615
NET BOOK VALUE							
Balance at 1 January 2019	2,592,769	1,750,582	120,347	136,952	45,755	153,360	4,799,765
Balance at 31 December 2019 (restated)	2,629,551	1,661,582	118,542	144,288	45,739	156,895	4,756,597
Balance at 31 December 2020 (restated)	2,726,848	1,553,825	136,619	133,724	45,739	166,184	4,762,939

Under new purchases in 2020 the Company presented the acquisition of real estate of wholesale market and cold storage facilities worth HRK 171,650 thousand, under the real estate exchange agreement signed with the City of Zagreb. Derecognition of the real estate item given in exchange has been described under Note 24

17/ PROPERTY, PLANT AND EQUIPMENT / CONTINUED

	31 Dec 2020	31 Dec 2019	1 Jan 2019
		restated	restated
	(‘000 HRK)	(‘000 HRK)	(‘000 HRK)
Net value without advances	4,762,939	4,756,597	4,799,765
Advances for tangible assets	-	2,256	-
Property, plant, equipment and advances	4,762,939	4,758,853	4,799,765

Ownership over land and buildings

The Company is in the process of entering land and buildings into appropriate registers proving property ownership. As some municipal land registers are not fully arranged, the registration process lasts longer than for the newly constructed facilities. The owner of the Company, the City of Zagreb, provided a significant part of the assets to the Company for management. The property status has not yet been fully regulated. Part of the assets has been registered since the establishment of the Group and the process for solving the current status is ongoing for the remaining assets.

Ownership status of land (revalued value) is shown below:

	31 Dec 2020	31 Dec 2019
		restated
	(‘000 HRK)	(‘000 HRK)
Registered ownership	1,929,857	1,874,654
Unregistered ownership	796,991	754,897
	2,726,848	2,629,551

Ownership status of buildings (purchase value)

	31 Dec 2020	31 Dec 2019
	(‘000 HRK)	(‘000 HRK)
Registered ownership	2,606,038	2,575,564
Unregistered ownership	890,178	1,016,404
Utility infrastructure facilities	6,880	5,297
	3,503,096	3,597,265

Review of the residual value

In accordance with the requirements of IAS 16 (Property, plant and equipment), effective for the current accounting period, the Group has reviewed the residual value for depreciation. The review has not identified the need to align the residual value for the current and prior periods.

Umanjenje vrijednosti imovine

In accordance with IAS 36, when there are indications of impairment of an asset, the stated value should be compared with the recoverable amount and the recoverable amount should be written off. The recoverable amount is a higher amount by comparing the (i) net selling price if the asset can be sold and (ii) the "value in use of that asset", which represents the net present value of future cash flows based on reasonable and substantiated assumptions and best management knowledge of the future economic business conditions and plans. The Company's management believes that the stated amount of tangible assets in the previous table can be recovered over the future period.

17/ PROPERTY, PLANT AND EQUIPMENT / CONTINUED

Book value of real estate pledged as collateral

	31 Dec 2020	31 Dec 2019
	('000 HRK)	('000 HRK)
Real estate pledged as an insurance instrument	17,879	24,316

Lease

During 2009 and 2008, the Company, as a lessor, contracted a number of lease agreements, which were recorded and presented as operating leases in the accompanying unconsolidated financial statements. The initial classification of these contracts is not in accordance with the provisions of "Leases" IFRS 16 which states, inter alia, that a lease is classified as a finance lease if it transfers almost all the risks and rewards of ownership of the leased asset.

/i/ Return to the City

During 2020, the land in Remetinec with a revalued value of HRK 12,720 thousand was derecognized for transfer to the City of Zagreb without compensation for the needs of the construction of communal infrastructure. Derecognition was carried out through a reduction in assets and revaluation reserves and deferred tax liabilities.

18/ INTANGIBLE ASSETS AND GOODWILL

('000 HRK)	Patent, licenses and other rights	Other intangible assets	Intangible assets under construction	Total intangible assets
COST				
Balance at 31 December 2018	28,480	36,323	207	65,010
New purchases	321	-	13,632	13,953
Transfer from assets under construction	9,384	691	(10,075)	-
Reclassifications (transfers from / to)	-	-	19	19
Expenditure, alienation and sales	(3,208)	(115)	-	(3,323)
Balance at 31 December 2019	34,977	36,899	3,783	75,659
New purchases	305	166	5,173	5,644
Transfer from assets under construction	1,900	1,958	(3,188)	670
Reclassifications (transfers from / to)	-	(35)	-	(35)
Expenditure, alienation and sales	(4,253)	(6)	-	(4,259)
Balance at 31 December 2020	32,929	38,982	5,768	77,679
IMPAIRMENT				
Balance at 31 December 2018	24,513	35,682	-	60,195
Amortization	2,060	139	-	2,199
Expenditure, alienation and sales	(3,173)	(115)	-	(3,288)
Balance at 31 December 2019	23,400	35,706	-	59,106
Amortization	3,194	213	-	3,407
Reclassifications (transfers from / to)	-	(35)	-	(35)
Expenditure, alienation and sales	(4,253)	(6)	-	(4,259)
Stanje 31.12.2020.	22,341	35,878	-	58,219
Balance at 31 December 2020				
NET BOOK VALUE				
Balance at 31 December 2018	11,577	1,193	3,783	16,553
Balance at 31 December 2019	10,588	3,104	5,768	19,460

19/ RIGHT-OF-USE ASSET

The Company has recognized right-of-use asset and lease liabilities relating to the use of land, equipment and vehicles that were previously classified as operating leases.

Right-of-use asset

	Land	Buildings	Instruments and vehicles	Plant and equipment	Total
(in '000 HRK)					
Net carrying amount at 31 December 2019	-	1,782	2,339	4,819	8,940
Increase	353	165	(17)	-	501
Depreciation charge	-	(479)	(1,870)	(1,134)	(3,483)
Net carrying amount at 31 December 2020	353	1,468	452	3,685	5,958

The Company has recognized lease liabilities as follows:

	31 Dec 2020	31 Dec 2019
	('000 HRK)	('000 HRK)
Increase in long-term lease liability	3,743	6,547
Increase in short-term lease liability	2,300	2,416
	6,043	8,963

Short-term leases and low-value leases

	31 Dec 2020	31 Dec 2019
	('000 HRK)	('000 HRK)
Short-term leases	9,807	9,657
Low value leases	3,269	3,207
	13,076	12,864

Expenses related to short-term leases that are not classified as leases under IFRS 16 amount to HRK 13,076 thousand and are included in lease costs.

20/ INVESTMENT PROPERTY

	31 Dec 2020	31 Dec 2019
	(‘000 HRK)	(‘000 HRK)
Balance at 1 January	2,125,696	2,156,050
Increase in value for new investments	1,015	913
Increase in fair value through profit or loss (net) (note 7 and 11)	181	144,335
Transfer to / from property, plant and equipment (note 17)	9,320	3,183
Transfer to long-term assets for sale (note 24)	(21,180)	(178,028)
Write off	-	(16)
Derecognition of donated real estate to the City	-	(741)
Balance at 31 December	2,115,032	2,125,696

/ i / During 2020, an estimate of the fair value of real estate investments was made based on the estimate of a qualified appraiser authorized to assess the value of real estate, with gains due to changes in fair value in the amount of HRK 181 thousand HRK), which are included in the income statement (Notes 7 and 11).

The assessment of the fair value of real estate investments subsequently measured at fair value in accordance with IAS 40 was performed by an independent certified appraiser, using the comparative method for business premises and land and the income method for the leased construction part of buildings. . In the revenue method, the revenue value is determined on the basis of revenues generated in the market (sustainable revenues). The revenue value of constructed land includes the value of land, the value of construction and the value of the device.

Fair value hierarchy

	Level 2	Level 3	Fair value as at 31 December 2020
	(‘000 HRK)	(‘000 HRK)	(‘000 HRK)
Warehouses in operating leases	-	1,300,879	1,300,879
Other premises in operating leases	25,855	498,334	524,189
Other real estate held for capital appreciation or for use in an undetermined future	223,224	66,740	289,964
	249,079	1,865,953	2,115,032

According to the fair value hierarchy, assets for which the fair value is determined by the comparative method are classified at level 2 and assets for which the fair value is determined by a combination of the comparative and income methods are classified at level 3.

20/ INVESTMENT PROPERTY / CONTINUED*Investment property ownership status*

	31 Dec 2020	31 Dec 2019 (restated)
	31 Dec 2020	31 Dec 2019
Registered ownership	1,250,975	1,246,162
Unregistered ownership	864,057	879,534
	2,115,032	2,125,696

21/ INVESTMENTS IN SUBSIDIARIES

	31 Dec 2020	31 Dec 2019
	31 Dec 2020	31 Dec 2019
Vodoopskrba i odvodnja d.o.o.	2,011,000	2,011,000
Gradska plinara Zagreb d.o.o.	269,725	269,725
Zagrebačka stanogradnja d.o.o.	51,000	51,000
Gradska plinara Zagreb-Opskrba d.o.o.	40,000	40,000
Gradska ljekarna	26,787	26,787
Centar d.o.o.	7,046	7,046
Gradsko stambeno komunalno gospodarstvo d.o.o.	2,000	2,000
AGM d.o.o.	98	98
Zagreb plakat d.o.o.	10	10
	2,407,666	2,407,666

22/ FINANCIAL ASSETS

Financial assets are stated as follows:

	31 Dec 2020	31 Dec 2019
	(‘000 HRK)	(‘000 HRK)
Financial assets at fair value through profit or loss	703	915
Financial assets at amortized cost	125,035	124,294
	125,738	125,209

Financial assets at fair value through profit or loss

	31 Dec 2020	31 Dec 2019
	(‘000 HRK)	(‘000 HRK)
Investment in equity	703	915

Within equity investments, financial assets (shares) are recorded at fair value with fair value changes recognized through profit or loss. Quoted shares refer to the minority interest owned by banks and other business entities to which the Company has no significant impact.

Financial assets at amortized cost

	31 Dec 2020	31 Dec 2019
	(‘000 HRK)	(‘000 HRK)
Deposits with over 1 year maturity	125,035	124,294
Deposits with under 1 year maturity	753	753
Other securities held until maturity	1,698	2,625
	127,486	127,672
<i>Current portion (Note 27)</i>	<i>(2,451)</i>	<i>(3,378)</i>
<i>Non-current portion</i>	<i>125,035</i>	<i>124,294</i>

Deposits with maturities of more than one year are mostly related to the guarantee for repayment of loans and obligations from the lease agreement, due upon the final payment of the obligation.

23/ NON-CURRENT RECEIVABLES

	31 Dec 2020	31 Dec 2019
	(‘000 HRK)	(‘000 HRK)
Non-current portion		
Receivables from related parties /i/	1,037,423	1,120,911
Receivables from sales on credit /iii/	467	732
Other receivables /iv/	292,297	300,585
	1,330,187	1,422,228
Current portion - Notes 23 and 25		
Receivables from related parties /i/	223,834	225,588
Receivables from loans /ii/	78	4,153
Receivables from sales on credit /iii/	172	170
Other receivables /iv/	13,450	12,997
	237,534	242,908

/i/ Receivables from related parties

	31 Dec 2020	31 Dec 2019
	(‘000 HRK)	(‘000 HRK)
Receivables from a member of the company	902,031	920,290
Discontinued receivables from a member of the company	(172,120)	(199,061)
Value adjustment of receivables from a member of the company	(9,162)	(9,162)
1. Total receivables from a member of the company	720,749	712,067
2. Loans granted to related parties outside the Group	540,508	634,432
Total receivables from related parties (1+2)	1,261,257	1,346,499
<i>Current portion (Note 25)</i>	(79,327)	(78,829)
<i>Non-current portion (Note 25)</i>	(144,507)	(146,759)
Non-current portion	1,037,423	1,120,911

Receivables from a member of the company relate to receivables from the City of Zagreb for financing 50% of the costs of renting the Arena Zagreb sports facility in the amount of HRK 305,173 thousand net (2019: 319,189 net), receivables under multi-year lease agreements for public facilities (schools, kindergartens, swimming pools) which the Company has disclosed as a long-term receivable from the City of Zagreb as a lessee in accordance with IFRIC 12 Service Concession Agreements in the amount of HRK 415,576 thousand (2019: HRK 392,879 thousand). The lease term is contracted for a period of 7-13 years, of which 4 contracts expire in 2023, 2 contracts in 2028, and 1 in 2032. The rent under the contracts is paid monthly and amounts to HRK 495 thousand and EUR 780 thousand. Pursuant to the contract, the Company has the obligation of investment management and maintenance of facilities throughout the lease and which management and maintenance costs are included in the calculation of the monthly rent.

Loans to affiliated companies accrue interest equal to the market interest at the time the loan was granted, ie 3.88%. Loan agreements with affiliated companies are concluded for a period of up to 10 years with payment security instruments.

23/ NON-CURRENT RECEIVABLES / CONTINUED
/ii/ Loan receivables

	31 Dec 2020	31 Dec 2019
	(‘000 HRK)	(‘000 HRK)
Long-term loans to third parties	78	4,153
	78	4,153
<i>Current portion</i>	(78)	(4,153)
<i>Non-current portion</i>	-	-

Loans granted to unrelated companies were concluded for a period of up to 1 year with a market interest rate at the time of concluding the loan, ie in the amount of 5%.

/iii/ Receivables from sales on credit

	31 Dec 2020	31 Dec 2019
	(‘000 HRK)	(‘000 HRK)
Receivables for apartments sold	639	902
<i>Discount rate in%</i>	1,5%	1,5%
	639	902
<i>Current portion</i>	(172)	(170)
<i>Non-current portion</i>	467	732

Receivables for sold apartments are discounted at a rate corresponding to market yields on government bonds, which in 2020 amounted 1,5% (u 2019 1,5%).

/iv/ Other non-current receivables

	31 Dec 2020	31 Dec 2019
	(‘000 HRK)	(‘000 HRK)
Receivables from the state	305,173	312,491
Other receivables	574	1,091
	305,747	313,582
<i>Current portion</i>	(13,450)	(12,997)
<i>Non-current portion</i>	292,297	300,585

/ i / Receivables from the state in the amount of HRK 305,173 thousand net (31 December 2019: HRK 312,491 thousand) relate to a net receivable from the Republic of Croatia for financing the 50% rent of the Arena hall pursuant to the Agreement between the Republic of Croatia and the City of Zagreb Arena building. The lease agreement for the Arena Zagreb facility was concluded in 2007 for a period of 28 years.

24/ INVENTORIES

	31 Dec 2020	31 Dec 2019
	(‘000 HRK)	(‘000 HRK)
Raw material and supplies	75,561	69,104
Work in progress	8,260	8,118
Finished products	15,179	13,201
Merchandise (and property in circulation)	4,114	4,879
Prepayments for inventories	183	353
Long-term assets held for sale /i/	-	178,028
	103,297	273,683

/ i / Fixed assets held for sale in the amount of HRK 178,028 thousand as at 31 December 2019. refers to the real estate in Sesvete and a special part of the real estate in Mandićeva Street, which according to the contract on the exchange of real estate in 2020 was handed over to the ownership of the City of Zagreb in exchange for the Wholesale Market and Refrigerator complex. During 2020, HRK 21,180 thousand of real estate in Novi Vinodolski and Veli Lošinj, which were sold by the end of 2020, was reclassified to fixed assets intended for sale.

25/ RECEIVABLES FROM RELATED PARTIES

	31 Dec 2020	31 Dec 2019
	(‘000 HRK)	(‘000 HRK)
Receivables from company member	516,743	320,233
Current portion of non-current receivables from member companies (Note 23)	79,327	78,829
Receivables from related parties	48,895	49,633
Loans to affiliated companies (maturity within 1 year)	34,307	60,549
Current portion of Loans to affiliated companies (Note 23)	144,507	146,759
	823,779	656,003

Loans to affiliates relate to the short-term maturity of long-term loans (Note 23 / i /) and short-term loans. The interest rate on long-term loans is 3.88%, on short-term loans ranging from 2.15% to 4.35%.

26/ TRADE RECEIVABLES AND OTHER RECEIVABLES

	31 Dec 2020	31 Dec 2019
	(‘000 HRK)	(‘000 HRK)
Trade receivables /i/	95,030	106,347
Receivables from employees /ii/	286	283
Receivables from the state and other institutions /iii/	17,220	8,174
Other receivables /iv/	58,212	63,315
	170,748	178,119

/i/ Trade receivables

	31 Dec 2020	31 Dec 2019
	(‘000 HRK)	(‘000 HRK)
Trade receivables	489,711	496,546
Impairment of trade receivables	(394,681)	(390,199)
	95,030	106,347

Book value of trade receivables by category

	2020.	2019.
	(u tisućama kuna)	(u tisućama kuna)
Trade receivables economy	58,418	68,649
Trade receivables citizens	36,487	37,460
Trade receivables abroad	125	238
	95,030	106,347

Trade receivables are stated at amortized cost. Statutory default interest is charged on late payments. The impairment of trade receivables is recorded by the Company for all receivables older than 365 days and after the initiation of the forced collection procedure.

The structure of trade receivables is analyzed at least twice a year, reminders are sent to customers for overdue uncollected receivables, and for suspicious and disputable receivables from customers, a procedure of forced collection of overdue receivables (enforcement and lawsuits) is initiated. Receivables for the delivery of utility services to citizens and the economy are regulated by special laws and are not secured by any financial instruments. Receivables for the delivery of other services to the economy from the segment of market activities are secured by various financial instruments (bills of exchange, debentures, bank guarantees, etc.). When determining the possibility of collecting a receivable, the activity from which the receivable was formed is taken into account (utility or market activities - due to various factors influencing the formation of the price and conditions of service delivery) and the entity to which the service was delivered (citizenship or economy) due to different statute of limitations).

26/ TRADE RECEIVABLES AND OTHER RECEIVABLES / CONTINUED

The analysis of the age structure of customer receivables by business segments and customer categories (retail and business) determined the expected credit losses arising from the calculation of customer receivables from the segment of cleanliness and waste disposal, which represent the most significant part of short-term customer receivables, number of individual customers with smaller amounts of individual receivables not secured by means of payment security.

Age analysis of overdue and overdue and undiminished receivables:

	31 Dec 2020	31 Dec 2019
	(‘000 HRK)	(‘000 HRK)
Undue	51,912	56,077
0-60 days	20,871	29,702
60-180 days	10,414	13,298
180-365 days	10,605	5,950
over 365 days	1,228	1,320
	95,030	106,347

Movement in impairment allowance for doubtful receivables::

	31 Dec 2020	31 Dec 2019
	(‘000 HRK)	(‘000 HRK)
Balance as at 1 January	390,199	463,699
Impairment losses recognised (note 11)	30,154	27,816
Written off receivables	(5,496)	(71,274)
Amounts recovered during the year (note 7)	(20,176)	(30,042)
Stanje na dan 31. prosinca	394,681	390,199

26/ TRADE RECEIVABLES AND OTHER RECEIVABLES / CONTINUED
/ii/ Receivables from employees

	31 Dec 2020	31 Dec 2019
	(‘000 HRK)	(‘000 HRK)
Receivables from employees	287	284
Impairment of receivables from employees	(1)	(1)
	286	283

/iii/ Receivables from the state

	31 Dec 2020	31 Dec 2019
	(‘000 HRK)	(‘000 HRK)
Receivables from HZZO	4,226	3,588
Receivables for overpaid income tax	11,382	-
Value added tax receivables	1,127	4,117
Other claims for taxes, contributions and fees	485	469
	17,220	8,174

/iv/ Other receivables

	31 Dec 2020	31 Dec 2019
	(‘000 HRK)	(‘000 HRK)
Prepaid expenses	10,353	13,294
Accrued income	11,006	12,835
Current maturity of non-current receivables - note 23	13,700	17,320
Advances	5,551	5,858
Receivables from insurance companies for damages	946	5,003
Impairment of advances	(293)	(293)
Other receivables	16,949	9,298
	58,212	63,315

27/ FINANCIAL ASSETS*Financial assets carried at amortized cost*

	31 Dec 2020	31 Dec 2019
	(‘000 HRK)	(‘000 HRK)
Other financial assets	1,698	2,625
Deposits	753	753
	2,451	3,378

28/ CASH AND CASH EQUIVALENTS

	31 Dec 2020	31 Dec 2019
	(‘000 HRK)	(‘000 HRK)
Giro account – HRK	12,981	21,698
Cash in hand – HRK	831	893
Giro account – foreign currency	11,566	19,216
Cash in hand – foreign currency	2	1
Other cash (court deposits and other cash)	3,833	24,101
	29,213	65,909

29/ CAPITAL AND RESERVES

Share capital

The only member of the Company is the City of Zagreb. As at 31 December 2020, the share capital of the Company amounts to HRK 3,177,044 thousand (31 December 2019: HRK 3,177,044 thousand).

Reserves from revaluation of property and land

The revaluation reserve is formed from the revaluation of land. When a revalued asset is sold, the part of the revaluation related to the realized asset is transferred to retained earnings.

	2020	2019	2018
		restated	restated
	('000 HRK)	('000 HRK)	('000 HRK)
Opening balance	1,669,768	1,610,020	2,637,748
Increase (Decrease) from revaluation	6,268	60,169	4,945
Transfer to retained earnings	(11,575)	(421)	-
Division of the Company	-	-	(1,032,673)
Transfer to the City	(10,109)	-	-
Closing balance	1,654,352	1,669,768	1,610,020

Other reserves

Other reserves reported in the statement of financial position (balance sheet) as at 31 December 2020 in the amount of HRK 319,977 thousand (31 December 2019: HRK 319,977 thousand) relate to the share capital of the two merged companies in 2001 mladih Granešina doo and Omladinski turistički centar doo) to one of the branches, for which no increase in share capital in the amount of HRK 15,125 thousand was made, and to capital reserves formed by the Assembly Decision of 13 September 2011 for property donated by the City of Zagreb in the amount of HRK 304,852 thousand.

Retained earnings

	2020	2019	2018
		restated	restated
	('000 HRK)	('000 HRK)	('000 HRK)
Opening balance	350,209	268,179	141,999
Realization of revaluation reserve	11,575	421	-
Deferred tax liability	2,587	-	-
Division of the company	-	-	31,872
(Loss) / profit for the current year	(230,366)	81,609	94,308
Closing balance	134,005	350,209	268,179

30/ LOAN LIABILITIES AND LEASES

	2020	2019
	(‘000 HRK)	(‘000 HRK)
<i>Long term loans</i>		
Loans and borrowings /i/	566,169	587,177
Financial lease /ii/	598,041	631,332
	1,164,210	1,218,509
<i>Short term loans</i>		
Loans and borrowings /iii/	1,146,292	989,406
Financial lease /ii/	48,907	57,736
Other /iv/	47,107	46,199
	1,242,306	1,093,341
Total loans	2,406,516	2,311,850

The average annual interest rate on bank loans received and financial lease on the balance sheet date is 3,25% (2019: 3,53%).

/i/ The movement of long-term loans is shown as follows:

	2020	2019
	(‘000 HRK)	(‘000 HRK)
Balance at 1 January	811,078	1,031,638
Increase for new loans	325,000	150,000
Decrease – loan repayment	(141,454)	(370,829)
Effect of foreign exchange differences	522	269
Balance at 31 December	995,146	811,078
<i>Current maturity</i>	<i>(428,977)</i>	<i>(223,901)</i>
Long-term portion of the loan	566,169	587,177

Repayment schedule of long-term loans and borrowings

	2020	2019
	(‘000 HRK)	(‘000 HRK)
Within one year	428,977	223,901
From the second to inclusive the fifth year	527,836	529,677
After five years	38,333	57,500
	995,146	811,078

30/ LOAN LIABILITIES AND LEASES / CONTINUED
/ii/ Lease liabilities

('000 HRK)	Minimal lease payments		Present value of minimal lease payments	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Within one year	78,045	88,573	48,907	57,736
From the second to inclusive the fifth year	231,302	246,167	131,497	141,690
After five years	597,037	643,579	466,544	489,642
	906,384	978,319	646,948	689,068
<i>Less: future finance expenses</i>	(259,436)	(289,251)		
Present value of minimal payments	646,948	689,068		
<i>Current liabilities</i>	<i>48,907</i>	<i>57,736</i>		
<i>Non-current liabilities</i>	<i>598,041</i>	<i>631,332</i>		
	646,948	689,068		

Lease obligations relate to finance leases and leases of property, plant and equipment. Financial lease refers to equipment (means of transport) and building (Arena hall) that are leased for a period of 5 - 28 years. Upon expiration of the lease agreement, the Company may purchase the property at the agreed values. The Company's liabilities under a finance lease are secured by the lessor's ownership of the leased property.

The Company has the same amount of total liabilities on the basis of financial lease for the hall and recorded receivables from the owner and the state (Notes 23 and 38).

Lease liabilities include liabilities for assets with the right of use according to IFRS 16 in the following amounts:

	31 Dec 2020	31 Dec 2019
	('000 HRK)	('000 HRK)
Long-term part of the lease liability IFRS 16	3,743	6,547
Short-term part of the lease liability IFRS 16	2,300	2,416
	6,043	8,963

30/ LOAN LIABILITIES AND LEASES / CONTINUED

The present value of assets under finance leases is as follows:

	Buildings	Vehicles	Plant and equipment	Total
	(in 000 HRK)	(in 000 HRK)	(in 000 HRK)	(in 000 HRK)
Purchase value	-	-	-	-
Impairment	(112,596)	(61,291)	-	(173,887)
Net book value 31 December 2019	706,285	91,517	-	797,802
Purchase value	818,881	151,966	-	970,847
Impairment	(122,832)	(83,887)	-	(206,719)
Net book value 31 December 2020	696,049	68,079	-	764,128
Present value of the right-of-use asset				
	Buildings	Vehicles	Plant and equipment	Total
	(in 000 HRK)	(in 000 HRK)	(in 000 HRK)	(in 000 HRK)
Net carrying amount at 31 December 2019	1,782	2,339	4,819	8,940
Purchase value	2,735	4,062	5,670	12,467
Value adjustment	(914)	(3,610)	(1,985)	(6,509)
Net carrying amount at 31 December 2020	1,821	452	3,685	5,958
Total present value of leased property				
	Lands and buildings	Vehicles	Plant and equipment	Total
	(in 000 HRK)	(in 000 HRK)	(in 000 HRK)	(in 000 HRK)
Effect of application of IFRS at 16 1 January 2019	2,029	4,079	-	6,108
Purchase value	819,069	152,808	5,670	977,547
Value adjustment	(113,031)	(63,031)	(851)	(176,913)
Net carrying amount at 31 December 2019	708,067	93,856	4,819	806,742
Purchase value	821,616	156,028	5,670	983,314
Value adjustment	(123,746)	(87,497)	(1,985)	(213,228)
Net carrying amount at 31 December 2020	697,870	68,531	3,685	770,086

30/ LOAN LIABILITIES AND LEASES / CONTINUED

/iii/ Short-term loans and borrowings

	31 Dec 2020	31 Dec 2019
	(‘000 HRK)	(‘000 HRK)
Short term loans and borrowings	1,146,292	989,406
<i>Short term loans and borrowings</i>	717,315	765,505
<i>Current maturity of long-term loans /i/</i>	428,977	223,901
Current maturity of financial lease /ii/	48,907	57,736
Other (interests on loans and bonds)/iv/	47,107	46,199
	1,242,306	1,093,341

Movement in short term loans and borrowings

	31 Dec 2020	31 Dec 2019
	(‘000 HRK)	(‘000 HRK)
Balance at 1 January	989,406	722,029
Increase for new loans and borrowings	455,000	475,000
Decrease for repayment of current maturity of long-term loans	(223,901)	(196,676)
Current maturity of long-term loans	428,977	223,901
Decrease for repayment of loans and borrowings	(505,000)	(235,000)
The effect of exchange rate differences	1,810	152
Balance at 31 December	1,146,292	989,406

/iv/ Other

The remaining amount of HRK 47,107 thousand (2019: HRK 46,199 thousand) relates to accrued interest that is not yet due.

31/ BOND LIABILITIES

	31 Dec 2020	31 Dec 2019
	(‘000 HRK)	(‘000 HRK)
Nominal value	2,300,000	2,300,000
Premium	4,487	6,129
Discount	(20,146)	(27,513)
Cost of issuance of bonds	(13,063)	(17,065)
Current value of bonds	2,271,278	2,261,551

31/ BOND LIABILITIES / CONTINUED

In July 2016, the Company issued bonds in the nominal amount of HRK 1,800,000 thousand at a fixed interest rate of 3.875% and an issuing price of 97.19%.

In July 2017, the Company issued bonds in the nominal amount of HRK 500,000 thousand at a fixed interest rate of 3.875% and an issuing price of 102.00%. In July 2017, the rest of the liability for issued Euro bonds matured in July 2017 was repaid in full.

The average annual interest rate on bonds at the balance sheet date was 3,875% (2018.: 3,875%).

The bonds mature on July 15, 2023

32/ OTHER NON-CURRENT LIABILITIES

	31 Dec 2020	31 Dec 2019
	(‘000 HRK)	(‘000 HRK)
Liabilities to related parties (Note 38) /i/	9,501	11,081
Other non-current liabilities /ii/	213	394
	9,714	11,475

/ i / Liabilities to affiliated companies as at 31 December 2020 in the amount of HRK 9,501 thousand relate to the utility contribution to the City of Zagreb (31 December 2019: HRK 11,081 thousand).

/ ii / Other long-term liabilities stated in the statement of financial position (balance sheet) as at 31 December 2020 in the amount of HRK 213 thousand (31 December 2019: HRK 394 thousand), relate to the liability to the government for sold apartments to employees in accordance with the state program. According to the then valid legal regulations, 65% of the income generated from the sale of apartments to employees, was paid to the state upon receipt of funds. According to the Law, the Company has no obligation to remit funds before collection from employees.

33/ PROVISIONS

	31 Dec 2020	31 Dec 2019
	(‘000 HRK)	(‘000 HRK)
Provisions for employee benefits under IAS 19 (Note 39) /i/	97,526	96,265
Provisions for legal disputes /ii/	78,968	103,724
Provisions for landfill reparation /iii/	48,270	51,163
Provisions for other liabilities	956	132
	225,720	251,284
<i>Current liability (note 36)</i>	<i>(16,775)</i>	<i>(18,736)</i>
<i>Non-current liability</i>	<i>208,945</i>	<i>232,548</i>

33/ PROVISIONS / CONTINUED

/ i / The provision for employee benefits arises from the collective agreement, and the provisions are determined in accordance with IAS 19 "Employee Benefits". Provisions for employee benefits include provisions for severance pay, jubilee awards and solidarity grants. Provisions are measured at the present value of the costs that are expected to be required to settle the obligation, using a discount rate of 1.5% (2019: 1.5%).

/ ii / Provisions for costs of initiated litigation against the Company are made upon learning of the initiation of the dispute and assessment of the outcome of the dispute. Management believes that the cost provision is sufficient for possible liabilities that may follow.

/ iii / Provisions for landfill remediation relate to the costs of maintenance and supervision of the Jakuševac landfill after its closure for the next 30 years for environmental protection purposes in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". Subject provisions are discounted. Provisions are measured at the present value of the costs that are expected to be required to settle the obligation, using a discount rate of 1.5% (2019: 1.5%).

Changes in provisions during the year

('000 HRK)	31 Dec 2020	Decrease	Increase	31 Dec 2019
Provisions for employee benefits (Note 11)	97,526	(1,132)	2,393	96,265
Provisions for legal disputes (Note 11)	78,968	(30,589)	5,833	103,724
Provisions for landfill reparation (Note 11)	48,270	(2,893)	-	51,163
Provisions for other liabilities (Note 11)	956	(132)	956	132
	225,720	(34,746)	9,182	251,284

34/ DEFERRED INCOME

	31 Dec 2020	31 Dec 2019
	('000 HRK)	('000 HRK)
Deferred income	791,131	876,078
<i>Short-term part</i>	(35,916)	(35,630)
<i>Long-term part</i>	755,215	840,448

Deferred income relates to assets received or financed by local self-government units and other legal entities, free of charge, which are reported in the balance sheet / statement of financial position under deferred income. The decrease in deferred income is recognised in the statement of profit or loss proportionally over the useful life of respective assets as revenue in the amount of calculated depreciation of assets in accordance with IAS 20.

35/ LIABILITIES TO RELATED PARTIES

	31 Dec 2020	31 Dec 2019	1 Jan 2019
		restated	restated
	('000 HRK)	('000 HRK)	('000 HRK)
Liabilities to related parties (note 38)	125,284	90,196	105,102

36/ TRADE AND OTHER PAYABLES

	31 Dec 2020	31 Dec 2019
	(‘000 HRK)	(‘000 HRK)
Accounts payable	259,204	195,455
Liabilities to employees for net salaries and fees	42,500	35,858
Liabilities for advances, deposits and guarantees	25,544	10,589
Other liabilities /i/	173,910	151,961
	501,158	393,863

Other liabilities /i/ were as follows:

	31 Dec 2020	31 Dec 2019
	(‘000 HRK)	(‘000 HRK)
Accrued costs for which the invoice has not received and are charged to the current period	59,001	65,648
Taxes and contributions on salaries and fees	47,609	17,783
VAT liability	28,856	20,835
Current maturity of long-term provisions	16,775	18,736
Deferred recognition of sales revenue	13,059	16,267
Other liabilities for compensation under arrangements	7,849	10,225
Obligation for membership, fees and other	761	2,467
	173,910	151,961

37/ OFF-BALANCE SHEET ITEMS

	31 Dec 2020	31 Dec 2019
	(‘000 HRK)	(‘000 HRK)
Off-balance sheet items	149,444	155,029
	149,444	155,029

Off-balance sheet notes refer to given guarantees and debentures, received guarantees, debentures and the City guarantee for issued bonds

38/ RELATED PARTY TRANSACTIONS

The founder of the Company and the sole owner The City of Zagreb has certain business relations with companies within the Group. Subsidiaries are listed in Note 1. Also, the Company presents significant transactions with companies and / or entities that are fully or partially owned by the City of Zagreb..

Revenues and expenses between related parties during the year were as follows:

	Revenue		Expenses	
	2020.	2019.	2020.	2019.
	('000 HRK)	('000 HRK)	('000 HRK)	('000 HRK)
City of Zagreb	809,060	890,583	5,758	8,659
Vodoopskrba i odvodnja d.o.o.	30,560	28,658	2,407	2,608
Gradska plinara Zagreb d.o.o.	14,693	26,835	-	30
Gradsko stambeno komunalno gospodarstvo d.o.o.	8,267	8,470	4,375	4,296
Gradska plinara Zagreb-Opskrba d.o.o.	2,363	1,403	5,345	6,366
Zagreb plakat d.o.o.	2,946	2,476	1	174
Gradska ljekarna Zagreb	86	87	2,076	1,688
AGM d.o.o.	1,635	467	-	1
Zagrebačka stanogradnja d.o.o.	5,372	9,459	58	-
Centar d.o.o.	44	60	-	-
Ostala povezana društva izvan Grupe	17,475	22,243	4,606	4,033
	892,501	990,741	24,626	27,855
<i>Income between related related to:</i>				
<i>Sales revenue (Note 6)</i>	<i>834,913</i>	<i>918,180</i>		
<i>Subsidies and grants (Note 7)</i>	<i>19,995</i>	<i>21,523</i>		
<i>Financial income (Note 14)</i>	<i>37,593</i>	<i>51,038</i>		
	892,501	990,741		

Revenues from related-party transactions were made at standard market prices that are comparable with the prices charged to unrelated parties.

38/ RELATED PARTY TRANSACTIONS / CONTINUED

Outstanding balances from trading transactions at the end of the reporting period:

	Receivables from related parties	
	31 Dec 2020	31 Dec 2019.
	('000 HRK)	('000 HRK)
City of Zagreb (Note 25)	516,743	320,233
Gradsko stambeno komunalno gospodarstvo d.o.o.	23,564	20,360
Vodoopskrba i odvodnja d.o.o.	18,130	20,755
Gradska plinara Zagreb d.o.o.	1,746	1,531
AGM d.o.o.	1,188	151
Zagreb plakat d.o.o.	33	5
Gradska plinara Zagreb-Opskrba d.o.o.	379	349
Gradska ljekarna Zagreb	7	20
Zagrebačka stanogradnja d.o.o.	180	199
Centar d.o.o.	41	32
Other related parties outside of the Group	3,627	6,231
	565,638	369,866

The outstanding balances are not secured by any security instrument (debentures, bills of exchange, bank guarantees) and will be settled in cash.

	Liabilities to related parties		
	31 Dec 2020	31 Dec 2019.	31 Dec 2018.
		restated	restated
	('000 HRK)	('000 HRK)	('000 HRK)
City of Zagreb (Note 35)	17,596	14,940	14,566
Gradska plinara Zagreb Opskrba d.o.o.	2,851	2,618	2,511
Vodoopskrba i odvodnja d.o.o.	1,219	780	812
AGM d.o.o.	22	1	-
Gradsko stambeno komunalno gospodarstvo d.o.o.	637	409	279
Zagreb plakat d.o.o.	262	6	15
Gradska ljekarna Zagreb	1,161	-	21
Gradska plinara Zagreb d.o.o.	7	4	74
Other related parties outside of the Group	1,172	1,307	316
	24,927	20,065	18,594

38/ RELATED PARTY TRANSACTIONS / CONTINUED
Loans to related parties (Note 23 i 25)

	31 Dec 2020	31 Dec 2019
	(‘000 HRK)	(‘000 HRK)
Zagrebačka stanogradnja d.o.o.	143,265	179,995
Vodoopskrba i odvodnja d.o.o.	22,873	119,532
AGM d.o.o.	11,932	10,468
Gradsko stambeno komunalno gospodarstvo d.o.o.	52	52
Centar d.o.o.	643	618
Zagrebački velesajam d.o.o.	34,688	34,381
ZET d.o.o.	361,361	349,935
	574,814	694,981

During the reporting periods, the Company granted several short-term and long-term (maturities within 10 years) loans to related parties as set out in the table above. The agreed interest rates can be compared with the market interest rates at which the Company can borrow on the money market at the time of concluding the loan. Loans are secured by payment instruments in the form of debentures.

Loan liabilities to related parties (Note 35)

	31 Dec 2020	31 Dec 2019
	(‘000 HRK)	(‘000 HRK)
Gradska ljekarna Zagreb	100,357	70,131
	100,357	70,131

Other long-term receivables

	31 Dec 2020	31 Dec 2019
	(‘000 HRK)	(‘000 HRK)
City od Zagreb (Note 23 /i/)	720,749	712,069

Related parties of the Company are the Management Board and members of the Supervisory Board. Members of the Management Board (Management Board and branch managers) and the Supervisory Board were remunerated as follows:

	31 Dec 2020	31 Dec 2019
	(‘000 HRK)	(‘000 HRK)
Salaries of the Management Board and branch managers	7,563	7,565
Fees to the Supervisory and Audit Boards	710	645
	8,273	8,210

39/ EMPLOYEE BENEFITS

As at 31 December 2020, provisions for employee benefits that include jubilee awards, severance pay and solidarity grants amount to HRK 97,526 thousand (31 December 2019: HRK 96,265 thousand).

Jubilee awards, severance pay and solidarity grants

In accordance with the collective agreement, the Company has the obligation to pay jubilee awards to its employees. The Company has a defined benefit plan for employees who meet certain criteria. On December 30, 2019, a new Collective Agreement was signed for employees of the Company, which defined the rights to jubilee awards in the following amounts in relation to the continuous service in the Company:

- HRK 1,500 for 10 years of service
- HRK 2,000 for 15 years of service
- HRK 2,500 for 20 years of service
- HRK 3,000 for 25 years of service
- HRK 3,500 for 30 years of service
- HRK 4,000 for 35 years of service
- HRK 4,500 for 40 years of service

At the time of regular retirement, the employee under the Collective Agreement is entitled to compensation in the amount of 3 average monthly salaries paid out in the Zagreb in the previous three months.

Solidarity support is based on the average salary paid in the territory of Zagreb and is paid in the following cases:

- death of the employee or a member of his/her close family
- severe disability of the employee, his/her children or spouse
- sick leave of the employee beyond 90 days
- support to the children of employees - Homeland War veterans
- purchase of medical aids, coverage of the participation component in purchasing necessary pharmaceuticals required by the opinion of the competent doctor
- restoration of damage resulting from an Act of God
- birth of a child
- severe occupational injury

The present value of defined benefit obligations and the related current and past service costs have been determined using the Projected Credit Unit method and the discount rate of 1,5% (2019: 1,5%) which reflects the market yield on government bonds.

Actuarial estimates are made based on the following key assumptions:

	2020	2019
Discount rate	1,50%	1,50%
Fluctuation rate	4,2%	4,0%
Average expected remaining service period (in years)	19,2	19,4
Base growth	2%	2%

The amount stated in the statement of financial position (balance sheet) based on the Company's liabilities from defined severance pay, jubilee awards and solidarity grants:

	2020	2019
		restated
	('000 HRK)	('000 HRK)
The present value of the liability for employee benefits	97,526	96,265

40/ FINANCIAL INSTRUMENTS

Capital risk management

Net capital to debt ratio

The capital structure is analyzed by analysis of the capital cost and related risks.

The gearing ratio at the end of the reporting period amounted to:

	2020	2019 restated	2018 restated
	(‘000 HRK)	(‘000 HRK)	(‘000 HRK)
Debt	4,067,448	3,948,419	3,907,971
Borrowings, loans and finance leases (long-term and short-term portion)	2,406,516	2,311,850	2,302,942
Liabilities for long-term securities	2,271,278	2,261,551	2,251,358
-based on the financial lease of the Arena Hall (also shown as a receivable from the City of Zagreb and the Government of the Republic of Croatia)	(610,346)	(624,982)	(646,329)
Cash on hand and balances with banks	29,213	65,909	78,795
Net debt	4,038,235	3,882,510	3,829,176
Capital	5,285,378	5,516,998	5,375,220
Net debt and equity ratio	76,4%	70,4%	71,2%

40/ FINANCIAL INSTRUMENTS / CONTINUED

Categories of financial instruments

	2020	2019	2018
		(restated)	(restated)
(In HRK 000)			
Financial assets at amortised cost			
Cash at bank and on hand	29,213	65,909	78,795
Long-term deposits and other financial assets	127,486	127,672	127,590
Receivables from related parties and trade receivables	1,381,417	1,188,281	1,106,262
Receivables under loans and credit sales	575,532	700,035	772,178
Receivables from employees	286	283	264
Other receivables	350,261	359,577	380,664
Financial assets carried at fair value	703	915	904
	2,464,896	2,442,672	2,466,657
Financial liabilities at amortised cost			
Lease contracts	646,948	689,069	698,619
Loans and borrowings (long-term and short-term)	1,712,461	1,576,583	1,556,990
Liabilities under long-term securities issued	2,271,278	2,261,551	2,251,358
Liabilities to related parties and trade payables	394,202	297,125	287,600
Liabilities under loans, deposits and guarantees	25,544	10,589	9,359
Liabilities to employees	42,500	35,858	31,882
Other current liabilities	80,178	111,371	110,082
	5,173,111	4,982,146	4,945,890

Financial risk management objectives

To be able to predict potential situations that could have a negative impact on its operations and fulfilment of its objectives, the Company identifies financial risks, determines their potential impact on the Company's future operations and manages financial risks.

The Company makes an effort to mitigate, avoid and overcome various forms of financial risks that it encounters in its operations in order to increase business security. Particular financial risks are accepted when they are considered economically justified.

The most important risks and the methods used to manage them are described below. The Company did not use any derivative instruments for risk management. The Company does not use any derivative instruments for speculation purposes.

Market risk

Prices of municipal services are proposed by the Company's Management Board and set and approved by the City of Zagreb. Prices of market services are set by the Company's Management Board based on market prices.

The Company's activities are primarily exposed to the financial risk of fluctuations of foreign currency exchange rates and interest rates. Exposure to market risk is supplemented by a sensitivity analysis. There were no changes in the Company's exposure to market risk or in the methods used to manage and measure the risk.

Currency risk

The Company carries out certain transactions in foreign currencies and is therefore exposed to the risks of exchange rate fluctuations.

40/ FINANCIAL INSTRUMENTS / CONTINUED

Currency risk / continued

The table below shows the carrying amounts of the Company's monetary assets and monetary liabilities denominated in a foreign currency as at the reporting date.

	Liabilities			Assets		
	As at 31/12/2020	As at 31/12/2019	As at 31/12/2018	As at 31/12/2020	As at 31/12/2019	As at 31/12/2018
	(In HRK 000)			(In HRK 000)		
EUR	826,685	809,948	866,413	826,685	809,948	866,413

Currency risk sensitivity analysis

The Company is mainly exposed to the currency risk of fluctuation of the HRK to EUR exchange rate arising from the liabilities under long-term loans, 20% of which are linked to EUR. Furthermore, the issuing of HRK bonds and redemption of Eurobonds significantly reduced the Company's exposure to currency risk. Considering that the share of debts in a foreign currency is small, the Company believes that currency risk is not significant.

The following table analyses the Company's sensitivity to a 1% increase in HRK exchange rate in relation to relevant foreign currencies. The sensitivity rate of 1% is the rate used in internal reports on currency risk and represents the Company's estimate of realistically possible changes in the HRK to EUR exchange rate. The sensitivity analysis includes monetary assets and monetary liabilities in a foreign currency. A negative figure represents a decrease in profit that would occur if HRK changed in relation to the relevant currency by the percentage specified above. In case of an inversely proportional change in HRK value in relation to the relevant currency, the impact on profit would be opposite, in an equivalent amount.

	Impact of EUR		
	As at 31/12/2020	As at 31/12/2020	As at 31/12/2020
		(restated)	(restated)
	(In HRK 000)		
(Loss) / profit	2,796	3,086	5,091

Interest rate risk management

The Company is not significantly exposed to the risk of interest rate fluctuations due to the fact that 10% of its total loans payable is linked to variable interest rates and 90% of the Company's total loans payable have been contracted at a fixed interest rate. Issued HRK bonds with a fixed annual coupon of 3.875%, as well as the liability under the finance lease of the Zagreb Arena hall with an interest rate of 4.7%, account for the majority of the Company's loans payable with a fixed interest rate.

Credit risk management

Credit risk is the risk of the buyers' failure to pay or to fulfil contractual obligations that impacts the Company's potential financial loss. In its transactions with the buyers, the Company collects guarantees in order to protect itself from potential financial risks and losses arising from failure to pay or fulfil contractual obligations.

Buyers are grouped into risk groups in accordance with their financial indicators and their past dealings with the Company. Adequate measures of protection against credit risk are enforced for each risk group. To assign buyers to a particular risk group, the Company mostly uses the information from their official financial statements and the Company's data about our past transactions.

The Company deals with a large number of buyers from various industries of different sizes and with a large number of retail customers. Trade receivables are adjusted for the value of doubtful and bad debts.

Liquidity risk management

The Company uses the following instruments to monitor and mitigate the liquidity risk: cash flow analysis and management, asset analysis and analysis of sources of asset funding, buyer creditworthiness analysis, guarantees, contracts for open credit lines based on the revolving principle and other similar instruments.

40/ FINANCIAL INSTRUMENTS / CONTINUED
Liquidity risk management (continued)
Tabular liquidity risk and interest rate risk analysis

Remaining contractual maturities of the Company's non-derivative financial liabilities are disclosed in the tables below. The tables were compiled based on undiscounted cash outflows under financial liabilities on the earliest date on which the Company can be required to pay. The table includes both principal and interest cash outflows.

(In HRK 000)	Weighted average interest rate	Up to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	After 5 years	Total
As at 31/12/2020	%							
<i>Interest-free</i>								
Liabilities to related parties and trade payables		384,700	3,080	3,080	3,080	262	-	394,202
Liabilities under loans, deposits and guarantees		25,544	-	-	-	-	-	25,544
Liabilities toward employees		42,500	-	-	-	-	-	42,500
Other current liabilities		80,178	-	-	-	-	-	80,178
<i>Variable rate instruments</i>								
Liabilities under finance lease	4.68%	78,045	66,168	56,328	54,517	54,289	597,037	906,384
Loans and borrowings	3.38%	68,416	67,755	61,707	30,000	-	-	227,878
<i>Fixed-rate instruments</i>								
Bonds issued	3.88%	89,125	89,125	2,344,563	-	-	-	2,522,813
Loans and borrowings	2.88%	1,101,972	124,245	119,410	103,323	49,984	39,180	1,538,114
		<u>1,870,480</u>	<u>350,373</u>	<u>2,585,088</u>	<u>190,920</u>	<u>104,534</u>	<u>636,217</u>	<u>5,737,613</u>

40/ FINANCIAL INSTRUMENTS / CONTINUED
Liquidity risk management (continued)
Tabular liquidity risk and interest rate risk analysis

(In HRK 000)	Weighted average interest rate	Up to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	After 5 years	Total
As at 31 December 2019 (restated)	%							
<i>Interest-free</i>								
Liabilities to related parties and trade payables		285,987	3,080	3,080	3,080	1,841	-	297,068
Liabilities under loans, deposits and guarantees		10,589	-	-	-	-	-	10,589
Liabilities toward employees		35,858	-	-	-	-	-	35,858
Other current liabilities		111,371	-	-	-	-	-	111,371
<i>Variable rate instruments</i>								
Liabilities under finance lease	4.68%	88,573	73,864	62,204	55,077	55,022	643,579	978,319
Loans and borrowings	3.38%	77,011	74,920	72,188	62,475	30,495	-	317,089
<i>Fixed-rate instruments</i>								
Bonds issued	3.88%	89,125	89,125	89,125	2,300,000	-	-	2,567,375
Loans and borrowings	2.88%	932,979	89,352	88,618	85,746	64,987	59,372	1,321,054
		<u>1,631,493</u>	<u>330,341</u>	<u>315,215</u>	<u>2,506,378</u>	<u>152,345</u>	<u>702,951</u>	<u>5,638,723</u>

40/ FINANCIAL INSTRUMENTS / CONTINUED

*Liquidity risk management (continued)*Tabular liquidity risk and interest rate risk analysis

Analysis of expected maturity of the Company's non-derivative financial assets is presented in the table below. The tables were compiled based on undiscounted contractual maturity of financial assets, including interest that will be earned on such assets.

	Weighted average effective interest rate	Up to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	After 5 years	Total
(In HRK 000)								
As at 31/12/2020								
<i>Interest-free</i>								
Cash and cash equivalents		29,213	-	-	-	-	-	29,213
Financial assets at fair value		703	-	-	-	-	-	703
Receivables from related parties and trade receivables		779,542	111,416	110,239	107,038	47,331	405,114	1,560,680
Receivables from employees		286	-	-	-	-	-	286
Other receivables		57,963	13,905	14,359	15,045	15,765	233,224	350,261
<i>Variable rate instruments</i>								
Deposits given and other securities	1.56%	873	874	874	437	56,000	-	59,058
<i>Fixed-rate instruments</i>								
Deposits given and other securities	3.35%	3,085	6,865	2,246	2,246	2,246	68,415	85,103
Loans granted	5%	78	-	-	-	-	-	78
Receivables under apartment loans	1%	172	187	146	70	38	25	638
Loans granted to related parties	3.88%	196,634	76,103	73,321	71,165	68,997	153,159	639,379
		<u>1,068,549</u>	<u>209,350</u>	<u>201,185</u>	<u>196,001</u>	<u>190,377</u>	<u>859,937</u>	<u>2,725,399</u>

40/ FINANCIAL INSTRUMENTS / CONTINUED

*Liquidity risk management (continued)*Tabular liquidity risk and interest rate risk analysis

	Weighted average effective interest rate	Up to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	After 5 years	Total
(In HRK 000)								
As at 31/12/2019								
<i>Interest-free</i>								
Cash and cash equivalents		65,909	-	-	-	-	-	65,909
Financial assets at fair value		915	-	-	-	-	-	915
Receivables from related parties and trade receivables		596,504	119,229	119,530	118,862	116,056	453,457	1,523,638
Receivables from employees		264	-	-	-	-	-	264
Other receivables		73,460	27,122	26,703	26,703	26,794	321,790	502,572
<i>Variable rate instruments</i>								
Deposits given and other securities	1.56%	874	874	874	874	56,435	-	59,931
<i>Fixed-rate instruments</i>								
Deposits given and other securities	3.35%	3,143	2,308	5,014	2,225	2,226	67,781	82,697
Loans granted	5%	4,379	-	-	-	-	-	4,379
Receivables under apartment loans	1%	170	223	208	161	73	67	902
Loans granted to related parties	3.88%	229,444	98,755	79,438	76,319	73,831	229,951	787,738
		<u>975,062</u>	<u>248,511</u>	<u>231,767</u>	<u>225,144</u>	<u>275,415</u>	<u>1,073,046</u>	<u>3,028,945</u>

40/ FINANCIAL INSTRUMENTS / CONTINUED*Fair value of financial instruments*

Fair value inputs recognised in the statement of financial position / balance sheet

Analysis of the financial instruments measured at fair value after initial recognition, divided into three levels depending on observable inputs, is presented below:

- Level 1 inputs – valuation at (unadjusted) prices quoted in active markets for identical assets or liabilities.
- Level 2 inputs – inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs – inputs derived by applying valuation techniques in which data about assets or liabilities not based on observable market data is used as inputs.

	As at 31/12/2020			
(In HRK 000)	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>

Financial assets at FVTPL

– Investments in shares	-	-	703	703
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	As at 31/12/2019			
(In HRK 000)	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>

Financial assets at FVTPL

– Investments in shares	-	-	915	915
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41/ CONTRACTUAL COMMITMENTS

The Company has pending contracts and contracts that have been concluded, but not yet completed. The estimated value of these contracts, which mainly pertain to investments that have been initiated, amounts to HRK 181,712 thousand (as at 31 December 2019: HRK 148,819 thousand)

42/ LEGAL DISPUTES

The Company is a party to various legal disputes. Based on estimates, the management believes that provisions for legal disputes made in the amount of HRK 78,968 thousand (as at 31 December 2019: HRK 103,724 thousand) are sufficient to cover any potential liabilities that may arise (Note 33).

43/ CONTINGENT LIABILITIES*Environmental protection*

Landfill Management is a subsidiary operating within the Company and its primary activity includes disposal of municipal and other waste at the Jakuševac Landfill and assisting the City of Zagreb in designing a long-term strategy for developing the municipal waste management system in the City of Zagreb. The environmental impact of these activities is monitored by the local and state authorities dealing with environmental protection. In accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets, the Company made provisions for future landfill management and monitoring expenditures in the amount of HRK 48,270 thousand (as at 31 December 2019: HRK 51,163 thousand).

44/ CONTINGENT ASSETS**Intervention measure**

The Grant Agreement for the project "Intervention measure to decrease landfilling municipal waste created in the City of Zagreb", which is worth HRK 93,973,317.60 and 80% of which is financed from EU funds, was concluded on 25 March 2021 between the Ministry of Economy and Sustainable Development (a level 1 Intermediate Body), Environmental Protection and Energy Efficiency Fund (a level 2 Intermediate Body) and City of Zagreb as grant beneficiaries. Total eligible costs for the Project amount to HRK 93,575,907.20, of which HRK 75,678,598.97 represents grants.

Within the scope of this Project, City of Zagreb and its partner Zagreb Holding Ltd., subsidiaries City Waste Disposal and Zrinjevac, are implementing the following activities: procurement of bins for separate collection of biodegradable municipal waste and bins for separate collection of recyclable municipal waste, procurement of vehicles for separate collection and transport of biodegradable waste and municipal waste, procurement of equipment for treatment of separately collected biodegradable waste, procurement of mobile recycling centres, and procurement of IT system for better monitoring of quantities of waste. This project has been implemented with a view of contributing to improvement of the waste management system through reducing the quantities of mixed municipal waste and increased rate of separate collection in the area of the City of Zagreb, and to sustainable development and sustainability of resources. Project implementation period is from 2015 to 2022.

Receivables pertaining to incentives payable by the Environmental Protection and Energy Efficiency Fund

The Company provides public services of separate waste collection – services for which it is entitled to receive incentives from the Environmental Protection & Energy Efficiency Fund ("Fund"); however, the Fund has not been paying these incentives to the Company in line with applicable regulations. Negotiations are currently under way with the Fund about the payout of unpaid incentives in accordance with the Ordinance on Packaging and Packaging Waste and the Agreement concluded between the Fund and the Company regarding temporary collection of packaging waste. In the context of these negotiations, the Company has requested compensation of actual costs incurred in the provision of this public service.

In addition, the Company is also faced with the problem of handing over waste to certified waste recovery companies, because the recovery companies with which the Fund has concluded contracts refuse to accept waste from the Company, with the explanation that they are unable to receive that type of waste. Owing to that fact, the Company has been handing over the collected plastic packaging waste to be further processed by companies that have the appropriate permit for that activity, but this is done at a fee – consequently, the Company believes that because the Fund has failed to fulfil its legal obligations, the Company is entitled to also claim reimbursement from the Fund for the costs incurred in this respect.

45/ EVENTS AFTER THE DATE OF NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION / BALANCE SHEET**Borrowings**

After the date of the non-consolidated statement of financial position / balance sheet, the Company refinanced the short-term loan with Zagrebačka banka d.d. in the amount of HRK 200 million, prolonged the maturity of the short-term loan with Erste&Steiermärkische Bank d.d. in the amount of HRK 70 million, and repaid the short-term loan with HPB d.d. in the amount of HRK 100 million..

46/ PENSION INSURANCE

The Company does not have a special pension insurance scheme for its employees or the Management Board. Accordingly, no provisions for such costs have been made.

Regarding the Company employees employed in the Republic of Croatia, the Company pays pension insurance contributions stipulated by the law. These contributions form the basis of pensions payable to Croatian employees from the Croatian Pension Fund after their retirement. At the moment, the Company has no outstanding liabilities for unpaid pensions to either current or former employees.

47/ APPROVAL OF NON-CONSOLIDATED FINANCIAL STATEMENTS

The Management Board adopted these Non-Consolidated Financial Statements and approved their publication on 27 April 2021.



Ana Stojić Deban

President of the Management Board
Board



Daniela Franić

Member of the Management Board



Bernard Mršo

Member of the Management Board



Marica Dusper

Member of the Management Board

BALANCE SHEET
balance as at 31.12.2020

in HRK

Obveznik: ZAGREBAČKI HOLDING d.o.o.			
Item	ADP code	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4
A) RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID			
B) FIXED ASSETS (ADP 003+010+020+031+036)	002	10.890.043.891	10.832.969.213
I INTANGIBLE ASSETS (ADP 004 to 009)	003	16.551.491	19.459.650
1 Research and development	004	10.500	423.529
2 Concessions, patents, licences, trademarks, software and other rights	005	11.576.716	10.588.432
3 Goodwill	006	0	0
4 Advance payments for purchase of intangible assets	007	0	0
5 Intangible assets in preparation	008	3.783.071	5.768.401
6 Other intangible assets	009	1.181.204	2.679.288
II TANGIBLE ASSETS (ADP 011 to 019)	010	6.893.490.338	6.883.929.818
1 Land	011	2.629.550.557	2.726.847.833
2 Buildings	012	1.661.582.389	1.553.824.937
3 Plant and equipment	013	118.540.900	136.619.341
4 Tools, working inventory and transportation assets	014	144.288.381	133.724.123
5 Biological assets	015	0	0
6 Advance payments for purchase of tangible assets	016	2.256.660	0
7 Tangible assets in preparation	017	156.894.544	166.183.985
8 Other tangible assets	018	54.680.433	51.697.064
9 Investment property	019	2.125.696.474	2.115.032.535
III FIXED FINANCIAL ASSETS (ADP 021 to 030)	020	3.020.546.729	2.929.404.941
1 Investments in holdings (shares) of undertakings within the group	021	2.407.665.790	2.407.665.790
2 Investments in other securities of undertakings within the group	022	0	0
3 Loans, deposits, etc. to undertakings within the group	023	487.671.867	396.000.918
4 Investments in holdings (shares) of companies linked by virtue of participating interest	024	909.060	692.006
5 Investment in other securities of companies linked by virtue of participating interest	025	0	0
6 Loans, deposits etc. given to companies linked by virtue of participating interest	026	0	0
7 Investments in securities	027	6.273	10.597
8 Loans, deposits, etc. given	028	0	0
9 Other investments accounted for using the equity method	029	0	0
10 Other fixed financial assets	030	124.293.739	125.035.630
IV RECEIVABLES (ADP 032 to 035)	031	934.556.948	934.186.148
1 Receivables from undertakings within the group	032	633.239.350	641.421.595
2 Receivables from companies linked by virtue of participating interests	033	0	0
3 Customer receivables	034	732.279	467.372
4 Other receivables	035	300.585.319	292.297.181
V. Deferred tax assets	036	24.898.385	65.988.656

BALANCE SHEET
balance as at 31.12.2020

in HRK

Obveznik: ZAGREBAČKI HOLDING d.o.o.			
Item	ADP code	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4
C) CURRENT ASSETS (ADP 038+046+053+063)	037	1.150.964.190	1.108.129.075
I INVENTORIES (ADP 039 to 045)	038	273.683.294	103.297.050
1 Raw materials	039	69.103.563	75.561.347
2 Work in progress	040	8.117.540	8.260.254
3 Finished goods	041	13.200.877	15.179.293
4 Merchandise	042	4.878.787	4.113.650
5 Advance payments for inventories	043	354.327	182.506
6 Fixed assets held for sale	044	178.028.200	0
7 Biological assets	045	0	0
II RECEIVABLES (ADP 047 to 052)	046	596.532.991	794.277.142
1 Receivables from undertakings within the group	047	448.694.849	644.965.365
2 Receivables from companies linked by virtue of participating interest	048	0	0
3 Customer receivables	049	106.347.199	95.030.097
4 Receivables from employees and members of the undertaking	050	283.413	285.514
5 Receivables from government and other institutions	051	8.173.660	17.220.214
6 Other receivables	052	33.033.870	36.775.952
III SHORT-TERM FINANCIAL ASSETS (ADP 054 to 062)	053	214.839.019	181.342.036
1 Investments in holdings (shares) of undertakings within the group	054	207.308.198	178.813.481
2 Investments in other securities of undertakings within the group	055	0	0
3 Loans, deposits, etc. to undertakings within the group	056	0	0
4 Investments in holdings (shares) of companies linked by virtue of participating interest	057	0	0
5 Investment in other securities of companies linked by virtue of participating interest	058	0	0
6 Loans, deposits etc. given to companies linked by virtue of participating interest	059	0	0
7 Investments in securities	060	0	0
8 Loans, deposits, etc. given	061	4.153.006	77.500
9 Other financial assets	062	3.377.815	2.451.055
IV CASH AT BANK AND IN HAND	063	65.908.886	29.212.847
D) PREPAID EXPENSES AND ACCRUED INCOME	064	26.127.584	21.358.926
E) TOTAL ASSETS (ADP 001+002+037+064)	065	12.067.135.665	11.962.457.214
OFF-BALANCE SHEET ITEMS	066	155.029.448	149.444.130

BALANCE SHEET
balance as at 31.12.2020

in HRK

Obveznik: ZAGREBAČKI HOLDING d.o.o.			
Item	ADP code	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4
LIABILITIES			
A) CAPITAL AND RESERVES (ADP 068 to 070+076+077+081+084+087)	067	5.516.998.592	5.285.378.108
I. INITIAL (SUBSCRIBED) CAPITAL	068	3.177.043.600	3.177.043.600
II CAPITAL RESERVES	069	0	0
III RESERVES FROM PROFIT (ADP 071+072-073+074+075)	070	319.976.992	319.976.992
1 Legal reserves	071	0	0
2 Reserves for treasury shares	072	0	0
3 Treasury shares and holdings (deductible item)	073	0	0
4 Statutory reserves	074	0	0
5 Other reserves	075	319.976.992	319.976.992
IV REVALUATION RESERVES	076	1.669.767.767	1.654.352.546
V FAIR VALUE RESERVES (ADP 078 to 080)	077	0	0
1 Fair value of financial assets available for sale	078	0	0
2 Cash flow hedge - effective portion	079	0	0
3 Hedge of a net investment in a foreign operation - effective portion	080	0	0
VI RETAINED PROFIT OR LOSS BROUGHT FORWARD (ADP 082-083)	081	268.601.205	364.371.232
1 Retained profit	082	268.601.205	364.371.232
2 Loss brought forward	083	0	0
VII PROFIT OR LOSS FOR THE BUSINESS YEAR (ADP 085-086)	084	81.609.028	-230.366.262
1 Profit for the business year	085	81.609.028	0
2 Loss for the business year	086	0	230.366.262
VIII MINORITY (NON-CONTROLLING) INTEREST	087	0	0
B) PROVISIONS (ADP 089 to 094)	088	232.548.378	208.945.510
1 Provisions for pensions, termination benefits and similar obligations	089	87.908.925	88.655.084
2 Provisions for tax liabilities	090	0	0
3 Provisions for ongoing legal cases	091	93.344.056	71.064.140
4 Provisions for renewal of natural resources	092	51.162.637	48.270.244
5 Provisions for warranty obligations	093	132.760	956.042
6 Other provisions	094	0	0
C) LONG-TERM LIABILITIES (ADP 096 to 106)	095	3.857.971.982	3.808.254.690
1 Liabilities towards undertakings within the group	096	11.080.586	9.500.860
2 Liabilities for loans, deposits, etc. to companies within the group	097	0	0
3 Liabilities towards companies linked by virtue of participating interest	098	0	0
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interest	099	0	0
5 Liabilities for loans, deposits etc.	100	0	0
6 Liabilities towards banks and other financial institutions	101	618.176.451	580.018.472
7 Liabilities for advance payments	102	0	0
8 Liabilities towards suppliers	103	600.332.618	584.191.402
9 Liabilities for securities	104	2.261.551.232	2.271.278.123
10 Other long-term liabilities	105	394.159	212.726
11 Deferred tax liability	106	366.436.936	363.053.107

BALANCE SHEET
balance as at 31.12.2020

in HRK

Obveznik: ZAGREBAČKI HOLDING d.o.o.			
Item	ADP code	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4
D) SHORT-TERM LIABILITIES (ADP 108 to 121)			
1 Liabilities towards undertakings within the group	108	20.065.266	24.927.281
2 Liabilities for loans, deposits, etc. to companies within the group	109	70.130.794	100.356.667
3 Liabilities towards companies linked by virtue of participating interest	110	0	0
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interest	111	0	0
5 Liabilities for loans, deposits etc.	112	0	0
6 Liabilities towards banks and other financial institutions	113	1.093.340.918	1.242.305.739
7 Liabilities for advance payments	114	10.589.045	25.544.170
8 Liabilities towards suppliers	115	195.454.544	259.203.736
9 Liabilities for securities	116	0	0
10 Liabilities towards employees	117	35.858.072	42.500.239
11 Taxes, contributions and similar liabilities	118	46.898.723	76.956.421
12 Liabilities arising from the share in the result	119	0	0
13 Liabilities arising from fixed assets held for sale	120	0	0
14 Other short-term liabilities	121	146.831.576	132.870.025
E) ACCRUALS AND DEFERRED INCOME	122	840.447.775	755.214.628
F) TOTAL – LIABILITIES (ADP 067+088+095+107+122)	123	12.067.135.665	11.962.457.214
G) OFF-BALANCE SHEET ITEMS	124	155.029.448	149.444.130

STATEMENT OF PROFIT OR LOSS
for the period 01.01.2020 to 31.12.2020

in HRK

Submitter: ZAGREBAČKI HOLDING d.o.o.			
Item	ADP code	Same period of the previous year	Current period
1	2	3	4
I OPERATING INCOME (ADP 126 to 130)	125	2.087.733.394	1.850.271.235
1 Income from sales with undertakings within the group	126	918.180.378	834.912.727
2 Income from sales (outside group)	127	831.219.888	767.821.335
3 Income from the use of own products, goods and services	128	1.086.428	8.421.322
4 Other operating income with undertakings within the group	129	21.523.025	19.994.620
5 Other operating income (outside the group)	130	315.723.675	219.121.231
II OPERATING EXPENSES (ADP 132+133+137+141+142+143+146+153)	131	1.886.990.154	2.002.190.741
1 Changes in inventories of work in progress and finished goods	132	-626.757	-2.994.860
2 Material costs (ADP 134 to 136)	133	735.720.584	793.570.808
a) Costs of raw material	134	258.118.018	228.361.221
b) Costs of goods sold	135	4.619.138	5.550.800
c) Other external costs	136	472.983.428	559.658.787
3 Staff costs (ADP 138 to 140)	137	733.101.884	794.082.005
a) Net salaries and wages	138	497.682.602	541.650.346
b) Tax and contributions from salaries expenses	139	147.842.657	158.634.653
c) Contributions on salaries	140	87.576.625	93.797.006
4 Depreciation	141	194.516.988	180.060.907
5 Other expenses	142	13.829.712	9.280.582
6 Value adjustments (ADP 144+145)	143	111.833.828	149.015.763
a) fixed assets other than financial assets	144	83.211.318	106.563.222
b) current assets other than financial assets	145	28.622.510	42.452.541
7 Provisions (ADP 147 to 152)	146	38.726.911	28.621.814
a) Provisions for pensions, termination benefits and similar obligations	147	12.845.916	2.392.513
b) Provisions for tax liabilities	148	0	0
c) Provisions for ongoing legal cases	149	6.335.778	5.833.168
d) Provisions for renewal of natural resources	150	1.199.124	0
e) Provisions for warranty obligations	151	0	956.043
f) Other provisions	152	18.346.093	19.440.090
8 Other operating expenses	153	59.887.004	50.553.722
III FINANCIAL INCOME (ADP 155 to 164)	154	85.066.696	86.161.143
1 Income from investments in holdings (shares) of undertakings within the group	155	22.848.915	16.890.671
2 Income from investments in holdings (shares) of companies linked by virtue of participating interest	156	82.514	36
3 Income from other long-term financial investment and loans granted to undertakings within the group	157	27.563.210	19.827.946
4 Other interest income from operations with undertakings within the group	158	0	3.919
5 Exchange rate differences and other financial income from operations with undertakings within the group	159	626.271	869.990
6 Income from other long-term financial investments and loans	160	9.267	0
7 Other interest income	161	9.285.433	6.356.636
8 Exchange rate differences and other financial income	162	5.250.302	15.403.646
9 Unrealised gains (income) from financial assets	163	19.138.508	26.757.757
10 Other financial income	164	262.276	50.542

STATEMENT OF PROFIT OR LOSS
for the period 01.01.2020 to 31.12.2020

in HRK

Submitter: ZAGREBAČKI HOLDING d.o.o.			
Item	ADP code	Same period of the previous year	Current period
1	2	3	4
IV FINANCIAL EXPENDITURE (ADP 166 to 172)	165	194.162.466	205.698.170
1 Interest expenses and similar expenses with undertakings within the group	166	1.831.598	1.872.638
2 Exchange rate differences and other expenses from operations with undertakings within the group	167	1.444.042	738.763
3 Interest expenses and similar expenses	168	157.336.946	158.249.340
4 Exchange rate differences and other expenses	169	5.477.348	16.883.218
5 Unrealised losses (expenses) from financial assets	170	0	0
6 Value adjustments of financial assets (net)	171	0	0
7 Other financial expenses	172	28.072.532	27.954.211
V SHARE IN PROFIT FROM COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST	173	0	0
VI SHARE IN PROFIT FROM JOINT VENTURES	174	0	0
VII SHARE IN LOSS OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST	175	0	0
VIII SHARE IN LOSS OF JOINT VENTURES	176	0	0
IX TOTAL INCOME (ADP 125+154+173 + 174)	177	2.172.800.090	1.936.432.378
X TOTAL EXPENDITURE (ADP 131+165+175 + 176)	178	2.081.152.620	2.207.888.911
XI PRE-TAX PROFIT OR LOSS (ADP 177-178)	179	91.647.470	-271.456.533
1 Pre-tax profit (ADP 177-178)	180	91.647.470	0
2 Pre-tax loss (ADP 178-177)	181	0	-271.456.533
XII INCOME TAX	182	10.038.442	-41.090.271
XIII PROFIT OR LOSS FOR THE PERIOD (ADP 179-182)	183	81.609.028	-230.366.262
1 Profit for the period (ADP 179-182)	184	81.609.028	0
2 Loss for the period (ADP 182-179)	185	0	-230.366.262
DISCONTINUED OPERATIONS (to be filled in by undertakings subject to IFRS only with discontinued operations)			
XIV PRE-TAX PROFIT OR LOSS OF DISCONTINUED OPERATIONS (ADP 187-188)	186	0	0
1 Pre-tax profit from discontinued operations	187	0	0
2 Pre-tax loss on discontinued operations	188	0	0
XV INCOME TAX OF DISCONTINUED OPERATIONS	189	0	0
1 Discontinued operations profit for the period (ADP 186-189)	190		
2 Discontinued operations loss for the period (ADP 189-186)	191		
TOTAL OPERATIONS (to be filled in only by undertakings subject to IFRS with discontinued operations)			
XVI PRE-TAX PROFIT OR LOSS (ADP 179+186)	192		
1 Pre-tax profit (ADP 192)	193	0	0
2 Pre-tax loss (ADP 192)	194	0	0
XVII INCOME TAX (ADP 182+189)	195		
XVIII PROFIT OR LOSS FOR THE PERIOD (ADP 192-195)	196		
1 Profit for the period (ADP 192-195)	197		
2 Loss for the period (ADP 195-192)	198		
APPENDIX to the P&L (to be filled in by undertakings that draw up consolidated annual financial statements)			
XIX PROFIT OR LOSS FOR THE PERIOD (ADP 200+201)	199	0	0
1 Attributable to owners of the parent	200	0	0
2 Attributable to minority (non-controlling) interest	201	0	0

STATEMENT OF PROFIT OR LOSS
for the period 01.01.2020 to 31.12.2020

in HRK

Submitter: ZAGREBAČKI HOLDING d.o.o.			
Item	ADP code	Same period of the previous year	Current period
1	2	3	4
STATEMENT OF OTHER COMPREHENSIVE INCOME (to be filled in by undertakings subject to IFRS)			
I PROFIT OR LOSS FOR THE PERIOD	202	81.609.028	-230.366.262
II OTHER COMPREHENSIVE PROFIT/LOSS BEFORE TAX (ADP 204 to 211)	203	73.376.216	-18.799.050
1 Exchange rate differences from translation of foreign operations	204	0	0
2 Changes in revaluation reserves of fixed tangible and intangible assets	205	73.376.216	-18.799.050
3 Profit or loss arising from re-evaluation of financial assets available for sale	206	0	0
4 Profit or loss arising from effective cash flow hedging	207	0	0
5 Profit or loss arising from effective hedge of a net investment in a foreign operation	208	0	0
6 Share in other comprehensive income/loss of companies linked by virtue of participating interest	209	0	0
7 Actuarial gains/losses on defined remuneration plans	210	0	0
8 Other changes in equity unrelated to owners	211	0	0
III TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD	212	13.207.719	-3.383.829
IV NET OTHER COMPREHENSIVE INCOME OR LOSS (ADP 203-212)	213	60.168.497	-15.415.221
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 202+213)	214	141.777.525	-245.781.483
APPENDIX to the Statement on comprehensive income (to be filled in by entrepreneurs who draw up consolidated statements)			
VI COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 216+217)	215	0	0
1 Attributable to owners of the parent	216	0	0
2 Attributable to minority (non-controlling) interest	217	0	0

**STATEMENT OF CASH FLOWS - indirect method
for the period 01.01.2020. to 31.12.2020.**

in HRK

Submitter: ZAGREBAČKI HOLDING D.O.O.			
Item	ADP code	Same period of the previous year	Current period
1	2	3	4
Cash flow from operating activities			
1 Pre-tax profit	001	91.647.470	-271.456.533
2 Adjustments (ADP 003 to 010):	002	236.753.858	337.894.741
a) Depreciation	003	194.516.988	180.060.907
b) Gains and losses from sale and value adjustment of fixed tangible and intangible assets	004	-102.906.000	18.218.000
c) Gains and losses from sale and unrealised gains and losses and value adjustment of financial assets	005	0	0
d) Interest and dividend income	006	-37.474.914	-27.058.491
e) Interest expenses	007	177.745.317	179.212.503
f) Provisions	008	5.669.000	-19.997.000
g) Exchange rate differences (unrealised)	009	2.598.000	12.657.561
h) Other adjustments for non-cash transactions and unrealised gains and losses	010	-3.394.533	-5.198.739
I Cash flow increase or decrease before changes in the working capital (ADP 001+002)	011	328.401.328	66.438.208
3 Changes in the working capital (ADP 013 to 016)	012	-228.487.549	-26.496.260
a) Increase or decrease in short-term liabilities	013	1.559.000	157.166.000
b) Increase or decrease in short-term receivables	014	-222.673.000	-175.829.260
c) Increase or decrease in inventories	015	-7.373.549	-7.833.000
d) Other increase or decrease in the working capital	016	0	0
II Cash from operations (ADP 011+012)	017	99.913.779	39.941.948
4 Interest paid	018	-168.689.000	-199.801.000
5 Income tax paid	019	-13.021.000	-6.139.000
A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)	020	-81.796.221	-165.998.052
Cash flow from investment activities			
1 Cash receipts from sales of fixed tangible and intangible assets	021	0	0
2 Cash receipts from sales of financial instruments	022	0	21.180.000
3 Interest received	023	37.203.000	15.166.065
4 Dividends received	024	45.104	0
5 Cash receipts from repayment of loans and deposits	025	0	0
6 Other cash receipts from investment activities	026	168.380.915	111.586.196
III Total cash receipts from investment activities (ADP 021 to 026)	027	205.629.019	147.932.261
1 Cash payments for the purchase of fixed tangible and intangible assets	028	-141.534.000	-99.729.000
2 Cash payments for the acquisition of financial instruments	029	0	0
3 Cash payments for loans and deposits for the period	030	0	0
4 Acquisition of a subsidiary, net of cash acquired	031	0	0
5 Other cash payments from investment activities	032	-2.631.000	-525
IV Total cash payments from investment activities (ADP 028 to 032)	033	-144.165.000	-99.729.525

**STATEMENT OF CASH FLOWS - indirect method
for the period 01.01.2020. to 31.12.2020.**

in HRK

Submitter: ZAGREBAČKI HOLDING D.O.O.			
Item	ADP code	Same period of the previous year	Current period
1	2	3	4
B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027 +033)	034	61.464.019	48.202.736
Cash flow from financing activities			
1 Cash receipts from the increase of initial (subscribed) capital	035	0	0
2 Cash receipts from the issue of equity financial instruments and debt financial instruments	036	0	0
3 Cash receipts from credit principals, loans and other borrowings	037	679.078.000	780.505.000
4 Other cash receipts from financing activities	038	0	0
V Total cash receipts from financing activities (ADP 035 to 038)	039	679.078.000	780.505.000
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	040	-605.828.000	-646.454.000
2 Dividends paid	041	0	0
3 Cash payments for finance lease	042	-65.804.000	-52.952.000
4 Cash payments for the redemption of treasury shares and decrease of initial (subscribed) capital	043	0	0
5 Other cash payments from financing activities	044	0	0
VI Total cash payments from financing activities (ADP 040 to 044)	045	-671.632.000	-699.406.000
C) NET CASH FLOW FROM FINANCING ACTIVITIES (ADP 039 +045)	046	7.446.000	81.099.000
1 Unrealised exchange rate differences in cash and cash equivalents	047	0	0
D) NET INCREASE OR DECREASE OF CASH FLOWS (ADP 020+034+046+047)	048	-12.886.202	-36.696.316
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	049	78.795.087	65.908.885
F) CASH AND CASH EQUIVALENTS AT THE END OF PERIOD(ADP 048+049)	050	65.908.885	29.212.569

Standard annual financial statements

For the year ended 31 December 2020

STATEMENT OF CHANGES IN EQUITY										
for the period from 01.01.2020 to 31.12.2020										
Item	ADP code	Attributable to owners of the parent								
		Initial (subscribed) capital	Capital reserves	Legal reserves	Reserves for treasury shares	Treasury shares and holdings (deductible item)	Statutory reserves	Other reserves	Revaluation reserves	Fair value of financial assets available for sale
1	2	3	4	5	6	7	8	9	10	11
Previous period										
1 Balance on the first day of the previous business year	01	3.177.043.600	0	0	0	0	0	319.976.992	1.684.304.983	0
2 Changes in accounting policies	02	0	0	0	0	0	0	0	0	0
3 Correction of errors	03	0	0	0	0	0	0	0	-74.285.462	0
4 Balance on the first day of the previous business year (restated) (ADP 01 to 03)	04	3.177.043.600	0	0	0	0	0	319.976.992	1.610.019.521	0
5 Profit/loss of the period	05	0	0	0	0	0	0	0	0	0
6 Exchange rate differences from translation of foreign operations	06	0	0	0	0	0	0	0	0	0
7 Changes in revaluation reserves of fixed tangible and intangible assets	07	0	0	0	0	0	0	0	59.748.246	0
8 Profit or loss arising from re-evaluation of financial assets available for sale	08	0	0	0	0	0	0	0	0	0
9 Gains or losses on efficient cash flow hedging	09	0	0	0	0	0	0	0	0	0
10 Gains or losses arising from effective hedge of a net investment in a foreign operation	10	0	0	0	0	0	0	0	0	0
11 Share in other comprehensive income/loss of companies linked by virtue of participating interest	11	0	0	0	0	0	0	0	0	0
12 Actuarial gains/losses on defined benefit plans	12	0	0	0	0	0	0	0	0	0
13 Other changes in equity unrelated to owners	13	0	0	0	0	0	0	0	0	0
14 Tax on transactions recognised directly in equity	14	0	0	0	0	0	0	0	0	0
15 Increase/decrease in initial (subscribed) capital (other than from reinvesting profit and other than arising from the pre-bankruptcy settlement procedure)	15	0	0	0	0	0	0	0	0	0
16 Increase of initial (subscribed) capital by reinvesting profit	16	0	0	0	0	0	0	0	0	0
17 Increase of initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	17	0	0	0	0	0	0	0	0	0
18 Redemption of treasury shares/holdings	18	0	0	0	0	0	0	0	0	0
19 Payment of share in profit/dividend	19	0	0	0	0	0	0	0	0	0
20 Other distribution to owners	20	0	0	0	0	0	0	0	0	0
21 Transfer to reserves by annual schedule	21	0	0	0	0	0	0	0	0	0
22 Increase in reserves arising from the pre-bankruptcy settlement	22	0	0	0	0	0	0	0	0	0
23 Balance on the last day of the previous business year reporting period (ADP 04 to 22)	23	3.177.043.600	0	0	0	0	0	319.976.992	1.669.767.767	0

Standard annual financial statements

For the year ended 31 December 2020

STATEMENT OF CHANGES IN EQUITY										
for the period from 01.01.2020 to 31.12.2020										
Item	ADP code	Attributable to owners of the parent								
		Initial (subscribed) capital	Capital reserves	Legal reserves	Reserves for treasury shares	Treasury shares and holdings (deductible item)	Statutory reserves	Other reserves	Revaluation reserves	Fair value of financial assets available for sale
1	2	3	4	5	6	7	8	9	10	11
APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY (to be filled in by undertakings that draw up financial statements in accordance with the IFRS)										
I OTHER COMPREHENSIVE INCOME OF THE PREVIOUS PERIOD, NET OF TAX (ADP 06 to 14)	24	0	0	0	0	0	0	0	59.748.246	0
II COMPREHENSIVE INCOME OR LOSS FOR THE PREVIOUS PERIOD (ADP 05+24)	25	0	0	0	0	0	0	0	59.748.246	0
III TRANSACTIONS WITH OWNERS IN THE PREVIOUS PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 15 to 22)	26	0	0	0	0	0	0	0	0	0
Current period										
1 Balance on the first day of the current business year	27	3.177.043.600	0	0	0	0	0	319.976.992	1.669.767.767	0
2 Changes in accounting policies	28	0	0	0	0	0	0	0	0	0
3 Correction of errors	29	0	0	0	0	0	0	0	0	0
4 Balance on the first day of the current business year (restated) (ADP 27 to 29)	30	3.177.043.600	0	0	0	0	0	319.976.992	1.669.767.767	0
5 Profit/loss of the period	31	0	0	0	0	0	0	0	0	0
6 Exchange rate differences from translation of foreign operations	32	0	0	0	0	0	0	0	0	0
7 Changes in revaluation reserves of fixed tangible and intangible assets	33	0	0	0	0	0	0	0	-15.415.221	0
8 Profit or loss arising from re-evaluation of financial assets available for sale	34	0	0	0	0	0	0	0	0	0
9 Gains or losses on efficient cash flow hedging	35	0	0	0	0	0	0	0	0	0
10 Gains or losses arising from effective hedge of a net investment in a foreign operation	36	0	0	0	0	0	0	0	0	0
11 Share in other comprehensive income/loss of companies linked by virtue of participating interest	37	0	0	0	0	0	0	0	0	0
12 Actuarial gains/losses on defined remuneration plans	38	0	0	0	0	0	0	0	0	0
13 Other changes in equity unrelated to owners	39	0	0	0	0	0	0	0	0	0
14 Tax on transactions recognised directly in equity	40	0	0	0	0	0	0	0	0	0
15 Increase/decrease in initial (subscribed) capital (other than from reinvesting profit and other than arising from the pre-bankruptcy settlement procedure)	41	0	0	0	0	0	0	0	0	0
16 Increase of initial (subscribed) capital by reinvesting profit	42	0	0	0	0	0	0	0	0	0
17 Increase of initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	43	0	0	0	0	0	0	0	0	0
18 Redemption of treasury shares/holdings	44	0	0	0	0	0	0	0	0	0
19 Payment of share in profit/dividend	45	0	0	0	0	0	0	0	0	0
20 Other distribution to owners	46	0	0	0	0	0	0	0	0	0
21 Transfer to reserves by annual schedule	47	0	0	0	0	0	0	0	0	0
22 Increase in reserves arising from the pre-bankruptcy settlement	48	0	0	0	0	0	0	0	0	0
23 Balance on the last day of the current business year reporting period (ADP 30 to 48)	49	3.177.043.600	0	0	0	0	0	319.976.992	1.654.352.546	0
APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY (to be filled in by undertakings that draw up financial statements in accordance with the IFRS)										
I OTHER COMPREHENSIVE INCOME FOR THE CURRENT PERIOD, NET OF TAX (ADP 32 to 40)	50	0	0	0	0	0	0	0	-15.415.221	0
II COMPREHENSIVE INCOME OR LOSS FOR THE CURRENT PERIOD (ADP 31+50)	51	0	0	0	0	0	0	0	-15.415.221	0
III TRANSACTIONS WITH OWNERS IN THE CURRENT PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 41 to 48)	52	0	0	0	0	0	0	0	0	0

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For the year ended 31 December 2020

STATEMENT OF CHANGES IN EQUITY								
for the period from 01.01.2020 to 31.12.2020								
in HRK								
Item	ADP code	Attributable to owners of the parent					Minority (non-controlling) interest	Total capital and reserves
		Cash flow hedge - effective portion	Hedge or a net investment in a foreign operation - effective	Retained profit / loss brought forward	Profit/loss for the business year	Total attributable to owners of the parent		
1	2	12	13	14	15	16 (3 to 6 - 7 + 8 to 15)	17	18 (16+17)
Previous period								
1 Balance on the first day of the previous business year	01	0	0	178.018.326	95.656.365	5.455.000.266	0	5.455.000.266
2 Changes in accounting policies	02	0	0	0	0	0	0	0
3 Correction of errors	03	0	0	-4.147.598	-1.348.048	-79.781.108	0	-79.781.108
4 Balance on the first day of the previous business year (restated) (ADP 01 to 03)	04	0	0	173.870.728	94.308.317	5.375.219.158	0	5.375.219.158
5 Profit/loss of the period	05	0	0	0	81.609.028	81.609.028	0	81.609.028
6 Exchange rate differences from translation of foreign operations	06	0	0	0	0	0	0	0
7 Changes in revaluation reserves of fixed tangible and intangible assets	07	0	0	422.160	0	60.170.406	0	60.170.406
8 Profit or loss arising from re-evaluation of financial assets available for sale	08	0	0	0	0	0	0	0
9 Gains or losses on efficient cash flow hedging	09	0	0	0	0	0	0	0
10 Gains or losses arising from effective hedge of a net investment in a foreign operation	10	0	0	0	0	0	0	0
11 Share in other comprehensive income/loss of companies linked by virtue of participating interest	11	0	0	0	0	0	0	0
12 Actuarial gains/losses on defined benefit plans	12	0	0	0	0	0	0	0
13 Other changes in equity unrelated to owners	13	0	0	94.308.317	-94.308.317	0	0	0
14 Tax on transactions recognised directly in equity	14	0	0	0	0	0	0	0
15 Increase/decrease in initial (subscribed) capital (other than from reinvesting profit and other than arising from the pre-bankruptcy settlement procedure)	15	0	0	0	0	0	0	0
16 Increase of initial (subscribed) capital by reinvesting profit	16	0	0	0	0	0	0	0
17 Increase of initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	17	0	0	0	0	0	0	0
18 Redemption of treasury shares/holdings	18	0	0	0	0	0	0	0
19 Payment of share in profit/dividend	19	0	0	0	0	0	0	0
20 Other distribution to owners	20	0	0	0	0	0	0	0
21 Transfer to reserves by annual schedule	21	0	0	0	0	0	0	0
22 Increase in reserves arising from the pre-bankruptcy settlement	22	0	0	0	0	0	0	0
23 Balance on the last day of the previous business year reporting period (ADP 04 to 22)	23	0	0	268.601.205	81.609.028	5.516.998.592	0	5.516.998.592

Standard annual financial statements

For the year ended 31 December 2020

STATEMENT OF CHANGES IN EQUITY								
for the period from 01.01.2020 to 31.12.2020								
Item	ADP code	Attributable to owners of the parent					Minority (non-controlling) interest	Total capital and reserves
		Cash flow hedge - effective portion	Hedge or a net investment in a foreign operation - effective	Retained profit / loss brought forward	Profit/loss for the business year	Total attributable to owners of the parent		
1	2	12	13	14	15	16 (3 to 6 - 7 + 8 to 15)	17	18 (16+17)
APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY (to be filled in by undertakings that draw up financial statements in accordance with the IFRS)								
I OTHER COMPREHENSIVE INCOME OF THE PREVIOUS PERIOD, NET OF TAX (ADP 06 to 14)	24	0	0	94.730.477	-94.308.317	60.170.406	0	60.170.406
II COMPREHENSIVE INCOME OR LOSS FOR THE PREVIOUS PERIOD (ADP 05+24)	25	0	0	94.730.477	-12.699.289	141.779.434	0	141.779.434
III TRANSACTIONS WITH OWNERS IN THE PREVIOUS PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 15 to 22)	26	0	0	0	0	0	0	0
Current period								
1 Balance on the first day of the current business year	27	0	0	268.601.205	81.609.028	5.516.998.592	0	5.516.998.592
2 Changes in accounting policies	28	0	0	0	0	0	0	0
3 Correction of errors	29	0	0	0	0	0	0	0
4 Balance on the first day of the current business year (restated) (ADP 27 to 29)	30	0	0	268.601.205	81.609.028	5.516.998.592	0	5.516.998.592
5 Profit/loss of the period	31	0	0	0	-230.366.262	-230.366.262	0	-230.366.262
6 Exchange rate differences from translation of foreign operations	32	0	0	0	0	0	0	0
7 Changes in revaluation reserves of fixed tangible and intangible assets	33	0	0	0	14.160.999	-1.254.222	0	-1.254.222
8 Profit or loss arising from re-evaluation of financial assets available for sale	34	0	0	0	0	0	0	0
9 Gains or losses on efficient cash flow hedging	35	0	0	0	0	0	0	0
10 Gains or losses arising from effective hedge of a net investment in a foreign operation	36	0	0	0	0	0	0	0
11 Share in other comprehensive income/loss of companies linked by virtue of participating interest	37	0	0	0	0	0	0	0
12 Actuarial gains/losses on defined remuneration plans	38	0	0	0	0	0	0	0
13 Other changes in equity unrelated to owners	39	0	0	81.609.028	-81.609.028	0	0	0
14 Tax on transactions recognised directly in equity	40	0	0	0	0	0	0	0
15 Increase/decrease in initial (subscribed) capital (other than from reinvesting profit and other than arising from the pre-bankruptcy settlement procedure)	41	0	0	0	0	0	0	0
16 Increase of initial (subscribed) capital by reinvesting profit	42	0	0	0	0	0	0	0
17 Increase of initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	43	0	0	0	0	0	0	0
18 Redemption of treasury shares/holdings	44	0	0	0	0	0	0	0
19 Payment of share in profit/dividend	45	0	0	0	0	0	0	0
20 Other distribution to owners	46	0	0	0	0	0	0	0
21 Transfer to reserves by annual schedule	47	0	0	0	0	0	0	0
22 Increase in reserves arising from the pre-bankruptcy settlement	48	0	0	0	0	0	0	0
23 Balance on the last day of the current business year reporting period (ADP 30 to 48)	49	0	0	350.210.233	-216.205.263	5.285.378.108	0	5.285.378.108
APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY (to be filled in by undertakings that draw up financial statements in accordance with the IFRS)								
I OTHER COMPREHENSIVE INCOME FOR THE CURRENT PERIOD, NET OF TAX (ADP 32 to 40)	50	0	0	81.609.028	-67.448.029	-1.254.222	0	-1.254.222
II COMPREHENSIVE INCOME OR LOSS FOR THE CURRENT PERIOD (ADP 31+50)	51	0	0	81.609.028	-297.814.291	-231.620.484	0	-231.620.484
III TRANSACTIONS WITH OWNERS IN THE CURRENT PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 41 to 48)	52	0	0	0	0	0	0	0