Granolio d.d., Zagreb

Annual report for the Year 2019
together with Independent Auditor's Report

Content

Annual Management Board Report on the Business Performance and Position of the Group for the Year 2019

General information on the company Granolio d.d.

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

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

The members of the Management Board are as follows: Hrvoje Filipović, President
Drago Šurina, Member
Vladimir Kalčić, Member

Members of the Supervisory Board are as follows: Franjo Filipović, President
Jurij Detiček, Deputy President
Davor Štefan, Member
Tihomir Osmak, Member

At 31 December 2019, the total share capital of the Company amounts to HRK 19,016,430 and is divided into 1,901,643 ordinary shares, with a nominal value of HRK 10.00 each. The shares are traded under the ticker GRNL and since 23 March 2015 have been listed on the Official Market of the Zagreb Stock Exchange.
The majority shareholder, holding over 58.11% of the Company's share capital at 31 December 2019, is Mr Hrvoje Filipović.
At 31 December 2019, the ten largest shareholders of Granolio held a total ownership interest of 96.26%.

The principal activity of the Company comprises the production of and trade in agricultural products and cattle. At 31 December 2019 the business system of the Company had five active operations, of which two are production centres: grain mills Farina and Kopanica engaged in the production, packaging, warehousing and dispatch of grain mill products.

The business unit Bjeliš is a grain drying and storage silo.
The Osijek business unit is responsible for the storage, sale and dispatch of seed material, sale of grains and oleaginous plants and sales platform management.
The Granolio unit in Zagreb provides logistic, management, accounting and IT support to the Company's business.

Farina and Kopanica mills are subject to International Food Standards (IFS), which enables the Company to export its flour to EU Member States.
The Company sells five own flour brands on the market: Farina, Mlin Kopanica, Ekoklas, Mlineta, and Belje.

General information on the company Granolio d.d. (continued)

Because of Granolio's focus on the product and delivery quality as well as on building long-term relationships with customers, Granolio is engaged in the production of private labels for many retail chains in Croatia. Currently, flour is produced for 12 private labels.

Group's mills production capacity as at 31 December 2019 are shown in the following table.

Mills production capacity as at 31 December 2019:

Mill	Ton / 24 hours
Farina	320
Kopanica	230
	550

Subsidiaries

As at 31 December 2019, the Company held the entire equity interest in Zdenačka farma d.o.o. It had a controlling interest in the company Zdenka - mliječni proizvodi d.o.o. which is consolidated in the Granolio Group since 2011.

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

The ownership interests of Granolio in its subsidiaries as at 31 December 2019 are presented in the chart below:

Granolio Group Structure as at 31 December 2019

Significant transactions in the current accounting period

On 4 March 2019, the Agreement on the sale of shares of the associated company Žitar d.o.o. was concluded, and the business change was carried out in the court register on 14 March 2019. Considering that the value of the share in the company Žitar during 2018 was reduced to the net marketable value, in the 2019 the Company did not report any result from the sale of shares in the statement of comprehensive income.

During the year, the Company sold 50,000 shares of the company Zagrebačka pekarna Klara (17.62% stake in equity) from its portfolio. By selling its shares, the company made an accounting loss in the amount of HRK 3.8 million. From January 2019, the Company began to calculate and pay interest on financial debts that are part of the pre-bankruptcy settlement.

Significant transactions in the current accounting period (continued)

During 2019, the Company was paid a dividend by the subsidiary Zdenka – mliječni proizvodi d.o.o. in the amount of HRK 2 million.

The company rents office space in Osijek from related parties. The annual value of the lease in 2019 was HRK 327 thousand (2018: HRK 331 thousand).

Analysis of the 2019 business performance

in HRK '000

	1-12 2019	1-12 2018	Changes	
Operating income	**306,350**	**291,448**	**14,902**	**5%**
EBIT	**(10,702)**	**(11,721)**	**1,019**	**9%**
margin %	(3%)	(4%)		
EBITDA	**(76)**	**2,885**	**(2,961)**	**(103%)**
margin %	(0%)	1%		
Net financial result	**(3,442)**	**73,488**	**(76,930)**	**105%**
Net result	**(13,485)**	**61,767**	**(75,252)**	**122%**
margin %	(4.4%)	21.2%		

In 2019, a more unfavourable operating result was achieved compared to the previous year. The reason for this is the extremely high price of wheat, which could not be accompanied by an equally rapid increase in flour prices. In addition to the above, the Company did not have sufficient working capital to increase operations in the segments of wholesale of seed raw materials, cereals and oilseeds.

The net financial result represents the difference between financial income and financial expenses. In 2019, the calculation of interest on financial debts began in accordance with the pre-bankruptcy settlement, a loss was incurred due to the sale of long-term financial assets and there was a gain from the dividend paid.

The net financial result was positive in 2018 due to the recognition of income from the write-off of liabilities under the pre-bankruptcy settlement in the amount of HRK 91.4 million.

Net debt/EBITDA in HRK '000

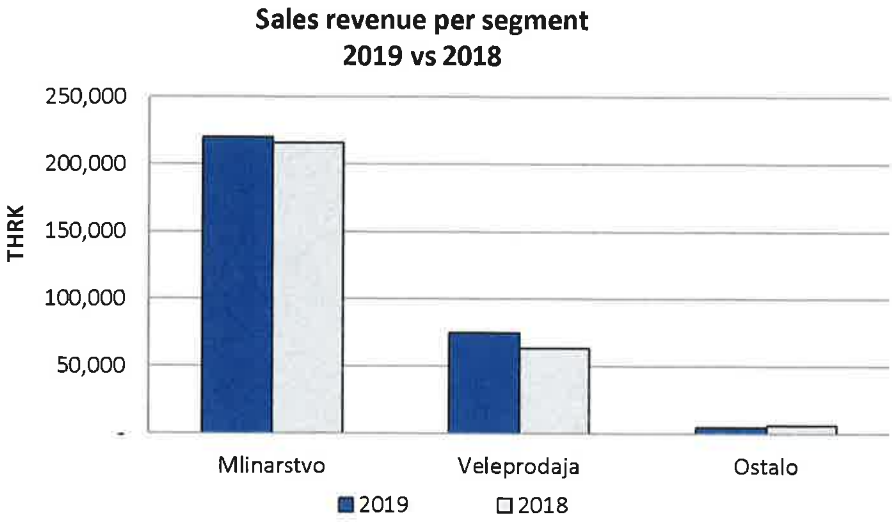
	31 Dec 2019	31 Dec 2018	Changes	
Total debt	**320,486**	**372,689**	**(52,203)**	**-14%**
Cash and cash equivalents	2,710	3,574	(864)	-24%
Financial assets	24,644	36,328	(11,684)	-32%
Net debt	**293,132**	**332,787**	**(39,655)**	**-12%**
EBITDA	(76)	2,885	(2,961)	-103%
Net debt/EBITDA	**-**	**115,35**		

The total debt reported as at 31 December 2019 includes liabilities to financial institutions.

The total debt of the company was reduced by the value of the performed compensation of the loan liability with receivables and to a lesser extent by the value of the debt repayment.

The financial assets are smaller, mostly due to the repayment of the loan to the associated company Zdenačka farma.

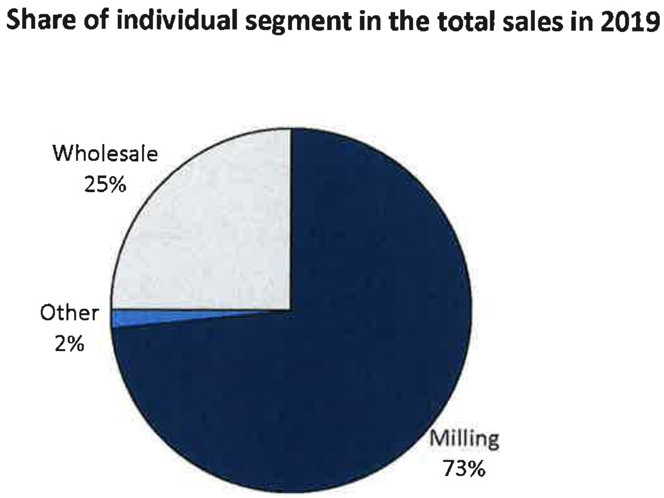
The total revenue from sales of products and services realized in 2019 is higher than the revenues realized in the previous year by 5%. A slight increase is visible in the milling and wholesale segments.



The company sold 122 thousand tons of flour in 2019 (124 thousand tons in the previous year). The average selling price of flour realized in 2019 is 4% higher than the average selling price in the previous year.

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

The Other segment represents, for the most part, revenues from the provision of drying and storage services, revenues from the re-invoicing of sales costs to customers and revenues from the sale of livestock.



The cost of employees is higher than in the previous year by 9% because of an increase in part of salaries.

Total capital investments in tangible assets in 2019 amounted to HRK 3.4 million (2018: HRK 2 million). They relate to the procurement of equipment for production plants and tools, the construction of a runway in Kopanica and a silo in Bjeliš, and a software upgrade.

The net financial result in 2019 amounted to HRK 3 million (2018: HRK 73 million). The financial cost in 2019 also includes a loss from the sale of part of the financial assets in the amount of HRK 3.8 million and accrued interest on financial liabilities in accordance with the pre-bankruptcy settlement in the amount of HRK 2.2 million.

Financial income in 2019 included income from dividends from an associated company in the amount of HRK 2 million, while in 2018 it contained income from the write-off of liabilities under a pre-bankruptcy settlement in the amount of HRK 91.4 million.

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

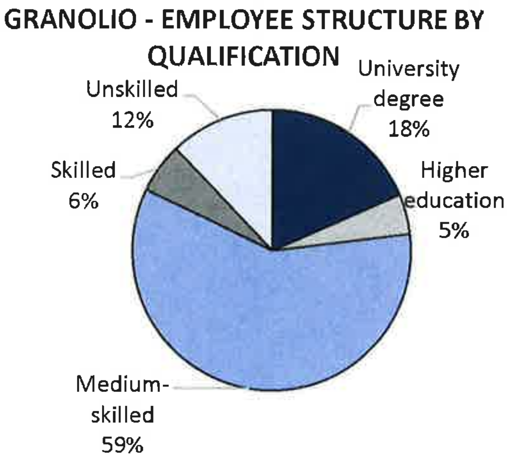
In early 2020, a pandemic of the COVID-19 virus spread to the entire world. In addition to the health of the world's population, the pandemic will also have an impact on the global economy, the monetary and fiscal policy of individual countries, the movement of goods and services between countries and so on. The changes that the pandemic will cause in the coming time cannot be predicted or estimated now.

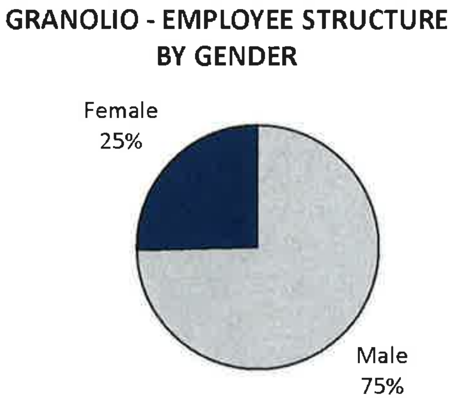
As the Company operates within the food processing industry, the demand for the Company's products is not expected to be lower, but the Company's operations will certainly be affected by movements in interest rate, fiscal policy, purchasing power of the company and so on, but none of the above will affect the going concern of the Company.

From January 2020, the Company started repaying part of its liabilities to financial institutions, and the other part is to be repaid from July 2020, in accordance with the pre-bankruptcy settlement.

Employees

In 2019, based on working hours, the Group had 162 employees (in 2018: 153 employees), structured by formal qualification levels and gender as presented in the following charts:





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

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

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

Risks

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

Corporate Governance Statement

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

As a company whose shares are listed in the Official Market of the Zagreb Stock Exchange, Granolio d.d. (hereinafter: the Company) since 2016 until 2019 voluntarily applied the recommendations provided in the Code of Corporate Governance developed by the Croatian Financial Services Supervisory Agency and Zagrebačka burza d.d., with departures from certain recommendations and guidelines provided therein.

The Supervisory Board of the Company. has not established any Appointment, Bonus or Audit Committee because, according to the Statute, it should consists of three to five members and as such the Board discharges the duties and responsibilities of those bodies itself, except for those of the Audit Committee the function of which, according to the Audit Act, is discharged by the appointed Audit Committee. Departures also concern ensuring proxies for the shareholders not being able to vote in person; the date defined as the relevant reference date for establishing the right to vote in the General Shareholders' Meetings; remote voting in General Shareholder Meetings by means of modern communication technologies, the exercise of the voting rights in General Shareholder Meetings; assessment of internal control and risk management system quality; ensuring internal audit system efficiency; a long-term succession plan, rules for determining bonuses for the Supervisory Board members; public disclosure of all remuneration and other benefits provided by the company or its related parties to each individual Management and Supervisory Board member, including the remuneration structure; organisation of the Appointment and Reward Committee; independence of the members of the Audit Committee; organisation and operations of the internal audit system, designing rules on services the external audit company may provide to the Company only with the prior agreement of the Audit Committee and rules on services it may provide to the Company without the prior agreement of the Audit Committee; assessing the work of the Supervisory Board; disclosure of detailed data on all remuneration and benefits of each Management Board member or executive director of the Company in the Company's annual report; transactions involving Management Board members or executive directors and their related parties; the existence of internal auditors and internal control systems; and preparing a calendar of important events.

Detailed explanations regarding the 2019 departures from individual recommendations provided in the Code are presented in the Annual Questionnaire, which is an inseparable part of the Code and submitted to Zagrebačka burza d.d. for public disclosure, together with the annual financial statements. In addition to the recommendations from the Code, the Company's Management and Supervisory Board invest increasing efforts to establish adequate corporate governance taking into account the structure and organisation of the Company, its strategy and business objectives, the allocation of duties and responsibilities, with a particular emphasis on effective procedures for identifying, measuring and monitoring operational risks and reporting on those risks, as well as the establishment of appropriate internal control mechanisms.

The Company has prepared its separate financial statements as well as the consolidated financial statements for the Granolio Group, which consists of Granolio d.d. and its fully-owned subsidiary Zdenačka farma d.o.o. and associates Zdenka – mliječni proizvodi d.o.o. and Žitar d.o.o., for the period until the sale of shares in March 2019, in which the Company was a co-owner.

Significant Shareholders and Limited Shareholders' Rights

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

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

Rules for the Appointment and Revocation of the Supervisory Board

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

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

Other Supervisory Board members are elected and revoked by the Company's General Assembly.

Rules for the Appointment and Revocation of the Supervisory Board

Members of the Supervisory Board are elected by the General Assembly based on a proposal of the shareholders representing individually or in aggregate at least one-twentieth of the Company's share capital at the point of the election.

The Supervisory Board of the Company consists of three or five members. The exact number of the Supervisory Board members is determined by the decision of the Company's shareholders at their General Assembly. If there is a prescribed obligation, one member of the Supervisory Board is a representative of employees, who is appointed and revoked as specified in the Labor Act. One member of the Supervisory Board is appointed and revoked directly by Hrvoje Filipović, if he holds at least 25% of the total number of issued ordinary shares of the Company. Other Supervisory Board members are elected and revoked by the Company's General Assembly.

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

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

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

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

Composition and Operation of the Supervisory Board

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

Composition and operation of the Management Board

Pursuant to the Companies Act, the Company's Statute and the Rules of Procedure for the Management Board, the principal power of the Management Board comprises managing the operations and affairs of the Company and representing the Company before third parties. In addition, the Management Board is charged with the responsibility to undertake, autonomously or with a prior consent of the Supervisory Board, any actions and adopt any decisions it considers necessary for effective management and control of the Company's operations. This, inter alia, implies adopting Company by-laws, decisions on the business and development plans of the Company, reporting to the Supervisory Board about the business performance and position of the Company, establishing bodies or boards of the Company, as well as deciding on all other issues for which the Management Board is responsible according to the Statute or another by-law, and those issues that, under the positive law or Statute, do not fall within the area of responsibilities of another corporate body of the Company.

Description of the Work of the General Assembly

At the General Assembly, the Company shareholders may participate and vote themselves or through their proxies, which applies to the shareholders registered at the Central Depositary and Clearing Company Inc. 21 days before the Assembly. Each ordinary share entitles to one vote at the General Assembly. The Company shareholders may participate in a General Assembly in person or through their representatives, i.e. proxies. A General Assembly is convened in cases specified by law and the Company's Statute. The Assembly is convened by the Company's Management or Supervisory Board when it is necessary for the benefit of the Company. The invitation and the agenda are published at least one month before the date of the General Assembly. Any propositions of the shareholders which counter those of the Management Board and/or Supervisory Board, containing the full name of the proposing shareholder and his or her explanation, or propositions of the shareholders regarding the appointment of the Company's auditor must be received by the Company at least 14 days prior to the General Assembly, excluding the date of receipt of the counter-proposition. Shareholders holding jointly 20th portion of the Company's share capital may require an issue to be included in the General Assembly agenda, by providing an explanation and the decision proposal. The request must be received by the Company at least 30 days in advance of the General Assembly, excluding the day of the request receipt.

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

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

The Members of the Management Board of Granolio d.d. in 2019 were the following:

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

The members of the Supervisory Board of Granolio d.d. in 2019 were the following:

President of the Supervisory Board:	Franjo Filipović (re-appointed on 13 June 2019)
Members of the Supervisory Board:	Braslav Jadrešić (mandate expired on 13 June 2019) Davor Štefan (re-appointed on 13 June 2019) Jurij Detiček (re-appointed on 13 June 2019) Tihomir Osmak (first time appointed on 13 July 2019)

This Corporate Governance Statement forms an inseparable part of the Company's Annual Report for the year 2019.

Responsibility for the financial statements

Pursuant to the Croatian Accounting Act, the Management Board is responsible for ensuring that financial statements are prepared for each financial year in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the Accounting Act, which give a true and fair view of the state of affairs and results of the Granolio d.d.(the Company) for that period.

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

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

- selecting and then consistently applying suitable accounting policies.
- making reasonable and prudent judgments and estimates.
- following applicable accounting standards, subject to any material departures disclosed and explained in the financial statements; and
- preparing the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue its business.

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and must also ensure that the financial statements comply with the Croatian Accounting Act. Furthermore, the Management Board is responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Management Board is also responsible for the preparation and content of the annual business and position report of the Company in accordance with the requirements of Article 18 of the Accounting Act.

Signed on behalf of and for the Management Board:

29. June 2020

Hrvoje Filipović dipl.oec.
President of the Management Board

Drago Šurina dipl.oec.
Member of the Management Board

Šurina Drago

Vladimir Kalčić dipl.oec.
Member of the Management Board

INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of the unconsolidated annual financial statements

Qualified Opinion

We have audited the annual unconsolidated financial statements of Granolio d.d., Zagreb, Budmanijeva 5 (" the Company "), for the year ended 31 December 2019, which comprise the Unconsolidated Statement of Financial Position as at 31 December 2019, Unconsolidated Statement of Comprehensive Income, the Unconsolidated Statement of Cash Flows and the Unconsolidated Statement of Changes in Equity for the year then ended, as well as the accompanying notes to the unconsolidated financial statements, including a summary of significant accounting policies.

In our opinion, apart from the possible adjustments that may arise from the disclosure in the Basis for Qualified Opinion section, the accompanying annual unconsolidated financial statements present a true and fair view of the Company's financial position as at 31 December 2019 and its financial performance and cash flows for the year then ended, in accordance with the Accounting Act and International Financial Reporting Standards established by the European Commission and published in the Official Journal of the European Union ("IFRS").

Basis for Qualified Opinion

As shown in Note 14 to the annual unconsolidated financial statements, the Company as at 31 December 2019 in the Statement of financial position within intangible assets has stated investments in the brands Mlineta and Belje in the amount of HRK 120,000 thousand, which it recognized when acquiring the mill business. In accordance with International Accounting Standard 36 - Impairment of Assets, the Company is required to examine intangible assets with indefinite useful lives each year by comparing their carrying amount with its recoverable amount. Considering the current economic situation and the availability of information, the Company's Management Board was not able to gather enough information to be able to estimate the recoverable amount of these assets. Accordingly, we have not been able to gather sufficient appropriate audit evidence regarding the value of possible impairment of brands and we have not been able to determine the effects of adjustments, if any, on the Company's annual unconsolidated financial statements for 2019.

We conducted our audit in accordance with the International Auditing Standards (IASs). Our responsibilities under those standards are further described in our Independent Auditors' report under section Auditors' responsibilities for the audit of the unconsolidated annual financial statements. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 3.2. to the unconsolidated financial statements, which indicates that, based on the submitted request for pre-bankruptcy proceedings of the Company, the Commercial Court in Zagreb on 6 December 2018 adopted the final Decision on the Company's pre-bankruptcy settlement with its creditors. The Company continues to carry out measures included in the restructuring programme of the Company, maintaining the Company liquid and solvent. The Management Board of the Company believes that the Company can continue its operations as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of Mater

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

Key audit matters

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

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

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

Key audit matter	How we addressed the key audit matter
Revenue recognition In 2019, the Company in its Statement of comprehensive income has stated sales revenues in the amount of HRK 300,179 thousand. These revenues arise from the following activities: - revenues from wholesale of products and merchandise and - revenues from retail of products and merchandise Revenue comprises the fair value of the consideration received or receivable for the sale of goods or services in the ordinary course of the Company's activities. Revenues are stated in amounts less value added tax, quantity rebates and sales discounts. The Company recognizes revenue when the amount of revenue can be measured reliably, when the Company will have future economic benefits and when specific criteria for all activities of the Company are met. In accordance with International Financial Reporting Standard 15, Wholesale Revenue is recognized when the Company delivers goods to a wholesaler, when it no longer has the influence on the management of the goods and when there is no outstanding liability that could affect the acceptance of the product by the wholesaler. Delivery is made when the products are shipped to a specific location, the risks of loss are transferred to the wholesaler and when one of the following is determined: the wholesaler accepts the products in accordance with the contract, or the deadline for acceptance of products has expired or the Company has objective evidence that all acceptance criteria are met. Given the significance of revenues presented in the Statement of Comprehensive Income and the risk of recognizing them in an inappropriate period in order to present a better result of the period, we concluded that the consistency, accuracy and completeness of revenues and their distribution in the correct reporting period is a key audit matter. Related disclosures in the accompanying annual financial statements See notes 3.8 and 5 in the accompanying annual financial statements.	Our audit procedures related to this matter included, but were not limited to: - Gaining an understanding of the sales process by interviewing key sales personnel; - Gaining an understanding of key controls related to the recognition of sales revenue; - Examining the effectiveness of internal controls related to the revenue recognition cycle; - Conducting detail tests on the sample in order to identify unusual or irregular items and the correct allocation of revenue between reporting periods; - Comparison of obtained external confirmations of the amount of outstanding trade receivables at the reporting date and the balances presented in the Company's business books on the same date; - Assessment of the compliance of the sales revenue recognition policy with International Financial Reporting Standard 15 - Revenue from Contracts with Customers; - Assessing the adequacy of disclosures related to the recognition of sales revenue in accordance with International Financial Reporting Standard 15 - Revenue from Contracts with Customers.

Other matters

The audit of the annual financial statements of the Company for the year ended 31 December 2018 was performed by the auditing company Delloite d.o.o., Zagreb, which in its Independent Auditor's Report dated 29 April 2019 expressed a qualified opinion on these unconsolidated annual financial statements. The basis for the qualified opinion related to the potential impairment of intangible assets.

Other information in the Annual Report

Management board is responsible for other information. Other information includes information included in the Annual Report but does not include the annual consolidated financial statements and our Independent Auditors' Report.

Our opinion on the annual unconsolidated financial statements does not include other information, unless it is specifically stated otherwise, and we do not express any form of conclusion expressing assurance about them.

In relation to our audit of the annual consolidated financial statements, it is our responsibility to read other information and consider whether the other information is materially inconsistent with the annual consolidated financial statements or our audit findings or otherwise appear to be materially misstated. If, based on the work we have done, we conclude that there is a material misstatement of this other information, we are required to report about that fact. In that sense, we have nothing to report.

The Management Board is responsible for compiling 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 carried out the procedures required by the Croatian Accounting Act (the “Accounting Act”). These procedures include considering:

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

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

- The information contained in the Group's Management Report and the relevant parts of the Statement of Application of the Corporate Governance Code for the financial year for which the consolidated financial statements have been prepared is consistent, in all material respects, with the Company's annual unconsolidated financial statements set out on pages 20 to 87 and the opinion as set out in the Qualified Opinion section above;
- The Management Report and the relevant parts of the Statement on the Application of the Corporate Governance Code have been prepared, in all relevant respects, in accordance with Articles 21 and 22 of the Accounting Act;

Other information in the Annual Report (continued)

- The Statement on the Application of the Corporate Governance Code shall include the information required by Article 22, paragraph 1, items 2, 5 and 6 of the Accounting Act.

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

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

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

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

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

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

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

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

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

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

- we acquire an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- we assess the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- we conclude on the appropriateness of the accounting basis used based on the going concern principle used by the Management Board and, based on the obtained audit evidence, we conclude on whether there is significant uncertainty regarding events or circumstances that may create significant doubts about the ability to continue operating for an indefinite period of time. If we conclude that there is significant uncertainty, in our independent auditors' report we are required to call our attention to related disclosures in the unconsolidated annual financial statements or, if these are inappropriate, to modify our opinion.

  Our conclusions are based on the audit evidence obtained up to the date of our independent auditors' report. However, future events or conditions may cause the Company to discontinue its operations on a going concern.
- we evaluate the overall presentation, structure and content of the unconsolidated annual consolidated financial statements, including disclosures, as well as whether the annual unconsolidated financial statements reflect the transactions and events which they are based on in a way that achieves a fair presentation.
- we obtain sufficient appropriate audit evidence about financial information from individuals or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for directing, overseeing and performing the audit. We are solely responsible for expressing our opinion.

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

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

Among the issues communicated to those charged with governance, we identify those issues that are the most important in auditing the annual unconsolidated financial statements of the current period and therefore present the key audit matters. We describe these matters in our Independent Auditors' Report, unless the law or regulation prevents the matters from being publicly disclosed, or when we decide, in extremely rare circumstances, that the matter should not be reported in our Independent Auditors' Report because the negative consequences of the disclosure could reasonably be expected to outweigh the benefits of public interest from such communication.

Statement on other legal requirements

On 13 June 2019, we were appointed by the General Assembly of the Company to audit the annual unconsolidated financial statements of the Company for 2019.

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

In the audit of the annual unconsolidated financial statements of the Company for 2019, we determined the significance for the unconsolidated financial statements as a whole in the amount of HRK 4,503 thousand, which represents approximately 1.5% of the realized sales revenue for 2019.

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

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

During the period between the starting date of the audited annual consolidated financial statements of the Company for 2019 and the date of this Independent Auditor's Report, we did not provide prohibited non-audit services to the Company and did not provide services for the design and implementation of internal control procedures or risk management related to preparation and/or control of financial information or the design and implementation of technological systems for financial information, and we have maintained independence in relation to the Company.

The Management Board is responsible for preparing the Company's annual unconsolidated financial statements for the year ended 31 December 2019 in the prescribed form pursuant to the Ordinance on the structure and content of annual financial statements (OG 95/16) and in accordance with other regulations governing the Company's operations. ("Standard Annual Unconsolidated Financial Statements") which are presented on pages 86 to 95. The financial information set out in the Company's standard annual unconsolidated financial statements is consistent with the information set out in the Company's annual unconsolidated financial statements set out on pages 20 to 87 on which we have expressed an opinion as set out in the Qualified Opinion section above.

The partner involved in the audit of the Company's annual unconsolidated financial statements for 2019 which results in this Independent Auditor's Report, is the certified auditor Vedrana Stipić.

Zagreb, 29 June 2020

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

VStipić

Hrvoje Stipić, President of the Management Board

Vedrana Stipić, Certified Auditor

Unconsolidated Statement of Comprehensive Income
for the year ended 31 Dec 2019

in HRK '000

	Note	2019	2018
Income			
Sales revenue	5	300,179	285,820
Other operating income	6	6,171	5,628
Total operating income		**306,350**	**291,448**
Changes in inventories	17	1,155	215
Material expenses	7	(285,423)	(268,029)
Staff costs	8	(17,857)	(16,423)
Depreciation and amortisation	14, 15,16	(10,626)	(10,459)
Other costs	10	(2,580)	(2,592)
Value adjustment expenses	9	-	(21,768)
Other operating expenses	11	(1,721)	(1,734)
Total operating expenses		**(317,052)**	**(320,790)**
Operating losses		**(10,702)**	**(29,342)**
Financial income	12	3,497	92,768
Financial expenses	12	(6,939)	(1,659)
Net financial result		**(3,442)**	**91,109**
Result before taxation		**(14,144)**	**61,767**
Income tax	13	659	-
(Loss)/profit after taxation		**(13,485)**	**61,767**
Other comprehensive income		-	-
Total comprehensive (loss)/income		**(13,485)**	**61,767**
Earnings per share			
Basic and diluted (loss)/earnings per share (in HRK and lipas)	30	**(7,09)**	**32,48**

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

Unconsolidated Statement of Financial Position
as at 31 Dec 2019

in HRK '000

	Note	31 Dec 2019	31 Dec 2018
I NON-CURRENT ASSETS			
Intangible assets			
1 Trademarks, concessions, licenses		120,000	120,000
2 Customer list		699	2,364
3 Software and other intangible assets		165	250
4. Right of use assets		2,855	-
	14,15	**123,719**	**122,614**
Property, plant and equipment			
1 Land		8,684	9,155
2 Buildings		108,104	115,283
3 Plant, equipment, and tools		8,031	12,653
4 Other tangible assets		93	79
5 Investment property		4,615	4,615
6 Tangible assets under construction		9,384	9,334
	16	**138,911**	**151,119**
Financial assets			
1 Investment in subsidiaries	17a	70,428	92,428
2 Shares at fair value through profit or loss	17b	1,031	9,860
3 Given loans, deposits and similar	17c	145	192
		71,604	**102,480**
Non-current receivables		**-**	**15**
II CURRENT ASSETS			
Inventories	18	**20,383**	**10,076**
Receivables			
1 Receivables from related parties	29	9,669	9,276
2 Trade receivables	19a	45,084	55,445
3 Receivables from the State and other institutions	19b	2,282	671
4 Other receivables	19c	22,838	27,484
		79,873	**92,875**
Financial assets			
1 Given loans to related parties	20, 29	10,375	22,935
2 Investments in securities	20a	150	178
3 Given loans, deposits and similar	20b	13,974	13,022
		24,499	**36,135**
Cash and cash equivalents	21	2,710	3,574
Prepaid expenses and accrued income	22	390	504
TOTAL ASSETS		**462,089**	**519,393**

Unconsolidated Statement of Financial Position (continued)

as at 31 Dec 2019

in HRK '000

	Note	31 Dec 2019	31 Dec 2018
I EQUITY AND RESERVES			
1 Subscribed capital		19,016	19,016
2 Premiums for issued shares		84,196	84,196
3 Revaluation reserves		54,676	57,678
4 Legal reserves		3,497	409
5 Reserves for own shares		800	800
6 Retained earnings		(107,675)	(169,386)
7 Profit or loss for the year		(13,485)	61,767
	23	**41,025**	**54,480**
II NON-CURRENT LIABILITIES			
1 Deferred tax liability	13	12,002	12,661
2 Liabilities to banks and other financial institutions	24	113,619	330,593
3 Loan liabilities	25	159,567	-
4 Lease liabilities	15	177	-
5 Trade payables		34,896	51,749
6 Liabilities for securities	26	29,879	32,776
		350,140	**427,779**
III CURRENT LIABILITIES			
1 Liabilities to related companies	29	55	27
2 Liabilities to banks and other financial institutions	24	3,754	451
3 Loan liabilities	25	3,494	-
4 Lease liabilities	15	330	-
5 Liabilities for pre-payments		4,404	668
6 Trade payables	27a	47,183	24,240
7 Liabilities for securities	26	9,666	8,870
8 Taxes, contributions and similar duties payable	27b	525	1,645
9 Accrued expenses and deferred income		193	292
10 Other current liabilities	27c	1,320	943
		70,924	**37,136**
TOTAL LIABILITIES		**462,089**	**519,393**

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

Unconsolidated Statement of Changes in Equity
for the year ended 31 Dec 2019

in HRK '000

	Share capital	Capital reserves	Legal reserves	Reserves for own shares	Revaluation reserves	(Accumulated loss) /retained earnings	Profit / (loss) for the year	Total
As at 1 January 2018	**19,016**	**84,187**	**409**	**800**	**60,117**	**9,804**	**(198,187)**	**(23,855)**
Net profit for the year	-	-	-	-	-	-	61,767	**61,767**
Revaluation depreciation	-	-	-	-	(2,996)	2,996	-	-
Total other comprehensive income for the year	-	-	-	-	**(2,996)**	**2,996**	**61,767**	**61,767**
Reversal of deferred tax liabilities (Note 13)	-	-	-	-	(122)	657	-	**535**
Merger of a subsidiary (Note 1.1)	-	9	-	-	679	15,344	-	**16,023**
Overview of results for 2017	-	-	-	-	-	(198,187)	198,187	-
As at 31 December 2018	**19,016**	**84,196**	**409**	**800**	**57,678**	**(169,386)**	**61,767**	**54,470**
Adjustments of IFRS 16 at 01 Jan 2019	-	-	-	-	-	30	-	**30**
As at 1 January 2019	**19,016**	**84,196**	**409**	**800**	**57,678**	**(169,356)**	**61,767**	**54,500**
Net loss for the year	-	-	-	-	-	-	(13,485)	(13,485)
Revaluation depreciation	-	-	-	-	(3,002)	3,002	-	-
Total other comprehensive income for the year	-	-	-	-	(3,002)	3,002	(13,485)	**(13,485)**
Overview of results for 2018	-	-	3,088	-	-	58,679	(61,767)	-
As at 31 December 2019	**19,016**	**84,196**	**3,497**	**800**	**54,676**	**(107,675)**	**(13,485)**	**41,025**

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

Unconsolidated Statement of Cash Flows – indirect method
for the year ended 31 Dec 2019

	Notes	in HRK '000 2019	in HRK '000 2018
Result before taxation		**(14,144)**	**61,767**
Adjusted by:			
Depreciation and amortisation	14,15,16	10,626	10,459
Provision cost		-	(147)
Profit on the disposal and retirement of fixed assets, net		(695)	(9)
Value adjustment of trade receivables	9	-	521
Value adjustment of financial assets	9	-	21,247
Liability write-off		(185)	(91,395)
Inventory surplus	6	(2,994)	(2,582)
Net interest cost	12	1,720	384
Income from dividends	12	(2,000)	-
Net (gain)/loss from other financial activities	12	3	(205)
Net gains from investment	12	3,829	224
Operating result before changes in working capital		**(3,840)**	**264**
(Increase)/Decrease in inventories	18	(7,215)	13,073
(Increase)/Decrease in current receivables		6,950	615
Increase in short-term liabilities		5,093	1,655
Collected/(Paid) advances		10,054	(10,886)
(Decrease) in accruals		(105)	(232)
Decrease in deferrals		114	112
Operating result after changes in working capital		**11,051**	**4,601**
Income taxes paid		-	(448
Interest paid		(2,662)	-709
Cash flow from operating activities		**8,389**	**3,444**
Interest received		1,119	322
Payments to acquire property, plant, equipment and intangibles		(3,490)	(2,361)
Proceeds from the sale of property, plant and equipment	17b	5,000	-
Deposits paid/received		(991)	10
Payments for given loans		(27,780)	-
Repayments of given loans		17,542	841
Cash generated from investing activities		**(8,600)**	**(1,188)**

Unconsolidated Statement of Cash Flows – indirect method (continued)
for the year ended 31 Dec 2019

	Note	in HRK '000 **2019**	in HRK '000 **2018**
Repayment of borrowings		-	(729)
Proceeds from borrowings		2,000	780
Net payments of securities	26	(2,100)	(1,030)
Repayments of leases	15	(554)	(506)
Cash flow from financial activities		**(654)**	**(1,485)**
Net changes in cash and cash equivalents		**(864)**	**773**
Cash at the beginning of the period		3,574	2,801
Cash at the end of the period	**21**	**2,710**	**3,574**

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

1. GENERAL INFORMATION

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

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

The following subsidiaries made up the Granolio Group as at 31 December 2019:

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

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

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

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

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

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

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

At 31 December 2019 the Management Board of the company Granolio d.d. consisted of the following members:
Hrvoje Filipović - Chairman (since 23 February 2011),
Vladimir Kalčić - Member (since 23 February 2011),
Drago Šurina - Member (since 23 February 2011), and

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

1. GENERAL INFORMATION (continued)

1.1. Merger of the subsidiary Prerada žitarica d.o.o

On 30 April 2018, pursuant to the Decision of the Majority Shareholder, the company Prerada žitarica d.o.o was legally merged to the Company and has ceased to exist as a separate legal and operational entity.

Assets and liabilities acquired as the result of the merger were recognised in the carrying amounts recognised in the financial statements of the company Prerada žitarica d.o.o. immediately before the merger. The merger was done pursuant to carrying amounts since the merger comprised the entities under the ultimate joint control of the company before and after the merger, and this control was not temporary. Parts of equity and reserves of the merged company were added to the same part of equity and reserves of the Company. The issued capital of the company Prerada žitarica d.o.o. was eliminated upon merger by the Company's investment in Prerada žitarica d.o.o. in the amount of HRK 45,915 thousand.

Review of assets, liabilities, equity and reserves were taken upon merger is detailed below:

	Acquired through merger '000 kn
Acquired assets and liabilities	
Property and equipment (Note 15)	20,646
Real estate investments (Note 15)	
Other receivables	92
Cash and cash equivalents	528
Borrowings	-
Provisions for liabilities and expenses	-
Current tax liability	-
Other liabilities	10,178
The Company's investment in Prarada žitarica d.o.o.	
Net identified assets and liabilities	**31,444**
Recognized as part of equity and reserves:	
Revaluation reserves	679
Capital reserves	9
Retained earnings	45,915
TOTAL	**46,603**

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

2.1. Initial application of new amendments to the existing standards and interpretations effective for the current financial period

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

IFRS 16, Leases (issued on 13 January 2016, effective for annual periods beginning on or after 1 January 2019). The Company has decided to apply the standard from the date of its mandatory adoption on 1 January 2019 by applying a modified retroactive method, without revising the comparative information and by applying certain simplifications allowed by the standard. Assets with the right to use are measured at the amount of the lease liability at the date of adoption of the standard (adjusted for early repayments or calculated lease expense).

In the first application of IFRS 16, the Company used the following practical solutions permitted by the standard:

applying a single discount rate to a portfolio of leases with relatively similar characteristics, relying on previous assessments of the harmfulness of leases as an alternative to the impairment test - on 1 January 2019 there were no harmful contracts, disclosure of operating leases with a remaining lease term on 1 January 2019 less than 12 months as short-term leases, the exclusion of initial direct costs from the measurement of the right to use assets at the date of first application, and the use of more recent knowledge in determining the lease period if the contract contains options to extend or terminate the lease.

The Company has also decided not to re-evaluate whether on the date of first application it is a lease or a contract containing a lease. Instead, for contracts entered into before the transition date, the Company relied on its assessment based on the application of IAS 17 Leases and Interpretations (IFRIC) 4 Determining whether an agreement contains a lease.

As at 1 January 2019, the weighted average marginal borrowing rate applied by the Company to lease liabilities was 4%.

The reconciliation of contractual obligations under operating leases with the recognized liability is as follows:

In HRK '000	31 Dec 2018/ 1 Jan 2019
Total future minimum lease payments for irrevocable * operating leases at 31 Dec 2018	1,463
- Financial lease	748
- The effect of discounting to the present value	(107)
- Reduced for short-term leases that are not recognized as a liability	(1,037)
Total lease liabilities recognized on 1 Jan 2019	1,067
Of which are:	
Short-term lease liabilities	574
Long-term lease liabilities	493

* Irrevocable leases include those that can be revoked only: (a) in the case of an unforeseen event, (b) with the lessor's permission, (c) if the lessee enters into a new lease for the same or equivalent property with the same lessor; or (d) after the lessee has paid an additional amount on the basis of which it is certain at the beginning of the lease period that the lease will continue.

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

2.1. First application of new amendments to existing standards and interpretations in force for the current financial period (continued)

The change in accounting policy affected the following items of the report on the financial position of the Company on 1 January 2019:

In HRK '000	**Note**	**The effect of implementation of IFRS 16**
Increase of property with the right of use	15	3,173
Increase in lease liabilities	15	1,067
Reduction of plant and equipment	16	(2,824)
Reduction of liabilities to financial institutions	23	(748)
Retained earnings		30

(in HRK '000)	**Note**	**2019**
Depreciation expense of right to use assets	15	
Vehicles		124
Equipment		194
Interest expenses (included in financial expenses)		10
Expenses related to short-term leases or leases of low-value assets (included in other operating expenses)		1,135

The following amended standards are effective from 1 January 2019, but did not have a significant impact on the Company:

IFRIC 23 "Uncertainty Over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).

Characteristics of negative fee overpayments - Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).

Amendments to IAS 28 "Investments in Associates and Joint Ventures" (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).

Annual Improvements to IFRSs for the 2015-2017 Reporting Cycle - Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after January 1, 2019).

Amendments to IAS 19 "Employee Benefits" (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).

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

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

Appendices to the Conceptual Financial Reporting Framework (effective for annual periods beginning on or after 1 January 2020). The revised conceptual framework includes a new chapter on measurement; guidelines for reporting the financial result; improved definitions and guidelines - in particular the definition of an obligation; and clarifications in important areas, such as the role of governance, prudence, and measurement uncertainty in financial reporting.

Definition of materiality - Amendments to IAS 1 and IAS 8 (effective for annual periods beginning on or after 1 January 2020). The amendments clarify the definition of materiality and how it should be applied to encompass guidelines that have been contained elsewhere in IFRSs. Furthermore, the explanations along with the definition itself have been improved. Finally, the amendments ensure the consistency of the definition of materiality in all IFRSs. Information is material if it can reasonably be expected that its omission or misstatement will affect the decisions made by the primary users of general purpose financial statements based on those financial statements that provide financial information about a particular reporting entity.

Reform of reference interest rates - Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020)
The amendments result from the replacement of reference interest rates such as LIBOR and other interbank bid interest rates ("IBORs"), which provide a temporary exemption from the application of certain hedge accounting requirements to hedging relationships directly affected by the IBOR reform. Cash flow hedge accounting under IFRS 9 and IAS 39 requires that future hedged cash flows be "highly probable". If these cash flows depend on the IBOR, the exemption provided for in the amendments requires the entity to apply the assumption that the interest rate on which the cash flows are based will not change as a result of the reform.
IAS 39 and IFRS 9 require an estimate of expected future events for the application of hedge accounting. While the cash flows to which IBOR interest rates apply and the interest rates that replace it are currently expected to be broadly equal, thus minimizing any inefficiencies, this may no longer be the case as the reform date approaches. According to the amendments, the entity may assume that the reference interest rate on which the cash flows of the hedged item, hedging instrument or hedged risk are based has not been affected by the IBOR reform. Due to the reform of the IBOR, protection could be found outside the range of 80-125%, which is mandatory for retroactive testing in accordance with IAS 39. IAS 39 has therefore been amended to allow an exemption from retroactive performance testing in such a way that hedging is not interrupted during the period of uncertainty caused by the IBOR simply because retroactive inefficiency is outside this range. However, even then, other requirements for the application of hedge accounting should still be met, including an assessment of expected events. For some hedges, the hedged item or hedged risk refers to a non-contractual component of the IBOR. In order to apply hedge accounting, IFRS 9 and IAS 39 require that the identified risk component can be determined separately and measured reliably. According to the appendices, the risk component should be able to be determined separately at the beginning of the determination of the protection relationship, and not continuously. In the context of a macro protection, where the subject often harmonizes the protection relationship, the exemption applies from the moment the protected item was originally established within that protection relationship. Any hedging inefficiencies will continue to be recognized in the income statement in accordance with IAS 39 and IFRS 9. The amendments set out the reasons for the cessation of the exemption, including the uncertainty arising from the reference interest rate reform, which is no longer applicable. The amendments require entities to provide additional information to investors about their protection relationships directly affected by these uncertainties, including the nominal amount of hedging instruments to which the exemptions apply, any significant assumptions or judgments made during the application of the exemption, and qualitative disclosure of how the entity is affected by the IBOR reform and how it manages the transition process.

Sale or entry of assets between an investor and its associate or joint venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after the date determined by the IASB, not yet approved by the European Union).
These amendments address the inconsistency between the requirements of IFRS 10 and the requirements of IAS 28 relating to the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of allowances is that full profit or loss is recognized when the transaction involves business. Partial gain or loss is recognized when the transaction involves non-business assets, even if they are subsidiary assets.

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

2.2. Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective (continued)

IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021, not yet approved by the European Union).
IFRS 17 replaces IFRS 4 which has allowed companies to continue to present insurance contracts using existing practices. For this reason, it was difficult for investors to compare the financial performance of otherwise similar insurance companies. IFRS 17 is a standard that applies a single principle to the disclosure of all types of insurance contracts, including reinsurance contracts. The standard requires the recognition and measurement of groups of insurance contracts at: (i) the present value of future risk-adjusted cash flows (contractual cash flows) that includes all available information about contractual cash flows to match the information available in the market; increased (if this value is a liability) or decreased (if this value is an asset) by (ii) the amount representing the unrealized gain of the contract group (contract service margin). Insurers will recognize profits for a group of insurance contracts during the coverage period and as they are hedged. If a group of contracts incurs or will incur a loss, the entity shall recognize that loss as incurred.

Definition of business - Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of the annual reporting period beginning on or after 1 January 2020, not yet approved by the European Union). The appendices change the definition of business. The business must have inputs and a detailed process that together significantly contribute to the ability to generate results. The new guidelines provide a framework for assessing if input and a detailed process exist, including early-stage entities that have not generated results. In the absence of results, there should be an organized workforce for the purposes of classification as a business. The definition of 'results' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are able to replace missing elements or integrate acquired activities and assets. The subject may apply a "concentration test". Acquired assets would not be business if almost the entire fair value of gross assets acquired was concentrated in a single asset (or group of similar assets).

According to the Company's estimates, the application of these new standards and amendments to existing standards should not have a material impact on the Company's financial statements in the period of their first application.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

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

3.2 Basis of preparation

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

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

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

The Company expects to continue its operations as a going concern and to settle all liabilities determined in the pre-bankruptcy settlement procedure, in the manner agreed in the pre-bankruptcy settlement. A further investment and business plan will depend on the restructuring plan adopted under the pre-bankruptcy settlement.

Irrespective of the liabilities to creditors assumed by concluding the pre-bankruptcy settlement, the Management Board of the Company estimates that the indefinite duration of operations is not in any way questionable. The Company has a sufficient level of liquidity to ensure the fulfilment of liabilities to creditors and, in accordance with business plans, estimates that a positive cash flow will be generated from the core business in future periods.

Throughout 2019, a stable cash flow and funds were provided to meet due liabilities to suppliers, employees, and the state, which was achieved through careful planning and liquidity management. So far, the Company has regularly repaid its liabilities in accordance with the pre-bankruptcy settlement and it is expected that it will continue to operate smoothly and repay its liabilities in accordance with the final settlement in the future. The further investment and business plan will depend on the restructuring plan adopted as part of the pre-bankruptcy settlement.

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

3.3 Interests in associates and joint ventures

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Interests in joint operations

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

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

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

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

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

3.5 Investments in subsidiaries

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Functional and presentation currency

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

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

3.7 Use of estimates and judgements

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

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

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

3.8 Revenue recognition

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

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8.1 Revenue recognition (continued)

(iii) Service sales

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

(iv) Financial income

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

3.9 Foreign currencies

Foreign-currency transactions and balances

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

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

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

At 31 December 2019 the official exchange rate of the Croatian kuna against 1 euro (EUR) was HRK 7,442580, and at 31 December 2018 it was HRK 7,4177575, respectively.

3.10 Borrowing costs

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

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

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

3.11 Employee benefits

(i) Pension obligations and other post-employment benefits

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

(ii) Long-term employee benefits

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Short-term employee benefits

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

(iv) Share-based payments

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

3.12 Dividends

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

3.13 Operating segment reporting

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Taxation

(i) Income tax

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

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

(ii) Deferred tax assets and liabilities

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

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

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

(iii) Tax exposure

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

(iv) Value added tax (VAT)

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Property, plant and equipment

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

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

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

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

Freehold land is not depreciated.

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

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

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

	2019	2018
Buildings	40 years	40 years
Plants and equipment	10 years	10 years
Office equipment	4 years	4 years
Telecommunications equipment	2 years	2 years
Personal cars	2.5 years	2.5 years
Delivery vehicles	4 years	4 years

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16. Investment property

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

3.17. Intangible assets

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

(i) Brands and contracts with customers

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

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

(ii) Computer software

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

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

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. Impairment loss reversal is immediately recognised as income, unless the relevant asset is not stated as a revalued amount, in which case the reversed impairment loss is stated as an increase due to revaluation in line with the applicable Standard stipulating the requirements concerning the relevant asset revaluation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Leases

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

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

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

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

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

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

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

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

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

	2019
Vehicles	5 years
Equipment	10 years

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

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

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

3.20. Inventories

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

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

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

Small inventory and tools are expensed when put into use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21. Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, if significant, using the effective interest method. Otherwise, they are measured at nominal amounts, less an allowance for impairment. Impairment is made whenever there is objective evidence that the Company will not be able to collect all amounts due according to the originally agreed terms. Significant financial difficulties of the debtor, the probability of bankruptcy proceedings at the debtor, or default or delinquency in payment are considered indications of potential impairment. The amount of impairment loss of an item receivable is measured as the difference between the carrying amount and the recoverable amount of the receivable.

An impairment loss is charged to expenses for estimated disputed and claimed receivables, as well as receivables registered for bankruptcy, and the collection of impaired receivables are credited to income.

The Company always reports the provisions for losses of trade receivables in the amount equal to the life-long ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position. The Company recognised a loss in the amount of 100% of all receivables over 360 days past due as past experience shows that the relevant receivables can usually not be recovered.

There were no changes in the assessment techniques or material assumptions during the current reporting period.

3.22. Cash and cash equivalents

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

3.23. Equity

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

3.24. Financial instruments

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

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

3.25. Financial assets

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.25. Financial assets (continued)

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

Classification of financial assets

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

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

(i) Depreciated cost and effective interest method

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

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

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

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

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

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

Investment income is recognised in statement of profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.25. Financial assets (continued)

(ii) Impairment of financial assets

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

For all other financial instruments, the Company recognises the lifelong ECL in case of a significant increase in credit risk since initial recognition. However, if the credit risk for the financial instrument has not significantly increased since the initial recognition, the Company measures the loss for this financial instrument in the amount equal to a 12-month ECL. Life-long ECL represents expected credit losses resulting from all potential cases of default during the expected lifetime of the financial instrument.

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

(iii) Significant increase in credit risk

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

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

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

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

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

(iv) Definition of default status

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.25 Financial assets (continued)

(v) Credit-impaired financial assets

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

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

(vi) Write-off policy

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

(vii) Measurement and recognition of expected credit losses

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

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

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

End of financial asset recognition

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.25. Financial assets (continued)

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

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

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

Loans and receivables

The Company always reports the provisions for losses of trade receivables in the amount equal to the life-long ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position. The Company recognised a loss in the amount of 100% of all receivables over 360 days past due as past experience shows that the relevant receivables can usually not be recovered.

There were no changes in the assessment techniques or material assumptions during the current reporting period.

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

3.26 Financial liabilities and equity instruments

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

The Company measures all financial liabilities at depreciated cost.

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

Financial liabilities subsequently measured at amortised cost

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

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

Classification as debt or equity

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.26 Financial liabilities and equity instruments (continued)

Financial liabilities

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

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

Derecognition of financial liabilities

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

3.27 ACCOUNTING POLICIES APPLICABLE UNTIL 1 JANUARY 2019

Leases

Company as a lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the lease. The initial indirect costs of negotiating and contracting an operating lease are attributed to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Company as a lessee

The Company leases certain property, plant and equipment. Leases of property, plant and equipment in which the Company bears all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is broken down into liabilities and financial expenses to obtain a constant rate on the remaining financial position. The interest component of finance expense is charged to the income statement and other comprehensive income during the lease term. Property, plant and equipment purchased under finance leases are depreciated over their useful lives or the lease term, whichever is shorter.

Leases in which the Company does not bear a significant share of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognized in the statement of comprehensive income on a straight-line basis over the term of the lease.

4. KEY ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

Critical judgements in the application of accounting policies

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

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

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

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

(iv) Impairment test of intangible assets
The Company tests the brands and licences for impairment on an annual basis. For the purposes of impairment test, they are allocated to cash-generating units, and their carrying amounts at the reporting date were as follows:

in HRK '000

	31 Dec 2019	31 Dec 2018
Trademarks	120,000	120,000
Customer list	699	2,364
Software and other intangible assets	165	250
	120,864	**122,614**

The recoverable amount of this cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by Management covering a five-year period.

Intangible assets other than software and other intangible assets arose as a result of acquisitions in the milling segment.

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

5. SALES REVENUE

in HRK '000

	2019	2018
Sales revenue – domestic	262,235	255,708
Sales revenue – foreign	37,944	24,470
Revenue from services	-	5,642
	300,179	**285,820**

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

The Company monitors its performance through the following operating segments:

- Milling
- Wholesale
- Other (services, livestock)

Segment information – industry analysis:

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

in HRK '000

	2019	2018
Milling	220,114	215,751
Wholesale	75,022	63,714
Other	5,043	6,355
	300,179	**285,820**

Geographic analysis

in HRK '000

	2019	2018
Croatia	262,235	261,350
Bosnia and Herzegovina	8,564	9,616
Serbia	1,822	2,367
Slovenia	10,895	7,415
Austria	9,882	4,891
Italy	5,925	-
Kosovo	856	-
Hungary	-	122
Slovakia	-	55
Libya	-	4
	300,179	**285,820**

6. OTHER OPERATING INCOME

		in HRK '000
	2019	**2018**
Inventory surplus	2,999	2,582
Income from subsidies	191	147
Subsequent credit notes from suppliers	184	352
Other operating income	2,797	2,547
	6,171	**5,628**

7. MATERIAL EXPENSES

The structure of material expenses is as follows:

		in HRK '000
	2019	**2018**
Raw materials and consumables used	180,791	166,962
Energy consumption	8,067	7,226
Inventory spillage, breakage and similar costs	5,184	5,339
Cost of small inventory	421	308
Cost of inventories for sold livestock	287	1,035
Other material expenses	260	159
Raw materials and consumables used	**195,010**	**181,029**
Cost of goods sold	**69,174**	**62,605**
Telephone, post and transportation services	11,321	12,567
Maintenance and security services	2,330	1,862
Intellectual services	1,545	3,660
Rental costs	1,135	1,270
Quality control services	1,039	1,151
Promotions and sponsorships	523	1,448
The cost of service grinding	500	-
Selling costs (freight-forwarding, goods handling, etc.)	915	592
Other external costs	1,931	1,845
Other external costs	**21,239**	**24,395**
	285,423	**268,029**

Inventory spillage, breakage and similar costs comprise mostly the standard spillage and breakage in the production in the amount of HRK 5,184 thousand (2018: HRK 5,339 thousand)

Auditor's fee for 2019 amounts to HRK 402 thousand (2018: HRK 484 thousand): HRK 120 thousand for the audit of the Company (2018.: HRK 372 thousand).

8. EMPLOYEE COSTS

in HRK '000

	2019	2018
Net salaries	11,423	10,404
Taxes and contributions from salaries	4,214	3,834
Contributions on salaries	2,220	2,185
	17,857	**16,423**

As at 31 December 2019, the Company has 168 employees (31 December 2018: 157).

9. VALUE ADJUSTMENTS EXPENSES

in HRK '000

	2019	2018
Value adjustment of other receivables (Note 19c)	-	521
Value adjustment of investments (Note 17)	-	21,247
	-	**21,768**

10. OTHER EXPENSES

in HRK '000

	2019	2018
Reimbursement of expenses to employees	1,096	886
Insurance premiums	465	418
Contributions, membership fees and other compensations	422	490
Business travel expenses	146	99
Banking services and payment costs	129	142
Taxes that do not depend on the result	109	112
Other costs	213	445
	2,580	**2,592**

Reimbursement of expenses to employees mainly relates to compensation for transportation costs to work HRK 675 thousand (2018: HRK 624 thousand) and Christmas bonuses, severance pay and other compensation for employees in the amount of HRK 381 thousand (2018: HRK 262 thousand).

11. OTHER OPERATING EXPENSES

In HRK '000

	2019	2018
Subsequently approved cassa sconto	465	1,036
Entertainment costs	425	342
Penalties, damages	357	39
Donations and sponsorships	100	-
Waste, breakage and breakdown of goods	141	120
Write-offs of receivables	44	-
Other operating expenses	189	197
	1,721	**1,734**

12. FINANCIAL INCOME AND EXPENSES

Financial income

in HRK '000

	2019	2018
Dividend income	2,000	-
Default interest	657	82
Interest on loans granted	492	790
Income from write-off of liabilities under PSN	269	91,396
Positive exchange rate differences	79	500
	3,497	**92,768**

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

Financial expenses

in HRK '000

	2019	2018
Realized losses on financial assets	3,830	-
Interest on loans and borrowings	2,444	563
Discount interest on bills of exchange	461	267
Negative exchange rate differences	137	380
Default interest	23	426
Other financial expenses	44	23
	6,939	**1,659**

Realized losses relate to losses incurred during the sale of Klara shares.

13. INCOME TAX

Income tax comprises

in HRK '000

	2019	2018
Current income tax	-	-
Total income tax expense	-	-

Effective tax rate reconciliation

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

in HRK '000

	2019	2018
Profit/(loss) before taxation	(14,144)	61,767
Income tax at a rate of 18%	(2,546)	11,118
Effect of non-taxable income	(5,792)	(13,478)
Effect of non-deductible expenses	33,693	4,763
Effect of (reversal)/generating transferred tax losses	25,355	(2,403)
Income tax	-	-
Effective tax rate	-	-

13. INCOME TAX (CONTINUED)

Unused tax losses

In accordance with tax regulations, the Company has transferable tax losses in the amount of HRK 68,376 thousand as at 31 December 2019 (as at 31 December 2018, HRK 26,331 thousand).

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

Deferred tax liabilities arise from the following:

in HRK '000

2019	**Opening balance**	**Recognised in profit or loss**	**Merger of subsidiary**	**Closing balance**
Revaluation depreciation	12,661	(659)	-	12,002
Deferred tax liability	**12,661**	**(659)**	-	**12,002**

in HRK '000

2018	**Opening balance**	**Recognised in profit or loss**	**Merger of subsidiary**	**Closing balance**
Revaluation depreciation	13,196	(657)	122	12,661
Deferred tax liability	**13,196**	**(657)**	**122**	**12,661**

Movement of deferred tax liability

in HRK '000

	31 Dec 2019	**31 Dec 2018**
Balance at 1 January	12,661	13,196
Decrease	(659)	(535)
	12,002	**12,661**

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

14. INTANGIBLE ASSETS

Movement of intangible assets in 2019:

in HRK '000

	Goodwill	Trademarks, concessions, licenses	Customer list	Software	TOTAL
<u>Cost</u>					
Balance at 1 January 2019	60,379	120,000	10,000	2,351	**192,730**
Additions	-	-	-	135	**135**
Balance at 31 December 2019	**60,379**	**120,000**	**10,000**	**2,486**	**192,865**
<u>Impairment allowance</u>					
Balance at 1 January 2019	60,379	-	7,636	2,101	**70,116**
Amortisation	-	-	1,665	220	**1,885**
Balance at 31 December 2019	**60,379**	-	**9,301**	**2,321**	**72,001**
Carrying value at 1 January 2019	-	**120,000**	**2,364**	**250**	**122,614**
Carrying value at 31 December 2019	-	**120,000**	**699**	**165**	**120,864**

Intangible assets in the amount of HRK 120,000 thousand (2018: HRK 120,000 thousand) have been pledged as collateral for the Company's borrowings (Note 24).

14. INTANGIBLE ASSETS (CONTINUED)

Movement of intangible assets in 2018:

in HRK '000

	Goodwill	Trademarks, concessions, licenses	Customer list	Software	TOTAL
Cost					
Balance at 1 January 2018	60,379	120,000	10,000	2,170	**192,549**
Additions	-	-	-	135	**135**
Reclassification	-	-	-	46	**46**
Balance at 31 December 2018	**60,379**	**120,000**	**10,000**	**2,351**	**192,730**
Impairment allowance					
Balance at 1 January 2019	60,379	-	5,970	1,839	**68,188**
Amortisation	-	-	1,666	216	**1,882**
Reclassification	-	-	-	46	**46**
Balance at 31 December 2018	**60,379**	-	**7,636**	**2,101**	**70,116**
Carrying value at 1 January 2019	-	**120,000**	**4,030**	**331**	**124,361**
Carrying value at 31 December 2019	-	**120,000**	**2,364**	**250**	**122,614**

Intangible assets in the amount of HRK 120,000 thousand (2017: HRK 120,000 thousand) have been pledged as collateral for the Company's borrowings (Note 24).).

15. PROPERTY WITH RIGHT TO USE AND LEASE LIABILITY

(a) Property with right to use

in HRK '000

	Vehicles	Equipment	TOTAL
Balance at 1 January 2019	**349**	**2,824**	**3,173**
Increase	-	-	-
Decrease	-	-	-
Depreciation	124	194	318
Balance at 31 December 2019	**225**	**2,630**	**2,855**

(b) Lease liability

in HRK '000

	Vehicles	Equipment	TOTAL
Balance at 1 January 2019	**319**	**748**	**1,067**
Lease payment	(100)	(454)	(554)
Interest expense	(10)	-	(10)
Exchange rate difference	-	4	4
Balance at 31 December 2019	**209**	**298**	**507**

(c) Maturity of liabilities

in HRK '000

	31 Dec 2019	01 Jan 2019
Lease liability	**507**	**1,067**
(Current maturity)	(330)	(574)
Long-term lease liability	**177**	**493**

The maturity of the lease liability is as follows:

in HRK '000

	31 Dec 2019	2020	2021	2022	2023	od 2024
Operating lease	209	115	80	14	-	-
Financial lease	298	215	83	-	-	-
	507	**330**	**163**	**14**	**-**	**-**

16. PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment in 2019

in HRK '000

	Land	Buildings	Plant, equipment, and tools	Other tangible assets	Investment property	Current investments	TOTAL
Cost or revaluation							
Balance at 31 December 2018	**9,155**	**180,127**	**94,708**	**183**	**4,615**	**9,334**	**298,122**
Reconciliation of IFRS 16 on 01 Jan 2019	-	-	(3,273)	-	-	-	**(3,273)**
Balance at 1 January 2019	**9,155**	**180,127**	**91,435**	**183**	**4,615**	**9,334**	**294,849**
Additions		1,023	2,262	29	-	50	**3,364**
Sale and disposal	(471)	(4,659)	(692)	-	-	-	**(5,822)**
Balance at 31 December 2019	**8,684**	**176,491**	**93,005**	**213**	**4,615**	**9,384**	**292,391**
Impairment allowance							
Balance at 31 December 2018	-	**64,844**	**82,055**	**104**	-	-	**147,003**
Reconciliation of IFRS 16 on 01 Jan 2019	-	-	(449)	-	-	-	**(449)**
Balance at 1 January 2019	-	64,844	81,606	104	-	-	146,554
Revaluation depreciation	-	2,189	1,472	-	-	-	3,661
Depreciation and amortisation	-	2,167	2,579	15	-	-	4,761
Sale and disposal	-	(813)	(683)	-	-	-	(1,496)
Balance at 31 December 2019	-	**68,387**	**84,974**	**119**	-	-	**153,480**
Carrying value at 1 January 2019	**9,155**	**115,283**	**12,653**	**79**	**4,615**	**9,334**	**151,119**
Carrying value at 31 December 2019	**8,684**	**108,104**	**8,031**	**93**	**4,615**	**9,384**	**138,911**

Intangible assets in the amount of HRK 107,860 thousand (2018: HRK 112,155 thousand) have been pledged as collateral for the Company's borrowings (Note 24).

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Movements in property, plant and equipment in 2018

in HRK '000

	Land	Buildings	Plant, equipment, and tools	Other tangible assets	Investment property	Current investments	TOTAL
Cost or revaluation							
Balance at 1 January 2018	**8,303**	**166,080**	**92,376**	**172**	-	**24**	**266,955**
Additions	-	212	1,836	-	4,615	-	**6,663**
Merger of subsidiary	852	13,835	540	11	-	9,310	**24,548**
Disposals	-	-	(44)	-	-	-	**(44)**
Balance at 31 December 2018	**9,155**	**180,127**	**94,708**	**183**	**4,615**	**9,334**	**298,122**
Impairment allowance							
Balance at 01 January 2018	-	**57,126**	**77,346**	**96**	-	-	**134,568**
Revaluation depreciation	-	2,176	1,473	-	-	-	**3,649**
Depreciation and amortisation	-	2,086	2,840	2	-	-	**4,928**
Merger of subsidiary	-	3,456	439	6	-	-	**3,901**
Disposals	-	-	(43)	-	-	-	**(43)**
Balance at 31 December 2018	-	**64,844**	**82,055**	**104**	-	-	**147,003**
Carrying value at 1 January 2018	**8,303**	**108,954**	**15,029**	**76**	-	**24**	**132,386**
Carrying value at 31 December 2018	**9,155**	**115,283**	**12,653**	**79**	**4,615**	**9,334**	**151,119**

17. NON-CURRENT FINANCIAL ASSETS

(a) Investment in subsidiaries

in HRK '000

	31 Dec 2019	31 Dec 2018
Zdenka mliječni proizvodi d.o.o., Veliki Zdenci	42,767	42,767
Žitar d.o.o., Donji Miholjac	-	22,000
Zdenačka farma d.o.o., Veliki Zdenci	27,661	27,661
	70,428	**92,428**

While selling shares in the company Žitar d.o.o. Donji Miholjac, the Company made neither profit nor loss.

(b) Shares at fair value through profit or loss

In HRK '000

	31 Dec 2019	31 Dec 2018
Zagrebačke pekarne Klara d.d., Zagreb	494	9,323
Prehrana trgovina d.d., Zagreb	536	536
Žitozajednica d.o.o., Zagreb	1	1
	1,031	**9,860**

Ownership interest

	31 Dec 2019	31 Dec 2018
Zdenačka farma d.o.o., Veliki Zdenci	100.00%	100.00%
Zdenka mliječni proizvodi d.o.o., Veliki Zdenci	50.00%	50.00%
Žitar d.o.o., Donji Miholjac	-	49.69%
Zagrebačke pekarne Klara d.d., Zagreb	1%	18.25%
Prehrana trgovina d.d., Zagreb	11.48%	11.48%
Žitozajednica d.o.o., Zagreb	1.28%	1.28%

Voting rights are the same as ownership rights.

(c) Given loans, deposits and similar

in HRK '000

	31 Dec 2019	31 Dec 2018
Loans to natural persons	145	192
	145	**192**

Movements in non-current loans for the year is provided in Note 20.

18. INVENTORIES

in HRK '000

	31 Dec 2019	31 Dec 2018
Work in progress	11,272	181
Raw material	7,055	5,704
Finished goods	1,972	1,609
Trade goods	84	2,582
	20,383	**10,076**

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

a) Trade receivables

in HRK '000

	31 Dec 2019	31 Dec 2018
Domestic sales	65,103	74,342
Subcontractor receivables	6,081	8,362
Foreign sales	6,268	5,739
Value adjustment of trade receivables	(32,368)	(32,998)
	45,084	**55,445**

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

Value adjustment of trade receivables

in HRK '000

	2019	2018
Balance at 1 January	**32,998**	**33,617**
Value adjustment of trade receivables	-	-
Impaired receivables write-off	(71)	-
Recovery of impaired receivables	(559)	(619)
Balance at 31 December	**32,368**	**32,998**

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

in HRK '000

	31 Dec 2019	31 Dec 2018
Not yet due	28,487	36,949
0-90 days past due	12,799	12,472
91-180 days past due	1,315	1,877
181-360 days past due	1,021	465
> 360 days	1,462	3,682
	45,084	**55,445**

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

b) Receivables from the State and other institutions

in HRK '000

	31 Dec 2019	31 Dec 2018
VAT receivables	2,077	64
Income tax advance payments	110	557
Other receivables from the State and other institutions	95	50
	2,282	**671**

c) Other receivables

in HRK '000

	31 Dec 2019	31 Dec 2018
Receivables with recourse factoring	16,571	16,571
Prepayments made	5,182	9,838
Interest receivables	983	973
Other receivables	102	102
	22,838	**27,484**

Receivables from recourse factoring in the amount of HRK 16,571 (31 December 2018: HRK 16,571 thousand) refer to receivables based on bills of exchange with recourse right, discounted at factoring companies. Movements in receivables from recourse factoring are presented in the following table:

Receivables from recourse factoring

in HRK '000

	2019	2018
Balance at 1 January	**16,571**	**20,000**
Recovery of receivables	-	(2,908)
Value adjustment of trade receivables	-	(521)
Balance at 31 December	**16,571**	**16,571**

20. CURRENT FINANCIAL ASSETS

a) Investment in securities

in HRK '000

	31 Dec 2019	31 Dec 2018
Investments in bills of exchange	150	178
	150	**178**

b) Given loans, deposits and similar

in HRK '000

	31 Dec 2019	31 Dec 2018
Loans to legal entities	12,913	12,913
Short-term loans to natural persons	48	64
Given deposits	1,013	45
	13,974	**13,022**

Notes to the unconsolidated financial statements (continued)
for the year ended 31 December 2019

20. CURRENT FINANCIAL ASSETS (CONTINUED)

Movement in given loans in 2019

In HRK '000

	At 1 January 2019	Increase in given loans	Collection of given loans	Transfer of a portion of long-term loans to short-term and vice versa	FX differences	At 31 December 2019
Given long-term loans						
Given loans to natural persons	193	-	-	48	1	146
Total long-term loans	**193**	**-**	**-**	**48**	**1**	**146**
Short-term loans						
Given loans to natural persons	64	-	(63)	48	1	48
Given loans to related parties	22,935	4,918	(17,478)	-	-	10,375
Given loans to companies	12,913	22,863	(22,863)	-	-	12,913
Total short-term loans	**35,912**	**27,781**	**(40,404)**	**48**	**1**	**23,336**
TOTAL	**36,105**	**27,781**	**(40,404)**	**96**	**2**	**23,482**

Movement in given loans in 2018

	At 1 January 2018	Increase in given loans	Collection of given loans	Transfer of a portion of long-term loans to short-term and vice versa	FX differences	At 31 December 2018
Given long-term loans						
Given loans to natural persons	259	-	-	(64)	(2)	193
Total long-term loans	**259**	**-**	**-**	**(64)**	**(2)**	**193**
Short-term loans						
Given loans to natural persons	64	-	(64)	64	-	64
Given loans to related parties	28,150	-	(5,214)	-	-	22,935
Given loans to companies	12,913	-	-	-	-	12,913
Total short-term loans	**41,127**	**-**	**(5,275)**	**64**	**-**	**35,912**
TOTAL	**41,386**	**-**	**(5,275)**	**-**	**(2)**	**36,105**

21. CASH AND CASH EQUIVALENTS

in HRK '000

	31 Dec 2019	31 Dec 2018
Bank accounts – domestic currency	2,577	3,247
Bank accounts – foreign currency	131	325
Cash in hand	2	2
	2,710	**3,574**

22. PREPAID EXPENSES AND ACCRUED INCOME

in HRK '000

	31 Dec 2019	31 Dec 2018
Prepaid expenses	390	504
	390	**504**

Movements in prepaid expenses during the year were as follows:

in HRK '000

	2019	2018
Balance at 1 January	**504**	**617**
Increase in prepaid expenses	68	77
Decrease in prepaid expenses	(182)	(190)
Balance at 31 December	**390**	**504**

23. EQUITY AND RESERVES

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

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

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

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

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

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

23. EQUITY AND RESERVES (CONTINUED)

The ownership structure of the share capital at 31 December 2019 is presented below, with the largest 10 shareholders holding 96.26% of the shares at that date:

	31 Dec 2019		31 Dec 2018	
	Number of shares (in thousands)	Ownership %	Number of shares (in thousands)	Ownership %
Filipović Hrvoje	1,105	58.11%	1,105	58.11%
HOK - osiguranje d.d.	379	19.90%	379	19.90%
Societe Generale-Splitska banka d.d./Erste plavi OMF kategorija B	149	7.83%	149	7.83%
C.I.M Banque	100	5.26%	100	5.26%
Auctus j.d.o.o.	38	2.00%	38	2.00%
Capturis d.o.o.	25	1.31%	25	1.31%
Addiko bank d.d.	14	0.74%	-	-
Addiko bank d.d./ SZAIF d.d.	9	0.47%	9	0.47%
HPB d.d./ HPB global - OIF s javnom ponudom	-	-	7	0.37%
OTP banka d.d./KD Victoria fond	7	0.37%	7	0.37%
Primorska banka d.d. Rijeka u likvidaciji	5	0.26%	5	0.26%
Other	71	3.75%	78	4.10%
	1,902	**100.00%**	**1,902**	**100.00%**

24. LIABILITIES TO BANKS AND OTHER FINANCIAL INSTITUTIONS

in HRK '000

	31 Dec 2019	31 Dec 2018
Non-current liabilities		
Bank loans	113,619	330,296
Finance lease	-	297
	113,619	**330,593**
Current liabilities		
Bank loans	3,754	-
Finance lease	-	451
	3,754	**451**
	117,373	**331,004**

Summary of borrowing arrangements

Non-current liabilities for bank loans refer to loans received before the opening of the pre-bankruptcy procedure and finance lease liabilities. All loan liabilities (other than finance lease loans) are contained in the pre-bankruptcy settlement establishing the further repayment dynamics. The repayment dynamics is presented in Note 24 through the liability maturity review.

The value of non-current assets secured by a mortgage to credit borrowings from banks as at 31 December 2019 amounted to HRK 270.627 thousand (as at 31 December 2018: HRK 296.922 thousand).

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

Movement in liabilities to banks and other financial institutions for 2019:

	Opening balance 1 January 2019	Increase in loan liabilities	Payment of loan principal	Transfer to loan liabilities	Transfer from non-current to current and vice versa	FX differences	Closing balance at 31 December 2019
Long-term loans							
Long-term bank loans	330,296	-	(49,862)	(163,061)	(3,754)	-	113,619
Total long-term loans	**330,296**	**-**	**(49,863)**	**(163,061)**	**(3,754)**	**-**	**113,619**
Short-term loans							
Short-term bank loans	-	-	-		3,754	-	3,754
Total short-term loans	**-**	**-**	**-**	**-**	**3,754**	**-**	**3,754**
TOTAL	**330,296**	**-**	**(49,862)**	**(163,061)**	**-**	**-**	**117,373**

Movement in liabilities to banks and other financial institutions for 2018:

	Opening balance 1 January 2018	Increase in loan liabilities	Payment of loan principal	Transfer from non-current to current and vice versa	Pre-bankruptcy settlement liabilities write-off	FX differences	Closing balance at 31 December 2018
Long-term loans							
Long-term bank loans	-	-	-	330,296	-	-	330,296
Long-term finance lease liabilities	757	-	-	(451)	-	(9)	297
Total long-term loans	**757**	**-**	**-**	**329,845**	**-**	**(9)**	**330,593**
Short-term loans							
Short-term bank loans	340,861	1,593	-	(330,296)	(11,963)	(195)	-
Short-term portion of lease contracts	508	-	(506)	451	-	(2)	451
Total short-term loans	**341,369**	**1,593**	**(506)**	**(329,845)**	**(11,963)**	**(197)**	**451**
TOTAL	**342,126**	**1,593**	**(506)**	**-**	**(11,963)**	**(207)**	**331,044**

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

Bank loans and finance leases' maturity is as follows:

in HRK '000

	Balance at 31 Dec 2019	2020	2021	2022	2023	od 2024
Liabilities to banks	117,373	3,754	6,324	6,324	6,324	94,647
	117,373	**3,754**	**6,324**	**6,324**	**6,324**	**94,647**

Foreign-currency loans are detailed in the following table:

	31 Dec 2019	31 Dec 2018
Total liabilities to financial institutions stated in thousands of EUR.	34	100

25. LOAN LIABILITIES

	Opening balance at 1 Jan 2019	Increase in loan liabilities	Repayment of loan principle	Transfer from long-term to short-term and vice versa	Closing balance 31 December 2019
Long-term liabilities					
Long-term liabilities for corporate loans	-	163,061	-	3,494	159,567
Total long - term loans	**-**	**163,061**	**-**	**3,494**	**159,567**
Short-term liabilities					
Short-term liabilities for corporate loans	-	-	-	3,494	3,494
Total short - term loans	-	-	-	**3,494**	**3,494**
TOTAL	**-**	**163,061**	**-**	**-**	**163,061**

26. LIABILITIES FROM SECURITIES

in HRK '000

	31 Dec 2019	31 Dec 2018
Long-term liabilities from securities	29,879	32,775
Short-term liabilities from securities	9,666	8,870
	39,545	**41,645**

Liabilities under securities refer to liabilities for bills of exchange to the companies Erste factoring d.o.o. (HRK 22,750 thousand) and CIM Bank (HRK 16,795 thousand).

Movement of liabilities from securities in 2019

	Opening balance 1 January 2019	Increase of liabilities from securities	Repay ment	Transfer from long term to short term	Closing balance on 31 December 2019
Long-term liabilities					
Liabilities from securities	32,775	-	-	(2,896)	29,879
Total long - term liabilities by securities	**32,775**	-	-	**(2,896)**	**29,879**
Short-term liabilities					
Liabilities from securities	8,870	-	(2,100)	2,896	9,666
Short - term liabilities from securities	**8,870**	-	**(2,100)**	**2,896**	**9,666**
TOTAL	**41,645**	-	**(2,100)**	-	**39,545**

Movement of liabilities from securities in 2018

	Opening balance 1 January 2018	Increase in liability	Transfer	Write-off of liability	Repaym ent	Transfer from long term to short term	Closing balance on 31 December 2018
Long-term liabilities							
Liabilities from securities	-		-	-	-	32,775	32,775
Total long - term liabilities by securities	-		-	-	-	**32,775**	**32,775**
Short-term liabilities							
Liabilities from securities	47,551	8,870	48,600	(52,275)	(11,100)	(32,775)	8,870
Short - term liabilities from securities	**47,551**	**8,870**	**48,600**	**(52,275)**	**(11,100)**	**(32,775)**	**8,870**
TOTAL	**47,551**	**8,870**	**48,600**	**(52,275)**	**(11,100)**	-	**41,645**

26. LIABILITIES FROM SECURITIES (CONTINUED)

The transfer of liabilities under securities in 2018 in the amount of HRK 48,600 thousand relates to the transfer of liabilities under Erste factoring from other short-term liabilities to liabilities under securities in the amount of HRK 65,000 thousand and to the reduction of liabilities under securities and transfer to liabilities to suppliers in the amount of HRK 16,400 thousand.

The maturity of the securities is shown as follows:

in HRK '000

	Balance at 31 Dec 2019	2020	2021	2022	2023	from 2024
Long-term liabilities under securities	32,775	2,896	5,403	2,896	2,896	18,684
	32,775	2,896	5,403	2,896	2,896	18,684

27. CURRENT LIABILITIES

(a) Trade payables

in HRK '000

	31 Dec 2019	31 Dec 2018
Suppliers in the country	45,953	23,097
Suppliers abroad	1,229	953
Liabilities for uninvoiced goods	1	190
	47,183	**24,240**

Age structure of trade payables as at 31 December 2019:

in HRK '000

	31 Dec 2019	31 Dec 2018
Not yet due	30,415	14,603
0-90 days past due	15,215	8,068
91-180 days past due	639	248
181-360 days past due	137	253
> 360 days	777	1,069
	47,183	**24,240**

27. CURRENT LIABILITIES (CONTINUED)

(b) Liabilities for taxes, contributions and similar

in HRK '000

	31 Dec 2019	31 Dec 2018
Taxes and contributions from and to salaries	546	503
Other tax and contribution liabilities	81	166
VAT liabilities	(102)	976
	525	**1,645**

(c) Other current liabilities

in HRK '000

	31 Dec 2019	31 Dec 2018
Liabilities to employees	1,113	938
Interest payable to financial institutions	180	-
Other current liabilities	27	5
	1,320	**943**

28. COMMITMENTS

As at 31 December 2019, the Company has commitments under rental agreements in the total amount of HRK 1,037 thousand which are not yet realised or disclosed in the statement of financial position.

The contractual commitments under space rental agreements are as follows:

in HRK '000

	31 Dec 2019	2020	2021	2022	2023	From 2024
Rentals	1,037	556	201	36	35	210
	1,037	**556**	**201**	**36**	**35**	**210**

29. RELATED-PARTY TRANSACTIONS

in HRK '000

31 Dec 2019

	Assets		**Liabilities**	
	Trade and other receivables	**Given loans**	**Non-current liabilities**	**Current liabilities**
Žitar d.o.o., Donji Miholjac	-	-	-	-
Zdenačka farma d.o.o., Veliki Zdenci	8,889	184	-	-
Zdenka- mliječni proizvodi d.o.o., Veliki Zdenci	-	-	1	55
Prerada žitarica d.o.o., Grubišno Polje	-	-	-	-
Stan arka d.o.o., Zagreb	160	4,430	-	-
Ključno rukovodstvo	620	5,761	-	-
	9,669	**10,375**	**1**	**55**

in HRK '000

31 Dec 2018

	Assets		**Liabilities**	
	Trade and other receivables	**Given loans**	**Non-current liabilities**	**Current liabilities**
Žitar d.o.o., Donji Miholjac	280		-	-
Zdenačka farma d.o.o., Veliki Zdenci	8,332	12,745	-	-
Zdenka- mliječni proizvodi d.o.o., Veliki Zdenci	-	-	-	27
Stan arka d.o.o., Zagreb	160	4,430	-	-
Ključno rukovodstvo	505	5,761	-	-
	9,276	**22,935**	**-**	**27**

Income and expenses for the year ending on 31 December 2019 and 31 December 2018, arising from transactions with related parties, were as follows

in HRK '000

	2019		**2018**	
	Income	**Expenses**	**Income**	**Expenses**
Žitar d.o.o., Donji Miholjac	-	-	330	42
Zdenačka farma d.o.o., Veliki Zdenci	5,359	109	5,808	122
Zdenka- mliječni proizvodi d.o.o., Veliki Zdenci	1	55	-	29
Prerada žitarica d.o.o., Grubišno polje	-	-	529	88
Ključno rukovodstvo	115	-	174	-
	5,475	**164**	**6,841**	**281**

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

Compensation paid to key management personnel during 2019 amounted to HRK 1,375 thousand (2018: HRK 873 thousand).

During 2019, the members of the Supervisory Board were paid HRK 170 thousand in remuneration (in 2018: HRK 175 thousand).

30. EARNING PER SHARE

		in HRK '000
	31 Dec 2019	**31 Dec 2018**
Profit/(loss)	(13,485)	61,767
Profit/(loss) attributable to the shareholders	(13,485)	61,767
Weighted average number of ordinary shares used in the calculation of the basic earnings per share	1,901,643	1,901,643
Loss/(earnings) per share (in HRK and lp)	**(7,09)**	**32,48**

31. RISK MANAGEMENT

31.1. Financial risk

Equity risk management

Net debt-to-equity (Gearing ratio)

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

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

in HRK '000

	31 Dec 2019	31 Dec 2018
Debt (long-term and short-term loans and liabilities for securities)	156,918	371,941
Lease liabilities (non-current and current)	507	748
Loan liabilities (non-current and current)	163,061	-
Cash and cash equivalents	(2,710)	(3,574)
Net debt	**317,776**	**369,115**
Equity	41,025	54,480
Debt to equity ratio	**7,75**	**6,78**

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

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

Categories of financial instruments

in HRK '000

	31 Dec 2019	31 Dec 2018
Financial assets		
Cash	2,710	3,574
Loans and receivables	102,625	129,053
Financial liabilities held at depreciated cost:		
Liabilities for loans and securities	156,918	372,690
Payables to suppliers	82,079	75,989
Loan liabilities	163,061	-
Lease liabilities	507	-
Other liabilities	5,972	1,930

Financial risk management objectives

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

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

31. RISK MANAGEMENT (CONTINUED)

31.1. Financial risk (continued)

Price risk management

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

Currency risk

The Company is exposed to the risk of changes in foreign exchange rates. The exchange rate risk arises from the portion of the Company's loan debt tied to the movements in the exchange rate of the Croatian kuna (HRK) against the euro (EUR). Significant fluctuations in the HRK/EUR exchange rate could affect the value of the Company's foreign-currency denominated assets and liabilities. In addition, according to the 2019 data, the Company generates around 12% of its total revenue on foreign markets and in euros, which is another aspect of the Company's performance being subject to the fluctuations in the EUR/HRK exchange rate.

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

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

				In original currency in HRK '000
	Assets		**Liabilities**	
	31 Dec 2019	**31 Dec 2018**	**31 Dec 2019**	**31 Dec 2018**
European Union (EUR)	714	1,400	134	171

Foreign currency sensitivity analysis

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

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

		in HRK '000
	Increase/decrease in exchange rate	***Effect on profit before taxes***
2019.		
EUR	*+5%*	*216*
	-5%	*(216)*
2018.		
EUR	*+5%*	*280*
	-5%	*(280)*

31. RISK MANAGEMENT (CONTINUED)

31.1. Financial risk (continued)

Credit risk

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

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

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

During its operations, the Company enters into factoring contracts and/or discounted bills with factoring houses. The ultimate risk arising from the recoverability of the debt from the principal debtor is borne by the Company. At the reporting date, the contingent liabilities of the Company arising from factoring deals with recourse amount to HRK 22.7 million and arose from business operations with Agrokor, which has since 2017 underwent a restructuring and business model change.

Interest rate risk

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

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

The sensitivity analysis below is based on the risk of changes in interest rates at the date of the statement of financial position. For variable-rate debt, the analysis is prepared assuming the amount of the liability outstanding at the date of the statement of financial position was outstanding for the whole year. If the interest rates would change by 0.5 percent, and all other variables remained constant, there would be a change in the interest expense of the Company in the amount of HRK 1 thousand at 31 December 2019 (2018: HRK 4 thousand).

31. RISK MANAGEMENT (CONTINUED)

31.1. Financial risk (continued)

Liquidity risk

There is a risk that the Company may not be able to meet all of its obligations as they fall due, which may be caused by inadequate level of recoverability of amounts owed by customers, inappropriately matched maturities of the debt, or the inability to obtain loans from financial institutions. In order to reduce the liquidity risk, the Company applies on-going measures to recover its receivables and monitor the liquidity of its customers, seeks to optimise the maturity structure of the debt and obtain lines of credit available to it at financial institutions to be able to continue servicing its debt in unforeseen circumstances.

However, the Company cannot provide any assurance that its liquidity management will be efficient, and that the potential liquidity risk will not have a significant impact on its performance and financial condition.

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

	Weighted average effective interest rate %	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
At 31 December 2019							
Non-interest-bearing liabilities		28,189	13,649	11,239	34,896	-	87,973
Interest bearing liabilities		918	791	7,277	54,148	260,576	323,710
		29,107	**14,440**	**18,516**	**89,044**	**260,576**	**411,683**
At 31 December 2018							
Non-interest-bearing liabilities		6,421	12,033	7,398	51,749	-	77,600
Interest bearing liabilities	1.25%	43	637	1,971	57,485	312,671	372,807
		6,464	**12,670**	**9,369**	**109,234**	**312,671**	**450,408**

31. RISK MANAGEMENT (CONTINUED)

31.1. Financial risk (continued)

Liquidity risk (continued)

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

	Weighted average effective interest rate %	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
At 31 December 2019							
Non-interest-bearing liabilities		19,328	15,072	24,500	20,810	-	79,710
Interest bearing liabilities		5	193	1,058	24,320	51	25,627
		19,333	**15,265**	**25,558**	**45,130**	**51**	**105,337**
At 31 December 2018							
Non-interest-bearing liabilities		20,981	12,985	44,280	17,116	-	95,362
Interest bearing liabilities		195	1,100	16,338	19,577	55	37,265
		21,176	**14,085**	**60,618**	**36,693**	**55**	**132,627**

31. RISK MANAGEMENT (CONTINUED)

31.1. Financial risk (continued)

Fair value measurement

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

Financial assets and financial liabilities	Fair value on the day		Fair value level	Valuation method and main input	Relevant unavailable input	Unavailable input in relation to fair value
	31 Dec 2019	31 Dec 2018				
Shares and units in private equity firms (Note 16).	1% in shares of Zagrebačka pekarna Klara d.d. engaged in the industrial production of bread, pastries and other related food products - HRK 494 thousand; and 11.48% in shares of Prehrana trgovina d.d. engaged in trade - HRK 536 thousand	18.25% in shares of Zagrebačka pekarna Klara d.d. engaged in the industrial production of bread, pastries and other related food products - HRK 9,323 thousand; and 11.48% in shares of Prehrana trgovina d.d. engaged in trade - HRK 536 thousand	Level 3	Income (profit) approach - the method of discounted cash flow is used to determine the present value of future economic benefits to be realized on the basis of ownership of the entities in which the investment is made.	Long-term revenue growth rates determined according to management experience and knowledge of market conditions in the above economic segments, which amount to 3% (2018: 3%).	A slight increase in revenue growth rates, observed in isolation, would lead to an increase in fair value (see under 1).
					Long-term operating profit margins before tax determined based on management experience and knowledge of market conditions in the above economic segments, ranging from 8 to 11 percent.	A significant increase in operating profit margin before tax would, in isolation, lead to an increase in fair value.
					The weighted average cost of capital determined by the capital asset valuation model (CAPM) is 12%.	A slight increase in the weighted average cost of capital would, observed in isolation, lead to a decline in fair value.

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

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

31. RISK MANAGEMENT (CONTINUED)

31.2. Industry risk

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

Flour production

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

31.3. Risks arising from the ordinary course of business

Market risk

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

Input commodity and product delivery risks

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

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

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

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

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

Competition risk

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

The flour market is being increasingly concentrated, i.e. the total number of flour producers is decreasing (by integration or liquidation of small mills), with the aim to leverage from the economies of scale in order to reduce the unit production cost and strengthen the competitive position on the market. To this end, the Company acquired in 2014 the milling operations of Belje d.d., Darda, and PIK Vinkovci d.d. from the Agrokor Group. Following the full EU membership of Croatia, the Company is no longer exposed to domestic competitors only, which is why the need to improve the Company's competitiveness has been gaining on importance.

31. RISK MANAGEMENT (CONTINUED)

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

Key supplier and key customer concentration risk

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

The risk of owner change

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

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

31. RISK MANAGEMENT (CONTINUED)

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

Working capital risk

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

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

Input commodity price risk

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

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

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

Dependence on the management and key personnel

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

IT risks

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

Antitrust and competition law non-compliance risk

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

31. RISK MANAGEMENT (CONTINUED)

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

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

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

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

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

Litigation risk

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

The risk of obligations or losses not covered by insurance

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

31.4. General risks

Business environment risk

The business environment risk includes political, legal and macroeconomic risks prevailing in the business environment of the Company, which is primarily the Croatian market on which the Company generates almost 91% of its total revenue (data for 2018), followed by the markets of Serbia, Italy, Bosnia and Herzegovina, Slovenia, Hungary and Romania.

The governments in power so far have introduced economic reforms to develop and stabilise free market economy by privatising state-owned companies, attracting foreign direct investments, and implemented reforms required in the pre-accession stage. Despite the significant progress towards establishing a full market economy, reaching the level of infrastructure of West European countries will take several more years and additional investments. The Company cannot warrant that Croatia will fully implement the intended reforms or that the political environment will favour their implementation. In addition, the Company cannot warrant that the Government in power will not introduce new regulations, fiscal or monetary policies, including taxation, environmental and public procurement policy, an indemnity policy for nationalised property or a a new foreign exchange policy.

The legal framework of the Republic of Croatia is still evolving, which may give rise to a certain level of legal uncertainty. As a result, the Company may come into a position of not being able to succeed in exercising or protecting some of its rights.

31. RISK MANAGEMENT (CONTINUED)

31.4. General risks (continued)

Business environment risk (continued)

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

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

Risk of changes in legal framework

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

32. CONTINGENT LIABILITIES

	Amount	Balance in original currency on 31 December 2019	Balance in HRK on 31 December 2019	Maturity
Zdenka-mliječni proizvodi d.o.o. Loan 1	3,294,190 €	1,006,284 €	7,489,346	31 Dec 2024
Zdenka-mliječni proizvodi d.o.o. Loan 2	40,000,000 kn	1,881,835 kn	14,005,709	30 Apr 2024
Zdenka- mliječni proizvodi d.o.o Loan 3	1,395,751 €	617,134 €	4,593,068	31 Dec 2023
Total			26,088,124	

Legal disputes

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

33. EVENTS AFTER THE BALANCE SHEET DATE

In early 2020, a pandemic of the COVID-19 virus spread to the entire world. In addition to the health of the world's population, the pandemic will have an impact on the global economy, monetary and fiscal policies of individual countries, the movement of goods and services between countries and so on. The changes that the pandemic will cause in the coming time cannot be predicted or estimated at this moment.

As the Company operates within the food industry, the demand for the company's products is not expected to be lower, but the company's operations will certainly be affected by interest rate movements, fiscal policy, the company's purchasing power and so on. Notwithstanding the above, no material impact on the Company's financial statements is expected.

From January 2020, the Company began to repay part of its liabilities to financial institutions, and the other part will be repaid from July 2020, in accordance with the pre-bankruptcy settlement.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Management Board and authorized for issue on 29 June 2020

Signed on behalf of and for the Management Board:

Hrvoje Filipović dipl.oec.
President of the Management Board

Drago Šurina dipl.oec.
Member of the Management Board

Vladimir Kalčić dipl.oec.
Member of the Management Board

Standard annual financial statements
For and as at 31 December 2019

BALANCE SHEET
balance as at 31.12.2019.

in HRK

Submitter: Granolio d.d.			
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	001	0	0
B) FIXED ASSETS (ADP 003+010+020+031+036)	002	376,229,861	334,232,722
I INTANGIBLE ASSETS (ADP 004 to 009)	003	122,614,230	123,718,667
1 Research and development	004	0	0
2 Concessions, patents, licences, trademarks, software and other rights	005	120,250,063	123,020,500
3 Goodwill	006	0	0
4 Advance payments for purchase of intangible assets	007	0	0
5 Intangible assets in preparation	008	0	0
6 Other intangible assets	009	2,364,167	698,167
II TANGIBLE ASSETS (ADP 011 to 019)	010	151,119,937	138,910,272
1 Land	011	9,155,420	8,684,216
2 Buildings	012	115,283,310	108,103,601
3 Plant and equipment	013	12,076,530	7,761,619
4 Tools, working inventory and transportation assets	014	576,321	268,460
5 Biological assets	015	0	0
6 Advance payments for purchase of tangible assets	016	0	0
7 Tangible assets in preparation	017	9,334,080	9,384,080
8 Other tangible assets	018	79,276	93,296
9 Investment property	019	4,615,000	4,615,000
III FIXED FINANCIAL ASSETS (ADP 021 to 030)	020	102,480,694	71,603,783
1 Investments in holdings (shares) of undertakings within the group	021	92,427,762	70,427,762
2 Investments in other securities of undertakings within the group	022	0	0
3 Loans, deposits, etc. to undertakings within the group	023	0	0
4 Investments in holdings (shares) of companies linked by virtue of participating interest	024	0	0
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	0	0
8 Loans, deposits, etc. given	028	193,062	145,684
9 Other investments accounted for using the equity method	029	9,859,870	1,030,337
10 Other fixed financial assets	030	0	0

Standard annual financial statements (continued)
For and as at 31 December 2019

IV RECEIVABLES (ADP 032 to 035)	**031**	15,000	0
1 Receivables from undertakings within the group	**032**	0	0
2 Receivables from companies linked by virtue of participating interests	**033**	0	0
3 Customer receivables	**034**	0	0
4 Other receivables	**035**	15,000	0
V. Deferred tax assets	**036**	0	0
C) CURRENT ASSETS (ADP 038+046+053+063)	**037**	142,661,088	127,465,224
I INVENTORIES (ADP 039 to 045)	**038**	10,075,836	20,383,369
1 Raw materials	**039**	5,704,493	7,054,842
2 Work in progress	**040**	181,223	83,677
3 Finished goods	**041**	1,608,644	1,972,395
4 Merchandise	**042**	2,581,476	11,272,455
5 Advance payments for inventories	**043**	0	0
6 Fixed assets held for sale	**044**	0	0
7 Biological assets	**045**	0	0
II RECEIVABLES (ADP 047 to 052)	**046**	92,875,534	79,873,131
1 Receivables from undertakings within the group	**047**	8,611,329	9,668,968
2 Receivables from companies linked by virtue of participating interest	**048**	0	0
3 Customer receivables	**049**	55,445,225	45,084,020
4 Receivables from employees and members of the undertaking	**050**	0	0
5 Receivables from government and other institutions	**051**	670,540	2,281,646
6 Other receivables	**052**	28,148,440	22,838,497
III SHORT-TERM FINANCIAL ASSETS (ADP 054 to 062)	**053**	36,135,368	24,498,478
1 Investments in holdings (shares) of undertakings within the group	**054**	0	0
2 Investments in other securities of undertakings within the group	**055**	0	0
3 Loans, deposits, etc. to undertakings within the group	**056**	22,935,460	10,374,630
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**	178,281	149,624
8 Loans, deposits, etc. given	**061**	13,021,627	13,974,224
9 Other financial assets	**062**	0	0
IV CASH AT BANK AND IN HAND	**063**	3,574,350	2,710,246
D) PREPAID EXPENSES AND ACCRUED INCOME	**064**	504,406	390,423
E) TOTAL ASSETS (ADP 001+002+037+064)	**065**	519,395,355	462,088,369
OFF-BALANCE SHEET ITEMS	**066**	9,810,363	9,163,871

Standard annual financial statements (continued)

For and as at 31 December 2019

LIABILITIES			
A) CAPITAL AND RESERVES (ADP 068 to 070+076+077+081+084+087)	**067**	54,480,311	41,025,022
I. INITIAL (SUBSCRIBED) CAPITAL	**068**	19,016,430	19,016,430
II CAPITAL RESERVES	**069**	84,195,807	84,195,807
III RESERVES FROM PROFIT (ADP 071+072-073+074+075)	**070**	1,208,554	4,296,923
1 Legal reserves	**071**	408,554	3,496,923
2 Reserves for treasury shares	**072**	800,000	800,000
3 Treasury shares and holdings (deductible item)	**073**	0	0
4 Statutory reserves	**074**	0	0
5 Other reserves	**075**	0	0
IV REVALUATION RESERVES	**076**	57,678,142	54,675,895
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**	-169,386,014	-107,675,312
1 Retained profit	**082**	0	0
2 Loss brought forward	**083**	169,386,014	107,675,312
VII PROFIT OR LOSS FOR THE BUSINESS YEAR (ADP 085-086)	**084**	61,767,392	-13,484,721
1 Profit for the business year	**085**	61,767,392	0
2 Loss for the business year	**086**	0	13,484,721
VIII MINORITY (NON-CONTROLLING) INTEREST	**087**	0	0
B) PROVISIONS (ADP 089 to 094)	**088**	0	0
1 Provisions for pensions, termination benefits and similar obligations	**089**	0	0
2 Provisions for tax liabilities	**090**	0	0
3 Provisions for ongoing legal cases	**091**	0	0
4 Provisions for renewal of natural resources	**092**	0	0
5 Provisions for warranty obligations	**093**	0	0
6 Other provisions	**094**	0	0
C) LONG-TERM LIABILITIES (ADP 096 to 106)	**095**	427,778,487	350,139,554
1 Liabilities towards undertakings within the group	**096**	0	0
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	159,566,584
6 Liabilities towards banks and other financial institutions	**101**	330,593,312	113,796,135
7 Liabilities for advance payments	**102**	0	0
8 Liabilities towards suppliers	**103**	51,748,819	34,895,727
9 Liabilities for securities	**104**	32,775,300	29,879,082
10 Other long-term liabilities	**105**	0	0
11 Deferred tax liability	**106**	12,661,056	12,002,026

Standard annual financial statements (continued)

For and as at 31 December 2019

D) SHORT-TERM LIABILITIES (ADP 108 to 121)	**107**	36,845,257	70,731,895
1 Liabilities towards undertakings within the group	**108**	27,456	54,341
2 Liabilities for loans, deposits, etc. to companies within the group	**109**	0	0
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	3,494,159
6 Liabilities towards banks and other financial institutions	**113**	451,151	3,969,541
7 Liabilities for advance payments	**114**	668,221	4,403,875
8 Liabilities towards suppliers	**115**	24,239,849	47,298,180
9 Liabilities for securities	**116**	8,870,000	9,666,218
10 Liabilities towards employees	**117**	938,474	1,112,640
11 Taxes, contributions and similar liabilities	**118**	1,645,410	525,372
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**	4,696	207,569
E) ACCRUALS AND DEFERRED INCOME	**122**	291,301	191,898
F) TOTAL – LIABILITIES (ADP 067+088+095+107+122)	**123**	519,395,356	462,088,369
G) OFF-BALANCE SHEET ITEMS	**124**	9,810,363	9,163,871

STATEMENT OF PROFIT OR LOSS
for the period 01.01.2019. to 31.12.2019.

in HRK

Submitter: Granolio d.d			
Item	ADP code	Same period of the previous year	Current period
1	2	3	4
I OPERATING INCOME (ADP 126 to 130)	125	291,447,663	306,350,131
1 Income from sales with undertakings within the group	126	5,604,271	5,000,748
2 Income from sales (outside group)	127	280,215,756	295,178,333
3 Income from the use of own products, goods and services	128	40,239	26,818
4 Other operating income with undertakings within the group	129	0	0
5 Other operating income (outside the group)	130	5,587,397	6,144,232
II OPERATING EXPENSES (ADP 132+133+137+141+142+143+146+153)	131	299,542,767	317,052,065
1 Changes in inventories of work in progress and finished goods	132	-214,912	-1,154,745
2 Material costs (ADP 134 to 136)	133	268,028,331	285,422,528
a) Costs of raw material	134	181,029,357	195,010,317
b) Costs of goods sold	135	62,605,402	69,173,733
c) Other external costs	136	24,393,572	21,238,478
3 Staff costs (ADP 138 to 140)	137	16,422,734	17,857,126
a) Net salaries and wages	138	10,404,000	11,423,193
b) Tax and contributions from salaries expenses	139	3,834,416	4,214,048
c) Contributions on salaries	140	2,184,318	2,219,885
4 Depreciation	141	10,458,798	10,625,817
5 Other expenses	142	2,592,450	2,580,419
6 Value adjustments (ADP 144+145)	143	521,014	0
a) fixed assets other than financial assets	144	0	0
b) current assets other than financial assets	145	521,014	0
7 Provisions (ADP 147 to 152)	146	0	0
a) Provisions for pensions, termination benefits and similar obligations	147	0	0
b) Provisions for tax liabilities	148	0	0
c) Provisions for ongoing legal cases	149	0	0
d) Provisions for renewal of natural resources	150	0	0
e) Provisions for warranty obligations	151	0	0
f) Other provisions	152	0	0
8 Other operating expenses	153	1,734,352	1,720,920
III FINANCIAL INCOME (ADP 155 to 164)	154	92,767,980	3,496,787
1 Income from investments in holdings (shares) of undertakings within the group	155	0	2,000,085
2 Income from investments in holdings (shares) of companies linked by virtue of participating interest	156	0	48,121
3 Income from other long-term financial investment and loans granted to undertakings within the group	157	0	0
4 Other interest income from operations with undertakings within the group	158	585,911	359,854
5 Exchange rate differences and other financial income from operations with undertakings within the group	159	0	0
6 Income from other long-term financial investments and loans	160	203,990	131,709
7 Other interest income	161	82,434	657,225
8 Exchange rate differences and other financial income	162	500,305	78,559
9 Unrealised gains (income) from financial assets	163	91,395,340	221,234
10 Other financial income	164	0	0

Standard annual financial statements (continued)

For and as at 31 December 2019

IV FINANCIAL EXPENDITURE (ADP 166 to 172)	**165**	22,905,485	6,938,604
1 Interest expenses and similar expenses with undertakings within the group	**166**	515,661	26,255
2 Exchange rate differences and other expenses from operations with undertakings within the group	**167**	0	0
3 Interest expenses and similar expenses	**168**	740,884	2,902,544
4 Exchange rate differences and other expenses	**169**	380,276	136,890
5 Unrealised losses (expenses) from financial assets	**170**	17,621,069	3,126
6 Value adjustments of financial assets (net)	**171**	3,625,720	3,829,533
7 Other financial expenses	**172**	21,875	40,256
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**	384,215,643	309,846,918
X TOTAL EXPENDITURE (ADP 131+165+175 + 176)	**178**	322,448,252	323,990,669
XI PRE-TAX PROFIT OR LOSS (ADP 177-178)	**179**	61,767,391	-14,143,751
1 Pre-tax profit (ADP 177-178)	**180**	61,767,391	0
2 Pre-tax loss (ADP 178-177)	**181**	0	-14,143,751
XII INCOME TAX	**182**	0	-659,030
XIII PROFIT OR LOSS FOR THE PERIOD (ADP 179-182)	**183**	61,767,391	-13,484,721
1 Profit for the period (ADP 179-182)	**184**	61,767,391	0
2 Loss for the period (ADP 182-179)	**185**	0	-13,484,721
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**		

Standard annual financial statements (continued)

For and as at 31 December 2019

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 OTHER COMPRHENSIVE INCOME (to be filled in by undertakings subject to IFRS)			
I PROFIT OR LOSS FOR THE PERIOD	**202**	61,767,391	13,484,721
II OTHER COMPREHENSIVE PROFIT/LOSS BEFORE TAX (ADP 204 to 211)	**203**	0	0
1 Exchange rate differences from translation of foreign operations	**204**	0	0
2 Changes in revaluation reserves of fixed tangible and intangible assets	**205**	0	0
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**	0	0
IV NET OTHER COMPREHENSIVE INCOME OR LOSS (ADP 203-212)	**213**	0	0
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 202+213)	**214**	61,767,391	13,484,721
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 01.01.2019. to 31.12.2019.

in HRK

Submitter:Granolio d.d.			
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**	61,767,391	-14,143,750
2 Adjustments (ADP 003 to 010):	**002**	-61,502,730	10,304,419
a) Depreciation	**003**	10,458,798	10,625,816
b) Gains and losses from sale and value adjustment of fixed tangible and intangible assets	**004**	-8,874	-694,836
c) Gains and losses from sale and unrealised gains and losses and value adjustment of financial assets	**005**	-69,627,537	3,605,759
d) Interest and dividend income	**006**	-872,335	-3,148,789
e) Interest expenses	**007**	1,256,544	2,868,649
f) Provisions	**008**	0	0
g) Exchange rate differences (unrealised)	**009**	0	0
h) Other adjustments for non-cash transactions and unrealised gains and losses	**010**	-2,709,326	-2,952,180
I Cash flow increase or decrease before changes in the working capital (ADP 001+002)	**011**	264,661	-3,839,331
3 Changes in the working capital (ADP 013 to 016)	**012**	4,337,897	14,891,940
a) Increase or decrease in short-term liabilities	**013**	-856,332	8,948,018
b) Increase or decrease in short-term receivables	**014**	-7,878,303	13,159,021
c) Increase or decrease in inventories	**015**	13,072,532	-7,215,099
d) Other increase or decrease in the working capital	**016**	0	0
II Cash from operations (ADP 011+012)	**017**	4,602,558	11,052,609
4 Interest paid	**018**	-709,459	-2,662,250
5 Income tax paid	**019**	-447,639	0
A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)	**020**	3,445,460	8,390,359
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	5,000,000
3 Interest received	**023**	322,331	1,118,755
4 Dividends received	**024**	0	0
5 Cash receipts from repayment of loans and deposits	**025**	841,181	17,541,796
6 Other cash receipts from investment activities	**026**	10,215	0

III Total cash receipts from investment activities (ADP 021 to 026)	**027**	1,173,727	23,660,551
1 Cash payments for the purchase of fixed tangible and intangible assets	**028**	-2,361,002	-3,489,527
2 Cash payments for the acquisition of financial instruments	**029**	0	0
3 Cash payments for loans and deposits for the period	**030**	0	-27,780,252
4 Acquisition of a subsidiary, net of cash acquired	**031**	0	0
5 Other cash payments from investment activities	**032**	0	-991,389
IV Total cash payments from investment activities (ADP 028 to 032)	**033**	-2,361,002	-32,261,168
B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027 +033)	**034**	-1,187,275	-8,600,617
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**	780,000	2,000,000
4 Other cash receipts from financing activities	**038**	0	0
V Total cash receipts from financing activities (ADP 035 to 038)	**039**	780,000	2,000,000
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	**040**	-729,000	0
2 Dividends paid	**041**	0	0
3 Cash payments for finance lease	**042**	-505,561	-553,847
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**	-1,030,000	-2,100,000
VI Total cash payments from financing activities (ADP 040 to 044)	**045**	-2,264,561	-2,653,847
C) NET CASH FLOW FROM FINANCING ACTIVITIES (ADP 039 +045)	**046**	-1,484,561	-653,847
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**	773,624	-864,105
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	**049**	2,800,724	3,574,350
F) CASH AND CASH EQUIVALENTS AT THE END OF PERIOD(ADP 048+049)	**050**	3,574,348	2,710,245

Standard annual financial statements (continued)

For and as at 31 December 2019

STATEMENT OF CHANGES IN EQUITY

for the period from 01/01/2019 31/12/2019

in HRK

Item	ADP code	Attributable to owners of the parent														Minority (non-controlling) interest	Total capital and reserves
		Initial (subscribed) capital	Capital reserves	Legal reserves	Reserves for treasury shares	Treasury shares and holdings (deductible)	Statutory reserves	Other reserves	Revaluation reserves	Fair value of financial assets available for sale	Cash flow hedge - effective portion	Hedge of a net investment in a foreign operation	Retained profit / loss brought forward	Profit/loss for the business year	Total attributable to owners of the parent		
1	2	3	4	5	6	7	8	9	10	11	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	19,016,430	84,186,547	408,554	800,000	0	0	0	60,117,173	0	0	0	9,803,142	-198,186,628	-23,854,782		-23,854,782
2 Changes in accounting policies	02	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0
3 Correction of errors	03	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0
4 Balance on the first day of the previous business year (restated) (ADP 01 to 03)	04	19,016,430	84,186,547	408,554	800,000	0	0	0	60,117,173	0	0	0	9,803,142	-198,186,628	-23,854,782	0	-23,854,782
5 Profit/loss of the period	05	0	0	0	0	0	0	0	0	0	0	0	0	61,767,391	61,767,391	0	61,767,391
6 Exchange rate differences from translation of foreign operations	06	0	0	0	0	0	0	0	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	-2,996,109	0	0	0	2,996,109	0	0	0	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	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	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	0	0	0	0	0	0	0
11 Share in other comprehensive income/loss of companies linked by virtue of	11	0	0	0	0	0	0	0	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	0	0	0	0	0	0	0
13 Other changes in equity unrelated to owners	13	0	9,260	0	0	0	0	0	679,363	0	0	0	15,343,681	0	16,032,304	0	16,032,304
14 Tax on transactions recognised directly in equity	14	0	0	0	0	0	0	0	-122,285	0	0	0	657,682	0	535,397	0	535,397
15 Increase/decrease in initial (subscribed) capital (other than from reinvesting profit and	15	0	0	0	0	0	0	0	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	0	0	0	0	0	0	0
17 Increase of initial (subscribed) capital arising from the pre-bankruptcy settlement	17	0	0	0	0	0	0	0	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	0	0	0	0	0	0	0
19 Payment of share in profit/dividend	19	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
20 Other distribution to owners	20	0	0	0	0	0	0	0	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	0	0	-198,186,628	198,186,628	0	0	0
22 Increase in reserves arising from the pre-bankruptcy settlement procedure	22	0	0	0	0	0	0	0	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	19,016,430	84,195,807	408,554	800,000	0	0	0	57,678,142	0	0	0	-169,386,014	61,767,391	54,480,310	0	54,480,310
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	24	0	9,260	0	0	0	0	0	-2,439,031	0	0	0	18,997,472	0	16,567,701	0	16,567,701
II COMPREHENSIVE INCOME OR LOSS FOR THE PREVIOUS PERIOD (ADP 05+24)	25	0	9,260	0	0	0	0	0	-2,439,031	0	0	0	18,997,472	61,767,391	78,335,092	0	78,335,092
III TRANSACTIONS WITH OWNERS IN THE PREVIOUS PERIOD RECOGNISED	26	0	0	0	0	0	0	0	0	0	0	0	-198,186,628	198,186,628	0	0	0
Current period																	
1 Balance on the first day of the current business year	27	19,016,430	84,195,807	408,554	800,000	0	0	0	57,678,142	0	0	0	-169,386,014	61,767,391	54,480,310	0	54,480,310
2 Changes in accounting policies	28	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3 Correction of errors	29	0	0	0	0	0	0	0	0	0	0	0	29,433	0	29,433	0	29,433
4 Balance on the first day of the current business year (restated) (ADP 27 to 29)	30	19,016,430	84,195,807	408,554	800,000	0	0	0	57,678,142	0	0	0	-169,356,581	61,767,391	54,509,743	0	54,509,743
5 Profit/loss of the period	31	0	0	0	0	0	0	0	0	0	0	0	0	-13,484,721	-13,484,721	0	-13,484,721
6 Exchange rate differences from translation of foreign operations	32	0	0	0	0	0	0	0	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	-3,002,247	0	0	0	3,002,247	0	0	0	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	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	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	0	0	0	0	0	0	0
11 Share in other comprehensive income/loss of companies linked by virtue of	37	0	0	0	0	0	0	0	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	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	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	0	0	0	0	0	0	0
15 Increase/decrease in initial (subscribed) capital (other than from reinvesting profit and	41	0	0	0	0	0	0	0	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	0	0	0	0	0	0	0
17 Increase of initial (subscribed) capital arising from the pre-bankruptcy settlement	43	0	0	0	0	0	0	0	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	0	0	0	0	0	0	0
19 Payment of share in profit/dividend	45	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
20 Other distribution to owners	46	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
21 Transfer to reserves by annual schedule	47	0	0	3,088,369	0	0	0	0	0	0	0	0	58,679,022	-61,767,391	0	0	0
22 Increase in reserves arising from the pre-bankruptcy settlement procedure	48	0	0	0	0	0	0	0	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	19,016,430	84,195,807	3,496,923	800,000	0	0	0	54,675,895	0	0	0	-107,675,312	-13,484,721	41,025,022	0	41,025,022
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	50	0	0	0	0	0	0	0	-3,002,247	0	0	0	3,002,247	0	0	0	0
II COMPREHENSIVE INCOME OR LOSS FOR THE CURRENT PERIOD (ADP 31+50)	51	0	0	0	0	0	0	0	-3,002,247	0	0	0	3,002,247	-13,484,721	-13,484,721	0	-13,484,721
III TRANSACTIONS WITH OWNERS IN THE CURRENT PERIOD RECOGNISED DIRECTLY	52	0	0	3,088,369	0	0	0	0	0	0	0	0	58,679,022	-61,767,391	0	0	0