

LUKA PLOČE d.d.
Trg kralja Tomislava 21
20 340 Ploče
OIB: 51228874907

LUKA PLOČE d.d.

**AUDITED CONSOLIDATED REPORT
FOR PERIOD
FROM 01.01.2019. UNTIL 31.12.2019.**

Ploče, June 2019.

ISSUER'S GENERAL DATA

Reporting period:

1.1.2019

to

31.12.2019

Year:

2019

Annual financial statements

Registration number (MB):

03036138

Issuer's home Member
State code:

RH

Entity's registration
number (MBS):

090006523

Personal identification
number (OIB):

51228874907

LEI:

74780000P0WHNTXNI633

Institution code:

2574

Name of the issuer:

LUKA PLOČE d.d.

Postcode and town:

20340

Ploče

Street and house number:

Trg kralja Tomislava 21

E-mail address:

financije@luka-ploce.hr

Web address:

www.luka-ploce.hr

Number of employees
(end of the reporting

556

Consolidated report:

KD

(KN-not consolidated/KD-consolidated)

Audited:

RD

(RN-not audited/RD-audited)

Names of subsidiaries (according to IFRS)

Registered office:

POMORSKI SERVIS LUKA PLOČE d.o.o.

LUČKA BOSANSKA OBALA b.b. PLOČE

PLOČANSKA PLOVIDBA d.o.o.

LUČKA CESTA b.b. PLOČE

LUKA ŠPED d.o.o.

LUČKA CESTA b.b. PLOČE

Bookkeeping firm: (Yes/No) (name of the bookkeeping firm)

Contact person:
(only name and surname of the contact person)

Telephone:

E-mail address:

Audit firm:
(name of the audit firm)

Certified auditor:
(name and surname)

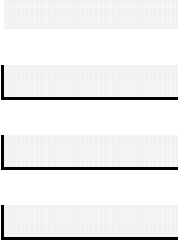


MB:

18875024938

39778257122

28527523504



BALANCE SHEET
balance as at 31.12.2019.

in HRK

Submitter: Luka Ploče 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		
B) FIXED ASSETS (ADP 003+010+020+031+036)	002	307.435.598	363.696.902
I INTANGIBLE ASSETS (ADP 004 to 009)	003	677.568	606.599
1 Research and development	004	0	0
2 Concessions, patents, licences, trademarks, software and other rights	005	0	0
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	677.568	606.599
II TANGIBLE ASSETS (ADP 011 to 019)	010	302.971.392	359.452.796
1 Land	011	2.138.881	40.515.559
2 Buildings	012	8.548.666	8.393.022
3 Plant and equipment	013	51.725.431	284.780.505
4 Tools, working inventory and transportation assets	014	17.886.408	20.366.781
5 Biological assets	015	0	0
6 Advance payments for purchase of tangible assets	016	10.827.403	146.990
7 Tangible assets in preparation	017	207.266.129	767.523
8 Other tangible assets	018	0	0
9 Investment property	019	4.578.474	4.482.416
III FIXED FINANCIAL ASSETS (ADP 021 to 030)	020	1.579.615	1.475.758
1 Investments in holdings (shares) of undertakings within the group	021	0	0
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	620.983	688.258
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	958.632	787.500
9 Other investments accounted for using the equity method	029	0	0
10 Other fixed financial assets	030	0	0
IV RECEIVABLES (ADP 032 to 035)	031	1.694.079	1.420.711
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	1.694.079	1.420.711
V. Deferred tax assets	036	512.944	741.038
C) CURRENT ASSETS (ADP 038+046+053+063)	037	252.605.300	232.260.801
I INVENTORIES (ADP 039 to 045)	038	4.314.946	34.828.167
1 Raw materials	039	4.150.149	4.008.641
2 Work in progress	040	0	0
3 Finished goods	041	0	0
4 Merchandise	042	38.450	30.808.925
5 Advance payments for inventories	043	126.347	10.601
6 Fixed assets held for sale	044	0	0
7 Biological assets	045	0	0
II RECEIVABLES (ADP 047 to 052)	046	34.264.588	41.778.371
1 Receivables from undertakings within the group	047	0	0
2 Receivables from companies linked by virtue of participating interest	048	0	30.709
3 Customer receivables	049	29.596.439	37.706.968
4 Receivables from employees and members of the undertaking	050	0	2.993
5 Receivables from government and other institutions	051	3.001.139	2.352.931
6 Other receivables	052	1.667.010	1.684.770
III SHORT-TERM FINANCIAL ASSETS (ADP 054 to 062)	053	1.206.548	4.171.276
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	0	0
4 Investments in holdings (shares) of companies linked by virtue of participating interest	057	0	0
5 Investment in other securities of companies linked by virtue of participating interest	058	0	0
6 Loans, deposits etc. given to companies linked by virtue of participating interest	059	0	0
7 Investments in securities	060	294.334	312.780
8 Loans, deposits, etc. given	061	912.214	3.858.496
9 Other financial assets	062	0	0
IV CASH AT BANK AND IN HAND	063	212.819.218	151.482.987
D) PREPAID EXPENSES AND ACCRUED INCOME	064	0	0
E) TOTAL ASSETS (ADP 001+002+037+064)	065	560.040.888	595.957.703
OFF-BALANCE SHEET ITEMS	066	0	0
LIABILITIES			
A) CAPITAL AND RESERVES (ADP 068 to 075)	067	414.270.851	416.967.700
I INITIAL (SUBSCRIBED) CAPITAL	068	169.186.800	169.186.800
II CAPITAL RESERVES	069	88.107.087	88.107.087
III RESERVES FROM PROFIT (ADP 071+072-073+074+075)	070	39.187.369	39.187.369
1 Legal reserves	071	8.459.340	8.459.340
2 Reserves for treasury shares	072	8.904.560	8.904.560
3 Treasury shares and holdings (deductible item)	073	-1.066.317	-1.066.317
4 Statutory reserves	074	0	0
5 Other reserves	075	22.889.786	22.889.786
IV REVALUATION RESERVES	076	0	0
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	114.605.741	117.789.519
1 Retained profit	082	114.605.741	117.789.519
2 Loss brought forward	083	0	0
VII PROFIT OR LOSS FOR THE BUSINESS YEAR (ADP 085-086)	084	3.183.854	2.696.925
1 Profit for the business year	085	3.183.854	2.696.925
2 Loss for the business year	086	0	0
VIII MINORITY (NON-CONTROLLING) INTEREST	087	0	0
B) PROVISIONS (ADP 089 to 094)	088	3.535.965	3.906.372
1 Provisions for pensions, termination benefits and similar obligations	089	3.005.844	2.902.441
2 Provisions for tax liabilities	090	0	0
3 Provisions for ongoing legal cases	091	530.121	1.003.931
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	112.204.371	142.486.414
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	0
6 Liabilities towards banks and other financial institutions	101	111.098.163	102.724.874
7 Liabilities for advance payments	102	0	0
8 Liabilities towards suppliers	103	0	0
9 Liabilities for securities	104	0	0
10 Other long-term liabilities	105	1.106.208	39.761.540
11 Deferred tax liability	106	0	0
D) SHORT-TERM LIABILITIES (ADP 108 to 121)	107	30.029.711	32.597.217
1 Liabilities towards undertakings within the group	108	0	0
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	961.336	1.585.463
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interest	111	0	0
5 Liabilities for loans, deposits etc.	112	0	0
6 Liabilities towards banks and other financial institutions	113	10.791.425	10.872.752
7 Liabilities for advance payments	114	93.715	149.778
8 Liabilities towards suppliers	115	9.181.281	7.849.553
9 Liabilities for securities	116	0	0
10 Liabilities towards employees	117	3.682.753	6.162.338
11 Taxes, contributions and similar liabilities	118	3.622.662	5.420.650
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	1.696.539	556.683
E) ACCRUALS AND DEFERRED INCOME	122	0	0
F) TOTAL – LIABILITIES (ADP 067+088+095+107+122)	123	560.040.696	595.957.703
G) OFF-BALANCE SHEET ITEMS	124	0	0

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

in HRK

Submitter: Luka Ploče 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	212.991.125	170.033.696
1 Income from sales with undertakings within the group	126	0	0
2 Income from sales (outside group)	127	210.683.134	168.687.002
3 Income from the use of own products, goods and services	128	0	0
4 Other operating income with undertakings within the group	129	0	0
5 Other operating income (outside the group)	130	2.307.991	1.346.694
II OPERATING EXPENSES (ADP 132+133+137+141+142+143+146+153)	131	208.615.437	161.913.719
1 Changes in inventories of work in progress and finished goods	132	0	0
2 Material costs (ADP 134 to 136)	133	122.650.629	63.787.219
a) Costs of raw material	134	14.706.994	17.934.791
b) Costs of goods sold	135	90.064.870	27.985.186
c) Other external costs	136	17.878.765	17.867.242
3 Staff costs (ADP 138 to 140)	137	62.392.995	63.404.303
a) Net salaries and wages	138	39.104.178	40.183.502
b) Tax and contributions from salaries expenses	139	14.230.219	14.539.784
c) Contributions on salaries	140	9.058.598	8.681.017
4 Depreciation	141	6.885.584	12.053.715
5 Other expenses	142	14.615.496	16.670.692
6 Value adjustments (ADP 144+145)	143	855.757	5.997.790
a) fixed assets other than financial assets	144	0	2.615.336
b) current assets other than financial assets	145	855.757	3.382.454
7 Provisions (ADP 147 to 152)	146	1.214.976	0
a) Provisions for pensions, termination benefits and similar obligations	147	1.214.976	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	0	0
III FINANCIAL INCOME (ADP 155 to 164)	154	2.926.144	0
1 Income from investments in holdings (shares) of undertakings within the group	155	0	0
2 Income from investments in holdings (shares) of companies linked by virtue of participating interest	156	0	0
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	0	0
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	0	0
7 Other interest income	161	0	0
8 Exchange rate differences and other financial income	162	0	0
9 Unrealised gains (income) from financial assets	163	2.926.144	0
10 Other financial income	164	0	0
IV FINANCIAL EXPENDITURE (ADP 166 to 172)	165	1.452.704	4.147.359
1 Interest expenses and similar expenses with undertakings within the group	166	0	0
2 Exchange rate differences and other expenses from operations with undertakings within the group	167	0	0
3 Interest expenses and similar expenses	168	118.739	4.002.455
4 Exchange rate differences and other expenses	169	1.277.424	144.904
5 Unrealised losses (expenses) from financial assets	170	0	0
6 Value adjustments of financial assets (net)	171	0	0
7 Other financial expenses	172	56.541	0

V SHARE IN PROFIT FROM COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST	173	36.176	67.275
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	215.953.445	170.100.971
X TOTAL EXPENDITURE (ADP 131+165+175 + 176)	178	210.068.141	166.061.078
XI PRE-TAX PROFIT OR LOSS (ADP 177-178)	179	5.885.304	4.039.893
1 Pre-tax profit (ADP 177-178)	180	5.885.304	4.039.893
2 Pre-tax loss (ADP 178-177)	181	0	0
XII INCOME TAX	182	2.701.450	1.342.968
XIII PROFIT OR LOSS FOR THE PERIOD (ADP 179-182)	183	3.183.854	2.696.925
1 Profit for the period (ADP 179-182)	184	3.183.854	2.696.925
2 Loss for the period (ADP 182-179)	185	0	0
DISCONTINUED OPERATIONS (to be filled in by undertakings subject to IFRS only with discontinued operations)			
XIV PRE-TAX PROFIT OR LOSS OF DISCONTINUED OPERATIONS (ADP 187-188)	186	0	0
1 Pre-tax profit from discontinued operations	187	0	0
2 Pre-tax loss on discontinued operations	188	0	0
XV INCOME TAX OF DISCONTINUED OPERATIONS	189	0	0
1 Discontinued operations profit for the period (ADP 186-189)	190		
2 Discontinued operations loss for the period (ADP 189-186)	191		
TOTAL OPERATIONS (to be filled in only by undertakings subject to IFRS with discontinued operations)			
XVI PRE-TAX PROFIT OR LOSS (ADP 179+186)	192		
1 Pre-tax profit (ADP 192)	193	0	0
2 Pre-tax loss (ADP 192)	194	0	0
XVII INCOME TAX (ADP 182+189)	195		
XVIII PROFIT OR LOSS FOR THE PERIOD (ADP 192-195)	196		
1 Profit for the period (ADP 192-195)	197		
2 Loss for the period (ADP 195-192)	198		
APPENDIX to the P&L (to be filled in by undertakings that draw up consolidated annual financial statements)			
XIX PROFIT OR LOSS FOR THE PERIOD (ADP 200+201)	199	3.183.854	2.696.925
1 Attributable to owners of the parent	200	3.183.854	2.696.925
2 Attributable to minority (non-controlling) interest	201	0	0
STATEMENT OF OTHER COMPREHENSIVE INCOME (to be filled in by undertakings subject to IFRS)			
I PROFIT OR LOSS FOR THE PERIOD	202	0	0
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	0	0
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	3.183.854	2.696.925
1 Attributable to owners of the parent	216	3.183.854	2.696.925
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: Luka Ploče 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	5.885.304	4.039.893
2 Adjustments (ADP 003 to 010):	002	6.796.487	23.040.988
a) Depreciation	003	6.885.584	12.053.715
b) Gains and losses from sale and value adjustment of fixed tangible and intangible assets	004	-36.025	2.615.636
c) Gains and losses from sale and unrealised gains and losses and value adjustment of financial assets	005	906.127	3.706.982
d) Interest and dividend income	006	-90.340	-28.817
e) Interest expenses	007	118.739	2.912.760
f) Provisions	008	761.122	1.847.987
g) Exchange rate differences (unrealised)	009	-1.712.544	0
h) Other adjustments for non-cash transactions and unrealised gains and losses	010	-36.176	-67.275
I Cash flow increase or decrease before changes in the working capital (ADP 001+002)	011	12.681.791	27.080.881
3 Changes in the working capital (ADP 013 to 016)	012	41.332.660	-37.339.630
a) Increase or decrease in short-term liabilities	013	-24.385.590	3.844.826
b) Increase or decrease in short-term receivables	014	38.437.485	-10.671.235
c) Increase or decrease in inventories	015	27.280.765	-30.513.221
d) Other increase or decrease in the working capital	016	0	0
II Cash from operations (ADP 011+012)	017	54.014.451	-10.258.749
4 Interest paid	018	-2.857.404	-2.912.760
5 Income tax paid	019	33.924	-1.427.005
A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)	020	51.190.971	-14.598.514
Cash flow from investment activities			
1 Cash receipts from sales of fixed tangible and intangible assets	021	59.000	1.000
2 Cash receipts from sales of financial instruments	022	0	0
3 Interest received	023	823.426	20.797
4 Dividends received	024	7.218	8.020
5 Cash receipts from repayment of loans and deposits	025	0	139.483
6 Other cash receipts from investment activities	026	132.956.216	0
III Total cash receipts from investment activities (ADP 021 to 026)	027	133.845.860	169.300
1 Cash payments for the purchase of fixed tangible and intangible assets	028	-12.495.724	-32.499.865
2 Cash payments for the acquisition of financial instruments	029	0	0
3 Cash payments for loans and deposits for the period	030	0	0
4 Acquisition of a subsidiary, net of cash acquired	031	0	0
5 Other cash payments from investment activities	032	0	-3.077.426
IV Total cash payments from investment activities (ADP 028 to 032)	033	-12.495.724	-35.577.291
B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027 +033)	034	121.350.136	-35.407.991
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	450.815	1.168.400
4 Other cash receipts from financing activities	038	0	0
V Total cash receipts from financing activities (ADP 035 to 038)	039	450.815	1.168.400

1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	040	-3.038.426	-11.938.925
2 Dividends paid	041	0	0
3 Cash payments for finance lease	042	0	0
4 Cash payments for the redemption of treasury shares and decrease of initial (subscribed) capital	043	0	0
5 Other cash payments from financing activities	044	0	0
VI Total cash payments from financing activities (ADP 040 to 044)	045	-3.038.426	-11.938.925
C) NET CASH FLOW FROM FINANCING ACTIVITIES (ADP 039 +045)	046	-2.587.611	-10.770.525
1 Unrealised exchange rate differences in cash and cash equivalents	047	-1.230.732	-559.201
D) NET INCREASE OR DECREASE OF CASH FLOWS (ADP 020+034+046+047)	048	168.722.764	-61.336.231
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	049	44.096.454	212.819.218
F) CASH AND CASH EQUIVALENTS AT THE END OF PERIOD(ADP 048+049)	050	212.819.218	151.482.987

STATEMENT OF CASH FLOWS - direct method
for the period

in HRK

Submitter:			
Item	ADP code	Same period of the previous year	Current period
1	2	3	4
Cash flow from operating activities			
1 Cash receipts from customers	001	0	0
2 Cash receipts from royalties, fees, commissions and other revenue	002	0	0
3 Cash receipts from insurance premiums	003	0	0
4 Cash receipts from tax refund	004	0	0
5 Cash payments to suppliers	005	0	0
6 Cash payments to employees	006	0	0
7 Cash payments for insurance premiums	007	0	0
8 Other cash receipts and payments	008	0	0
I Cash from operations (ADP 001 to 008)	009	0	0
9 Interest paid	010		
10 Income tax paid	011		
A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 009 to 011)	012	0	0
Cash flow from investment activities			
1 Cash receipts from sales of fixed tangible and intangible assets	013		
2 Cash receipts from sales of financial instruments	014		
3 Interest received	015		
4 Dividends received	016		
5 Cash receipts from repayment of loans and deposits	017		
6 Other cash receipts from investment activities	018		
II Total cash receipts from investment activities (ADP 013 to 018)	019	0	0
1 Cash payments for the purchase of fixed tangible and intangible assets	020		
2 Cash payments for the acquisition of financial instruments	021		
3 Cash payments for loans and deposits	022		
4 Acquisition of a subsidiary, net of cash acquired	023		
5 Other cash payments from investment activities	024		
III Total cash payments from investment activities (ADP 020 to 024)	025	0	0
B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 019 + 025)	026	0	0
Cash flow from financing activities			
1 Cash receipts from the increase of initial (subscribed) capital	027		
2 Cash receipts the from issue of equity financial instruments and debt financial instruments	028		
3 Cash receipts from credit principals, loans and other borrowings	029		
4 Other cash receipts from financing activities	030		
IV Total cash receipts from financing activities (ADP 027 to 030)	031	0	0
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	032		
2 Cash payments for dividends	033		
3 Cash payments for finance lease	034		
4 Cash payments for the redemption of treasury shares and decrease of initial (subscribed) capital	035		
5 Other cash payments from financing activities	036		
V Total cash payments from financing activities (ADP 032 to 036)	037	0	0
C) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 031 +037)	038	0	0
1 Unrealised exchange rate differences in cash and cash equivalents	039		
D) NET INCREASE OR DECREASE OF CASH FLOWS (ADP 012+026+038+039)	040	0	0

E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	041		
F) CASH AND CASH EQUIVALENTS AT THE END OF PERIOD(ADP 040+041)	042	0	0

II COMPREHENSIVE INCOME OR LOSS FOR THE CURRENT PERIOD (ADP 31+50)	51	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2,696,925	2,696,925	0	2,696,925
III TRANSACTIONS WITH OWNERS IN THE CURRENT PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 41 to 48)	52	0	0	0	0	0	0	0	0	0	0	0	0	3,163,778	-3,163,854	-76	0	-76	

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (GFI)

Name of issuer: Luka Ploce d.d.

OIB: 51228874907

Reporting period: 01.01.2019. until 31.12.2019.

Notes to the financial statements are to be drawn up in accordance with the International Financial Reporting Standards (hereinafter: IFRS) in such a way that they:

a) present information about the basis for the preparation of the financial statements and the specific accounting policies used in accordance with the International Accounting Standard 1 (IAS 1),

b) disclose any information required by IFRSs that is not presented elsewhere in the statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in equity,

c) provide additional information that is not presented elsewhere in the statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in equity, but is relevant for understanding any of them.

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ANNUAL REPORT
FOR THE COMPANY AND THE GROUP LUKA PLOČE FOR 2019

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LUKA PLOČE d.d.
Trg kralja Tomislava 21
20 340 Ploče
OIB: 51228874907

MANAGEMENT REPORT FOR 2019

Ploče, June 2020

FINANCIAL RESULTS OF THE LUKA PLOČE d.d. IN 2019:

- Cargo traffic through Ploče port: 3.59 million tons representing 13% increase in comparison with the same period of the previous year.
- Operating revenue: HRK 154.94 million representing a decrease of 23.03% in comparison with the same period of the previous year.
- Operating expenses: HRK 149.47 million representing a decrease of 24.62% in comparison with the same period of the previous year.
- EBITDA: HRK 16.96 million
- EBITDA margin: 10.95%
- EBIT: HRK 5.47 million
- EBIT margin: 3.53%
- Net PROFIT: HRK 523 thousand

Revenue of the Luka Ploče d.d.

In 2019 operating revenues from core business amounted to HRK 125.34 million which represent 21.21% compared to the same period last year.

Sales revenue decreased by 69.78% compared to the same period last year which resulted in 22.64% decrease of operating revenue compared to the same period last.

Within the cargo structure, bulk cargo increased by 8%, general cargo decreased by 4% and liquid cargo increased by 50% compared to the same period last year.

Operating expenses of the Luka Ploče d.d.

Operating expenses amounted to HRK 149.47 million which represent a decrease of 24.62% compared to the same period last year.

Most significantly affected were cost of goods sold with a decrease of 69.27% when compared to the same period of the previous year.

EBITDA (Earnings before interest, taxes and depreciation) Luka Ploče d.d.

In 2019 EBITDA* amounted to HRK 16.96 million, representing HRK 7.5 million increase compared to the last year.

EBIT LUKA PLOČE d.d.

EBIT amounted to HRK 5.46 million representing an increase of HRK 2.47 million compared to the last year.

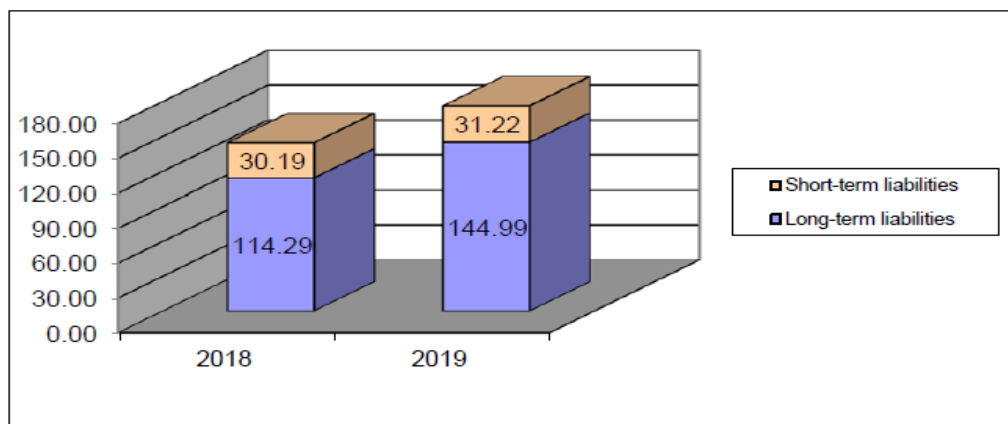
Net profit of the LUKA PLOČE d.d.

Luka Ploče d.d. has reported a net profit of HRK 523 thousand.

Financial position of Luka Ploče d.d.

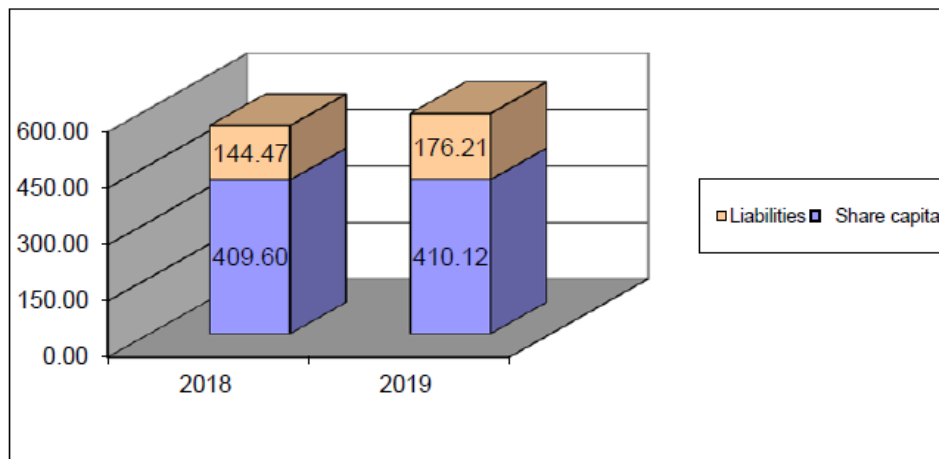
Trend in the movement of balance sheet positions is characterized by a strong position of financial assets and growth in capital and reserves, which indicates of the long-term financial stability of the Company.

The structure of financial liabilities of Luka Ploče d.d. (in HRK million)



Structure of the sources of funding of Luka Ploče d.d. (in HRK million)

*EBITDA includes interest income on short-term deposits which the Group and the Company treat as operating revenues.



Key indicators of Luka Ploče d.d.

Indicators	REALIZED 2018	REALIZED 2019
Liquidity ratios		
Working Capital (in HRK)	216,175,627	192,791,312
Current liquidity	8.16	7.18
Turnover of working capital	0.91	0.80
Working capital days	404.52	455.73
Days in period	365	365
Debt indicators		
Short-term liabilities / equity	0.07	0.08
Long-term liabilities/ equity	0.28	0.35
Loans / equity	0.30	0.37
Total liabilities / assets	0.35	0.30
Indicators	REALIZED 2018	REALIZED 2019
Profitability ratios		
EBITDA margin	4.68	10.95
EBIT margin	1.49	3.53
Net margin	0.99	0.34
Productivity ratios		
Number of employees	485	483
Revenue per employee (in HRK)	415,044	320,783
Profit per employee	4,116	1,083

FINANCIAL RESULTS OF THE LUKA PLOČE GROUP IN 2019:

Luka Ploče Group monitors and presents operating revenues, operating profit, capital investments, total assets and total liabilities for the following activities:

- Cargo handling (loading, unloading, transshipment, finishing, weighing of general, bulk and liquid cargo) that represents the parent company.
- Freight forwarding services, maritime services (mooring, unmooring of cargo and passenger ships)
- Secondary activities (catering and similar activities)

Results of the above stated activities for the year ended 31 December 2019 are as follows:

- Operating revenue: HRK 169.78 million representing an decrease of 20.29 % compared to last year.
- Operating expenses: HRK 161.66 million representing 18.48% decrease compared to last year.
- EBITDA: HRK 20.17 million
- EBITDA margin: 11.88%
- EBIT: HRK 8.12 million
- EBIT margin: 4.78%
- Net PROFIT: HRK 2.69 million

Key indicators Luka Ploče Group

Indicators	REALIZED 2018	REALIZED 2019
Liquidity ratios		
Working Capital (in HRK)	222,575,412	199,903,666
Current liquidity	8.41	7.13
Turnover of working capital	0.94	0.85
Working capital days	390	429
Days in period	365	365
Debt indicators		
Short term liabilities / equity	0.07	0.08
Long term liabilities / equity	0.28	0.35
Loans /equity	0.30	0.37
Total liabilities / assets	0.26	0.30
Indicators	REALIZED 2018	REALIZED 2019
Profitability ratios		
EBITDA margin	5.26	11.88
EBIT margin	2.03	4.78
Net margin	1.50	1.59
Productivity Indicators		
Number of employees	550	556
Revenue per employee (in HRK)	387,258	305,365
Profit per employee	5,698	4,847

Changes in the accounting policies in 2019

Luka Ploče d.d. and Luka Ploče Group applied IFRS 16 on 1 January 2019, without restating the comparatives.

Impact on the financial statements

On transition date 1 January 2019, the Group recognized additional right-of-use assets, and lease liabilities in the amount HRK 23,688 thousand (Company: HRK 23,688 thousand) under concession agreements, while at the same date present value of liabilities (from 31 December 2018) in the amount of HRK 11,267 thousand (Company: HRK 10,190 thousand) was transferred which was previously classified under finance leases. Furthermore, certain assets previously presented within property, plant and equipment, which relate to infrastructure-related expenditures, have been reclassified as assets with the right of use.

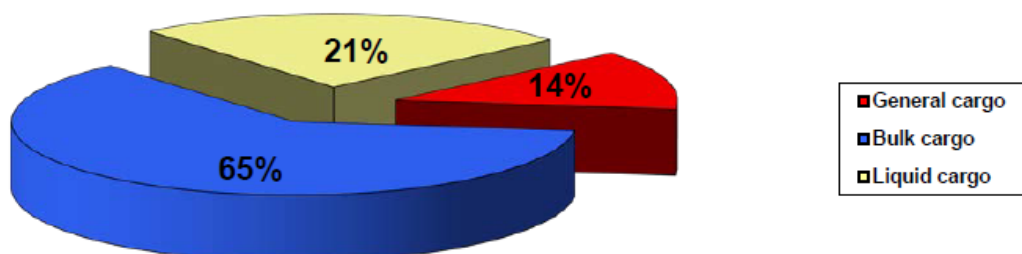
SALES AND MARKETING

In 2019, a total of 3,559,328 tons were transshipped, which represents increase of 13% compared to 2018 when 3,153,322 tons were transshipped. The prevailing cargo type in the overall structure is bulk cargo, comprising 65% of the total turnover. General cargo turnover represents a share of 16,50%, 14% relate to general cargo, while the share of liquid cargo turnover is 21%.

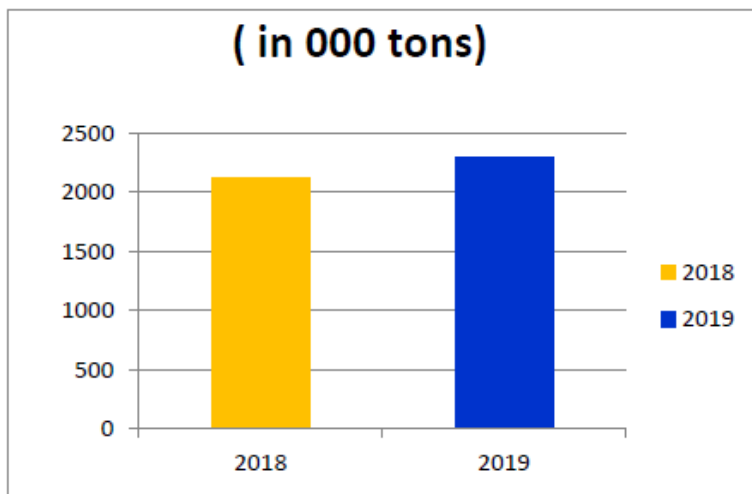
Volume per type of cargo (in tons)

TYPE OF CARGO	2019	2018	Index 2019/2018
General cargo	499,808	520,201	96
Bulk cargo	2,297,480	2,124,999	108
Liquid cargo	762,040	508,122	150
TOTAL	3,559,328	3,153,322	113

Structure per type of cargo in 2019

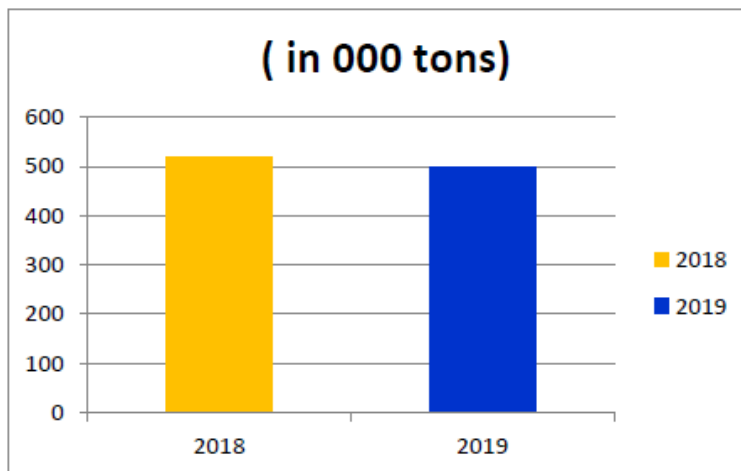


Bulk cargo



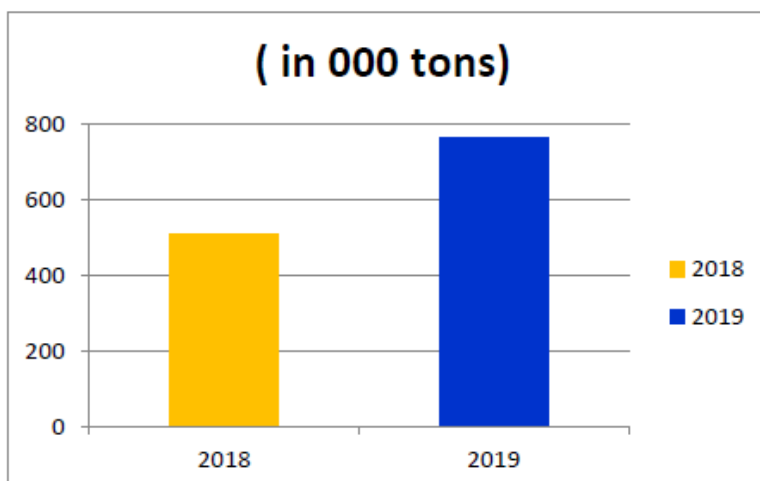
- The bulk cargo prevails in the total cargo structure in 2019, which represents an increase of 8 % compared to the previous year.
- Metallurgical and energetic coal is predominant in the structure.
- The increase in transshipment of bulk cargo relate to the transshipment of iron ore and anthracite for ArcelorMittal, and higher realized turnover (coal transshipment) with Enel, Italy and higher transshipment of industrial salt.
- A decrease in the bulk cargo segment was recorded for alumina (stoppage in production in Aluminij), bauxite and metallurgical coke.

General cargo



- General cargo volume decreased by 4% compared to 2018. The decrease mainly resulted from stoppage in production in Aluminij and consequently by the cessation of transshipment of aluminum products, and a slightly lower level of transshipment of iron beams.
- In 2019 28,726 TEUs were transshipped, which represent an increase of 5% compared to 2018 when turnover amounted to 27,441 TEU.

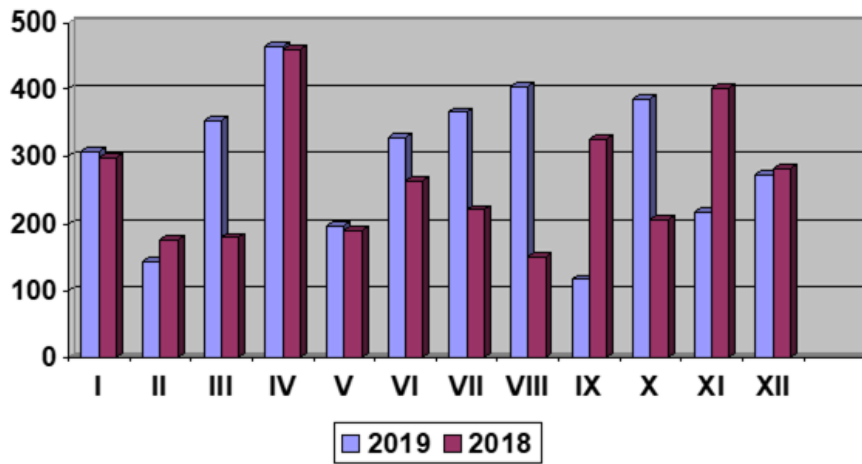
Liquid cargo



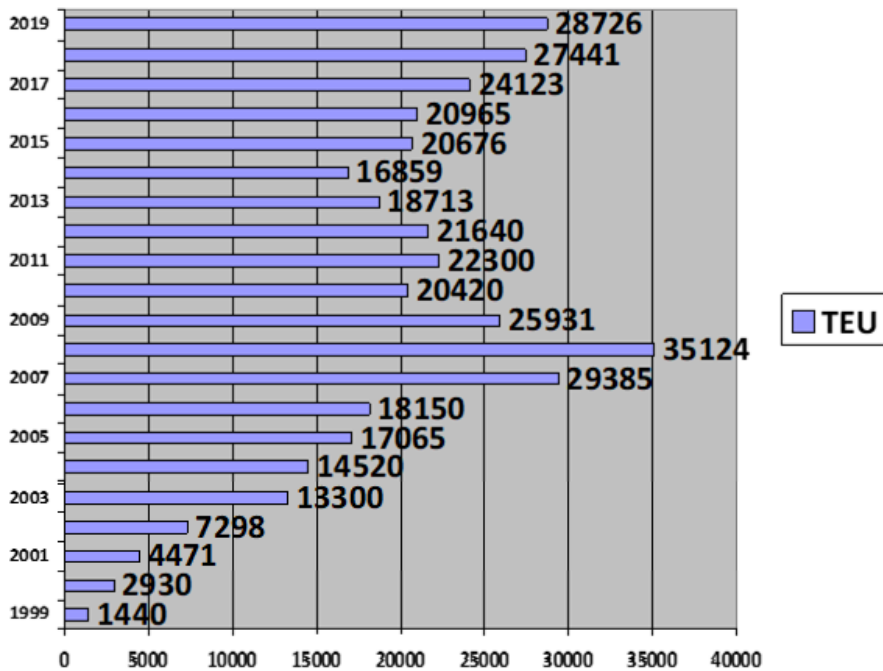
- Volume of liquid cargo increased by 50% compared to the same period last year.

Subject: Structure of transshipment of goods I-XII in the 2019 and 2018 year			
GENERAL CARGO	2019	2018	19/18
Containers	310,721.810	308,193.147	101
Iron billets	60,364.950	79,201.995	76
Beech timber	8,961.262	6,110.984	147
Soda	49,309.774	40,526.933	122
Aluminium logs	7,543.537	-	-
Aluminium ingots	15,021.959	43,557.044	34
Fir timber	1,185.100	4,210.841	28
Oak timber	-	13.522	-
Aluminium fluoride	1,503.450	2,004.600	75
Sheet metal	9,970.120	11,226.423	89
Concrete iron	25,583.880	5,244.660	488
Ribbed concrete steel	2,081.150	6,067.760	34
B substance	5,819.826	2,830.439	206
Pipes	1,039.100	-	-
Wind turbines	-	5,131.800	-
Sodium hydroxide	-	5,161.800	-
CDR waste	-	672.830	-
Equipment	397.000	46.000	863
Metal constructions	284.871	-	-
TOTAL:	499,807.789	520,200.778	96
BULK CARGO			
Coal	1,690,989.693	1,479,769.877	114
Alumina	80,124.000	155,819.000	51
Petroleum coke - fuel	8,400.597	8,799.571	95
Petroleum coke - anode	22,000.000	31,553.579	70
Sugar	85,000.000	84,500.000	101
Scrap iron	97,143.023	99,913.683	97
Quartz	-	9,750.000	-
Bauxite	71,366.00	112,501.000	63
Iron ore	110,658.740	-	-
Crude iron	-	25,523.088	-
Anthracite	64,162.344	19,210.239	334
Salt	45,100.000	17,800.000	253
Coke	6,625.901	64,496.000	10
Aluminium hydrate	15,489.900	12,565.724	123
Granular gravel	420.00	2,520.000	17
CDR waste	-	277.540	-
TOTAL:	2,297,480.198	2,124,999.301	108
LIQUID CARGO			
Gas oil	717,135.139	447,238.007	160
Motor gasoline	44,905.249	46,366.699	97
Reformate	-	14,517.017	-
TOTAL:	762,040.388	508,121.723	150
GRAND TOTAL	3,559,328.375	3,153,321.802	113

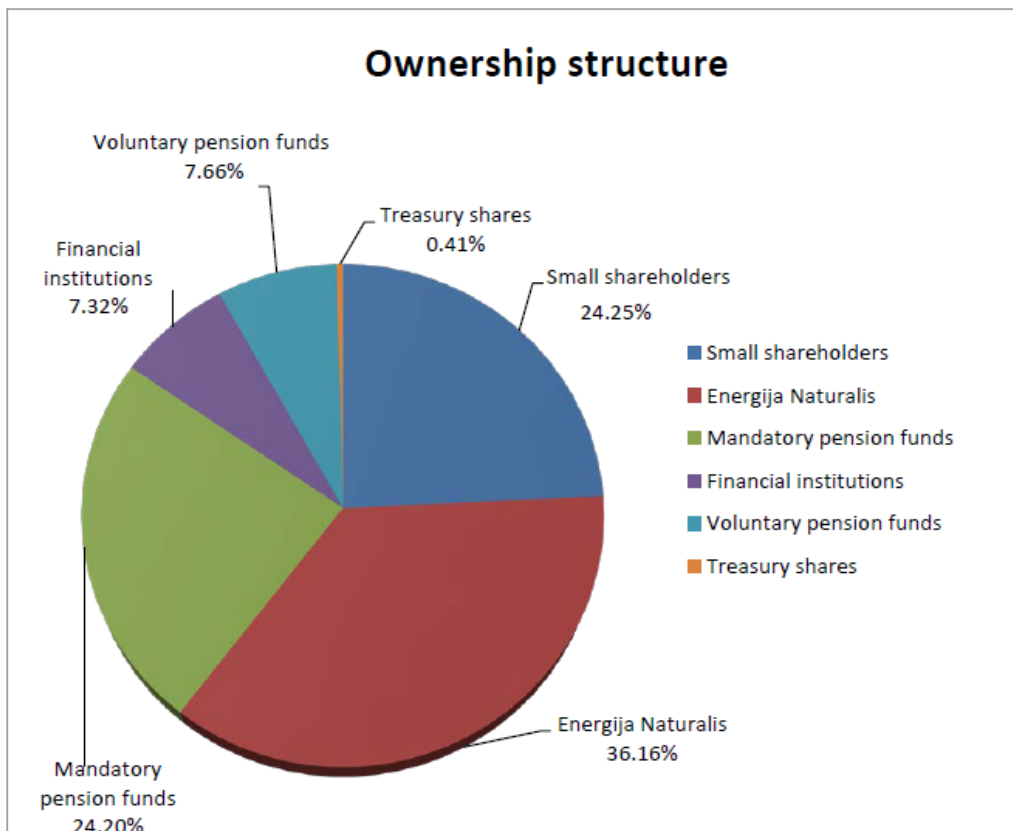
Comparative graphic presentation of physical volume in 2019 and 2018 (in 000 tons) by months



Graphic presentation of physical container volume (feeder service) in the period from 1999 to 2019



Overview of the largest shareholders as at 31 December 2019



Treasury shares balance

The Company acquired 1,719 of own shares during 2011, 2012 and 2013 in accordance with Article 233, Paragraph 2. of the Companies Act.

The acquired shares have not been disposed of until the date of this publication.

TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties within the Group are carried out under usual commercial conditions with the application of market prices.

Subsidiaries are:

- Luka Šped d.o.o. 100% owned by the Luka Ploče d.d
The principal activity is freight forwarding services
- Pomorski servis - Luka Ploče d.o.o. 100% owned by the Luka Ploče d.d
The principal activity is rendering of maritime services
- Pločanska plovdba d.o.o. 100% owned by the Luka Ploče d.d.
The principal activity is rendering of shipping services

For more information about subsidiaries refer to Note 18 of the financial statements.

RISKS OF THE COMPANY AND THE GROUP

Given that the Company is exposed to various risks in everyday business, it is most important for the Company to take risks as a normal occurrence and to respond to them in a timely and appropriate manner. Only with such approach it is possible to make good decisions to preserve and develop business.

The Company carries out appropriate policies and procedures for managing individual risks, where the management and control of risks is specifically prescribed and documented in regulations and procedures.

The Company defines the following types of most significant risks:

Credit risk

Assets of the Group and the Company that might lead to credit risk mainly consist of cash and cash equivalents, trade and other receivables and receivables from employees. As an additional collateral for collecting receivables from customers, the Group and the Company takes goods as security instrument, while receivables from employees are secured by salary suspension.

RISKS OF THE COMPANY AND THE GROUP (continued)

Price risk

Service prices of Luka Ploče d.d. are in line with prices of other ports in the Adriatic Service prices of Luka Ploče d.d. are not sufficient to maintain the competitiveness of this traffic route. Competitiveness also depends on the price of light charges, port fees and railway freight rates. Increases in prices may have a negative impact on the traffic route via port of Ploče.

Liquidity risk and cash flow risk

A prudent liquidity risk management implies maintaining a sufficient amount of cash, ensuring the availability of financial resources by an adequate amount of agreed credit lines and the ability to settle all liabilities. The Group and the Company's objective is to maintain the financing flexibility by ensuring available credit lines. The Finance Department regularly – on monthly basis monitors the level of available cash funds.

EVENTS AFTER THE BALANCE SHEET DATE

Pandemic of COVID 19

After the balance sheet date, on 11 March 2020 the World Health Organization declared the coronavirus (COVID 19) outbreak a pandemic, and consequently the Croatian government declared a state of emergency on 11 March 2020. Responding to the potentially serious threat the COVID – 19 presents to public health, the Croatian government authorities have taken measures to contain the outbreak, including introducing restrictions on the cross-borders movement of people, entry restrictions on foreign visitors and the ‘lock-down’ of certain industries.

Travel restrictions, quarantine requirements and temporary shutdown of major plants as a result of the pandemic, heavily impact the volume of shipping worldwide and disrupt the movement of goods in international supply chains.

Although the Government of the Republic of Croatia currently does not conduct significant restrictions in respect of maritime transport, the Group noticed that after the outbreak, there was a certain slowdown and delay in traffic for the first six months of the year. The Management Board estimates that, depending on the further development of the COVID 19 epidemic, this may have a negative impact on the Group's key customers, most of which are located in Bosnia and Herzegovina and Croatia, and consequently on the Group's operations, the extent of which is highly unpredictable due to the high level of uncertainty associated with the virus itself and the Group's ability to control it.

To this date, the Company has not used any of the measures of the Government of the Republic of Croatia to assist the economy due to the COVID 19 epidemic. The Group has a sufficient amount of cash funds and regularly services all liabilities that fall due. However, it cannot be ruled out that the prolonged period of implementation of Government measures, the escalation of their severity and scope or the consequent negative impact of such measures on the economic environment in which the Group operates will not have a detrimental impact on the Group, its financial position and results of its operations, in medium and long term. Management continues to monitor the situation closely and will respond with further mitigation measures to such events and the circumstances as they occur.

Management has reviewed the current effects of the COVID 19 virus and believes that no adjustments are required in the financial statements as at 31 December 2019 and that the outbreak of COVID 19 should not affect the Group's ability to continue as a going concern.

Changes in the Supervisory Board

On 26 March 2020 Tonka Lovrinov, employee representative in the Supervisory Board, was recalled, and Ana Marinović was appointed as a new employee representative in the Supervisory Board.

CODE OF CORPORATE GOVERNANCE

Luka Ploče d.d. as well as the Port of Ploče Group is continually developing and operating in accordance with defined corporate governance standards.

This applies in particular to the way in which the Company's bodies operate, in way they cooperate with shareholders and employees, to ensure business transparency, and to third parties. On 16.06.2008. the Company has adopted its own Code of Corporate Governance with the aim of further strengthening and establishing high standards of corporate governance. The Management Board fully adheres to the provisions of its own Code and the Code of the Zagreb Stock Exchange d.d. from the date of listing of the shares on the Official Market. The Company applies the corporate governance measures prescribed by law and gives detailed info on it in the annual questionnaire published in accordance with the regulations on the Zagreb Stock Exchange web page and Luka Ploče d.d web page.

The General Assembly of the Company is the highest body of the Company where shareholders exercise their rights, but also participate in the supervision of the business. The Management Board convenes the regular General Assembly usually once a year after the audit of the annual financial statements. The invitation to the General Assembly with the relevant decision proposals and any documentation is published on the Company's web pages, the Company's notice board, the Official Gazette of the Republic of Croatia and the pages of the Zagreb Stock Exchange d.d., all in accordance with the provisions of the Companies Act, the Capital Market Act and the Rules of the Zagreb Stock Exchange d.d. The Company provides all shareholders with access to the documentation in our business premises. The Company has an identical approach to dealing with all shareholders, regardless of the number of shares held by them. The shareholders are given a deadline in which they can apply for participation in the General Assembly. Each share entitles to one vote.

The Company has, by the internal act, prescribed in detail the procedures for preparation and disclosure of the financial statements, thereby setting up an internal control and risk management system in relation to the financial reporting process.

Appointment and dismissal of members of the Management Board and members of the Supervisory Board is performed in the manner prescribed by the Company's Article of Association and the Companies Act. The authorizations of the Management Board members are aligned with the provisions of the Companies Act.

CODE OF CORPORATE GOVERNANCE (continued)

Company's bodies are:

Management Board: Hrvoje Livaja – president of the Board,

Supervisory Board: Pavao Vujnovac – president, Jeni Krstičević – deputy president and members: Ivan Ostojić and Ana Marinović.

Audit Committee: Jeni Krstičević – president and members Pavao Vujnovac and Ivan Ostojić.

Remuneration Committee: Ivan Ostojić – president and members Pavao Vujnovac and Jeni Krstičević.

Management Board and Supervisory Board work at sessions in accordance with the Law and the Rules of Procedure of the Management Board and the Supervisory Board.

On 1 February 2019 President of the Board Ivan Pavlović has been relieved from duty and Hrvoje Livaja has been appointed. Upon his personal request, member of the Management Board Josip Jurčević has been relieved of the duty of the member of the Board for corporate governance on the same date.

On 31 December 2019 Željka Dodig, the deputy president of the Management Board, was recalled.

On 26 March 2020 Tonka Lovrinov, the employee representative on the Supervisory Board, was recalled, and Ana Marinović, the employee representative on the Supervisory Board, was appointed.

In Ploče, June 29th 2020

Hrvoje Livaja
President of the Management Board

Statement of Management's responsibility

Pursuant to the Croatian Accounting Law, the Management Board is responsible for ensuring that non-consolidated and consolidated financial statements are prepared for each financial year in accordance with the International Financial Reporting Standards ("IFRS") approved by the European Union ("EU") which give a true and fair view of the state of affairs and results of Luka Ploče d.d. and of the companies being consolidated ("Group") for that period.

The Management Board has a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the financial statements.

In preparing those financial statements, the responsibilities of the Management Board include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgements and estimates are reasonable and prudent;
- applicable accounting standards are followed,
- the unconsolidated and consolidated financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in 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 of the Group, and must also ensure that their financial statements comply with the Croatian Accounting Law. The Management Board is also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Management Board is also responsible for the contents and preparation of the management report in accordance with the legal and regulatory requirement as well as for other information published with the management report (commonly referred to as: "other information"). Management report with other information was approved for issuing by the Management Board and signed below accordingly.

Management report and unconsolidated and consolidated financial statements have been approved by the Management Board on June 29th 2020 for their submittal for approval to the Supervisory Board, and are signed below:

Hrvoje Livaja

President of the Management board

Luka Ploče d.d.
Trg kralja Tomislava 21
20340 Ploče
Ploče, June 29th 2020



Independent Auditors' Report to the owner of Luka Ploče d.d.

Report on the Audit of the Financial Statements

Opinion

We have audited the separate financial statements of Luka Ploče d.d. ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the separate and consolidated statements of financial position of the Company and the Group, respectively, as at 31 December 2019, and their respective separate and consolidated statements of comprehensive income, cash flows and changes in equity for the year then ended, and notes, comprising significant accounting policies and other explanatory information (further referred to as "the financial statements").

In our opinion, the accompanying financial statements give a true and fair view of the unconsolidated and consolidated financial position of the Company and the Group, respectively, as at 31 December 2019 and of their respective unconsolidated and consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Croatia and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition (separate and consolidated financial statements)

The Company and the Group recognised revenues for the year ended 31 December 2019 in the amount of HRK 154,408 thousand and HRK 168,687 thousand, respectively (2018: HRK 199,591 thousand and HRK 210,683 thousand, respectively).

Refer to accounting policy 3.26 and financial disclosures in notes 7 and 8 to the separate and consolidated financial statements.

Key audit matter

The Company's and the Group's core activities include transshipment of goods, cargo management and manipulation, and rendering of other accompanying services, such as warehousing of goods, docking and selling of commodities.

The Company and the Group generate revenue from their core activities by providing port services to customers, typically by direct reference to the tariffs prescribed by the port authority which are considered a contract equivalent.

How our audit addressed the matter

Our audit procedures in this area included, among others:

- Updating our understanding of and evaluating the Company's and the Group's revenue recognition process, and testing design and implementation of selected key internal controls, in particular the controls associated with the identification of performance obligations, determination of the revenue recognition pattern and allocating consideration to performance obligations;
- Assessing the Company's and the Group's policy for recognizing revenue, including considering whether the policy is in accordance with the five-step approach required by the new revenue standard;



Independent Auditors' Report to the owner of Luka Ploče d.d. (continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Key audit matter (continued)	How our audit addressed the matter (continued)
<p>The applicable financial reporting standard, IFRS 15 <i>Revenue from Contracts with Customers</i>, requires management to identify all goods or services provided to customers and determine whether to account for each such good or service as a separate performance obligation. In certain circumstances, arrangements can contain two or more service components which might need to be grouped together if their commercial effect cannot be understood without accounting for them as an integrated service package and one performance obligation.</p> <p>As discussed above, the arrangements with customers are generally based on the formal port tariff specified by the port authority which identifies separate services with a stand-alone and reliably measurable value to the customer and for which revenue is accounted for separately over time or at a point-in-time as the performance obligation relevant to the service is executed.</p> <p>For commodity sales, due to a significant volume of such transactions during the year, also occurring close to the reporting date, individually insignificant timing errors might collectively have a material impact on the amount of revenues recognized in the separate and consolidated financial statements.</p> <p>Also, significant judgment is required of management in assessing whether the Company and/or the Group act as a principal or agent in executing commodity purchase and sales transactions, and consequently, whether or not the gross amounts received from customers can be recognized as revenue.</p> <p>Due to the above factors, accounting for revenues requires management to exercise significant judgment and make complex estimates. The area required our increased attention in the audit and was considered by us to be a key audit matter.</p>	<ul style="list-style-type: none">• Based on our inspection of a sample of contracts or contracts equivalents with key customers:<ul style="list-style-type: none">- challenging the Company's and the Group's identification of performance obligations included therein;- critically assessing the Company's and the Group's determination of revenue recognition pattern (point-in-time vs over time) for identified performance obligations by reference to the provisions of the contracts and our understanding of the resulting pattern of satisfying related performance obligations;- having considered the results of the above procedures, critically evaluating the revenue amounts recognized by, among other things, inspecting contracts and supporting documents, such as statements of facts and timesheets, for all ships berthed in the Port of Ploče harbour in the periods immediately before and after the reporting date;- For a sample of commodities sales transactions occurring close to 31 December 2019, tracing deliveries to supporting documentation (contracts, invoices and delivery notes), to assess whether relevant revenue recognition criteria were met;• Challenging the Management Board's conclusions with regards to potential agency relationships, by inspecting a sample of agreements for the purchase and sale of commodities and critically evaluating whether the Company and/or the Group control promised goods before transferring them to the customer, including, among others, risks and responsibilities of contract parties, discretion in establishing contract prices, inventory risk and responsibility for the delivery of goods;• Tracing a sample of amounts invoiced during the year to statements of facts, invoices and collections as evidenced by bank statements and inspecting the accuracy of the related accounting entries;• For a sample of customers, obtaining external confirmations of amounts due as at the reporting date, and inquiring as to the reasons for any significant differences between the amounts confirmed and the Company's and the Group's accounting records, and inspecting the underlying documentation;• Inspecting journal entries posted to revenue accounts focusing on unusual and irregular items.• Examining whether the Company's and the Group's revenue recognition-related disclosures in the financial statements appropriately include and describe the relevant quantitative and qualitative information required by the applicable financial reporting framework.



Independent Auditors' Report to the owner of Luka Ploče d.d. (continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Recoverability of port assets (separate and consolidated financial statements)

The carrying amount of property, plant and equipment of the Company and the Group as at 31 December 2019 amounted to HRK 347,199 thousand and HRK 354,673 thousand, respectively (31 December 2018: HRK 281,749 thousand and HRK 287,566 thousand, respectively).

Refer to accounting policy 3.10 and financial disclosures in notes 6b) and 16 to the separate and consolidated financial statements.

Key audit matter

How our audit addressed the matter

As at 31 December 2019, the carrying amount of property, plant and equipment represented approximately 60% and 59% of the Group's and the Company's respective total assets. These assets, carried at cost less accumulated depreciation and any accumulated impairment losses, consist primarily of port suprastructure and equipment ("port assets").

As described in Note 6b) of the financial statements, in the current year, the Company and the Group identified impairment indicators in respect of the port assets, including, primarily:

- challenging business environment and financial difficulties experienced by some of key customers;
- underutilisation of new port assets capitalized during 2019; and
- the carrying amount of the Group's net assets exceeding its market capitalisation.

As required by relevant financial reporting standards, individual items of property, plant and equipment or cash generating units (CGUs) for which impairment indicators exist are required to be tested by the Company and the Group for potential impairment. Any such impairment would be recognised in the amount by which the carrying amount of the asset (or a related CGU) exceeds its recoverable amount.

The estimation of the recoverable amount of port assets, which is generally considered to be their value in use (based on discounted cash flow models), relies on significant judgments and assumptions about the future, including: port tariffs, cargo throughput, operating costs, capital expenditures, working capital, residual value, inflation, concession period and the most appropriate discount rate. These projections are exposed to significant variability due to changing market conditions.

In the wake of the above factors, we considered determination of the recoverable amount of port assets to be associated with a significant risk of material misstatement in the financial statements. Therefore, the area required our increased attention in the audit and as such was determined to be a key audit matter.

Our audit procedures in this area included, among others:

- Evaluating against the requirements of the relevant financial reporting standards the Company's and the Group's accounting policy for identification of impairment, and measurement and recognition of any impairment losses in respect of property, plant and equipment;
- Assessing internal controls relating to the identification of impairment indicators and to the process of impairment testing;
- Evaluating the quality of the Company's and the Group's forecasting by comparing historical projections with actual outcomes;
- Assessing the appropriateness of asset grouping into CGUs, based on our understanding of the Company's and the Group's operations and business units;
- Inspecting minutes of the Management Board's and Supervisory Board's meetings for any indications of financial difficulties / changes in operational plans, with potential adverse effects on the recoverable amounts of port assets.
- Critically assessing the Company's and the Group's assumptions and estimates used to determine the recoverable amounts of port assets, assisted by our own valuation specialists. This included:
 - Assessing the Company's and the Group's discounted cash flow model against the relevant financial reporting standards, market practice and for internal consistency. As part of the procedure, we also tested the integrity of the model, including its mathematical accuracy,
 - Assessing reasonableness of the key assumptions applied in the impairment test (such as port tariffs, cargo throughput, operating costs, capital expenditures, working capital, residual values, concession period and discount rate), by reference to publicly available market reports, as well as the Company's and the Group's internal documents, such as approved budgets, concession contracts and sales reports.
- Assessing susceptibility of the impairment model and the resulting impairment conclusion to management bias, by challenging the Company's and the Group's analysis of the model's sensitivity to changes in key underlying assumptions;
- Assessing the appropriateness and completeness of impairment-related disclosures in the financial statements.

Report on the Audit of the Financial Statements (continued)

Other Information

Management is responsible for the other information. The other information comprises the Management Report and the Corporate Governance Statement included in the Annual Report of the Company and the Group, but does not include the financial statements and our auditor's report thereon.



Independent Auditors' Report to the owner of Luka Ploče d.d. (continued)

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

With respect to the Management Report and the Corporate Governance Statement, we also performed procedures required by the Accounting Act in Croatia ("Accounting Act"). Those procedures include considering whether:

- the Management Report has been prepared in accordance with the requirements of Articles 21 and 24 of the Accounting Act,
- the Corporate Governance Statement includes the information specified in Article 22 of the Accounting Act.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and procedures above, in our opinion, in all material respects:

- the information given in the Management Report and the Corporate Governance Statement for the financial year for which the financial statements are prepared, is consistent with the financial statements;
- the Management Report has been prepared in accordance with the requirements of Articles 21 and 24 of the Accounting Act, respectively; and
- the Corporate Governance Statement includes the information specified in Article 22 of the Accounting Act.

In addition, in light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, we are also required to report if we have identified material misstatements in the Management Report and the Corporate Governance Statement. We have nothing to report in this respect.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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



Independent Auditors' Report to the owner of Luka Ploče d.d. (continued)

Report on the Audit of the Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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



Independent Auditors' Report to the owner of Luka Ploče d.d. *(continued)*

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

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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

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

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

Report on Other Legal and Regulatory Requirements

We were appointed by those charged with governance on 19 July 2019 to audit the financial statements of the Company and the Group for the year ended 31 December 2019. Our total uninterrupted period of engagement is 6 years, covering the years ended 31 December 2014 to 31 December 2019.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company dated 26 June 2020;
- for the period to which our statutory audit relates, we have not provided any non-audit services (NASs), hence we have not provided any prohibited non-audit services referred to in Article 44 of the Audit Act. We also remained independent of the audited entities in conducting the audit.

The engagement partner on the audit resulting in this independent auditors' report is Domagoj Hrkać.

KPMG Croatia d.o.o. za reviziju

Croatian Certified Auditors

Eurotower, 17th floor

Ivana Lučića 2a

10 000 Zagreb

Croatia

29 June 2020

Domagoj Hrkać

Director, Croatian Certified Auditor

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

<i>(in thousands of HRK)</i>	Note	Luka Ploče Group		Luka Ploče d.d.	
		2019	2018	2019	2018
Revenue	7, 8	168,687	210,683	154,408	199,591
Other income	8	1,096	2,309	530	1,705
Materials and energy costs	9	(45,921)	(104,772)	(43,198)	(103,025)
Services	9	(17,869)	(17,878)	(17,294)	(17,457)
Personnel expenses	10	(73,679)	(69,932)	(65,931)	(62,748)
Depreciation and amortisation	15,16,17	(12,054)	(6,886)	(11,498)	(6,429)
Other operating expenses	11	(6,395)	(7,206)	(5,839)	(6,684)
Impairment loss on receivables – net	22	(3,382)	(856)	(3,337)	(816)
Impairment of property, plant and equipment – net		(2,615)	-	(2,615)	-
Other (losses) / gains – net	12	251	(1,143)	241	(1,143)
Operating profit		8,119	4,319	5,467	2,994
Finance income / (expenses) – net	13	(4,148)	1,530	(4,099)	1,578
Share of profit of equity-accounted investees	19	67	36	-	-
Profit before tax		4,038	5,885	1,368	4,572
Income tax	14	(1,343)	(2,701)	(845)	(2,576)
Net profit		2,695	3,184	523	1,996
Other comprehensive income		-	-	-	-
Total comprehensive income		2,695	3,184	523	1,996
Earnings per share (in HRK) basic and diluted	27	6,38	7,56	1,24	4,74

Notes and accounting policies that follow form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

<i>(in thousands of HRK)</i>	Note	Luka Ploče Group		Luka Ploče d.d.	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
ASSETS					
Non-current assets					
Intangible assets	15	756	677	753	674
Property, plant and equipment	16	354,673	287,566	347,199	281,749
Advances for tangible assets		148	10,827	147	10,786
Investment property	17	4,482	4,578	4,482	4,578
Investments in subsidiaries	18	-	-	7,502	7,502
Investments in equity-accounted investees	19	687	620	80	80
Long-term loans given	20	1,421	1,694	1,421	1,694
Deferred tax assets	14	741	513	741	513
Long-term deposits	23	788	959	-	135
Total non-current assets		363,696	307,434	362,325	307,711
Current assets					
Inventories	21	34,828	4,315	34,671	4,086
Trade and other receivables	22	42,288	34,905	40,830	34,184
Short-term deposits	23	3,349	272	3,349	-
Financial assets at fair value through profit or loss	24	313	294	313	294
Cash and cash equivalents	25	151,483	212,819	144,843	207,797
Total current assets		232,261	252,605	224,006	246,361
Total assets		595,957	560,039	586,331	554,072
SHAREHOLDERS' EQUITY					
Share capital	26	169,187	169,187	169,187	169,187
Share premium	26	88,107	88,107	88,107	88,107
Legal reserves	26	8,459	8,459	8,459	8,459
Other reserves	26	48,159	48,159	48,159	48,159
Retained earnings		103,054	100,359	96,210	95,687
Total shareholders' equity		416,966	414,271	410,122	409,599
LIABILITIES					
Non-current liabilities					
Borrowings	28	142,487	112,204	141,482	111,068
Provisions	29	3,906	3,536	3,512	3,219
Total non-current liabilities		146,393	115,740	144,994	114,287
Current liabilities					
Borrowings	28	10,873	10,792	10,129	10,154
Trade and other payables	30	19,722	17,594	19,455	18,499
Income tax liability		1,446	1,302	1,074	1,193
Provisions	29	557	340	557	340
Total current liabilities		32,598	30,028	31,215	30,186
Total liabilities		178,991	145,768	176,209	144,473
Total shareholders' equity and liabilities		595,957	560,039	586,331	554,072

Notes and accounting policies that follow form an integral part of these financial statements.

LUKA PLOČE d.d., Ploče

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

Luka Ploče Group

(in thousands of HRK)

	Share capital	Share premium	Legal reserves	Other reserves	Treasury shares	Retained earnings	Total
Balance at 1 January 2018	169,187	88,107	8,459	49,225	(1,066)	97,175	411,087
Net profit for the year	-	-	-	-	-	3,184	3,184
Other comprehensive income	-	-	-	-	-	-	-
Balance at 31 December 2018	169,187	88,107	8,459	49,225	(1,066)	100,359	414,271
Balance at 1 January 2019	169,187	88,107	8,459	49,225	(1,066)	100,359	414,271
Net profit for the year	-	-	-	-	-	2,695	2,695
Other comprehensive income	-	-	-	-	-	-	-
Balance at 31 December 2019	169,187	88,107	8,459	49,225	(1,066)	103,054	416,966

Notes and accounting policies that follow form an integral part of these financial statements.

LUKA PLOČE d.d., Ploče

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

Luka Ploče d.d.

<i>(in thousands of HRK)</i>	Share capital	Share premium	Legal reserves	Other reserves	Treasury shares	Retained earnings	Total
Balance at 1 January 2018	169,187	88,107	8,459	49,225	(1,066)	93,691	407,603
Net profit for the year	-	-	-	-	-	1,996	1,996
Other comprehensive income	-	-	-	-	-	-	-
Balance at 31 December 2018	169,187	88,107	8,459	49,225	(1,066)	95,687	409,599
Balance at 1 January 2019	169,187	88,107	8,459	49,225	(1,066)	95,687	409,599
Net profit for the year	-	-	-	-	-	523	523
Other comprehensive income	-	-	-	-	-	-	-
Balance at 31 December 2019	169,187	88,107	8,459	49,225	(1,066)	96,210	410,122

Notes and accounting policies that follow form an integral part of these financial statements.

LUKA PLOČE d.d., Ploče

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

<i>(in thousands of HRK)</i>	Note	Luka Ploče Group		Luka Ploče d.d.	
		2019	2018	2019	2018
Profit before tax		4,038	5,885	1,368	4,572
Depreciation and amortisation	15,16,17	12,054	6,886	11,498	6,429
Impairment losses on receivables	22	3,390	849	3,337	809
Gains/(losses) on changes in fair value	12	(19)	57	(19)	57
Gain on sale of property, plant and equipment and intangible assets	12	(5)	(58)	(5)	(58)
Share of net profit of equity-accounted investees	19	(67)	(36)	-	-
Finance expenses/(income) – net	13	4,148	(1,530)	4,099	(1,578)
Net change in provisions	29	586	761	510	706
Impairment of property, plant and equipment	16	2,615	23	2,615	23
Interest income	8	(21)	(82)	(19)	(81)
		22,681	6,870	22,016	6,307
<i>Changes in working capital:</i>					
(Increase) / decrease of trade and other receivables		(10,336)	38,438	(9,562)	38,664
(Increase) / decrease of inventories		(30,513)	27,281	(30,585)	27,346
Decrease / (increase) of trade and other payables		3,846	(24,387)	2,680	(24,812)
		(37,003)	41,332	(37,467)	41,198
Interest paid		(4,003)	(2,857)	(3,931)	(2,789)
Interest collected		21	823	19	806
Income tax paid		(1,427)	(34)	(1,193)	-
Net cash (used in)/from operations		(15,693)	52,019	(19,188)	50,094
Cash flows from investing activities					
Purchase of property, plant and equipment and intangible assets		(32,503)	(12,495)	(30,331)	(11,389)
Proceeds from loans given		395	451	395	451
Proceeds from disposal of property, plant and equipment and intangible assets		6	59	6	59
Net investments in deposits and guarantees		(2,907)	132,958	(3,214)	133,761
Net cash (used in)/from investing activities		(35,009)	120,973	(33,144)	122,882
Cash flows from financing activities					
Proceeds from borrowings	28	773	-	-	-
Repayment of borrowings	28	(8,344)	(2,795)	(7,902)	(213)
Repayment of leases (2018: finance leases)	28	(2,504)	(243)	(2,199)	(2,248)
Net cash used in financing activities		(10,075)	(3,038)	(10,101)	(2,461)
Net decrease / (increase) in cash and cash equivalents		(60,777)	169,954	(62,433)	170,515
Cash and cash equivalents at beginning of year		21,819	44,095	207,797	38,477
Foreign exchange (losses) / gains on cash and cash equivalents		(559)	(1,230)	(521)	(1,195)
Cash and cash equivalents at end of year	25	151,483	212,819	144,843	207,797

The notes and accounting policies that follow are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2019**

NOTE 1 – GENERAL INFORMATION

LUKA PLOČE d.d. (the “Company”) is a joint stock company registered under the laws and regulations of the Republic of Croatia. The Company is domiciled in Ploče, Croatia. The Company is headquartered in Trg Kralja Tomislava 21, Ploče.

The principle activities of the Company's are port services (manipulation of goods), warehousing and wholesale and retail services in domestic and foreign trade. Other activities of the Group include construction, maintenance, freight, commerce and other services.

As at 31 December 2019, LUKA PLOČE Group (the “Group”) consists of the parent company LUKA PLOČE d.d., its three subsidiaries (2018: three subsidiaries) based in Ploče, Croatia (Note 18) and equity-accounted investees (Note 19).

As at 31 December 2019, the Company's shares were listed on the official listing of the Zagreb Stock Exchange.

Management and the Supervisory Board of the company

During the reporting period the members of the Management Board were as follows:

Name	Surname	Function	From/to
Hrvoje	Livaja	President of the Management Board	From 1 February 2019
Željka	Dodig	Deputy president of the Management Board	To 31 December 2019
Ivan	Pavlović	President of the Management Board	To 1 February 2019
Josip	Jurčević	Member of the Management Board	To 1 February 2019

During the reporting period the members of the Supervisory Board were as follows:

Name	Surname	Function	From/to
Pavao	Vujnovac	President of the Supervisory Board	
Jeni	Krstičević	Deputy president of the Supervisory Board	From 19 July 2019
Tonka	Lovrinov	Member	
Ivan	Ostojić	Member	From 19 July 2019
Davorin	Rudolf	Deputy president of the Supervisory Board	To 19 July 2019
Darko	Drozdek	Member	To 19 July 2019

NOTE 2 – BASIS OF PREPARATION**2.1 Statement of compliance**

The consolidated and separate financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as adopted in the European Union (IFRS).

The separate financial statements are presented for the Company while the consolidated financial statements relate to the Company and its subsidiaries and equity-accounted investees (referred to as "the Group"). The separate and consolidated financial statements are further together referred to as the “financial statements”. The financial statements were approved by the Management Board on 29 June 2020.

2.2 Basis of presentation

The financial statements have been prepared on historical cost basis, except where otherwise stated.

This is the first set of financial statements of the Group in which IFRS 16 *Leases* have been applied. Changes to accounting policies are explained in Note 2.4 Changes in accounting policies: Adoption of new standards.

2.3 Functional and presentation currency

Items included in the financial statements of Group's entities are stated using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in HRK, which represents the Company's functional and the Group's presentation currency.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 2 – BASIS OF PREPARATION (continued)

2.4. Changes in accounting policies: Adoption of new standards

The Group initially applied IFRS 16 from 1 January 2019. A number of other new standards are also effective from 1 January 2019, but they do not have a material effect on the Group's financial statements.

a) Adoption of IFRS 16 Leases

The Group applied IFRS 16 using the modified retrospective approach at 1 January 2019. Accordingly, the comparative information was not restated. The details of the changes in accounting policies for lease are disclosed below.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 3.7.

On transition to IFRS 16, the Group elected to review whether the contract at the date of initial recognition is a lease.

Group – as a lessee

Leases classified as finance leases under IAS 17

For leases that have been classified as finance leases in accordance with IAS 17, the carrying amount of the right-of-use assets and the lease liability at 1 January 2019 were determined at the carrying amount of the lease assets and liabilities in accordance with IAS 17 immediately before that date.

Leases classified as operating leases under IAS 17 - Accounting for the Concession Agreements

The Group and the Company have reviewed the relevant financial reporting standards and related interpretations to determine the appropriate approach for the accounting treatment of the Concession Agreements. As part of the analysis, similar to previous years, Management continued to consider the applicability of IFRIC 12 Service Concession Arrangements (the interpretation governing the accounting for public service concessions), but also extended its analysis to the applicability and impact of the new standard for leases, IFRS 16 Leases.

The result of the analysis was the adoption of the requirements of IFRS 16 in the accounting treatment of Concession Agreements. The detailed impact of the application of IFRS 16 and Management's considerations and judgments in the context of this analysis are set out in more detail below and in Note 6 to the financial statements.

As part of the Concession Agreement, the local port authority (Concession Grantor) transferred management rights over a number of asset items constituting port infrastructure (including land, buildings, infrastructure) to the Group entitled to use these assets during the provision of services defined by the Concession Agreement. The Group has previously classified port infrastructure leases as operating leases based on an estimate of the expected duration of the concession and changes in certain payments under the contract. As a result, such assets were previously carried off-balance sheet while related liabilities were disclosed as commitments.

Capital expenditure on equipment and infrastructure incurred by the Group as part of its Concession Agreement liabilities was previously recognized as an asset and capitalized in the balance sheet within the relevant classes of property, plant and equipment when incurred. Such assets are stated at cost less accumulated depreciation and impairment losses, if any, and the cost of acquisition included expenses that could be directly attributed to the acquisition of the asset.

In cases where such assets related to items transferred to the Concession Grantor at the end of the concession period, depreciation was calculated on a straight-line basis by allocating the cost of acquisition less residual value over the estimated useful life of the asset or the remaining life of the concession, whichever is shorter.

In cases where such assets were not transferable to the Concession Grantor, depreciation was calculated in accordance with the depreciation policy applicable to the category of property, plant and equipment in which those assets are classified.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 2 – BASIS OF PREPARATION (continued)

2.4. Changes in accounting policies: Adoption of new standards (continued)

a) Initial adoption of IFRS 16 Leases (continued)

The maintenance of assets located within the concession area is recognized as incurred as an expense within profit or loss and recognized within the cost of materials and services used.

Impact on transition to IFRS 16

In the process of adopting IFRS 16, significant judgments were required in determining whether a Concession Agreement constitutes a lease as well as in developing assumptions and estimates in determining right-of-use assets and the lease liabilities. In this context, analysing the Concession Agreements, the Group concluded that the concession area and associated infrastructure assets represent a single integrated asset and that the Group realizes essentially all economic benefits from the use of these assets during the concession period.

As the Concession Agreement contains various obligations which include, among others, the obligation to pay fixed and variable concession fees, the obligation to incur infrastructure-related expenditure, as well as expenditure on own property and maintenance in the concession area, the application of the new standard required significant judgment in addition to identifying the components of the lease-related contract and those non-lease-related components.

In this context, the Group has concluded that liabilities related to the payment of fixed concession fees and infrastructure-related expenditures are lease components, while the remaining liabilities related to expenditures for own assets (equipment) and maintenance, as well as variable concession fee payments, do not constitute lease components in accordance with IFRS 16 and will therefore continue to be recognized in accordance with other relevant standards, primarily in accordance with IAS 16 Property, Plant and Equipment.

At the transition date, lease obligations under the Concession Agreements are measured as the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate on 1 January 2019. Right-of-use assets are recognized in the same amount as lease liabilities.

Impact on financial statements

On transition date 1 January 2019, the Group recognized additional right-of-use assets, and lease liabilities in the amount HRK 23,688 thousand (Company: HRK 23,688 thousand) under concession agreements, while at the same date present value of liabilities (from 31 December 2018) in the amount of HRK 11,267 thousand (Company: HRK 10,190 thousand) was transferred which was previously classified under finance leases.

When measuring lease liabilities, the Group and the Company discounted lease payments using the incremental borrowing rate as at 1 January 2019. The weighted average discount rate used was 3%.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these separated and consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and companies over which the Company has control (subsidiaries) as of and for the years ended 31 December 2019. The Company and its subsidiaries together are referred to as the Group.

(i) Business combinations

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of consideration transferred, the amount of any non-controlling interest in the acquiree and acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of bargain purchase, the difference is recognised directly in the statement of comprehensive income.

(ii) Business combinations and transactions with entities under joint control

Business combination of entities under joint control is accounted for using the book value. Under this method, the assets and liabilities of the predecessor of a jointly controlled entity are transferred at carrying amounts to the successor entity. The related goodwill relating to the initial acquisitions of the predecessor company is also disclosed in these financial statements. The difference between the carrying amount of net assets and the consideration paid is recognized in these financial statements as an adjustment to equity.

(iii) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases. In its unconsolidated financial statements, the Company accounts for its investments in subsidiaries at cost.

(iv) Associates (equity-accounted investees)

Associates are all entities over which the Group or the Company have significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. The Group accounts for investments in associates using the equity method of accounting whilst the Company accounts for them at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Basis of consolidation (continued)

(v) Transactions eliminated on consolidation

Balances and transactions between Group and any unrealized gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates where the Group shares control with other owners are eliminated to the extent of the Group's interest in these entities. Unrealised gains arising from transactions with associates are eliminated against the. Unrealised losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, responsible for allocating resources and assessing performance of the operating segments, has been identified as the Management Board of the Company.

3.4 Transactions and balances in foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses relating to borrowings, cash and cash equivalents and short-term deposits are recorded in the income statement within "Finance income or costs". All other foreign exchange losses and gains are recorded in the income statement within "Other (losses)/gains-net".

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

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at functional currency at foreign exchange rates ruling at the date of determination of fair values.

3.5. Intangible assets

Software, licences and project documentation are amortized over their estimated useful lives. Estimated useful lives are reviewed annually and impairment review are undertaken if there is any indication of impairment.

Subsequent expenditure on capitalised intangible assets is capitalised only if it is probable that it increases the future economic benefits embodied in the specific asset to which it relates and those benefits will flow to the Company. All other expenditure is recognised in the profit or loss as an expense as incurred.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date on which they are available for use. The estimated useful lives of intangible assets is 2.5 to 5 years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Property, plant and equipment

i) Owned Assets

Property, plant and equipment are included in the balance sheet at historical cost less accumulated depreciation and accumulated impairment, if any. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent expenditure is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group or the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Land and assets under construction are not depreciated. Depreciation of other tangible assets is calculated using the straight-line method to allocate their cost over their estimated useful lives.

	2019/2018
Buildings	8-67
Equipment	2-67
Leasehold improvements	15-67

Leasehold improvements relate to capital expenditures in leased assets, located on maritime land.

The residual value of an asset is the estimated amount that the Group or the Company would currently obtain from the disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group or the Company expect to use the asset until the end of its life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in 'other gains/(losses) – net' in the income statement.

(ii) Assets which are subject to the concession arrangement

The Company has a signed long-term concession agreements for the provision of port services, which represent most of the revenues generated by the Company. Current concession arrangement involves transfer of the operating rights over the port of Ploče for a limited period of time, under the control of local port authorities, using the specified asset (port infrastructure) or assets constructed by the Company during the term of the concession arrangements, or received by the Company for a fee or free of charge.

This arrangement defines a "public service obligations" of the Company in exchange for a fee. The fee is based on the operating conditions, continuity of services, regulation of prices and obligations related to the maintenance / replacement of the port infrastructure. The agreement sets forth the terms and conditions governing the transfer of port infrastructure to the local port authority or concessionaire successor upon expiry.

Expenditures for maintenance

Maintenance of assets that are part of the concession arrangement is recognized as an expense when incurred in profit or loss and is disclosed in operating costs as a cost of used materials and services.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Property, plant and equipment (continued)

(ii) Assets which are subject to the concession arrangement (continued)

Capital expenditure in the area under concession

Capital investments in the port infrastructure, made in accordance with the terms of the concession agreement, are recognized as assets within the appropriate class of property, plant and equipment and are stated at cost less accumulated depreciation and any accumulated impairment losses. Acquisition cost includes expenditure that is directly attributable to the acquisition of assets.

In the case of property which is, under the concession arrangement, upon its expiry transferred to the local port authority (the Provider of the concession), amortization of such assets is calculated using the straight-line method to allocate the cost, less the residual value of the asset, over the shorter of the estimated useful life and remaining concession arrangements.

In the case of property that is not transferred to the Provider of the concession, depreciation is calculated in accordance with the depreciation policy of the class of property, plant and equipment in which the said asset is classified as explained in Note 3.6 (i).

The assets transferred to the Company by the Service Concession

As part of the concession arrangements, the local port authority (the Provider of the concession) has transferred the management rights over a number of items of property that make up the port infrastructure on the Company which has the right to use these assets in the provision of services defined in the concession agreement. Such assets are not recognized by the Company but instead are accounted for as off-balance sheet items.

3.7 Investment property

Investment property, principally comprising residential apartments, is held for long-term rental yields or appreciation and is not occupied by the Group or the Company. Investment property is treated as a long-term investment unless it is intended to be sold in the next year and a buyer has been identified in which case it is classified within current assets.

Investment property is carried at historical cost less accumulated depreciation and impairment losses, if any. The depreciation of apartments is calculated using the straight-line method to allocate cost over their estimated useful life of 66 years.

Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with it will flow to the Group or the Company and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

3.8 Accounting treatment of leases – the Group or the Company is the lessee

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16, based on which it assesses whether:

- the contract involves the use of identified assets - which may be determined explicitly or implicitly, and which should be physically separated or represent a predominant part of the capacity of the physically separated assets. If the supplier has a significant right of exchange, then the asset is not identified;
- The Group has the right to essentially all economic rights from the use of the property during the period of use; and

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Accounting treatment of leases – the Group or the Company is the lessee (continued)

- The Group has the right to manage the use of the respective property. The Group has this right when it exercises management rights that are most relevant to changes in decisions as to how and for what purpose the assets are used. In the rare cases where a decision on how and for what purpose the assets in question are used is predetermined, the Group has the right to manage the use of the assets if:

- the Group has the right to manage the assets; or
- the Group has designed the asset in a manner that determines in advance how and for what purpose it will be used.

This policy is applied to contracts entered into, or modified, on or after 1 January 2019.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments (including fixed expenditures for infrastructure);
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'borrowings' in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Accounting treatment of leases – the Group or the Company is the lessee (continued)

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognizes the lease payments associated with these leases as an expense on a linear basis over the lease term. The number of such leases and their amount is not material.

Policy applicable before 1 January 2019

The Group and the Company lease certain property, plant and equipment. Leases of property, plant and equipment where the Group and the Company have substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of fair value of the leased property or the present value of minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The interest element of the finance costs is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Leases where the significant portion of risks and rewards of ownership is not retained by the Group are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

3.9 Accounting treatment of leases – the Group or the Company is the lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from those under IFRS 16.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Impairment of non-financial assets

The carrying value of non-financial assets of the Company and the Group, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet ready for use, the recoverable amount is estimated at each reporting date.

An impairment loss is recognized if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Cash-generating unit is the smallest group of assets that can be identified and generate cash flows that are independent from other assets and groups of assets.

Impairment losses are recognized in profit or loss. Impairment losses relating to cash generating units, are first allocated to reduce goodwill allocated to the units and then to reduce the carrying amount of other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the higher of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment loss on goodwill is not reversed. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that suggest that the loss no longer exists or has decreased. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only if the carrying amount of an asset does not exceed the carrying amount that would have been determined, net of depreciation, and impairment losses on assets not recognized.

3.11 Inventories

Inventories of raw materials, trade goods and spare parts are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Inventories of trade goods are stated at net realizable value. Net realizable value represents the estimate of sales price in the ordinary course of business less any variable sales costs.

3.12 Trade receivables and loans given

Trade receivables and loan given are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, if significant, if not at nominal value less provision for impairment.

The amount of the provision is recognised in the income statement within “Impairment of receivables - net”. Subsequent recoveries of the provision for impairment of trade receivables are recorded in the income statement within ‘impairment of receivables - net’.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Financial assets

(i) Recognition and Initial Measurement

Trade receivables are initially recognised when they are originated. All other financial assets are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

At initial recognition, financial assets are classified as measured at:

- amortized cost;
- or FVTPL (fair value through profit or loss).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Business model for receivables is for them to be held until collection. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Financial assets (continued)

(ii) Classification and subsequent measurement (continued)

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing the basic criterion of whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that the basic criterion would not be met.

The structure of financial assets of the Group is simple as it primarily relates to trade receivables with no significant financing component and short-term bank deposits at fixed interest rates and cash and cash equivalents. This facilitates and minimizes the complexity of the assessment of whether or not the financial assets meets the basic criterion of representing 'solely payments of principal and interest'. In addition, the Group does not have any separate business models for financial asset management, and because of its simplicity, it manages its through regular business operations.

Subsequent measurement and gains and losses

The table below provides an overview of key features of the accounting policy that the Group applies with respect to subsequent measurement of financial assets and recognition of gains and losses per each type of financial asset:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

(i) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

When the Group enters into transactions whereby it transfers financial assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Financial assets (continued)

The Group classified its financial assets into one of the following categories:

- loans and receivables;
- financial assets held to maturity;
- financial assets by FVTPL.

An overview of key accounting policy policies that the Group used until January 1, 2018 regarding subsequent measurement of financial assets and recognition of gains and losses on each type of financial asset is shown in the following table:

Financial assets at FVTPL	It is measured at fair value, with changes, including interest income and dividends, recognized within profit or loss
Financial assets held to maturity	It is measured at amortized cost using the effective interest rate method.
Loans and receivables	It is measured at amortized cost using the effective interest rate method.

3.14 Financial liabilities

(i) Recognition and initial measurement

Debt securities issued are initially recognised when they are originated. All other financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification and subsequent measurement

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as at FVTPL on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Derecognition

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3.16 Impairment of non-derivative financial assets

Recognition of loss allowances

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on financial assets (primarily receivables) has increased significantly if early warning indicators are activated in line with the Group's policy or the contractual terms of the instrument.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 360 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Impairment of non-derivative financial assets (continued)

Credit impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or considerable delays in payment of due receivables;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off of financial assets

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group generally expects no significant recovery from the amount written off.

3.17 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held with banks and other short-term highly liquid instruments with original maturities of three months or less.

3.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Other borrowing costs are recognised as an expense.

Fees paid in relation to arrangement of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be realised.

Borrowings are classified as current liabilities, unless the Group or the Company have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3.19 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where the Company purchases its equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.20 Taxation

(i) Income Taxes

The Company and all Group entities are liable for income tax under the laws and regulations of the Republic of Croatia. The tax base represents the difference between income and expenses, as determined by the applicable law. Income tax is calculated at a rate of 18%. The managements of all Group entities periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and consider establishing provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(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. However, the deferred tax is not recognised if it arises from initial recognition of an asset or liability in a transaction that is not a business combination and that at the time of the transaction affects neither accounting nor taxable profit or loss. 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 is accounted for temporary differences arising on investment in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and 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 their tax assets and liabilities will be realised simultaneously.

(iii) Tax Exposure

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and the possibility of additional taxes and interest rates being incurred. This consideration relies on estimates and assumptions and may include a series of judgments about future events. New data that may become available may cause the Group to change its judgment of the adequacy of existing tax liabilities; such changes in tax liabilities will affect the tax expense in the period in which such a decision was made.

(iv) Value Added Tax (VAT)

The Tax Authorities require the settlement of VAT on a net basis. VAT related to sales and purchases is recognised and disclosed in the balance sheet on a net basis. Where a provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Employee benefits

(a) Pension obligations and post-employment benefits

In the normal course of business through salary deductions, the Group or the Company make payments to mandatory pension funds on behalf of its employees as required by law. All contributions made to the mandatory pension funds are recorded as salary expense when incurred. The Group and the Company do not have any other pension scheme and consequently, have no other obligations in respect of employee pensions. In addition, the Group and the Company are not obliged to provide any other post-employment benefits.

(b) Long-term employee benefits

The Group and the Company recognise a liability for long-term employee benefits (jubilee awards) evenly over the period the benefit is earned based on actual years of service. The long-term employee benefit liability includes assumptions of the likely number of staff to whom the benefit will be payable, estimated benefit cost and the discount rate.

(c) Short-term employee benefits

The Group and the Company recognise a provision for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation. In addition, the Group and the Company recognise a liability for accumulated compensated absences based on unused vacation days at the balance sheet date.

(d) Termination benefits

Termination benefits are payable when employment is terminated by the Company or the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group or the Company recognise termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

3.22 Provisions

Provisions for legal claims are recognised when: the Group or the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3.23 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.24 Earnings per share

Earnings per share is determined by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of participating shares outstanding during the reporting year, less treasury shares.

3.25 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.26 Revenue recognition

Revenue is measured on the basis of the fee specified in the contract with the customer, which is based on the prescribed tariff for port services. The Group recognizes revenue when it transfers control over a good or service to a customer. The transfer of control of a good or service may take place continuously (revenue recognition over time) or on a specific date (recognition in time). Before revenue is recognised, the Group identifies both the contract and the various performance obligations contained in the contract. The number of performance obligations depends on the type of contract and activities. Specific criteria for revenue recognition for the Group's and the Company's activities is described below.

(a) Revenue from port services

The Company and Group's primary activity is providing port services: loading, unloading, transloading of goods and storage services, transportation, refinement and weighing of freight. Most of the Group's customer arrangements involve several separate services which have a stand-alone and reliably measurable value to the customer (based on the tariff) whereby each separate service has its own separate performance obligation. Prices of provided services are determined based on tariffs.

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed on the basis of the actual service provided as a proportion of the total services to be provided (for instance, number of tonnes off or on loaded compared to total shipment size; or number of storage days elapsed compared to the total number of storage days contracted). The transfer of control of services usually takes place over time.

Contract assets are recognized for consideration for work completed, but not invoiced at the reporting date. Contract assets are transferred to receivables when rights become unconditional. This usually happens when the Group issues an invoice to the customer.

(b) Revenue from sale of goods

Revenue from sale of goods is recognised when a promise in a customer contract (performance obligation) has been satisfied by transferring control over the promised goods to the customer which is usually when the Group delivers goods to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of loss have been transferred to the customer and the customer has accepted the products in accordance with the contract terms. Control over goods is usually transferred at a point in time.

The amount of sales to be recognised is based on the price specified in the contracts, net of estimated volume discounts and returns at the time of sale. Past experience is used to estimate the discounts and returns.

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. The Group and the Company recognize interest income within other income.

(d) Dividend income

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 4 – FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The accounting policies for financial instruments have been applied to the following items:

<i>(in thousands of HRK)</i>	Luka Ploče Group		Luka Ploče d.d.	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Financial assets				
Loans given	1,926	2,321	1,926	2,321
Financial assets at fair value through profit or loss	313	294	313	294
Trade receivables	37,823	29,597	36,864	29,147
Deposits	4,137	1,231	3,349	135
Cash and cash equivalents	151,483	212,819	144,843	207,797
Total	195,682	246,262	187,295	239,694
Financial liabilities				
Borrowings	153,360	122,996	151,611	121,222
Trade payables	9,551	10,237	10,105	11,831
Total	162,911	133,233	161,716	133,053

The fair value of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities that are traded on active liquid markets, under standard conditions, is determined with reference to quoted market;
- The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models, based on discounted cash flow analysis using prices from observable current market transactions and prices offered for similar instruments.

Financial instruments held for collection in the normal operations are carried at cost and net amount less portion repaid. Fair value is determined as the amount at which the instrument could be exchanged between willing parties in an arm's length basis, except in the case of a forced sale or liquidation. The fair value of a financial instrument is the quoted market price, or one that is obtained using the discounted cash flow.

On 31 December 2019, the carrying amounts of cash, short-term deposits, receivables, short-term liabilities, accrued expenses, borrowings and other financial instruments approximate their fair values due to the short term nature of these assets and liabilities and because most of current assets and current liabilities carries a variable interest rate.

Management believes that the fair value of long-term receivables of the Group arising from the sale of apartments to employees is not materially different from their carrying value due to the current low level of market interest rates for such claims. Management regularly monitors the relevant market interest rates on similar assets in order to assess the validity of this assumption.

At the reporting dates, the carrying value of bank loans and other loans approximates their fair value because most of these loans carries or variable interest rate or a fixed interest rate which approximates current market interest rates and the majority of long-term loan carries a variable interest rate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 4 – FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

The Group's and the Company's activities expose them to a variety of financial risks: market risk (currency risk, price risk, cash flow interest rate risk), credit risk and liquidity risk. The Group and the Company do not have a written risk management programme, but overall risk management in respect of these risks is carried out by the Company's finance department.

(a) Market risk

(i) Currency risk

The Group and the Company are exposed to currency risk arising from foreign sales and purchases, as well as from borrowings issued in various currencies: Euros (EUR) and US dollars (USD). The majority of foreign sales revenue and long-term debt is denominated in EUR and USD. Therefore, movements in exchange rates between the USD, EUR and Croatian kuna (HRK) may have an impact on the results of future operations and future cash flow.

The following table presents an overview of the Group's and the Company's assets and liabilities denominated in foreign currencies as at 31 December 2019 and the maximum effect on profit after tax, with all other variables held constant:

Luka Ploče Group

Currency	Assets	Liabilities	Net assets	Change in currency	Effect on profit after taxation
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	%	<i>(in thousands of HRK)</i>
EUR	166,922	(148,981)	17,941	1.00%	179
USD	16,938	(66)	16,872	3.00%	506

Luka Ploče d.d.

Currency	Assets	Liabilities	Net assets	Change in currency	Effect on profit after taxation
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	%	%
EUR	162,254	(147,496)	14,758	1.00%	148
USD	15,990	-	15,990	3.00%	480

The following table presents an overview of the Group's and the Company's assets and liabilities denominated in foreign currencies as at 31 December 2018 and the maximum effect on profit after tax, with all other variables held constant:

Luka Ploče Group

Currency	Assets	Liabilities	Net assets/(liabilities)	Change in currency	Effect on profit after taxation
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	%	<i>(in thousands of HRK)</i>
EUR	201,784	117,474	84,308	1.00%	843
USD	36,011	26	35,985	3.00%	1,080

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 4 – FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

Luka Ploče d.d.

Currency	Assets	Liabilities	Net assets/(liabilities)	Change in currency	Effect on profit after taxation
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	%	%
EUR	198,457	116,225	82,232	1.00%	822
USD	34,844	-	34,844	3.00%	1,045

The effect on profit after tax is mainly results from foreign exchange gains/losses on translation of EUR-denominated borrowings, as well as EUR and USD-denominated trade payables, trade receivables and cash and cash equivalents. The Group and the Company do not use derivative instruments to actively hedge currency risk exposure.

(ii) Interest rate risk

The interest rate risk of the Group and the Company arises from long-term loans. Loans granted at variable rates expose the Group to cash flow interest rate risk. Loans granted at fixed rates expose the Group to fair value interest rate risk.

Exposure to interest rate risk through borrowings at variable interest rates is as follows:

	Luka Ploče Grupa		Luka Ploče d.d.	
	2019	2018	2019	2018
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
Borrowings at variable interest rates	1,296	1,169	-	-

As at December 31, 2019, most loans carry fixed interest rates, as a result of the Group and the Company are not significantly exposed to the interest rate risk.

The Group and the Company do not use derivative instruments for active hedging against exposure to interest rate risk and fair value of interest rate risk.

The Group and the Company continuously monitor the interest rate changes. Different situations are being simulated by considering refinancing, restoring the current state as well as alternative financing. Based on these situations, the Group and the Company calculate the impact of interest rate changes on the income statement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 4 – FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

(b) Credit risk

The Group's and the Company's assets that may potentially lead to credit risk, primarily include cash and cash equivalents, deposits, trade receivables, receivables from employees and other receivables. The collection of the Group's and the Company's trade receivables is additionally secured by goods, while receivables from employees are secured by salary deductions.

The quality of receivables that are neither past due nor impaired is, monitored according to customers different exposure to credit risk as follows:

<i>(in thousands of HRK)</i>	Luka Ploče Group		Luka Ploče d.d.	
	2019	2018	2019	2018
Related parties	-	-	418	304
New customers	105	1,078	105	1,078
Existing customers – paying on time	3,401	5,317	2,269	4,304
Existing customers – paying with delay	17,790	13,652	17,788	13,649
Total	21,295	20,047	20,579	19,335

The Company mainly deposits its cash and deposits with financial institutions in Croatia which do not have defined credit rating.

(c) Liquidity risk

A prudent liquidity risk management implies maintaining a sufficient amount of cash, ensuring the availability of financial resources by an adequate amount of agreed credit lines and the ability to settle all liabilities. The Group and the Company's objective is to maintain the financing flexibility by ensuring available credit lines. The Finance Department regularly – on monthly basis monitors the level of available cash fund.

The following tables detail the Group's and the Company's remaining contractual maturities for its financial liabilities. These amounts represent undiscounted cash flows from both principal and interest.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 4 – FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

Financial liabilities do not include employee liabilities, liabilities for contributions, taxes and advances received.

<i>(in thousands of HRK)</i>	Principal	Contractual cash flows	Up to 1 year	1 - 5 years	Over 5 years
Luka Ploče Group					
31 December 2019					
Leases	43,414	59,843	3,514	14,469	41,860
Bank borrowings	108,782	132,139	11,521	41,799	78,819
Payables to the state	1,164	1,164	235	929	-
Trade payables	9,551	9,551	9,551	-	-
Total	162,911	202,697	24,821	57,197	120,679
31 December 2018					
Finance leases	5,631	5,680	2,464	3,200	16
Bank borrowings	115,946	142,642	11,428	40,849	90,365
Payables to the state	1,419	1,419	235	1,184	-
Trade payables	10,237	10,237	10,237	-	-
Total	133,233	159,978	24,364	45,233	90,381
Luka Ploče d.d.					
31 December 2019					
Leases	42,960	59,336	3,230	14,246	41,860
Bank borrowings	107,487	130,794	11,015	40,960	78,819
Payables to the state	1,164	1,164	235	929	-
Trade payables	10,105	10,105	10,105	-	-
Total	161,716	201,399	24,585	56,135	120,679
31 December 2018					
Finance leases	5,026	5,038	2,189	2,833	16
Bank borrowings	114,777	141,419	11,065	39,989	90,365
Payables to the state	1,419	1,419	235	1,184	-
Trade payables	11,831	11,831	11,831	-	-
Total	133,053	159,707	25,320	44,006	90,381

Trade and other payables as well as short-term borrowings are due within 12 months after the balance sheet date, while the maturity of long-term borrowings is disclosed in Note 28. The Company's and the Group's financial assets in the amount of HRK 195,682 thousand and HRK 187,295 thousand, respectively, mainly relate to deposits, cash and receivables which are short-term in nature. This indicates that the Company and the Group have sufficient liquidity in the short term.

4.2 Capital risk management

The Group and the Company monitor capital in accordance with and regulations of the countries in which they operate. Croatian laws and regulations require minimum paid in capital of HRK 200,000 for joint stock companies and HRK 20,000 for limited liability companies. There are no specific objectives required by the owners in managing capital. The Group is not subject to externally imposed capital requirements. In addition, there are no internally monitored capital objectives.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 5 – DETERMINING FAIR VALUE

The company applies a series of accounting policies and disclosures that require fair value measurement for financial and non-financial assets and liabilities. The Company has an established control framework with respect to fair value measurement which assumes the overall responsibility of the Management Board in relation to the monitoring of all significant fair value measurements, consultation with external experts and the responsibility to report, with respect the above, to those charged with corporate governance.

The Group has an established control framework with respect to fair value measurement which assumes the overall responsibility of the Management Board in relation to the monitoring of all significant fair value measurements, consultation with external experts and the responsibility to report, with respect the above, to those charged with corporate governance.

Fair values are measured using information collected from third parties in which case the Board and the finance department assess whether the evidence collected from third parties support the conclusion that such valuations meet the requirements of IFRSs, including the level in the fair value hierarchy where such valuations should be classified.

All significant issues related to fair value estimates are reported to the Supervisory and the Audit Committee. Fair values are categorized into different levels in the fair value hierarchy based on the input variables used in the valuation techniques as follows:

- *Level 1* - quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2* - inputs other than quoted prices included in level 1, that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- *Level 3* - input variables for assets or liabilities that are not based on observable market data (unobservable inputs)

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more significant inputs are not based on observable market data, the fair value estimate is included in level 3.

The following table presents the Group's and the Company's assets at fair value as at 31 December 2019 and 2018:

<i>(in thousands of HRK)</i>	Level 1	Level 2	Level 3	Total
31 December 2019				
Listed companies	313	-	-	313
Unlisted companies	-	-	-	-
Total	313	-	-	313
31 December 2018				
Listed companies	294	-	-	294
Unlisted companies	-	-	-	-
Total	294	-	-	294

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 6 – KEY ACCOUNTING ESTIMATES

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group and the Company make estimates and assumptions related to the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Concession Arrangements

The European Union has adopted the interpretation of IFRIC 12 Service Concession Arrangements, which is effective for financial years beginning on or after 1 April 2009. A significant part of the Company's registered activities is carried out in the area under concession of the maritime domain. According to the Law on maritime domain and sea ports, maritime domain is managed by the Port Authority Ploče, which is the grantor of the concession. The concession agreement for the old port was originally signed on 13 August 2005 for a period of 12 years, and was renewed in 2008, which extended the concession period for an additional 20 years, until 2037. Agreement on the extension of the concession was concluded on 24 May 2010. The concession agreement for the container terminal was signed on 18 January 2010 for a period of 32 years to 2042 with the possibility of extension for another 13 years until 2055. The bulk cargo terminal concession agreement was signed on 18 January 2010 for a period of 45 years until 2055. Concession Agreement refers to the port activities in a specific area (part of the port area of Ploče and port Metković), with the risk and responsibility of the operator (or the Company) and considering; technical regulations applicable to the activity, reconstruction, current and capital maintenance, construction, modernization, reconstruction and development of port services stipulated in the Law on maritime domain and seaports; the terms and conditions related to the license for the provision of port services and other requirements prescribed by the Port Authority Ploče. According to the concession agreement, the operator will have the right to use the property that represents the port infrastructure ("relevant property") owned by the Port of Ploče, which is found in the above-mentioned area for the provision of port services. The ownership rights of the relevant assets remain on the concession provider and those assets have not been recorded in the Company's books.

The concession agreement establishes obligations for reconstruction, investment and maintenance of areas under concession. According to the concession agreement, Operator has the obligation to cover all costs associated with the activity determined by the concession (energy, water, gas, postal and telephone services, garbage and similar related costs), as well as the cost of utilities, water charges, water preserves, insurance costs and various other charges arising from the use of the area under concession.

In addition to covering the costs associated with concession, concession operator, is obligated to pay to the Provider the annual concession fee consisting of a fixed fee per square meter of area under concession and a variable fee per ton for each type of cargo transhipped through the Port and variable compensation for the services of tying and untying and acceptance and diverting of ships.

Furthermore, in accordance with the concession agreement, operator shall make capital expenditures related to the maintenance / replacement of property within the port infrastructure in the area under concession (including buildings, plant and equipment) in accordance with the predefined schedule (for details see Note 32 - Commitments and contingencies). The operator is obliged to return to the Provider "relevant property" (including investment in the relevant assets as stipulated in the concession contract) after the expiry of the concession and tear down, at no cost, at the request of the Provider, any property in the concession area, if the Provider requires (currently, Operator does not expect future costs arising from the demolition).

At the reporting date, the Company is, in major part, owned by shareholders from the private sector. IFRIC 12 deals with public-to-private service concession agreements and considering the ownership structure, current concession arrangements represent a form of public-to-private service concession arrangements, and should be as such subject to the provisions of IFRIC 12 if the arrangement contains the characteristics defined in this interpretation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 6 – CRITICAL ACCOUNTING ESTIMATES (continued)

(a) Concession Arrangements (continued)

Characteristics of concession arrangements that are defined and fall under IFRIC 12 are as follows:

- Obligation taken by the operator are in substance a public service
- The party that grants the contract (the Concession grantor) is a public sector entity, including governmental body or private sector entity to which the responsibility for the service has been devolved
- The operator is responsible for at least some of the management of the infrastructure and related services and does not merely act as an agent on behalf of the grantor
- The contract sets the initial prices to be levied by the operator and regulates price revisions over the period of the service arrangement.
- The operator is obliged to hand over the infrastructure to the grantor in a specified condition at the end of the period of the arrangement, for little or no incremental consideration irrespective of which party initially financed it.

One of the main factors that management considers in terms of the applicability of IFRIC 12 is a mechanism which regulates and revises price for the duration of the service agreement. The concession provider, under the current agreement has the right to regulate the maximum level of price that the Company may charge for providing services that are subject to the agreement by prescribing maximum fees and harmonizing or approving an application for a modification of fees or price lists proposed by the Company. However, due to the specifics of port location and prices of the supporting transport infrastructure, in order to maintain competitiveness and a satisfactory level of transactions, fees that are charged by the Company to its customers are continuously significantly below the maximum prescribed fees of the Port Authority Ploče. In this regard, taking into account all relevant provisions of IFRIC 12, the Board applied the judgment and has assessed that, the mechanism of regulating and revising prices that is currently in practice has no essential characteristics of price regulation. The Company's management regularly monitors deviations between service fees charged to customers and maximum tariffs in order to determine if this projection is still applicable.

If the Management, during its monitoring of relevant elements of the current mechanism of price regulation, identifies substantial change in circumstances, which would make the above described mechanism relevant in representing the essential mechanism of price regulation, and if the Management assesses that such circumstances have a long-term character, the Management would again review and analyze accounting treatment that is currently used and the possible applicability of IFRIC 12 in the context of the above substantial changes in the mechanism of price regulation.

In case that the Company changes its accounting policy in accordance with IFRIC 12, the Board expects that the changes would be implemented retrospectively, unless it would not be practical, and expects that the impact on the financial statements would be generally as follows: reclassification from property, plant and equipment to intangible assets in the amount relating to leasehold improvements owned by the Provider, the recognition of intangible and / or financial assets related to the "relevant property", which currently isn't included into the Company's balance sheet and the recognition of revenue from construction and construction costs in the statement of comprehensive income related to investments in infrastructure owned by the Concession grantor.

In case of the accounting policy change, the Company will make the valuation and accounting model that will enable it to assess the amount and type of assets related to the application of IFRIC 12 (intangible assets, financial assets or combination of both) that need to be recognized in the statement of financial position and the expected structure and dynamics of the items associated with the application of IFRIC 12 which affect the future statements of comprehensive income of the Company. Currently, Management has not quantified the possible impact of the potential application of IFRIC 12 since the change in the accounting policy, in this regard, is not considered to be likely.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 6 – CRITICAL ACCOUNTING ESTIMATES (continued)

(b) Recoverability of property, plant and equipment

As at 31 December 2019, property, plant and equipment of the Group and the Company amounted to HRK 354,673 thousand and HRK 347,199 thousand, respectively.

Management conducts a test of impairment of property, plant and equipment for impairment when indications of impairment exist. Taking into account the challenging business environment and financial difficulties of some of the Company's key customers, potential underutilization of the new port assets activated during 2019 and the fact that the carrying amount of the Group's net assets does not exceed its market capitalization, the Management Board has arrived at conclusion that impairment indicators exist and relevant tests were performed accordingly.

Management estimates that the total assets located in the concession areas represent one cash-generating unit (CGU). The recoverable amount of this unified CGU is estimated using a present value technique based on a discounted cash flow model that requires a significant judgment in assessing the reasonableness of grouping assets into CGUs, the reasonableness of cash flow projections such as planned cargo throughput and tariffs, operating costs, capital expenditures and working capital as well as the determination of the appropriate discount rate.

The calculation of recoverable amount is based on business plans for the period of the concession agreements, including the use of the option to extend the concession for the container terminal until 2055, and are developed taking into account future strategy and market trends of current and future primary interest to the Group (Bosnia and Herzegovina, Croatia, Italy). Plans include assumptions of growth in cargo volume as follows:

- growth of bulk cargo volume in the old port and at the bulk cargo terminal at an average annual rate of 5% and 3.5%, respectively;
- growth of general cargo volume in the old port and at the container terminal at a rate at an average annual rate of 5% and 3%, respectively;
- growth of liquid cargo volume in the old port and at the container terminal at an average annual rate of 5% and 3%, respectively.

These estimated cash flows are discounted to their present value using a weighted average cost of capital of 7.94% which reflects the risk specific to the assets.

Management estimates that the carrying amount of property, plant and equipment as at 31 December 2019 is recoverable.

The sensitivity analysis indicates that an increase of weighted average cost of capital by 0.5% would result in an impairment of property, plant and equipment in the amount of HRK 15,569 thousand (with other variables remaining the same). On the other hand, the decrease of cargo volume by 5% (with other variables remaining the same) would result in an impairment of property, plant and equipment in the amount of HRK 43,095 thousand.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 6 – CRITICAL ACCOUNTING ESTIMATES (continued)

(c) Considerations on the applicability of IFRS 16

Another standard which was considered by management in relation to determining the appropriate accounting for the Concession Agreement is the new standard for accounting for lease arrangements, IFRS 16 Leases.

The new lease standard became applicable from 1 January 2019 and introduced a single, on-balance lease sheet accounting model for lessees with respect to contracts containing a lease. Under the standard, a lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

Management has considered the requirements and guidance in relation to the new standard for leases and concluded that the Concession Agreement is in substance an arrangement containing lease components as defined by IFRS 16 and should therefore, in absence of applicability of IFRIC 12, be accounted for under IFRS 16.

In arriving at the conclusion on the applicability of IFRS 16 on the Concession Agreement, management took into account its assessment that the concession area and the related infrastructure represent the underlying identified asset(s) in the arrangement as well as its revised assessment regarding the commitment to incur capital expenditure based on which it has determined that it will obtain substantially all of the economic benefits from use of the concession area throughout the period of the concession. A detailed overview of impact of applying IFRS 16 is given in note 6a to the financial statements.

(d) Revenue recognition

IFRS 15 Revenue from contracts with customers requires management to identify all goods or services provided to customers and to determine if each product or service should be identified as a separate performance obligation. In certain circumstances, arrangements may contain two or more service components that need to be grouped together if their commercial effect cannot be understood without accounting for them as an integrated service package and on performance obligation. Arrangements with customers are generally based on the formal port tariff specified by the port authority, which identifies separate services with a stand-alone and reliably measurable value to the customer and for which revenue is accounted for separately over time or at a point in as the performance obligation relevant to the service is executed.

Furthermore, significant judgments by management are required in assessing whether the Company or the Group is acting as a principal or agent and, consequently, whether or not the gross amounts received can be recognised as revenue.

(e) Useful life of property, plant and equipment

The Management of the Company and its subsidiaries determines and reassesses the useful lives and related depreciation charge for property, plant and equipment. This estimate is based on the assessment of the remaining useful lives of assets and it could be changed significantly as a result of technical innovations and competitor actions. Management will increase the depreciation charge if it assesses that the useful life of assets is lower than in prior estimates, or it will write off obsolete assets.

(f) Provisions for other long-term employee benefits

In line with the collective labour agreement, the Group and the Company provide jubilee awards and retirement obligations to the employees. For the purpose of present value calculation of these benefits, the Group and the Company estimate employee turnover based on historical trends and determine the appropriate discount rate based on current market conditions. A change in the discount rate or employee turnover by 50 base would not result in provision that is significantly different from the current one.

(g) Legal claims and disputes

Provisions for legal claims and disputes are recognised based on Management's estimate of probable losses after consultation with legal counsel. Based on existing knowledge, it is possible that the outcomes of these legal claims will differ from estimated potential losses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 7 – OPERATING SEGMENTS

Management separately monitors and discloses operating revenues, profit from operations, capital expenditures, total assets and total liabilities as follows:

1. Port services segment consist of cargo manipulation (loading, unloading, transportation, refinement, weighing of freight) and represents the parent company.
2. Marine services segment provides freight forwarding and various ship handling services to users of port services.
3. Trading segment deals with sale of materials and goods from the free zone of Port Ploče.
4. Other business segments relate to the Group's secondary business activities (maintenance, restaurants and similar and investments in financial assets (deposits)).

The segment results for the year ended 31 December 2019 are as follows:

<i>(in thousands of HRK)</i>	Port services	Marine services	Trading segment	Other segments	Total Group
Revenue	120,323	12,513	29,074	6,777	168,867
Operating profit before depreciation and amortisation	15,429	1,640	1,534	1,570	20,173
Depreciation and amortization and write-off of fixed assets	(11,498)	(246)	-	(310)	(12,054)
Operating profit	3,931	1,394	1,534	1,260	8,119
Capital expenditures (including right-of-use assets)	45,344	827	-	1,335	47,506

The segment results for the year ended 31 December 2018 are as follows:

<i>(in thousands of HRK)</i>	Port services	Marine services	Trading segment	Other segments	Total Group
Revenue	97,686	11,926	96,188	4,883	210,683
Operating profit before depreciation and amortisation	2,850	931	6,572	852	11,205
Depreciation and amortization and write-off of fixed assets	(6,429)	(219)	-	(238)	(6,886)
Operating profit	(3,579)	712	6,572	614	4,319
Capital expenditures (including right-of-use assets)	40,402	102	-	994	41,498

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 7 – OPERATING SEGMENTS (continued)

The Group and the Company operate in three main geographical areas. Revenue between geographical segments is allocated based on the customers country of origin.

	Luka Ploče Group		Luka Ploče d.d.	
	2019	2018	2019	2018
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
Croatia	42,682	27,380	40,750	21,864
Bosnia and Herzegovina	79,342	61,439	71,202	56,079
European Union countries	35,127	110,358	31,010	110,142
Other	11,536	11,506	11,446	11,506
Total	168,687	210,683	154,408	199,591

Concentration risk sales

The Group generates 25.3% (2018: 13.0%) of revenue from sales to domestic customers while 74.7% (2018: 87.0%) of revenue is derived from sales to foreign customers (in terms of the geographical location of customers) which mainly relates to sale to customers from Bosnia and Herzegovina, which generate 47.0% of revenue (2018: 29.2%). The Group determines the selling price to customers in accordance with the macroeconomic conditions prevailing in each market where customers are located taking into account the maximum approved tariffs for services covered by the concession contract.

Group revenue is substantially exposed to volatility due to the relatively high concentration of revenue to small number of customers. Top five customers of the Group generated approximately 69.38% of revenue (2018: 74.36%), out of which the strongest impact have the two largest customers that generated 38.02% of revenue in 2019 (2018: 56.94%). As a result of its exposure to a small number of customers, the Company manages this risk through active and frequent communication with key customers, acquisition of new customers and through monitoring of relevant competitors and market conditions both at local and international level.

NOTE 8 – REVENUE

	Luka Ploče Group		Luka Ploče d.d.	
	2019	2018	2019	2018
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
Revenue				
Sale of services				
- domestic customers	42,682	27,380	40,750	21,864
- foreign customers	96,931	87,114	84,584	81,538
	139,613	114,494	125,334	103,402
Revenue from sale of goods	29,074	96,189	29,074	96,189
	168,687	210,683	154,408	199,591
Other income				
Interest income	21	82	19	81
Other income	1,705	2,227	511	1,624
	1,096	2,309	530	1,705
	169,783	212,992	154,938	201,296

Interest income include income from interest on bank deposits.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 8 – REVENUE (continued)

Revenue segmentation by type of cargo is as follows:

	Luka Ploče Group		Luka Ploče d.d.	
	2019	2018	2019	2018
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
Bulk cargo	85,386	66,639	85,386	66,639
General cargo	31,038	29,508	31,038	29,508
Liquid cargo	5,277	3,132	5,277	3,132
Other port services	17,912	15,215	3,633	4,123
	139,613	114,494	125,334	103,402
Revenue from sale of goods	29,074	96,189	29,074	96,189
	168,687	210,683	154,408	199,591

Bulk, general, and liquid cargo relate to port services in relation to transshipment of those types of cargo for which the Group charges fees based on tons of transhipped cargo while other port services relate to storage, warehouse handling and other services related to transshipment of other cargo types. Revenue from sale of goods relate the sale of petroleum coke.

Revenue segmentation by type of service is as follows:

	Luka Ploče Group		Luka Ploče d.d.	
	2019	2018	2019	2018
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
Port manipulation	105,816	83,014	105,816	83,014
Rent and warehousing	15,077	8,023	15,077	8,023
Other services	18,720	23,457	4,441	12,365
	139,613	114,494	125,334	103,402
Revenue from sale of goods	29,074	96,189	29,074	96,189
	168,687	210,683	154,408	199,591

NOTE 9 – MATERIALS, ENERGY COSTS AND SERVICES

Costs of materials and energy are as follows:

	Luka Ploče Group		Luka Ploče d.d.	
	2019	2018	2019	2018
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
Cost of goods sold	28,016	90,064	27,540	89,617
Fuel costs	5,015	5,690	4,793	5,417
Consumption of raw materials and supplies	6,562	5,217	4,988	4,268
Electricity	4,764	3,064	4,764	3,064
Small inventory, spare parts and office supplies	1,129	705	679	528
Other material costs	435	32	434	131
	45,921	104,772	43,198	103,025

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 9 – MATERIALS, ENERGY COSTS AND SERVICES (continued)

Service costs are as follows:

	Luka Ploče Group		Luka Ploče d.d.	
	2019	2018	2019	2018
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
Utilities	7,701	6,662	7,549	6,442
Repairs and maintenance	2,131	2,354	2,381	2,802
Security costs	2,596	2,645	2,596	2,645
Intellectual services	1,210	2,852	1,112	2,772
Advertising and entertainment expenses	705	793	735	758
Transport and telecommunication services	1,329	1,247	1,029	971
Other services	2,197	1,325	1,891	1,067
	17,869	17,878	17,294	17,457

NOTE 10 – PERSONNEL EXPENSES

	Luka Ploče Group		Luka Ploče d.d.	
	2019	2018	2019	2018
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
Salaries and taxes	44,297	42,793	38,823	37,952
Contributions from and on salaries /i/	19,107	19,600	17,263	17,813
Termination benefits and jubilee awards	6,274	2,688	6,197	2,624
Other employee benefits /ii/	4,001	4,851	3,648	4,359
	73,679	69,932	65,931	62,748

/i/ Defined pension contributions paid by the Group and the Company to mandatory pension funds for 2019 amounted to HRK 10,426 thousand and HRK 9,572 thousand (2018: HRK 10,274 thousand and HRK 9,212 thousand). Contributions are calculated as a percentage of the employees' gross salaries.

/ii/ Other employee benefits include commuting expenses, gifts, occasional rewards and other benefits.

At 31 December 2019, the Group had 556 employees (2018: 550), and the Company 483 employees (2018: 485).

NOTE 11 – OTHER OPERATING EXPENSES

	Luka Ploče Group		Luka Ploče d.d.	
	2019	2018	2019	2018
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
Insurance premiums	1,773	2,030	1,658	1,929
Damages, penalties and demurrage	473	717	473	717
Contributions and membership fees	753	1,195	732	1,176
Bank charges	403	514	292	436
Daily allowances and travel expenses	519	696	481	660
Supervisory Board fees	340	365	340	365
Other staff costs	146	228	95	165
Donations	423	252	423	252
Write-off of safety clothing and footwear	336	428	336	428
Provisions for court cases	474	8	474	-
Other operating expenses	755	773	535	556
	6,395	7,206	5,839	6,684

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 12 – OTHER (LOSSES)/ GAINS - NET

	Luka Ploče Group		Luka Ploče d.d.	
	2019	2018	2019	2018
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
Gain/(loss) from change in fair value of financial assets through profit or loss (Note 24)	19	(57)	19	(57)
Gain on disposal and write-off of property, plant and equipment and intangible assets /i/	5	58	5	58
Net foreign exchange differences	227	(1,144)	217	(1,144)
	251	(1,143)	241	(1,143)

/i/ The disposal of property, plant and equipment and intangible assets consists of the following:

<i>(in thousands of HRK)</i>	Luka Ploče Group		Luka Ploče d.d.	
	2019	2018	2019	2018
Net carrying amount	(1)	(1)	(1)	(1)
Proceeds on sale of tangible assets	6	59	6	59
Gain on disposal of property, plant and equipment and intangible assets	5	58	5	58

NOTE 13 – FINANCE INCOME / (EXPENSES) - NET

	Luka Ploče Group		Luka Ploče d.d.	
	2019	2018	2019	2018
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
Foreign exchange gains / (losses) – net	(147)	1,647	(169)	1,629
Interest expense /i/	(4,001)	(117)	(3,930)	(51)
Finance income / (expenses) – net	(4,148)	1,530	(4,099)	1,578

/ i / The Group and the Company capitalized borrowings costs in the amount of HRK 574 thousand (2018: 3,158) using the estimated capitalization rate of 3%.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 14 – INCOME TAX

	Luka Ploče Group		Luka Ploče d.d.	
	2019	2018	2019	2018
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
Current income tax	1,571	1,319	1,073	1,194
Deferred tax (income) / expense	(228)	1,382	(228)	1,382
	1,343	2,701	845	2,576

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

	Luka Ploče Group		Luka Ploče d.d.	
	2019	2018	2019	2018
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
Profit before tax	4,038	5,885	1,368	4,572
Income tax 18% (2018: 18%)	727	1,059	246	823
Non-taxable income	(14)	(80)	(1)	(45)
Non-deductible expenses	630	328	600	282
Derecognition of previously recognized deferred tax assets	-	1,516	-	1,516
Utilisation of previously unrecognised tax losses	-	(122)	-	-
Tax expense	1,343	2,701	845	2,576

In accordance with Croatian regulations, the tax authorities may at any time inspect any of the Group company's books and records within 3 years subsequent to the year in which the tax liability is reported, and may impose additional tax assessments and penalties. The Group's Management is not aware of any circumstances, which may give rise to a potential material liability in this respect.

Changes in the deferred tax assets of the Group and the Company during the year were as follows:

<i>(in thousands of HRK)</i>	Long-term employee benefits	Right-of-use assets and lease liabilities	In total
1 January 2019	513	-	513
Recognised in profit or loss	(12)	240	228
31 December 2019	501	240	741

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 15 – INTANGIBLE ASSETS

<i>Luka Ploče Group</i> (in thousands of HRK)	Intangible assets
At 1 January 2018	
Cost	2,555
Accumulated amortisation	(1,555)
Net carrying amount	1,000
For the year ended 31 December 2018	
Opening net carrying amount	1,000
Transfer from assets under construction	34
Amortisation	(357)
Net carrying amount at the end of the year	677
At 31 December 2018	
Cost	2,589
Accumulated amortisation	(1,912)
Net carrying amount	677
For the year ended 31 December 2019	
Opening net carrying amount	677
Additions	359
Amortisation	(280)
Net carrying amount at the end of the year	756
At 31 December 2019	
Cost	2,948
Accumulated amortisation	(2,192)
Net carrying amount	756

Intangible assets relate to software and network station.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 15 – INTANGIBLE ASSETS (continued)

<i>Luka Ploče d.d.</i> <i>(in thousands of HRK)</i>	Intangible assets
At 1 January 2018	
Cost	2,520
Accumulated amortisation	(1,520)
Net carrying amount	1,000
For the year ended 31 December 2018	
Opening net carrying amount	1,000
Transfer from assets under construction	31
Amortisation	(357)
Net carrying amount at the end of the year	674
At 31 December 2018	
Cost	2,551
Accumulated amortisation	(1,877)
Net carrying amount	674
For the year ended 31 December 2019	
Opening net carrying amount	674
Additions	326
Amortisation	(247)
Net carrying amount at the end of the year	753
At 31 December 2019	
Cost	2,877
Accumulated amortisation	(2,124)
Net carrying amount	753

Intangible assets relate to software and network station.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 16 – PROPERTY, PLANT AND EQUIPMENT

Luka Ploče Group <i>(in thousands of HRK)</i>	Land and buildings	Equipment	Assets under construction	Leasehold improvements	Total
At 1 January 2018					
Cost	14,253	151,204	177,453	13,775	356,685
Accumulated depreciation	(3,402)	(91,533)	-	(9,193)	(104,128)
Net carrying amount	10,851	59,671	177,453	4,582	252,557
For the year ended 31 December 2018					
Opening net carrying amount	10,851	59,671	177,453	4,582	252,557
Additions	-	37	29,756	-	29,793
Transfer from prepayments	-	-	11,671	-	11,671
Transfer from assets under construction	-	9,117	(11,614)	2,497	-
Disposals	-	(23)	-	-	(23)
Depreciation	(177)	(5,749)	-	(506)	(6,432)
Net carrying amount at the end of the year	10,674	63,053	207,266	6,573	287,566
At 31 December 2018					
Cost	14,253	160,335	207,266	16,272	398,126
Accumulated depreciation	(3,579)	(97,282)	-	(9,699)	(110,560)
Net carrying amount	10,674	63,053	207,266	6,573	287,566
For the year ended 31 December 2019					
Opening net carrying amount	10,674	63,053	207,266	6,573	287,566
Initial recognition of IFRS 16	23,688	-	-	-	23,688
Net carrying amount after recognition of IFRS 16	34,362	63,053	207,266	6,573	311,254
Additions	16,362	397	30,388	-	47,147
Transfer from prepayments	-	-	10,679	-	10,679
Transfer from assets under construction	-	245,246	(245,246)	-	-
Disposals	-	(113)	-	-	(113)
Impairment	-	(296)	(2,319)	-	(2,615)
Depreciation	(1,827)	(9,243)	-	(609)	(11,679)
Net carrying amount at the end of the year	48,897	299,044	768	5,964	354,673
At 31 December 2019					
Cost	54,303	405,569	768	16,272	476,912
Accumulated depreciation	(5,406)	(106,525)	-	(10,308)	(122,239)
Net carrying amount	48,897	299,044	768	5,964	354,673

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 16 – PROPERTY, PLANT AND EQUIPMENT (continued)

Luka Ploče d.d. <i>(in thousands of HRK)</i>	Land and buildings	Equipment	Assets under construction	Leasehold improvements	Total
At 31 December 2018					
Cost	13,849	136,893	177,453	13,331	341,526
Accumulated depreciation	(3,198)	(82,103)	-	(8,880)	(94,181)
Net carrying amount	10,651	54,790	177,453	4,451	247,345
For the year ended 31 December 2018					
Opening net carrying amount	10,651	54,790	177,453	4,451	247,345
Merger of subsidiaries	-	-	28,690	-	28,690
Additions	-	-	11,712	-	11,712
Transfer from assets under construction to intangible assets	-	8,336	(10,589)	2,253	-
Disposals	-	(23)	-	-	(23)
Depreciation	(173)	(5,319)	-	(483)	(5,975)
Closing net carrying amount	10,478	57,784	207,266	6,221	281,749
At 31 December 2018					
Cost	13,849	145,206	207,266	15,584	381,905
Accumulated depreciation	(3,371)	(87,422)	-	(9,363)	(100,156)
Net carrying amount	10,478	57,784	207,266	6,221	281,749
For the year ended 31 December 2019					
Opening net carrying amount	10,478	57,784	207,266	6,221	281,749
Initial recognition of IFRS 16	23,688	-	-	-	23,688
Net carrying amount after recognition of IFRS 16	34,166	57,784	207,266	6,221	305,437
Additions	16,362	-	28,645	-	45,007
Transfer from prepayments	-	-	10,639	-	10,639
Transfer from assets under construction	-	244,093	(244,093)	-	-
Disposals	-	(113)	-	-	(113)
Impairment	-	(296)	(2,319)	-	(2,615)
Depreciation	(1,823)	(8,758)	-	(575)	(11,156)
Closing net carrying amount	48,705	292,710	138	5,646	347,199
At 31 December 2019					
Cost	53,899	388,890	138	15,584	458,511
Accumulated depreciation	(5,194)	(96,180)	-	(9,938)	(111,312)
Net carrying amount	48,705	292,710	138	5,646	347,199

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 16 – PROPERTY, PLANT AND EQUIPMENT (continued)

Property, plant and equipment of the Group and the Company in the net carrying amount of HRK 219,492 thousand (2018: HRK 215,608 thousand) were pledged as a loan collateral.

As at 31 December 2019 the Group's equipment in the net carrying amount of HRK 1,095 thousand were pledged as security for the lease payments (31 December 2018: HRK 4,780 thousand for the Group and HRK 3,704 thousand for the Company).

As at 31 December 2019, right-of-use assets in the amount of HRK 45,409 thousand and HRK 44,313 thousand are included in the property, plant and equipment of the Company and the Group, respectively.

The equipment leased out under a finance lease as at 31 December 2018 is as follows:

	<u>Luka Ploče Group</u>	<u>Luka Ploče d.d.</u>
	<i>(in thousands of HRK)</i>	
Cost	19,350	18,062
Accumulated depreciation	<u>(8,083)</u>	<u>(7,872)</u>
Net carrying amount	<u>11,267</u>	<u>10,190</u>

Right-of-use assets

Up to 31 December 2018, equipment leases were classified as finance leases. From 1 January 2019, equipment leases and concession agreements are recognized as right-of-use assets with the related liabilities from the date on which the leased assets become available for use by the Group.

Net carrying amount	Luka Ploče Group			Luka Ploče d.d.		
	Equipment	Area under concession	Total	Equipment	Area under concession	Total
	<i>(in thousands of HRK)</i>			<i>(in thousands of HRK)</i>		
As at 1 January 2019	11,267	23,688	34,955	10,190	23,688	33,878
Additions	181	16,334	16,515	-	16,334	16,334
Transfer to property, plant and equipment	(3,643)	-	(3,643)	(3,580)	-	(3,580)
Depreciation charge for the year	(768)	(1,650)	(2,418)	(669)	(1,650)	(2,319)
As at 31 December 2019	<u>7,037</u>	<u>38,372</u>	<u>45,409</u>	<u>5,941</u>	<u>38,372</u>	<u>44,313</u>

Additions in 2019 mainly relate to recognition of right-of-use assets arising from the concession agreement for the bulk cargo terminal, which became available for use during 2019, and from price increase based on indexation for existing concession agreements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 17 – INVESTMENT PROPERTY

	Luka Ploče Group		Luka Ploče d.d,	
	2019	2018	2019	2018
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
Cost	6,404	6,404	6,404	6,404
Accumulated depreciation	<u>(1,922)</u>	<u>(1,826)</u>	<u>(1,922)</u>	<u>(1,826)</u>
Net carrying amount	<u>4,482</u>	<u>4,578</u>	<u>4,482</u>	<u>4,578</u>

Investment property relate to apartments that are leased to former and current employees at minimal rates. Based on current market prices and location, Management determined that the fair value of investments approximates the net carrying value.

Rental income recognised by the Group and the Company in 2019 was HRK 101 thousand (2018: HRK 101 thousand) included in other income, and a depreciation charge of HRK 96 thousand (2018: HRK 97 thousand).

Future minimum lease payments are as follows:

	Luka Ploče Group		Luka Ploče d.d.	
	2019	2018	2019	2018
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
Up to 1 year	101	101	101	101
From 1 to 5 years	404	404	404	404
Over 5 years	<u>808</u>	<u>808</u>	<u>808</u>	<u>808</u>
Total	<u>1,313</u>	<u>1,313</u>	<u>1,313</u>	<u>1,313</u>

NOTE 18 – INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries as at 31 December 2019 and 31 December 2018 are as follows:

Subsidiaries	Amount of share		Ownership %		Principal activity
	<i>(in thousands of HRK)</i>		2019	2018	
	2019	2018	2019	2018	
Luka Šped d.o.o.	3,175	3,175	100%	100%	Freight forwarding services
Pomorski servis - Luka Ploče d.o.o.	1,807	1,807	100%	100%	Sea transport services
Pločanska plovdba d.o.o.	<u>2,520</u>	<u>2,520</u>	100%	100%	Shipping services
Total	<u>7,502</u>	<u>7,502</u>			

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 19 – INVESTMENTS IN EQUITY-ACCOUNTED INVESTEEES

<i>(in thousands of HRK)</i>	Luka Ploče Group		Luka Ploče d.d.	
	2019	2018	2019	2018
Lučka sigurnost d.o.o. (associate)	471	442	55	55
Vizir d.o.o. (associate)	188	150	25	25
Portus Šped d.o.o	28	28	-	-
Total	687	620	80	80

The Group and the Company have shares in associates, out of which the Company has 49% investments in two associates in the amount of HRK 80 thousand, whereas the remaining 51% is owned by the Port of Authority. Port of Authority controls these associates by appointing the only member of the Management Board responsible for making operational decisions and by appointing the majority in the supervisory boards. Their principal activity is the protection and security of business premises. Transactions with associates are disclosed in Note 31. In 2019 Group has recognised share of profit of equity-accounted investees in the amount of HRK 67 thousand (2018: HRK 36 thousand)

Luka Šped d.o.o. together with Luka d.d., Split participates with 49% equity stake in Portus Šped d.o.o., Split. The Company is registered as a limited liability company for international forwarding. The Company has not started business activities yet.

Basic financial information of associates at the reporting date are as follows:

<i>(in thousands of HRK)</i>	Lučka sigurnost d.o.o.		Vizir d.o.o.	
	2019	2018	2019	2018
Assets	1,398	1,341	614	499
Liabilities	(335)	(338)	(198)	(160)
Net assets	1,063	1,003	416	339

NOTE 20 – LONG-TERM LOANS GIVEN

<i>(in thousands of HRK)</i>	Luka Ploče Group		Luka Ploče d.d.	
	2019	2018	2019	2018
Long-term loans given				
- To employees	1,766	2,149	1,766	2,149
- To members of the Supervisory Board	160	172	160	172
	1,926	2,321	1,926	2,321
Current portion	(505)	(627)	(505)	(627)
	1,421	1,694	1,421	1,694

In previous years, the Company sold apartments to its employees on credit in accordance with legal regulations of the Republic of Croatia. The loans are repayable over a period of 20 – 35 years with an interest rate of 1% p.a. The loans are repaid regularly in monthly instalments. The loans are not discounted. The loans are secured by mortgages on the apartments. The Company is obliged to pay 65% of the received proceeds to the state budget. Loans given are denominated in HRK.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 20 – LONG-TERM LOAN RECEIVABLE (continued)

The maturity of long-term loans given is as follows:

	Luka Ploče Group		Luka Ploče d.d.	
	2019	2018	2019	2018
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
Up to 1 year	505	627	505	627
Between 1 and 5 years	1,421	1,694	1,421	1,694
Total	1,926	2,321	1,926	2,321

NOTE 21 – INVENTORIES

	Luka Ploče Group		Luka Ploče d.d.	
	2019	2018	2019	2018
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
Raw materials	3,584	609	3,471	515
Spare parts	424	3,542	424	3,541
Advances for inventories	11	126	7	30
Trade goods	30,809	38	30,769	-
	34,828	4,315	34,671	4,086

NOTE 22 – TRADE AND OTHER RECEIVABLES

	Luka Ploče Group		Luka Ploče d.d.	
	2019	2018	2019	2018
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
Receivables from domestic customers	2,484	1,787	2,850	2,419
Receivables from foreign customers	39,064	28,659	37,686	27,537
Impairment allowance	(3,725)	(849)	(3,674)	(809)
Trade receivables	37,823	29,597	36,864	29,147
Current portion of long-term loans given (Note 20)	505	627	505	627
Receivables from the state	2,235	3,003	2,047	2,931
Advances	105	91	11	11
Guarantees	4	13	4	13
Contract assets	226	193	226	193
Other receivables	1,390	1,381	1,173	1,262
	42,288	34,905	40,830	34,184

As at 31 December 2019, receivables from two customers accounted for 32% and 15% (2018: 22% and 21%) of total Group's receivables and 33% and 15% (2018: 23% and 21%) of total Company's receivables.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 22 – TRADE AND OTHER RECEIVABLES (continued)

As at 31 December 2019, the Group's trade receivables past due but not impaired amounted to HRK 20,200 thousand (2018: HRK 10,359 thousand), while the Company's trade receivables past due but not impaired amounted to HRK 19,958 thousand (2018: HRK 10,621 thousand). The ageing of trade receivables is based on the days outstanding after the maturity date as follows:

	Luka Ploče Group		Luka Ploče d.d.	
	2019	2018	2019	2018
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
Up to 30 days	8,569	2,062	8,100	2,087
Up to 60 days	1,268	769	1,295	723
Up to 90 days	2,455	839	2,424	833
Over 90 years	7,907	6,689	8,138	6,978
	20,200	10,359	19,958	10,621

The fair value of trade receivables approximates their carrying amount.

As at 31 December 2019, provision for impairment losses amounted to HRK 3,725 thousand for the Group (2018: HRK 849 thousand) and HRK 3,674 thousand for the Company (2018: HRK 809 thousand).

Balances and movement in provision for impairment losses is as follows:

	Luka Ploče Group		Luka Ploče d.d.	
	2019	2018	2019	2018
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
At 1 January	849	245	809	82
Impairment	3,390	849	3,337	809
Write-off	(514)	(245)	(473)	(82)
At 31 December	3,725	849	3,673	809

Impairment losses on receivables recognised in profit and loss of the Group for 2019 include HRK 8 thousand of collected receivables previously written-off (2018: HRK 7 thousand of directly written-off receivables).

Expected credit losses model

For the calculation of expected credit losses, the Group and the Company use an allowance matrix. Loss rates are calculated based on the probability that the receivable will become due more than 365 days and will not be collected subsequently. The probabilities of default (PD) and loss given default (LGD) are based on historical data for the last three years. Exposure to default (EAD) is adjusted for estimated value of collateral.

As at 31 December 2019, the Group's and Company's probabilities of defaults were as follows: 0.35%, 1-30 days: 1.82%, 31-90 days: 3.18%, 91 to 180 days: 10.03%, 181 to 365 days: 34.89% and above 365 days: 90.22%. As at 31 December 2019 loss rate amounted to 9.78%.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 22 – TRADE AND OTHER RECEIVABLES (continued)

Financial assets (trade receivables and guarantees) are denominated in the following currencies:

	Luka Ploče Group		Luka Ploče d.d.	
	2019	2018	2019	2018
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
EUR	29,452	18,105	28,702	17,682
USD	5,952	9,805	6,017	9,832
HRK	2,423	1,700	2,149	1,646
	37,827	29,610	36,868	29,160

NOTE 23 – DEPOSITS

<i>(in thousands of HRK)</i>	Luka Ploče Group		Luka Ploče d.d,	
	2019	2018	2019	2018
Guarantees	788	959	-	-
Bank deposits	3,349	272	3,349	135
Total deposits	4,137	1,231	3,349	135
Short-term	3,349	272	3,349	-
Long-term	788	959	-	135
	4,137	1,231	3,349	135

As at 31 December 2019, the Company and the Group have issued 2 deposits with commercial banks, including interest due, in the amount of HRK 3,349 thousand (2018: The Company has issued 2 deposits of HRK 135 thousand and the Group issued 5 deposits in the amount of HRK 1,231 thousand) denominated in EUR (2018: EUR). Deposits are due in 2020. Interest rates were up to 0.001% (2018: 0.60%). Deposits were not used as collateral as at 31 December 2019 and 31 December 2018.

NOTE 24 – FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Luka Ploče Group		Luka Ploče d.d.	
	2019	2018	2019	2018
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
At beginning of year	294	351	294	351
Far value gains / (losses) (Note 12)	19	(57)	19	(57)
At end of year	313	294	313	294

As at 31 December 2019, the amount of HRK 313 thousand (2018: HRK 294 thousand) relates to investments in listed companies where the Group's holding does not exceed 20% of ownership. The estimate of fair value is described in Note 5. Financial assets at fair value through profit or loss are denominated in HRK.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 25 – CASH AND CASH EQUIVALENTS

	Luka Ploče Group		Luka Ploče d.d.	
	2019	2018	2019	2018
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
Giro account	2,692	3,242	993	2,010
Foreign currency account	148,780	209,577	143,850	205,787
	151,483	212,819	144,843	207,797

Cash and cash equivalents are denominated in the following currencies:

	Luka Ploče Group		Luka Ploče d.d.	
	2019	2018	2019	2018
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
EUR	134,525	183,371	130,607	180,775
USD	14,255	26,206	13,242	25,012
HRK	2,703	3,242	993	2,010
	151,483	212,819	144,843	207,797

NOTE 26 – CAPITAL AND RESERVES

Share capital

The ownership structure as at 31 December 2019 and 2018 was as follows:

Shareholders	2019		2018	
	Number of shares	Ownership (%)	Number of shares	Ownership (%)
Energija naturalis d.o.o.	152,935	36.16	105,514	24.95
Minority shareholders	102,562	24.25	113,166	26.75
Mandatory pension funds	102,361	24.20	129,108	30.52
Voluntary pension funds	32,416	7.66	5,669	1.34
Financial institutions	30,974	7.32	67,791	16.03
Treasury shares	1,719	0.41	1,719	0.41
Total	422,967	100.00	422,967	100.00

As at 31 December 2019 Shareholders' equity amounted to HRK 169.187 thousand (2018: HRK 169.187 thousand) and consists of 422.967 ordinary shares (31 December 2018: 422.967 shares) with a nominal value of HRK 400 (31 December 2018: HRK 400).

In May 2018, based on the Share Purchase Agreement signed between PPD-financijska ulaganja d.o.o. and Energija naturalis d.o.o., the company Energija naturalis d.o.o. has become the owner of 105,514 shares representing 24,95% of the Company's share capital. During 2019, the above mentioned company acquired an additional 0.67% of shares, whereby Energia Naturalis exceeded 25% threshold and announced a takeover bid according to which an additional 43,947 shares or 10.39% of share capital were acquired. In addition, the above mentioned company acquired additional 3,474 shares, or 0.82% of share capital.

Share premium

The Company realised a premium of HRK 90,159 thousand on newly issued shares in 2011, which was decreased by the costs of issuing new shares of HRK 2,052 thousand, and as at 31 December 2019, share premium amounted to HRK 88,107 thousand (2018: HRK 88,107 thousand).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 26 – CAPITAL AND RESERVES (continued)

Other reserves

At 31 December 2019, the Company had other reserves in the amount of HRK 48,159 thousand (2018: HRK 48,159 thousand), and the Group of HRK 48,159 thousand (2018: HRK 49,159 thousand). Reserves for treasury shares amount to HRK 7,838 thousand (2018: 7,838 thousand) of which HRK 1,066 thousand was used to acquire treasury shares at 31 December 2019. Other reserves are distributable.

Legal reserves

Legal reserves in the amount of HRK 8,459 thousand (2018: HRK 8,459 thousand) were formed in line with Croatian law and must be built up to a minimum of 5% of the profit for the year until the total legal reserve reaches 5% of the Company's share capital. Legal reserves are not distributable.

Treasury shares

In 2011, the Company purchased 380 treasury shares at a price between HRK 680 and HRK 770 per share. In 2012, the Company purchased 626 treasury shares at a price between HRK 550 and HRK 611 per share. In 2013, the Company purchased 713 treasury shares at a price between HRK 569 and HRK 597 per share.

NOTE 27 – EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the Company's net profit with the outstanding weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares. The basic earnings per share is equal to diluted earnings per share, since the Company did not issue any financial instruments that may dilute number of shares.

	Luka Ploče Group		Luka Ploče d.d.	
	2019	2018	2019	2018
Net profit attributable to shareholders from continuing operations (<i>in thousands of HRK</i>)	2,695	3,184	523	1,996
Weighted average number of ordinary shares	421,248	421,248	421,428	421,248
Basic/diluted earnings per share from continuing operations (<i>in HRK</i>)	6.38	7.56	1.24	4.74

NOTE 28 – BORROWINGS

	Luka Ploče Group		Luka Ploče d.d,	
	2019	2018	2019	2018
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
Leases (2018: Finance leases)	43,414	5,631	42,960	5,026
Bank borrowings	108,782	115,946	107,487	114,777
State borrowings (Note 20)	1,164	1,419	1,164	1,419
	153,360	122,996	151,611	121,222
Current portion	(10,873)	(10,792)	(10,129)	(10,154)
Total long-term borrowings	142,487	112,204	141,482	111,068

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 28 – BORROWINGS (continued)

	Luka Ploče Group		Luka Ploče d,d,	
	2019	2018	2019	2018
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
Current portion	10,873	10,792	10,129	10,154
Total short-term borrowings	10,873	10,792	10,129	10,154

Currency structure of borrowings is as follows:

	Luka Ploče Group		Luka Ploče d,d,	
	2019	2018	2019	2018
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
EUR	148,809	117,029	147,375	115,792
HRK	4,551	5,967	4,236	5,430
	153,360	122,996	151,611	121,222

Currency risk is explained in Note 4.

Reconciliation of movements in borrowings to cash flows arising from financing activities of the Group is as follows:

Luka Ploče Group	2019	2018
	<i>(in thousands of HRK)</i>	
At 1 January	122,996	111,941
Changes in financing cash flows		
Loans received	773	-
Repayment of loans	(8,344)	(2,795)
Repayment of leases (2018: repayment of finance leases)	(2,504)	(243)
Total changes in financing cash flows	(10,075)	(3,038)
Other changes		
Effects of first-time adoption of IFRS 16 and new leases	40,022	-
Payment of suppliers directly by banks	-	15,556
Exchange rate effect	417	(1,463)
Total other changes	40,439	14,093
At 31 December	153,360	122,996

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 28 – BORROWINGS (continued)

Reconciliation of movements in borrowings to cash flows arising from financing activities of the Company is as follows:

Luka Ploče d.d.	2019	2018
	<i>(in thousands of HRK)</i>	
At 1 January	121,222	109,475
Changes in financing cash flows		
Repayment of loans	(7,902)	(213)
Repayment of leases (2018: repayment of finance leases)	(2,199)	(2,248)
Total changes in financing cash flows	(10,101)	(2,461)
Other changes		
Effects of first-time adoption of IFRS 16 and new leases	40,022	-
Payment of suppliers directly by banks	-	15,556
Exchange rate effect	468	(1,348)
Total other changes	40,490	14,208
At 31 December	151,611	121,222

Bank and state borrowings

The contractual maturity bank and state borrowings at the reporting date is as follows:

	Luka Ploče Group		Luka Ploče d.d.	
	2019	2018	2019	2018
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
Up to 1 year (current portion)	8,538	8,344	8,060	7,969
Between 1 and 5 years	32,309	57,305	31,492	56,511
Over 5 years	69,099	51,716	69,099	51,716
	109,946	117,365	108,651	116,196

As at 31 December 2019 bank borrowings in the amount of HRK 107,487 thousand (31 December 2018: HRK 114,777 thousand) relate to a loan from HBOR that is denominated in EUR, bears fixed interest rate of 3% and is secured by the Company's equipment.

The remaining portion of the Group's bank borrowings is denominated in EUR, contracted at variable interest rate between 2.5% and 2.8%, linked to EURIBOR and secured by the Group's movable assets.

In relation to long-term loans given to its employees for apartments, the Company has created a liability to repay 65% of all proceeds from the employees to the State budget (Note 20). These loans are denominated in HRK.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 28 – BORROWINGS (continued)

Leases (2018: finance lease)

The contractual maturity of leases (2018: finance leases) at the reporting date is as follows:

	Luka Ploče Group		Luka Ploče d.d.	
	2019	2018	2019	2018
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
Up to 1 year (current portion)	2,335	2,448	2,069	2,185
Between 1 and 5 years	10,330	3,171	10,142	2,829
Over 5 years	30,749	12	30,749	12
	43,414	5,631	42,960	5,026

Equipment leases

Leases of equipment from the Port Authority in the amount of HRK 3,071 thousand are denominated in HRK. This lease was agreed in 2008, repaid in equal monthly instalments and secured by promissory notes. The remaining portion of lease liabilities of the Group is denominated in HRK and contracted with a fixed interest rate of 5.20%. These leases are secured by leased assets whereby its net carrying amount is disclosed in Note 16 as well as promissory notes, bills of exchange, insurance policies and short-term deposits.

Leases arising from concession agreements

The Company and the Group have concluded that liabilities related to the payment of fixed concession fees and infrastructure-related expenses are lease components, while the remaining liabilities that relate to expenditures for own assets (equipment) and maintenance, as well as payments of variable concession fees do not constitute lease components in accordance with IFRS 16 and will therefore continue to be recognized in accordance with other relevant standards, primarily in accordance with IAS 16 Property, Plant and Equipment.

The Company's and the Group's leases arising from concession agreements in the amount of HRK 39,884 thousand are denominated in EUR. As at 31 December 2019, the average incremental borrowing rate applied was 3%.

Amounts recognized in profit or loss

	Luka Ploče Group	Luka Ploče d.d.
	<i>(in thousands of HRK)</i>	
Interest on lease liabilities	1,133	1,103
Variable lease payments related to concession agreements not included in the calculation of lease liabilities	3,428	3,395
Depreciation	2,418	2,319
Total	6,979	6,817

As at 31 December 2018, finance lease liabilities were as follows:

	Luka Ploče Group	Luka Ploče d.d.
	<i>(in thousands of HRK)</i>	
Up to 1 year (current portion)	2,464	2,189
Between 1 and 5 years	3,200	2,833
Over 5 years	16	16
Future financing costs	(49)	(12)
Carrying value	5,631	5,026

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 29 – PROVISIONS

Group	Legal cases	Employee benefits	Total
<i>(in thousands of HRK)</i>			
At 1 January 2019	530	3,346	3,876
Increase	474	561	1,035
Decrease	-	(448)	(448)
At 31 December 2019	1,004	3,459	4,463
Maturity analysis			
Non-current	1,004	2,902	3,906
Current	-	557	557
	1,004	3,459	4,463
Company	Legal disputes	Employee benefits	Total
<i>(in thousands of HRK)</i>			
At 1 January 2019	530	3,029	3,559
Increase	474	472	946
Decrease	-	(436)	(436)
At 31 December 2019	1,004	3,065	4,069
Maturity analysis			
Non-current	1,004	2,508	3,512
Current	-	557	557
	1,004	3,065	4,069

Provision relate to legal disputes, long and short-term employee benefits as defined by the collective agreement. Non-current provisions relate to legal disputes, jubilee awards and retirement benefits, while current provisions relate to the current portion of termination benefits, jubilee awards and unused holiday days as at 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 30 – TRADE AND OTHER PAYABLES

	Luka Ploče Group		Luka Ploče d.d.	
	2019	2018	2019	2018
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
Domestic trade payables	9,476	9,974	10,080	11,582
Foreign trade payables	75	263	25	249
Total trade payables	9,551	10,237	10,105	11,831
Net salaries payable	6,010	4,325	5,633	3,960
Taxes/contributions from and on salaries	3,736	2,762	3,500	2,564
Payables to the state	279	264	202	144
Other	146	6	15	-
	19,722	17,594	19,455	18,499

Trade payables comprising financial liabilities are denominated in the following currencies:

	Luka Ploče Group		Luka Ploče d.d.	
	2019	2018	2019	2018
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
EUR	172	446	121	433
USD	66	26	-	-
HRK	9,313	9,765	9,984	11,398
	9,551	10,237	10,105	11,831

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 31 – RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party, is under common control or exercises significant influence over the other party in making financial or operational decisions.

Related parties which were not included in consolidation are the Port Authority as a state institution (entity with influence on the Group's operations in accordance with the Concession agreement) and the associates Vizir d.o.o. Ploče, Lučka Sigurnost d.o.o., Ploče (see Note 19) and companies owned by the members of the Management Board and the Supervisory Board.

Items resulting from transactions and balances with the above mentioned related parties as at 31 December 2019 and 2018 are as follows:

	Luka Ploče Group		Luka Ploče d.d.	
	2019	2018	2019	2018
	<i>(thousands of HRK)</i>		<i>(thousands of HRK)</i>	
Receivables				
Port Authority	31	95	31	95
Companies owned by a member of the Supervisory Board	-	45	-	45
Associates	84	7	84	7
Total	115	147	115	147
Liabilities				
Port Authority	1,342	738	1,294	689
Companies owned by a member of the Supervisory Board	-	32	-	32
Associates	244	255	244	255
Total	1,586	1,025	1,538	976
Revenues				
Port Authority	170	300	156	189
Companies owned by a member of the Supervisory Board	29,074	96,189	29,074	96,189
Associates	12	34	12	34
Total	29,256	96,523	29,242	96,412
Expenses				
Port Authority	3,424	3,866	3,396	3,766
Companies owned by a member of the Supervisory Board	-	32	-	32
Associates	2,596	2,645	2,596	2,645
Total	6,020	6,543	5,992	6,443

The nature of services with the Port Authority is utilities, with associates security of business premises and with entities under common control insurance, electricity and transport. Costs to the Port Authority include variable concession fees in the amount of HRK 3,395 thousand (2018: HRK 3,765 thousand).

Transactions with subsidiaries

During 2019, the Company purchased goods and services from subsidiaries in the amount of HRK 827 thousand (2018: HRK 1,091 thousand) and on 31 December 2019 the amount owed to subsidiaries was HRK 1,103 thousand (2018: HRK 1,935 thousand). During 2019, the Company sold goods and services to its subsidiaries in the amount of HRK 4,302 thousand (2018: HRK 4,614 thousand) and on 31 December 2019 claimed HRK 1,174 thousand from subsidiaries (2018: HRK 1,385 thousand).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 31 – RELATED PARTY TRANSACTIONS (continued)

Transactions with members of the Supervisory Board

As at 31 December 2019, the Company's loans given to members of the Supervisory Board amounted to HRK 160 thousand (2018: HRK 172 thousand) and carried an interest rate of 4% (see Note 20). During 2019, the Company collected HRK 12 thousand on the basis of the above loans.

Key management personnel compensation

Key management personnel consists of 2 members of the Management Board of the Company (2018: 5) and 4 directors of the Group companies (2018: 3). Key management personnel comprised the following:

	Luka Ploče Group		Luka Ploče d.d.	
	2019	2018	2019	2018
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
Salaries	1,388	1,691	845	1,199
Taxes and contributions	830	620	577	521
	2,218	2,311	1,422	1,720

Pension contributions for key management that the Group and the Company paid to mandatory pension funds for 2019 amounted to HRK 427 thousand. As at 31 December 2019 provision for retirement benefits for key management amount to HRK 1,831 thousand (31 December 2018: -).

NOTE 32 – CONTINGENCIES AND COMMITMENTS

Legal disputes

The Group and the Company are the defendant and the plaintiff in several court proceedings arising from regular business. In the financial statements for the year ended 31 December 2019, provisions were made for litigation for which the Group and the Company estimate an outflow of HRK 1,004 thousand.

Commitments

By signing concession agreements, the Company committed to invest in concession area and transshipment equipment.

Scheduled investments in transshipment equipment for the bulk cargo terminal was planned in two phases. Sub-phase A of the first phase was completed during 2019, while sub-phase B of the first phase in the amount of EUR 13 million depends on the level of cargo throughput, i.e. when it reaches 3 million tons. Second phase of investment in the amount of EUR 7 million is planned when cargo throughput reaches eighty percent (80%) of maximum annual capacity of 6.2 million metric tons. Source of financing for the first phase is a loan from HBOR and own resources.

Capital investments in the amount of EUR 8 million in the container terminal are planned after meeting certain throughput-related conditions, i.e. when cargo throughput reaches at least 90 TEU.

Commitments under the concession agreement for the old port are as follows:

	Up to 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Capital investments (old port)	36,516	3,182	18,352	39,694	97,744
	36,516	3,182	18,352	39,694	97,744

Capital investments in the old port exclude capital expenditure for infrastructure already recognized under IFRS 16.

In accordance with the signed agreements, dynamic investment plans are re-evaluated every year and may change. Luka Ploče d.d. has a general obligation under the Concession Agreement which is the subject to continuous negotiations with the Port of Ploče Authority in respect to type and final amount of investments during the concession period.

In addition to commitments for capital expenditures per the concession agreement, the Group and the Company have an obligation to pay variable fee which primarily depends on the cargo throughput. Ss of 1 January 2019 fixed part of concession fee, including fixed expenditures related to infrastructure, is recognized under IFRS 16.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 33 – SUBSEQUENT EVENTS

Pandemic of COVID 19

After the balance sheet date, on 11 March 2020 the World Health Organization declared the coronavirus (COVID 19) outbreak a pandemic, and consequently the Croatian government declared a state of emergency on 11 March 2020. Responding to the potentially serious threat the COVID – 19 presents to public health, the Croatian government authorities have taken measures to contain the outbreak, including introducing restrictions on the cross-borders movement of people, entry restrictions on foreign visitors and the 'lock-down' of certain industries.

Travel restrictions, quarantine requirements and temporary shutdown of major plants as a result of the pandemic, heavily impact the volume of shipping worldwide and disrupt the movement of goods in international supply chains.

Although the Government of the Republic of Croatia currently does not conduct significant restrictions in respect of maritime transport, the Group noticed that after the outbreak, there was a certain slowdown and delay in traffic for the first six months of the year. The Management Board estimates that, depending on the further development of the COVID 19 epidemic, this may have a negative impact on the Group's key customers, most of which are located in Bosnia and Herzegovina and Croatia, and consequently on the Group's operations, the extent of which is highly unpredictable due to the high level of uncertainty associated with the virus itself and the Group's ability to control it.

To this date, the Company has not used any of the measures of the Government of the Republic of Croatia to assist the economy due to the COVID 19 epidemic. The Group has a sufficient amount of cash funds and regularly services all liabilities that fall due. However, it cannot be ruled out that the prolonged period of implementation of Government measures, the escalation of their severity and scope or the consequent negative impact of such measures on the economic environment in which the Group operates will not have a detrimental impact on the Group, its financial position and results of its operations, in medium and long term. Management continues to monitor the situation closely and will respond with further mitigation measures to such events and the circumstances as they occur.

Management has reviewed the current effects of the COVID 19 virus and believes that no adjustments are required in the financial statements as at 31 December 2019 and that the outbreak of COVID 19 should not affect the Group's ability to continue as a going concern.

Changes in the Supervisory Board

On 26 March 2020 Tonka Lovrinov, employee representative in the Supervisory Board, was recalled, and Ana Marinović was appointed as a new employee representative in the Supervisory Board.