

ENERGANA ŽUPANJA d.o.o.
Industrijska 7,
Županja

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

ENERGANA ŽUPANJA d.o.o.
Financial Statements and
Independent Auditor's Report
for the Year Ended 31 December 2022

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MANAGEMENT REVIEW OF BUSINESS OPERATIONS IN 2022

During 2022, the company ENERGANA ŽUPANJA very successfully implemented the activities planned in the business plan.

In addition to the financial indicators presented below, a significant indicator of successful operations is the total electricity produced, which in 2022 amounted to 45,991,849.00 kWh, of which 41,519,965.00 kWh was delivered to the distribution network, which is for 3.97% more than planned.

During 2022, a total of 8,413.70 operating hours of the power plant were achieved, ie 3.8% more than planned. The amount of biomass consumed is 57,327.82 tons.

Last year, a permit was obtained from the Croatian Energy Regulatory Agency for the activity of thermal energy supply. In the second half of the year, the company started supplying thermal energy to contracted partners.

Despite the daily challenges, with clear goal setting and employee commitment, another successful year for the company was achieved.

1. BASIC INFORMATION ABOUT THE COMPANY

The Company ENERGANA ŽUPANJA limited liability company for energy production (“the Company”) based in Županja, Industrijska 7, was established on December 4th 2015 by the Statements of Establishment. The company is registered in the Commercial Court in Osijek under the registration number of the subject MBS 081004500, PIN 85159321317.

The Company's subscribed capital is stated in amount of HRK 20.000, and represents stake of the founder and owner of the Company.

The principal activities of the Company refer to the following:

- design and construction of buildings and professional construction supervision
- professional spatial planning activities
- buying and selling goods
- performing trade mediation on the domestic and foreign markets
- Representation of foreign companies
- business and management consulting
- electricity production
- transmission of electricity
- electricity distribution
- electricity supply
- organizing the electricity market
- electricity trade
- heat production
- distribution of thermal energy
- heat supply
- activity of the buyer of thermal energy
- biofuel production
- forest management
- production, placing on the market or import of forest reproductive material
- activity of public road transport of passengers or cargo in internal road traffic
- freight transport in domestic and international road transport
- transport for own needs
- wood processing, manufacture of wood and cork products, except furniture, manufacture of articles of straw and plaiting materials
- biomass production
- energy production
- energy transfer
- energy storage
- energy distribution
- management of energy facilities
- energy supply
- energy trade and
- organizing the energy market

Bodies of the Company

The company has a company assembly and management.

The Assembly of the Society consists of GEEN CJ a.s., Czech Republic - the only member of the Society.

The Management Board of the Company during 2022 consisted of:

Željko Kuprešak - member of the Management Board, represents the company with another member of the Management Board or the President of the Management Board, appointed by the decision of the members of the Company since 25th November 2020

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

Filip Varhol - President of the Management Board, represents the Company individually and independently since 13th May 2021 until 04th April 2022

Aleš Mokry, PIN: 22845864579 - President of the Management Board, represents the Company individually and independently since 04th January 2022

Organization and workers

As of December 31, 2022, the Company employed 24 employees.

2. FINANCIAL INDICATORS AND RESULT

In the period from 1 January to 31 December 2022, the Company generated total revenues in the amount of HRK 66,093,586 (increase of 1.01% compared to the previous year) and total expenses in the amount of HRK 54,064,535 (increase of 8.16% compared to the previous year). Based on the difference between income and expenses, the profit before tax was realized in the amount of HRK 12,029,051 (down 23.74% compared to the previous year). The income tax liability for 2022 amounts to HRK 2,700,206. Net profit for 2022 amounts to HRK 9,328,845 (down 24.94% compared to the previous year).

2.1. REVENUES

In 2022, revenues amounted to HRK 66,093,586, which is 1.01% more than in the previous year.

Operating revenues, in the amount of HRK 65,433,149, consist of revenues from the sale of electricity (94.55% of total revenues), revenues from the supply of thermal energy (0.54%), and other revenues (4.92%), and participate in the structure of total revenues with 99%.

The Company has only one customer for the supply of electricity, HROTE - Croatian Energy Market Operator d.o.o.

Financial income participates in the structure of total income 1%, and in 2022 it consisted of interest income (HRK 16,922) and foreign exchange gains (HRK 643,515).

2.2. TOTAL EXPENDITURES

In 2022, total expenditures amounted to HRK 54,064,535, which is 8.16% more than the previous year.

In the structure of total expenditures, the most significant are material costs (53.74%), which in 2022 amounted to HRK 30,312,711, which is 2.33% more than the previous year.

Staff costs amounted to HRK 2,701,179 (5%), which is 0.13% more than the previous year.

Depreciation amounted to HRK 12,088,666 (22.36% of total expenses), which is 1.48% more than previous year.

Other expenses amounted to HRK 1,600,015 (2.96%) in 2022, which is 0.86% more than the previous year.

Financial expenses amounted to HRK 7,361,964 (13.62% of total expenses), and were reduced compared to the previous year.

3. SIGNIFICANT INVESTMENTS IN 2022 AND FUTURE ACTIVITIES

In 2022, among the most significant investments of the Company are the construction of an 850 KWH solar power plant on the roof, a plant for drying wood chips as well as dry and wet wood chip warehouses, the purchase and construction of a dryer for wood material with three drying chambers, and investment in software as well as investment in employee education.

In order to expand the business and make future investments, a plot of land was also purchased on the neighboring parcel, on which it is planned to build a plant for the production of pellets and to upgrade the existing material transport systems.

4. RISK MANAGEMENT

CURRENCY RISK

Currency risk is the risk that the value of financial instruments will change due to changes in exchange rates. The Company is exposed to changes in the value of EUR, as liabilities on loans and credit received by the bank are denominated in EUR.

Therefore, the Company is exposed to currency risk arising from changes in the EUR exchange rate and may affect future business results and cash flows. In this part, the Company does not use derivative instruments for active hedging against currency risk exposure.

INTEREST RATE RISK

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates relative to interest rates applicable to financial instruments. The Company has no long-term liabilities with a variable interest rate, and as a result there is no exposure to interest rate risk.

CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial assets that could potentially expose the Company to credit risk include cash and trade receivables. Receivables from customers are stated according to the customer HROTE d.o.o., and no difficulties in collection are expected. Therefore, there is no additional risk for the collection of receivables from customers.

There is no additional credit risk for settling the Company's short-term liabilities that would increase the value of provisions.

LIQUIDITY RISK

Liquidity risk, also called financing risk, is the risk that the Company will face difficulties in obtaining funds to meet its obligations under financial instruments. The Company's short-term liabilities maturing in 2023 are covered by current assets.

Managing this risk comes down in part to reconciling inflows from electricity sales and liabilities for loans, borrowings and to suppliers. No increase in liquidity risk is expected in the coming period.

5. ENVIRONMENTAL PROTECTION AND MEASURES TAKEN

The company annually conducts all necessary controls and tests of authorized organizations so that the results of flue gas emissions are in line with European standards and according to the requirements of the Environmental Protection Agency.

The measurement results are regularly submitted to the competent agencies and confirm that all environmental impacts are below the permitted limits which was confirmed by the report of the Inspector for environmental protection and water inspection on December 13, 2022.

Županja, May 15th 2023

Management Borad

ENERGANA ŽUPANJA d.o.o.
Industrijska 7, 32270 ŽUPANJA
OIB: 85159321317


Aleš Mokry, President of the
Management Borad


Zeljko Kuprešak, Member of the
Management Board


Božo Sparettic, Member of the
Management Board

RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

The Management Board of ENERGANA ŽUPANJA d.o.o., Županja, Industrijska 7 ("the Company") is responsible for ensuring that the annual financial statements for the year 2022 are prepared in accordance with the valid Croatian Accounting Act and the Croatian Financial Reporting Standards to give a true and fair view of the financial position and the financial performance of the Company for that period.

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

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

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

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

Signed on behalf of the Management Board:


Aleš Mokry, President of the Management Board


Božo Šparelić, member of the Board


Željko Kuprešak, member of the Board

ENERGANA ŽUPANJA d.o.o.
Industrijska 7, 32270 ŽUPANJA
OIB: 85159321317

ENERGANA ŽUPANJA d.o.o.
Industrijska 7
32 270 Županja
The Republic of Croatia

Zagreb, May 15th 2023

INDEPENDENT AUDITOR'S REPORT

To the Owners of the company **ENERGANA ŽUPANJA d.o.o., Županja**

Report on the Audit of the Annual Financial Statements

Opinion

We have audited the enclosed annual financial statements of **ENERGANA ŽUPANJA d.o.o., Županja**, Industrijska 7 (“the Company”), which comprise the Statement of financial position as at 31 December 2022, Income statement, Statement of cash flows and Statement of changes in equity for the year then ended, and Notes to the financial statements, including significant accounting policies.

In our opinion, the accompanying annual financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and cash flows for the year then ended in accordance with the Croatian Financial Reporting Standards (“CFRS”).

Basis for Opinion

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

Other information

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

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

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

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

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

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

Auditors' responsibilities for the audit of the annual financial statements

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

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

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion.

Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern. Our conclusions are based on the audit evidence obtained up to the date of our Independent Auditor's Report. However, future events or conditions may cause the Company to cease operations under the assumption of going concern.

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

- Evaluate the overall presentation, structure and content of the annual financial statements, including disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

In Zagreb, May 15th 2023



Hrvoje Stipić, President of the
Management Board

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



BDO Croatia d.o.o.
Zagreb, Radnička cesta 180
OIB: 7639452236



Vlatka Rukavina, Certified Auditor

ENERGANA ŽUPANJA d.o.o., Županja
Income Statement
for the year ended 31 December 2022

	<i>Note</i>	2022 (HRK)	2021 (HRK)
OPERATING INCOME			
Sales income	4	61,908,122	60,762,965
Other income	4	<u>3,525,027</u>	<u>3,972,169</u>
Total operating income		65,433,149	64,735,134
OPERATING EXPENSES			
Material and service cost	6	(30,312,711)	(26,682,647)
Employees costs	7	(2,701,179)	(2,417,066)
Depreciation	8	(12,088,666)	(11,837,674)
Other expenses	9	<u>(1,600,015)</u>	<u>(1,052,680)</u>
Total operating expenses		(46,702,571)	(41,990,067)
NET OPERATING RESULT		18,730,578	22,745,067
FINANCIAL INCOME	5	660,437	689,896
FINANCIAL EXPENSES	10	<u>(7,361,964)</u>	<u>(7,660,244)</u>
NET FINANCIAL RESULT		(6,701,527)	(6,970,348)
TOTAL INCOME		66,093,586	65,425,030
TOTAL EXPENSES		(54,064,535)	(49,650,311)
Profit/(Loss) before taxes		<u>12,029,051</u>	<u>15,774,719</u>
Corporate Income tax	11	<u>(2,662,126)</u>	<u>(3,346,060)</u>
PROFIT/(LOSS) FOR THE YEAR		<u>9,366,925</u>	<u>12,428,659</u>

The accompanying notes are integral part of these financial statements.

ENERGANA ŽUPANJA d.o.o., Županja
Statement of Financial position
As at 31st December 2022

	<i>Note</i>	Dec 31 st 2022 (HRK)	Dec 31 st 2021 (HRK)
ASSETS			
Non-current assets			
Intangible assets	12	243,790	362,852
Tangible assets	13	150,534,435	147,633,639
Financial assets	32	<u>779,100</u>	<u>179,100</u>
Total non-current assets		151,557,325	148,175,591
Current assets			
Inventories	14	1,574,200	261,910
Trade receivables	15	6,587,597	6,727,461
Receivables from the State and other institutions	16	942,822	7,396
Other receivables	17	894,266	3,649,828
Current financial assets	18	12,007,660	10,507,661
Cash	19	<u>6,831,868</u>	<u>7,315,725</u>
Total current assets		28,838,413	28,469,981
Prepaid expenses and accrued income	20	1,527,017	1,719,724
TOTAL ASSETS		<u>181,922,755</u>	<u>178,365,296</u>
CAPITAL AND LIABILITIES			
Capital			
Share capital	21	20,000	20,000
Capital reserves		1,962,644	1,962,644
Accumulated loss		(945,452)	(13,374,111)
Porfit/(Loss) for the year		<u>9,366,925</u>	<u>12,428,659</u>
Total capital		10,404,117	1,037,192
Long term liabilities	22	147,437,554	157,906,423
Short-term liabilities			
Liabilities to affiliated companies	29	247,718	413,956
Liabilities for loans and deposits	23	-	2,452,688
Liabilities to banks and another financial institutions	24	12,299,681	11,034,077
Trade payables	25	8,009,935	3,374,670
Liabilities to employees	26	272,248	190,104
Taxes and contributions	27	<u>3,090,931</u>	<u>1,652,653</u>
Total short-term liabilities		23,920,513	19,118,148
Accrued expenses and deferred income	28	160,571	303,533
TOTAL CAPITAL AND LIABILITIES		<u>181,922,755</u>	<u>178,365,296</u>

The accompanying notes are integral part of these financial statements.

ENERGANA ŽUPANJA d.o.o., Županja
Statement of changes in equity
for the year ended 31 December 2022

	Subscribed capital	Reserves	Transferred loss	Profit of the year	TOTAL
	HRK	HRK	HRK	HRK	HRK
Balance as at 01 January 2021	20,000	1,962,644	(7,508,147)	(5,865,964)	(11,391,467)
Transfer from/to year 2020	-	-	(5,865,964)	5,865,964	-
Profit for the year	-	-	-	12,428,659	12,428,659
Balance as at 31 December 2021	20,000	1,962,644	(13,374,111)	12,428,659	1,037,192
Transfer from/to year 2021	-	-	12,428,659	(12,428,659)	-
Profit for the year	-	-	-	9,366,925	9,366,925
Balance as at 31 December 2022	20,000	1,962,644	(945,452)	9,366,925	10,404,117

The accompanying notes are integral part of these financial statements.

ENERGANA ŽUPANJA d.o.o., Županja
Statement of cash flow
for the year ended 31 December 2022

DESCRIPTION	2022 HRK	2021 HRK
Cash flow from operating activities		
Cash inflows from customers	70,151,800	68,081,522
Cash inflows from insurance damages covers	-	2,452,687
Other cash inflows from operating activities	2,241,871	117,745
I. Total cash flow from operating activities	72,393,671	70,651,954
Cash payments for suppliers	(45,622,174)	(32,692,596)
Cash outflows for employees	(2,989,345)	(2,675,957)
Cash outflows for interests	(3,642,177)	(8,993,543)
Tax paid	(2,356,956)	-
Other cash outflows from operating activities	(3,507,417)	(7,380,513)
II. Total cash flow from operating activities	(58,118,069)	(51,742,609)
A) NET CASH FLOWS FROM OPERATING ACTIVITIES	14,275,602	18,909,345
Cash flow from investing activities		
Cash outflows for the purchase of tangible and intangible fixed assets	(837,183)	(25,000)
Cash outflows from given loans and savings deposits	(600,000)	(40,000)
III. Total cash outflows from investing activities	(1,437,183)	(65,000)
B) NET CASH FLOWS FROM INVESTMENT ACTIVITIES	(1,437,183)	(65,000)
Cash flows from financial activities		
Cash inflows from principal of loans, loans and other loans	5,650,000	-
Other cash inflows from financial activities	10,121	-
IV. Total cash inflows from financial activities	5,660,121	-
Other cash outflows from financial activities	(1,500,000)	(3,000,000)
V. Total cash outflows from financing activities	(18,982,397)	(13,621,823)
C) NET CASH FLOWS FROM FINANCIAL ACTIVITIES	(13,322,276)	(13,621,823)
Unrealized exchange differences in cash and cash equivalents		
D) NET INCREASE OR DECREASE IN CASH FLOW	(483,857)	5,222,522
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	12,007,660	2,093,203
F) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	6,831,868	7,315,725

The accompanying notes are integral part of these financial statements.

1. GENERAL

1.1. Legal framework, activities and employees

The Company ENERGANA ŽUPANJA limited liability company for energy production (“the Company”) based in Županja, Industrijska 7, was established on December 4th 2015 by the Statements of Establishment. The company is registered in the Commercial Court in Osijek under the registration number of the subject MBS 081004500, PIN 85159321317.

The Company's subscribed capital is stated in amount of HRK 20.000, and represents stake of the founder and owner of the Company.

The principal activities of the Company refer to the following:

- design and construction of buildings and professional supervision of construction
- professional spatial planning activities
- purchase and sale of goods
- performing trade mediation on the domestic and foreign markets
- representation of foreign companies
- business and management consulting
- production of electricity
- electricity transmission
- electricity distribution
- electricity supply
- organization of the electricity market
- electricity trade
- heat production
- distribution of thermal energy
- heat supply
- activity of the buyer of thermal energy
- biofuel production
- forest management
- production, placing on the market or import of forest reproductive material
- activity of public road transport of passengers or cargo in internal road traffic
- freight transport in domestic and international road transport
- transport for own needs
- manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials
- biomass production
- energy production
- energy transfer
- energy storage
- energy distribution
- management of energy facilities
- energy supply
- energy trade and
- organizing the energy market

As at December 31st 2022 the Company had 23 employees (as at December 31st 2021 there was 17 employees).

1.2. Company Profile

General Assembly

General Assembly is the highest body of the Company and consists of one member:

GEEN CJ a.s., Czech Republic, member of the Company

1.2. Company Profile (continued)

Management Board

The Management Board of the Company during 2022 consists of:

Filip Varhol	President	President until 04 January 2022
Aleš Mokry	President	President since 04 January 2022
Željko Kuprešak	Member	Member since 25 November 2020
Božo Šparelić	Member	Member since 25 November 2020

2. BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

2.1. Compatibility statements and basis for presentation

Financial statement of the Company that ended December 31st 2022 are prepared in accordance with the Accounting Law (OG 78/15, 134/15, 120/16, 116/18, 42/20, 47/20, 09/21, 114/22) and the Croatian Financial Reporting Standards (“CFRS”) (OG 86/15, 105/20, 150/20), and in accordance with the Regulations on the structure and content of the annual financial statements (OG 95/16, 144/20 150/22, 155/22).

2.2. Basis for preparation

The financial statements are compiled by applying basic accounting assumptions of occurrence of an event by which the effects of transactions are noted when they happened and are shown in the financial statements in the correct period also by applying the basic accounting assumptions of unlimited conducting of business.

2.3. Key estimates and uncertainty of estimates

Certain estimates are used during preparation of the financial statements which have inflow to the statement of property and liabilities, income and expenses of the Company and the disclosure of potential liabilities of the Company.

Future events and their inflows could not be predicted with certainty and, following to this, the real results may differ from the estimated. Estimates utilized during preparation of the financial statements are subject to changes by the occurrence of new events, by gathering of additional experience, obtaining of additional information and comprehensions and by a change of environment in which the company operates.

Preparation of the financial statements in accordance with the CFRS requires from management to make judgments, estimates and assumptions that affect the application of policies and the amounts of disclosed assets and liabilities, income and expenses. Key estimates used by the application of accounting policies during preparation of the financial statements relate to depreciation count of long-term tangible and intangible property, value decrease of property, value provision of inventories, value provision of receivables and provisions and the disclosure of potential liabilities.

2.4. Functional and reporting currency

The financial statements of the Company are prepared in HRK as functional and reporting currency of the Company. As at 31 December 2022, the official exchange rate of the Croatian kuna was HRK 7,53450 for EUR 1 (31 December 2021 HRK 7,517174).

3. SUMMARY OF ACCOUNTING POLICIES

Summary of accounting policies applied for preparation of the financial statements is set below. Policies are consistently applied to all the years presented, unless otherwise indicated.

3.1. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivables for sold products or services during Company's regular activities. Revenue is reduced for value added tax, estimated customer returns, rebates and discounts. The Company recognizes revenue when it can be reliably measured, when the Company will have the economic benefits and when criteria for all Company's activities are met.

Revenue from sale of electricity

Revenue from the sale of electricity is recognized if all major risks and rewards of ownership have been transferred to the buyer, when it is possible to determine reliably the amount of revenue and if it is probable that the electricity will be collected. Revenue is recognized if it is possible to reliably determine the costs incurred or to be incurred in connection with the sale.

Service revenue

Service revenue is recognized in the period in which the services are carried out, under condition that the amount of revenue can be measured reliably and it is probable that the Company will receive reimbursement for the share of services actually carried out in relation to the total services to be performed.

Interest income

Interest income is recognized on a time proportional basis using the effective interest rate, so that the actual return on the asset is taken into account. Interest generated by holding assets with commercial banks (demand assets and time deposits) is recognized as income in the current period after they have been accrued. Interest arising from trade receivables is recognized in income on calculation. Interest income is included in finance income in the income statement.

3.2. Operating expenses

Operating expenses represent decrease of economic gains in the given time frame in the form of assets outflow or liabilities creation which in turn decreases capital, except for the one which is used for dividends.

The recognition of operating expenses is necessary to comply with the following criteria:

- expenses result in decrease of funds or increase of liabilities that can be reliably measured,
- expenses have direct relation between incurred costs and revenues,
- when it is expected to achieve revenues in more of the following reporting periods, recognition of expenses is performed by allocation on reporting periods,
- expense is immediately recognized in the reporting period when outflow does not achieve future economic benefit, but there are no conditions to be recognized as an asset in balance sheet,
- expense is immediately recognized in the reporting period and when the obligation arose, and no conditions to be recognized as an asset.

Operating expenses consist of material costs, service costs, staff costs, depreciation and value adjustments of fixed and current assets, and other operating expenses covered directly by operating income.

Expenses on the basis of business rent are charged in the income statement for the duration of the rent.

3.3. Intangible assets

Intangible assets are initially stated at acquisition cost. The cost of acquisition of intangible fixed assets at the time of purchase includes acquisition after deduction of trade discounts and rebates, import duties, non-refundable acquisition taxes, and costs that can be directly attributed to the preparation of these assets for their intended use.

Subsequent to initial recognition, intangible assets are measured at cost less accumulated amortization and accumulated impairment losses.

Intangible assets are amortized on a straight-line basis over their estimated useful lives. Amortization on newly acquired intangible assets is calculated from the first day of the month following the commissioning. The principles on amortization of intangible assets are contained in CFRS 5 - Non-current intangible assets.

Intangible assets in use consist of a license to use the software and an investment in another's assets.

	2022	2021
	%	%
Investment in others assets	20	20
Software	50	50

3.4. Tangible assets

Tangible assets are initially stated at acquisition cost, which includes the purchase price, including import duties and non-refundable taxes, net of trade discounts and rebates, and any costs directly attributable to bringing the asset to its working condition for its intended use.

Tangible assets are recognized if it is probable that future economic benefits that are attributable to the asset will flow to the Company if the cost of the asset can be measured reliably.

Subsequent to initial recognition, an asset is carried at cost less accumulated depreciation and accumulated impairment losses.

Subsequent to initial recognition, an asset whose fair value can be measured reliably is stated at revalued amount, which is its fair value at the date of revaluation less any subsequent impairment and any subsequent accumulated impairment losses. An increase in the value of an asset due to revaluation is granted directly to equity as a revaluation reserve. Revaluation is performed on a regular basis so that the carrying amount does not differ materially from that which would be determined by determining fair value at the balance sheet date.

Costs of current maintenance and repairs, replacements, and small-scale investment maintenance are recognized as an expense in the period in which they are incurred. In situations where it is clear that the costs have resulted in an increase in the future expected economic benefits to be obtained from the use of the asset beyond its originally estimated capacity, they are capitalized or included in the carrying amount of the asset. Gains and losses on disposals of assets are recognized in the income statement in the period in which they arise.

Depreciation of assets begins when the assets are ready for use, i.e. when they are located and, in the conditions, necessary for use. Depreciation of assets ceases when the assets are classified as held for sale. Depreciation is calculated by writing off the cost of each individual asset, except for land and long-term intangible and tangible assets in preparation, over the estimated useful life of the asset using the straight-line method, as follows:

	2022	2021
	(%)	(%)
Buildings	5	5
Technical plants - power plants	7,14	7,14
Equipment	20	20
IT equipment	50	50
Furniture	10	10

3.4. Tangible assets (continued)

Assets under construction include costs directly related to the acquisition or construction of fixed assets, increased by the appropriate amount of the variable and fixed part of the general costs incurred during the acquisition or construction. Depreciation of assets under construction begins when they are ready for use. Costs incurred in replacing the main parts of the Company's equipment, which significantly extend their useful life, are capitalized. Maintenance, replacement or partial replacement costs are recognized as an expense in the period in which they are incurred.

3.5. Impairment of tangible and intangible assets

At each reporting date, the Company checks the carrying amounts of its tangible and intangible assets to determine whether there are any indications that impairment losses have incurred. If there are such indications, the recoverable amount of the asset is estimated to determine any loss incurred by impairment. If it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

The recoverable amount is the greater of the net selling price or the value of the asset in use. For the purposes of estimating the value in use, the estimated future cash flows are discounted to present value using a discount rate before tax that reflects the current market valuation of the time value of the cash and the risks specific to that asset, for which estimates of future cash flows were not aligned.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than the carrying amount, the carrying amount of that asset (the cash-generating unit) is reduced to the recoverable amount. Impairment losses are recognized as an expense immediately unless the asset is land or buildings that are not used as investment property, i.e. investment in real estate in a revalued amount, in which case the impairment loss is recognized as a decrease in the value through revaluation of the asset

In the subsequent reversal of the impairment loss, the carrying amount of the asset (the cash generating unit) increases to the revised estimated recoverable amount of the asset, whereby the higher carrying value does not exceed the carrying amount that would have been determined if there was no recognized loss in previous years. Impairment reversal is immediately recognized as income unless the asset concerned is stated at estimated value, in which case the reversal of the impairment loss is recognized as an increase due to revaluation.

3.6. Financial assets

Financial assets are cash and invested resources, items and the waiver of rights aimed at gaining income and on the date of the Balance Sheet are classified as follows:

- financial assets intended for trading for which its fair value is recognised in the Profit and loss statement;
- investment retained until maturity;
- loans and receivables;
- financial assets prepared for sale for which its fair value is recognised in the principal as a revaluated provision.

3.7. Cash

Cash includes cash at the bank on the foreign currency and HRK giro accounts. Cash equivalents include demand deposits and deposits with a maturity of up to three months.

3.8. Receivables

Receivables are initially measured at their fair value. At each balance sheet date, receivables that are expected to be collected for a period that is longer than one year are expressed at the depreciated cost with the application of the effective interest rate method reduced by losses for impairment costs. Short-term receivables are expressed at the initially recognised nominal value reduced by the relevant amount of value provision for estimated uncollectible amounts and the value decreases.

The value of receivables is decreased, and impairment losses arise only and exclusively if objective evidence exists that the reduced value resulted from certain or more events that arose after the initial recognition of assets, when such an event impacts the estimated future cash flows from receivables which can be reliably determined. At each date of a Balance Sheet /Statement of Financial Position, it is estimated whether objective evidence in respect of a value decrease of a single receivable exists. If objective evidence exists in respect of a value decrease of receivables, the amount of loss is measured as the difference between the net book value and estimated future cash flows. The netbook value of receivables will be decreased directly or by using a separate account of value provision. The amount of a loss is recognised by debiting the Statement of Comprehensive Income for the current year.

3.9. Foreign currencies

The Company's financial statements are presented in the currency of the primary economic environment in which the entity operates or in its functional currency. Non-monetary items denominated in foreign currency are translated using the exchange rates prevailing at the fair value measurement date. Non-monetary items denominated in foreign currencies at the historical the cost is not converted.

Foreign exchange differences arising from the calculation of non-monetary assets at fair value through profit or loss are recognized in the statement of comprehensive income. Exchange differences arising from the recalculation of non-monetary assets at fair value are recognised in the statement of comprehensive income, except exchange differences arising from recalculation of non-monetary assets available for sale, where profit or loss are recognized directly in equity. In this category of non-cash items, each gain is recognized, that is, any loss incurred by recalculation is also recognized directly in equity.

3.10. Corporate income tax

Tax expense represents the aggregate amount of current tax liabilities and deferred taxes.

Current tax liability

Current tax liability is based on taxable profit for the year. Taxable profit differs from net profit for the period reported in the Statement of comprehensive income because it excludes items of income and expense that are taxable or non-taxable in other years, as well as items that are never taxable or deductible. The Company's current tax liability is calculated by applying the tax rates that are in effect, i.e. in the process of adopting the reporting date.

Deferred taxes

Deferred tax is the amount expected to be due as a liability or become recoverable on the basis of the difference between the carrying amount of assets and liabilities in the financial statements and the related tax base used to calculate the taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available on which temporary differences can be utilized. Deferred tax liabilities and tax assets are not recognized on temporary differences arising out of goodwill or initial recognition of other assets and liabilities, except for business mergers, in transactions that do not affect either the tax or accounting profit.

3.11. Corporate income tax (continued)

Value Added Tax

Tax Administration requires VAT settlement on a net basis. VAT resulting from sales and purchase transactions is recognized and reported in the balance sheet / statement of financial position on a net basis. In the case of impairment of receivables for impairment, the impairment loss is expressed in gross amount receivables, including VAT.

3.12. Provisions

A provision is recognized when the Company has a current obligation (legal or constructive) that arose as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation, and the amount of the obligation can be estimated reliably. Provisions are reviewed at each reporting date and adjusted for an estimate based on current knowledge. When the amount of the impairment loss is significant, the amount of the provision is the present value of the costs that are expected to be incurred to settle the liability, determined using the estimated risk-free interest rate as a discount rate. When discounting is used, the impact of discounting is recorded as a financial expense each year, and the carrying amount of the provision is increased each year for the elapsed time.

Provisions for restructuring costs are recognized when the Company has developed a formal restructuring plan of which the parties to which the plan relates have been notified.

The amount recognized as a provision reflects the best possible estimate of the consideration that will be required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties associated with the obligation. If a provision is measured using an estimate of the cash flows required to settle the present obligation, the carrying amount of the obligation is the present value of those cash flows.

When a third party is expected to recover some or all of the economic benefits necessary to settle a provision, a related receivable is recognized as an asset if it is almost certain that the consideration will be received and if the amount of the receivable can be determined reliably.

3.13. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in net profit or loss in the period in which they are incurred. Short-term borrowings and loans from suppliers are stated at the originally borrowed amount less repayments. Interest expense is charged to the income statement in the period to which the interest relates.

3.14. Potential assets and contingent liabilities

Contingent liabilities are not recognized in the financial statements. They are disclosed, unless the likelihood of the outflow of the accompanying economic benefits is not material. Potential assets are not recognized in the financial statements but are disclosed when the inflow of economic benefits is probable.

3.15. Subsequent events

Subsequent events which provide additional information on the position of the Company on the balance Sheet date (events which results in adjustments) are stated in the financial statements. Events which do not result in adjustments are stated in the Notes to the financial statements if being of any material significance.

ENERGANA ŽUPANJA d.o.o., Županja
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2022

3.16. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the asset to the lessee. All other leases are classified as operating leases.

Company as a lessee

Fees payable under operating leases are recognized as an expense on a straight-line basis over the term of the lease, unless some other systematic basis reflects better the timing of the expenditure of economic benefits than the leased asset. Contingent leases based on operating leases are recognized as an expense in the period in which they are incurred. Incentives received for the conclusion of an operating lease are recognized as a liability. The total benefit of the incentive is recognized on a straight-line basis as a reduction in the cost of the lease, unless some other systematic basis better reflects the time dynamics of spending the economic benefits than the leased assets.

3.17. Comparative information

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

3.18. Accrued income

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

3.19. Deferred expenses payment

Deferred cost allocation is made on the basis of the distribution of costs according to the time periods to which they relate. The part of costs that will be recognized in the following accounting periods is stated within the accrued accruals.

4. OPERATING INCOME

	2022 (HRK)	2021 (HRK)
Sales income		
Income from the sale of electricity	61,864,748	60,640,953
Income from the sale of thermal enegry	43,374	121,608
	<u>61,908,122</u>	<u>60,762,561</u>
Other income		
Income from damages	2,462,752	3,600,000
Sale of wood residue from pellets	447,575	-
Income from the drying service	307,338	-
Debt write-off and subsequent approvals	247,594	371,946
Rents	59,768	-
Other operating income	-	223
	<u>3,525,027</u>	<u>3,972,169</u>
	<u>65,433,149</u>	<u>64,734,730</u>

The company generates sales revenue exclusively on the domestic market.

Revenues from the sale of electricity represent the basic income of the Company. In the total revenue structure of the Company, revenues from electricity sales represent 93,62% of total revenues. Revenues from the sale of electricity are generated on the basis of monthly invoices for electricity produced in the Županja cogeneration plant on the basis of the valid Electricity Purchase Agreement and the acquired status of a privileged producer.

ENERGANA ŽUPANJA d.o.o., Županja
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2022

5. FINANCIAL INCOME

	2022 (HRK)	2021 (HRK)
Interest income from affiliated companies	16,922	4,242
Foreign exchange differences	643,515	685,654
	<u>660,437</u>	<u>689,896</u>

6. MATERIAL COSTS AND SERVICES

	2022 (HRK)	2021 (HRK)
Material costs		
Costs of raw materials and materials	23,895,464	17,681,458
Energy costs	1,446,695	1,503,265
Other material costs	1,113,656	397,911
a) Total material costs	<u>26,455,815</u>	<u>19,582,634</u>
Management costs	1,121,691	1,478,146
Rent services	-	70,362
Intellectual services	40,463	116,291
Water supply costs	286,794	337,928
Costs of spreading and removal of ashes	266,188	403,091
Chemical treatment of water	324,953	357,870
Maintenance costs	1,402,326	3,877,945
Other external services	414,481	458,380
b) Total external services	<u>3,856,896</u>	<u>7,100,013</u>
	<u>30,312,711</u>	<u>26,682,647</u>

7. EMPLOYEES COSTS

	2022 (HRK)	2021 (HRK)
Net salaries	1,723,649	1.539.190
Taxes and contributions from salaries	620,773	562.561
Contributions on gross salaries	356,757	315.315
	<u>2,701,179</u>	<u>2.417.066</u>
Number of employees as at December 31 st	23	18

8. DEPRECIATION

	2022 (HRK)	2021 (HRK)
Depreciation of intangible assets	120,895	125,895
Depreciation of tangible assets	11,967,771	11,711,779
	<u>12,088,666</u>	<u>11,837,674</u>

ENERGANA ŽUPANJA d.o.o., Županja
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2022

9. OTHER EXPENSES

	2022 (HRK)	2021 (HRK)
Insurance premiums	368,078	325,786
Bank costs	208,879	242,887
Employee expenses	410,247	329,685
Other expenses	612,811	154,322
	<u>1,600,015</u>	<u>1,052,680</u>

10. FINANCIAL EXPENSES

	2022 (HRK)	2021 (HRK)
Interest expenses - affiliated companies	2,643,799	2,681,121
Foreign exchange differences - affiliated companies	-	956,503
Interest expenses	3,669,310	4,014,397
Foreign exchange differences	1,048,855	8,223
	<u>7,361,964</u>	<u>7,660,244</u>

11. CORPORATE INCOME TAX

Difference between accounting profit and tax expense for the current year:

	2022 (in HRK)	2021 (in HRK)
Income	66,093,586	65,425,030
Expenses	(54,064,535)	(49,650,311)
Profit (loss) for the year	<u>12,029,051</u>	<u>15,774,719</u>
<i>Increase of tax base</i>		
Representation costs	35,633	42,347
Personal transport costs	100,906	88,675
Interest on the loans - owners of the company	2,209,867	2,345,392
Interest between related parties	-	335,728
Increase for other expenses	417,623	-
Total tax increase of tax base	<u>2,764,029</u>	<u>2,812,142</u>
<i>Decrease of tax base</i>		
State aid for education and training	3,493	-
Total tax decrease of tax base	<u>3,493</u>	<u>-</u>
Tax base	<u>14,789,587</u>	<u>18,586,861</u>
Loss carried forward		10,730,566
Tax base after tax loss	<u>14,789,587</u>	<u>7,856,295</u>
Tax rate	18%	18%
Income tax liability	<u>2,662,126</u>	<u>1,414,133</u>

The company had taxable profit in 2021, and used deferred tax assets in the amount of HRK 1,931,927, which was calculated in 2020.

ENERGANA ŽUPANJA d.o.o., Županja
 NOTES TO THE FINANCIAL STATEMENTS (continued)
 for the year ended 31 December 2022

NOTES TO THE STATEMENT OF FINANCIAL POSITION

12. INTANGIBLE ASSETS

	Investing in computer software	Investments in other property	Total
	HRK	HRK	HRK
PURCHASE VALUE			
Balance as at 31 December 2020	40,000	604,475	644,475
Balance as at 31 December 2021	40,000	604,475	644,475
Balance as at 31 December 2022	40,000	604,475	644,475
VALUE ADJUSTMENT			
Balance as at 31 December 2020	35.833	119.895	155.728
Amortization	4.167	121.728	125.895
Balance as at 31 December 2021	40.000	241.623	281.623
Amortization	-	119,062	119,062
Balance as at 31 December 2022	40,000	360,685	400,685
CURRENT VALUE			
Balance on 31 December 2021	-	362.852	362.852
Balance as at 31 December 2022	-	243,790	243,790

ENERGANA ŽUPANJA d.o.o., Županja
Notes to the Financial Statements (continued)
for the year ended 31 December 2022

13. TANGIBLE ASSETS

	Land	Buildings	Equipment	Furniture, tools, vehicles	Advances	Assets in preparation	TOTAL
	HRK	HRK	HRK	HRK	HRK	HRK	HRK
PURCHASE VALUE							
Balance as at 31 December 2020	1,544,449	29,300,050	139,835,650	110,945	-	-	170,791,094
Increase	-	-	3,769,395	865,614	-	183,638	4,818,647
Balance as at 31 December 2021	1,544,449	29,300,050	143,605,045	976,559	-	183,638	175,609,741
Increase	1,150,000	-	377,015	-	836,183	13,341,554	15,704,752
Transfer into use	-	750,000	864,604	-	-	(1,614,604)	-
Decrease	-	-	-	-	(836,183)	-	(836,183)
Balance as at 31 December 2022	2,694,449	30,050,050	144,846,664	976,559	-	11,910,588	190,478,310
VALUE ADJUSTMENT							
Balance as at 31 December 2020	-	2,052,007	14,193,155	19,162	-	-	16,264,324
Depreciation	-	1,465,003	10,065,404	181,373	-	-	11,711,780
Balance as at 31 December 2021	-	3,517,010	24,258,559	200,535	-	-	27,976,104
Depreciation	-	1,465,002	10,294,017	208,752	-	-	11,967,771
Balance as at 31 December 2022	-	4,982,012	34,552,576	409,287	-	-	39,943,875
CURRENT VALUE							
Balance as at 31 December 2021	1,544,449	25,783,040	119,346,486	776,024	-	183,638	147,633,637
Balance as at 31 December 2022	2,694,449	25,068,038	110,294,088	567,272	-	11,910,588	150,534,435

ENERGANA ŽUPANJA d.o.o., Županja
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2022

13. TANGIBLE ASSETS (continued)

Management believes that the carrying amounts of plant and equipment shown at amortized cost in the financial statements approximate their fair values.

The inventory of tangible assets was conducted as part of the annual inventory as of December 31, 2022. Depreciation was calculated using the linear method using the tax permitted rates referred to in Article 12 of the Income Tax Act.

14. INVENTORIES

	Dec 31 st 2022 (HRK)	Dec 31 st 2021 (HRK)
Raw materials	1,574,200	261,910
Inventory in use	177,984	176,986
Value adjustment of inventory in use	<u>(177,984)</u>	<u>(176,986)</u>
	<u>1,574,200</u>	<u>261,910</u>

Stock of raw materials refers to materials for power plant: wood chips, chumps and pellets.

15. TRADE RECEIVABLES

Trade receivables stated in the Balance Sheet as at 31 December 2022 in the amount of HRK 6,587,597 (31 December 2021 in the amount of HRK 6,727,461) relate to the domestic receivables. In the structure of trade receivables, 93.34% of receivables relate to the customer Hrvatski operator tržišta energije d.o.o. (HROTE), which was charged in January 2023.

16. RECEIVABLES FROM STATE AND OTHER INSTITUTIONS

Receivables from the state and other institutions stated in the Balance Sheet as at 31 December 2022 in the amount of HRK 942,822 (31 December 2021 in the amount of HRK 7,396 relate to special taxes) relate to paid advances of income tax.

17. OTHER RECEIVABLES

	Dec 31 st 2022 (HRK)	Dec 31 st 2021 (HRK)
Receivables for advances	815,597	1,416,007
Receivables for funds collected by enforcement	-	2,171,442
Receivables for interest	48,778	-
Other receivables	<u>29,891</u>	<u>62,379</u>
	<u>894,266</u>	<u>3,649,828</u>

18. CURRENT FINANCIAL ASSETS

	Dec 31 st 2022 (HRK)	Dec 31 st 2021 (HRK)
Deposits for loan insurance	11,853,328	10,353,328
Given loans	<u>154,332</u>	<u>154,333</u>
	<u>12,007,660</u>	<u>10,507,661</u>

ENERGANA ŽUPANJA d.o.o., Županja
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2022

19. CASH

	Dec 31 st 2022 (HRK)	Dec 31 st 2021 (HRK)
Cash in HRK accounts	6,794,197	7,249,006
Cash in foreign currency account	37,671	66,719
	<u>6,831,868</u>	<u>7,315,725</u>

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

20. PREPAID EXPENSES AND ACCRUED INCOME

Prepaid expenses and accrued income stated in the Balance Sheet in the amount of HRK 1,527,017 (31 December 2021 in the amount of HRK 1,719,724) refer to the costs of fees to the bank and intermediaries for obtaining a long-term loan that is accrued. The accrual period is adjusted to the loan period.

21. CAPITAL

a) Share capital

On 31st December 2022, the share capital of the Company amounts to HRK 20,000 (as at 31 December 2021 in the same amount).

Company owners: GEEN CJ a.s., Czech Republic, member of the Company (100%)

b) Capital reserves

On 31st December 2022, the Company's capital reserves amount to HRK 1,962,644 (revised on 31 December 2021 in the same amount).

Capital reserves were created in previous years, by the decision of a previous member of the Company.

c) Accumulated loss

	Dec 31 st 2022 (HRK)	Dec 31 st 2021 (HRK)
Balance on January 1 st	<u>(13,374,111)</u>	<u>(7,508,146)</u>
Gain (Loss) of previous year	12.428.659	(5,865,965)
Balance on December 31 st	<u>(945.452)</u>	<u>(13,374,111)</u>

ENERGANA ŽUPANJA d.o.o., Županja
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2022

22. LONG-TERM LIABILITIES

	Dec 31 st 2022 (HRK)	Dec 31 st 2021 (HRK)
Loans from banks	88,411,524	99,451,555
Liabilities for loans to affiliated Companies	48,717,787	57,620,021
Liabilities for interest	9,926,838	-
Other liabilities	381,405	834,847
	<u>147,437,554</u>	<u>157,906,423</u>

In 2019, the Company made agreement to receive long term, 10 years, credit with Privredna Banka Zagreb (PBZ). The amount of credit is HRK 123,690,000. The annuities are paid quarterly (40 annuities), and the last one is going to be paid on 30. September 2030. The interest is variable.

23. LIABILITIES FOR LOANS AND DEPOSITS

Liabilities for loans and deposits shown in the Balance Sheet as of December 31, 2021 in the amount of HRK 2,452,688 refer to insurance company deposits that were paid in 2022.

24. LIABILITIES TO BANKS AND ANOTHER FINANCIAL INSTITUTIONS

Liabilities to banks and another financial institutions shown in the Balance Sheet as at 31 December 2022 in the amount of HRK 12,299,681 (31 December 2021 in the amount of HRK 11,034,077) relate to liabilities for principal and interest due within one year.

25. TRADE PAYABLES

Trade payables stated in the Balance Sheet as at 31 December 2022 in the amount of HRK 8,009,935 (31 December 2021 in the amount of HRK 3,374,670) relate to the domestic trade payables.

26. LIABILITIES TO EMPLOYEES

	Dec 31 st 2022 (HRK)	Dec 31 st 2021 (HRK)
Liabilities for net wages	165,572	90,899
Liabilities based on business trips	93,428	87,263
Other liabilities to employees	13,248	11,942
	<u>272,248</u>	<u>190,104</u>

27. TAXES AND CONTRIBUTIONS

	Dec 31 st 2022 (HRK)	Dec 31 st 2021 (HRK)
Liabilities for income tax and surtax	12,484	13,101
Liabilities for VAT	338,425	166,112
Liabilities for contributions	77,896	58,228
Income tax	2,662,126	1,414,133
Other liabilities for taxes and contributions	-	1,079
	<u>3,090,931</u>	<u>1,652,653</u>

ENERGANA ŽUPANJA d.o.o., Županja
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2022

28. ACCRUED EXPENSES AND DEFERRED INCOME

Accrued expenses and deferred income stated in the Balance Sheet as at 31 December 2022 in the amount of HRK 160,571 (31 December 2021 in the amount of HRK 303,533) refer to accrued expenses related to the current year for which no invoice was received.

29. RELATED PARTY TRANSACTIONS

A party is related to an entity when, directly or indirectly through one or more intermediaries, it controls, is controlled by the entity or is under the joint control of the entity (which includes the parent, subsidiaries and subsidiaries), has a stake in the entity that gives it significant influence over that entity or has joint control over the subject.

	2022 (HRK)	2021 (HRK)
Costs of purchased goods and services		
Geen Development a.s.	298.707	598,127
Geen Holding a.s.	822.984	899,399
	<u>1.121.691</u>	<u>1,497,526</u>
Financial expenses		
Maltežian a.s. Brno	-	335,728
Geen FI a.s.	-	2,670,222
ENERGANA Benkovac d.o.o.	322,477	629,711
Geen CJ a.s	2,321,053	
	<u>2,643,530</u>	<u>3,635,661</u>

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

	Receivables for loans from affiliated parties		Liabilities for loans to affiliated companies	
	Dec 31 st 2022 (HRK)	Dec 31 st 2021 (HRK)	Dec 31 st 2022 (HRK)	Dec 31 st 2021 (HRK)
GEEN CJ a.s.	-	-	32,153,151	45,103,051
Geen FI a.s.	-	-	-	984,680
Energana Benkovac d.o.o.	-	-	16,564,637	11,532,290
Peleti B2E d.o.o.	779,100	179,100	-	-
	<u>779,100</u>	<u>179,100</u>	<u>48,717,787</u>	<u>57,620,021</u>

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for the year ended 31 December 2022

30. FINANCIAL INSTRUMENTS

30.1. Capital risk management

Net debt to equity ratio

The capital structure is analysed at least twice a year through an analysis of capital costs and associated risks.

The funding ratio at the end of the reporting period was:

	Dec 31 st 2022 (HRK)	Dec 31 st 2021 (HRK)
Debt		
Loans and borrowings (long-term and short-term maturity)	160.643.522	168.084.208
Cash on hand and bank account balances	<u>6.831.868</u>	<u>7.315.725</u>
Net debt	<u>153.811.654</u>	<u>160.768.483</u>
Capital	<u>10,404,117</u>	<u>1.037.192</u>
Net debt to equity ratio	<u>14,78</u>	<u>155</u>

30.2. Capital risk management

	Dec 31 st 2022 (HRK)	Dec 31 st 2021 (HRK)
Financial assets		
Cash	6,831,868	7,315,725
Trade receivables	6,587,597	6,727,461
Receivables from state and state institutions	942,822	7,396
Other receivables	894,267	3,649,828
Financial assets	<u>12,786,760</u>	<u>10,686,761</u>
	<u>28,043,314</u>	<u>28,387,171</u>
Financial obligations		
Liabilities for bank credits	100,711,205	99,451,555
Related party liabilities long-term	58,644,625	57,620,021
Liabilities to affiliated companies	247,718	413,956
Trade payables	8,009,935	3,374,670
Liabilities to employees	272,248	190,104
Tax and contributes liabilities	<u>3,090,931</u>	<u>1,652,653</u>
	<u>170,976,662</u>	<u>162,702,959</u>

30.3. Currency risk management

The official currency of the Company is the Croatian kuna ("HRK"). However, certain transactions in foreign currencies are translated into Croatian kuna using the exchange rates prevailing at the balance sheet date and, as a result, the Company is potentially exposed to the risk of changes in foreign exchange rates.

30. FINANCIAL INSTRUMENTS (continued)

30.4. Interest rate risk management

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates relative to the interest rates applied to the financial instrument. Cash flow risk is the risk that the interest expense of a particular financial instrument will fluctuate over time.

There were no significant changes in the impact of interest rate risk on the Company's operations.

30.5. Interest rate risk management

As a source of interest rate risk, the Company also recognizes the mismatch of active and passive interest-bearing transactions and strives to achieve a balance in relation to deposit interest rates when contracting lending interest rates.

30.6. Credit risk management

Credit risk is the risk that the counterparty will fail to meet its financial obligations and thereby cause financial losses to the Company.

Assets that could potentially expose the Company to credit risk consist mainly of available cash and cash equivalents, trade receivables and loans and deposits.

Customers are classified into risk groups according to the financial indicators of operations and previous operations with the Company, and appropriate credit risk protection measures are applied for each group. For the categorization of customers, data from the official financial statements of customers are mainly used, and the Company's data on previous operations with them are used.

There were no suspicious or disputed receivables from customers.

30.7. Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations to the counterparty. The Company manages liquidity risk by continuously monitoring and analysing projected and actual cash flows based on the maturity of financial assets and liabilities.

Liquidity risk has a very negative impact on the Company's operations due to the economic environment. The instruments used for monitoring and reducing liquidity risk are: analysis and management of cash flows, analysis of assets and sources of financing assets, analysis of creditworthiness of customers, payment security instruments, etc.

31. LITIGATION AND CONTINGENCIES

There are no legal disputes initiated against the Company, therefore the Company is not exposed to potential liabilities.

32. SUBSEQUENTS EVENTS

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

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

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33. APPROVAL OF ANNUAL FINANCIAL STATEMENTS

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

Signed on behalf of the Management Board:


Aleš Mokry, President of the
Management Board


Željko Kuprešak, member of the
Board


Božo Sparelić, member of the Board

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