

Pronam Nekretnine d.o.o.

Financial Statements as at 31 December 2019

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Responsibility for the financial statements

Pursuant to the Croatian Accounting Act, the Management Board is responsible for ensuring that financial statements are prepared for each financial year in accordance with Croatian Financial Reporting Standards ("HSFI") as adopted by the Croatian Financial Standards Committee ("OSFI") which gives a true and fair view of the financial position and results of the Company for that period.

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

In preparing those financial statements, the responsibilities of the 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; and
- the financial statements are prepared on the going concern basis.

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

The accompanying financial statements were approved for issuance by the Management Board on 12. May 2020 and signed on their behalf by:

Pronam Nekretnine d.o.o.
Zagreb, Varšavska 9
Republic of Croatia

Pronam
Nekretnine d.o.o.
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Signed on behalf of the Company,

Goran Jamić



Director

Milorad Radaković



Director

Zagreb, 12.May 2020

Balance sheet(continued)
as at 31 December 2019 in HRK

Description	EDV code	Note No	Preceding Year (net)	Current year (net)
1	2	3	4	5
ASSETS				
A) SUBSCRIBED CAPITAL UNPAID	001		0	0
B) FIXED ASSETS (EDV 003+010+020+031+036)	002		61,748,542	58,589,162
I. INTANGIBLE ASSETS (EDV 004 to 009)	003	3	0	0
1. Development expenses	004		0	0
2. Concessions, patents, licences, goods and service brands, software and other rights	005		0	0
3. Goodwill	006		0	0
4. Prepayments for intangible assets	007		0	0
5. Intangible assets in course of construction	008		0	0
6. Other intangible assets	009		0	0
II. TANGIBLE ASSETS (EDV 011 to 019)	010		60,979,587	57,826,047
1. Land	011		0	0
2. Buildings	012		0	0
3. Plant and machinery	013	4	931,044	564,867
4. Tools, factory equipment and transport vehicles	014	4	777,780	541,867
5. Biological assets	015		0	0
6. Prepayments for tangible assets	016		0	0
7. Tangible assets in course of construction	017	4	0	0
8. Other tangible assets	018	4	10,763	0
9. Property investment	019	5	59,260,000	56,720,000
III. FIXED FINANCIAL ASSETS (EDV 021 to 030)	020		0	0
1. Investment in shares (stocks) of entities within a group	021		0	0
2. Investment in other securities of entities within a group	022		0	0
3. Loans, deposits etc. granted to entities within a group	023		0	0
4. Investment in shares (stocks) of companies linked by virtue of participating interest	024		0	0
5. Investment in other securities of companies linked by virtue of participating interest	025		0	0
6. Loans, deposits etc. granted to companies linked by virtue of participating interest	026		0	0
7. Investments in securities	027		0	0
8. Loans granted, deposits and similar	028		0	0
9. Other investments accounted for using the equity method	029		0	0
10. Other fixed financial assets	030		0	0
IV. RECEIVABLES (EDV 032 to 035)	031		0	0
1. Receivables of entities within a group	032		0	0
2. Receivables of companies linked by virtue of participating interest	033		0	0
3. Receivables from customers	034		0	0
4. Other receivables	035		0	0

Balance sheet(continued)
as at 31 December 2019 in HRK

Description	EDV code	Note No	Preceding Year (net)	Current year (net)
1	2	3	4	5
V. DEFERRED TAX ASSET	036		768,955	763,115
C) CURRENT ASSETS (EDV 038+046+053+063)	037		5,405,414	1,272,439
I. INVENTORIES (EDV 039 to 045)	038		0	0
1. Raw materials and materials	039		0	0
2. Work in progress	040		0	0
3. Finished products	041		0	0
4. Commodities	042		0	0
5. Prepayments for inventory	043		0	0
6. Non-current assets intended for sale	044		0	0
7. Biological assets	045		0	0
II. RECEIVABLES (EDV 047 to 052)	046		950,763	653,543
1. Receivables of entities within a group	047	6	314,015	18,480
2. Receivables of companies linked by virtue of participating interest	048		0	0
3. Receivables from customers	049	6	625	0
4. Receivables from entrepreneur employees and members	050		0	0
5. Receivables from government and other institutions	051	6	636,123	635,063
6. Other receivables	052	6	0	0
III. CURRENT FINANCIAL ASSETS (EDV 054 to 062)	053		0	0
1. Investment in shares (stocks) of entities within a group	054		0	0
2. Investment in other securities of entities within a group	055		0	0
3. Loans, deposits etc. granted to entities within a group	056		0	0
4. Investment in shares (stocks) 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. granted to companies linked by virtue of participating interest	059		0	0
7. Investments in securities	060		0	0
8. Loans and deposits given and similar	061		0	0
9. Other financial assets	062		0	0
IV. CASH IN THE BANK AND PETTY CASH	063	7	4,454,651	618,896
D) FUTURE PERIOD PREPAID EXPENSES AND ACCRUED INCOME	064	8	79,451	0
E) TOTAL ASSETS (EDV 001+002+037+064)	065		67,233,407	59,861,601
F) OFF-BALANCE ENTRIES	066		0	0
PASIVA				
A) CAPITAL AND RESERVES (EDV 068 to 070+076+077+081+084+087)	067		14,937,066	14,956,400
I. BASE (SUBSCRIBED) CAPITAL	068		6,820,000	6,820,000
II. CAPITAL RESERVES	069		0	0
III. REVENUE RESERVES (EDV 071+072-073+074+075)	070		3,363,233	3,363,233
1. Legal reserves	071		341,000	341,000

Balance sheet(*continued*)
as at 31 December 2019 in HRK

Description	EDV code	Note No	Preceding Year (net)	Current year (net)
1	2	3	4	5
2. Reserves for own shares	072		0	0
3. Own shares and stock (deductible item)	073		0	0
4. Statutory reserves	074		0	0
5. Other reserves	075		3,022,233	3,022,233
IV. REVALUATION RESERVES	076		0	0
V. FAIR VALUE RESERVES (EDP 078 to 080)	077		0	0
1. Fair value of financial assets available for sale	078		0	0
2. Effective portion of the cash flow hedge	079		0	0
3. Effective portion of a hedge of a net investment in a foreign operation	080		0	0
VI. PROFIT RETAINED OR LOSS CARRIED FORWARD (EDV082-083)	081		4,068,557	4,753,833
1. Retained profit	082		4,068,557	4,753,833
2. Accumulated loss brought forward	083		0	0
VII. PROFIT OR LOSS OF THE BUSINESS YEAR (EDV 085-086)	084		685,276	19,334
1. Business year profit	085		685,276	19,334
2. Business year lost	086		0	0
VIII. MINORITY INTEREST	087		0	0
B) PROVISIONS (EDV 089 to 094)	088		0	0
1. Provisions for pensions, severance pays and similar liabilities	089		0	0
2. Provisions for tax liability	090		0	0
3. Provisions for commenced litigation	091		0	0
4. Provisions for costs of restoration of natural resources	092		0	0
5. Provisions for costs within warranty periods	093		0	0
6. Other provisions	094		0	0
C) NON-CURRENT LIABILITIES (EDV 096 to 106)	095		51,923,025	44,655,480
1. Liabilities towards entities within a group	096		0	0
2. Loan, deposit etc. liabilities of entities within a group	097	9	51,923,025	44,655,480
3. Liabilities towards companies linked by virtue of participating interest	098		0	0
4. Loan, deposit etc. liabilities of companies linked by virtue of participating interest	099		0	0
5. Liabilities for loans, deposit and similar	100		0	0
6. Liabilities payable to banks and other financial institutions	101		0	0
7. Liabilities out of prepayments	102		0	0
8. Liabilities to suppliers	103		0	0
9. Liabilities payable for securities	104		0	0
10. Other long-term liabilities	105		0	0
11. Deferred tax liabilities	106		0	0
CURRENT LIABILITIES (EDV 108 to 121)	107		253,678	185,548
1. Liabilities towards entities within a group	108		6,600	0
2. Loan, deposit etc. liabilities of entities within a group	109		0	0

Balance sheet(continued)
as at 31 December 2019 in HRK

Description	EDV code	Note No	Preceding Year (net)	Current year (net)
1	2	3	4	5
3. Liabilities towards companies linked by virtue of participating interest	110		0	0
4. Loan, deposit etc. liabilities of companies linked by virtue of participating interest	111		0	0
5. Liabilities payable for loans, deposit and similar	112		0	0
6. Liabilities payable to banks and other financial institutions	113		0	0
7. Liabilities out of prepayments	114		0	0
8. Liabilities to suppliers	115		20,470	19,739
9. Liabilities payable for securities	116		0	0
10. Liabilities to employees	117		39,758	38,066
11. Liabilities payable for taxes, contributions and similar duties	118		186,850	127,743
12. Liabilities payable based on share in operating result	119		0	0
13. Liabilities payable based on fixed assets intended for sales	120		0	0
14. Other current liabilities	121		0	0
E) DEFERRED PAYMENT FOR EXPENSES AND FUTURE PERIOD INCOME	122	10	119,638	64,173
F) TOTAL – LIABILITIES (EDV 067+088+095+107+122)	123		67,233,407	59,861,601
G) OFF-BALANCE ENTRIES	124		0	0

Approved on behalf of the Company on 12. May 2020:

Goran Jamić

Director



Milorad Radaković

Director



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Income statement (continued)
for the year ended 31 December 2019 in HRK

Description	EDV code	Note No	Preceding Year (net)	Current year (net)
1	2	3	4	5
I. OPERATING INCOME (EDV 126 to 130)	125		6,724,144	5,928,860
1. Sales income within a group	126	11	5,600,124	4,712,276
2. Sales income (outside the group)	127	11	1,079,336	1,094,192
3. Proceeds from use of own products, goods and services	128		0	0
4. Other business proceeds from entities within a group	129	12	44,684	122,392
5. Other operating income (outside the group)	130		0	0
II. OPERATING EXPENSES (EDV 132+133+137+141+142+143+146+153)	131		6,204,216	5,437,061
1. Changes to value of current production and finished product inventories	132		0	0
2. Material costs (EDV 134 to 136)	133	13	1,887,385	1,431,595
a) Cost of raw materials and materials	134		0	0
b) Cost of sales	135		0	0
c) Other external costs	136		1,887,385	1,431,595
3. Staff cost (EDV 138 to 140)	137		772,896	782,060
a) Net salaries and wages	138		456,755	463,895
b) Contributions and taxes from salary	139		202,302	207,400
c) Contributions on salary	140		113,839	110,765
4. Amortization	141		967,016	599,689
5. Other expenses	142	14	2,576,919	2,623,717
6. Value reconciliation (EDV 144+145)	143		0	0
a) fixed assets (apart from financial assets)	144		0	0
b) current assets (apart from financial assets)	145		0	0
7. Provisions (EDV 147 to 152)	146		0	0
a) Provisions for pensions, severance pays and similar liabilities	147		0	0
b) Provisions for tax liabilities	148		0	0
c) Provisions for commenced litigation	149		0	0
d) Provisions for costs of restoration of natural resources	150		0	0
e) Provisions for costs within warranty periods	151		0	0
f) Other provisions	152		0	0
8. Other operating expenses	153		0	0
III. FINANCIAL INCOME (EDV 155 to 164)	154	15	687,277	232
1. Proceeds from investment in shares (stocks) of entities within a group	155		0	0
2. Proceeds from investment in shares (stocks) companies linked by virtue of participating interest	156		0	0
3. Proceeds from other long-term financial investments and loans to entities within a group	157		0	0
4. Other proceeds from interests from relationships with entities within a group	158		539	232
5. Foreign exchange differences and other financial proceeds from relationships with entities within a group	159		686,738	0
6. Proceeds from other long-term financial investments and loans	160		0	0

Income statement (continued)
for the year ended 31 December 2019 in HRK

Description	EDV code	Note No	Preceding Year (net)	Current year (net)
1	2	3	4	5
7. Other proceeds from interests	161		0	0
8. Foreign exchange differences and other financial proceeds	162		0	0
9. Unrealised gain (income)	163		0	0
10. Other financial income	164		0	0
IV. FINANCIAL EXPENSES (EDV 166 to 172)	165	16	370,513	466,858
1. Interest expense and similar expenses from entities within a group	166		370,513	319,335
2. Foreign exchange differences and other expenses of entities within a group	167		0	147,523
3. Interest expense and similar expenses	168		0	0
4. Foreign exchange differences and other expenses	169		0	0
5. Unrealised losses (expenses) of financial assets	170		0	0
6. Value adjustments of financial assets (net)	171		0	0
7. Other financial expenses	172		0	0
V. SHARE IN PROFIT OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST	173		0	0
VI. SHARE IN JOINT VENTURES' PROFIT	174		0	0
VII. SHARE IN LOSS OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST	175		0	0
VIII. SHARE IN JOINT VENTURES' LOSS	176		0	0
IX. TOTAL INCOME (EDV 125+154+173+174)	177		7,411,421	5,929,092
X. TOTAL EXPENSES (EDV 131+165+175 + 176)	178		6,574,729	5,903,919
XI. PROFIT OR LOSS BEFORE TAXES (EDV 177-178)	179		836,692	25,173
1. Profit before taxation (EDV 177-178)	180		836,692	25,173
2. Loss before taxation (EDV 178-177)	181		0	0
XII. PROFIT TAX	182	18	151,416	5,839
XIII. PERIODS PROFIT OR LOSS (EDV 179-182)	183		685,276	5,839
1. WILL PERIOD PROFIT (EDV 179-182)	184		685,276	19,334
2. PERIOD LOSS (EDV 182-179)	185		0	0

Approved on behalf of the Company on 12. May 2020:

Goran Jamić

Director



Milorad Radaković

Director



Pronam
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Notes to the financial statements (continued)

2.1. Basis of preparation

These financial statements have been prepared in accordance with accounting regulations applicable in Republic of Croatia. Accounting regulations applicable in the Republic of Croatia are based on provisions of the Accounting Act ("Act") (Official Gazette 78/2015,134/2015,120/2016). According to the paragraph 5 of the Act the Company is classified as a "small" sized entity. Such entities prepare and present their financial statements in accordance with Croatian Financial Reporting Standards ("HSFI").The Company's financial statements are presented in thousands of kuna (HRK) which is the Company's functional currency.

2.2. Basis of accounting

The Company maintains its accounting records in Croatian Kuna (HRK) and in accordance with Croatian law and the accounting principles and practices observed by enterprises in Croatia. The financial statements have been prepared under the historical cost convention, unless otherwise required by related accounting standards for certain positions of financial statements.

2.3. Changes in accounting policies

During 2019 there were no changes in accounting policies.

2.4. Significant accounting judgments, estimates and assumptions

The preparation of financial statements in accordance with CFRS requires management to make estimates and judgements that affect the reported amounts and disclosures in financial statements. These estimates are based on the information available at the time of preparation of financial statements and actual results can differ from those estimates.

In the process of applying the Company's accounting policies, the following judgments, estimates and assumptions had the most significant effect on the amounts disclosed in the financial statements.

Fair values of investment properties

The Company engaged independent surveyor for a valuation of the investment property. Based on the valuation the fair value of the investment property as at 31 December 2019 amounted to HRK 56.720 thousand (31 December 2018: HRK 59.260 thousand) (note 5), resulting with an impairment loss which was recognised in profit and loss account in 2019 in the amount of HRK2,540 thousand (2018: HRK 2,518 thousand).

Notes to the financial statements (continued)

2.4. Significant accounting judgments, estimates and assumptions (continued)

Useful life of property and equipment, intangible assets and investment property

On an annual basis the Company reviews useful life of property and equipment, intangible assets and investment property at each reporting date in order to determine the appropriate rates of depreciation. The management believes that the current estimates of useful economic lives are appropriate.

Operating leases (company as lessor)

The Company has entered into commercial property leases on almost all of its property, equipment, intangible asset and investment property portfolio. The Company determined that it retains all significant risks and rewards of ownership of these assets and therefore accounts for them as operating leases. New judgements are made every time when a new lease contract is made or when any of the conditions in existing lease contracts are changed.

2.5. Summary of accounting policies

a) Intangible assets

Intangible assets are initially measured at cost. Intangible assets are recognised when future economic benefits attributable to the assets will flow to the enterprise, and if the cost of the asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over the best estimate of their useful life. The Company has no intangible assets with indefinite useful life. The amortisation method is reviewed annually at each financial year-end.

Useful life of intangible assets is as follows:

Software	4 years
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Notes to the financial statements (continued)

2.5. Summary of accounting policies(continued)

b) *Investment property*

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes replacement cost of existing investment property at the time the cost was incurred if recognition criteria were met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they occurred.

Investment properties are derecognized when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on withdrawal or disposal of an investment property are recognized in the income statement in the year of withdrawal or disposal.

c) *Plant and equipment*

Individual items of plant and equipment that qualify for recognition are measured at cost. The cost of an item of property and equipment comprises its purchase price, import duties, non-refundable purchase taxes and any other directly attributable costs of bringing the asset to its working condition and location for its intended use (after deducting trade discounts and rebates).

In addition to directly attributable costs, the costs of internally constructed assets include indirect material and labour costs, as well as administrative expenses relating to production or provision of services.

After recognition as an asset, an item of plant and equipment is measured at cost less accumulated amortisation and any accumulated impairment losses. Each part of an item of property, plant and equipment with a cost which is significant in relation to the total cost of the item is depreciated separately. Depreciation is computed on a straight-line basis.

The useful life of assets is as follows:

Computers, furniture and other equipment	4-15 years
Other assets	3-10 years

The useful life, depreciation method and residual values are reviewed at each financial year-end and the changes are accounted for as a change in an accounting estimate if revised expectations differ from previous estimates.

Construction-in-progress represents plant and equipment under construction and is stated at cost.

Depreciation of an asset begins when it is available for use.

Notes to the financial statements (continued)

2.5. Summary of accounting policies (continued)

d) *Impairment of assets*

Financial instruments

For financial assets carried at amortised cost, whenever it is probable that the Company will not collect all amounts due according to the contractual terms an impairment or bad debt provision is recognised in the income statement.

Non -financial assets

At each reporting date the Company assesses whether there is an indication that asset may be impaired. If such indication exists, or if the annual impairment test for an asset item is required, Management estimates asset's recoverable amount.

The recoverable amount of asset (or cash generating unit) is higher of fair value less costs to sell and its value in use and it is determined for each individual asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and it is written down to its recoverable amount. In assessing the value in use, estimated future cash flows are discounted to their present value using a discount rate that reflects the time value of money on the market and the risks specific to the asset.

e) *Receivables and payables*

Accounts receivable and payable are stated at nominal value. Trade accounts receivable are carried at amortized cost less any provision for doubtful debts. Impairment is recorded when there is objective evidence (such as probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired receivables are fully derecognised when they are assessed as uncollectible.

All borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing borrowings are subsequently measured at amortized cost using the effective interest method.

f) *Deposits*

Deposits comprise short term deposits with an original maturity of more than three months and residual maturity less than twelve months. They are measured at amortized cost.

Notes to the financial statements (continued)

2.5. Summary of accounting policies (continued)

g) Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and short-term, liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and which are subject to insignificant risk of change in value.

h) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received.

Rental income

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Rental income comprises rental income from operating leases of investment properties, furniture and equipment.

Interest income and expense

Interest income and expenses are recognized using the effective interest rate method.

i) Foreign currencies

Foreign currency transactions are translated to Croatian kuna at exchange rates effective on the date of transaction. Monetary assets and liabilities denominated in foreign currencies or linked to foreign currencies under revaluation clauses are adjusted on retranslation to Croatian kuna at the balance sheet date. The gain or loss arising from exchange rate after the date of the initial transaction is recorded in the income statement under financial income or financial expenses.

The exchange rate for Euro used for translation purposes as at 31 December 2019 was HRK 7.443 to 1 EUR (2018: HRK 7.418).

Notes to the financial statements (continued)

2.5. Summary of accounting policies (continued)

j) Taxes

Current income tax

Current tax is the expected return or the tax liability calculated on the taxable income for the year, according to the tax rates at the balance sheet date including any adjustment to tax payable in respect of previous periods and it is measured in the amount which is expected to be returned by or paid to the tax administration.

Deferred tax

Deferred taxes are calculated using the balance sheet liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized. At each balance sheet date, the Company re-assesses unrecognised deferred tax assets and the appropriateness of carrying amount of the tax assets.

Notes to the financial statements (continued)

3. Intangible assets

	<u>Software</u>
	HRK '000
Cost	
At 1 January 2019	230
Transfers	-
Disposals	-
At 31 December 2019	230
Accumulated amortisation	
At 1 January 2019	230
Disposals	-
At 31 December 2019	230
Net book value	
At 31 December 2018	-
At 31 December 2019	-

Notes to the financial statements (continued)

4. Property, plant and equipment

	Plant and Equipment	Tools, plant inventory and vehicles	Leasehold improvements	Assets under construction	Total
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
Cost or valuation					
At 1 January 2018	21,944	5,672	4,404	-	32,020
Additions	-	-	-	-	-
Transfers	-	-	-	-	-
Disposals	(14,814)	(2,099)	(1,861)	-	(18,774)
At 31 December 2018	7,130	3,601	2,543	-	13,274
Additions	-	-	-	-	-
Transfers	-	-	-	-	-
Disposals	(2,014)	(207)	(2,543)	-	(4,764)
At 31 December 2019	5,116	3,394	-	-	8,510
Accumulated depreciation					
At 1 January 2018	20,431	4,669	3,833	-	28,933
Charge for the year	582	234	151	-	967
Disposals	(14,814)	(2,080)	(1,415)	-	(18,345)
At 31 December 2018	6,199	2,823	2,533	-	11,555
Charge for the year	370	219	10	-	599
Disposals	(2,017)	(190)	(2,543)	-	(4,750)
At 31 December 2019	4,552	2,852	-	-	7,404
Net book value					
At 31 December 2018	931	778	11	-	1,720
At 31 December 2019	564	542	-	-	1,107

Notes to the financial statements (continued)

5. Investment property

2018 (HRK '000)	<u>Investment property</u>
Carrying value	
As at 1 January 2018	61,778
Additions	-
Impairment loss	(2,518)
As at 31 December 2018	59,260
Net book value	
At 1 January 2018	61,778
At 31 December 2018	59,260
2019 (HRK '000)	<u>Investment property</u>
Net book value	
As at 1 January 2019	59,260
Additions	-
Impairment loss	(2,540)
As at 31 December 2019	56,720
Net book value	
At 1 January 2019	59,260
At 31 December 2019	56,720

All investment property is leased to Sberbank d.d. Zagreb. Investment property is carried at fair value which was determined by independent surveyor.

The Company engaged an independent surveyor for a valuation of the investment property. Based on the valuation the fair value of the investment property as at 31 December 2019 amounted to HRK 56,720 thousand (31 December 2018: HRK 59,260 thousand), resulting with an impairment loss which was recognised in profit and loss account as at 31 December 2018 in the amount of HRK 2,540 thousand (31 December 2018: HRK 2,518 thousand), (note 14 – other expenses).

Notes to the financial statements (continued)

6. Trade and other receivables

	31 December 2018	31 December 2019
	HRK '000	HRK '000
Related party receivables	314	18
Receivables from state and other institutions	636	635
Trade receivables	1	-
Total receivables	951	653

7. Cash at bank and in hand

	31 December 2018	31 December 2019
	HRK '000	HRK '000
Cash on hand and balances with banks	4,455	619
Cash in bank and in hand	4,455	619

8. Prepayments and accrued income

	31 December 2018	31 December 2019
	HRK '000	HRK '000
<i>Prepayments:</i>		
At the beginning of the period	291	79
Recognised in the period	-	-
Released in the period	(212)	(79)
Closing balance	79	-

Notes to the financial statements (continued)

9. Loans and borrowings within the group

	31 December 2018	31 December 2019
	HRK '000	HRK '000
Short term borrowings	-	-
Long-term borrowings	51,923	44,655
Total borrowings	51,923	44,655
Maturities of borrowings:		
	31 December 2018	31 December 2019
	HRK '000	HRK '000
up to 1 year	-	-
1 to 5 year	-	-
Over 5 years	51,923	44,655
	51,923	44,655

The entire long-term borrowing is taken from SBERBANK Europe AG and it is denominated in Euros. The borrowing matures in 2027. The average effective interest rate on borrowings as at 31 December 2019 is 0.59% (31 December 2018: 0.69%),

10. Accrued expenses

	31 December 2018	31 December 2019
	HRK '000	HRK '000
<i>Accrued expenses:</i>		
At the beginning of the period	89	120
Recognised in the period	337	218
Released in the period	(306)	(274)
Closing balance	120	64

Notes to the financial statements (continued)

11. Revenue

	<u>2018</u>	<u>2019.</u>
	HRK '000	HRK '000
Rental income within the group	5,134	4,469
Rental income with other entrepreneurs	10	10
Income from real estate appraisales within the group	248	243
Income from real estate appraisales with other entrepreneurs	1,069	1,074
Other Income within the group	218	-
	<u>6,679</u>	<u>5,806</u>

12. Other operating income within the group

	<u>31 December</u>	<u>31 December</u>
	2018	2019
	HRK '000	HRK '000
Other income	45	122
	<u>45</u>	<u>122</u>

13. Other external costs

	<u>31 December</u>	<u>31 December</u>
	2018	2019
	HRK '000	HRK '000
Rental expenses – commercial properties	715	271
Intellectual services	498	459
Other property expenses	53	41
External appraisals of market values	494	547
Vehicle expenses	23	24
Maintenance services	56	53
Other services	48	37
	<u>1,887</u>	<u>1,432</u>

Notes to the financial statements (continued)

14. Other expenses

	31 December 2018	31 December 2019
	HRK '000	HRK '000
Impairment of investment properties	2,518	2,540
Disposals of tangible fixed assets	-	17
Taxes and fees	18	23
Other employee related expenses	41	44
	<u>2,577</u>	<u>2,624</u>

15. Financial income

	31 December 2018	31 December 2019
	HRK '000	HRK '000
Interests, foreign exchange differences, dividends and similar income arising from transactions with related parties		
- <i>interest</i>	1	-
- <i>exchange differences</i>	686	-
	<u>687</u>	<u>-</u>

16. Financial expenses

	31 December 2018	31 December 2019
	HRK '000	HRK '000
Interests, foreign exchange differences, dividends and similar income arising from transactions with related parties		
- <i>interest</i>	370	319
- <i>exchange differences</i>	-	148
	<u>370</u>	<u>467</u>
	<u>370</u>	<u>467</u>

Notes to the financial statements (continued)

17. Transactions with related parties

	31 December 2018	31 December 2019
	HRK '000	HRK '000
Receivables of entities within a group (Sberbank d.d.)	314	18
Cash in the bank within the group (Sberbank d.d.)	4,455	619
Total receivables within the group	4,769	637
Loans received within the group (Sberbank Europe AG)	51,923	44,655
Liabilities to entities within the group (Sberbank d.d.)	7	-
Total liabilities within the group	51,930	44,655
Sales income within the group (Sberbank d.d.)	5,645	4,834
Income from interests within the group (Sberbank d.d.)	1	-
Total income within the group	5,646	4,834
Interest expense within a group (Sberbank Europe AG)	370	319
Other expense within the group (Sberbank d.d.)	443	436
Total expense within the group	813	755

18. Income tax

	31 December 2018	31 December 2019
	HRK '000	HRK '000
Current income tax expense	-	-
Deferred tax (credit)/charge	151	6
Income tax recognised in the income statement	151	6

Notes to the financial statements (continued)

19. Events after the balance sheet date

There were no significant events after the reporting date which could have an impact on the financial statements of the Company for the year ended 31 December 2019.

Approved on behalf of the Company on 12. May 2020:

Goran Jamić

Director



Milorad Radaković

Director



Pronam
Nekretnine d.o.o.
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