

SUPER SPORT d.o.o.

Annual report for 2020

This version of the report is a translation from the original, which was prepared in the Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the report takes precedence over this translation.

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SUPER SPORT d.o.o.

MANAGEMENT REPORT for the year ended 31 December 2020

SUPER SPORT, a limited liability company ("Company"), seated at Krčka 18/d, Zagreb, was registered in the court register at the Commercial Court in Zagreb on July 11th 2000.

In June 2010, the Company started with online betting games. In January 2012, the Company started with casino games. In January 2017, the Company started with online casino games.

As of the reporting date, the Company had 1,006 employees (in 2019 it had 1,046 employees).

As of December 31st, 2020, the Company had 328 betting shops and 815 active betting terminals whilst on December 31st 2019 there were 331 betting shops and 805 betting terminals.

The Capital Expenditures into tangible and intangible assets amounted to HRK 17,526 thousand.

Operating income, operating expenses, profit before tax and total assets are shown as follows:

	2019	2020	Change	Index
	HRK '000	HRK '000	HRK '000	%
TOTAL OPERATING INCOME	819,787	756,328	(63,459)	92%
TOTAL OPERATING EXPENSES	318,446	316,802	(1,644)	99%
PROFIT BEFORE TAX	522,744	461,969	(60,775)	88%
	31.12.2019	31.12.2020	Change	Index
	HRK '000	HRK '000	HRK '000	%
TOTAL ASSETS	679,229	648,279	(30,950)	95%

Development Plan

The Company is aware of the trends in the gaming industry and thus is continuously further developing its product portfolio.

Risk management

In its business, the Company is exposed to the following financial risks:

- Market risk (price, currency and interest rate risk)
- Liquidity risk
- Credit risk

Risk management (*continued*)

Market Risk

a) Price risk

The Company operates in the Croatian market only. Management determines the prices of its services based on market prices. Also, in the betting segment, the Management Board determines betting coefficients when these are announced on the basis of the market level of the betting coefficients. The Company monitors results on a daily basis as they are subject to changes due to the nature of the betting industry.

b) Currency risk

The Company is exposed to currency risk via services provided from abroad and through monetary assets denominated in a currency other than the functional currency of the Company. The currency that exposes the Company to the currency risk is Euro. The carrying amounts of the monetary assets and liabilities and sensitivity analysis is presented in note 24.

c) Interest risk

Interest rate risk is the risk that the value of financial instruments will change due to changes in market interest rates relative to the interest rates applicable to financial instruments. The risk of interest rates on cash flow is the risk that the costs of interests on financial instruments will be variable over the period. Given the absence of liabilities, the Company estimates this risk as low.

Liquidity risk

The Company is exposed to liquidity risk due to daily incoming and outgoing payments. The Company manages liquidity risk by maintaining sufficient cash funds available to pay out winners on a daily basis.

All financial liabilities, except lease liabilities, are due within one year. The Company is not significantly exposed to liquidity risk as it is liquid and fulfills all its obligations in a timely manner.

Credit risk

Credit risk is the risk that the buyer or other party to the financial instrument will not make a commitment and thereby cause the Company's financial losses to arise.

Financial assets that potentially may trigger the credit risk consist mainly of cash, given loans and receivables from customers. The Company estimates that all monetary assets will be monetized.

Subsequent events

Betting shops were closed from 28 November 2020 until 15 February 2021 when the Government of Croatia allowed betting shops to be reopen. The betting terminals which are primarily located in café bars remained closed as of date of issuance of these financial statements.

In March 2021, the Company paid dividends in the amount of HRK 230,172 thousand.

SUPER SPORT d.o.o.

Responsibility for the unconsolidated financial statements and Management Report

Pursuant to the Accounting Act of the Republic of Croatia, the Directors are responsible for ensuring that unconsolidated financial statements ("financial statements") are prepared for each financial year in accordance with International Financial Reporting Standards as adopted by the European Union ("the EU IFRS"), which give true and fair view of the financial position and results of operations of Super Sport d.o.o., Zagreb ("the Company") for that year.


After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

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

- suitable accounting policies are selected and then applied consistently;
- judgements and estimates are reasonable and prudent;
- the applicable accounting standards are followed, subject to any material departures disclosed and explained in financial statements; and
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are 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 financial statements comply with the Croatian Accounting Act. The Directors are 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.

Directors are also responsible for the preparation and content of the Management Report, as required by Article 21 of the Croatia Accounting Act. The Management Report and the unconsolidated financial statements were authorized by the Directors and are signed below to signify this.



Radim Haluza

Director



David Havlín

Director



Goran Đurić

Director

14 April 2021

Krčka 18/d
10 000 Zagreb
Croatia



Independent Auditors' Report to the owners of Super Sport d.o.o.

Opinion

We have audited the separate financial statements of Super Sport d.o.o. ("the Company"), which comprise the separate statement of financial position of the Company as at 31 December 2020, and the separate statements of comprehensive income, cash flows and changes in equity of the Company for the year then ended, and notes, comprising significant accounting policies and other explanatory information (further referred to as "the financial statements").

In our opinion, the accompanying financial statements give a true and fair view of the unconsolidated financial position of the Company as at 31 December 2020 and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS").

Basis for Opinion

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

Other Information

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

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

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

With respect to the Management Report, we have also performed procedures required by the Accounting Act in Croatia ("Accounting Act"). Those procedures include considering whether the Management Report has been prepared in accordance with the requirements of Article 21 of the Accounting Act.

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

- the information given in the Management Report for the financial year for which the financial statements are prepared, is consistent, in all material respects, with the financial statements;
- the Management Report has been prepared, in all material respects, in accordance with the requirements of Article 21 of the Accounting Act.

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



Independent Auditors' Report to the owners of Super Sport d.o.o. (continued)

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or 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 Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



Independent Auditors' Report to the owners of Super Sport d.o.o. (continued)

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

KPMG Croatia d.o.o.

KPMG Croatia d.o.o. za reviziju
Croatian Certified Auditors
Eurotower, 17th floor
Ivana Lučića 2a
10000 Zagreb
Croatia

KPMG Croatia 14 April 2021
d.o.o. za reviziju
Eurotower, 17. kat
Ivana Lučića 2a, 10000 Zagreb
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Domagoj Hrkać
Director, Croatian Certified Auditor

This version of our audit report is a translation from the original, which was prepared in Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the audit report takes precedence over translation.

SUPER SPORT d.o.o.

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2020

	Note	2020 HRK '000	2019 HRK '000
Sales revenue	5	743,473	817,532
Other operating income	6	12,855	2,255
Total operating income		756,328	819,787
Change in value of work in progress and finished goods		30	250
Materials and energy	7	(12,505)	(17,456)
Service costs	8	(80,820)	(78,256)
Employee benefits	9	(106,011)	(104,298)
Amortisation and depreciation	14, 15, 16	(24,481)	(22,510)
Other operating expenses	10	(93,015)	(96,176)
Total operating expenses		(316,802)	(318,446)
Operating profit		439,526	501,341
Finance income	11	25,096	23,533
Finance costs	12	(2,653)	(2,130)
Net finance income		22,443	21,403
Profit before tax		461,969	522,744
Income tax expense	13	(78,034)	(90,422)
Profit for the year		383,935	432,322
Other comprehensive income		-	-
Total comprehensive income for the year		383,935	432,322

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

SUPER SPORT d.o.o.

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 December 2020

		31 December 2020 HRK '000	31 December 2019 HRK '000
ASSETS			
Intangible assets	14	14,229	638
Property, plant and equipment	15	8,280	10,481
Right-of-use assets	16a	53,006	53,856
Investments in subsidiaries	17	302,700	302,700
Total non-current assets		378,215	367,675
Inventories		3,990	2,928
Trade and other receivables	18	38,236	28,640
Loans given	19	101	83
Cash and cash equivalents	20	219,885	270,215
Prepaid expenses	21	7,852	9,688
Total current assets		270,064	311,554
TOTAL ASSETS		648,279	679,229
EQUITY AND LIABILITIES			
Subscribed capital	22	308,000	308,000
Retained earnings		206,935	224,203
Total equity		514,935	532,203
Non-current liabilities			
Lease liabilities	16b	37,224	38,374
Total non-current liabilities		37,224	38,374
Current liabilities			
Lease liabilities	16b	16,896	16,185
Trade and other payables	23	71,046	76,894
Current tax liability		8,178	15,573
Total current liabilities		96,120	108,652
TOTAL EQUITY AND LIABILITIES		648,279	679,229

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

SUPER SPORT d.o.o.

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2020

	Subscribed capital HRK '000	Retained earnings HRK '000	Total HRK '000
Balance at 1 January 2019	308,000	207,607	515,607
Dividends	-	(415,726)	(415,726)
Profit for the year	-	432,322	432,322
Balance at 31 December 2019	308,000	224,203	532,203
Balance at 1 January 2020	308,000	224,203	532,203
Dividends	-	(401,203)	(401,203)
Profit for the year	-	383,935	383,935
Balance at 31 December 2020	308,000	206,935	514,935

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

SUPER SPORT d.o.o.

UNCONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 31 December 2020

	Note	2020 HRK '000	2019 HRK '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		383,935	432,322
Adjustments for:			
Amortisation and depreciation	14, 15, 16	24,481	22,510
Gain on sale of property, plant and equipment	6	(158)	(180)
Reversal of allowance for impairment of loans given and other receivables	6	(2)	(80)
Allowances for impairment of other receivables	10	3,069	386
Gain on derecognition of right-of-use assets		(52)	(16)
Interest income	11	(67)	(394)
Dividend income	11	(25,000)	(23,119)
Interest expense	12	1,692	1,739
Tax expense	13	78,034	90,422
		465,932	523,590
Changes in working capital			
(Increase) / decrease in trade and other receivables		(10,827)	6,024
Decrease in trade and other payables		(5,873)	(12,232)
Increase in inventories		(1,062)	(675)
Cash generated from operating activities		448,170	516,706
Lease interest paid		(1,692)	(1,739)
Income tax paid		(85,429)	(98,748)
Net cash from operating activities		361,049	416,219
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		271	265
Interest received		49	383
Dividends received		25,000	23,119
Repayment of loans given		-	12,773
Acquisition of property, plant and equipment		(3,121)	(3,510)
Acquisition of intangible assets		(14,405)	(57)
Loans given		-	(12,180)
Net cash from investing activities		7,794	20,793
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid and prepaid		(401,203)	(415,726)
Payment of lease liabilities		(17,970)	(16,184)
Net cash used in financing activities		(419,173)	(431,910)
(Decrease) / increase in cash and cash equivalents		(50,330)	5,102
Cash and cash equivalents at 1 January		270,215	265,113
Cash and cash equivalents at 31 December	20	219,885	270,215

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

1. GENERAL INFORMATION

SUPER SPORT betting company, a limited liability company (hereinafter: Company), with headquarters at Krčka 18/d, Zagreb, is registered in the court register at the Commercial Court in Zagreb on 11 July 2000 under Company's court registration number 080352592.

In June 2010, the Company started with online betting games. In January 2012, the Company started with casino games. In January 2017, the Company started with online casino games.

On 26 April 2018, a majority of Company's shares were acquired by Sazka Group Adriatic d.o.o., Croatia, whose ultimate parent company was KKCG AG, Switzerland. The ultimate controlling party of KKCG AG is Mr. Karel Komárek from the Czech Republic.

On 22 May 2019, as a result of split of assets in the Sazka Group, the Czech Republic, the new parent company became EMMA Capital, Cyprus, whose ultimate controlling party is Mr. Jiří Šmejč from the Czech Republic.

1.1. Company bodies

The Company's assembly is the highest body and it is made up of members of the Company.

Supervisory Board

Marek Doseděl, President, from 31 July 2019

Danko Ćorić, Deputy president, from 25 April 2018

Sandra Ivanović, member, from 25 April 2018

Pavel Horák, member, from 25 April 2018

Radka Blažková, member, from 12 July 2019

Directors

Radim Haluza, from 25 April 2018

David Havlín, from 25 April 2018

Goran Đurić, from 25 April 2018

1.2. Employees

At the reporting date, the Company had 1,006 employees (2019 - 1,046 employees).

2. BASIS OF PREPARATION

2.1 Statement of compliance

The Company's unconsolidated financial statements ("financial statements") have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union ("EU IFRS").

The Company has used the exemption allowed by International Financial Reporting Standard 10 "*Consolidated Financial Statements*", for the presentation of consolidated financial statements, on the basis that the parent company EMMA ALPHA HOLDING LTD, Cyprus, prepares consolidated financial statements in accordance with EU IFRS. The audited consolidated financial statements of EMMA ALPHA HOLDING LTD are publicly available.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except where otherwise disclosed. The methods used to measure fair values are discussed further in a separate note.

The Company has early adopted *COVID-19-Related Rent Concessions – Amendments to IFRS 16*. The related changes to significant accounting policies are described in Note 4.

Certain new standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Company. These are not expected to have a significant impact on the Company's financial statements.

2.3 Functional and presentation currency

These financial statements are presented in the Croatian currency, Kuna (HRK), which is the functional currency of the Company and rounded to the nearest thousand.

2.4 Going concern

The financial statements have been prepared under the assumption that the Company will continue to operate as a going concern. Management believes that the use of the going concern assumption in preparation of financial statements with respect to the above mentioned facts is appropriate.

2.5 Use of estimates and judgements

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

3. SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies adopted in the preparation of financial statements are listed below. These policies have been consistently applied to all periods presented in these financial statements.

3.1. Revenue

In betting and gaming transactions the Company takes a position against its customers whereby the value of the individual contract is contingent on the outcome of a specified event and the Company is not, therefore, normally guaranteed a specific commission or return. As these transactions will normally meet the definition of derivative, the Company considers revenue to be out of the scope of IFRS 15 *Revenue from contracts with customers*, and rather accounts for revenue within the scope of IFRS 9 *Financial Instruments*.

The Company reports the gains and losses on all betting and gaming activities as revenue.

Revenue from betting activities

Revenue represent the fair value of amounts staked by the customers less betting payouts and betting taxes payable to the state. The amount paid by customers is deducted by 5% (transaction costs) and only remaining 95% of ticket amount is used to calculate the potential winning.

Revenue from gaming activities

Revenue represent the fair value of net wins in respect of bets placed on casino games less gaming tax and amounts accrued for prize pools. Revenue from the online poker business reflects the net income (rake) earned from poker games completed by the year end.

Revenue from other activities

Other revenues which do not represent the main business include: sale of odds lists and weekly betting magazines. Revenue is recognized when the goods are delivered and have been accepted by the customer.

3.2. Foreign currencies

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3. Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

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

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

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.4. Intangible assets

Where patents, licences, and similar rights are acquired by the Company from third parties the costs of acquisition are capitalised to the extent that future economic benefits are probable and will flow to the Company.

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

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date on which they are available for use. Their estimated useful lives range from 3 to 10 years (2019: 4 to 10 years).

3. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3.5. **Property, plant and equipment**

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

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

Land and assets under construction are not depreciated. Depreciation of other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Description	2020	2019
	Years	Years
Personal vehicles	5	5
Trucks and commercial vehicles	4-5	4-5
Office furniture	4	4
Office and IT equipment	2-4	2-4
Telephones, mobile phones and equipment	2-4	2-4

The residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined as the difference between the income from the disposal and the carrying amounts of the asset disposed, and are recognised in profit or loss within other income/expenses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6. Impairments of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where 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. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3.7. Investment in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8. Financial instruments

Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

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

Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost or FVTPL.

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

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

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

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL.

Financial assets at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit and loss.

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

Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8. Financial instruments (*continued*)

Derecognition

Financial assets

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

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

Financial liabilities

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

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts, including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts, through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at fair value through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8. Financial instruments (continued)

Impairment of non-derivative financial assets

The Company recognises loss allowances for ECLs on financial assets measured at amortised cost.

Loss allowances are measured on either of the following:

- 12-month ECLs: these are ECLs that result from possible default events within 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instruments

Loss allowance for the Company's financial assets measured at amortised cost are always measured at an amount equal to lifetime ECL.

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

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

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

Credit-impaired financial assets

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

Events that indicate that financial assets are credit-impaired includes the following:

- It is probable that the borrower will enter bankruptcy or any other type of reorganisation or restructuring;
- specific financial difficulty of the borrower.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9. Cash and cash equivalents

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

3.10. Inventories

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

Merchandise is carried at the lower of purchase cost and selling price (less applicable taxes and rebates). Low valued inventory and tools are expensed when put into use.

At the moment of sale, the Company recognizes the carrying amount of sold inventories as expense in profit or loss. The amount of any inventory write-off resulting from adjustments to net realizable value and/or shortages is recognized as an expense in profit or loss as incurred.

3.11. Employee benefits

Pension obligations and post-employment benefits

In the normal course of business through salary deductions, the Company makes payments to mandatory pension funds managed by third parties on behalf of its employees as required by law. All contributions made to the mandatory pension funds are recorded as salary expense when incurred. The Company is not obliged to provide any other post-employment benefits with respect to these pension schemes.

3.12. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of discounting is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation, determined using the estimated risk free interest rate as the discount rate. Where discounting is used, the reversal of such discounting in each year is recognized as a financial expense and the carrying amount of the provision increases in each year to reflect the passage of time.

3.13. Contingent liabilities and assets

Contingent liabilities are not included in the financial statements. They are disclosed unless the likelihood of the outflow of economic benefits from the Company is remote. Contingent assets are not recognized in the financial statements, but are disclosed when the cash inflow is probable.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14. Dividends

Dividends are presented in the statement of changes in equity and are recognised as liability in the period in which are approved by the Company's owners. Prepaid dividends are recognised in the statement of changes in equity.

3.15. Determining fair value

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

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

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

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more significant inputs are not based on observable market data, the fair value estimate is included in level 3.

3.16. Leases

As a lessee, the Company leases premises for its betting shops.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16. Leases (continued)

- The Company has the right to obtain substantially all of the economic benefit for the use of asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is use.

The Company recognised a right-of-use asset and a lease liability at the lease commencement date.

Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Lease payments comprise fixed payments and exclude non-lease components. The lease liability is measured at amortised cost using the effective interest rate method.

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Company has early adopted *COVID-19-Related Rent Concessions – Amendments to IFRS 16* issued on 28 May 2020. The amendment introduces an optional practical expedient for leases in which the Company is lessee – i.e. for leases to which the Company applies the practical expedient, the Company is not required to assess whether eligible rent concessions that are direct consequence of the COVID-19 coronavirus pandemic are lease modifications. The Company has applied the amendment retrospectively. The amendment has no impact on retained earnings at 1 January 2020.

5. SALES REVENUE

Disaggregation of revenue

In the following table, revenue is disaggregated by major product/service lines and sales channels.

	2020	2019
	HRK '000	HRK '000
<i>Major products/service lines</i>		
Revenue from betting activities	421,966	515,847
Revenue from casino games	320,066	299,812
Revenue from other activities	822	1,131
Rental income	619	742
Total	743,473	817,532
<i>Sales channel</i>		
Land-based	149,570	232,036
Online	592,462	583,623
Revenue from other activities	822	1,131
Rental income	619	742
Total	743,473	817,532

Revenue from betting services is generated by providing betting services via betting shops throughout Croatia as well as via betting machines and online betting. Casino revenues are generated by providing physical (land based) and online casino services.

	2020	2019
	HRK '000	HRK '000
Gross gaming revenue	933,632	1,035,399
Taxes payable to the state	(191,600)	(219,740)
Net gaming revenue	742,032	815,659
Revenue from other activities	822	1,131
Rental income	619	742
Total	743,473	817,532

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6. OTHER OPERATING INCOME

	2020	2019
	HRK '000	HRK '000
Gain on sale of property, plant and equipment	158	180
Gain from write-offs of liabilities	200	68
Reversal of allowance for impairment of loans given and other receivables	2	80
Government grants	7,807	-
Rent concessions	2,707	-
Other operating income	1,981	1,927
Total	12,855	2,255

Government grants

In response to the COVID-19 coronavirus pandemic, in March 2020 the government of Croatia introduced a wage subsidy programme for companies. Under the job preservation programme, an eligible Company could apply for the subsidy in the amount of HRK 3,250 per employee for March 2020 and HRK 4,000 per employee from April 2020 onwards. In addition, the related pension and health insurance contributions were forgiven.

Among other factors, the subsidy is conditional on turnover decrease of at least 20% on a monthly basis and/or operation restrictions caused by the government, restrictions on dividend payments and stock compensation and bonus payments to management members from 1 May 2020 until 31 December 2021 and the Company continuing to employ and pay the salary to the employees.

The Company benefited from the job preservation programme from March to April 2020. Out of HRK 7,807 thousand, HRK 6,411 thousand relate to subsidy per employee and the remainder relates to pension and health insurance contributions that the Company was not obliged to pay.

Rent concessions

The Company negotiated rent concessions with its landlords for its betting shop leases as a result of the impact of the COVID-19 pandemic during the year. The Company applied practical expedient for COVID-19-related rent concessions consistently to eligible rent concessions relating to its betting shop leases.

7. MATERIALS AND ENERGY

	2020	2019
	HRK '000	HRK '000
Materials used	6,449	8,229
Energy consumed	5,211	6,064
Small inventory write-off	845	3,163
Total	12,505	17,456

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8. SERVICE COSTS

	2020	2019
	HRK '000	HRK '000
External services related to products and services offered	54,972	53,355
Advertising services	13,769	11,646
Transport and telecommunications services	3,814	4,368
Rent expenses	1,445	2,907
Maintenance	3,962	2,325
Utilities	1,692	1,848
Other services	1,166	1,807
Total	80,820	78,256

9. EMPLOYEE BENEFITS

	2020	2019
	HRK '000	HRK '000
Net salaries and wages	67,005	65,379
Taxes and contributions from salaries	24,637	24,397
Contributions on salaries	14,369	14,522
Total	106,011	104,298

Employee expenses include HRK 17,670 thousand (2019: HRK 17,422 thousand) of compulsory contributions for pension insurance paid to the Croatian Pension Insurance Institute, calculated as a percentage of gross salaries of employees.

10. OTHER OPERATING EXPENSES

	2020	2019
	HRK '000	HRK '000
Product related services	48,637	51,783
Contributions and taxes	4,551	5,067
Bank and credit card charges	14,494	9,759
Travel and commuting expenses	2,927	3,642
Betting and casino concession charge	6,375	6,500
Other employee costs	6,951	6,804
Entertainment expenses	850	7,642
Insurance	687	855
Allowance for impairment other receivables	3,069	386
Write down of Inventories	50	249
Donations	1,978	763
Other expenses	2,446	2,726
Total	93,015	96,176

Product related services in the amount of HRK 48,637 thousand (2019: HRK 51,783 thousand) relate mainly to operational maintenance, design, development and updates of programs and applications, as well as other services, such as those related to provision of live results, etc.

Contributions and taxes relate mostly to the non-refundable value added tax.

11. FINANCE INCOME

	2020	2019
	HRK '000	HRK '000
Dividend income	25,000	23,119
Interest income	67	394
Foreign exchange gains	29	20
Total	25,096	23,533

12. FINANCE COSTS

	2020	2019
	HRK '000	HRK '000
Interest expense	1,692	1,739
Foreign exchange losses	922	274
Other finance expenses	39	117
Total	2,653	2,130

13. INCOME TAX EXPENSE

Income tax is calculated at a rate of 18% (2019: 18%) in accordance with Law and Rulebook on income tax. A reconciliation of tax expense per the statement of the comprehensive income and taxation at the statutory tax rate is as follows:

	2020 HRK '000	2019 HRK '000
Profit before tax	461,969	522,744
Income tax at statutory rate 18% (2019: 18%)	83,154	94,094
Effect of non-deductible expenses	786	567
Effect of non-taxable income	(5,906)	(4,239)
Income tax expense	78,034	90,422
<i>Effective tax rate</i>	16.9%	17.3%

Non-taxable income mostly relate to dividend income and the state subsidy received during the year.

The Company is subject to income tax under the laws and regulations of the Republic of Croatia, which represents the difference between income and expenses determined in accordance with the laws and regulations.

14. INTANGIBLE ASSETS

	Software and licences HRK '000	Under constructions HRK '000	Total HRK '000
Cost			
As at 1 January 2019	2,333	-	2,333
Additions	57	-	57
As at 31 December 2019	2,390	-	2,390
As at 1 January 2020	2,390	-	2,390
Additions	1,017	13,388	14,405
Transfer	11,000	(11,000)	-
As at 31 December 2020	14,407	2,388	16,795
Accumulated amortization			
As at 1 January 2019	1,658	-	1,658
Charge for the year	94	-	94
As at 31 December 2019	1,752	-	1,752
As at 1 January 2020	1,752	-	1,752
Charge for the year	814	-	814
As at 31 December 2020	2,566	-	2,566
Carrying value			
As at 1 January 2019	675	-	675
As at 31 December 2019	638	-	638
As at 1 January 2020	638	-	638
As at 31 December 2020	11,841	2,388	14,229

15. PROPERTY, PLANT AND EQUIPMENT

	Equipment, vehicles and tools HRK '000	Works of art HRK '000	Total HRK '000
Cost			
As at 1 January 2019	57,281	60	57,341
Additions	3,510	-	3,510
Disposals and write-offs	(1,327)	-	(1,327)
As at 31 December 2019	59,464	60	59,524
As at 1 January 2020	59,464	60	59,524
Additions	3,121	-	3,121
Disposals and write-offs	(1,179)	-	(1,179)
As at 31 December 2020	61,406	60	61,466
Accumulated depreciation			
As at 1 January 2019	44,773	-	44,773
Charge for the year	5,512	-	5,512
Disposals and write-offs	(1,242)	-	(1,242)
As at 31 December 2019	49,043	-	49,043
As at 1 January 2020	49,043	-	49,043
Charge for the year	5,234	-	5,234
Disposals and write-offs	(1,091)	-	(1,091)
As at 31 December 2020	53,186	-	53,186
Carrying value			
As at 1 January 2019	12,508	60	12,568
As at 31 December 2019	10,421	60	10,481
As at 1 January 2020	10,421	60	10,481
As at 31 December 2020	8,220	60	8,280

16. LEASES

The Company leases premises for its betting shops. The leases typically run for a period of 1 to 10 years. Information about leases for which the Company is a lessee is presented below.

a) *Right-of-use assets*

	Premises HRK '000
As at 1 January 2019	-
Recognition of right-of-use asset on initial application of IFRS 16	59,070
Adjusted balance as at 1 January 2019	59,070
Additions	14,141
Depreciation charge	(16,903)
Terminations and modifications	(2,452)
As at 31 December 2019	53,856
As at 1 January 2020	53,856
Additions	20,757
Depreciation charge	(18,433)
Terminations and modifications	(3,174)
As at 31 December 2020	53,006

Amounts recognised in profit and loss

	2020 HRK '000	2019 HRK '000
Interest on lease liabilities	1,692	1,739
Expenses relating to short-term leases	688	2,107
Expenses relating to leases of low-value assets	250	272
Gain on derecognition of right-of-use assets	(52)	(16)

SUPER SPORT d.o.o.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2020

16. LEASES (CONTINUED)

b) *Lease liabilities*

Movement in lease liabilities is as follows:

	2020 HRK '000	2019 HRK '000
Balance at 1 January	54,559	-
<i>Changes from financing cash flows</i>		
Payment of lease liabilities	(17,970)	(16,184)
Total changes from financing cash flows	36,589	(16,184)
<i>Other</i>		
Adoption of IFRS 16	-	59,070
Interest expense	1,692	1,739
Interest paid	(1,692)	(1,739)
New leases	20,757	14,141
Terminations and modifications	(3,226)	(2,468)
Total other	17,531	70,743
Balance at 31 December	54,120	54,559

Maturity analysis of lease liabilities is as follows:

	31 December 2020 HRK '000	31 December 2019 HRK '000
Less than one year	16,896	16,185
One to two years	13,320	13,616
Two to five years	22,029	20,778
More than five years	1,875	3,980
Total	54,120	54,559

As at 31 December 2020 the average incremental borrowing rate amounted to 3% (31 December 2019: 3%).

17. INVESTMENTS IN SUBSIDIARIES

	31 December 2020 % share	31 December 2019 % share
Puni broj d.o.o., Zagreb	100%	100%
Carrying value in HRK '000	302,700	302,700

Principal activity of Puni broj d.o.o. is the operation of casino and similar games.

18. TRADE AND OTHER RECEIVABLES

	31 December 2020 HRK '000	31 December 2019 HRK '000
Receivables from financial service companies - credit card transactions	35,512	26,557
Receivables for vouchers	452	159
Trade receivables from domestic customers	54	53
Other receivables from state and state institutions	381	80
Advances paid	1,097	1,064
Other receivables	740	727
Total	38,236	28,640

Receivables from credit card transactions, receivables for vouchers and domestic trade receivables are due within 30 days. Receivables are denominated in Croatian kuna.

19. LOANS GIVEN

	31 December 2020 HRK '000	31 December 2019 HRK '000
Loans given	2,197	2,179
Allowance for loan losses	(2,096)	(2,096)
Total	101	83

Loans given relate to loans to legal entities and employees of the Company. Loans given generally carry interest rates ranging from 3% to 5% (2019: 3% to 5%) and have maturity up to one year. As at 31 December 2020, loans given in the amount of HRK 8 thousand are denominated in euros (31 December 2019: HRK 8 thousand).

20. CASH AND CASH EQUIVALENTS

	31 December 2020 HRK '000	31 December 2019 HRK '000
Bank accounts - HRK	214,136	260,781
Bank accounts - foreign currency	4,765	204
Cash in hand	984	9,230
Total	219,885	270,215

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2020

21. PREPAID EXPENSES

	31 December 2020 HRK '000	31 December 2019 HRK '000
Annual fees for the organisation of casino games and betting activities	6,500	6,500
Other prepaid expenses	1,352	3,188
Total	7,852	9,688

22. SUBSCRIBED CAPITAL

The owners of the Company are as follows:

	31 December 2020		31 December 2019	
	HRK '000	%	HRK '000	%
EMMA Gamma Adriatic d.o.o. / Sazka Group Adriatic d.o.o.	201,586	65.45	201,586	65.45
Mr. Danko Ćorić	101,640	33.00	101,640	33.00
Key management	4,774	1.55	4,774	1.55
Total	308,000	100	308,000	100

On 26 April 2018, a majority of Company's shares were acquired by Sazka Group Adriatic d.o.o., Croatia, whose ultimate parent company was KKCG AG, Switzerland. The ultimate controlling party of KKCG AG is Mr. Karel Komárek from the Czech Republic.

On 22 May 2019, as a result of split of assets in the Sazka Group, the Czech Republic, the new parent company became EMMA Capital, Cyprus, whose ultimate controlling party is Mr. Jiří Šmejck from the Czech Republic.

In 2020, Sazka Group Adriatic d.o.o. change its name to Emma Gamma Adriatic d.o.o.

As at 31 December 2020 the subscribed capital consist of 5 shares (31 December 2019: 5 shares).

The subscribed capital of the Company includes HRK 300,000 thousand of capital arising from profit reinvestments made in prior years. If in the subsequent periods the subscribed capital is paid out or decreased, the tax incentive utilised on reinvested profit may be revoked and may result in tax expense and liability.

During 2020, the Company paid total dividends in the amount of HRK 401,203 thousand, out of which HRK 177,000 thousand relate to prepaid dividends for 2020 (2019: the Company paid total dividends in the amount of HRK 415,726 thousand, out of which HRK 208,119 thousand relate to prepaid dividends for 2019).

23. TRADE AND OTHER PAYABLES

	31 December 2020 HRK '000	31 December 2019 HRK '000
Trade payables	10,740	12,520
Advances received	13,311	9,853
Payables to employees	5,566	6,124
Payables to the state (pension and health insurance and other taxes)	4,832	5,401
Payables to the state related to betting and casino activities	30,205	36,907
Liabilities for unpaid wins	540	1,174
Other short-term payables	5,852	4,915
Total	71,046	76,894

24. FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT

Accounting classifications and fair value

The Company's financial assets and financial liabilities are measured at amortised cost. Their carrying amount is a reasonable approximation of fair value.

Risk management

In its business, the Company is exposed to the following financial risks:

- Market risk (price, currency and interest rate risk)
- Liquidity risk
- Credit risk

Market risk

Market risk is the risk that the change in market prices, such as the change in foreign exchange rates and interest rates, will affect the Company's revenue or the value of its financial instruments.

a) Price risk

The Company operates in the Croatian market. Management determines the prices of its services based on the market prices. In the betting segment, management determines the betting odds when betting offers are announced, based on offers for betting odds present on the market. The Company monitors the results that are subject to changes due to the nature of the betting industry on a daily basis.

24. FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT
(CONTINUED)

Market risk (*continued*)

b) Interest rate risk

Interest rate risk is the risk that the value of financial instruments will change due to changes in market interest rates relative to the interest rates applicable to financial instruments.

Interest rate risk with respect to cash flows is the risk that the interest expense arising from financial instruments will be variable over time. The Company estimates this risk as low as it has no interest bearing borrowings while interest bearing financial assets generally mature within one year.

b) Currency risk

The Company is exposed to currency risk through services received from abroad and through monetary assets and liabilities denominated in a currency other than the functional currency of the Company. The currency to which the Company is primarily exposed is euro.

The following table contains the carrying amounts of the monetary assets and liabilities of the Company in foreign currency at the reporting date.

	Liabilities		Assets	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	HRK'000	HRK'000	HRK'000	HRK'000
EUR	(49,463)	(55,778)	4,768	210
Other currencies	-	-	5	2

The weakening/strengthening of the kuna (HRK) against the euro by 1% at the reporting date would increase/decrease the pre-tax result by HRK 447 thousand (*31 December 2019: HRK 554 thousand*). This analysis assumes that all other variables, including interest rates, remain unchanged.

Exposure to euro mostly relate to lease liabilities denominated in euro.

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24. FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT
(CONTINUED)

Liquidity risk

The Company is exposed to liquidity risk due to daily payments and withdrawals. The Company manages the liquidity risk by providing enough cash to pay the betting/casino wins on a daily basis.

The Company's assets and liabilities at the reporting date are as follows:

31 December 2020	Carrying amount HRK '000	Contractual cash flows HRK '000	0 - 12 months HRK '000	1 - 2 years HRK '000	2 - 5 years HRK '000	Over 5 years HRK '000
Financial assets						
Trade and other receivables	36,758	36,758	36,758	-	-	-
Loans given	101	101	101	-	-	-
Cash and cash equivalents	219,885	219,885	219,885	-	-	-
	<u>256,744</u>	<u>256,744</u>	<u>256,744</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities						
Lease liabilities	54,120	56,824	17,862	14,149	22,885	1,928
Trade and other payables	16,592	16,592	16,592	-	-	-
	<u>70,712</u>	<u>73,416</u>	<u>34,454</u>	<u>14,149</u>	<u>22,885</u>	<u>1,928</u>

All liabilities, except lease liabilities, are due within one year. The Company is not significantly exposed to liquidity risk since it is liquid and fulfils all its obligations in a timely manner.

31 December 2019	Carrying amount HRK '000	Contractual cash flows HRK '000	0 - 12 months HRK '000	1 - 2 years HRK '000	2 - 5 years HRK '000	Over 5 years HRK '000
Financial assets						
Trade and other receivables	27,496	27,496	27,496	-	-	-
Loans given	83	83	83	-	-	-
Cash and cash equivalents	270,215	270,215	270,215	-	-	-
	<u>297,794</u>	<u>297,794</u>	<u>297,794</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities						
Lease liabilities	54,559	58,166	17,594	14,573	21,890	4,109
Trade and other payables	17,435	17,435	17,435	-	-	-
	<u>71,994</u>	<u>75,601</u>	<u>35,029</u>	<u>14,573</u>	<u>21,890</u>	<u>4,109</u>

24. FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT
(CONTINUED)

Credit risk

Credit risk is a risk that a buyer or other party to a financial instrument will not fulfil its obligation and thereby cause the Company to incur financial losses.

Financial assets that expose the Company to credit risk consist mainly of cash, loans given and trade receivables.

The carrying amount of financial assets represents the maximum exposure to credit risk at the reporting date and is as follows:

	31 December 2020 HRK '000	31 December 2019 HRK '000
Trade and other receivables	36,758	27,496
Loans given	101	83
Cash and cash equivalents	219,885	270,215
	256,744	297,794

The credit rating of institutions where the Company holds its cash and cash equivalents according to Standard&Poor's classification is as follows:

	Rating	31 December 2020 HRK '000	31 December 2019 HRK '000
Cash and cash equivalents	BB or above	-	9,339
	No rating	219,885	260,876
		219,885	270,215

25. RELATED PARTY TRANSACTIONS

During 2020 and 2019, the Company entered into transactions with the following related parties:

Company name / person	Relationship to the Company
Puni broj d.o.o.	Subsidiary of the Company
Minus5 d.o.o.	Subsidiary of EMMA Gamma Adriatic d.o.o.
EMMA Gamma Adriatic d.o.o.	Owns 65.45% of Company
Mr. Danko Ćorić	Owns 33% of Company
Other related parties	Mr. Danko Ćorić family members and related parties.

Key management personnel compensation

As at 31 December 2020, key management consisted of four employees (*31 December 2019: four employee*). Key management personnel gross compensation for the year ended 31 December 2020 amounted to HRK 5,443 thousand (*2019: HRK 5,439 thousand*).

Dividends paid to the key management personnel in 2020 amounted to HRK 6,149 thousand (*2019: 2,868 thousand*).

SUPER SPORT d.o.o.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2020

25. RELATED PARTY TRANSACTIONS (CONTINUED)

	Trade and other receivables	Trade and other payables	Revenue	Expenses	Finance income
	31 December 2020 HRK '000	31 December 2020 HRK '000	2020 HRK '000	2020 HRK '000	2020 HRK '000
Puni broj d.o.o.	1	1	507	537	-
minus5 d.o.o.	-	1,938	-	8,378	-
EMMA GAMMA Adriatic d.o.o. (SAZKA Group Adriatic)	-	-	11	-	-
Mr. Danko Ćorić	-	85	-	1,712	-
Parties related to Mr. Danko Ćorić	-	16	41	1,455	-
	1	2,040	559	12,082	-
	31 December 2019 HRK '000	31 December 2019 HRK '000	2019 HRK '000	2019 HRK '000	2019 HRK '000
Puni broj d.o.o.	31	-	617	-	-
minus5 d.o.o.	-	1,812	-	15,061	-
EMMA GAMMA Adriatic d.o.o. (SAZKA Group Adriatic)	1	-	11	-	86
Mr. Danko Ćorić	-	-	-	1,688	-
Parties related to Mr. Danko Ćorić	-	26	42	1,514	-
	32	1,838	670	18,263	86

The Company recognised intangible assets in the amount of HRK 13,388 thousand based on the services provided by minus5 d.o.o.

25. RELATED PARTY TRANSACTIONS (CONTINUED)

Dividends paid during the year are shown in note 22 to the financial statements. Dividends received from Puni broj d.o.o. amounted to HRK 25,000 thousand (2019: HRK 23,119 thousand).

26. SUBSEQUENT EVENTS

Betting shops were closed from 28 November 2020 until 15 February 2021 when the Government of Croatia allowed betting shops to be reopen. The betting terminals which are primarily located in café bars remained closed as of date of issuance of these financial statements.

In March 2021, the Company paid dividends in the amount of HRK 230,172 thousand.