FTB TURIZAM d.d.

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Security code: LRHC (LRHC-R-A)
ISIN: HRLRHCRA0008
LEI: 74780000L0DH9RUW0I04
Regulated market: Zagrebačka burza d.d.
Regulated market segment: Regular market
Parent Member State: Republic of Croatia

Annual report with independent auditor's report for FTB TUIZAM d.d. and FTB Group for period 1 January 2022 to 31 December 2022

FTB TURIZAM d.d.

ANNUAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2022

Contents

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FTB TURIZAM d.d.

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of FTB TURIZAM d.d. (the Company) and its subsidiaries (together - the Group), which comprise the consolidated and separate balance sheet as of 31 December 2022, the consolidated and separate statement of comprehensive income, the consolidated and separate statement of cash flows, the consolidated and separate statement of changes in equity for the year then ended, and the consolidated and separate notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the financial position of the Group and the Company as of 31 December 2022, their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in our auditor's report section entitled "Auditor's Responsibilities for the Audit of the Financial Statements." We are independent of the Group and the Company in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FTB TURIZAM d.d. (continued)

Key Audit Matters (continued)

Key Audit Matters	How we addressed key matters in the audit
Assessment of the useful life of properties, plant, and equipment and indicators of impairment	
As of 31 December 2022, the Group presents properties, plant, and equipment in the amount of HRK 295.026 thousand (31 December 2021: HRK 304.700 thousand). Properties, plant, and equipment consist mainly of tourism facilities and related assets, which are stated in the consolidated balance sheet at historical cost less accumulated depreciation and impairment. Management annually assesses whether there are indicators that would require a revision of the estimated useful life of properties, plant, and equipment compared to the previously estimated life, as well as indicators of impairment of the respective assets. During the current period, management did not identify any indicators of impairment, and therefore concluded that there is no need to perform an impairment test. Considering the potential significant impact of unidentified indicators of impairment of properties, plant, and equipment, we have concluded that the assessment of the useful life and indicators of impairment is one of the key audit matters.	Through our audit procedures, we gained an understanding of the Group's accounting policies related to the measurement of properties, plant, and equipment, impairment tests, and the estimation of the useful life of properties, plant, and equipment. We compared the useful life of certain groups of properties, plant, and equipment with the range of useful lives in similar companies in the tourism industry. Considering the management's conclusion that no indicators of impairment were identified, we assessed whether there is a difference between the current circumstances and the assumptions used in previous years. We relied on internal reports on the financial performance of individual components as a basis for our assessment.

Other matters

The audit of the annual separate financial statements of the Company and the Group for the year ended 31 December 2021 was performed by another auditor, who expressed a modified opinion on those financial statements on 29 April 2022.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FTB TURIZAM d.d. (continued)

Other information

Management is responsible for the other information. Other information includes the Management Report and the Statement on the Application of the Corporate Governance Code included in the Annual Report, but does not include the consolidated and separate financial statements and our auditor's report thereon. Our opinion on the consolidated and separate financial statements does not cover the other information.

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

With regard to the Management Report and the Statement on the Application of the Corporate Governance Code, we have performed the procedures prescribed by the Accounting Act. These procedures include verifying whether the Management Report is prepared in accordance with Article 21 of the Accounting Act and whether the Statement on the Application of the Corporate Governance Code contains the information defined in Article 22 of the Accounting Act.

Based on the procedures performed, to the extent we were able to assess, we report that:

1. The information in the attached Management Report and the Statement on the Application of the Corporate Governance Code is consistent, in all material respects, with the attached consolidated and separate financial statements;

2. The attached Management Report is prepared in accordance with Article 21 of the Accounting Act;

3. The attached Statement on the Application of the Corporate Governance Code includes the information defined in Article 22 of the Accounting Act.

Based on our understanding of the Company's operations and its environment acquired in the course of the audit of the consolidated and separate financial statements, we are required to report if we have identified significant misstatements in the attached Management Report and the Statement on the Application of the Corporate Governance Code. In this respect, we have no such report to make.

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

Management is responsible for the preparation of the consolidated and separate financial statements that give a true and fair view in accordance with IFRS and for the internal controls determined by management to be necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, management is responsible for assessing the Group's and 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 Group and the Company or to cease operations or has no realistic alternative but to do so.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FTB TURIZAM d.d. (continued)

Responsibilities of Management and Those Charged with Governance for the Consolidated and Separate Financial Statements (continued)

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

Responsibilities of the auditor for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate 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 the risk of not detecting 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 Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Group's and the Company'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 Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate 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 auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FTB TURIZAM d.d. (continued)

Responsibilities of the auditor for the audit of the financial statements (continued)

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our auditor's report.

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 control that we identify during our audit.

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

Between the matters communicated with those charged with governance, we determine those matters that are of greatest significance in the audit of the consolidated and separate financial statements of the current period and, therefore, are key audit matters. We describe these matters in our independent auditor's report unless laws or regulations prohibit the public disclosure of the matters or when, in exceptionally rare circumstances, we decide that the matter should not be communicated in our independent auditor's report because the potential adverse consequences of communication would outweigh the benefits to the public interest.

Report on Other Legal and Regulatory Requirements

1. The Annual General Meeting, held on 29 August 2022, adopted a decision, based on the proposal of the Supervisory Board, to appoint Grant Thornton revizija d.o.o., a trading company, as the auditor of the Group and the Company for the year 2022.

2. As of the date of this report, Grant Thornton revizija d.o.o. has been engaged in conducting statutory audits of the Group and the Company, starting with the audit of the annual financial statements for the year 2022. The engagement represents a one-year term.

Grant Thornton

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FTB TURIZAM d.d. (continued)

Report on Other Legal and Regulatory Requirements

3. In the audit of the consolidated and non-consolidated financial statements for the year 2022, we have determined materiality for the financial statements as a whole in the amount of HRK 2,0 million for the Group and HRK 1,5 million for the Company. For the Group, we have used the criterion of the average total revenues for the last 3 years to mitigate the impact of the COVID-19 pandemic, while for the Company, we have selected total assets as a key indicator of performance.

4. Our audit opinion is consistent with the additional report for the Company's Audit Committee prepared in accordance with the provisions of Article 11 of Regulation (EU) No 537/2014.

5. During the period between the initial date of the audited financial statements of the Group and the Company for the year 2022 and the date of this report, we have not provided prohibited non-audit services to the Group or the Company, and we have not provided services related to the design and implementation of internal control procedures or risk management associated with the preparation and/or review of financial information or the design and implementation of technological systems for financial information during the business year preceding the aforementioned period. Therefore, we have maintained independence in relation to the Group and the Company while conducting the audit.

Report based on the requirements of Delegated Regulation (EU) 2018/815 supplementing Directive 2004/109/EC of the European Parliament and of the Council as regards regulatory technical standards for the specification of a single electronic reporting format

Report on the Auditor's Assurance on the Compliance of the Consolidated and Non-consolidated Financial Statements, prepared pursuant to Article 462, paragraph 5 of the Capital Market Act (Official Gazette, No. 65/18, 17/20, 83/21, and 151/22), applying the requirements of Delegated Regulation (EU) 2018/815, which specifies the single electronic reporting format for issuers (ESEF Regulation).

We have performed an engagement to express a reasonable assurance as to whether the consolidated and non-consolidated financial statements, prepared for the purpose of public disclosure pursuant to Article 462, paragraph 5 of the Capital Market Act, contained in the attached electronic file "ftbturizamdd-2022-12-31-hr," have been prepared, in all material respects, in accordance with the requirements of the ESEF Regulation.

Responsibilities of Management and Those Charged with Governance

The Company's management is responsible for the preparation and content of the Group's and the Company's financial statements in accordance with the ESEF Regulation.

In addition, the Company's management is responsible for maintaining a system of internal controls that provides reasonable assurance of the preparation of the Group's and the Company's financial statements in compliance with the reporting requirements of the ESEF Regulation, whether due to fraud or error.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FTB TURIZAM d.d. (continued)

Report based on the requirements of Delegated Regulation (EU) 2018/815 supplementing Directive 2004/109/EC of the European Parliament and of the Council as regards regulatory technical standards for the specification of a single electronic reporting format (continued)

Responsibilities of Management and Those Charged with Governance (continued)

The Management is also responsible for:

- Publishing the consolidated and separate financial statements contained in the annual report in the applicable XHTML format, and

- Selecting and using XBRL tags in accordance with the requirements of the ESEF Regulation.

Those charged with governance are responsible for overseeing the preparation of the consolidated and separate financial statements in ESEF format as part of the financial reporting process.

Auditor's Responsibilities

Our responsibility is to express a conclusion, based on the audit evidence obtained, as to whether the consolidated and separate financial statements are free from material misstatement in accordance with the requirements of the ESEF Regulation. We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revized) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information and expressed a reasonable assurance conclusion.

Performed Procedures

The nature, timing, and extent of selected procedures depend on the auditor's judgment. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ESEF Regulation will always detect a material misstatement.

As part of our selected procedures, we performed the following activities:

- We read the requirements of the ESEF Regulation;
- We gained an understanding of the Company's and Group's internal controls relevant to the application of the ESEF Regulation;
- We identified and assessed the risks of material misstatement in accordance with the ESEF Regulation due to fraud or error; and
- Based on that, we designed and performed procedures to respond to the assessed risks and to obtain reasonable assurance for the purpose of expressing our conclusion.

The objective of our procedures was to assess whether:

- The consolidated and separate financial statements included in the annual report were prepared in the applicable XHTML format.
- The data required by the ESEF Regulation, contained in the consolidated and separate financial statements, were tagged, and all tagging meets the following requirements:
    - The XBRL language was used for tagging;

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FTB TURIZAM d.d. (continued)

Report based on the requirements of Delegated Regulation (EU) 2018/815 supplementing Directive 2004/109/EC of the European Parliament and of the Council as regards regulatory technical standards for the specification of a single electronic reporting format (continued)

Performed Procedures (continued)

- The elements of the core taxonomy specified in the ESEF Regulation with the closest accounting significance were used, unless an additional taxonomy element was created in accordance with Annex IV of the ESEF Regulation;
- The tags were consistent with the common labeling rules according to the ESEF Regulation;

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

In our opinion, based on the procedures performed and the evidence obtained, the consolidated and separate financial statements presented in the ESEF format contained in the attached electronic file and prepared for public disclosure in accordance with Article 462, paragraph 5 of the Capital Market Act, are, in all material respects, in accordance with the requirements of Article 3, 4, and 6 of the ESEF Regulation for the year ended 31 December 2022.

In addition to this conclusion and the opinion expressed in this independent auditor's report on the attached consolidated and separate financial statements and annual report for the year ended 31 December 2022, we do not express any opinion on the information contained in those presentations or on any other information contained in the aforementioned file.

The engagement partner responsible for the audit resulting in this independent auditor's report is Mr. Ivica Smiljan.

Grant Thornton revizija d.o.o.

Ulica grada Vukovara 284

10000 Zagreb

Croatia

Zagreb, 30 April 2023

Director

Ivica Smiljan

Certified auditor

Ivica Smiljan

Grant Thornton revizija d.o.o.
HR - 10000 Zagreb

The Annual Report of the Management Board was prepared based on the requirement of Article 250a of the Companies Act and Articles 21 and 24 of the Accounting Act.

The Report relates to the FTB Turizam Group, which consists of Hoteli Cavtat d.d. Cavtat, Hoteli Metropol d.o.o. Portorož, Remisens Hotel Group d.o.o. Zagreb and FTB Turizam d.d. Zagreb (parent company), and aims to present the most important achievements in business operations in 2022 and a future outlook.

Overview of 2022 operations with an emphasis on the most significant financial performance indicators

The consolidated business results of the FTB TURIZAM Group show that the Group companies (Hoteli Cavtat d.d., Hoteli Metropol d.o.o., Remisens Hotel Group d.o.o. and FTB TURIZAM d.d.) recorded 224.949 overnight stays in 2022. Revenues and other operating income amounted to around HRK 126,0 million, which is HRK 59,0 million higher than last year's results. Unlike the year 2021, during which the results were affected by the global coronavirus pandemic (COVID-19), in 2022 all the hotels of the Group were operational in accordance with the planned working periods.

Material costs, staff costs, depreciation and amortization, impairment of receivables and other operating expenses in 2022 totaled about HRK 103,0 million, which is HRK 32,4 million higher than last year's results.

The financial operations' results were negative, amounting to about HRK 2,7 million, approximately HRK 358 thousand more negative than the previous year's results.

In 2022, the Group recorded a pre-tax profit in the amount of HRK 19,9 million, whereas in 2021, the loss was HRK 6,1 million.

Expected future development of the Group

All hotels within the Group have commenced the implementation of a new program for hotel operations as of 1 January 2023, encompassing all segments and departments within the business.

The company Hoteli Cavtat, which is part of the Group, has reached an agreement with the business bank to reschedule the payment schedule of an existing loan, specifically moving the loan installment payment from March 2023 to September 2023.

Following 31 December 2022, hotels within the Group have initiated preparations for the 2023 hotel season, including investments to maintain the same hotel category and mandatory investments for safety and hotel operations. Based on the cash flow estimate, Hoteli Cavtat, a company within the Group, has requested loan offers from commercial banks for investment financing amounting to 1,2 million EUR.
In March 2023, Hoteli Cavtat, as part of the Group, has applied for non-refundable funds from the European Union under the Ministry of Tourism's call for Strengthening Sustainability and Promoting Green and Digital Transition of Entrepreneurs in the Tourism Sector.

All hotels within the Group have planned for extended operational periods in the upcoming year 2023, as well as an increase in the number of employees.

Information on Repurchase and Sale of Treasury Shares

In the year 2022, FTB TURIZAM Company sold 1.128 treasury shares and, as of 31 December 2022, holds a total of 3.325 treasury shares, representing 1,0987% of the Company's share capital. Other companies within the Group do not hold any treasury shares.

Financial Instruments

The management policy for financial instruments in the Group's companies defines fundamental principles to ensure short-term and long-term liquidity, investment security, and the achievement of maximum possible returns with minimal risk.
The financial assets of the Group's companies consist of cash balances, trade receivables, and other receivables.
Financial liabilities consist of long-term loans, obligations to suppliers, and other liabilities, which the Group's companies settle within the maturity dates. In addition to cash balances, credit facilities, and intra-group loans, the liquidity of the Group's companies was ensured throughout the business year 2022.

As of 31 December 2022, the Group's companies reduced their credit indebtedness by 13,4 million HRK compared to 31 December 2021.

The management policy for financial instruments establishes the Group's exposure to risks and methods of protection against those risks.

Group's Exposure to Risks

The Group companies' operations expose the Group to a variety of financial risks, primarily to market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk.

Currency risk

The Group is exposed to currency risk since credit obligations, trade payables and receivables of the Companies within the Group are denominated in euros.

Interest rate risk

The Group is exposed to interest rate risk because the borrowings and deposits are contracted with a variable interest rate.

Credit risk

The Group is exposed to this risk due to short-term intercompany loans.

Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves, bank balances and borrowings, continuously monitoring forecast and actual cash flows and comparing maturity profiles of financial assets and liabilities.

Liquidity risk (continued)

Impact of the Coronavirus and the Russian invasion of Ukraine on global tourism has altered the risk exposure position for the Group. Liquidity risk has increased due to the overall market situation, and the Group has responded to this by adjusting its business operations, decisions, and activities as explained further in the text below. However, the course of the crisis remains unpredictable, making it currently impossible to provide a comprehensive risk assessment.

Research and development activities

Within the scope of activities pursued by the Group and its subsidiaries, opportunities for significant investments in research and development of new products or technologies arise.

Significant events occurring after the end of the financial year

The Government of the Republic of Croatia has issued a Decision on the introduction of the euro as the official currency in the Republic of Croatia, with the euro becoming the official monetary unit and legal means of payment in the Republic of Croatia as of 1 January 2023. The fixed conversion rate has been set at 7,53450 Croatian Kuna for one euro. The introduction of the euro as the official currency in the Republic of Croatia represents a change in the functional currency and does not constitute an adjusting event.

MANAGEMENT REPORT FOR 2022 – COMPANY

The annual Management Report was prepared based on the requirements of Article 250a of the Companies Act and Article 21. of the Accounting Act.

The Report relates to FTB TURIZAM d.d. Zagreb, Miramarska 24, which was founded as a holding joint-stock company that operates exclusively as a shareholder of other commercial hotel and tourism companies operating on the market. This Report aims to present the most important 2022 business achievements and provide a future outlook.

FTB TURIZAM d.d., as a holding company, is the controlling (parent) company of FTB Group, comprising the following subsidiaries: Hoteli Cavtat d.d. Cavtat, Hoteli Metropol d.o.o. Portorož and Remisens Hotel Group d.o.o. Zagreb.

Overview of 2022 operations with an emphasis on the most significant financial performance indicators

In 2022, . gFTB TURIZAM d.d. recorded a loss after taxation in the amount of HRK 330 thousand, while in 2021 it recorded a loss in the amount of HRK 236 thousand.

Significant events occurring after the end of the financial year

The Company had no significant events after the date of the report, which would have affected the past business year.

Research and development activities

The Company's activities do not open up opportunities for significant investments in research and development of new products or technologies.

Expected future development of the Company

The future development of the Company will be consistent with the operations of Group companies HC and HM.

Information on the purchase of treasury shares

In the year 2022, FTB TURIZAM Company sold 1.128 treasury shares and, as of 31 December 2022, holds a total of 3.325 treasury shares, representing 1,0987% of the Company's share capital. Other companies within the Group do not hold any treasury shares.

Financial Instruments

The Company's policy on financial instruments management defines basic principles that ensure short-term and long-term liquidity and investment security while achieving the maximum possible return with minimal risk.

Financial instruments (continued)

Financial assets of the Company consist of cash and cash equivalents held in bank accounts.
The Company has financial obligations towards suppliers and the government, which are settled within their respective maturity dates.

The Company has established a financial instrument management policy to determine its exposure to risks and methods of protection against such risks.

Risk exposure of the company

Through its operations, the Company may be exposed to financial risks, particularly market risk (including currency risk, interest rate risk of cash flows and fair values, and price risk), credit risk, and liquidity risk.

Currency risk

The Company is not significantly exposed to currency risk as it does not have credit obligations, and therefore, no liabilities denominated in euros or any other foreign currency.

Interest rate risk

The Company is not exposed to interest rate risk as it does not have variable-rate debt obligations.

Credit risk

In the year 2022, the Company has no credit risk.

Liquidity risk

The Company manages liquidity risk by maintaining adequate reserves, bank balances, and reserves of borrowed funds, continuously monitoring projected and actual cash flows, and comparing the maturity dates of financial assets and liabilities.

Jasnica Juroš, director
FTB Turizam d.d.
Miramarska cesta 24, Zagreb
28 April 2023

FTB TURIZAM d.d.
Zagreb 2

In accordance with Article 272, paragraph p, of the Companies Act (Official Gazette No. 111/93, 34/99, 52/00, 118/03, 107/07, and 148/08, hereinafter referred to as the "Act") and Article 22 of the Accounting Act (Official Gazette No. 120/16), the Management of FTB TURIZAM d.d. Zagreb, Miramarska 24 (hereinafter referred to as the "Company"), on 28 April 2023, issues the following

STATEMENT
ON THE APPLICATION OF THE CODE OF CORPORATE GOVERNANCE

1. The Company voluntarily applies the Corporate Governance Code prescribed by the Croatian Financial Services Supervisory Agency (HANFA) and the Zagreb Stock Exchange d.d. Zagreb.

2. In the 2022 financial year, the Company has monitored and implemented the recommendations set forth in the Code, disclosing all information required by applicable regulations and information in the interest of the Company's shareholders. The Company adheres to the Corporate Governance Code without deviation.

3. In accordance with the requirements of the Code and the provisions of the Companies Act, the Supervisory Board conducts internal oversight of the Company through regular inspections of the presented reports. Detailed information on the management and operations of the Company is regularly provided to the members of the Supervisory Board, at least once a month. The Supervisory Board discusses and decides on all matters within its competence as prescribed by the Act and the Company's Articles of Association. The report of the Supervisory Board on the conducted oversight of business management is part of the Annual Report submitted to the General Assembly. The Management is responsible for ensuring that the Company maintains business and other records and documentation, prepares accounting documents, realistically assesses assets and liabilities, and prepares financial and other reports in accordance with accounting regulations, standards, and applicable laws and regulations.

   The Company has not established a formal diversity policy regarding gender, age, education, or profession in executive, managerial, and supervisory bodies. The Company implements its appointment policy in executive bodies according to the specific needs of business activities that require certain knowledge, professional qualifications, and the ability of potential executives, without considering diversity in terms of gender or age. In the managerial and supervisory bodies, the Company also requires specific knowledge, education, and abilities of potential members in accordance with the criteria and decisions of the Supervisory Board and the Company's General Assembly.

4. The ten largest shareholders as of 31 December 2022:

Serial Number	Account Name	Nr. of Shares	Ownership Stake (%)
1.	SNH GAMA D.D. (1/1)	261.371	86,36
2.	CERP (0/1) / REPUBLIC OF CROATIA (1/1)	3.530	1,17
3.	FTB TURIZAM D.D. (1/1)	3.325	1,10
4.	HPB D.D./ HMID PLUS AIF (1/1)	2.300	0,76
5.	SAUKA GORAN (1/1)	1.601	0,53
6.	CROATIA BANKA D.D./CRBA0033	1.330	0,44
7.	HPB D.D./ CAPITAL FUND D.D. (1/1)	1.295	0,43
8.	HPB D.D./COLLECTIVE ACCOUNT FOR BANK CLIENTS	1.289	0,43
9.	ERSTE BANK	1.114	0,37
10.	HPB D.D./HPBS-6	912	0,30

In accordance with the Company's Articles of Association, the voting rights of shareholders are not limited to a specific percentage or number of votes, nor are there any time restrictions on exercising voting rights. Each ordinary share carries one vote at the General Assembly.

The rights and obligations of the Company arising from the acquisition of its own shares are exercized in accordance with the provisions of the Companies Act.

5. The Management Board of the Company is composed of one member:
    - Jasnica Juroš, Director

The Management Board conducts the affairs of the Company in accordance with the Company's Articles of Association and applicable laws and regulations.

The Management Board of the Company is appointed and dismissed by the Supervisory Board in accordance with the Company's Articles of Association and the Companies Act. In 2022, the Supervisory Board was composed of the following members:

- Joško Marić, Chairman of the Supervisory Board since 25 November 2021
- Darko Ostoja, Deputy Chairman of the Supervisory Board, became a member and Deputy Chairman of the Supervisory Board on 24 December 2019
- Božena Mesec, member of the Supervisory Board since 22 November 2021
- Edita Matić, member of the Supervisory Board since 22 November 2021

In accordance with the provisions of Article 250a, paragraph 4, and Article 272, paragraph p of the Companies Act, this Statement represents a separate section and an integral part of the annual report on the Company's financial position for the year 2022.

FTB TURIZAM d.d.
Zagreb 2

Jasnica Juroš, director
FTB Turizam d.d.
Miramarska cesta 24, Zagreb
28 April 2023

FTB TURIZAM d.d.

STATEMENT OF THE MANAGEMENT BOARD'S RESPONSIBILITY

Pursuant to the Croatian Accounting Act in force, the Management Board is responsible for ensuring that separate and consolidated financial statements are prepared for each financial year in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union (EU), which give a true and fair view of the financial position and performance of FTB Turizam d.d. and its subsidiaries (the "Group") for that period.

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

In preparing separate and consolidated financial statements, the responsibilities of the Management Board include ensuring that:

- Suitable accounting policies are selected and then applied consistently;
- Judgements and estimates are reasonable and prudent;
- Applicable accounting standards are followed; and
- The consolidated and separate financial statements are prepared on a going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

Moreover, in accordance with the Accounting Act, the Management Board is obliged to prepare an Annual Report comprising the financial statements, Management Report and the Corporate Governance Statement. The Management Report was prepared in line with the requirements of Article 21 and 24 of the Accounting Act, and the Corporate Governance Statement in line with the requirements of Article 22 of the Accounting Act.

In accordance with Commission Delegated Regulation (EU) 2018/815 of 17 December 2018 amending Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format ("ESEF Regulation"), the Group's and the Company's Management Board is obliged to prepare and issue a separate and consolidated Annual Report in XHTML format and use descriptive markups to tag the annual financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union in XHTML format using XBRL tags and tag the notes to the annual financial statements as a text block to meet the requirements of Article 462 of the Capital Market Act.

The Annual Report was authorized for issue by the Management Board on 28 April 2023

Jasnica Juroš, director
FTB Turizam d.d.
Miramarska cesta 24, Zagreb
28 April 2023

FTB TURIZAM d.d.
Zagreb
2

CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

(in thousands of HRK)	Note	2022 Group	2021 Group	2022 Company	2021 Company
Sales revenue	6	123.526	58.991	-	-
Other operating income	6a	2.371	8.027	-	1
		125.897	**67.018**	-	**1**
Material costs	7	(38.335)	(15.485)	(136)	(126)
Staff costs	8	(21.679)	(9.814)	-	-
Depreciation and amortization		(26.820)	(33.682)	(11)	-
Impairment of receivables		-	(1)	-	-
Other operating expenses	9	(16.387)	(11.804)	(179)	(109)
		(103.221)	**(70.786)**	**(326)**	**(235)**
operating profit/(loss)		**22.676**	**(3.768)**	**(326)**	**(234)**
Finance income		136	357	-	-
Finance expenses		(2.871)	(2.733)	(3)	(2)
Finance income / (expense) - net	10	**(2.735)**	**(2.376)**	**(3)**	**(2)**
Profit / (loss) before tax		**19.941**	**(6.144)**	**(329)**	**(236)**
Income tax	11	(5.718)	3.795	-	-
Profit / (loss) for the year		**14.223**	**(2.349)**	**(329)**	**(236)**
Other comprehensive profit					
Items that may be subsequently reclassified to profit or loss					
Foreign operations - foreign exchange differences		712	(265)	-	-
Other comprehensive income for the year		**712**	**(265)**	**-**	**-**
Total comprehensive profit / (loss) for the year		**14.935**	**(2.614)**	**(329)**	**(236)**
Income for the year attributable to:					
Company shareholders		14.211	(2.340)	(329)	(236)
Non-controlling interest		12	(9)	-	-
		14.223	**(2.349)**	**(329)**	**(236)**
Total comprehensive (loss)/income for the year attributable to:					
Company shareholders		14.923	(2.605)	(329)	(236)
Non-controlling interest		12	(9)	-	-
		14.935	**(2.614)**	**(329)**	**(236)**
Earnings per share, basic and diluted (in HRK)		46,96	(7,73)	-	-

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

CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

(in thousands of HRK)	Note	31 December 2022 Group	31 December 2021 Group	31 December 2022 Company	31 December 2021 Company
ASSETS					
Non-current assets					
Intangible assets	14	5.789	6.010	36	-
Property, plant and equipment	13.1	295.206	304.700	-	-
Right-of-use assets	13.2	1.372	1.909	-	-
Investment property	13.3	3.697	4.006	-	-
Investments in subsidiaries	15	-	-	202.962	202.962
Deferred tax assets	11	7.958	12.629	-	-
Other assets		20	20	-	-
		314.042	**329.274**	**202.998**	**202.962**
Current assets					
Inventories		545	718	-	-
Income tax receivable		-	-	-	-
Trade and other receivables	16	4.470	2.011	-	-
Cash and cash equivalents	17	30.439	14.805	678	44
		35.454	**17.534**	**678**	**44**
Total assets		**349.496**	**346.808**	**203.676**	**203.006**
CAPITAL AND RESERVES					
Share capital	18	202.769	202.769	202.769	202.769
Legal reserves		489	489	489	489
Treasury shares		(6.646)	(8.900)	(6.646)	(8.900)
Reserves for treasury shares		6.646	8.900	6.646	8.900
Other reserves	18	39.692	38.980	-	-
Retained earnings/(accumulated loss)		(19.687)	(35.125)	357	(540)
Non-controlling interests	18	914	902	-	-
		224.177	**208.015**	**203.615**	**202.718**
Non-current liabilities					
Borrowings (non-current)	19	57.538	79.668	-	-
Lease liabilities	13.2	1.298	1.412	-	-
Deferred tax liability	11	7.155	8.172	-	-
Government grants	22	8.749	9.452	-	-
Provisions	20	776	775	-	-
		75.516	**99.479**	-	-
Current liabilities					
Borrowings (current)	19	42.618	33.935	-	207
Lease liabilities	13.2	475	444	-	-
Income tax payable		622	686	-	-
Trade and other payables	21	6.088	4.249	61	81
		49.803	**39.314**	**61**	**288**
		349.496	**346.808**	**203.676**	**203.006**

CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

GROUP

(in thousands of HRK)	Note	Share capital	Legal reserves	Treasury shares	Reserves for treasury shares	Other reserves	Retained earnings/ (accumulated loss)	Non-controlling interests	Total
Balance as at 1 January 2021	**18**	**202.769**	**489**	**(8.963)**	**8.963**	**39.245**	**(32.823)**	**911**	**210.591**
Profit for the year		-	-	-	-	-	(2.340)	(9)	(2.349)
Other comprehensive profit									
Foreign operations - foreign exchange differences		-	-	-	-	(265)	-	-	(265)
Total comprehensive income		-	-	-	-	(265)	(2.340)	(9)	(2.614)
Transactions with owners, recognized directly in equity									
Sale of treasury shares	18	-	-	63	(63)	-	38	-	38
Total transactions with owners, recognized directly in equity		-	-	**63**	**(63)**	-	**38**	-	**38**
Balance at 31 December 2021	**18**	**202.769**	**489**	**(8.900)**	**8.900**	**38.980**	**(35.125)**	**902**	**208.015**
Loss for the year		-	-	-	-	-	14.211	12	14.223
Other comprehensive profit									
Foreign operations - foreign exchange differences		-	-	-	-	712	-	-	712
Total comprehensive income		-	-	-	-	712	14.211	12	14.935
Transactions with owners, recognized directly in equity									
Sale of treasury shares		-	-	2.254	(2.254)	-	1.227	-	1.227
Total transactions with owners, recognized directly in equity		-	-	**2.254**	**(2.254)**	-	**1.227**	-	**1.227**
Balance at 31 December 2022	**18**	**202.769**	**489**	**(6.646)**	**6.646**	**39.692**	**(19.687)**	**914**	**224.177**

CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

COMPANY

(in thousands of HRK)	Note	Share capital	Legal reserves	Treasury shares	Reserves for treasury shares	Retained earnings	Total
Balance as at 1 January 2021		**202.769**	**489**	**(8.963)**	**8.963**	**(342)**	**202.916**
Loss for the period		-	-	-	-	(236)	(236)
Total comprehensive income		-	-	-	-	**(236)**	**(236)**
Transfer to the reserve		-	-	63	(63)	38	38
Total transactions with owners, recognized directly in equity		-	-	**63**	**(63)**	**38**	**38**
Balance at 31 December 2021		**202.769**	**489**	**(8.900)**	**8.900**	**(540)**	**202.718**
Loss for the period		-	-	-	-	**(329)**	**(329)**
Total comprehensive income		-	-	-	-	**(329)**	**(329)**
Transfer to the reserve		-	-	**2.254**	**(2.254)**	1.226	1.226
Total transactions with owners, recognized directly in equity		-	-	**2.254**	**(2.254)**	**1.226**	**1.226**
Balance at 31 December 2022	18	**202.769**	**489**	**(6.646)**	**6.646**	**357**	**203.615**

CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

(in thousands of HRK)		2022 Group	2021 Group	2022 Company	2021 Company
Cash flow from operating activities					
Cash generated from operations	23	38.283	24.755	(360)	(243)
Refund of income tax paid / (income tax paid)		1.370	5.357	-	3
Interest paid		(2.561)	(2.523)	(26)	(2)
Net cash from /(used in) from operating activities		**37.092**	**27.589**	**(386)**	**(242)**
Cash flows from investing activities					
Purchase of property, plant and equipment		(8.519)	(768)	-	-
Purchase of intangible assets		56	(26)	-	-
Sale of treasury shares		1.227	39	1.227	39
Interest received		3	1	-	-
Net cash from/(used in) investing activities		**(7.233)**	**(754)**	**1.227**	**39**
Cash flows from financing activities					
Proceeds from borrowings		22.600	-	-	207
Lease repayment		(503)	(444)	-	-
Repayment of borrowings		(36.322)	(33.412)	(207)	-
Net cash inflow/(outflow) from financing activities		**(14.225)**	**(33.856)**	**(207)**	**207**
Net increase/(decrease) in cash and cash equivalents		**15.634**	**(7.021)**	**634**	**4**
Cash and cash equivalents at beginning of year		14.805	21.826	44	40
Cash and cash equivalents at end of year	17	**30.439**	**14.805**	**678**	**44**

NOTE 1 – GENERAL INFORMATION

The FTB Turizam Group comprises FTB Turizam d.d. (parent company) and its subsidiaries.
The registered offices of the subsidiaries, ownership shares of the parent company and activities are shown below:

Company name	Share	Registered office	Activity
Hoteli Cavtat d.d.	100%	Cavtat, Croatia	hotel and hospitality services
Hoteli Metropol d.o.o.	100%	Portorož, Slovenia	hotel and hospitality services
Remisens Hotel Group d.o.o.	67%	Zagreb, Croatia	business consulting and management

Management and Supervisory Board of FTB Turizam d.d.

Management Board

- Jasnica Juroš – Director from 22 September 2018, represents the Group and the Company solely and independently

Supervisory Board in 2022

- Joško Marić, Chairman of the Supervisory Board since 25 November 2021
- Darko Ostoja, Deputy President of the Supervisory Board
- Božena Mesec, Member of the Supervisory Board from 22 November 2021
- Edita Matić, member of the Supervisory Board since 22 November 2021

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of preparation (continued)

2.1.2. Initial application of new amendments to existing standards in force for the current reporting period
The following amendments to existing standards and new interpretations issued by the International Accounting Standards Board (IASB) and adopted by the European Union are in force for the current reporting period:

- Amendments to IFRS 16 Leases and Concessions, necessitated by the COVID-19 pandemic, issued on 31 March 2021 (effective date for annual periods beginning on or after 1 April 2021).

2.1.3. Amendments to existing standards issued by the IASB and adopted in the European Union, but not yet effective

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 - Interest Rate Benchmark Reform - Phase 2, issued on 27 August 2020 (effective date for annual periods beginning on or after 1 January 2021);
- Amendments to IFRS 4 Insurance Contracts - Deferral of IFRS 9, issued on 25 June 2020 (effective date for annual periods beginning on or after 1 January 2021);
- Amendments to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, and IAS 37 Provisions, Contingent Liabilities and Contingent Assets, all issued on 14 May 2020 (effective date for annual periods beginning on or after 1 January 2022);
- Annual Improvements to IFRS Standards 2018-2020, all issued on 14 May 2020 (effective date for annual periods beginning on or after 1 January 2022);
- IFRS 17 Insurance Contracts, issued on 18 May 2017; including amendments to IFRS 17 issued on 25 June 2020 (effective date for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates, issued on 12 February 2021 (effective date for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies, issued on 12 February 2021 (effective date for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 12 Income Taxes: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction, issued on 7 May 2021 (effective date for annual periods beginning on or after 1 January 2023).

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation (continued)

- Amendments and supplements to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023).

The Company has chosen not to apply the new standards, amendments to existing standards, and interpretations before their effective date.

The Company's management anticipates that the adoption of the aforementioned standards, amendments to existing standards, and new interpretations will not have a significant impact on the Company's financial statements during their initial application period.

2.1.4. Standards and interpretations issued by the IASB not yet adopted in the European Union

- Amendments to IFRS 1 Presentation of Financial Statements, Classification of Liabilities as Current or Non-current, issued on 23 January 2020 and amended on 15 July 2020;

- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022).

The Company's management does not expect that the adoption of the mentioned standards and interpretations will have a significant impact on the Company's financial statements.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

The fair value of the consideration transferred for an acquired subsidiary is measured by the fair values of the assets given, equity instruments issued, and liabilities incurred or assumed, including the fair value of any contingent consideration, but excludes acquisition-related costs such as advisory, legal, valuation, and similar professional fees. Transaction costs related to the acquisition and incurred for the issuance of equity instruments are deducted from the principal amount, while transaction costs incurred for the issuance of debt as part of a business combination are deducted from the carrying amount of the debt, and all other transaction costs related to the acquisition are recognized as expenses.

Changes in ownership interests in subsidiaries without a change in control

The Group applies a policy whereby transactions with minority shareholders that do not result in a loss of control are treated as transactions with the majority owners of the Group. In the repurchase of shares from minority shareholders, the difference between the amounts paid and the respective share in the net assets of the subsidiary is recognized in equity. Gains or losses related to the sale of minority interests are also recognized in equity.

2.3 Foreign Currencies

(a) Functional and reporting currency

Items included in the financial statements of each individual Group entity are presented in the currency of the primary economic environment in which the Group entity operates ("functional currency"). The financial statements are presented in thousands of kuna, which represents the functional currency of the Company and the reporting currency of the Group.

(b) Transactions and balances in foreign currency

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing at the transaction dates. Exchange differences arising from the settlement of these transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the comprehensive income statement within "Financial income/expenses."

Positive and negative exchange differences related to borrowings and cash and cash equivalents are presented in the income statement within "Financial income and expenses." All other positive and negative exchange differences are presented in the comprehensive income statement within "Financial income/expenses."

(c) Group entities

The results of operations and financial position of all Group entities whose functional currency differs from the reporting currency are translated into the reporting currency as follows:

(i) Assets and liabilities for each balance sheet are translated at the closing rate on the date of that balance sheet;

(ii) Revenues and expenses for each income statement are translated at the average annual exchange rates; and

(iii) All resulting exchange differences are recognized in a separate component within equity.

2.4 Property, plant and equipment

Tangible assets include non-current tangible assets stated at historical cost less accumulated depreciation and impairment, if any. Historical cost includes costs directly attributable to the acquisition of the asset.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Property, Plant, and Equipment (continued)

Subsequent expenditures are included in the carrying amount of the asset or, if necessary, recognized as separate assets only if the Group will derive future economic benefits from the asset and the cost of the asset can be reliably measured. All other costs of investment and ongoing maintenance are charged to the comprehensive income statement in the period in which they are incurred. The cost of replacing major components of property, plant, and equipment is capitalized, and the carrying amount of the replaced parts ceases to be recognized.

Land, artwork, and assets under construction are not amortized. The depreciation of other assets is calculated using the straight-line method to allocate the cost of the asset over its estimated useful life as follows:

Buildings (hotels)*	10-50 years
Plant and equipment	4 years
Hotel and office furniture	4-5 years

*The average remaining useful life is determined based on the remaining life of individual building components.

Depreciation is calculated for each asset until the asset is fully depreciated or until the asset's residual value if significant. The useful life of the asset is reviewed at each reporting date and adjusted if necessary. If the carrying amount of the asset exceeds its estimated recoverable amount, the difference is written off to the recoverable amount.

2.5 Impairment of Non-financial Assets

Non-financial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized as the difference between the carrying amount of the asset and its recoverable amount. The recoverable amount is the fair value of the asset less costs of disposal or its value in use, whichever is higher. For impairment assessment purposes, assets are grouped at the lowest level for which cash flows are individually identifiable (cash-generating units). For the Group, the cash-generating unit is defined at the level of profit centers, i.e., accommodation facilities. Non-financial assets for which an impairment loss has been recognized are reassessed at each reporting date for possible reversal of impairment.

2.6 Investment property

Investment property primarily refers to buildings held for long-term rental income or for capital appreciation. Investment property is treated as non-current investments unless they are intended for sale in the next year and a buyer has been identified, in which case they are classified as current assets.

Investment property is recognized at cost less accumulated depreciation and impairment, if necessary. Depreciation of buildings is calculated using the straight-line method to allocate the cost over their useful life.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Investment property (continued)

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

Lease income from leases where the Group is a lessor is recognized in the statement of comprehensive income on a straight-line basis over the lease term. The Group and the Company did not need to make any adjustments to assets held as lessor as a result of adopting IFRS 16.

2.7 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on the acquisition of a subsidiary is included in intangible assets. Separately recognized goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) Other intangible assets

Other intangible assets comprising investments in technical documentation and the value of computer software licenses are stated at cost. These costs are amortized over their estimated useful lives of 5 years. Assets under construction are not amortized.

2.8 Financial assets and liabilities

2.8.1 Non-derivative financial instruments

a) Recognition and initial measurement

Trade receivables and issued debt securities are initially recognized when they arise. All other financial assets and financial liabilities are recognized when the Group (Company) becomes a party to the contractual provisions of the underlying instrument.

Financial assets (unless they relate to trade receivables without a significant financing component) or liabilities are initially measured at fair value plus, in the case of an item not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the item. Trade receivables without a significant financing component are initially measured at transaction cost.

b) Classification and subsequent measurement

Upon initial recognition, financial assets are stated at: amortized cost; fair value through other comprehensive income - debt investment; fair value through other comprehensive income - equity investment; or fair value through profit or loss. Financial assets are not reclassified after initial recognition, unless the Group changes its financial asset management business model, in which case all financial assets are reclassified on the first day of the first reporting period following the change in business model.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial assets and liabilities (continued)

2.8.1 Non-derivative financial instruments (continued)

Financial assets are measured at amortized cost if they meet both of the following conditions and are not classified as assets at fair value through profit or loss:

- Held within a business model whose goal is to hold assets to collect contractual cash flows; and
- The contractual terms of a financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets that are not classified as financial assets measured at amortized cost as described above are measured at fair value through profit and loss.

Financial assets at fair value through profit or loss are subsequently measured at fair value. Net gains and losses including any interest or dividend income are recognized in profit or loss. Financial assets stated at amortized cost are subsequently measured at amortized cost using the effective interest method. The amortized cost is decreased by impairment losses. Interest income, exchange differences and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Financial liabilities are classified as financial liabilities measured at amortized cost or at fair value through profit or loss. Financial liabilities are classified at fair value through profit or loss if they are held for trading, if they are derivatives or if they are classified as such on initial recognition. Financial liabilities at fair value through profit or loss are stated at fair value, and net gains and losses, including all interest expenses, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expenses and foreign exchange gains and losses are recognized in profit or loss. The gain or loss on derecognition is also recognized in profit or loss.

c) Derecognition

Financial assets

The Group (Company) derecognizes financial assets when the contractual rights to receive cash flows from the financial assets have expired or if the Group (Company) has transferred the rights to receive cash flows in a transaction substantially transferring all the risks and rewards of ownership of financial assets or in which the Group (Company) neither transfers nor retains all risks and benefits associated with ownership and does not retain control over financial assets.

The Group (Company) enters into transactions in which it transfers assets recognized in the statement of financial position, but retains all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Group (Company) derecognizes a financial liability when its contractual obligations have been discharged, cancelled or have expired. The Group (Company) also derecognizes a financial liability when its terms have been modified and when the cash flows of the modified liability are substantially different, in which case the new financial liability based on the modified terms is recognized at fair value. When a financial liability is derecognized, any difference arising between the carrying amount and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial assets (continued)

2.8.1 Non-derivative financial instruments (continued)

d) Netting

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

Effective Interest Method

The effective interest method is used to calculate the amortized cost of a financial asset and to allocate interest income over the relevant period. The effective interest rate is the rate at which estimated future cash flows, including all fees paid or received that form an integral part of the effective interest rate, as well as transaction costs and other premiums and discounts, are discounted to the expected life of the financial asset or a shorter period if applicable.

Interest income from debt instruments, other than financial assets designated at fair value through profit or loss, is recognized based on the effective interest method.

2.8.2 Impairment

Non-derivative financial assets

Financial instruments and contract assets

The Group (Company) recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

Loss allowances are measured using one of the following methods:

- According to 12-month expected credit losses: these are expected credit losses resulting from the probability of default occurring within 12 months from the reporting date;
- According to the lifetime expected credit losses; these are the expected credit losses resulting from the probability of default over the entire useful life of the asset.

Loss allowance for financial assets that are carried at amortized cost is always measured in the amount of the total expected credit loss over the total useful life of the underlying asset.

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition and in estimating expected credit losses, the Group (Company) considers both reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analyses, based on the Group's (Company's) historical experience and informed estimate of creditworthiness, including forward-looking information.

The Group (Company) considers that the credit risk of a financial asset has increased significantly if it is more than 90 days past due.

The Group (Company) considers that financial assets are not recoverable if it is unlikely that the debtor will pay its obligations to the Group (Company) in full without the Group (Company) being forced to initiate actions such as the use of collateral (if any). The maximum period taken into account when assessing the expected credit loss is the maximum contractual period over which the Group (Company) is exposed to credit risk.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial assets (continued)

2. 8. 2 Impairment (continued)

Measurement of expected credit losses

Expected credit loss is the 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 that are due to the Group (Company) in accordance with the contract and the cash flows that the Group (Company) expects to receive). Expected credit losses are discounted at the effective interest rate of the underlying financial asset.

Impairment of financial assets

At each reporting date, the Group (Company) assesses whether financial assets measured at amortized cost have been impaired. A financial asset is impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

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

- Probability that the debtor will enter bankruptcy or other financial reorganization or restructuring; or
- Significant financial difficulty of the debtor.

Presentation of loss allowances for expected credit losses in the statement of financial position

The loss allowance for financial assets measured at amortized cost is deducted from the gross carrying amount of the asset.

2.9 Inventories

Inventories of food, beverages and trade goods are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.10 Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

2.11 Cash and cash equivalents

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Leases

At inception of a contract, the Group assesses whether the 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 in exchange for a consideration. In order to assess whether the contract contains the transfer of rights to control the use of the underlying assets, the Group uses the definitions of leases from IFRS 16.

2.12.1 The Group and the Company as the lessee

When entering into or modifying a contract that contains lease components, the Group allocates the consideration in the contract to each component based on its relative stand-alone prices.

The Group recognizes right-of-use assets and lease liabilities on the lease commencement date. Right-of-use assets are initially measured at cost comprising the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date, increased by any initial direct costs incurred and an estimate of costs to be incurred in dismantling and removing the underlying asset or restoring the site on which the asset is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, net of any rent concessions received.

Right-of-use assets are subsequently depreciated using the straight-line method from the lease commencement date to the end of the lease term, unless ownership of the underlying asset is transferred to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise the purchase option. In this case, the right-of-use assets will be depreciated from the lease commencement date to the end of its useful life, which is determined on the same basis as for similar property or equipment. In addition, right-of-use assets are regularly reviewed for impairment losses, if any, or adjusted due to certain subsequent measurements of lease liabilities.

The lease liability is initially measured at the present value of lease payments that have not been paid by that date, discounted using the interest rate derived from the lease or, if that rate can be directly determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

To determine the incremental borrowing rate, the Group uses the interest rate of third-party financing sources and makes certain adjustments reflecting the lease terms and the classes of assets under lease.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees; and
- the expected exercise price of a purchase option if the Group is reasonably certain to exercise that option, lease payments for lease extension option if the Group is reasonably certain to extend the lease and payments of penalties for early lease termination, unless the Group is reasonably certain not to terminate the lease early.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Leases (continued)

2.12.1 The Group and the Company as the lessee (continued)

Lease liabilities are measured at amortized cost using the effective interest method. They are remeasured when there are changes in future lease payments due to index or rate changes, if there is a change in the estimate of the expected payment amount based on residual value guarantees, if the Group changes its estimates of whether to exercise the purchase, extension or termination option, or if there are changes in lease payments that are in-substance fixed.

When the lease liability is remeasured in the above manner, corresponding changes are also made to the carrying amount of the right-of-use asset, or are recognized in profit or loss if the carrying amount of the right-of-use asset is reduced to zero.

The Group presents right-of-use assets that did not meet the definition of investment property as separate items in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has decided not to apply this policy to leases of low-value assets and short-term leases, including IT equipment. For the underlying leases, the Group recognizes the expense on a straight-line basis over the lease term.

2.12.2 The Group and the Company as the lessor

When entering into or modifying contracts that contain lease components, the Group allocates the considerations under the contract to each lease component based on its relative stand-alone price.

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

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

When the Group is an intermediate lessor, it accounts for its interests in the head lease and in the sublease separately. It assesses the sublease classification on the basis of the right-of-use assets arising from the head lease, not on the basis of the underlying asset. If the head lease is a short-term lease for which the Group applies the previously described exemptions, then the Group classifies the sublease as an operating lease.

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Leases (continued)

2.12.2 The Group and the Company as the lessor (continued)

The Group applies the derecognition and impairment requirements under IFRS 9 to net investments in the lease. In addition, the Group regularly reviews estimated unguaranteed residual values used in computing the gross investment in the lease.

The Group recognizes lease payments received as income from operating leases on a straight-line basis over the lease term within 'other income'.

As a lessor, the Group generally applies accounting policies in the comparative period in line with IFRS 16 except for the calculation of subleases entered into during the reporting period as a result of the finance lease classification.

2.13 Share capital

Share capital comprises ordinary shares. Transaction costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.15 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the statement of comprehensive income, except to the extent that it relates to items recognized directly in equity. In that case tax is recognized directly in equity. The current income tax charge is calculated at a rate of 18% according to Croatian laws and regulations. The Management Board periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and consider establishing provisions, where appropriate, on the basis of amounts expected to be paid to the Tax Administration.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets and liabilities are measured using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

2.17 Employee benefits

(a) Pension obligations and post-employment benefits

In the normal course of business through salary deductions, the Group makes payments to mandatory pension funds on behalf of its employees as required by law. All contributions made to the mandatory pension funds are recorded as salary expense when incurred. The Group does not have any other pension scheme and consequently, has no other obligations in respect of employee pensions except for amounts payable to each employee once retired. In addition, the Group is not obliged to provide any other post-employment benefits.

(b) Termination benefits

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

(c) Short-term employee benefits

The Group recognizes a provision for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation. In addition, the Group recognizes liabilities for accumulated compensated absences based on unused vacation days at the reporting date, as well as labor hours realized from the reorganization of working hours not utilized up to the reporting date.

(d) Long-term employee benefits

The Group recognizes a provision for jubilee awards and termination benefits where contractually obliged or where there is a past practice that has created a constructive obligation.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions for future operating losses are not recognized.

Where there are a number of similar obligations, the likelihood that an outflow will be required in their settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Provisions are increased in each period to reflect the passage of time. This increase is recognized as interest expense.

2.19 Government grants

A government grant is recognized only when there is reasonable assurance that the Group will comply with any conditions attached to the grant and the grant will be received. Consequently, the Group does not recognise government grants until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received. A government grant is recognized in profit or loss on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate.

Grants related to depreciable fixed assets are recognized in profit or loss over the periods and in the proportions in which depreciation on those assets is charged. In the statement of financial position, a government grant is recognized as deferred income that is recognized in profit or loss over the useful life of the asset.

A government grant receivable as compensation for costs or losses already incurred or for immediate financial support, with no future related costs, is recognized as income in the period in which it is receivable, within "Other income".

2.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in hotels and apartments, campsites and restaurants of the Group. Revenue is shown net of commissions to agencies and value added tax. The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria have been met for each of the Group's activities as described below.

Sales of services
The Group sells hotel and tourism services. These services are provided based on fixed-price contracts. Revenue from hotel and tourist services is recognized in the period when the services are provided (over time). The Company offers its guests food and beverages in hotel rooms as well as in hotel restaurants. Revenues are recognized at the moment when the services are performed (point in time). Judgement is applied in determining whether control is transferred at a point in time or over time (a period of time).

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Earnings per share

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

2.22 Value added tax

Value added tax is recognized and disclosed in the balance sheet on a net basis. Where receivables have been impaired, impairment loss is recorded for the gross amount of the debtor, including VAT.

2.23 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. The chief operating decision-maker is the Group's Management Board is in charge of managing hotel and tourist facilities and contents.

NOTE 3 – FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's day-to-day operating activities expose it to a variety of financial risks, particularly: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Company does not have a written risk management program, but overall risk management is carried out by the Group's Management Board.

The accounting policies for financial instruments have been applied as follows:

(in thousands of HRK)	**31 December 2022 Group**	**31 December 2021 Group**	**31 December 2022 Company**	**31 December 2021 Company**
Assets at the balance sheet date at amortized cost				
Loans and receivables				
Trade and other receivables	4.470	2.011	-	-
Cash and cash equivalents	30.439	14.805	678	44
	34.909	**16.816**	**678**	**44**
Other non-current assets	20	20	-	-
	34.929	**16.836**	**678**	**44**
Liabilities at the balance sheet date at amortized cost				
Trade and other payables	6.088	4.249	61	81
Lease liabilities	1.773	1.856	-	-
Borrowings	100.156	113.604	-	207
	108.017	**119.709**	**61**	**288**

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the euro. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.

The majority of foreign sales revenues and long-term debt is denominated in EUR. Therefore, movements in exchange rates between the euro and kuna may have an impact on the results of future operations and future cash flow.

Group	**31 December 2022**			**31 December 2021**		
(in thousands of HRK)	**EUR**	**HRK**	**Total**	**EUR**	**HRK**	**Total**
Financial assets						
Trade and other receivables	1.355	3.115	4.470	718	1.293	2.011
Cash and cash equivalents	8.630	21.809	30.439	12.356	2.449	14.805
Other assets	-	20	20	-	20	20
Financial liabilities						
Trade and other payables	3.441	2.647	6.088	2.199	2.050	4.249
Lease liabilities	-	1.773	1.773	-	1.856	1.856
Borrowings	3.391	66.071	100.156	89.488	24.115	113.603
Net exposure	**3.153**	**(45.547)**	**(73.088)**	**(78.613)**	**(24.259)**	**(102.873)**

Company	**31 December 2022**			**31 December 2021**		
(in thousands of HRK)	**EUR**	**HRK**	**Total**	**EUR**	**HRK**	**Total**
Financial assets						
Trade and other receivables	-	-	-	-	-	-
Cash and cash equivalents	-	678	678	-	44	44
Financial liabilities						
Trade and other payables	-	61	61	-	81	81
Borrowings	-	-	-	-	207	207
Net exposure	**-**	**617**	**617**	**-**	**(244)**	**(244)**

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

On 31 December 2022, assuming a 1% depreciation/appreciation of the euro against the HRK Croatian (2021: 1%), and holding other variables constant, the Group's profit before tax for the year would be HRK 32 thousand higher/lower (2021: HRK 786 thousand higher/lower), mainly due to positive/negative exchange rate differences arising from the translation of borrowings and cash in foreign currencies denominated in euros. The exchange rate for the euro on 31 December 2022 was HRK 7,53450 (2021: 7.517174).

(ii) Interest Rate Risk

The Group did not earn interest income from short-term cash deposits in 2022 and is not exposed to the risk of interest rate changes.

The Group's interest rate risk arises from long-term borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. As of 31 December 2022, borrowings contracted at variable interest rates amount to HRK 91.003 thousand (2021: HRK 113.604 thousand). The interest rates on borrowings from banks are six-month EURIBOR plus 2,15%, six-month EURIBOR plus 1,5%, and TZMF 91d + 1,65% and TZMF 182d + 2,45%.

On 31 December 2022, assuming a 0,5% decrease/increase in interest rates on loans with variable interest rates (2021: 0,5 % decrease/increase), and holding other variables constant, the Group's profit before tax for the year would be HRK 501 thousand higher/lower (2021: HRK 568 thousand).

(iii) Price Risk

As of 31 December 2022, the Group does not hold equity securities and is not exposed to price risk. The Group is not significantly exposed to the risk of changes in market commodity prices.

(b) Credit risk

The Group's maximum exposure to credit risk as at the reporting date:

as at 31 December 2022 (in thousands of HRK)	**Net book amount**	**Contractual cash flows**	**Up to 1 year**	**1-2 years**	**2-5 years**	**Over 5 years**
Non-interest-bearing assets						
Other receivables	1.613	1.613	1.613	-	-	-
Trade receivables	2.857	2.857	2.857	-	-	-
	4.470	4.470	4.470	-	-	-
Interest bearing assets						
Loans and deposits granted	-	-	-	-	-	-
Cash and cash equivalents	30.439	30.439	30.439	-	-	-
	30.439	30.439	30.439	-	-	-
	34.909	**34.909**	**34.909**	-	-	-

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

as at 31 December 2021 (in thousands of HRK)	Net book amount	Contractual cash flows	Up to 1 year	1-2 years	2-5 years	Over 5 years
Non-interest-bearing assets						
Other receivables	1.727	1.727	1.727	-	-	-
Trade receivables	284	284	284	-	-	-
	2.011	2.011	2.011	-	-	-
Interest bearing assets						
Loans and deposits granted				-	-	-
Cash and cash equivalents	14.805	14.805	14.805	-	-	-
	14.805	14.805	14.805	-	-	-
	16.816	**16.816**	**16.816**	-	-	-

The credit quality of the Group's and Company's exposure is as follows:

	Group			Company		
(in thousands of HRK)	Trade receivables	Cash and cash equivalents	Total	Trade receivables	Cash and cash equivalents	Total
2022						
Neither past due nor impaired	-	30.439	**30.439**	-	678	**678**
Past due but not impaired	2.857	-	**2.857**	-	-	-
Past due and impaired	3.838	-	**3.838**	-	-	-
Impaired	(3.838)	-	**(3.838)**	-	-	-
	2.857	30.439	**33.296**	-	678	**678**

	Group			Company		
(in thousands of HRK)	Trade receivables	Cash and cash equivalents	Total	Trade receivables	Cash and cash equivalents	Total
2021						
Neither past due nor impaired	-	14.805	**14.805**	-	44	**44**
Past due but not impaired	284	-	**284**	-	-	-
Past due and impaired	4.034	-	**4.034**	-	-	-
Impaired	(4.034)	-	**(4.034)**	-	-	-
	284	14.805	**15.089**	-	44	**44**

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

The Group has policies that limit the amount of credit risk exposure to any financial institution.

The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history, i.e. the Group's policy ensures that sales to customers are settled through advance payments, in cash or by major credit cards (individual customers, i.e. natural persons). The Management Board monitors the collectability of receivables through weekly reports on individual balances of receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of all trade and other receivables has been written down to their recoverable amount. Impaired trade receivables are subject to legal proceedings. Both the outcome of the proceedings related to the disputed receivables or the extent to which they will be collected cannot be anticipated with certainty.

Receivables past due but not impaired as at the reporting date have the following maturities:

(in thousands of HRK)	**31 December 2022**	**31 December 2021**	**31 December 2022**	**31 December 2021**
	Group	**Group**	**Company**	**Company**
Up to two months	2.447	111	-	-
2 to 3 months	315	67	-	-
Over 3 months	95	106	-	-
	2.857	**284**	-	-

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to meet all obligations. The Group aims to maintain flexibility in funding by keeping committed credit lines available. The Management Board monitors available cash resources based on reports on the balance of cash and liabilities on a daily basis.

The tables below analyse the Group's financial liabilities according to contractual maturities. The amounts stated below represent undiscounted cash flows.

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

Financial risk factors (continued)

as at 31 December 2022 (in thousands of HRK)	**Net book amount**	**Contractual cash flows**	**Up to 1 year**	**1-2 years**	**2-5 years**	**Over 5 years**
Non-interest-bearing liabilities						
Other liabilities	2.577	2.577	2.577	-	-	-
Trade payables	3.511	3.511	3.511	-	-	-
	6.088	6.088	6.088	-	-	-
Interest-bearing liabilities						
Lease liabilities	1.773	-	-	-	-	-
Borrowings	100.156	100.156	42.618	-	54.737	2.801
	101.929	100.156	42.618	-	54.737	2.801
	108.017	**106.244**	**48.706**	**-**	**54.737**	**2.801**

as at 31 December 2021 (in thousands of HRK)	**Net book amount**	**Contractual cash flows**	**Up to 1 year**	**1-2 years**	**2-5 years**	**Over 5 years**
Non-interest-bearing liabilities						
Other liabilities	2.724	2.724	2.724	-	-	-
Trade payables	1.525	1.525	1.525	-	-	-
	4.249	4.249	4.249	-	-	-
Interest-bearing liabilities						
Lease liabilities	1.856	1.856	444	842	570	-
Borrowings	113.604	113.604	33.936	47.452	32.216	-
	115.460	115.460	34.380	48.294	32.786	-
	119.709	**119.709**	**38.629**	**48.294**	**32.786**	**-**

3.2 Capital management

The Group's and the Company's objectives when managing capital are to safeguard the Group's and the Company's ability to continue as a going concern in order to provide returns for the owner and to maintain an optimal capital structure to reduce the cost of capital. In accordance with the Companies Act, the Company is committed to maintain the level of capital above HRK 200 thousand as required for public limited liability companies.

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES

4.1 Useful lives of property, plant and equipment

By using a certain asset, the Group uses the economic benefits contained in this asset, which diminish more intensely with economic and technological ageing. Consequently, in the process of determining the useful life of an asset, in addition to assessing the expected physical utilization, it is necessary to consider the changes in demand on the tourist market, which will cause a faster economic obsolescence as well as a more intense development of new technologies. Current business operations in the hotel industry impose the need for more frequent investments, and this circumstance contributes to the fact that the useful life of an asset is decreasing. According to the technical department, the useful life of buildings of 10 to 50 years was assessed to be appropriate for undisturbed operations. The useful lives of equipment and other assets have also been reassessed as disclosed in Note 2.4. The useful lives will periodically be revised to reflect any changes in circumstances since the previous assessment. Changes in estimate, if any, will be reflected prospectively in a revised depreciation charge over the remaining, revised useful life.

4.2 Impairment of non-current assets

An impairment test requires assessing the value in use of cash-generating units, if the carrying value is lower than net sales. The impairment is based on many factors such as change in market conditions, expected industry growth, increase in capital expense, changes in future funding possibilities, amounts paid in comparable transactions and other changes in circumstances indicating the existence of impairment. The recoverable amount is the higher of the value in use and the net realisable value.

Determining indicators of impairment, as well as estimating future cash flows and determining the fair value of assets (or group of assets) requires management to make significant estimates in identifying and evaluating the impairment indicators, expected cash flows, applicable discount rates, useful lives and residual values.

The Group operates in the tourism sector, which has been significantly affected by the outbreak of the COVID-19 pandemic. During 2022, the Group conducted analyses and concluded that the Group's operating results for 2022 are in line with the plans.

The analyses were based on the financial results of individual components for the year 2022. The Group considered the realized operating revenues of each component in 2022 compared to the plans for 2022, as well as the operating revenues from 2019. Additionally, the Group analyzed the realized earnings before tax, interest, and depreciation (EBITDA), as well as the EBITDA margin of each component in comparison to the plans for 2022 and the realized EBITDA and EBITDA margin in 2019.

Based on the conducted analyses, the Group did not identify any indicators of impairment of assets as of 31 December 2022.

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES (continued)

4.3 Fair value estimation

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

Fair values are measured using information collected from third parties in which case the Management Board and the Finance Department assess whether the evidence collected from third parties supports the conclusion that such fair valuations meet the requirements of IFRS as adopted by the EU, including the level in the fair value hierarchy where such valuations should be classified.

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

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. 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 of the significant inputs is not based on observable market data, the fair value estimate is included in level 3.

NOTE 5 – SEGMENT INFORMATION

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Group's Management Board, the chief operating decision-maker, and are responsible for allocating resources to the reportable segments and assessing their performance.

The Group reports on its operations by service type and distinguishes 2 basic segments: Croatia and Slovenia.

The segment information for the year ended 31 December 2021 is as follows:

2022

	1	0	
(in thousands of HRK)	**Croatia**	**Slovenia**	**Total**
Total sales revenue	74.036	49.490	123.526
Inter-segment revenue	-	-	-
Revenue from external customers	74.036	49.490	123.526
Gross operating profit (GOP)	38.066	25.446	63.512
Depreciation and amortization	(12.192)	(14.628)	(26.820)
Income tax	(5.383)	(335)	(5.718)
Total assets	**159.917**	**151.182**	**311.099**
Total liabilities	**71.590**	**45.176**	**116.766**

2021

(in thousands of HRK)	**Croatia**	**Slovenia**	**Total**
Total sales revenue	19.344	39.647	58.991
Inter-segment revenue			
Revenue from external customers	19.344	39.647	58.991
Gross operating profit (GOP)	8.693	25.000	33.639
Depreciation and amortization	(17.513)	(16.169)	(33.682)
Income tax	2.345	1.450	3.795
Total assets	**114.721**	**174.653**	**319.374**
Total liabilities	**114.238**	**14.923**	**129.161**

NOTE 5 – SEGMENT INFORMATION (continued)

Reconciliation of assets and liabilities by segments:

	31 December 2022		31 December 2021	
(in thousands of HRK)	**Assets**	**Liabilities**	Assets	Liabilities
Segment assets/liabilities	311.099	116.762	393.044	161.013
Unallocated:	38.397	8.552	15.591	11.309
- cash and cash equivalents	30.439		14.805	
- income tax receivable	-	-	-	-
- deferred tax assets	7.958	-	786	-
- income tax payable	-	622	-	331
- deferred tax liability	-	7.155	-	10.203
- provisions	-	775	-	775
Total	**349.496**	**125.315**	**346.808**	**138.793**

NOTE 6 – SALES REVENUE

Source of revenue

The Group generates revenue primarily from accommodation services, food and beverage sales and the provision of ancillary hotel services to its guests.
The Group's revenue is classified by sales channel and type of service:

(in thousands of HRK)	**2022**	**2021**
Revenue from hotel operations		
Individual guests	52.830	31.782
Groups	8.576	1.153
Allotments	55.636	23.273
Congresses	498	-
	117.540	**56.208**
Revenue from other activities		
Non-boarding consumption - Food and beverages	1.673	815
Revenue from services to guests	2.122	1.191
Other income	4.490	778
	8.285	**2.783**
Total sales revenue	**125.825**	**58.991**

The Group's revenue can be classified according to the customers' origin.

NOTE 6 – SALES REVENUE (continued)

Revenue by emitting market	2022	%	2021	%
Great Britain	23.568	19	4.194	7
Slovenia	15.367	12	3.047	5
France	15.313	12	17.111	29
Austria	10.453	8	9.100	15
Germany	9.440	8	6.946	12
Italy	4.337	5	2.228	4
Poland	2.442	2	391	1
Other*	42.606	34	15.974	27
	123.526	**100**	**58.991**	**100**

Performance obligation and revenue recognition policies

Revenue is measured based on the consideration determined in the contract with a customer. The Group recognizes revenue when control over products or services is transferred to the customer. Details on revenue recognition are presented in Note 2.19.

NOTE 6a – OTHER OPERATING INCOME

(in thousands of HRK)	2022 Group	2021 Group	2022 Company	2021 Company
Government grants - COVID 19	407	5.922	-	-
Rental income	586	395	-	1
Cancellation of provisions	716	821	-	-
Write-off of liabilities	172	288	-	-
Sale of assets	38	11	-	-
Collected receivables written off	2	67	-	-
Reimbursement from insurance company	32	-	-	-
Other income	418	524	-	-
	2.371	**8.027**	**-**	**1**

The Group received state aid - subsidies for electricity costs.

NOTE 7 – MATERIAL COSTS

(in thousands of HRK)	2022 Group	2021 Group	2022 Company	2021 Company
Food, beverages and other supplies	12.956	3.788	-	-
Energy and water consumed	11.970	2.427	-	-
	24.926	**6.215**	-	-
Maintenance	1.422	835	1	1
Advertising and promotion	155	257	-	-
Laundry services	2.034	816	-	-
Utilities	2.617	2.661	-	-
Rent	100	62	3	3
Agency workers services	1.142	1.626	-	-
Safekeeping of assets	597	809	45	47
Telephone	301	260	-	-
Intellectual services	4.242	1.688	87	74
Other material costs	799	256	-	1
	13.409	**9.270**	**136**	**126**
	38.335	**15.485**	**136**	**126**

NOTE 8 – STAFF COSTS

(in thousands of HRK)	2022 Group	2021 Group	2022 Company	2021 Company
Net salaries	13.460	6.245	-	-
Taxes and contributions from salaries /i/	5.231	2.224	-	-
Contributions on salaries	2.988	1.344	-	-
	21.679	**9.813**	-	-
Average number of employees	133	70	-	-

NOTE 9 – OTHER OPERATING EXPENSES

(in thousands of HRK)	2022 Group	2021 Group	2022 Company	2021 Company
Banking services and memberships	267	168	8	3
Utility and similar fees	2.369	2.192	-	2
Other employee expenses /i/	4.919	2.544	-	-
Insurance premiums	802	806	-	-
Professional services	1.593	1.301	171	104
Impairment of real estate, plants, and equipment	51	84	-	-
Agency commissions	5.706	3.098	-	-
Other expenses	(120)	1.516	-	-
Other	800	95	-	-
	16.387	**11.804**	**179**	**109**

/i/ Other staff costs comprise termination benefits, compensations for transportation costs, remunerations for temporary services, etc.

NOTE 10 – FINANCE INCOME/(COSTS) - NET

(in thousands of HRK)	2022 Group	2021 Group	2022 Company	2021 Company
Finance income				
Interest income from short-term cash deposits				
Interest income	3	14	-	-
Dividend income	-	-	-	-
Positive exchange rate differences	133	343	-	-
Other financial income	-	-		
	136	**357**	**-**	**-**
Finance expenses				
Interest expenses	2.561	2.632	3	2
Negative exchange rate differences	310	100	-	-
	2.871	**2.732**	**3**	**2**
Net financial (expenses) / income	**(2.735)**	**(2.375)**	**(3)**	**(2)**

NOTE 11 – INCOME TAX

(in thousands of HRK)	2022 Group	2021 Group	2022 Company	2021 Company
Current tax expense	(1)	(706)	-	-
Deferred tax income	5.719	4.501	-	-
Income tax expense	**5.718**	**3.795**	-	-

Income tax expense of the Group and the Company before taxation differs from the theoretical amount calculated at the tax rate of 18%. The reconciliation of the tax expense of the Group and the Company to the comprehensive income statement and taxation at the statutory rate is presented in the following table:

The movement of deferred tax assets and liabilities is presented below:

(in thousands of HRK)	2022 Group	2021 Group	2022 Company	2021 Company
Profit / (loss) before tax	19.941	(6.144)	(329)	(236)
Income tax at the rate of 18%	(3.589)	(1.106)	(39)	(42)
Effect of non-taxable income	(126)	(1.131)	-	-
Effect of non-deductible expenses for tax purposes	143	143	-	-
Effect of utilized carried forward tax losses from previous years	-	938	-	-
Effect of recognition of previously unrecognized deferred tax asset on tax losses	-	(2.686)	-	-
Tax losses not recognized as deferred tax assets	(1.130)	47	-	42
Release of temporary differences	-	-	-	-
Effect of different tax rates	(1.016)	-	39	-
Income tax	(5.718)	(3.795)	-	-

(in thousands of HRK)	Assets			Liabilities			Net		
	31 Dec 2022	Recognized in profit or loss	31 Dec 2021	31 Dec 2022	Recognized in profit or loss	31 Dec 2021	31 Dec 2022	Recognized in profit or loss	31 Dec 2021
Tax losses carried forward	7.958	4.671	12.629	-	-	-	7.958	4.671	12.629
Property, plant and equipment	-	-	-	(7.155)	1.016	(8.171)	(7.155)	1.016	(8.171)
	7.958	**4.671**	**12.629**	**(7.155)**	**1.016**	**(8.171)**	**803**	**5.687**	**4.458**

NOTE 11 – INCOME TAX (continued)

In accordance with local regulations, the Tax Administration may at any time inspect the Group's books and records within 3 years following the year in which the tax liability is reported and may impose additional tax liabilities and penalties. The Company's Management Board is not aware of any circumstances, which may give rise to a potential material liability in this respect.

Unused tax losses

(in thousands of HRK)	**2022 Group**	**2021 Group**	**2022 Company**	**2021 Company**
Tax loss from 2018 - expires in 2023	5.551	5.551	5.551	5.551
Tax loss from 2019 - expires in 2024	30	30	30	30
Tax loss from 2020 - expires in 2025	35.909	35.909	33	33
Tax loss from 2020 - does not expire	2.686	2.686	-	-
Tax loss from 2021 - expires in 2026	8.805	8.805	42	42
Tax loss from 2022 - expires in 2027	330	-	330	-
	53.311	**52.981**	**5.986**	**5.656**

The unused tax loss in the amount of HRK 2.686 thousand refers to Hotel Metropol d.o.o. and has no expiration date.

NOTE 12 – EARNINGS PER SHARE (basic and diluted)

Basic

Basic earnings/loss per share are calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares. As at 31 December 2022, the Company's share capital comprised 302.641 shares (31 December 2021: 302.641).

Diluted

Diluted earnings/(loss) per share is the same as basic as the Group had no convertible instruments or share options.

	2022 Group	**2021 Group**
Profit/(loss) for the year (in thousands of HRK)	13.962	(2.340)
Weighted average number of shares (basic and diluted)	302.641	302.641
Earnings/(loss) per share (basic and diluted) (in HRK)	46,13	(7,73)

NOTE 13.1 – PROPERTY, PLANT AND EQUIPMENT

Group

(in thousands of HRK)

	Land	Buildings	Plant and equipment	Assets under construction	Artwork	Total
For the year ended 31 December 2021						
Opening net book amount	**99.372**	**203.471**	**20.888**	**13.191**	**83**	**337.005**
Direct additions	-	185	51	508	-	744
Disposals and write-offs	-	(39)	(53)	-	-	(92)
Depreciation and amortization	-	(19.662)	(12.872)	-	-	(32.534)
Foreign exchange difference	(39)	(302)	(108)	25	1	(423)
Closing net book amount	**99.333**	**183.653**	**7.906**	**13.724**	**84**	**304.700**
As at 31 December 2021						
Acquisition value	99.333	778.686	143.832	13.724	84	1.035.659
Accumulated depreciation	-	(595.033)	(135.926)	-	-	(730.959)
Net book amount	**99.333**	**183.653**	**7.906**	**13.724**	**84**	**304.700**
For the year ended 31 December 2022						
Opening net book amount	**99.333**	**183.653**	**7.906**	**13.724**	**84**	**304.700**
Direct additions	-	17.604	9.776	(10.515)	-	16.865
Depreciation and amortization	-	(19.951)	(6.049)	-	-	(26.000)
Foreign exchange difference	(34)	(153)	(123)	(49)	-	(359)
Closing net book amount	**99.299**	**181.153**	**11.510**	**3.160**	**84**	**295.206**
As at 31 December 2022						
Acquisition value	**99.299**	**717.558**	**129.841**	**3.160**	**84**	**949.942**
Accumulated depreciation	-	(536.571)	(118.165)	-	-	(654.736)
Net book amount	**99.299**	**181.153**	**11.510**	**3.160**	**84**	**295.206**

NOTE 13.1 – PROPERTY, PLANT AND EQUIPMENT (continued)

As of 31 December 2022, land and buildings with a carrying amount of HRK 193.641 thousand (2021: HRK 194.025 thousand) were pledged as collateral for the repayment of borrowed funds (Note 19).

The land area included in the Group's books as of 31 December 2022 covers 188.837 square meters (2021: 188.837 square meters) and, together with the corresponding buildings, has a net book value of HRK 280.639 thousand (2021: HRK 282.986 thousand).

Out of the total land area, 16.722 square meters (2021: 16.722 square meters) are not owned by the Group according to land registry data, while 172.115 square meters (2021: 172.115 square meters) are owned by the Group.

Assets under construction relate to investments in project documentation and renovation of facilities in hotels in the Cavtat and Portorož destinations, as well as project documentation related to Hotel Albatros II.

NOTE 13.2 – RIGHT-OF-USE ASSETS

Information related to leases where the Group is the lessee is presented below.

Lease amounts are presented in the statement of financial position as follows:

(in thousands of HRK)	**Concessions**	**Vehicles**	**Total**
As at 1 January 2021			
Net book amount	1.720	655	**2.375**
For the year ended 31 December 2021			
Opening net book amount	1.720	655	2.375
Additions	-	3	3
Depreciation and amortization	(233)	(236)	(469)
Closing net book amount	**1.487**	**422**	**1.909**
For the year ended 31 December 2022			
Opening net book amount	1.487	422	1.909
Additions	-	496	496
Sale and write-offs	-	(531)	(531)
Depreciation and amortization	(233)	(269)	(502)
Closing net book amount	**1.254**	**118**	**1.372**

NOTE 13.2 – RIGHT-OF-USE ASSETS (continued)

(in thousands of HRK)	2022	2021
Lease liabilities		
Current portion	475	444
Non-current portion	1.298	1.412
	1.773	**1.856**

Lease amounts are presented in the statement of comprehensive income as follows: *(in thousands of HRK)*	2022	2021
Depreciation of right-of-use assets:		
Maritime domain concession	233	233
Vehicles	269	236
	502	**469**
Interest expense (included in finance costs)	45	41

NOTE 13.3 – INVESTMENT PROPERTY

Group

(in thousands of HRK)

	Investment property
For the year ended 31 December 2021	
Opening net book amount	4.334
Depreciation and amortization	(317)
Foreign exchange difference	(11)
Closing net book amount	**4.006**
As at 31 December 2021 31 December 2021	
Acquisition value	17.979
Accumulated depreciation	(13.973)
Net book amount	**4.006**
For the year ended 31 December 2022	
Opening net book amount	4.006
Depreciation and amortization	(318)
Foreign exchange difference	9
Closing net book amount	**3.697**
As at 31 December 2021 31 December 2022	
Acquisition value	18.228
Accumulated depreciation	(14.531)
Net book amount	**3.697**

As of 31 December 2022, investments in properties are unencumbered. The Group has assessed the value of the property investments and considers the carrying values to approximate fair value.

Operating lease pertains to the lease of hospitality facilities and retail spaces. During 2022, the Group generated lease revenue amounting to HRK 586 thousand (2021: HRK 395 thousand).

NOTE 14 – INTANGIBLE ASSETS

(in thousands of HRK)	Goodwill	Other intangible assets	Total
For the year ended 31 December 2021			
Opening net book amount	4.708	1.628	6.336
Additions	-	26	26
Disposals		19	19
Depreciation and amortization	-	(349)	(349)
Foreign exchange difference	-	(21)	(21)
Closing net book amount	**4.708**	**1.302**	**6.010**
As at 31 December 2021 31 December 2021			
Acquisition value	5.136	3.668	8.803
Accumulated amortization and impairment	(428)	(2.365)	(2.793)
Net book amount	**4.708**	**1.302**	**6.010**
For the year ended 31 December 2022			
Opening net book amount	4.708	1.302	6.010
Additions	-	56	56
Disposals		35	35
Depreciation and amortization	-	(277)	(277)
Foreign exchange difference	-	(35)	(35)
Closing net book amount	**4.708**	**1.081**	**5.789**
As at 31 December 2021 31 December 2022			
Acquisition value	5.136	3.723	8.858
Accumulated amortization and impairment	(428)	(2.642)	(3.070)
Net book amount	**4.708**	**1.081**	**5.789**

NOTE 15 – INVESTMENTS IN SUBSIDIRIES

(in thousands of HRK)	31 December 2022 Company	31 December 2021 Company
Investment in Hoteli Cavtat d.d.	202.962	202.962

Hoteli Cavtat holds a 100% ownership share in Hoteli Metropol d.o.o. and a 33,3% ownership share in Remisens Hotel Group d.o.o.

Hoteli Metropol d.o.o. holds a 33,3% ownership share in Remisens Hotel Group d.o.o., that is, the Group has an effective share of 66,7% in Remisens Hotel Group d.o.o.

NOTE 16 – TRADE AND OTHER RECEIVABLES

(in thousands of HRK)	31 December 2022 Group	31 December 2021 Group	31 December 2022 Company	31 December 2021 Company
Trade receivables	6.695	4.318	-	-
Impairment of trade receivables	(3.838)	(4.034)	-	-
				-
Trade receivables – net	2.857	285	-	-
				-
Receivables from employees and owners	33	30	-	-
Receivables from state and other institutions	489	295	-	-
Other receivables	1.091	1.400	-	-
	4.470	**2.011**	-	-

Movements in the provision for impairment of trade and other receivables are as follows:

(in thousands of HRK)	2022 Group	2021 Group	2022 Company	2021 Company
As at 1 January	3.896	3.793	-	-
Additional provisions	-	688	-	-
Release amounts	(58)	(447)	-	-
As at 31 December	**3.838**	**4.034**	-	-

NOTE 17 – CASH AND CASH EQUIVALENTS

(in thousands of HRK)	31 December 2022 Group	31 December 2021 Group	31 December 2022 Company	31 December 2021 Company
Deposits up to 90 days	277	287	-	-
Foreign currency accounts	17.882	1.560	-	-
Cash in hand	-	2	-	-
Giro accounts	12.280	12.956	678	44
	30.439	**14.805**	**678**	**44**

During the deposit term, the Group and the Company may call the funds with a prior notification of three days.

NOTE 18 – CAPITAL AND RESERVES

Share capital

As at 31 December 2022, the Company's share capital amounted to HRK 202.769 thousand (2021: HRK 202.769 thousand) and comprises 302.641 ordinary shares. Ordinary shares have equal voting rights and rights to receive dividend.

The ownership structure as at 31 December 2022 was as follows:

	Number of Shares	HRK	%
SNH Gama d.d.	261.371	175.118.570	86,36%
CERP Republic of Croatia	3.530	2.365.100	1,17%
FTB Turizam d.d.	3.325	2.227.750	1,10%
Others	34.415	23.058.050	11,37%
	302.641	202.769.470	100%

The ownership structure as at 31 December 2021 was as follows:

	Number of Shares	HRK	%
SNH Gama d.d.	260.442	174.496.140	86,06%
SN Pectinatus d.d.	8.589	5.754.630	2,84%
CERP Republic of Croatia	4.453	2.983.510	1,47%
Others	29.157	19.535.190	9,63%
	302.641	202.769.470	100%

NOTE 18 – CAPITAL AND RESERVES (continued)

Legal reserves

Under Croatian regulations, the legal reserve must be built up to a minimum of 5% of the profit for the year until total reserves together with the capital reserves reach 5% of the Company's share capital. Legal reserves are not distributable.

Other reserves

Other reserves mostly refer to reserves from the division of the companies Liburnia Riviera Hoteli d.d. and FTB Turizam d.d. and to transfers from retained earnings. The remainder refers to exchange rate differences resulting from the consolidation of a foreign subsidiary and as at 31 December 2022 amounts to HRK 712 thousand (31 December 2021: HRK 2.135 thousand).

Treasury shares

In the year 2022, FTB TURIZAM Company sold 1.128 treasury shares and, as of 31 December 2022, holds a total of 3.325 treasury shares, representing 1,0987% of the Company's share capital. Other companies within the Group do not hold any treasury shares.

Non-controlling interest

The following table presents information regarding Group companies in which there are non-controlling interests.

Remisens Hotel Group d.o.o.

in thousands of HRK	31 December 2022	31 December 2021
% of non-controlling interest (%)	33,3%	33,3%
Current assets	1.780	1.738
Non-current assets	990	990
Current liabilities	(6)	(1)
Net assets	**2.764**	**2.727**
Net assets attributable to non-controlling interest	921	908
Profit for the period	36	(27)
Profit attributable to non-controlling interest	12	(9)
Cash flow from operating activities	14	8
Cash flows from investing activities	-	-
Cash flows from financing activities	-	-
Net increase in cash and cash equivalents	**14**	**8**

NOTE 19 – BORROWINGS

(in thousands of HRK)	31 December 2022 Group	31 December 2021 Group	31 December 2022 Company	31 December 2021 Company
Long-term borrowings				
Secured bank borrowings	57.538	79.668	-	-
Borrowings from related parties	-	-		
	57.538	**79.668**	**-**	**-**
Short-term borrowings				
Secured bank borrowings	42.618	33.935	-	-
Borrowings from related parties	-	-		207
	42.618	**33.935**	**-**	**207**

Borrowings mature as follows:

(in thousands of HRK)	31 December 2022 Group	31 December 2021 Group	31 December 2022 Company	31 December 2021 Company
Up to 1 year	42.618	33.935	-	207
From 1 to 2 years	-	33.383	-	-
From 2 to 5 years	54.737	46.285	-	-
Over 5 years	2.801	-	-	-
Total	**100.156**	**113.603**	**-**	**207**

The carrying amounts of borrowings are denominated in EUR with the following effective interest rates on the reporting date: six-month EURIBOR plus 2,15%, six-month EURIBOR plus 1,5%, TZMF 91d + 1,65% and TZMF 182d + 2,45%. Bank borrowings are secured by mortgages on land and buildings (Note 13.1).

The reconciliation of movements in borrowings with cash flow from financing activities is as follows:

(in thousands of HRK)	2022 Group	2021 Group	2022 Company	2021 Company
Borrowings and leases				
As at 1 January	**113.604**	**148.826**	**207**	-
Proceeds from borrowings	22.600	-	30	207
Repayment of borrowings	(36.322)	(37.575)	(237)	-
Foreign exchange difference	274	2.353	-	-
As at 31 December	**100.156**	**113.604**	**-**	**207**

NOTE 20 – PROVISIONS

Group *(in thousands of HRK)*	Provisions for jubilee awards, termination benefits etc.
As at 1 January 2022	702
Additional provisions	74
As at 31 December 2022	**776**

NOTE 21 – TRADE AND OTHER PAYABLES

(in thousands of HRK)	**31 December 2022 Group**	**31 December 2021 Group**	**31 December 2022 Company**	**31 December 2021 Company**
Domestic trade payables	3.261	953	61	15
Foreign trade payables	250	572	-	-
Total trade payables	**3.511**	**1.525**	**61**	**15**
Liabilities to employees	605	351	-	-
Taxes and contributions payable	384	202	-	-
Liabilities for advances received	807	959	-	-
Other liabilities	781	1.212	-	66
	2.577	**2.724**	-	**66**
Total trade and other payables	**6.088**	**4.249**	**61**	**81**

NOTE 22 – GOVERNMENT GRANTS

Government grants relate to the funding that Hoteli Metropol d.d. received for Hotel Lucija in 2008. The grant is released annually in proportion to the amount of accrued depreciation. The entire grant is expected to be released by the end of 2034.

The annual release of the provision in the statement of comprehensive income is recorded under other operating income and in 2022 it amounted to HRK 716 thousand (2021: HRK 715 thousand).

NOTE 23 – CASH GENERATED FROM OPERATIONS

Reconciliation of profit and cash generated from operations:

(in thousands of HRK)	Note	2022 Group	2021 Group	2022 Company	2021 Company
Profit / (loss) for the year		14.223	(2.349)	(329)	(234)
Adjustments for:					
Depreciation and amortization		26.820	33.682	(11)	-
Impairment of real estate, plants, and equipment		-	-	-	-
Net (profit)/losses from sale of property, plant and equipment		-	-	-	-
Allowance for impairment of trade receivables - net (Note 16)		(283)	(58)	-	-
Financial income/(expenses) - net (Note 10)		2.735	2.376	-	-
Increase/(decrease) in provisions - net		-	73	-	-
Unrealized exchange rate differences		712	37	-	-
Write-off of other assets		-	91	-	-
Write-off of non-current assets		51	-	-	-
Income tax		(5.718)	(3.795)	-	-
Changes in working capital				-	-
- Trade receivables and other receivables		2.459	348	-	-
- Inventories		(173)	271	-	-
- Deferred income		(703)	(727)	-	-
- Suppliers and other liabilities		(1.839)	(5.194)	(20)	(9)
Cash generated from operations		**38.283**	**24.755**	**(360)**	**(243)**

NOTE 24 – CONTINGENCIES AND COMMITMENTS

Legal disputes

The Group is defendant and plaintiff in several legal disputes arising from regular operations, the amounts disputed are not material for the financial statements. The Group believes that the disputes will not result in financial losses for the Group.

Land ownership

Cadastral parcels no. 1902 cadastral municipality Obod with a surface area of 3.937 m2 and no. 1903 cadastral municipality Obod with a surface area of 14.639 m2 were included the share capital of the company Hoteli Cavtat d.d., by resolution HFP no. 93-247/1 dated 15 April 1996. The aforementioned land was confiscated from a number of natural persons in 1986 by the decision of the then Municipality of Dubrovnik and the right of use and disposal was given to the predecessor company HTP Dubrovnik for the construction of a tourist resort. During 1994, the Office for Property and Legal Affairs of the Dubrovnik-Neretva County passed several decisions by which the confiscated property is returned to the natural persons. In addition, the land registry procedure for the registration of ownership rights was conducted at the regular court and a decision was made to register ownership rights in favor of the natural persons, based on which the registration of ownership rights was carried out in favor of several natural persons. During 2015, HC initiated legal proceedings and filed 26 lawsuits to establish ownership rights in favor of HC against the property owners as registered in the land registers. As of 1 March 2022, a total of twenty-three judgements were passed, of which eighteen are final and binding and four are non-final in favor of the Company, and two in favor of the defendant (a natural person).

Contractual obligations for investments

As at 31 December 2022, the Group had no contractual future obligations for investments in tourist facilities (31 December 2021: zero).

NOTE 25 – RELATED PARTY TRANSACTIONS

Parties are considered to be related if one of the parties has the power to exercise control over the other party or under common control or if it has significant influence over the other party in making financial or operational decisions. As at 31 December 2021, the Company's ultimate parent entity and controlling party is SNH Gama d.d.

Related party transactions at the year-end are as follows:

	Group		Company	
(in thousands of HRK)	**2022**	**2021**	**2022**	**2021**
Revenue:				
Related parties	-	-	-	-
Expenses				
Related parties	6	19	-	17
Bogdanović&Dolički&Partneri	95	79	5	16
Pešut& Matić law firm	27			
	100	**98**	**5**	**33**
Trade and other receivables:				
Related parties	3	1	-	211
Bogdanović&Dolički&Partneri	117	5	5	5
Pešut& Matić law firm	33			
	120	**6**	**5**	**216**
Trade and other receivables:				
Related parties	-	**22**	-	-

In 2022, the Group's administrative, management and supervisory bodies had 6 members (2021: 6 members). The compensations of the members of administrative, management and supervisory bodies for 2022 amounted to HRK 922 thousand (2021: HRK 753 thousand) and include gross salaries and contributions.

NOTE 26 – EVENTS AFTER THE BALANCE SHEET DATE

The Government of the Republic of Croatia has issued a Decision on the introduction of the euro as the official currency in the Republic of Croatia, with the euro becoming the official monetary unit and legal means of payment in the Republic of Croatia as of 1 January 2023. The fixed conversion rate has been set at 7,53450 Croatian Kuna for one euro. The introduction of the euro as the official currency in the Republic of Croatia represents a change in the functional currency and does not constitute an adjusting event.

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Zagreb, 28.04.2023.

DECLARATION OF THE PERSONS RESPONSIBLE FOR PREPARING THE ANNUAL AUDITED STATEMENT FOR THE PERIOD FROM 1 JANUARY 2022 TO 31 December 2022

Pursuant to Article 486 (2) of the Capital Market Act (official gazette of the Republic of Croatia "Narodne novine" no. 65/2018), I hereby declare that, to the best of our knowledge, the audited financial statements for FTB Turizam d.d. have been prepared in accordance with the International Financial Reporting Standards and the Accounting Act, and provide a complete and true overview of the assets and liabilities, loss and profit and financial operations of the Company for the period from 1 January to 31 December 2022.

______________________ FTB TURIZAM d.d.
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Zagreb, 28.04.2023.

DECLARATION OF THE PERSONS RESPONSIBLE FOR PREPARING THE ANNUAL CONSOLIDATED AND AUDITED STATEMENT FOR THE PERIOD FROM 1 JANUARY 2022 TO 31 December 2022

Pursuant to Article 486 (2) of the Capital Market Act (official gazette of the Republic of Croatia "Narodne novine" no. 65/2018), I hereby declare that, to the best of our knowledge, the consolidated and audited financial statements for FTB Turizam Group have been prepared in accordance with the International Financial Reporting Standards and the Accounting Act, and provide a complete and true overview of the assets and liabilities, loss and profit and financial operations of the Company and the companies included in the consolidation for the period from 1 January to 31 December 2022.

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