

HOTELI JADRAN d.d., Gradac

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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Izvješće uprave o stanju i poslovanju društva u 2020.

Hoteli Judan d.d.

Management Board report on the state of company and business operations for 2020

April 2021

HOTEL JADRAN D.D., JADRANSKA 2, GRADAC 21000, OIB: 1809675996; MIB: 316154; ŽIRO RAČUNI: KUNSKI 234099-11001054 I DEVIZNI KOD PRIVREDNE BANCHE ZAGREB D.B.; IBAN HRVATSKA 2340991001054; SVUPF PRIGLASIJE: TRGOVAČKI REGISTAR U SPLITU, MIB: 00000101; POSREDOVANJE: 74903800 KUNA, UPLAĆEN U CURELOSTPOBIJELZEN JE
187115 DIONICA SVAKA NOMINALE VRIJEDNOSTI 7000 KUNA, PRIJEDNOVIK UPRAVE: ČEKLJA NIOLETTA FATA, CLAN UPRAVE: SOMA LADIĆ; PREDSEDNIK NAZORNOG
ODBORA: DANIEL JELLINEK; LEI OZNAKA: 7400000XCHRTA019; MATIČNA DRŽAVA GLAVICA: REPUBLIKA HRVATSKA; ISIN: HBILDRR000H; OZNASKA DIONICE: HFD-B-A.
TVRŠTENA NA REDOVITO TRŽISTIJE ZAGREBAKE BURZE

2021-04-16-HOTEL JADRAN D.D.-MANAGEMENT BOARD REPORT-ID-5213

The Management Board of HOTEL JADRAN d.d., Gradac, Jadranska 2, OIB 18099276986, represented by the President of the Management Board, Cecilija Nikolettta Fata and a member of the Management Board, Soma Zoltán Dala, on April 16. 04. 2021

1. MANAGEMENT REPORT ON THE STATE OF COMPANY AND BUSINESS OPERATIONS FOR 2020

1. GENERAL INFORMATION ABOUT THE COMPANY

Joint Stock Company for Hotel and Tourism Hoteli Jadran from Gradac (hereinafter: the Company) was created by the transformation of the social Hotel-Tourist Company Hoteli Jadran and entered in the file TT-96 / 7166-5, MBS 060040135 on March 5, 1997. The conversion is based on Decision on the transformation and decision of the Croatian Privatization Fund of 2 April 1996. The founding assembly of the company was held on November 8, 1996, when it was accepted that Hoteli Jadran be transformed into a joint stock company and become a universal successor of the socially-owned company of the same name. The share capital of the company is divided into 107,115 ordinary registered shares, each in the nominal amount of HRK 700.00.

Current management was appointed only in September and therefore their management affected practically the last quarter of 2020, while all other management decisions were rendered by the previous management board.

Part of company's assets are mortgaged in favour of Bohemian Financing zrt. pursuant to the following:
1.Contract on Purchase and Sale of Claims dated April 2, 2019. concluded between Raiffeisen Bank Zrt. and Bohemian Financing Zrt., all rights and obligations have been transferred to Bohemian Financing Zrt. In order to settle the above claim, the enforcement of Raiffeisen Bank Zrt was initiated against Hotel Jadran d.d. which is kept under business number OVR-69/2019. 2.Contract on Purchase and Sale of Claims dated May 30, 2018. concluded between NLB Leasing d.o.o. and Bohemian Financing Zrt., all rights and obligations have been transferred to Bohemian Financing Zrt. . In order to settle the above claim, the enforcement of NLB Leasing d.o.o. was initiated against Hotel Jadran d.d. which is kept under business number OVR-48/2019. and 3. Contract on Purchase and Sale of Claims dated May 30, 2018. concluded between OL Nekretnine d.o.o. and Bohemian Financing Zrt., all rights and obligations have been transferred to Bohemian Financing Zrt. In order to settle the above claim, the enforcement of OL Nekretnine d.o.o. was initiated against Hotel Jadran d.d. which is kept under

1/16

521-04-16-HOTEL JADRAN O.D. MANAGEMENT BOARD REPORT-103-521-04-16

3.3. Profit

The result of operations is a loss in the amount of HRK 42,352,859 while in the previous year a loss in the amount of HRK 552,209 was reported. The reason for the loss is primarily the lack of operating income due to extraordinary circumstances caused by COVID-19 and posting of provisions.

EBITDA amounted to HRK -32,313,669, while in the previous year the realized EBITDA amounted to HRK 3,978,639.

4. HUMAN RESOURCES

The human resources management strategy is based on a solid synergy of the destination, the local population and the Company is looking to achieve sustainability by making sure the ratio of full time and seasonal workers meet industry standards and provides a competitive advantage.

Investment in the development of both full-time and seasonal staff is a significant enabler of growth for the Company and we plan to continue investment in the area."

As of December 31, 2020, the Company had a total of 71 employees, and a year earlier 6 employees.

The ratio of total labor costs and operating revenues in 2020, according to data from business reports, was 100%, while in 2019 the ratio was 21%.

Relationships with employees are developing thanks to the leadership of the Trade Union, with which the Management cooperates on a daily basis. The Company fully applies the concluded Collective Agreement.

The Company, in cooperation with the social partners, regulated material rights during the extraordinary circumstances caused by COVID-19 by repealing part of the Collective Agreement which regulates the calculation and payment of salaries and wages. During exceptional circumstances, employers are not obliged to pay employees a salary in accordance with the provisions of the Collective Agreement applicable to the employer.

As part of the job preservation program, the Company applied for employment protection measures and received support for job preservation until 31.12.2020, in the amount of HRK 94,250.00.

Upravljanje rizicima sastavni je dio planiranja i upravljanja poslovnim procesima te je bazirano na standardnim operativnim procedurama, misiji i viziji te zakonskim obavezama. Aktivnosti koje Društvo obavlja i vremenski karakter poslovanja izlažu ga raznim rizicima i to operativnom, valutnom, kreditnom, kamatnom i riziku likvidnosti.

Operativni rizik nastaje kao posljedica neadekvatnih procedura i neuspjelih internih procesa. ljudskog faktora, internih ili eksternih događaja. U Društvu su ovi rizici prepoznati kao rizik planirana ušuga radi zastarjelih objekata, rizik nedovoljnog broja sezonskih radnika na tržištu, rizik od namjernih grešaka i prijevare radnika, ekološki rizik, rizik od moguće zaraze u hotelu i rizik od mogućih prirodnih katastrofa. Društvo upravlja ovim rizikom u skladu sa strategijom i politikama upravljanja rizicima.

Društvo indirektno, putem najamova, većinu prihoda ostvaruje na stranim tržištima te je izloženo je valutnom riziku. Cijene smještajnih usluga vezane su za strane valute, pretežno euro, te promjena vrijednosti valute može značajno utjecati na rezultate poslovanja.

Ovaj rizik u društvu je prepoznat kao mogućnost da potraživanja prema kupcima ne budu realizirana na dan dospijeća. Potraživanja od dijela kupaca mogu sadržavati kreditni rizik, obzirom na visinu prometa s pojedinim klijentima i stanje opće likvidnosti u zemlji.

Budući da Društvo nema značajne prihode od kamata koje ostvaruje, prihodi i novčani tok iz poslovnih aktivnosti nisu ovisni o promjenama kamatnih stopa. U strukturi kratkoročnih obveza za zajmove, depozite i slično, društvo ima obvezu na koju se ne obračunava kamata obzirom da je ista predmet predlaženja postupka.

Uprava kontinuirano prati i vodi projekciju likvidnosti.

Risk management is an integral part of planning and managing business processes and is based on standards of operational procedures, mission and vision, and legal frameworks. The activities performed by the Company and the seasonal nature of operations expose it to various risks, namely operational, currency, credit, interest rate and liquidity risk.

Operational risk arises as a result of inadequate procedures and failed internal processes, human factor, internal or external events. The Company recognizes these risks as the risk of placement of services due to obsolete facilities, the risk of insufficient number of seasonal workers on the market, the risk of intentional mistakes and fraud of workers, environmental risk, the risk of possible contamination in the hotel and the risk of possible natural disasters. The Company manages this risk in accordance with its risk management strategy and policies.

The company indirectly, through leases, generates most of its income in foreign markets and is exposed to currency risk. Prices of accommodation services are linked to foreign currencies, mostly the euro, and changes in the value of the currency can significantly affect business results.

This risk is recognized in the company as a possibility that trade receivables are not realized on the maturity date. Receivables from some customers may include credit risk, given the amount of turnover with individual customers and the state of general liquidity in the country.

Since the Company does not have significant interest income, income and cash flow from operating activities are not dependent on changes in interest rates. In the structure of short-term liabilities for loans, deposits, etc., the company has an obligation on which no interest is calculated, given that it is the subject of pre-bankruptcy proceedings.

The Management Board continuously monitors and manages the liquidity projection.

[illegible]

6. INVESTICIJE

Društvo u 2020. godini ne bilježi nove investicije.

7. OPIS STANJA I POSLOVANJA

U cilju uspostave likvidnosti i restrukturiranja, Društvo je podnijelo zahtjev za otvaranje postupka predstečajne nagodbe, te je 22. ožujka 2013. isti otvoren. Za predstečajnog povjerenika je imenovana gđa. Meri Šitić. U postupku predstečajne nagodbe, svi vjerovnici su prijavili svoje tražbine te je Nagodbeno vijeće dana 27.06.2013. zakazalo ročište za utvrđivanje tražbina za dan 17.07.2013.g. Međutim, Republika Hrvatska - Ministarstvo financija nagodbenom vijeću je 16.05.2013.g. dostavilo zahtjev za prekid postupka predstečajne nagodbe uslijed provođenja nadzora nad povezanim društvima čije tražbine čine većinu ukupnih tražbina zbog utvrđivanja proboja pravne osobnosti, što predstavlja prethodno pitanje čije rješavanje može značajno utjecati na ishod postupka. Povodom tog zahtjeva, Nagodbeno vijeće je na ročištu za utvrđivanje tražbina dana 17.07.2013.g. donijelo rješenje kojim se prekida postupak predstečajne nagodbe do okončanja postupka utvrđivanja zlouporabe prava pred nadležnim tijelom i utvrdilo da će se postupak predstečajne nagodbe nastaviti po primitku izvršnog rješenja donesenog u postupku utvrđivanja zlouporabe prava pred nadležnim tijelom.

S obzirom da je do dana donošenja rješenja o prekidu postupka proteklo 117 dana postupka, te je preostalo samo 3 dana da se postupak pred nagodbenim vijećem dovrši nakon što bude nastavljen, što nedvojbeno nije dostatno za objavu zaključka o sazivanju ročišta za utvrđivanje tražbina, eventualnu izmjenu plana predstečajne nagodbe, objavu izmijenjenog plana, objavu zaključka o zakazivanju ročišta za glasovanje o planu financijskog restrukturiranja i predstečajne nagodbe i za održavanje predmetnog ročišta za glasovanje, to je dužnik uložio dana 01.09.2014.g. uložio zahtjev za produljenje roka trajanja postupka predstečajne nagodbe te je Savjetodavno vijeće Ministarstva financija dana 24.09.2014.g. odobrilo produženje roka za dodatnih 30 dana. Rok za dodatnih 30 dana počinje teći od isteka roka od 120 dana od dana otvaranja postupka predstečajne nagodbe.

Sukladno zakonu o financijskom poslovanju i predstečajnoj nagodbi, društvo svoje tekuće obveze podmiruje u rokovima predviđenim zakonom, tj. 30 odnosno 60 dana uz suglasnost povjerenika predstečajne nagodbe. Društvo na temelju predloženog plana financijskog i operativnog restrukturiranja nudi vjerovnicima predstečajnu nagodbu koja bi se provela na slijedeći način da se od utvrđenih

6. INVESTMENTS

The company does not record any new investments in 2020.

7. DESCRIPTION OF SITUATION AND BUSINESS

In order to establish liquidity and restructure, the Company submitted a request to open pre-bankruptcy settlement proceedings, which was opened on 22 March 2013. Mrs. Meri Šitić was appointed as the pre-bankruptcy commissioner. In the pre-bankruptcy settlement procedure, all creditors filed their claims and the Settlement Council on 27.06.2013. scheduled a hearing to determine the claims for 17.07.2013. However, the Republic of Croatia - Ministry of Finance to the Settlement Council on 16.05.2013. submitted a request to terminate the pre-bankruptcy settlement procedure due to the supervision of affiliated companies whose claims make up the majority of total claims due to the determination of the breach of legal personality, which is a preliminary issue whose resolution may significantly affect the outcome of the proceedings. Regarding this request, the Settlement Council at the hearing for determining the claims on July 17, 2013, issued a decision suspending the pre-bankruptcy settlement procedure until the end of the procedure for establishing abuse of rights before the competent authority and determined that the pre-bankruptcy settlement procedure will continue upon receipt of the executive decision issued in the procedure for determining abuse of rights before the competent body.

Considering that 117 days of proceedings had elapsed by the day of the decision to suspend the proceedings, and that there were only 3 days left to complete the proceedings before the settlement council after they resumed, which is undoubtedly not enough to publish a conclusion on convening a claim hearing, plan of the pre-bankruptcy settlement, publication of the amended plan, publication of the conclusion on scheduling the hearing for voting on the plan of financial restructuring and pre-bankruptcy settlement and for holding the hearing in question, the debtor submitted on 01.09.2014. a request for extension of the duration of the pre-bankruptcy settlement procedure and the Advisory Council of the Ministry of Finance on 24.09.2014. approved an extension of the deadline for an additional 30 days. The deadline for an additional 30 days begins to run from the expiration of the deadline of 120 days from the day of opening the pre-bankruptcy settlement procedure.

In accordance with the Law on Financial Operations and Pre-Bankruptcy Settlement, the company settles its current liabilities within the deadlines provided by law, ie 30 or 60 days with the consent of the pre-bankruptcy settlement commissioner. Based on the proposed financial and operational restructuring plan, the Company offers creditors a pre-bankruptcy settlement which would be carried out in

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tražbina otpiše zatezne kamate, ukoliko iste postoje, te otplatu cjelokupne glavnice uz izmjenu rokova dospijeća na period od 5 godina od datuma pravomoćnosti rješenja o sklapanju predstečajne nagodbe. Dana 8. lipnja 2017. održano je ročište za utvrđenje tražbina te je dana 14. lipnja 2017. doneseno rješenje o utvrđenju tražbina Klasa UP-I/110/07/13-01/1683, urbroj 04-06-17-1683-141. Ročište za glasovanje o prihvaćanju plana financijskog restrukturiranja zakazano je za 26. srpnja 2017. na kojem je predloženi plan financijskog restrukturiranja prihvaćen. Na rješenje o utvrđenju tražbina žalio se vjerovnik Optima Leasing d.o.o. te je Ministarstvo financija u drugostupanjskom upravnom postupku donijelo rješenje 11. rujna 2017. Klasa UP/II-423-01/117-02/53 urbroj 513-04/17-4 kojim se uvažava žalba te se poništava rješenje Financijske agencije Klasa UP-I/110/07/13-01/1683, urbroj 04-06-17-1683-133 od 12. lipnja 2017. navodeći da vijeće nije dovoljno obrazložilo razloge odbacivanja tražbine navedenog vjerovnika. Na ovo rješenje Nagodbeno vijeće HR01 Financijske agencije je donijelo novo rješenje dana 23. listopada 2017. Klasa UP-I/110/07/13-01/1683 urbroj 04-06-17-1683-221 u kojem odbacuje prijavu tražbine vjerovnika Optima Leasing d.o.o. detaljno obrazlažući razloge donošenja ovakvog rješenja. Rješenjem od 08.01.2018. (klasa: UP/II-423-01/17-02/72, ur.br. 513-04/18-3) Ministarstva financija, Samostalnog sektora za drugostupanjski upravni postupak, uvažena je žalba vjerovnika Optima Leasing d.o.o. Zagreb na rješenje o odbacanju prijave tražbine te je poništeno rješenje FINE, Regionalni centar Zagreb, Nagodbeno vijeće HR01, klasa UP-I/110/07/13-01/1683, ur.04.06-17-1683-221 od 23.10.2017, i predmet vraćen prvostupanjskom tijelu na ponovni postupak. Dana 12.04.2018. održano je novo ročište za utvrđenje tražbina te je 16.04.2018. doneseno Rješenje o utvrđenju tražbina, klasa UP-I/110/07/13-01/1683, ur.broj 07-02-18-1683-229 u kojem je utvrđena i tražbina vjerovnika Optima Leasing d.o.o. sukladno njihovom traženju. Društvo nakon toga izrađuje novi plan financijskog i operativnog restrukturiranja, kao i novi nacrt predstečajne nagodbe s uključenim svim utvrđenim tražbinama te ga dostavlja Nagodbenom vijeću Financijske agencije koje zakazuje ročište za glasovanje za 5. lipnja 2018. godine. Neposredno prije održavanja ročišta za glasovanje, Nagodbeno vijeće je od vjerovnika Optima Leasing d.o.o. Zagreb i razlučnog vjerovnika OL Nekretnine d.o.o. Zagreb zaprimilo podneske kojima se obavještava da je izvršen ustup tražbina novom vjerovniku Bohemian Financing Zrt. Budimpešta. Dana 5. lipnja 2018. održano je ročište za glasovanje o novom Izmijenjenom planu financijskog restrukturiranja na kojem je spomenuti plan prihvaćen, te je Nagodbeno vijeće HR01 Financijske agencije dana 6. lipnja 2018. donijelo Rješenje o prihvaćanju Izmijenjenog plana financijskog restrukturiranja klasa UP-I/110/07/13-01/1683, ur.broj 07-02-18-1683-248 koje je postalo izvršno 26. lipnja 2018. godine. Društvo je 28. lipnja 2018. godine predalo Prijedlog

the following way to write off default interest, if any, and repay the entire principal with a change in maturity for a period of 5 years from the date the decision on concluding a pre-bankruptcy settlement becomes final. On 8 June 2017, a hearing for the determination of claims was held and on 14 June 2017, a decision on the determination of claims Class UP-I / 110/07 / 13-01 / 1683, registration number 04-06-17-1683-141. A hearing to vote on the adoption of the financial restructuring plan is scheduled for 26 July 2017 at which the proposed financial restructuring plan is adopted. The creditor Optima Leasing d.o.o. appealed against the decision on determining the claims and the Ministry of Finance in the second-instance administrative procedure issued a decision on 11 September 2017 Class UP / II-423-01 / 117-02 / 53 no. 513-04 / 17-4 upholding the appeal and annulling the decision of the Financial Agency Class UP-1 / 110/07 / 13-01 / 1683, reg. 04-0617-1683-133 of 12 June 2017, stating that the Council did not sufficiently explain the reasons for rejecting the claim of the said creditor. On this decision, the Settlement Council HR01 of the Financial Agency adopted a new decision on October 23, 2017. Class UP-I / 110/07 / 13-01 / 1683, number 04-06-17-1683-221, in which it rejects the application of the creditor Optima Leasing Ltd. explaining in detail the reasons for making such a decision. By the decision of January 8, 2018 (class: UP / II-423-01 / 17-02 / 72, reg. no. 513-04 / 18-3) of the Ministry of Finance, Independent Sector for Second Instance Administrative Procedure, the appeal of the creditor Optima Leasing d.o.o. Zagreb on the decision rejecting the claim was upheld and the decision of FINA, Regional Center Zagreb, Settlement Council HR01, class UP-I / 110/07 / 13-01 / 1683, reg. 04.06-17-1683-221 dated 23 October 2017, was annulled and the case returned to the first-instance body for retrial. A new hearing was held on April 12, 2018, to determine the claims and on April 16, 2018, Decision on determination of claims, class UP-I / 110/07 / 13-01 / 1683, registration number 07-02-18-1683-229, was made in which the claim of the creditor Optima Leasing d.o.o. was determined according to their request. The Company then prepares a new financial and operational restructuring plan, as well as a new draft of pre-bankruptcy settlement including all identified claims and submits it to the Financial Agency's Settlement Council, which schedules a hearing for June 5, 2018. Immediately before the voting hearing, from the creditor Optima Leasing d.o.o. Zagreb and from the separate creditor OL Nekretnine d.o.o. Zagreb, the Settlement Council received submissions informing that the assignment of claims to the new creditor Bohemian Financing Zrt. Budapest had been made. On 5 June 2018, a hearing was held on the vote on the new Amended Financial Restructuring Plan, at which the said plan was accepted, and on 6 June 2018, the HR01 Financial Agency Settlement Council adopted a Decision on accepting the Amended Financial Restructuring Plan of class UP-I / 110/07 / 13-01 / 1683, registration number 07-

HOTELI JADRAN D.D., JADRANSKA 2, GRADAC 21130, OIB: 1809774986; MB: 3036154; ŽIRO RAČUNE: KUNSKI 2340009-1100010547 I DEVIZNI KOD PRIVREDNE BANKE ZAGREB D.D.; IBAN HR43400091100010547, SWIFT FBZGHR2X; TRGOVAČKI SUD U SPLITU, MBS: 00040135; TEMELJNI KAPITAL: 74.900.500,00 KUNA, UPLAĆEN U CJELOSTIPOSUPLJELEN NA 107.115 DIONICA SVAKA NOMINALNE VRIJEDNOSTI 700,00 KUNA; PREDSEDNIK UPRAVE: CECILIA NIKOLETTA FATA, ČLAN UPRAVE: SOMA DALA; PREDSEDNIK NADZORNOG ODBORA: DANIEL JELLINEK; LIZI OZNAKA: 747800033KCBTROTUA91; MATIČNA DRŽAVA ČLANICA: REPUBLIKA HRVATSKA; ISIN: HRJADRRA0001; OZNAKA DIONICE: HJDR-B-A, UVRŠTENJA NA REDOVITO TRŽIŠTE ZAGREBAČKE BURZE

za sklopanje predstečajne nagodbe Trgovačkom sudu u Splitu.

U trenutku pisanja ovog izvještaja čeka se zakazivanje ročišta pred Trgovačkim sudom u Splitu za sklopanje predstečajne nagodbe. Obzirom na nastupanje izvanrednih okolnosti izazvanih COVID-19, Trgovački sud u Splitu je privremeno obustavio održavanje ročišta. Sukladno odluci od 29. travnja 2020. objavljenoj na internetskim stranicama, Sud će nastaviti s održavanjem ročišta od 11. svibnja 2020. Predviđamo da bi predstečajna nagodba mogla biti potvrđena u drugom tromjesečju 2021. g.

Najznačajniji događaj ove godine je pojava virusa COVID-19 krajem veljače 2020. Društvo je sukladno novonastalim okolnostima te mjerama Vlade, kao zakupodavac zbog ovih iznimnih okolnosti i neizvjesnosti, pristao da tokom sezone 2020. suspendira ugovore o zakupu za hotel „Faraon“ i hotel „Laguna“ obzirom da hoteli neće poslovati u godini 2020. Društvo aktivno prati sve informacije vezane uz širenje korona virusa, posebice na emitivnim tržištima i poduzima sve mjere zaštite preporučene od strane Ministarstva Zdravstva i Zavoda za javno zdravstvo. Društvo je u suradnji sa socijalnim partnerima regulirala materijalna prava za vrijeme dok se ne radi a pristupila je i pregovorima s ostalim partnerima u cilju revidiranja visine i naknade za period kada će operativna aktivnost izostati. Vlada Republike Hrvatske je u travnju objavila program državnih potpora za suzbijanje negativnih učinaka Covid-19 na gospodarstvo. U okviru programa Društvo se prijavilo za mjere zaštite zaposlenja te dobilo potporu za očuvanje radnih mjesta. Osim gore navedene mjere Društvo je odobrena mjera odgode plaćanja određenih poreznih obveza.

Kao rezultat konačnog i obvezujućeg zaključka stečajnog postupka nad mađarskom tvrtkom Dalmácia Holiday Kft., Bohemian Financing Zrt. postao jedini vlasnik 100% dionica Topaz d.o.o., većinskog dioničara Društva.

Na glavnoj skupštini Društva održanoj dana 07. rujna 2020. donesena je odluka o opozivu članova Nadzornog odbora, i to: g. Tamas Vitezy-a, g. Janos Cseszlai-a i gđe. Lidie Deme Deže, te su kao članovi nadzornog odbora izabrani g. Dániel Jellinek, g. Tamás Szöllősi i g. Tamas Kuntár na mandatno razdoblje od četiri godine.

Nadzorni odbor je na sjednici održanoj dana 18.09.2020.g.

02-18-1683-248, which became enforceable on June 26, 2018. On June 28, 2018, the Company submitted a Proposal for concluding a pre-bankruptcy settlement to the Commercial Court in Split.

At the time of writing this report, a hearing is pending before the Commercial Court in Split for a pre-bankruptcy settlement. Due to the extraordinary circumstances caused by COVID-19, the Commercial Court in Split temporarily suspended the hearing. Pursuant to the decision of 29 April 2020 published on the website, the Court continued to hold hearings from 11 May 2020. We anticipate that the pre-bankruptcy settlement could be confirmed in the second quarter of 2021.

The most significant event of this year is the appearance of the COVID-19 virus at the end of February 2020. In accordance with the new circumstances and measures of the Government, the company, as a lessor due to these exceptional circumstances and uncertainties, agreed to suspend the lease agreements for the hotel "Faraon" and hotel "Laguna" during the 2020 season, since the hotels would not operate in 2020. The company actively monitors all information related to the spread of coronavirus, especially in emitting markets and takes all protection measures recommended by the Ministry of Health and the Institute of Public Health. The Company, in cooperation with the social partners, regulated the material rights during the time when it was not working, and it started negotiations with other partners in order to revise the amount and compensation for the period when the operational activity would be absent. In April, the Government of the Republic of Croatia announced a state aid program to combat the negative effects of Covid-19 on the economy. As part of the program, the Company applied for employment protection measures and received support for job preservation. In addition to the above measure, the Company has approved a measure of deferral of payment of certain tax liabilities.

As a result of the final and binding conclusion of the bankruptcy proceedings against the Hungarian company Dalmácia Holiday Kft., Bohemian Financing Zrt. became the sole owner of 100% of the shares of Topaz d.o.o., the majority shareholder of the Company.

At the General Assembly of the Company held on September 7, 2020, a decision was made to recall the members of the Supervisory Board, namely: Mr. Tamás Vitezy, Mr. János Cseszlai and Ms. Lidia Deme Deže, and Mr. Dániel Jellinek, Mr. Tamás Szöllősi and Mr. Tamas Kuntár were elected as members of the Supervisory Board for a term of four years.

At the session held on September 18, 2020, the Supervisory

HOTELI JADRAN D.D., JADRANSKA 1, GRADAC 21338, OIB: 18099276996; MIB: 3036154; ŽIRO RAČUNI: KUNSKI 2340009-1100010547 I DEVIZNI IKOD PRIVREDNE BANKE ZAGREB D.D.; IBAN HR9423400091100010547, SWIFT PRZGHR3K; TRGOVAČKI SUD U SPLITU, MBS: 060440135; TEMELJNI KAPITAL: 74.900.200,00 KUNA, UPLAĆEN U CIELOSTI; PODJELJEN NA 187.115 DIONICA SVAKA NOMINALNE VRIJEDNOSTI 700,00 KUNA; PREDSEDNIK UPRAVE: CECILIA NIKOLETTA FATA. ČLAN UPRAVE: SOMA DALAI; PREDSEDNIK NAZDORNOG ODBORA: DANIEL JELLINEK; LEI OZNAKA: 7478000030KHITROTALP1; MATIČNA DRŽAVA ČLANICA: REPUBLIKA HRVATSKA; ISIN: HRBJDRRA0001; OZNAKA DIONICE: BJDR-R-A, UVRŠTEN NA REDOVITO TRŽIŠTE ZAGREBAČKE BURZE

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donio odluku o opozivu g. Laszla Attila Kerekese, Predsjednika uprave, i gđe. Nives Grzunov, člana uprave, te su kao novi članovi uprave Društva imenovani gđa. Cecilia Nikoleta Fata na funkciju Predsjednik uprave i g. Soma Zoltán Dala na funkciju član uprave na mandat od pet godina.

Nakon što je Uprava sagledala dosadašnje poslovanje pokrenut je postupak racionalizacije poslovanja društva, kako bi se društvo s dugom tradicijom poslovanja u hotelijerstvu koja seže od 1955. moglo suočiti s izazovima trenutne pandemije na najučinkovitiji način. Usljed otežanih i neizvjesnih uvjeta poslovanja uzrokovanih pandemijom COVID-19 i lošim rezultatima turističke sezone, Društvo je odlučilo upravljati troškovima na centralizirani način. Društvo očekuje da će to omogućiti smanjenje troškova, učinkovitiju mobilnost osoblja koja odgovara trenutnoj vrlo nestabilnoj potražnji za smještajnim kapacitetima i povećanje kvalitete usluge. Proces racionalizacije započeo je s preuzimanjem zaposlenika društava koja su u zakupu hotela Labineca i Laguna u Gradcu i Faraon u Trpinju, te kasnije raskidom ugovora o zakupu sa sadašnjim zakupcima.

S obzirom na neizvjesnost ne može se procijeniti koliko dugo će trajati i kakve će efekte imati na poslovanje Društva ali se ne očekuje ugroza dugoročnog poslovanja.

8. OBAVLJEST O ZAŠTITI OKOLIŠA

Upravljanje zaštitom okoliša obuhvaća odgovorno poslovanje u cilju očuvanja okoliša, prirode te odnosa prema društvenoj zajednici radi postizanja dugoročnog poslovnog uspjeha i zadovoljstva svih zainteresiranih strana. Društvo priprema politiku upravljanja okolišem kojom će uskladiti poslovanje s važećim zakonskim odredbama i propisima iz područja zaštite okoliša.

9. PRIMJENA KODEKSA KORPORATIVNOG UPRAVLJANJA

Društvo dobrovoljno primjenjuje Kodeks korporativnog upravljanja kojega su zajednički izradile Hrvatska agencija za nadzor financijskih usluga (HANFA) i Zagrebačka burza d.d. Zagreb, a integralni tekst Kodeksa objavljen je na internetskim stranicama Zagrebačke burze (www.zse.hr). Društvo objavljuje Izjavu o primjeni kodeksa korporativnog upravljanja kao posebni odjeljak godišnjeg izvješća o stanju društva sukladno čl. 272.p Zakona o trgovačkim društvima.

Board decided to recall Mr. László Attila Kerekes, President of the Management Board, and Ms. Nives Grzunov, member of the Management Board, and as new members of the Management Board of the Company were appointed Ms. Cecilia Nikoleta Fata to the position of President of the Management Board and Mr. Soma Zoltán Dala to the position of Member of the Management Board for a term of five years.

After the Management Board reviewed the current operations, the process of streamlining the Company's operations was initiated, so that the company with a long tradition of hotel business dating back to 1955 could face the challenges of the current pandemic in the most efficient way. Due to difficult and uncertain business conditions caused by the COVID-19 pandemic, the poor results of the tourist season and the inherited vast consolidated debt from before 2020, the Company decided to manage costs in a centralized manner. The company expects that this will enable cost reduction, more efficient staff mobility that corresponds to the current very volatile demand for accommodation capacities and an increase in the quality of service. The process of rationalization began with the takeover of employees of the companies that leased the hotels Labineca and Laguna in Gradac and Faraon in Trpanj, and later the termination of the lease agreement with the current tenants followed.

Given the uncertainty, it is not possible to estimate how long it will last and what effects it will have on the Company's operations, but no threat to long-term operations is expected.

8. ENVIRONMENTAL PROTECTION NOTICE

Environmental management includes responsible business in order to preserve the environment, nature and the relationship with the community in order to achieve long-term business success and satisfaction of all stakeholders. The Company is preparing an environmental management policy that will harmonize operations with applicable legal provisions and regulations in the field of environmental protection.

9. APPLICATION OF THE CORPORATE GOVERNANCE CODE

The Company voluntarily applies the Corporate Governance Code, which was jointly developed by the Croatian Financial Services Supervisory Agency (HANFA) and the Zagreb Stock Exchange d.d. Zagreb, and the integral text of the Code was published on the website of the Zagreb Stock Exchange (www.zse.hr). The Company publishes the Statement on the Application of the Corporate Governance Code as a special section of the annual report

HOTELI JADRAN D.D., JADRANSKA 7, GRADAC 21336, OIB: 10097276904; MB: 3036154; ŽIRO RAČUNE: KUNSKI 2340097-1100010547 I DEVIZNI KOD PRIVREDNE BANKE ZAGREB D.D.; IBAN HR23400971100010547, SWIFT PRZGHR2X; TRGOVAČKI SUD U SPLITU, MBS: 06040135; TEMELJNI KAPITAL: 74.998.500,00 KUNA, UPLAĆEN U CJELOSTUPNOUPLAĆEN NA 107.115 DIONICA SVAKA NOMINALNE VRIJEDNOSTI 700,00 KUNA; PREDSEDNIK UPRAVE: CECILIA NIKOLETTA FATA, ČLAN UPRAVE: SOMA DALA; PREDSEDNIK NADZORNOG ODBORA: DANIEL JELLINEK; LEI OZNAKA: 747000030KCHITROTAU91; MATIČNA DRŽAVA ČLANICA: REPUBLIKA HRVATSKA; ISIN: HR00000001; OZNAKA DIONICE: HJDR-R-A. UVRŠTENA NA REDOVITO TRŽIŠTE ZAGREBAČKE BURZE

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10. ODNOSI S POVEZANIM DRUŠTVIMA

Transakcije s povezanim društvima unutar Grupe odvijale su se u skladu s tržišnim principima i primjenom komercijalnih uvjeta koji bi važili da su uspostavljeni između nekontroliranih strana.


11. NAJZNAČAJNIJI DOGAĐAJI NAKON DATUMA BILANCE

Kao rezultat preuzimanja 100% dionica Topaz d.o.o. od strane Bohemian Financing Zrt., proveden je obvezni postupak ponude za preuzimanje. Dana 11. siječnja 2021. objavljeno je mišljenje uprave o ponudi za preuzimanje dok je 10. veljače 2021. objavljeno izvješće o preuzimanju iz kojeg je razvidno da je jedan dioničar prihvatio ponudu za preuzimanje ciljanog društva te je Bohemian Financing zrt stekao 43 dionice koje predstavljaju 0,04% temeljnog kapitala.

Društvu je dana 15. ožujka 2021. radi potrebe osiguranja likvidnosti u okolnostima korona krize s društvom Topaz d.o.o., Zagreb, Ulica Ivana Lučića 2, MBS: 100001468, OIB: 99489283996, kao zajmodavcem, sklopilo Ugovor o kreditu (Credit Facility Agreement) na iznos do 1.000.000,00 EUR. Društvo ima pravo povlačiti sredstva u ratama, najviše do ukupnog iznosa od 1.000.000,00 EUR, do 31.01.2022.g. Rok povrata svakog pojedinog zajma je 31.01.2022.g., s kamatom od 5% godišnje.

15. ožujka 2021. predsjednica Trgovačkog suda u Splitu donosi naredbu da se predmet prestečajne nagodbe dužnika Hotela Jadran d.d. koji se vodi pod brojem Stpn-1/18, zbog opravdanog izbjivanja sudca u periodu duljem od 2 mjeseca, dodijeli novom sudcu.

Budimpešta, 16. 04. 2021.g


Cecilia Nikoletta Fata, predsjednica Uprave


Soma Zoltán Dala, član Uprave

on the state of the company in accordance with Art. 272.p of the Companies Act.

10. RELATIONS WITH ASSOCIATED COMPANIES

Transactions with related companies within the Group were conducted in accordance with market principles and the application of commercial conditions that would apply if they were established between non-controlling parties.

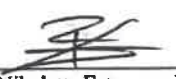
11. MOST SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

As a result of the takeover of the 100% of the shares of Topaz d.o.o. by Bohemian Financing Zrt., a mandatory takeover offer process was performed. On January 11, 2021, the management's opinion on the takeover offer was published, while on February 10, 2021, the takeover report was published, which shows that one shareholder accepted the takeover offer of the target company and as a result Bohemian Financing Zrt acquired 43 additional shares representing 0,04% of share capital.

On March 15, 2021, due to the need to ensure liquidity in the circumstances of the corona crisis, Topaz doo, Zagreb, Ulica Ivana Lučića 2, MBS: 100001468, OIB: 99489283996, as a lender, concluded a Credit Facility Agreement in the amount of up to EUR 1,000,000.00. The Company has the right to withdraw funds in installments, up to a total amount of EUR 1,000,000.00, until January 31, 2022. The repayment period of each individual loan is January 31, 2022, with an interest rate of 5% per annum.

On March 15, 2021, the President of the Commercial Court in Split issued an order that the subject of the pre-bankruptcy settlement of the debtor of Hotel Jadran d.d. which is kept under number Stpn-1/18, due to the justified absence of the judge for a period longer than 2 months, assigned to a new judge.

Budapest, 16. 04. 2021


Cecilia Nikoletta Fata, president of Management Board


Soma Zoltán Dala, member of Management Board

HOTEL JADRAN D.D., JADRANSKA 2, GRADAC 21130, OIB: 1009927696; MIB: 3036156 ŽIRO RAČUNE: KUNSKI 230004-110010547 I DEVIZNI KOD PRIVREDNE BANCHE ZAGREB D.D. IBAN HR92240001110010547. SWIFT PRIZCHBZ; TRGOVAČKI SUD U SPLITU, MBS: 040040135; TEMELJNI KAPITAL: 74.998.590,00 KUNA, UPLAĆEN U CJELOSTI; PODJELJEN NA 107.115 DIONICA SVAKA NOMINALNE VRIJEDNOSTI 700,00 KUNA; PREDSEDNIK UPRAVE: CECILIA NIKOLETTA FATA, ČLAN UPRAVE: SOMA DALA; PREDSEDNIK NADZORNO ODBORA: DANIEL JELLINEK; LJI OZNAKA: 7478000030KHTROTAUPI; MATIČNA DRŽAVA ČLANICA: REPUBLIKA HRVATSKA; ESN: HRHJDRAN001; OZNAKA DIONICE: HJDR-R; UVRŠTENA NA REDOVITO TRŽIŠTE ZAGREBAČKE BURZE

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3. IZJAVA O PRIMJENI KODEKSA KORPORATIVNOG UPRAVLJANJA

Temeljem članka 272.p, a u vezi s čl. 250.a Zakona o trgovačkim društvima (Narodne novine broj 111/93., 34/99., 52/00., 118/03., 107/07., 148/08., 137/09., 125/11., 152/11., 111/12., 68/13., 110/15 i 40/19, dalje u tekstu: ZTD) i čl. 22. Zakona o računovodstvu (NN 78/15, 134/15, 120/16, 116/18, 42/20 i 47/20) Uprava trgovačkoga društva Hoteli Jadran d.d., Gradac/ Jadranska 2 (dalje u tekstu: Društvo), dana 16. travnja 2021. godine, daje sljedeću

IZJAVU o primjeni Kodeksa korporativnog upravljanja

1. Temeljem čl. 117 Pravila Burze, Društvo primjenjuje Kodeks korporativnog upravljanja kojega su zajednički izradile Hrvatska agencija za nadzor financijskih usluga (HANFA) i Zagrebačka burza d.d. Zagreb, a integralni tekst Kodeksa objavljen je na internetskim stranicama Zagrebačke burze (www.zse.hr).

2. U prošloj godini Društvo je u bitnome primjenjivalo preporuke utvrđene Kodeksom, uz odstupanje od nekih preporuka i smjernica Kodeksa uvažavajući koncentriranu vlasničku strukturu. Nadzorni odbor Društva nije osnovao povjerenstvo za imenovanja i povjerenstvo za nagrađivanje, a iz razloga što Nadzorni odbor Društva zbog dovoljnog broja svojih članova (tri) sam obavlja poslove iz nadležnosti navedenih povjerenstava. Članovi Nadzornog odbora nemaju status neovisnog člana. Detaljna obrazloženja vezana za neprimjenjivanje odnosno odstupanje od pojedinih preporuka Kodeksa u 2020. godini Društvo će iznijeti u godišnjem upitniku koji je sastavni dio Kodeksa i koji će se dostaviti Zagrebačkoj burzi d.d. radi javne objave. Društvo ulaže napore kako bi u što većoj mjeri slijedilo preporuke Kodeksa te objavljuje sve informacije čija je objava predviđena pozitivnim propisima te objava kojih informacija je prvenstveno u interesu dioničara Društva. Društvo planira tijekom 2021. godine svoje poslovanje i rezultate poslovanja i dalje činiti transparentnima i dostupnima javnosti.

3. Nadzor nad vođenjem poslova Društva provodi Nadzorni odbor u skladu sa odredbama Zakona o trgovačkim društvima. Uloga Nadzornog odbora također je regulirana Statutom Društva. Članovi Nadzornog odbora redovito dobivaju detaljne informacije o upravljanju i radu Društva kako bi mogli učinkovito ispunjavati svoju nadzornu ulogu.

3. STATEMENT ON THE APPLICATION OF THE CORPORATE GOVERNANCE CODE

Pursuant to Article 272.p, and in connection with Art. 250a of the Companies Act (Official Gazette nos. 111/93, 34/99, 52/00, 118/03, 107/07, 148/08, 137/09, 125/11., 152/11, 111/12, 68/13, 110/15 and 40/19, hereinafter: ZTD) and Art. 22 of the Accounting Act (OG 78/15, 134/15, 120/16, 116 / 118,42 / 20 and 47/20) Management Board of the company Hoteli Jadran dd, Gradac, / Jadranska 2 (hereinafter: the Company) , on April 16, 2021, gives the following

STATEMENT
on the application of the Corporate Governance Code

1. Pursuant to Art. 117 of the Exchange Rules, the Company applies the Corporate Governance Code jointly developed by the Croatian Financial Services Supervisory Agency (HANFA) and the Zagreb Stock Exchange d.d. Zagreb, and the integral text of the Code was published on the website of the Zagreb Stock Exchange (www.zse.hr).

2. In the past year, the Company essentially applied the recommendations set out in the Code, with a deviation from some of the recommendations and guidelines of the Code, taking into account the concentrated ownership structure. The Supervisory Board of the Company has not established a committee for appointments and a committee for remuneration, due to the fact that the Supervisory Board of the Company, due to a sufficient number of its members (three), performs tasks within the competence of these committees. Members of the Supervisory Board do not have the status of an independent member. Detailed explanations related to the non-application or deviation from certain recommendations of the Code in 2020 will be presented by the Company in the annual questionnaire which is an integral part of the Code and which will be submitted to the Zagreb Stock Exchange d.d. for public disclosure. The Company makes efforts to follow the recommendations of the Code as much as possible and publishes all information whose publication is provided by positive regulations and the publication of which information is primarily in the interest of the Company's shareholders. During 2021, the Company plans to continue to make its operations and business results transparent and accessible to the public.

3. Supervision over the conduct of the Company's operations is carried out by the Supervisory Board in accordance with the provisions of the Companies Act. The role of the Supervisory Board is also regulated by the Company's Articles of Association. Members of the Supervisory Board regularly receive detailed information

HOTELI JADRAN D.D., JADRANSKA 2, GRADAC 21334, OIB: 18699274986; MB: 3036154; ŽIRO RAČUNI: KUNSKI 2340009-11800010547 I DIEVIZNI KOD PRUVREDNE BANKE ZAGREB D.D.;
 IBAN HR99100001100010547, SWIFT PBZGHR33; TRGOVAČKI SUD U SPLITU, MB: 06401035; TENELJINI KAPITAL: 74.900.000,00 KUNA, UPLAĆEN U CIRELOSTIPOSLOVANJE NA
 16.11.15 DIONICA SVAKA NOMINALE VREDNOSTI 70,00 KUNA/PREDSTAVNIK UPRAVE: CECILIA NIKOLETTA PATA, ČLAN UPRAVE: SOMA DALLA, PREDSEDNIK NADZORNOG
 ODBORA: DANIEL JELLINEK; ILO OZNAKA: 74700003003036154; MATIČNA DRŽAVA ČLANICA: REPUBLIKA HRVATSKA; ISIN: HRHR00RA10001; OZNAKA DIONICE: HIDE-R-A,
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Izvršje Nadzornog odbora o obavljenom nadzoru vođenja poslova dio je Godišnjeg izvješća Društva koje se podnosi Glavnoj skupštini.

Nadzorni odbor djeluje i preko svojeg pod-odbora: Revizorskog odbora. Revizorski odbor je tijelo Nadzornog odbora koje pruža podršku Nadzornom odboru i Upravi Društva u učinkovitom izvršavanju obveza korporativnog upravljanja, financijskog izvješćivanja i kontrole Društva.

Društvo primjenjuje Pravila o primjeni računovodstvene politike, a kojim pravilima su uređena primjena postupka i tehnika u iskazivanju imovine, obveza, glavnice, prihoda, rashoda i financijskog rezultata Društva u temeljnim financijskim izvještajima.

4. Deset najvećih dioničara, sa stanjem na dan 31. prosinca 2020.g. su:

on the management and work of the Company in order to be able to effectively fulfill their supervisory role. The report of the Supervisory Board on the performed supervision of business operations is part of the Annual Report of the Company submitted to the General Assembly. The Supervisory Board also acts through its sub-committee: the Audit Committee. The Audit Committee is a body of the Supervisory Board that provides support to the Supervisory Board and the Management Board in the effective implementation of corporate governance, financial reporting and control of the Company.

The Company applies the Rules on the Application of Accounting Policy, which rules regulate the application of procedures and techniques in the presentation of assets, liabilities, principal, income, expenses and financial results of the Company in the basic financial statements.

4. The ten largest shareholders, as of December 31, 2020. are:

Tablica 2. Pregled vlasničke strukture na dan kraja razdoblja / Ownership structure at the end of the period

	Ime i prezime / tvrtka	Broj dionica	Postotak
	Name and surname/company	No. shares	Percentage
1.	TOPAZ D.O.O.	92.717	86,56
2.	IVANOVIĆ IVAN BOŽIDAR	1.539	1,44
3.	RAIFFEISENBANK AUSTRIA DD	924	0,86
4.	RAIFFEISENBANK AUSTRIA DD	850	0,79
5.	CERP/REPUBLIKA HRVATSKA	841	0,79
6.	VUKADIN ZVONIMIR	543	0,51
7.	DUJIĆ BRANKO	175	0,16
8.	HORVAT HRVOJE	132	0,12
9.	ODŽAK JURE	131	0,12
10.	Grupa računa	109	0,10
UKUPNO / TOTAL		97.961	91,45

Izvor :SKDD / Source: SKDD

Članovi uprave i članovi nadzornog odbora nisu imatelji bilo kakvih financijskih instrumenata koje je izdalo društvo.

Pravo glasa dioničara Društva nije ograničeno na određeni postotak ili broj glasova niti postoje vremenska ograničenja za ostvarivanje prava glasa. Svaka redovna dionica daje pravo na jedan glas na Glavnoj skupštini. Društvo je ovlašteno izdavati redovite dionice na ime kao i izdavati i druge vrste i rodove dionica u skladu sa pozitivnim propisima Republike Hrvatske i Statutom Društva. Odluku o izdavanju dionica, sukladno članku 172 ZTD-a, donosi Glavna skupština, a u skladu sa Statutom

Members of the Management Board and members of the Supervisory Board are not holders of any financial instruments issued by the Company.

The voting right of the Company's shareholders is not limited to a certain percentage or number of votes, nor are there time limits for exercising the voting right. Each ordinary share entitles to one vote at the General Assembly. The Company is authorized to issue ordinary registered shares as well as to issue other types and gender of shares in accordance with the positive regulations of the Republic of Croatia and the Company's Articles of Association. The decision to issue shares, in accordance with Article 172 of the





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<p>Društva.</p> <p>Prava i obveze Društva koja proizlaze iz stjecanja vlastitih dionica ostvaruju se u skladu s odredbama ZTD-a te sukladno tome Društvo može stjecati vlastite dionice na temelju ovlasti Glavne skupštine za njihovo stjecanje.</p> <p>Izmjene i dopune Statuta Društva donose se na način utvrđen Zakonom o trgovačkim društvima.</p> <p>5. Uprava Društva sastavljena je od dva člana, direktora Društva, od kojih je jedan predsjednik uprave, a jedan član uprave. Direktori vode poslove Društva samostalno i na vlastitu odgovornost te pojedinačno zastupaju društvo. Prema Statutu Uprava odlučuje većinom glasova svih članova, a u slučaju jednake podijeljenosti glasova odlučujući je glas predsjednika Uprave. Upravu imenuje i opoziva Nadzorni odbor.</p> <p>Funkciju članova Uprave do dana 18.09.2021.g. obavljali su:</p> <ol style="list-style-type: none"> 1. Laszlo Attila Kerekes kao predsjednik Uprave i 2. Nives Grzunov, kao član Uprave. <p>Od dana 18.09.2021.g. pa do 31.12.2021.g. (te do dana sastavljanja ovog izvješća) funkciju članova Uprave obavljaju:</p> <ol style="list-style-type: none"> 1. Cecilia Nikoletta Fata kao predsjednica Uprave i 2. Soma Zoltán Dala kao član Uprave. <p>Glavna skupština vrši izbor i razrješenje članova Nadzornog odbora koji ima tri člana. Nadzorni odbor djeluje kao kolegijalno tijelo na sjednicama koje se održavaju u pravilu jednom tromjesečno, a najmanje jednom polugodišnje, a na kojima raspravlja i odlučuje o svim pitanjima iz svoje nadležnosti propisane ZTD-om i Statutom Društva. Odluke Nadzornog odbora donose se većinom danih glasova.</p> <p>U razdoblju do 07.09.2021.g. Nadzorni odbor djelovao je u sastavu:</p> <ol style="list-style-type: none"> 1. Tamás Vitezy, predsjednik 2. Janos Cseszlai, zamjenik predsjednika 	<p>Companies Act, is made by the General Assembly, in accordance with the Articles of Association of the Company.</p> <p>The rights and obligations of the Company arising from the acquisition of treasury shares are exercised in accordance with the provisions of the Companies Act and, accordingly, the Company may acquire treasury shares based on the authorization of the General Assembly to acquire them.</p> <p>Amendments to the Company's Articles of Association are adopted in the manner determined by the Companies Act.</p> <p>5. The Management Board of the Company is composed of two members, the directors of the Company, of which one is the President of the Management Board and one is a member of the Management Board. The directors manage the affairs of the Company independently and at their own risk and individually represent the company. According to the Articles of Association, the Management Board decides by a majority vote of all members, and in case of equal division of votes, the deciding vote is the President of the Management Board. The Management Board is appointed and revoked by the Supervisory Board.</p> <p>The function of the members of the Management Board until September 18, 2021., was performed by:</p> <ol style="list-style-type: none"> 1. Laszlo Attila Kerekes as President of the Management Board and 2. Nives Grzunov, as member of the Management Board. <p>From 18.09.2021.g. until 31.12.2021.g. (and until the day of compiling this report) the function of members of the Management Board is performed by:</p> <ol style="list-style-type: none"> 1. Cecilia Nikoletta Fata as President of the Management Board and 2. Soma Zoltán Dala as a member of the Management Board. <p>The General Assembly elects and dismisses the members of the Supervisory Board which has three members. The Supervisory Board acts as a collegial body at meetings held as a rule once a quarter, and at least once every six months, at which it discusses and decides on all issues within its competence prescribed by the Companies' Act and the Company's Articles of Association. Decisions of the Supervisory Board are made by a majority of votes cast.</p> <p>In the period until September 7, 2021., the Supervisory Board consisted of:</p> <ol style="list-style-type: none"> 1. Tamás Vitezy, President
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HOTELI JADRAN D.O.O., JADRANSKA 2, GRADAC 21338, OIB: 18099276966; MIB: 3036154; ŽIRO RAČUNE: KUNSKI 2340099-1100010547 I DEVIZNI KOD PRIVREDNE BANKE ZAGREB D.D.: IBAN HR9423400991100010547, SWIFT PBZGHR33; TRGOVAČKI SUD U SPLITU, MBS: 060040135; TEMELJNI KAPITAL: 74.900.500,00 KUNA, UPLAĆEN U CJELOSTIPOSUDELJEN NA 107.115 DIONICA SVAKA NOMINALNE VRIJEDNOSTI 700,00 KUNA; PREDSEDNIK UPRAVE: CECILIA NIKOLETTA FATA, ČLAN UPRAVE: SOMA DALA; PREDSEDNIK NAZORNOG ODBORA: DANIEL JELLINEK; LEI OZNAKA: 74780003KCHTROTATU91; MATIČNA DRŽAVA ČLANICA: REPUBLIKA HRVATSKA; ISIN: HRJUDR000001; OZNAKA DIONICE: HJD0-R-A, UVRŠTENA NA REDOVITO TRŽIŠTE ZAGREBAČKE BURZE

<p>3. Lidia Deme Deže, član.</p> <p>Glavna skupština donijela je dana 07.09.2021.g. odluku o opozivu gorenavedenih članova Nadzornog odbora i imenovanju novih članova, koji su na sjednici 18.09.2021.g. donijeli odluku o imenovanju predsjednika i zamjenika predsjednika, tako da od 07.09.2021.g. odnosno od 18.09.2021.g. pa do dana sastavljanja ovog izvješća Nadzorni odbor djeluje u sljedećem sastavu:</p> <p>1. Dániel Jellinek, predsjednik 2. Tamás Szöllősi, zamjenik predsjednika 3. Tamás Kuntár, član.</p> <p>6. Sukladno odredbama čl. 250.a st. 4. i čl. 272.p st. 1. ZTD-a te čl. 22. Zakona o računovodstvu, ova Izjava je poseban odjeljak i sastavni dio Godišnjega izvješća o stanju Društva za 2020. godinu.</p> <p> Cecília Nikolett Fata, predsjednica Uprave</p> <p> Soma Zoltán Dala, član Uprave</p>	<p>2. Janos Cseszlai, Vice-President 3. Lidia Deme Deže, member.</p> <p>The General Assembly adopted on 07.09.2021.g. decision on recall of the above-mentioned members of the Supervisory Board and appointment of new members, who made a decision on the appointment of the President and Deputy President at the session on September 18, 2021., so that from 07.09.2021. that is, from 18.09.2021. until the day of compiling this report, the Supervisory Board operates in the following composition:</p> <p>1. Dániel Jellinek, president 2. Tamás Szöllősi, vice-president 3. Tamás Kuntár, member.</p> <p>6. In accordance with the provisions of Art. 250a paragraph 4 and Art. 272.p paragraph 1 of the Companies' Act and Art. 22 of the Accounting Act, this Statement is a special section and an integral part of the Annual Report on the Company for 2020.</p> <p> Cecília Nikolett Fata, president of Management Board</p> <p> Soma Zoltán Dala, member of Management Board</p>
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HOTELI JADRAN D.D., JADRANSKA 2, GRADAC 21330, OIB: 18099276986; MB: 3436154; ŽIRO RAČUNI: KUNSKI 2340009-1100010547 I DEVIZNI KOD PRIVREDNE BANKE ZAGREB IBAN HR9423400091100010547, SWIFT PRZGHR2X; TRGOVAČKI SUD U SPLITU, MBS: 060040135; TEMELJNI KAPITAL: 74.980.500,00 KUNA, UPLAĆEN U CJELOSTIPOSUDELJEN 107.115 DIONICA SVAKA NOMINALNE VRIJEDNOSTI 700,00 KUNA. PREDSEDNIK UPRAVE: CECILIA NIKOLETTA FATA, ČLAN UPRAVE: SOMA DALA; PREDSEDNIK NADZORNOG ODBORA: DANIEL JELLINEK; LEI OZNAKA: 747800030KH170TAU91; MATIČNA DRŽAVA ČLANICA: REPUBLIKA HRVATSKA; ESN: HREJIDHRAN001; OZNAKA DIONICE: HJDR-UVRŠTEN NA REDOVITO TRŽIŠTE ZAGREBAČKE BURZE

Responsibility of the Management for the Financial Statements

Pursuant to the Accounting Act of the Republic of Croatia (Official Gazette 78/15, 134/15, 120/16, 116/18), the Management Board is responsible for ensuring that financial statements are prepared for each financial year in accordance with the International Financial Reporting Standards (IFRSs), as determined by the European Commission and published in the Official Journal of the European Union, which give a true and fair view of the state of affairs of the Company and its business performance for the period.

After making appropriate enquiries, the Management Board has a reasonable expectation that the Company will have adequate resources for the foreseeable future and therefore continues to apply the going-concern principle in preparing financial statements.

In preparing the financial statements, the responsibilities of the Management Board include the following:

- selecting and then consistently applying appropriate accounting policies;
- making reasonable and prudent judgments and estimates;
- following applicable accounting standards, subject to disclosure and explanation of any material departures in the financial statements; and
- preparing the financial statements under the going-concern assumption unless the assumption that the Company will continue as a going concern is not appropriate.

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

The Management Board is responsible for the preparation and content of the Management Report, in accordance with the provisions of the Accounting Act of the Republic of Croatia (Croatian Official Gazette 78/15, 134/15, 120/16 and 116/18).

Signed for and on behalf of the Management on 15 April 2021 by:

HOTELI JADRAN d.d., Gradac

Jadranska 2

21 330 Gradac

Republic of Croatia



Cecilia Nikoleta Fata

President of the Management Board



Soma Zoltán Dala

Member of the Management Board

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of *HOTELI JADRAN d.d., Gradac*

Report on the Audit of the Annual Financial Statements

Unqualified Opinion

We have audited the financial statements of HOTELI JADRAN d.d., Gradac ("the Company"), which comprise the balance sheet as at 31 December 2020, and the statement of profit and loss, the statement of comprehensive income, the statement of cash flows, the statement of changes in shareholders' equity and for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying annual financial statements present true and fairly, in all material respects, the financial position of the Company at 31 December 2020, its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs) as determined by the European Commission and published in the Official Journal of the European Union.

Basis for Unqualified Opinion

We conducted our audit in accordance with the Accounting Act, the Act on Auditing and International Standards on Auditing (ISAs). Our responsibilities under those standards are described further in the *Auditor's Responsibilities for the Audit of the Annual Financial Statements* section of our Independent Auditor's Report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Important issue

We draw attention to Note 33 to the financial statements, stating that in March 2020, due to the declared Covid-19 pandemic, many measures were introduced in Croatia and the world to restrict the movement of people and goods in order to combat the pandemic, which significantly affect the Croatian and world economy, ie cause significant decline in economic activity. This decline in economic activities also has an impact on the Company's operations. At present, it is not possible to reliably determine the duration and effect of these measures and the decline in economic activities, nor the impact they will have on the Company's operations. The Management Board of the Company believes that the above will not jeopardize the principle of unlimited business of the Company. Our opinion is not modified in relation to that issue.

Material going-concern uncertainty

We draw attention to Note 1 to the annual financial statements, which describes the pre-bankruptcy settlement procedure. In accordance with the Act on Financial Operations and Pre-bankruptcy Settlement (Croatian official gazette "Narodne novine" nos 108/12, 144/12, 81/13, 112/13, 71/15, and 78/15), the Company has initiated pre-bankruptcy settlement because of its poor financial situation and the blocked current account. A voting hearing regarding the Financial Restructuring Plan for the Company was held on 06 June 2018, at which the required majority was reached to adopt the Plan, and the Ruling approving the Financial Restructuring Plan was adopted. Pre-bankruptcy settlement, which is based on financial and operational restructuring plan, is expected to be confirmed. That would be create prerequisites to eliminate the uncertainty regarding the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance for our audit of the annual financial statements for the current period and include the most significant risks of material misstatement identified as a result of error or fraud that have the highest impact on our audit strategy, allocation of our resources and the time spent by the engaged audit team. We addressed these matters in the context of our audit of the annual financial statements taken as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters.

Our audit approach

In determining our audit approach, we have considered the materiality of the items in the financial statements, our risk assessment within the components of each item. In determining the approach to the audit, we determined the type of work that needed to be done in order to gather sufficient valid evidence as a basis for our opinion.

Key Audit Matters	Our audit approach
<i>Investments in subsidiaries</i>	
In the Statement of Financial Position as at 31 December 2019, the Company discloses investments in subsidiaries in the amount of HRK 5,554,300, while in the Statement of Financial Position as at 31 December 2020 the Company discloses investments in subsidiaries in amount of 0 kuna.	<p>The Auditor's attention was focused on:</p> <ul style="list-style-type: none"> • Has the Company performed an impairment test of investments in subsidiaries in accordance with IAS 36 <i>Impairment of Assets</i> • Review the financial statements of subsidiaries to confirm the fair value of investments in subsidiaries measured at of acquisition • Based on the information gathered, we are satisfied that the Company has performed an impairment test on investments in subsidiaries (Notes 11 and 15)

<i>Valuation of buildings</i>	
The Company subsequently measures construction facilities using the cost method, and on 31.12.2020. the net book value of buildings amounts to HRK 59,601,827. Given the significant impact of the COVID-19 pandemic on the Company's revenue, the impairment of buildings was identified as one of the key issues.	<p>The Auditor's attention was focused on:</p> <ul style="list-style-type: none"> • Checking whether the net book value is equal to or lower than the recoverable amount of buildings • Based on the collected estimates of buildings, we are satisfied that the net book value of buildings is lower than the recoverable amount on the market (<i>Note 14</i>).
<i>Provisions for litigation</i>	
In the Statement of financial position as at 31 December 2020, the Company discloses provisions for initiated litigation in the amount of HRK 30,390,582.	<p>The Auditor's attention was focused on:</p> <ul style="list-style-type: none"> • Verification of initiated litigation against the Company according to the received attorney's reports on litigation in which they represent the Company • In conversation with the Management Board and review of law received reports on the state of legal proceedings, the Company is properly recorded expenses on behalf of provision (<i>Note 10 and 23</i>)

Other informations in Annual Managemet Report

Management is responsible for other information. Other information includes information included in the annual report, but does not include the annual financial statements and our independent auditor's report thereon.

Our opinion on the annual financial statements does not include other information, except to the extent explicitly stated in the part of our independent auditor's report entitled Report on Other Legal Requirements, and we do not express any form of conclusion expressing assurance about them.

With respect to our audit of the annual financial statements, it is our responsibility to read other information and, in doing so, consider whether other information is materially inconsistent with the annual financial statements or our audit findings or otherwise appears to be materially misstated. If, based on the work we have done, we conclude that there is a material misstatement of this other information, we are required to report that fact. In that sense, we have nothing to report.

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

The Management Board is responsible for the preparation of annual financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs), as determined by the European Commission, and for such internal control as management determines is necessary to enable the

preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing annual financial statements, the Management Board is responsible for assessing the Company's ability to continue as a going concern, including, where appropriate, the disclosure of matters related to the going-concern assumption and the use of the going-concern basis of accounting unless the Management Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process established by the Company.

Auditor's Responsibilities for the Audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the 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 annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of the use by the Management Board of the going concern basis of accounting. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the annual financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. Our conclusions are

based on the audit evidence obtained until the date of the auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

Report on Other Legal Requirements

Report under requirements of Regulation (EU) No 537/2014

1 We were appointed auditors of the annual financial statements for the year 2020 on the proposal of the Supervisory Board on 15 February 2021.

2 As of the date of this report, we have been continuously engaged to perform statutory audits of the Company for 2019, from the audit of the annual financial statements for the year 2020, for a total of 2 years.

3 Except for the matters identified in the relevant section of our Report on the Financial Statements as key audit matters, we have nothing further to report regarding point (c) of Article 10 of the Regulation (EU) No 537/2014.

4 Our statutory audit of the annual financial statements of the Company for the year 2020 enables us to identify irregularities, including fraud, in accordance with Section 225 of the IESBA Code *Responding to Non-compliance with Laws and Regulations*, which requires from us to consider, as part of our audit engagement, whether the Company has complied with laws and regulations generally recognised to have a direct effect on the determination of material amounts and disclosures in annual financial statements, as well as other laws and regulations that do not have a direct effect on the determination of material amounts and disclosures in annual financial statements of the Company, but compliance with which may be



fundamental to the operating aspects of the Company, to its ability to continue as a going concern, or to avoid material penalties.

Where we encounter, or become aware of, non-compliance of any of the laws or regulations regarding matters that are clearly inconsequential, based on our judgement of their nature and their impact, financial or otherwise, on the Company, its stakeholders or the wider public, we have to communicate such non-compliance to the Company and request from it to investigate it and take appropriate measures to resolve the non-compliance and prevent its future occurrence. If the Company does not correct the instances of non-compliance resulting in misstatements of the audited annual financial statements that are cumulatively equal to, or higher than, the materiality threshold for the financial statements taken as a whole, we are required to modify our opinion in the independent auditor's report. In the audit of the Company's annual financial statements for 2020, we determined the significance for the financial statements as a whole in the amount of HRK 493,852, which represents the arithmetic mean of the values obtained on the basis of assets and income given the large disparity between the two.

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

6 From the opening date of the audited annual financial statements of the Company for the year 2020 to the date of this report, we did not provide any prohibited non-audit services and in the preceding business year we did not provide any services of design and implementation of internal control or risk management procedures over the financial information preparation and/or control, or financial application systems, and, in performing our audit, we have maintained our independence from the Company.

Report on Other Legal Requirements

1. In our opinion, based on the work performed during the audit, the information in the attached report of the Company's management for 2020 is harmonized with the attached annual financial statements of the Company for 2020.
2. In our opinion, based on the work performed during the audit, the attached report of the Company's management for 2020 has been prepared in accordance with the Accounting Act.
3. Based on the knowledge and understanding of the Company's operations and its environment acquired during the audit, we have not established that there are significant misstatements in the attached report of the Company's management.
4. In our opinion, based on the work performed during the audit, the statement on the application of the corporate governance code, included in the Company's annual report for 2020, is in accordance with the requirements set out in Article 22, items 3 and 4 of the Law on accounting.
5. The statement on the application of the corporate governance code, included in the annual report of the Company for 2020, includes the information referred to in Article 22, items 1, 2, 5 and 6 of the Accounting Act.

The engagement partner on the audit resulting in this independent auditor's report is Paško Anić-Antić.

Russell Bedford Croatia – Revizija d.o.o., Zagreb
Selska cesta 90/B
10 000 Zagreb
Republic of Croatia

Paško Anić-Antić, PhD
Director

Paško Anić-Antić, PhD
Certified Auditor



Russell Bedford
Croatia-revizija d.o.o.
Selska cesta 90b/2.kat
10000 Zagreb - Hrvatska / Croatia



Zagreb, 16 April 2021

Statement of comprehensive income
For the year ended 31 December 2020

HOTELI JADRAN d.d., Gradac

	Notes	2020	2019
Operating income			
Goods and service sales	4	1,036,128	7,708,877
Other operating income	5	239,814	4
Total operating income		1,275,942	7,708,881
Operating expenses			
Cost of material	6	(983,813)	(1,562,478)
Staff costs	7	(1,847,884)	(1,610,964)
Depreciation and amortisation	8	(4,494,510)	(4,523,066)
Other expenses	9	(356,892)	(368,617)
Provisions	10	(30,390,582)	-
Other operating expenses		(9,440)	(188,183)
Total operating expenses		(38,807,179)	(544,427)
(Loss) from operations		(36,807,179)	(544,427)
Net financial income/(expense)	11	(5,545,680)	(7,782)
(Loss) before tax		(42,352,859)	(552,209)
Income tax expense	12	-	-
(Loss) for the period		(42,352,859)	(552,209)
Other comprehensive income for the year, net of taxes		-	-
Comprehensive income for the year		(42,352,859)	(552,209)
(Loss) per share	13	HRK (395.40)	HRK (5.15)



Statement of financial position

At 31 December 2020

HOTELI JADRAN d.d., Gradac

	Notes	31.12.2020	31.12.2019
ASSETS			
Non-current assets			
Property, plant and equipment	14	66,772,532	71,220,043
Investments in subsidiaries	15	-	5,554,300
Given long-term loans	16	196,566	196,483
		66,969,098	76,970,826
Current assets			
Supplies		318,435	-
Trade receivables (Note 3.29.)	17	1,025,648	1,198,006
Other current receivables	18	720,317	631,441
Current financial assets	19	136,408	126,264
Cash	20	165,652	951,897
		2,366,460	2,907,608
Prepaid expenses and accrued income		16,104	31,605
Total assets		69,351,662	79,910,039
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	21	74,980,500	74,980,500
Capital gains	21	173,442	173,442
Legal (statutory) reserves	22	800,000	3,770,050
Other reserves	22	-	12,064,778
Accumulated loss (Note 3.29.)	22	(11,771,935)	(26,254,554)
(Loss)/Profit for the year	22	(42,352,859)	(552,209)
		21,829,148	64,182,007
Provisions	23	30,390,582	-
Long term liabilities		22,413	-
Current liabilities			
Short-term borrowings to companies within the group	24	7,469,036	7,469,036
Liabilities for received loans	25	2,629,903	1,722,437
Trade payables	26	5,105,859	5,011,779
Liabilities to employees	27	337,848	84,499
Liabilities for taxes, contributions and similar benefits	28	1,519,858	1,395,378
Other liabilities		35,006	36,118
		17,097,510	15,719,247
Accrued expenses and deferred income		12,009	11,785
Total equity and liabilities		69,351,662	79,913,039

Statement of changes in shareholders' equity
For the year ended 31 December 2020

HOTELI JADRAN d.d., Gradac

	Share capital	Capital gains	Legal reserves	Other reserves	(Accumula- ted losses)/ Retained earnings	Profit/ (Loss) for the year	Total
Balance at 1 January 2019	74,980,500	173,442	3,770,050	12,064,778	998,478	(235,191)	91,752,057
Coverage of loss with retained earnings	-	-	-	-	(235,191)	235,191	-
Loss for the year 2019	-	-	-	-	-	(552,209)	(552,209)
Balance at 31 December 2019	74,980,500	173,442	3,770,050	12,064,778	763,287	(552,209)	91,199,848
Coverage of loss with retained earnings	-	-	-	-	(552,209)	552,209	-
Correction of an accounting error (Note 3.29.)	-	-	-	-	(27,017,841)	-	(27,017,841)
Other equity changes	-	-	(2,970,050)	(12,064,778)	15,034,828	-	-
(Loss) for the year 2020	-	-	-	-	-	(42,352,859)	(42,352,859)
Balance at 31 December 2020	74,980,500	173,442	800,000	-	(11,771,935)	(42,352,859)	21,829,148

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

2

Statement of cash flows

For the year ended 31 December 2020

HOTELI JADRAN d.d., Gradac

	2020	2019
Operating activities		
(Loss) for the year before tax	(42,352,859)	(552,209)
Depreciation and amortisation	4,494,510	4,523,066
Value adjustment of financial assets	5,554,300	-
Interest and dividend income	(11,274)	(6,078)
Interest expenses	2,419	17,060
Provisions	30,390,582	-
Other adjustments for non-monetary transactions	(352,009)	161,406
	<u>(2,274,331)</u>	<u>4,143,245</u>
Working capital changes (without effects, acquisitions and disposals):		
Increase/(decrease) in short-term liabilities	1,378,262	(64,154)
(Increase)/decrease in short-term receivables	78,946	(3,739,028)
(Increase)/decrease in inventories	(318,435)	-
Other increases/decreases in working capital	-	675
Cash interest expenses	-	(17,060)
	<u>1,138,773</u>	<u>(3,819,567)</u>
Cash inflow from operations	<u>(1,135,558)</u>	<u>323,678</u>
Investing activities		
Cash receipts from interest and repayment of loans	117	3,275
Cash outlays for the purchase of fixed assets	(47,000)	(318,635)
Cash outflows from loans granted	-	(149,950)
Net cash (outflow) from investing activities	<u>(46,883)</u>	<u>(465,310)</u>
Financing activities		
Decrease in short-term borrowings	905,817	-
	<u>(509,856)</u>	<u>-</u>
Net cash inflow from financing activities	<u>395,961</u>	<u>-</u>
Unrealized exchange differences on cash and cash equivalents	235	-
Cash and cash equivalents		
At beginning of year	951,897	1,093,529
At end of year	<u>165,652</u>	<u>951,897</u>
Net increase/(decrease) in cash and cash equivalents	<u>(786,245)</u>	<u>(141,632)</u>

1 GENERAL INFORMATION**Reporting entity**

HOTELI JADRAN, a Croatian public limited company based in Gradac, operates in Croatia. Its registered seat is at Jadranska 2, Gradac. The Company provides restaurant, accommodation and food services, and is also engaged in nautical tourism and retail trade. The Company is registered at the Commercial Court in Split, with the registered share capital in the amount of HRK 107,115,000.00. The Company's tax identification number (OIB) is OIB 18099276986.

In the General Shareholders' Meeting held on 10 February 2003 a decision was made to decrease the share capital by the amount of accumulated losses to HRK 74,980,500.00, or HRK 700.00 per share, and the decrease was registered at the Commercial Court in Split.

At 31 December 2020 the Company is the controlling shareholder of Topaz d.o.o., Zagreb, and the full owner of the following three subsidiaries:

- HOTEL LABINECA d.o.o., Gradac
- JADRAN LAGUNA d.o.o., Gradac
- FARAON d.o.o., Trpanj

The Company owns three hotels: the Hotel Labineca, with 216 rooms, the Hotel Laguna, with 268 rooms, and the Hotel Faraon, with 115 rooms, which are leased out for a fee.

Corporate governance and management**Shareholders' Assembly**

Dániel Jellinek	President of the Assembly
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Supervisory Board

Dániel Jellinek	Chairman of the Supervisory Board
Tamás Szöllősi	Deputy Chairman of the Supervisory Board
Tamas Kuntár	Member of the Supervisory Board

Management Board

Cecília Nikoletta Fata	President of the Management Board
Soma Zoltán Dala	Member of the Management Board

1 GENERAL INFORMATION (CONTINUED)

Going concern

In accordance with the Act on Financial Operations and Pre-bankruptcy Settlement (Croatian OG nos 108/12, 144/12, 81/13, 112/13, 71/15 and 78/15), the Company has initiated pre-bankruptcy settlement (insolvency) procedures because of its poor financial situation and the blocked gyro account. Based on the Ruling of the Zagreb Regional Centre of FINA (Financial Agency) Class: UP-I/110/0713-01/1683, Reg. No: 04-06-13-1683-15 of 22 March 2013, the pre-bankruptcy settlement process for the Company i.e. Hoteli Jadran, a public limited hotel trade company headquartered in Gradac, Jadranska 2, entity reg. No (MBS) 060040135, tax id. No (OIB):18099276986, was opened. A voting hearing regarding the Financial Restructuring Plan for the Company was held on 6 June 2018, at which the required majority was reached to adopt the Plan, and the Ruling approving the Financial Restructuring Plan was adopted. It is expected that the pre-bankruptcy settlement arrangement based on the financial and operational restructuring plan would create prerequisites to eliminate the uncertainty regarding the Company's ability to continue as a going concern. Our opinion has not been modified on this issue.

These financial statements do not include any adjustments to the recoverable amounts of assets and liabilities, or reclassification of the assets and liabilities that would otherwise be required if the Company were no longer able to continue as a going concern.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

First-time adoption of amendments to existing standards effective for the current reporting period

The following amendments to the existing standards and new interpretations issued by the International Accounting Standards Board (IASB) and adopted by the European Union are effective for the current period:

- **IFRS 16 "Leases"**, adopted by the European Union on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019.).
- **Amendments to IFRS 9 "Financial instruments"**, adopted by the European Union on 22 November 2018 (effective for annual periods beginning on or after 1 January 2020);
- **Amendments to IAS 19 "Employee Benefits" – Plan Amendment, Curtailment or Settlement**, adopted by the European Union on 13 March 2019 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IAS 28 "Investments in Associates and Joint Ventures" – Long-term Interests in Associates and Joint Ventures** – adopted by the European Union on 08 February 2019 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to various Standards "Improvements to IFRS Standards 2015-2017 Cycle"**, resulting from the IFRS annual improvement project (IFRS 3, IFRS 11, IAS 12 and IAS 23), primarily with a view to removing inconsistencies and clarifying wording – adopted by the European Union on 14 March 2019 (effective for annual periods beginning on or after 1 January 2020),
- **IFRIC 23 "Uncertainty Over Income Tax Treatments"** – adopted by the EU on 23 October 2018 (effective for annual periods beginning on or after 1 January 2020).

The adoption of the amended Standards and the Interpretation has not lead to any material changes in the financial statements of the Company.

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

At the date of approval of these financial statements, there are no new Standards and amendments to Standards issued by the IASB and adopted by the European Union, which are not yet in force.

New standards and amendments to the current standards issued by the IASB, but not yet adopted by the European Union

IFRSs currently adopted by the EU do not differ significantly from the official pronouncements of the International Accounting Standards Board (IASB), except for the following Standards, amendments to the existing Standards and Interpretations, not yet endorsed by the EU (the effective dates below apply to IFRSs as a whole):

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

New standards and amendments to the current standards issued by the IASB, but not yet adopted by the European Union (continued)

- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016) – The EC has decided not to launch the endorsement process of the interim standard and to wait for the final Standard,
- **IFRS 17 “Insurance Contracts”** (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to IFRS 3 “Business Combinations”** – Definition of a Business (effective for business acquisitions on or after the first annual reporting period beginning on or after 1 January 2020 and asset acquisitions effective at the beginning of that period and thereafter),
- **Amendments to IFRS 9 “Financial instruments”, IAS 39 “Financial instruments”: Recognition and measurement” and IFRS 7 “Financial instruments: Disclosures”** – Interest Rate Benchmark Reform (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date has been deferred indefinitely until the research project on the equity method has been concluded).
- **Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”** – Definition of Material (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to References to Conceptual Framework in IFRS Standards** (effective for annual periods beginning on or after 1 January 2020).

As assessed by the Company, the adoption of the new Standards and the amendments to the existing Standards would not have a material impact on its financial statements. Applying hedge accounting to a portfolio of financial assets and liabilities the principles of which have not been endorsed by the EU remains unregulated.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. Basis of preparation

The financial statements of the Company are prepared in accordance with Accounting Act and International Financial Reporting Standards (IFRSs) as determined by the European Commission and published in the Official Journal of the European Union. The financial statements are prepared under the historical cost. The accounting policies have been consistently applied unless stated otherwise. The financial statements have been prepared under the going-concern assumption.

Company prepares consolidated financial statements in accordance with IFRS for the Company and its subsidiaries (the "Group"). In consolidated financial statements, subsidiaries – which present all companies in which Group, directly or indirectly, has more than half of the voting rights or has control over the operations – are completely consolidated. Users of these unconsolidated financial statements should read them together with the consolidated financial statements of the Group on 31 December 2020, for the year that ended in order to obtain complete information about financial position of the Group, results of operations and changes in the financial position of the Group in whole.

3.2. Consolidation

Consolidated financial statements includes financial statements of the Company and its subsidiaries (together „Group“), together with the Group's shares in subsidiaries.

Business Combinations

The Group applies IFRS 3 "Business Combinations" for accounting business combinations. Accounting policies applied in these acquisitions are described below .

Business combinations are applying with the acquisition method on acquisition date, on day when the Group acquired control.

The Group controls another entity when it is exposed or when it is entitled to a variable return from participation in the entity, and its power over the entity has the potential to affect the yield. The Group re-evaluates whether it has control when one or more control elements change. This includes circumstances in which the Group's protection rights (for example, those arising from lending activities) become significant and lead to the Group having power over the entity.

The Group measures goodwill at the acquisition date as:

- fair value of the consideration transferred; increased by
- recognized amount of any non-controlling interest in the acquired entity, increased by,
- if the acquisition is realized in parts, the fair value of the existing ownership share in the acquired company;
- reduced by
- net amount recognized (generally fair value) of identifiable assets and liabilities acquired.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.2.Consolidation (continued)**

If the sum represents a negative value, the gain arising from the bargain purchase is recognized immediately in profit or loss.

Transferred fee does not include amounts relating to the settlement of previous business relationships. Such amounts are generally recognized in profit or loss.

Acquisition-related costs, other than those related to the issue of debt or equity securities, that the Group incurs in connection with a business combination are recognized as an expense when incurred.

Any contingent consideration is recognized at fair value at the acquisition date. If a contingent consideration is classified as equity, it is not revaluated and its settlement is recognized within equity. In other cases, subsequent changes in the fair value of the potential charge are recognized in profit or loss.

3.3.Investments in subsidiaries

Subsidiaries are companies in which the Company has control, power to manage with financial and business policies by participating in making decision about financial and business policies in subsidiary.

Control is achieved if:

- Company has supremacy, power of disposition in subject;
- Company is exposed or has rights on a variable return based on its participation in that entity, and
- with his supremacy, power of disposition can influence on entity's yield

Company re-evaluates whether it has control or if the facts and circumstances indicate that one or more than three control elements has changed.

Financial information about the investments in the subsidiaries is provided below:

	Total assets	Registered (share) capital	Profit/(Loss) for 2018	(Accumulated losses)/ Retained profit	Total equity
Subsidiary					
- HOTEL LABINECA d.o.o., Gradac	29,621,135	1,709,200	2,054,181	6,323,712	10,087,093
-JADRAN LAGUNA d.o.o., Gradac	12,485,042	345,000	(2,429,330)	(690,508)	(2,774,838)
- FARAON d.o.o., Trpanj	6,685,709	3,500,100	(1,238,976)	(6,034,054)	(3,772,930)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.4. Reporting currency**

Financial statements are presented in Croatian kunas. At 31 December 2020 the exchange rate for EUR 1 and USD 1 was HRK 7.536898 and HRK 6.139039 respectively (at 31.12.2019: EUR 1 = HRK 7.442580 and USD 1 = HRK 6.649911).

3.5. Foreign currencies

In these financial statements, transactions denominated in foreign currencies are translated to the Company's functional currency at the rates of exchange prevailing on the dates of the transactions. Monetary items denominated in foreign currencies are retranslated to the functional currency at the exchange rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period as financial expenses, except for differences arising on the retranslation of non-monetary items available for sale in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

3.6. Operating segments

For management reporting purposes, the Company has been identified as a single operation and all the activities of the Group are considered to constitute a single operating segment.

3.7. Property, plant and equipment

Property, plant and equipment are recognised initially at cost, less accumulated depreciation and accumulated impairment losses. Depreciation is provided using the straight-line method over the estimated useful life of an asset at the following annual rates:

	2020	2019
Buildings	2.80%	2.80%
Plant and equipment	10.00%-20.00%	10.00%-20.00%
Furniture, tools and other equipment	10.00%-50.00%	10.00%-50.00%
Investment property	2.80%	2.80%

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7. Property, plant and equipment (continued)

The initial cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing an asset to its working condition and location for its intended use.

Expenditure incurred after property, plant and equipment have been put into use, such as repairs and maintenance and overhaul costs, is recognized in the statement of profit or loss as expense in the period in which it is incurred.

In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard performance, the expenditures are capitalised as an additional cost of property, plant and equipment. Costs eligible for capitalization include costs of periodic, planned significant inspections and overhauls necessary for further operation.

Equipment is capitalized when its useful life is greater than one year, and its individual cost is greater than HRK 3.5 thousand. Tools are capitalized regardless of their unit cost. Property, plant and equipment are derecognised from the financial statements when they are disposed of or when no further benefits from their continuing use or disposal are expected.

Gains on disposal of property, plant and equipment are credited directly to income. The net book value of retired property, plant and equipment is included in expenses.

An increase in the carrying amount on the remeasurement of an asset is credited to the revaluation reserve. Reversal of any previously recognized surplus on revaluation is presented as a deduction of the revaluation reserve, whereas any other decreases are charged to profit or loss.

3.8. Intangible assets

Intangible assets are purchased separately and carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided using the straight-line method over the estimated useful life of an asset. The useful life and amortisation method are reviewed at each year-end, with any effect of changes in estimates being accounted for prospectively.

3.9. Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition, and the sale is expected to qualify for recognition as a completed sale within one year from the date of the classification. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10. Leases

IFRS 16 "Leases" introduces a new definition of leases and confirms current difference between two types of leases (operating and financial) with respect to the accounting treatment to be applied by the lessor.

The accounting treatment applied by lessees implies the same treatment for all types of leases, namely the recognition of assets, which represents the right to use which represents the right to use the assets and in the same time liability for future payments under the lease agreement.

In initial recognition, these assets are measured based on the cash flows of the lease. Upon initial recognition, right of use is valued in accordance with Standards under IAS 16, IAS 38 or IAS 40 and therefore applying the cost model (decreased for accumulated depreciation and accumulated impairment losses), the revaluation model or the fair value model.

In order to calculate the lease obligation and the associated property with the right of use, discounting of future lease payments is carried out at an appropriate discount rate. In this regard, future lease payments that are discounted are determined on the basis of contractual provisions, excluding VAT, as the obligation to pay such tax arises when the invoice is issued by the lessor and not on the date of commencement of the lease.

For the execution of the stated calculation, lease payments must be discounted using agreed implicit interest rate or, if not available, incremental interest rate. The incremental interest rate is determined on the basis of financing costs for liabilities of similar duration and similar security as those in the lease agreement. In determining the lease term, the period of irrevocability set out in the contract must be taken into account, during which the lessee is entitled to use the property in question, taking into account potential renewal options, if the lessee is reasonably certain that he will renew. In particular, in relation to those contracts that allow the lessee to tacitly renew the lease after the first set of years, the lease term is determined taking into account factors such as the length of the first period, the existence of plans to release the leased property and all other circumstances indicating reasonable security recovery.

3.11. Impairment of non-financial assets

Impairment of non-financial assets that have an indefinite useful time, and is not depreciated is reviewed annually. Depreciated asset is reviewed for impairment when events or circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized as the difference between the carrying amount and recoverable amount of asset. Recoverable amount is fair value reduced by the cost of sale or the value of the asset in use, whichever is higher. For the purpose of impairment test, asset is grouped at the lowest levels in order to identify related cash flow. Non-financial assets are reviewed for possible reversal of the impairment at each reporting date.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.12. Financial assets**

The Company classifies its financial assets in the following categories: 'hold and collect' business model and 'hold to collect and sell' business model. Classification depends on the purpose for which the financial asset was acquired and on the risk management related to the acquisition of the asset. Management classifies financial assets at initial recognition and assesses that classification at each reporting date. Upon initial recognition, the Management Board allocates financial assets to business models and accordingly conducts a test of contracted cash flows. Subsequent measurement depends on the allocation and test of contracted cash flows.

Financial assets held within 'hold and collect' business model

Financial assets held within 'hold and collect' business model represent non-derivative financial assets with fixed or definable repayment and assets which are not listed on active market. They are stated under current assets, except for assets with a maturity of more than 12 months after the balance sheet date. Such assets are classified as non-current financial assets. Receivables are stated at amortized cost using the effective interest method. Impairment test of these financial assets is performed based on repayment delays in days. According to ageing receivables report the Management Board makes a impairment decision based on historical losses and accounts for expected credit losses that may occur due to non-payment.

Financial assets held within 'hold to collect and sell' business model

Financial assets held within 'hold to collect and sell' business model, which are measured at fair value through other comprehensive income, are non-derivative assets which are stated in this category or which are not classified in another category and relate to shares listed on an active market. Initially, these assets are measured at fair value plus transaction costs. At each subsequent reporting date, fair value is measured, while investments in securities that are not listed in an active market and whose fair value cannot be reliably determined are measured at its acquisition costs. According to IFRS 9, these financial assets are not subject to impairment. The Company has decided to measure these financial assets at fair value through other comprehensive income, as it represents an investment in equity instruments which are not meant for trading.

3.13. Financial liabilities

Financial liabilities include all financial liabilities that are not classified at fair value through profit or loss. Financial liabilities include trade payables, borrowings and other liabilities. They are initially recognized at fair value decreased by directly attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are measured at amortized cost using the effective interest method. The fair value of an interest-free liability is its discounted repayment amount. If the maturity date of the liability is less than one year, discounting is omitted.

A financial liability is derecognised when the obligation is discharged or canceled or expires.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14. Derivative financial instruments

Derivative financial instruments include forward contracts and swap contracts (replacement of a variable interest rate with a fixed one) in a foreign currency. Derivative financial instruments are recognized in the balance sheet at their fair value. Fair values are determined according to stock market prices or through pricing models, if such are applicable. All derivatives are recognized in the balance sheet as assets when their fair value is positive and as a liability when their fair value is negative. These derivatives do not meet the requirements of hedge accounting and are therefore treated as derivatives held for trading. Gains and losses arising from a forecast transaction are recognized in profit or loss in the same period in which the forecast transaction affects profit or loss.

3.15. Inventories

Inventories of raw material and spare parts are stated at the lower of cost and net realisable value.

Merchandise on stock is carried at the selling price net of accrued VAT and margin. Small items and tools are written off when put in use.

3.16. Trade receivables and prepayments

Trade receivables and prepayments are recognised at amounts invoiced in accordance with the underlying agreement, order, delivery note and other documents serving as the billing basis, reduced by net value adjustment of uncollectible receivables

Trade receivables are measured initially at fair value and subsequently at amortised cost using the effective interest method, reduced by value adjustment, which is applied in accordance with the requirements of IFRS9.

3.17. Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and demand deposits as well as of other highly liquid investments with maturities of three months or less.

3.18. Share capital and treasury shares

External costs directly attributable to the issue of new shares, other than on a business combination, are deducted from equity, net of any related income taxes. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

Where the Company or its related companies purchase the Company's share capital or obtain rights to purchase its share capital, the consideration paid including any attributable transaction costs net of income taxes is shown as a deduction from total shareholders' equity. Gains and losses on sale of own shares are charged or credited to the share premium/discount account in equity.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19.Dividend distribution

Dividend distribution to the Company's shareholders is recognized as liability in the financial statements in the period in which they are approved by the General Meeting of Shareholders.

3.20.Earnings per share

Earnings per share are calculated by dividing profit and loss which belongs to the Company's shareholders with the weighted average number of ordinary shares outstanding during the year.

3.21.Borrowings

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

Fees paid on the loan contracting are recognized as transaction costs of the loan to the extent that it is probable that some or all of the loan to be withdrawn. In that case, the fee is deferred until withdrawal. If there is no evidence that part or all of the loan is likely to be withdrawn, the fee is capitalized as an advance payment for liquidity services and amortized over the life of the loan to which it relates.

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

3.22.Trade payables

Trade payables are amount related to purchased goods and services in the ordinary course of business. If payment is expected in one year, payables are recognized as current liabilities, otherwise they are recognized as non-current liabilities.

Trade payables are initially recognized at fair value and are disclosed at amortized cost in future periods using the effective interest method.

3.23.Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The current tax liability is based on taxable profit for the year. Taxable profit differs from the net profit for a period reported in the statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.23.Taxation (continued)

Deferred taxes

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. No such assets and liabilities are recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred taxes for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

3.24.Maintenance and repairs

Cost of maintenance and repairs is recognised when incurred, except when expenditure incurred extends the useful life of an asset and changes the capacity or purpose of property, plant and equipment. Such expenditure is treated as improvement and is added to the carrying amount of tangible assets.



3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.25.Retirement benefit costs

The Company provides long-service and retirement benefits to its employees, in accordance with the underlying union agreement between the workers and the Company as their employer. The termination benefit is a one-off benefit in the amount of HRK 8,000. The employees are entitled to long-service benefits (jubilee awards), which are paid in accordance with the Personal Income Tax Act.

3.26.Provisions

Provisions are recognized only when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of discounting is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation, determined using the estimated risk-free interest rate as the discount rate. Where discounting is used, the reversal of such discounting in each year is recognized as interest expense.

3.27.Revenue recognition

Revenue consist of the fair value of the consideration received or receivable for services sold in hotels, camps and restaurants during the company's ordinary course of business. Revenues are recognized in amounts net of value added tax.

The Company recognizes revenue when the amount of revenue can be measured reliably, when the Company will have future economic benefits and when the specific criteria for all the activities of the Company described below are fulfilled.

Service revenue

Revenues from completed hotel and turist sevices are recognized in the period in which the services are completed. Revenue from services rendered to individual guests paying by credit card - Credit card fees are recognized as a reduction of revenue.

Rental income

Revenue from rental services is recognized in the period in which the services are rendered, using the straight-line method over the term of the contract with the lessors.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.27. Revenue recognition (continued)***Interest income*

Interest income is recognized on a time proportion basis using the effective interest method. When the value of a receivable is impaired, the Company reduces the carrying amount of the receivable to its recoverable amount, which is the estimated value of expected cash inflows discounted at the instrument's original effective interest rate. The steady abolition of discounts in future periods is recognized as interest income. Interest income on loans whose collection is questionable is recognized using the original effective interest method.

Dividend income

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

3.28. Critical accounting estimates and key sources of estimation uncertainty

In applying the accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates.

The estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

3.29. Correction of an accounting error

During the year, the Management Board of the Company analyzed the valuation of assets and liabilities and concluded that there was an error in the presentation of assets in the previous period.

On January 1, 2020, a correction was made as follows:

Impairment of trade receivables	(27,017,841)
Reduction of retained earnings	(27,017,841)

Notes to the financial statements (continued)

For the year ended 31 December 2020

HOTELI JADRAN d.d., Gradac**4 GOODS AND SERVICE SALES**

	2020	2019
Rental income – related companies	584,000	7,252,000
Rental income – others	285,148	280,774
Domestic service sales	85,988	9,882
Goods sales	80,992	166,222
	1,036,129	7,708,877

The Company leased out the hotels FARAON, Trpanj, LABINECA, Gradac and LAGUNA, Gradac, to its subsidiaries engaged in hotel trade. The same contracts were terminated by the company on January 1, 2021.

5 OTHER OPERATING INCOME

	2020	2019
Revenue from state aid	210,199	-
Other operating income	29,615	-
	239,814	-

Notes to the financial statements (continued)

For the year ended 31 December 2020

HOTELI JADRAN d.d., Gradac**6 COST OF MATERIAL**

	2020	2019
Raw material, supplies and energy		
Raw material and supplies	87,151	73,355
Small inventories and protective clothing	5,563	1,035
Energy	-	66,370
	92,714	140,760
Cost of goods sold	-	9,882
External services		
Intellectual and personal services	621,444	1,122,623
Transport, telephone, postage	140,765	147,746
Maintenance and repairs	89,967	72,116
Municipal utility services	4,933	1,760
Other	33,990	67,591
	891,099	1,411,836
	983,813	1,562,478

The costs of professional attorneys', tax and business consultants' fees amount to HRK 532,740 (2019: HRK 1,004,500).

7 SALARIES AND OTHER STAFF COSTS

	2020	2019
Net salaries	1,170,985	977,651
Taxes and contributions from salaries	505,833	478,191
Taxes and contributions on salaries	171,066	155,122
	1,847,884	1,610,964

At 31 December 2020 HOTELI JADRAN d.d. had 71 employees (31 December 2019: 5 employees).

8 DEPRECIATION

Depreciation is stated in the Statement of Comprehensive Profit for 2020 in the amount of HRK 4,494,510 (2019: HRK 4,523,066) and is calculated at the rates stated in Note 3.7. in addition to the financial statements.

Notes to the financial statements (continued)

For the year ended 31 December 2020

HOTELI JADRAN d.d., Gradac**9 OTHER EXPENSES**

	2020	2019
Insurance and security	209,089	246,787
Per diems and travel costs	82,533	42,793
Reimbursement of expenses, gifts and grants	37,202	29,495
Contributions, membership fees, taxes	22,522	43,365
Bank charges	4,091	3,261
Other expenses	1,455	2,916
	356,892	368,617

10 PROVISIONS

Provisions stated in the Statement of Comprehensive Profit for 2020 in the amount of HRK 30,390,582 (2019: HRK 0) relate to provisions for ongoing litigation and for which, according to the Management Board, there is a probable possibility of ending the dispute in 2021. Years.

11 NET FINANCIAL (EXPENSE)/INCOME

	2020	2019
Financial income		
Interest income – related companies	1,234	6,102
Interest income - others	10,040	3,320
Realized exchange rate gains	2	-
Total financial income	11,276	9,422
Financial expenses		
Interest expense	(2,418)	(17,204)
Realized exchange rate loss	(238)	-
Value adjustments of financial assets //	(5,554,300)	-
Total financial expense	(5,556,956)	(17,204)
Net financial (expense) / income	(5,545,680)	(7,782)

// Value adjustments of financial assets stated in the Statement of comprehensive income for 2020 in the amount of HRK 5,554,300 (2019 HRK 0) refer to the adjustment of shares in subsidiaries after the financial asset impairment test.

Notes to the financial statements (continued)

For the year ended 31 December 2020

HOTELI JADRAN d.d., Gradac**12 INCOME TAX**

Income tax is determined in accordance with Croatian regulations. The tax rate applied to taxable profit for the year is 12% (2019: 18%).

Item No		2020	2019
1	(Loss) as the difference between income and expenses	(42,352,859)	(552,209)
2	Expenses not recognised for tax purposes	35,957,595	195,951
3	Tax deductible expenses	(210,199)	-
4	(Loss)/Profit after increases/(decreases)	(6,605,463)	(356,258)
5	Tax losses brought forward	(549,711)	(193,453)
6	Tax base	-	-
7	Tax rate	12%	18%
8	Tax expense	-	-
9	Loss for future transfer	(7,155,174)	(549,711)

Unused deferred tax loss as at 31 December 2020 amounts to HRK 7,155,174 (2019: HRK 549,711).

The availability of the tax losses carried forward expires after five years as follows:

Year	Amount
2021	-
2022	-
2023	193,453
2024	356,258
2025	6,605,463
	7,155,174

Deferred tax assets are recognized as a transferred tax loss only in the amount that is likely to result in a related tax relief. Benefits of tax losses are not recognized in the financial statements due to the uncertainty of achieving the conditions for their future use.

Pursuant to the applicable regulations of the Republic of Croatia, the Tax Administration may, at any time, inspect the Company's books and records for the year for which the tax liability is declared. The Management Board of the Company is not aware of any circumstances that could give rise to a potential material tax liability in this respect.

13 LOSS PER SHARE

For the purposes of calculating earnings per share, earnings represent net income after taxation. The number of ordinary shares is 107,115 in both amounts and the weighted number of shares (31.12.2019: 107,115 average number of ordinary shares and weighted number of shares). Loss per share in 2020 amounted to HRK 395.40 per share (2019: HRK 5.15 per share).

Notes to the financial statements (continued)

For the year ended 31 December 2020

HOTELI JADRAN d.d., Gradac

14 PROPERTY, PLANT AND EQUIPMENT

In HRK	Land and forests	Buildings	Plant and equipment	Tools, furniture and vehicles	Assets under construction	Investment property	Total
Amount on Jan 1, 2019	6,766,248	-	3,849,515	5,386,097	296,009	158,866,835	175,164,704
Sale/reclassification	-	-	(57,952)	(73,906)	(494,564)	-	(626,422)
Procurement	-	-	95,958	6,267	318,635	227,658	648,518
Amount on Dec 31, 2019	6,766,248	-	3,887,521	5,318,458	120,080	159,094,493	175,186,800
Accumulated depreciation Jan 1, 2019	-	-	3,588,302	5,375,819	-	90,611,753	99,575,874
Depreciation	-	-	81,784	1,867	-	4,439,090	4,522,741
Sale	-	-	(57,952)	(73,906)	-	-	(131,858)
Amount on Dec 31, 2019	-	-	3,612,134	5,303,780	-	95,050,843	103,966,757
Present value on Dec 31, 2019	6,766,248	-	275,387	14,678	120,080	64,043,650	71,220,043
Amount on Jan 1, 2020	6,766,248	-	3,887,521	5,318,458	120,080	159,094,493	175,186,800
Sale/reclassification	-	159,094,493	(22,381)	(10,630)	-	(159,094,493)	(33,011)
Procurement	-	-	-	-	47,000	-	47,000
Amount on Dec 31 2020	6,766,248	159,094,493	3,865,140	5,307,828	167,080	-	175,200,789
Accumulated depreciation Jan 1, 2020	-	-	3,612,134	5,303,780	-	95,050,843	103,966,757
Depreciation	-	-	50,195	2,493	-	4,441,823	4,494,511
Reclassification	-	99,492,666	-	-	-	(99,492,666)	-
Sale	-	-	(22,381)	(10,630)	-	-	(33,011)
Amount on Dec 31, 2020	-	99,492,666	3,639,948	5,295,643	-	-	108,428,257
Present value on Dec 31, 2020	6,766,248	59,601,827	225,192	12,185	167,080	-	66,772,532

Notes to the financial statements (continued)

For the year ended 31 December 2020

HOTELI JADRAN d.d., Gradac**14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

As at 31 December 2020, the Company reclassified within items of property, plant and equipment by ceasing to recognize investments in real estate, and reclassified them as own property due to the termination of long-term leases.

A lien has been entered on the debit of real estate, according to provisions, received loans and issued guarantees (Notes 23, 24 and 30).

The Company's Management Board estimates that, as at 31 December 2020, there are no indications that the market value of property, plant and equipment is lower than the book value, there have been no significant changes in technological, economic or legal conditions that would have a significant impact on value of assets, so taking into account the fact of a high degree of write-off of buildings there is no basis for reducing their book value.

15 INVESTMENTS IN SUBSIDIARIES

	2020	2019
Opening net book value at 1 January	-	5,554,300
Closing net book value at 31 December	-	5,554,300

HOTELI JADRAN d.d., Gradac, is the owner of the following subsidiaries

Name of subsidiary	31.12.2020		31.12.2019	
	Ownership interest in %	Amount	Ownership interest in %	Amount
HOTEL LABINECA d.o.o., Gradac	100	0	100	1,709,200
JADRAN LAGUNA d.o.o., Gradac	100	0	100	345,000
FARAON d.o.o., Tvrpiš	100	0	100	3,500,100

With the impairment test, the Company reduced its investments in subsidiaries to fair value as at 31 December 2020.

16 NON-CURRENT FINANCIAL RECEIVABLES

	Principal Approved	Interest rate applied	31.12.2020	31.12.2019
Jelsa d.d., Jelsa	154.033 HRK	3.96%	154,033	154,033
Loans given to employees	18,515 HRK	2%	18,515	23,700
Interes			24,018	18,750
			196,566	196,483

The Company has receivables ie claims in the amount of HRK 154,033, the repayment of which has been defined in the pre-bankruptcy settlement procedure to take place on a one-off basis until 2026 at the latest. The contracted amount is calculated at the applicable rate of contractual interest on loans between related companies once a year.

Notes to the financial statements (continued)

For the year ended 31 December 2020

HOTELI JADRAN d.d., Gradac**17 TRADE RECEIVABLES**

	31.12.2020	31.12.2019
Receivables from related companies	28,040,712	28,219,061
Domestic trade receivables	42,550	36,559
Correction of receivables from related customers	(27,057,614)	(27,057,614)
	1,025,648	1,198,006

Changes in value adjustments to customer receivables are as follows:

	2020	2019
Balance at 1 January	27,057,614	39,772
Additions	-	27,017,842
Balance at 31 December	27,057,614	27,057,614

The age structure of customer receivables is presented in the following table:

		Past due				
	Total	Not yet due	Up to 30 days	From 31 to 90 days	From 90 to 365 days	Over 365 days
31.12.2020	1,025,648	34,451	15,034	18,270	956,953	940

18 OTHER CURRENT RECEIVABLES

	31.12.2020	31.12.2019
Due from the state	717,804	628,522
Prepayments made	2,512	2,919
	736,420	631,441

The amount due from the state consists mainly of VAT refund and overpaid corporate income tax.

19 CURRENT FINANCIAL ASSETS

	2020	2019
Given loans	128,859	126,250
Interest	7,549	3,014
	136,408	129,264

Company approved a short-term loan of up to one year with an interest rate of 3.42% annually.

Notes to the financial statements (continued)

For the year ended 31 December 2020

HOTELI JADRAN d.d., Gradac**20 CASH AND CASH EQUIVALENTS**

	31.12.2020	31.12.2019
Current account balance	165,652	950,890
Foreign currency account balance	-	403
Cash in hand	-	604
	165,652	951,897

Cash equivalents comprise cheques and deposits with banks, which are available at call (ie deposits placed for a term of up to 3 months).

The Company's account is opened at Privredna banka Zagreb d.d., Zagreb.

21 SHARE CAPITAL

	Share capital	Capital gains	Total
Balance at 1 January 2019	74,980,500	173,442	75,153,942
Balance at 31 December 2019	74,980,500	173,442	75,153,942
Balance at 31 December 2020	74,980,500	173,442	75,153,942

The Company's share capital amounts to HRK 74,980,500.00. The total number of ordinary shares in issue at the year-end was 107,115 (31 December 2019 107,115 shares), with a nominal value of HRK 700.00 each (2019: HRK 700.00).

The ownership structure at the balance sheet was as follows:

	31.12.2020		31.12.2019	
Shareholder	Number of shares	%	Number of shares	%
Topaz d.o.o., Zagreb	92,717	86.56	92,717	86.56
Centar za restrukturiranje i prodaju (CERP), Republic of Croatia	841	0.79	2,434	2.33
Other shareholders (total)	13,557	12.66	11,964	11.11
	107,115	100	107,115	100

22 RESERVES AND ACCUMULATED LOSSES

According to the Decision of the General Assembly of August 6, 2020, the operating loss for 2019 in the amount of HRK 552,209 will be covered from retained earnings. The Management Board made a decision to correct the accounting error from the previous period at the expense of retained earnings, ie transferred loss. Also, the coverage of the part of the transferred loss created by recording the accounting error from the previous period is covered by other reserves of the Company and partly from the legal reserves of the Company. The total effect of the correction of an accounting error is presented in Note 3.29. in addition to the financial statements.

23 PROVISIONS

During 2021, the Company expects the completion of enforcement proceedings against real estate owned by the Company as a debtor in the proceedings, and based on the enforcement document - Agreement to secure a monetary claim by establishing a lien, stated the cost of provisions in the amount of market value of real estate determined by an independent appraiser.

The Company, as a guarantor-payer in the enforcement proceedings over free cash, also stated provisions in the amount of the present value of future outflows of free cash of the Company.

In accordance with the above, the Management Board of the Company made a decision to disclose provisions in the amount of HRK 30,390,582.

24 OBLIGATIONS TOWARDS ENTREPRENEURS WITHIN THE GROUP

	Principal approved	Applied interest rate	31.12.2020	31.12.2019
Short-term borrowings				
Hotel Labineca d.o.o., Gradac	3,734,518 HRK		3,734,518	3,734,518
Jadran Laguna d.o.o., Gradac	3,734,518 HRK		3,734,518	3,734,518
TOTAL BORROWINGS			7,469,036	7,469,036

Under the Claims Purchase Agreement No02-85/2017, Privredna banka d.d., Zagreb sold its claims from Hoteli Jadran d.d., Gradac, comprising principal in the total amount of HRK 4,822,744 and late-payment interest in the total amount of HRK 2,571,388, to its related companies Hotel Labineca d.o.o., Gradac and Jadran Laguna d.o.o., Gradac, each taking on 50 percent of the principal and late-payment interest claims.

The borrowings are secured by lien on property (see Note 14).

Notes to the financial statements (continued)

For the year ended 31 December 2020

HOTELI JADRAN d.d., Gradac**25 LIABILITIES FOR GIVEN LOANS**

	Odobrena glavnica	Primijenjene kamatne stope	31.12.2020.	31.12.2019.
Kratkoročni krediti				
Ministry of finance, Croatia			1,643,909	1,643,909
Marina Kremik d.o.o.	905.817 HRK	2,5%	905,817	-
Dalmacia Holiday d.o.o.	618.822 HRK	7%	6,833	6,833
Interest – related companies			73,344	71,695
UKUPNO KREDITI			2,629,903	1,722,437

On 3 August 2011 the Ministry of Finance of the Republic of Croatia adopted a Resolution on the Reprogramming of the Tax Debt of Hoteli Jadran d.d., Gradac, which amounted to HRK 3,343,350.70 at 31 December 2010. The loan repayment period is 30 months, and the loan interest rate is 8.30 percent annually. At 31 December 2019, the tax debt amounts to HRK 1,643,909 and is confirmed in the pre-bankruptcy settlement procedure by Finacial Agency (FINA), Regional Center Zagreb on 6 June 2018 (Note 1). The debt in question is regulated by a pre-bankruptcy settlement, which is yet to be confirmed by Commercial Court.

A short-term one-year loan was obtained from Dalmacia Holiday d.o.o., Zagreb, for liquidity purposes. The loan interest rate is 7.00 percent annually. The loan balance at 31 December 2020 amounts to HRK 6,833.

26 TRADE PAYABLES

	31.12.2020	31.12.2019
Domestic trade payables	4,119,988	3,519,547
Trade payables – related companies	5,472	513,007
Foreign trade payables	4,522	3,348
Late-payment interest on trade payables	975,877	975,877
	5,105,859	5,011,779

27 LIABILITIES TOWARDS EMPLOYEES

	31.12.2020	31.12.2019
Liabilities for net salaries and benefits	337,848	84,499
	337,848	84,499



Notes to the financial statements (continued)

For the year ended 31 December 2020

HOTELI JADRAN d.d., Gradac

28 LIABILITIES FOR TAXES, CONTRIBUTIONS AND SIMILAR BENEFITS

	31.12.2020	31.12.2019
Value added tax liabilities	133,464	133,464
Payroll taxes and contributions from salary	106,406	29,559
Contributions on salary	64,029	2,508
Corporate income tax	3,676	3,676
Obligations for membership fees and other fees	1,212,283	1,226,171
	1,519,858	1,395,378

29 RELATED-PARTY TRANSACTIONS

For financial reporting purposes, parties are considered to be related if one party has the ability to control the other party, if the parties are under joint control, or if a party may exercise significant influence over the other party in making financial and operating decisions. In considering each potential relationship between related parties, the focus is on the substance of the relationship rather than merely the legal form.

	Trade receivables	Trade payables	Given loans and advances	Borrowings and interest payable	Expense s	Income
Parent:						
Topaz d.o.o.	393	-	-	-	-	393
Subsidiaries:						
FARAON d.o.o., Trpanj	55,571	-	-	-	68,327	9,477
HOTEL LABINECA d.o.o., Gradac	840,991	-	-	3,734,518	56,116	626,000
JADRAN LAGUNA d.o.o., Gradac	86,145	5,472	-	3,734,518	49,324	29,431
Management Board	-	-	-	-	997,784	-
Balance at 31 December 2020	983,099	5,472	-	7,469,036	1,171,551	665,301
Balance at 31 December 2019	28,198,039	5,472	154,033	8,055,099	2,316,711	7,361,229

30 CONTINGENT LIABILITIES AND ASSETS

a) Contingent liabilities

Legal actions. As of December 31, 2020, there have been several lawsuits regarding property rights, real estate, and business relationships in which the Company is a defendant. The lawsuits relate to unresolved assets, determination of property rights, payment of the Company and the Company as a guarantor.

Notes to the financial statements (continued)

For the year ended 31 December 2020

HOTELI JADRAN d.d., Gradac

The Company issued a guarantee in favor of Dalmacia Holiday kft in the amount of EUR 21,524,970.87, increased by interest, fees, expenses, commissions and other costs for the Raiffeisen Bank loan. By the contract on the purchase and sale of receivables dated April 2, 2019 concluded between Raiffeisen Bank Zrt. and Bohemian Financing Zrt., all rights and obligations have been transferred to the new creditor, Bohemian Financing Zrt.

The company has issued a guarantee in favor of Habito d.o.o. in the amount of EUR 2,625,000 increased by interest, fees, costs, commissions and other costs, pursuant to Annex I of the Agreement on financial leasing of real estate. Contract on purchase and sale of receivables dated May 30, 2018 concluded between Optima Leasing d.o.o. and Bohemian Financing Zrt., all rights and obligations have been transferred to the new creditor Bohemian Financing Zrt.

b) Contingent assets

Legal actions. At 31 December 2020 there were several legal actions filed by the Company on the grounds of ownership title and enforcement.

31 FINANCIAL INSTRUMENTS

This note provides details of the Company's exposure to risks and describes the methods used by management to manage risks. The most significant types of financial risks to which the Company is exposed are credit risk, liquidity risk and market risk. Market risk includes exchange rate risk, interest rate risk and price risk.

Capital risk management

Gearing ratio

The gearing ratio at the year-end was as follows:

	31.12.2020	31.12.2019
Debt	10,098,939	9,191,473
Cash and cash equivalents	(165,652)	(951,897)
Net debt	9,933,287	8,239,576
Equity	21,829,148	91,199,849
Net debt-to-equity ratio	45.50%	9.03%

Debt is defined as a liability for long-term and short-term loans. The principal includes all capital and all reserves.

Notes to the financial statements (continued)

For the year ended 31 December 2020

HOTELI JADRAN d.d., Gradac*Categories of financial instruments*Financial assets

	31.12.2020	31.12.2019
Cash and cash equivalents	165,652	951,897
Trade receivables	1,025,648	1,198,006
Given loans	332,974	303,983
Other receivables	720,317	653,205
	<u>2,244,591</u>	<u>3,107,091</u>

Financial liabilities

	31.12.2020	31.12.2019
Loans and borrowings	10,098,939	9,191,473
	<u>10,098,939</u>	<u>9,191,473</u>

Foreign currency risk management

The Company is exposed to no foreign currency risk. The transactions are performed in Croatian kunas.

Interest rate risk management

The Company's operations are subject to the risk of interest rate fluctuations to the extent that the interest-bearing assets and liabilities mature or reprice at different times or in differing amounts. Variable-interest bearing assets and liabilities of the Company are also exposed to the basis risk, which is the difference in re-pricing characteristics of the various floating rate indices.

The Company is not exposed to interest rate risk arising from variable rates, as disclosed in Notes 24 and 25.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Management Board, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity requirements. The Company manages its liquidity using appropriate bank overdrafts and facilities and by matching the maturities of its financial assets and liabilities.

Fair value of financial instruments

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

- the fair value of financial assets and financial liabilities subject to standard terms and conditions and traded on active liquid markets is determined by reference to quoted market prices;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;

- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is applied using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives; and
- the fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the counterparty extrapolated from market-based credit information and the amount of the loss given default.

32 ENVIRONMENTAL POLICY

It is the policy of the Company to ensure an on-going environmental awareness among its employees as well as their commitment to protecting and improving the natural as well as their work environment

33 EVENTS AFTER THE REPORTING DATE

The most significant event this year is the appearance of the COVID-19 virus at the end of February 2020. In accordance with the new circumstances and government measures, the company, as a lessor due to these exceptional circumstances and uncertainties, agreed to suspend lease agreements for the hotel "Faraon" and hotel "Laguna" since the hotels will not operate in 2020. The company actively monitors all information related to the spread of coronavirus, especially in emitting markets and takes all protection measures recommended by the Ministry of Health and the Institute of Public Health. The company, in cooperation with the social partners, regulated the material rights during the time when it is not working, and it started negotiations with other partners in order to revise the amount and compensation for the period when the operational activity will be absent. In April, the Government of the Republic of Croatia announced a state aid program to combat the negative effects of Covid-19 on the economy. As part of the program, the Company applied for employment protection measures and received support for job preservation. In addition to the above measure, the Company has approved a measure of deferral of payment of certain tax liabilities. After the Management Board reviewed the current operations, the process of streamlining the company's operations was initiated, so that the company with a long tradition of hotel business dating back to 1955 could face the challenges of the current pandemic in the most efficient way. Due to difficult and uncertain business conditions caused by the COVID-19 pandemic and the poor results of the tourist season, the Company decided to manage costs in a centralized manner. The company expects that this will enable cost reduction, more efficient staff mobility that corresponds to the current very volatile demand for accommodation capacities and an increase in the quality of service. The process of rationalization began with the takeover of employees of the companies that leased the hotels Labineca and Laguna in Gradac and Faraon in Trpanj, and later with the termination of the lease agreement with the current tenants.



34 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were adopted and authorised for issue by the members of the Management Board of Hoteli Jadran d.d., Gradac, on 15 April 2021.



Cecília Nikolett Fata

President of the Management Board



Soma Zoltán Dala

Member of the Management Board

ISSUER'S GENERAL DATA

Reporting period: 01.01.2020 to 31.12.2020
 Year: 2020

Annual financial statements

Registration number (MB): 03036154 Issuer's home Member State code: HR
 Entity's registration number (MBS): 060040135
 Personal identification number (OIB): 18099276986 LEI: 7478000030KH7ROTAU91
 Institution code: 808

Name of the issuer: HOTELI JADRAN d.d.

Postcode and town: 21330 GRADAC

Street and house number: JADRANSKA 2

E-mail address: hoteli-jadran@st.htnet.hr

Web address: www.jadrandd.com

Number of employees (end of the reporting): 71

Consolidated report: KN (KN-not consolidated/KD-consolidated)

Audited: RD (RN-not audited/RD-audited)

Names of subsidiaries (according to IFRS)

Registered office:

MB:

Bookkeeping firm: No (Yes/No)

(name of the bookkeeping firm)

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

Telephone: 099 3110 475

E-mail address: zeljka.ivanac@hotelijadran.com

Audit firm: Russell Bedford Croatia - Revizija d.o.o.
 (name of the audit firm)

Certified auditor: Paško Anić-Antić
 (name and surname)

BALANCE SHEET
balance as at 31.12.2020

Submitter: **HOTEL JADRAN d.d.** in HRK

	ADP	Last day of the reporting business year	
A) RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID	001	0	0
B) FIXED ASSETS (ADP 003+010+020+031+036)	002	76.970.826	68.969.098
I) INTANGIBLE ASSETS (ADP 004 to 009)	003	0	0
1 Research and development	004	0	0
2 Concessions, patents, licences, trademarks, software and other rights	005	0	0
3 Goodwill	006	0	0
4 Advance payments for purchase of intangible assets	007	0	0
5 Intangible assets in preparation	008	0	0
6 Other intangible assets	009	0	0
II) TANGIBLE ASSETS (ADP 011 to 019)	010	71.220.043	66.772.532
1 Land	011	6.766.248	6.766.248
2 Buildings	012	0	59.601.827
3 Plant and equipment	013	275.387	225.162
4 Tools, working inventory and transportation assets	014	14.678	12.185
5 Biological assets	015	0	0
6 Advance payments for purchase of tangible assets	016	0	0
7 Tangible assets in preparation	017	120.080	187.080
8 Other tangible assets	018	0	0
9 Investment property	019	64.043.650	0
III) FIXED FINANCIAL ASSETS (ADP 021 to 030)	020	5.732.033	196.566
1 Investments in holdings (shares) of undertakings within the group	021	5.554.300	0
2 Investments in other securities of undertakings within the group	022	0	0
3 Loans, deposits, etc. to undertakings within the group	023	154.033	0
4 Investments in holdings (shares) of companies linked by virtue of participating interest	024	0	0
5 Investment in other securities of companies linked by virtue of participating interest	025	0	0
6 Loans, deposits etc. given to companies linked by virtue of participating interest	026	0	0
7 Investments in securities	027	0	0
8 Loans, deposits, etc. given	028	23.700	196.566
9 Other investments accounted for using the equity method	029	0	0
10 Other fixed financial assets	030	0	0
IV) RECEIVABLES (ADP 032 to 035)	031	19.750	0
1 Receivables from undertakings within the group	032	19.750	0
2 Receivables from companies linked by virtue of participating interests	033	0	0
3 Customer receivables	034	0	0
4 Other receivables	035	0	0
V) DEFERRED TAX ASSETS (ADP 036+046+053+063)	036	0	0
C) CURRENT ASSETS (ADP 038 to 045)	037	29.928.449	2.368.460
I) INVENTORIES (ADP 038 to 045)	038	0	318.435
1 Raw materials	039	0	318.435
2 Work in progress	040	0	0
3 Finished goods	041	0	0
4 Merchandise	042	0	0
5 Advance payments for inventories	043	0	0
6 Fixed assets held for sale	044	0	0
7 Biological assets	045	0	0
II) RECEIVABLES (ADP 047 to 052)	046	28.650.302	1.745.065
1 Receivables from undertakings within the group	047	28.179.289	983.098
2 Receivables from companies linked by virtue of participating interest	048	0	0
3 Customer receivables	049	36.558	42.550
4 Receivables from employees and members of the undertaking	050	0	0
5 Receivables from government and other institutions	051	628.522	717.805
6 Other receivables	052	5.933	2.512
III) SHORT-TERM FINANCIAL ASSETS (ADP 054 to 062)	053	126.250	136.408
1 Investments in holdings (shares) of undertakings within the group	054	0	0
2 Investments in other securities of undertakings within the group	055	0	0
3 Loans, deposits, etc. to undertakings within the group	056	0	0
4 Investments in holdings (shares) of companies linked by virtue of participating interest	057	0	0
5 Investment in other securities of companies linked by virtue of participating interest	058	0	0
6 Loans, deposits etc. given to companies linked by virtue of participating interest	059	126.250	0
7 Investments in securities	060	0	0
8 Loans, deposits, etc. given	061	0	136.408
9 Other financial assets	062	0	0
IV) CASH AT BANK AND IN HAND	063	951.897	165.652
D) PREPAID EXPENSES AND ACCRUED INCOME	064	31.605	16.104
E) TOTAL ASSETS (ADP 001+002+037+064)	065	106.930.880	69.351.662
OFF-BALANCE SHEET ITEMS	066	0	0
LIABILITIES			
A) CAPITAL AND RESERVES (ADP 068 to 075)	067	91.199.848	21.829.148
I) INITIAL (SUBSCRIBED) CAPITAL	068	74.980.500	74.980.500
II) CAPITAL RESERVES	069	173.442	173.442
III) RESERVES FROM PROFIT (ADP 071+072+073+074+075)	070	15.834.826	800.000
1 Legal reserves	071	3.770.050	800.000
2 Reserves for treasury shares	072	12.064.776	0
3 Treasury shares and holdings (deductible item)	073	0	0
4 Statutory reserves	074	0	0
5 Other reserves	075	0	0
IV) REVALUATION RESERVES	076	0	0
V) FAIR VALUE RESERVES (ADP 078 to 080)	077	0	0
1 Fair value of financial assets available for sale	078	0	0
2 Cash flow hedge - effective portion	079	0	0
3 Hedge of a net investment in a foreign operation - effective portion	080	0	0
VI) RETAINED PROFIT OR LOSS BROUGHT FORWARD (ADP 082-083)	081	763.287	-11.771.935
1 Retained profit	082	763.287	0
2 Loss brought forward	083	0	11.771.935
VII) PROFIT OR LOSS FOR THE BUSINESS YEAR (ADP 085-086)	084	-552.209	-42.352.859
1 Profit for the business year	085	0	0
2 Loss for the business year	086	552.209	42.352.859
VIII) MINORITY (NON-CONTROLLING) INTEREST	087	0	0
B) PROVISIONS (ADP 088 to 094)	088	0	30.380.582
1 Provisions for pensions, termination benefits and similar obligations	089	0	0
2 Provisions for tax liabilities	090	0	0
3 Provisions for ongoing legal cases	091	0	30.380.582
4 Provisions for renewal of natural resources	092	0	0
5 Provisions for warranty obligations	093	0	0
6 Other provisions	094	0	0
C) LONG-TERM LIABILITIES (ADP 096 to 106)	095	0	22.413
1 Liabilities towards undertakings within the group	096	0	0
2 Liabilities for loans, deposits, etc. to companies within the group	097	0	0
3 Liabilities towards companies linked by virtue of participating interest	098	0	0

4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interest	099	0	0
5 Liabilities for loans, deposits etc.	100	0	0
6 Liabilities towards banks and other financial institutions	101	0	0
7 Liabilities for advance payments	102	0	0
8 Liabilities towards suppliers	103	0	0
9 Liabilities for securities	104	0	0
10 Other long-term liabilities	105	0	22 413
11 Deferred tax liability	106	0	0
D) SHORT-TERM LIABILITIES (ADP 108 to 121)	107	15 710 247	17 097 510
1 Liabilities towards undertakings within the group	108	3 231 014	2 651 784
2 Liabilities for loans, deposits, etc. to companies within the group	109	4 629 557	4 622 724
3 Liabilities towards companies linked by virtue of participating interest	110	0	0
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interest	111	0	0
5 Liabilities for loans, deposits etc.	112	1 643 909	2 629 803
6 Liabilities towards banks and other financial institutions	113	0	0
7 Liabilities for advance payments	114	0	0
8 Liabilities towards suppliers	115	4 498 773	5 100 387
9 Liabilities for securities	116	0	0
10 Liabilities towards employees	117	84 499	337 848
11 Taxes, contributions and similar liabilities	118	1 395 378	1 519 858
12 Liabilities arising from the share in the result	119	34 698	34 698
13 Liabilities arising from fixed assets held for sale	120	0	0
14 Other short-term liabilities	121	1 419	308
E) ACCRUALS AND DEFERRED INCOME	122	11 785	12 009
F) TOTAL - LIABILITIES (ADP 067+088+095+107+122)	123	106 930 880	89 351 862
G) OFF-BALANCE SHEET ITEMS	124	0	0

STATEMENT OF PROFIT OR LOSS
for the period 01.01.2020 to 31.12.2020

in HRK

Submitter: HOTELI JADRAN d.d.			
Item	ADP code	Same period of the previous year	Current period
	2	3	4
I OPERATING INCOME (ADP 126 to 130)	125	7.708.881	1.275.942
1 Income from sales with undertakings within the group	126	7.355.129	664.068
2 Income from sales (outside group)	127	353.748	372.060
3 Income from the use of own products, goods and services	128	0	0
4 Other operating income with undertakings within the group	129	0	0
5 Other operating income (outside the group)	130	4	239.814
II OPERATING EXPENSES (ADP 132+133+137+141+142+143+146+153)	131	8.253.308	38.083.121
1 Changes in inventories of work in progress and finished goods	132	0	0
2 Material costs (ADP 134 to 136)	133	1.562.478	983.813
a) Costs of raw material	134	140.760	92.714
b) Costs of goods sold	135	9.882	0
c) Other external costs	136	1.411.836	891.099
3 Staff costs (ADP 138 to 140)	137	1.610.964	1.847.884
a) Net salaries and wages	138	977.651	1.170.985
b) Tax and contributions from salaries expenses	139	478.191	505.833
c) Contributions on salaries	140	155.122	171.066
4 Depreciation	141	4.523.066	4.494.510
5 Other expenses	142	368.617	356.892
6 Value adjustments (ADP 144+145)	143	0	0
a) fixed assets other than financial assets	144	0	0
b) current assets other than financial assets	145	0	0
7 Provisions (ADP 147 to 152)	146	0	30.390.582
a) Provisions for pensions, termination benefits and similar obligations	147	0	0
b) Provisions for tax liabilities	148	0	0
c) Provisions for ongoing legal cases	149	0	30.390.582
d) Provisions for renewal of natural resources	150	0	0
e) Provisions for warranty obligations	151	0	0
f) Other provisions	152	0	0
8 Other operating expenses	153	188.183	9.440
III FINANCIAL INCOME (ADP 155 to 164)	154	9.422	11.276
1 Income from investments in holdings (shares) of undertakings within the group	155	0	0
2 Income from investments in holdings (shares) of companies linked by virtue of participating interest	156	0	0
3 Income from other long-term financial investment and loans granted to undertakings within the group	157	6.100	0
4 Other interest income from operations with undertakings within the group	158	0	1.234
5 Exchange rate differences and other financial income from operations with undertakings within the group	159	0	0
6 Income from other long-term financial investments and loans	160	3.312	0
7 Other interest income	161	8	10.040
8 Exchange rate differences and other financial income	162	2	2
9 Unrealised gains (income) from financial assets	163	0	0
10 Other financial income	164	0	0
IV FINANCIAL EXPENDITURE (ADP 166 to 172)	165	17.204	5.556.956
1 Interest expenses and similar expenses with undertakings within the group	166	0	0
2 Exchange rate differences and other expenses from operations with undertakings within the group	167	0	0
3 Interest expenses and similar expenses	168	17.060	2.419
4 Exchange rate differences and other expenses	169	144	237
5 Unrealised losses (expenses) from financial assets	170	0	0
6 Value adjustments of financial assets (net)	171	0	5.554.300
7 Other financial expenses	172	0	0

V SHARE IN PROFIT FROM COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST	173	0	0
VI SHARE IN PROFIT FROM JOINT VENTURES	174	0	0
VII SHARE IN LOSS OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST	175	0	0
VIII SHARE IN LOSS OF JOINT VENTURES	176	0	0
IX TOTAL INCOME (ADP 125+154+173 + 174)	177	7.718.303	1.287.218
X TOTAL EXPENDITURE (ADP 131+165+175 + 176)	178	8.270.512	43.640.077
XI PRE-TAX PROFIT OR LOSS (ADP 177-178)	179	-552.209	-42.352.859
1 Pre-tax profit (ADP 177-178)	180	0	0
2 Pre-tax loss (ADP 178-177)	181	-552.209	-42.352.859
XII INCOME TAX	182	0	0
XIII PROFIT OR LOSS FOR THE PERIOD (ADP 179-182)	183	-552.209	-42.352.859
1 Profit for the period (ADP 179-182)	184	0	0
2 Loss for the period (ADP 182-179)	185	-552.209	-42.352.859
DISCONTINUED OPERATIONS (to be filled in by undertakings subject to IFRS only with discontinued operations)			
XIV PRE-TAX PROFIT OR LOSS OF DISCONTINUED OPERATIONS (ADP 187-188)	186	0	0
1 Pre-tax profit from discontinued operations	187	0	0
2 Pre-tax loss on discontinued operations	188	0	0
XV INCOME TAX OF DISCONTINUED OPERATIONS	189	0	0
1 Discontinued operations profit for the period (ADP 186-189)	190	0	0
2 Discontinued operations loss for the period (ADP 189-186)	191	0	0
TOTAL OPERATIONS (to be filled in only by undertakings subject to IFRS with discontinued operations)			
XVI PRE-TAX PROFIT OR LOSS (ADP 179+186)	192	0	0
1 Pre-tax profit (ADP 192)	193	0	0
2 Pre-tax loss (ADP 192)	194	0	0
XVII INCOME TAX (ADP 182+189)	195	0	0
XVIII PROFIT OR LOSS FOR THE PERIOD (ADP 192-195)	196	0	0
1 Profit for the period (ADP 192-195)	197	0	0
2 Loss for the period (ADP 195-192)	198	0	0
APPENDIX to the P&L (to be filled in by undertakings that draw up consolidated annual financial statements)			
XIX PROFIT OR LOSS FOR THE PERIOD (ADP 200+201)	199	0	0
1 Attributable to owners of the parent	200	0	0
2 Attributable to minority (non-controlling) interest	201	0	0
STATEMENT OF OTHER COMPREHENSIVE INCOME (to be filled in by undertakings subject to IFRS)			
I PROFIT OR LOSS FOR THE PERIOD	202	0	0
II OTHER COMPREHENSIVE PROFIT/LOSS BEFORE TAX (ADP 204 to 211)	203	0	0
1 Exchange rate differences from translation of foreign operations	204	0	0
2 Changes in revaluation reserves of fixed tangible and intangible assets	205	0	0
3 Profit or loss arising from re-evaluation of financial assets available for sale	206	0	0
4 Profit or loss arising from effective cash flow hedging	207	0	0
5 Profit or loss arising from effective hedge of a net investment in a foreign operation	208	0	0
6 Share in other comprehensive income/loss of companies linked by virtue of participating interest	209	0	0
7 Actuarial gains/losses on defined remuneration plans	210	0	0
8 Other changes in equity unrelated to owners	211	0	0
III TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD	212	0	0
IV NET OTHER COMPREHENSIVE INCOME OR LOSS (ADP 203-212)	213	0	0
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 202+213)	214	0	0
APPENDIX to the Statement on comprehensive Income (to be filled in by entrepreneurs who draw up consolidated statements)			
VI COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 216+217)	215	0	0
1 Attributable to owners of the parent	216	0	0
2 Attributable to minority (non-controlling) interest	217	0	0

STATEMENT OF CASH FLOWS - indirect method
for the period 01.01.2020 . to 31.12.2020.

in HRK

Submitter: HOTELI JADRAN d.d.

Item	ADP code	Same period of the previous year	Current period
1	2	3	4
Cash flow from operating activities			
1 Pre-tax profit	001	-552.209	-42.352.859
2 Adjustments (ADP 003 to 010):	002	4.695.387	40.078.528
a) Depreciation	003	4.523.066	4.494.510
b) Gains and losses from sale and value adjustment of fixed tangible and intangible assets	004	0	0
c) Gains and losses from sale and unrealised gains and losses and value adjustment of financial assets	005	0	5.554.300
d) Interest and dividend income	006	-9.420	-11.274
e) Interest expenses	007	17.060	2.419
f) Provisions	008	0	30.390.582
g) Exchange rate differences (unrealised)	009	0	0
h) Other adjustments for non-cash transactions and unrealised gains and losses	010	164.681	-352.009
I Cash flow increase or decrease before changes in the working capital (ADP 001+002)	011	4.143.178	-2.274.331
3 Changes in the working capital (ADP 013 to 016)	012	-3.776.513	1.138.773
a) Increase or decrease in short-term liabilities	013	-64.152	1.378.262
b) Increase or decrease in short-term receivables	014	-3.739.028	78.946
c) Increase or decrease in inventories	015	0	-318.435
d) Other increase or decrease in the working capital	016	26.667	0
II Cash from operations (ADP 011+012)	017	366.665	-1.135.558
4 Interest paid	018	0	0
5 Income tax paid	019	-42.987	0
A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)	020	323.678	-1.135.558
Cash flow from investment activities			
1 Cash receipts from sales of fixed tangible and intangible assets	021	0	0
2 Cash receipts from sales of financial instruments	022	0	0
3 Interest received	023	298	117
4 Dividends received	024	0	0
5 Cash receipts from repayment of loans and deposits	025	2.977	0
6 Other cash receipts from investment activities	026	0	0
III Total cash receipts from investment activities (ADP 021 to 026)	027	3.275	117
1 Cash payments for the purchase of fixed tangible and intangible assets	028	-318.635	-47.000
2 Cash payments for the acquisition of financial instruments	029	0	0
3 Cash payments for loans and deposits for the period	030	-149.950	0
4 Acquisition of a subsidiary, net of cash acquired	031	0	0
5 Other cash payments from investment activities	032	0	0
IV Total cash payments from investment activities (ADP 028 to 032)	033	-468.585	-47.000
B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027 +033)	034	-465.310	-46.883
Cash flow from financing activities			
1 Cash receipts from the increase of initial (subscribed) capital	035	0	0
2 Cash receipts from the issue of equity financial instruments and debt financial instruments	036	0	0
3 Cash receipts from credit principals, loans and other borrowings	037	0	905.817
4 Other cash receipts from financing activities	038	0	0
V Total cash receipts from financing activities (ADP 035 to 038)	039	0	905.817
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	040	0	-509.856

2 Dividends paid	041	0	0
3 Cash payments for finance lease	042	0	0
4 Cash payments for the redemption of treasury shares and decrease of initial (subscribed) capital	043	0	0
5 Other cash payments from financing activities	044	0	0
VI Total cash payments from financing activities (ADP 040 to 044)	045	0	-509.856
C) NET CASH FLOW FROM FINANCING ACTIVITIES (ADP 039 +045)	046	0	395.961
1 Unrealised exchange rate differences in cash and cash equivalents	047	0	235
D) NET INCREASE OR DECREASE OF CASH FLOWS (ADP 020+034+046+047)	048	-141.632	-786.245
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	049	1.093.529	951.897
F) CASH AND CASH EQUIVALENTS AT THE END OF PERIOD(ADP 048+049)	050	951.897	165.652

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HRK

HOTELI JADRAN d.d.

Jadranska 2
21330 Gradac

Uprava Društva

Gradac, 15.04.2021. godine

NADZORNOM ODBORU DRUŠTVA**GLAVNOJ SKUPŠTINI DRUŠTVA**

PREDMET: Obavijest o postojanju gubitka u visini polovine temeljnog kapitala

Nakon što je Uprava u novom sastavu preuzela vođenje poslova Društva napravila je dubinsku analizu poslovanja te je donijela odluke čija je provedba u poslovnim knjigama rezultirala evidentiranjem gubitaka u visini većoj od polovine temeljnog kapitala, kao što se obrazlaže u nastavku, o čemu Uprava želi izvijestiti Nadzorni odbor i Glavnu skupštinu.

Prilikom dubinske analize utvrđeno je da postoje potraživanja prema povezanim društvima starija od 365 dana u iznosu od 27.017.841,21 kn, te je Uprava donijela odluku o ispravku potraživanja od prenesenih društava što je zatim u poslovnim knjigama evidentirano kao pogreška prethodnih razdoblja. S obzirom da je navedena odluka rezultirala evidentiranjem prenesenih gubitaka u iznosu od 27.017.841,21 kn, Uprava je donijela odluku da će se preneseni gubici pokriti na sljedeći način:

1. preneseni gubitak u iznosu od 211.078,41 kn, na teret zadržane dobiti koja čini razliku zadržane dobiti i prenesenih gubitaka iz prethodnih razdoblja,
2. preneseni gubitak u iznosu od 12.064.778,05 kn, na teret ostalih rezervi,
3. preneseni gubitak u iznosu od 2.970.050,00 kn, na teret zakonskih rezervi,
4. ostatak od 11.771.934,75 kn čini preneseni gubitak.

HOTELI JADRAN d.d.

Jadranska 2
21330 Gradac

Management Board of the company

Gradac, 15.04.2021.

SUPERVISORY BOARD OF THE COMPANY**GENERAL MEETING OF THE COMPANY**

SUBJECT: Notice of the existence of a loss of half of the share capital

After the new Management Board took over the management of the Company, it made a due diligence analysis of operations and made decisions whose implementation in the business books resulted in recording losses of more than half of the share capital, as explained below, which the Management Board wishes to inform the Supervisory Board and the General Assembly.

During the due diligence analysis, it was determined that there are receivables from affiliated companies older than 365 days in the amount of HRK 27,017,841.21, and the Management Board made a decision to correct receivables from transferred companies, which was then recorded in the books as an error of previous periods. Considering that the mentioned decision resulted in the recording of transferred losses in the amount of HRK 27,017,841.21, the Management Board made a decision that the transferred losses will be covered as follows:

1. retained loss in the amount of HRK 211,078.41, by retained earnings, which is the difference between retained earnings and retained losses from previous periods,
2. transferred loss in the amount of HRK 12,064,778.05, by other reserves,
3. transferred loss in the amount of HRK 2,970,050.00, by legal reserves,
4. the remaining HRK 11,771,934.75 constitutes a loss carried forward.



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HOTELI JADRAN DD
NOTICE OF THE
EXISTENCE OF A
LOSS OF HALF OF
THE SHARE CAPITAL
1 peldany

Godišnjim financijskim izvješćem sa stanjem na dan 31.12.2020.g. utvrđen je gubitak poslovne 2020.g. u iznosu od 42.352.859,49 kn, koji je nastao dijelom nastao dijelom iz poslovnih rezultata, dijelom zbog odluke o ispravku vrijednosti ulaganja u povezana društva u iznosu od 5.554.300,00 kn, a najvećim dijelom zbog odluke o evidentiranju rezerviranja za sudske sporove u iznosu od 30.390.582,01 kn u odnosu na postupak OVR-48/2019 koji se vodi pred Općinskim sudom u Makarskoj – Stalna služba u Imotskom.

Ukupni gubici tako iznose 54.124.794,24 kn (42.352.859,49 kn gubitka poslovne 2020.g. uvećano za 11.771.934,75 kn prenesenog gubitka koji je nastao kao rezultat događaja opisanih u drugom pasusu).

S obzirom da godišnjim financijskim izvješćima utvrđen gubitak u visini (većoj od) polovine temeljnoga kapitala Društva, sukladno čl. 251. Zakona o trgovačkim društvima Uprava pristupa hitnom sazivanju skupštine kako bi je o tome izvjestila. Ujedno, sukladno čl. 10. st. 1. točki 1. Zakona o financijskom poslovanju i predstečajnoj nagodbi, Uprava predlaže Nadzornom odboru mjeru potrebnu za ostvarenje adekvatnosti kapitala koja se sastoji u pojednostavnjenom smanjenju temeljnog kapitala na način da se gubitak ostvaren u godini koja je završila 31. prosinca 2020.g. u visini od 42.352.859,49 kn, dijelom pokrije na teret zakonskih rezervi i rezervi kapitala u iznosu od 973.442,28 kn, a preostali dio gubitka u iznosu od 41.379.417,21 kn kao i iznos prenesenog gubitka iz prethodnog razdoblja u iznosu od 11.771.934,75 kn, dakle u ukupnom iznosu od 53.151.351,96 kn pokriju (tj. predlaže se da situacija uzrokovana gubitkom bude riješena) pojednostavnjenim smanjenjem temeljnog kapitala Društva. Pojednostavnjenim smanjenjem temeljnog kapitala iznos temeljnog kapitala smanjio bi se s 74.980.500,00 kuna, za 53.557.500,00 kuna, na 21.423.000,00 kuna.

Radi zaokruživanja nominalnog iznosa dionice na višekratnik broja 10, razlika između iznosa za koji bi se smanjio temeljni kapital Društva i iznosa kumuliranih gubitaka i gubitaka 2020.g. koji se pokrivaju smanjenjem temeljnog kapitala, koja razlika iznosi 406.148,04 kn, prenijela bi se u pričuve Društva – rezerve kapitala.

Annual financial report as of 31.12.2020.g. determined the loss of business in 2020 in the amount of HRK 42,352,859.49, which arose partly from business results, partly due to the decision to adjust the value of investments in affiliated companies in the amount of HRK 5,554,300.00, and mostly due to the decision to record provisions for court disputes in the amount of HRK 30,390,582.01 in relation to the procedure OVR-48/2019 which is being conducted before the Municipal Court in Makarska - Permanent Service in Imotski.

The total losses thus amount to HRK 54,124,794.24 (HRK 42,352,859.49 of the loss for the business year 2020, increased by HRK 11,771,934.75 of the loss carried forward as a result of the events described in the second paragraph).

Considering that the annual financial reports determined a loss in the amount of (more than) half of the share capital of the Company, in accordance with Art. 251 of the Companies Act, the Management Board approaches the urgent convening of the General Meeting in order to inform it. At the same time, in accordance with Art. 10 paragraph 1 item 1 of the Financial Operations and Pre-Bankruptcy Settlement Act, the Management Board proposes to the Supervisory Board the measure necessary to achieve capital adequacy, which consists in a simplified reduction of share capital so that the loss realized in the year ended 31 December 2020. in the amount of HRK 42,352,859.49, shall be partly covered by legal reserves and capital reserves in the amount of HRK 973,442.28, and the remaining part of the loss in the amount of HRK 41,379,417.21 as well as the amount of transferred loss from the previous period in the amount of of HRK 11,771,934.75, ie in the total amount of HRK 53,151,351.96 shall be covered (ie, the situation caused by the loss is proposed to be addressed) by a simplified reduction of the Company's share capital. By simplifying the reduction of share capital, the amount of share capital would be reduced from HRK 74,980,500.00, by HRK 53,557,500.00, to HRK 21,423,000.00.

In order to round the nominal amount of the share to the multiple of number 10, the difference between the amount by which the share capital of the Company would be reduced and the amount of cumulated losses and losses in 2020. which are covered by the reduction of share capital, which difference amounts

Navedeno smanjenje temeljnog kapitala provelo bi se smanjenjem nominalnog iznosa dionica društva sa 700,00 (sedamsto) kuna, za 500,00 (petsto) kuna, na 200,00 (dvjesto) kuna.

Nakon smanjenja temeljni kapital Društva iznosio bi 21.423.000,00 kuna, i bio bi podijeljen je na 107.115 dionica, svaka dionica nominalne vrijednosti od po 200,00 (dvjesto) kuna.

to HRK 406,148.04, would be transferred to the Company's reserves - capital reserves.

The stated reduction of the share capital would be carried out by reducing the nominal amount of the company's shares from HRK 700.00 (seven hundred) by HRK 500.00 (five hundred) to HRK 200.00 (two hundred).

After the reduction, the share capital of the Company would amount to HRK 21,423,000.00, and would be divided into 107,115 shares, each share with a nominal value of HRK 200.00 (two hundred).



HOTELI JADRAN d.d.

Cecilia Nikoletta Fata

Predsjednica uprave / President of the Management Board

