JADRAN d.d.
Bana Jelačića 16, Crikvenica

ANNUAL REPORT AND AUDITOR'S REPORT
FOR 2022

Contents

Independent Auditor's Report

To the Shareholders of Jadran d.d.

Report on the audit of the separate financial statements

Our opinion

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of Jadran d.d. (the "Company") as at 31 December 2022, and the Company's separate financial performance and separate cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee dated 27 April 2023.

What we have audited

The Company's separate financial statements comprise:

- the separate statement of comprehensive income for the year ended 31 December 2022;
- the separate statement of financial position as at 31 December 2022;
- the separate statement of changes in equity for the year ended 31 December 2022;
- the separate statement of cash flows for the year ended 31 December 2022; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the separate financial statements section of our report.

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

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014, and furthermore, we have not provided any non-audit services to the Company in the period from 1 January 2022 to 31 December 2022.

Our audit approach

Overview

Materiality	• Overall Company materiality: HRK 5,500 thousand, which represents approximately 2.5% of revenues
Key audit matters	• Recoverable amount of property, plant and equipment, investment property and right-of-use assets

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the separate financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the separate financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the separate financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the separate financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the separate financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the separate financial statements as a whole.

Overall Company materiality	HRK 5,500 thousand
How we determined it	2.5% of revenues
Rationale for the materiality benchmark applied	We chose revenue as the benchmark because the Company is in a restructuring phase with emphasis on growth and, in our view, the Company's performance is measured on the basis of this benchmark. In addition, net result for previous years was not positive while revenues are a more consistent measure of performance. The percentage used is consistent with quantitative materiality thresholds used for the companies in this sector.

Key audit matters

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

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Key audit matter	How our audit addressed the key audit matter
Recoverable amount of property, plant and equipment, investment property and right-of-use assets *See Notes 2.5, 2.7, 2.8 and 2.20 (Significant accounting policies), Note 3 (Critical accounting judgements and estimates), Note 11 (Reversal of impairment of non-current non-financial assets), Note 17 (Property, plant and equipment), Note 19 (Investment property) and Note 37 (Lease liabilities and Right-of-use assets).* As at 31 December 2022, the Company has stated property, plant and equipment with the carrying value of HRK 595,698 thousand and investment property with the carrying value of HRK 31.805 thousand which is carried at historical cost less accumulated depreciation and impairment, where required. Also, the carrying amount of right-of-use assets in relation to leased touristic objects amounts to HRK 263,406 thousand at the balance sheet date. The Company has realised business recovery in 2022, after the significant loss and negative EBITDA (operating profit before taxes, impairment, interest and taxes) incurred due to pandemic. Taking into consideration the different dynamics of recovery of individual tourist objects and the inherent uncertainties in relation to current macroeconomic movements, the management calculated the recoverable amount of these assets using discounted cash flows (DCF) based on value-in-use or based on fair value less cost to sell as of 31 December 2022. As a result of such calculations, additional impairment loss has not been identified, instead reversal of impairment loss amounting to HRK 9,228 thousand has been identified and recognised. We focused on this matter due to uncertainties related to current macroeconomic movements as well due to complex impairment testing process which involves use of multiple estimates as described in Note 3.	We obtained the value-in-use calculations used by management in determining the recoverable amounts of property, plant and equipment, investment property or right-of-use assets for certain tourist object (hotel, campsite or other site) as of 31 December 2022 and carried out the following detailed procedures: • we tested the mathematical accuracy of the value-in-use calculations, compared input data to financial information and business plan for the next year as well as the consistency of methodology used in comparison to the previous year; • we compared the budgeted and actual EBITDA level for 2022 in order to identify significant deviations, if any and whether these deviations have been appropriately considered in the value-in-use calculations; • we checked on the sample basis allocation of operating revenues and expenses on appropriate tourist objects; • for two key assumptions (discount rate and terminal value growth rate) used in the value-in use calculations, we engaged our valuation experts to assist us in assessing its reasonableness by comparison to entities with similar risk profiles and observable market information in relation to economic growth forecasts; • taking into consideration the difference between determined value-in-use amounts and the carrying value of touristic objects, we selected several touristic objects to for more detailed assessment of the inputs (daily rates, capacity levels, etc.). For touristic objects where recoverable amount was based on fair value less cost to sell, we reviewed the independent appraisals to assess the appropriateness of the methodology and assumptions used and the determined fair value at the balance sheet date. We checked the calculation and recording of the determined reversal of impairment loss in the separate financial statements. We reviewed relevant disclosures in the separate financial statements.

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Reporting on other information including the Management Report

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

Our opinion on the separate financial statements does not cover the other information.

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

With respect to the Management Report and Corporate Governance Statement, we also performed procedures required by the Accounting Act in Croatia. Those procedures include considering whether the Management Report is prepared in accordance with the requirements of Article 21 of the Accounting Act, and whether the Corporate Governance Statement includes the information specified in Article 22 of the Accounting Act.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Management Report and the Corporate Governance Statement for the financial year for which the separate financial statements are prepared is consistent, in all material respects, with the separate financial statements;
- the Management Report has been prepared in accordance with the requirements of Article 21 of the Accounting Act; and
- the Corporate Governance Statement includes the information specified in Article 22 of the Accounting Act.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management Report and Corporate Governance Statement that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the separate financial statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the separate financial statements

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

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than 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 management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent 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 separate financial statements, including the disclosures, and whether the separate 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 also 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our independent auditor's report unless 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.

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Report on other legal and regulatory requirements

Appointment

We were first appointed as auditors of the Company on 28 September 2018. Our appointment has been renewed annually by shareholder resolution with the most recent reappointment on 31 August 2022, representing a total period of uninterrupted engagement appointment of 5 years.

Report on compliance of the format of the separate financial statements with the requirements of the European Single Electronic Format ("ESEF") Regulation

We have been engaged based on our agreement by the management of the Company to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the presentation of the separate financial statements included in the attached electronic file "jadrandd-2022-12-31-en.zip" of the Company for the year ended 31 December 2022 (the "financial statements in ESEF format").

Description of a subject matter and applicable criteria

The financial statements in ESEF format have been prepared by the management of the Company to comply with the requirements of Article 462 paragraph 5 of the Capital Market Act (Official Gazette, No. 65/18, 17/20 and 83/21) (the "Capital Market Act") and with the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation"). Those regulations require that:

- the financial statements included in the separate Annual Report, have been prepared in the XHTML format;
- the data included in the separate financial statements required by the ESEF Regulation and Capital Market Act have been marked up and all the markups meet the following requirements:
    - the XBRL markup language has been used,
    - the core taxonomy elements listed in the ESEF Regulation with the closest accounting meaning have been used, unless an extension taxonomy element was created in accordance with Annex IV of the ESEF Regulation,
    - the markups comply with the common rules on markups under the ESEF Regulation.

The requirements described above determine the basis for application in the preparation of the financial statements in ESEF format and, in our view, constitute appropriate criteria to form a reasonable assurance conclusion.

Responsibility of the management and those charged with governance

The Company's management is responsible for the preparation of the financial statements in ESEF format in accordance with the ESEF Regulation and the Capital Market Act. In addition, the Company's management is responsible for maintaining an internal control system that reasonably ensures the preparation of the financial statements in ESEF format which is free from material non-compliance with the requirements of the ESEF Regulation and the Capital Market Act, whether due to fraud or error.

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

Our responsibility

Our responsibility is to express a reasonable assurance conclusion, based on the audit evidence obtained, whether the financial statements in ESEF format comply, in all material respects, with the requirements of the ESEF Regulation and the Capital Market Act. We conducted a reasonable assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information. This standard requires that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance whether the financial statements in ESEF format are prepared, in all material respects, in accordance with the applicable requirements.

Reasonable assurance is a high level of assurance, but it does not guarantee that the service performed in accordance with ISAE 3000 (R) will always detect a material misstatement (significant non-compliance with the requirements).

Procedures performed

The nature, timing and extent of the procedures selected are matters for the professional judgment of the auditor.

As part of the selected procedures, we performed in particular the following procedures:

- read the requirements of the ESEF Regulation and the Capital Market Act;
- obtaining an understanding of the internal control system and processes relevant to the application of the Electronic Reporting Format of the Financial Statements, including the preparation of the XHTML format and marking up the separate financial statements;
- verification whether the XHTML format was applied properly;
- evaluating the completeness of marking up the separate financial statements using the XBRL markup language according to the requirements of the implementation of electronic format as described in the ESEF Regulation;
- evaluating the appropriateness of the use of XBRL markups selected from the ESEF taxonomy and the creation of extension markups where no suitable element in the ESEF taxonomy has been identified; and
- evaluating the appropriateness of anchoring of the extension elements to the ESEF taxonomy.

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

Conclusion

In our opinion, based on the procedures performed and evidence obtained, the financial statements in ESEF format for the year ended 31 December 2022 included in the above stated attached electronic file comply, in all material respects, with the ESEF Regulation and the Capital Market Act.

Our conclusion is not an opinion on the true and fair financial statements in ESEF format presented in electronic format. In addition, we do not express any form of assurance on the other information disclosed in the documents in the ESEF format.

The engagement partner on the audit resulting in this independent auditor's report is Tamara Maćašović.

PricewaterhouseCoopers d.o.o.
Heinzelova 70, Zagreb
2 May 2023

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

Jadran d.d.

Statement of the Management Board's responsibilities

Pursuant to the Croatian Accounting Act in force, the Management Board of Jadran d.d., Crikvenica, Bana Jelačića 16 (the "Company") is responsible for ensuring that separate annual financial statements are prepared for 2022 in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, in order to give a true and fair view of the financial position, operating results, changes in equity, cash flows of the Company for the period and the notes.

After making enquiries, the Management Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board has prepared the separate annual financial statements under the going concern assumption.

In preparing the annual financial statements the responsibilities of the Company's Management Board include ensuring that:

- suitable accounting policies are selected and then applied consistently, in accordance with applicable finial reporting standards;
- judgements and estimates are reasonable and prudent;
- applicable accounting standards are followed; subject to any material departures disclosed and explained in the financial statements; and
- the annual financial statements are prepared on a going concern basis unless this assumption is inappropriate.

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

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

Furthermore, in accordance with Commission Delegated Regulation (EU) 2018/815 of 17 December 2018 supplementing Directive 2004/109/ EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of the single electronic reporting format ("ESEF Regulation"), the Management Board is obliged to prepare and publish separate Annual Report in XHTML format and to tag the annual financial statements prepared in accordance with IFRS in XHTML format using XBRL tags and tag the notes to the annual financial statements as a text block to meet Article 462 requirements of the Capital Market Act.

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

Miroslav Pelko Member of the Management Board	Ivan Safundžić Member of the Management Board

JADRAN joint stock company for hotel management and tourism Crikvenica

SEPARATE ANNUAL FINANCIAL STATEMENTS FOR 2022

	Note	2021	2022
Revenue from sales of goods and providing services on the market	6	133,741,797	220,065,055
Other income	7	13,776,001	21,911,771
Total operating income		**147,517,798**	**241,976,826**
Cost of goods sold		(192,044)	(274,205)
Cost of raw materials and supplies	8	(23,789,942)	(44,087,684)
Cost of services	9	(30,377,125)	(45,588,088)
Staff costs	10	(40,493,279)	(59,776,151)
Depreciation and amortisation	17, 18, 19, 37	(46,026,005)	(56,400,015)
Reversal of impairment of non-current non-financial assets	11	-	9,227,860
Net gains on value adjustments of financial assets	12	2,723,192	303,800
Other operating expenses	13	(8,992,755)	(12,865,889)
Total operating expenses		**(147,147,958)**	**(209,460,372)**
Operating profit		**369,840**	**32,516,454**
Finance income	14	3,275,818	1,847,367
Finance costs	14	(11,221,436)	(15,642,357)
Net loss from financing activities		**(7,945,618)**	**(13,794,990)**
(Loss) / profit before tax		**(7,575,778)**	**18,721,464**
Income tax	15	-	18,905,484
Net (loss) / profit		**(7,575,778)**	**37,626,948**
Other comprehensive income		-	-
Total comprehensive (loss) / income for the year		**(7,575,778)**	**37,626,948**
(Loss) / earnings per share	16	(0.27)	1.35

**The accompanying notes are an integral part of these financial statements.*
These financial statements have been authorised and signed by the Management Board.

	Note	31 December 2021	31 December 2022
ASSETS			
Non-current assets			
Property, plant and equipment	17	584,930,171	595,697,918
Intangible assets	18	1,884,885	2,024,572
Investment property	19	30,273,858	31,804,953
Financial assets	20	-	-
Investments in subsidiaries	21	118,581,185	976,685
Right-of-use assets	37	98,512,892	263,405,616
Deferred tax assets	15	-	18.905.484
Total non-current assets		**834,182,991**	**912.815.228**
Current assets			
Inventories	22	804,981	906,496
Trade receivables	23	2,642,111	2,160,622
Receivables from related parties	23	541,423	138,354
Receivables from the government	24	3,342,567	3,361,421
Income tax receivable		624,021	334,471
Other receivables	25	3,660,524	1,923,206
Receivables for loans granted to related parties	26	10,566,438	99,081
Cash and cash equivalents	27	15,723,956	5,991,134
		37,906,021	14,914,785
Non – current assets held for sale	21	-	117,604,500
Total current assets		**37,906,021**	**132,519,285**
TOTAL ASSETS		**872,089,012**	**1,045,334,513**

**The accompanying notes are an integral part of these financial statements.*
These financial statements have been authorised and signed by the Management Board.

	Note	31 December 2021	31 December 2022
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		482,507,730	482,507,730
Capital reserves		234,210,922	234,210,922
Accumulated loss		(234,481,384)	(196,854,436)
Total equity	28	**482,237,268**	**519,864,216**
Non-current liabilities			
Provisions	29	706,347	611,445
Liabilities to financial institutions	30	215,083,930	185,195,684
Other non-current liabilities	31	61,720	61,720
Lease liabilities	37	96,385,274	274,125,001
Total non-current liabilities		**312,237,271**	**459,993,850**
Current liabilities			
Trade payables	32	10,522,870	10,954,958
Liabilities for advances, deposits and guarantees	33	3,119,358	2,661,773
Liabilities to employees	34	7,143,941	6,559,977
Liabilities to the government	35	1,361,077	1,790,648
Liabilities to banks and other financial institutions	30	29,718,363	37,685,239
Other current liabilities	36	842,726	755,695
Lease liabilities	37	24,906,138	5,068,157
Total current liabilities		**77,614,473**	**65,476,447**
Total liabilities		**389,851,744**	**525,470,297**
TOTAL EQUITY AND LIABILITIES		**872,089,012**	**1,045,334,513**

**The accompanying notes are an integral part of these financial statements.*
These financial statements have been authorised and signed by the Management Board.

	Share capital	Capital reserves	Accumulated loss	Total
Balance at 1 January 2021	**482,507,730**	**234,210,922**	**(226,905,606)**	**489,813,046**
Comprehensive loss for the year	-	-	*(7,575,778)*	*(7,575,778)*
Balance at 31 December 2021	**482,507,730**	**234,210,922**	**(234,481,384)**	**482,237,268**
Comprehensive income for the year	-	-	*37,626,948*	*37,626,948*
Balance at 31 December 2022	**482,507,730**	**234,210,922**	**(196,854,436)**	**519,864,216**

**The accompanying notes are an integral part of these financial statements.*
These financial statements have been authorised and signed by the Management Board.

	Note	2021	2022
Cash flow from operating activities			
(Loss) / profit before tax	15	(7,575,778)	18,721,464
Depreciation and amortisation	17, 18, 19, 37	46,026,005	56,400,015
Net loss on sale and disposal of non-current assets		2,127,714	640,220
Change in non-current provisions		222,346	(94,902)
Interest income	14	(527,797)	(221,976)
Interest expense	14	9,122,948	13,415,980
Net foreign exchange differences		(620,955)	(482,505)
Net gains on value adjustments of financial assets	12	(2,723,192)	(303,800)
Net gains on termination of lease contract	7	-	(10,668,601)
Reversal of impairment of non-current non-financial assets	11	-	(9,227,860)
Changes in trade and other receivables		(2,573,418)	3,103,160
Changes in inventories		(353,260)	(101,515)
Decrease in trade and other payables		5,474,694	(1,260,357)
Cash flows from operating activities		**48,599,307**	**69,919,323**
Interest paid	39	(9,640,069)	(13,274,322)
A. Net cash from operating activities		**38,959,238**	**56,645,001**
Cash flow from investing activities			
Payments for purchases of non-current tangible and intangible assets		(30,101,408)	(32,263,563)
Interest received		1,348,205	308,975
Loans granted		(1,155,000)	(60,000)
Repayment of loans granted		16,009,643	10,440,357
B. Net cash from investing activities		**(13,898,560)**	**(21,574,231)**
Cash flow from financing activities			
Proceeds from borrowings	39	-	6,027,600
Repayment of borrowings	39	(17,973,734)	(28,474,613)
Repayment of lease principal	39	(18,026,524)	(22,356,579)
C. Net cash from financing activities		**(36,000,258)**	**(44,803,592)**
Net decrease in cash		(10,939,580)	(9,732,822)
Cash and cash equivalents at beginning of period		26,663,536	15,723,956
Cash and cash equivalents at end of period	27	15,723,956	5,991,134

**The accompanying notes are an integral part of these financial statements.*
These financial statements have been authorised and signed by the Management Board.

1. Principal activity and general information about the company

Jadran joint stock company for hotel management and tourism, Bana Jelačića 16, Crikvenica (the "Company") is registered with the Commercial Court in Rijeka under Reg. No. (MBS): 040000817. The Company's subscribed share capital amounts to HRK 482,507,730. The Company's authorised representatives are Ivan Safundžić, Member of the Management Board, appointed on 1 December 2020 and Miroslav Pelko, Member of the Management Board, appointed on 1 September 2021. The Company is represented by the Management Board in such a manner that each Member of the Management Board represents the Company jointly with another member of the Management Board. The Company's principal activity is the provision of accommodation services in hotels, resorts and campsites, preparation of food and provision of food services, and preparation and serving of drinks and beverages.

In 2022, the average number of employees was 289 (2021: 271 employees).

In 2022, the Supervisory Board consisted of:

From 01.01.2022. until 22.05.2022
- Goran Hanžek, president of the Supervisory Board
- Karlo Došen, Deputy Chairman of the Supervisory Board
- Mirko Herceg, member of the Supervisory Board
- Dragan Magaš, member of the Supervisory Board
- Adrian Čajić, member of the Supervisory Board.

From 23.05.2022. until 07.07.2022
- Goran Hanžek, president of the Supervisory Board
- Karlo Došen, Deputy Chairman of the Supervisory Board
- Adrian Čajić, member of the Supervisory Board.

From 08.07.2022. until 31.12.2022
- Goran Hanžek, president of the Supervisory Board
- Karlo Došen, Deputy Chairman of the Supervisory Board
- Mirko Herceg, member of the Supervisory Board
- Sandra Janković, member of the Supervisory Board
- Adrian Čajić, member of the Supervisory Board.

2. Significant accounting policies

The most significant accounting policies consistently applied in the current year and previous years are set out below:

2.1. Statement of compliance and basis of presentation

The Company's separate financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union. The financial statements also comply with the Croatian Accounting Act which refers to the IFRSs as adopted by the EU.

The accounting policies are consistent with those of the previous fiscal year.

The separate financial statements have been prepared under the accrual basis according to which the transaction effects are recognised when incurred and are included in the financial statements for the period to which they relate, and by applying the basic accounting assumption of going concern.

The separate financial statements have been presented in the Croatian currency, Croatian kuna ("HRK"), which is the Company's functional currency.

2. Significant accounting policies (continued)

2.1. Statement of compliance and basis of presentation (continued)

The Company has also prepared consolidated financial statements in accordance with IFRS for the Company and its subsidiaries (the Group), which were authorised by the Management Board on 28 April 2023 and issued separately. In the consolidated financial statements, subsidiaries Club Adriatic d.o.o. and Stolist d.o.o. (Note 21) have been fully consolidated. Users of these separate financial statements should read them together with the Group's consolidated financial statements for the year ended 31 December 2022 in order to obtain complete information about the financial position, results of operations and changes in the financial position of the Group as a whole.

2.2. Critical accounting judgements and key sources of estimation uncertainty

In preparing these separate financial statements, certain estimates have been used that affect the presentation of the Company's assets and liabilities, income and expenses and the disclosure of the Company's contingent liabilities.

Future events and their effects cannot be anticipated with certainty, and therefore actual results may differ from these estimates. The estimates used in the preparation of the financial statements are subject to change as new events occur, as more experience is gained, additional information is obtained and due to the changing environment in which the Company operates.

The key estimates used in the application of accounting policies when preparing financial statements are disclosed in Note 3 below.

2.3. Going concern

In the period from 2010 to 2014, bankruptcy proceedings were initiated against the Company. In the course of the bankruptcy proceedings, the Company performed its business activities, and continued to perform them even after the proceedings were completed. The Commercial Court in Rijeka in the case ref. no. 14 St-52/2010 issued a Decision ordering supervision over the implementation of the bankruptcy plan, and in February 2017 issued a Decision terminating the supervision over the fulfilment of obligations of the bankruptcy administrator's, the Creditors Committee's and the Bankruptcy Judge's duties in relation to the bankruptcy plan, thus ensuring the Company's ability to continue as a going concern. All court proceedings initiated to challenge the bankruptcy plan have been completed.

During 2017 and 2018, the Company entered into out-of-court settlements on the amicable settlement of disputes with all former employees who undertook to withdraw their claims before courts and release the mortgages after their claims are settled, which the Company undertook to do in 12 equal instalments. The last of these instalments became due and payable in September 2019. By concluding these settlements, the Company ensured its ability to continue as a going concern.

The separate financial statements have been prepared on the assumption that the Company will continue in business on a going concern basis.
The Company realised the planned divestment in the company Club Adriatic (sale of land), thus creating the preconditions for the repayment of loans granted to a related company, but also providing funds for a continuous investment cycle, although restricted due to the pandemic. In 2022, the Company received the return of all remaining loans from the related company Club Adriatic.

In the course of the past years, the Company has invested significant amounts in the renovation of facilities from the portfolio and the improvement of the portfolio of services provided to clients.

2. Significant accounting policies (continued)

2.3. Going concern (continued)

Inflationary pressures that appeared in the first quarter of 2022, indirectly caused by the political situation in Russia and Ukraine, and increased during the summer, had the effect of increasing the input costs of raw materials and supplies. The Company amortized this increase, as much as it could, by increasing the selling prices of accommodation and food and beverages. The energy crisis in 2022 did not affect the Company, because it had a three-year contract with an electricity supplier whose prices were several times lower than the market price.

The Company's cumulative losses as at 31 December 2022 amounted to HRK 196.854 thousand (31 December 2021: HRK 234,481 thousand), and current liabilities exceeded current assets by HRK 50.562 thousand (31 December 2020: HRK 39,708 thousand).

After the passage of the challenging period caused by the COVID-19 pandemic, which greatly affected the Company and the entire sector in which it operates, the Company made a profit in the past year and thus reduced the losses carried forward. Cash flow projections prepared by the Company's management (and approved by the Supervisory Board) for the next period show positive results. Business revenues for the first three months of 2023 are significantly better than in the same period last year. This revenue normalized for the one-off income from the termination of the lease agreement for the Grand Hotel View and compared to the same capacities, the Company's performance is 77% above compared to the previous year. According to the current booking, overnight stays are 83%, and income from accommodation is 96% above those in 2022, on the basis of which the Company expects a continuation of the positive trend in the rest of the year.

Most of the Company's short-term liabilities as of the reporting date refer to liabilities to banks and other financial institutions, trade payables and lease liabilities, which the Company regularly settles from the funds in the account from regular business activities. Due to the seasonality of business, the Company has sufficient funds on its account well as agreed credit arrangements, so that, in case of need, it would be able to ensure liquidity.

Given the fact that the Company is profitable and has the full support of the owners, in the opinion of the Management, the above supports the assertion that the Company will have sufficient resources to continue operations for a period of at least 12 months from the reporting date.

Accordingly, the financial statements have been prepared in line with the going concern principle.

2. Significant accounting policies (continued)

2.4. Changes in accounting policies and disclosures

The adopted accounting policies are in accordance with the accounting policies of the previous financial year, except for the changes listed below, which are the result of amendments to the International Financial Reporting Standards (IFRS) adopted by the Company from 1 January, 2022:

- Amendments to IFRS 3 *Business Combinations*, IAS 16 *Property, Plant and Equipment*, IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the cycle of *Annual Improvements to IFRS 2018-2020* (Amendments), all issued on 14 May, 2020 (effective date for annual periods beginning on or after 1 January, 2022).

The adoption of these standards and interpretations did not have a significant impact on the Company's financial statements.

2.4.1 Standards, amendments to standards and interpretations that are issued, but not yet effective

The standards, amendments to standards and interpretations that are issued, but not yet effective, up to the date of issuance of the financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

Until 31 December 2022, the European Commission endorsed the following changes to the accounting principles applicable to reporting, that were not effective for the preparation of 2022 financial statements:

- IFRS 17 *Insurance Contracts* (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020);
- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting* Estimates (issued on 12 February 2021);
- Amendments to IAS 1 *Presentation of Financial Statements* and *IFRS Practice Statement 2: Disclosure of Accounting Policies* (issued on 12 February 2021);
- Amendments to IAS 12 *Income taxes*: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (issued on 7 May 2021);
- Amendments to IFRS 17 *Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information* (issued on 9 December 2021).

As at 31 December 2022 the IASB issued the following standards, amendments, interpretations or revisions, whose application is subject to completion of the endorsement process by the competent bodies of the European Commission, which is still ongoing:

- Amendments to IAS 1*: Presentation of Financial Statements: Classification of Liabilities as Current or Non-current* - Deferral of Effective Date (issued on 23 January 2020 and 15 July 2020 respectively),
- Amendments to IFRS 16 *Leases: Lease Liability in a Sale and Leaseback* (issued on 22 September 2022).

These standards are not expected to significantly affect the Company’s financial statements.

2. Significant accounting policies (continued)

2.5. Property, plant and equipment

Property, plant and equipment are presented in the statement of financial position (balance sheet) at historical cost less accumulated depreciation and accumulated impairment losses. Cost includes the purchase price and all costs directly attributable to bringing the asset to working condition for its intended use. The costs of current maintenance and repairs, replacements and minor investment maintenance are recognised as expense when incurred. The costs of major overhauls and replacements are capitalised.
Gains and losses on the retirement or disposal of property, plant and equipment are presented in profit or loss in the period when incurred.

Property under construction is presented at cost less any impairment losses. Depreciation commences when the assets are ready for their intended use. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Buildings - buildings made of concrete, metal, stone and brick	20-59 years
Buildings - buildings made of wood and other materials	20-59 years
Infrastructure	3-95 years
Furniture and technological equipment	2-20 years
Transportation vehicles	7 years
Passenger cars	10 years
Office equipment	4-10 years
ICT equipment	2-14 years
Other equipment	2-20 years
Software	4-5 years
Landscaping	10 years

2.6. Intangible assets

Non-current intangible assets include licenses and software and are measured at historical cost less accumulated amortisation and any accumulated impairment losses. Subsequent costs are capitalised only if they increase future economic benefits arising from the asset. All other costs are recognised in profit or loss as incurred.

The amortisation charge is recognised in profit and loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use.
Intangible assets are amortised using the straight-line method over a period of 5 years.

2.7. Investment property

Investment property mainly relates to buildings and other business premises within the hotels and campsites and is held to earn long-term rentals or capital appreciation and is not owner-occupied. Investment property is treated as a long-term investment unless it is intended to be sold in the next year and a buyer has been identified in which case it is classified within current assets. Investment property is carried at historical cost less accumulated depreciation. The depreciation of buildings is calculated using the straight-line method to allocate cost over their estimated useful life. Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with it will flow to the Company and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated. Income from a lease with the Company as lessor is recognised in income for the period over the lease term.

2. Significant accounting policies (continued)

2.8. Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). For the Company and the Group, the CGU is defined at the level of the accommodation facility.

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9. Financial assets

The business model reflects how the Company manages its assets in order to generate cash flows - regardless whether the Company's objective is: (i) solely to collect contractual cash flows from the assets ("hold to collect contractual cash flows") or (ii) to collect both the contractual cash flows and cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) are applicable, financial assets are classified as part of "other" business model and are measured at fair value through profit or loss.

As at the reporting date, the Company's financial assets comprise receivables.

Impairment of financial instruments

The measurement of the expected credit loss (ECL) is based on reasonable and supportable information available without undue costs or effort, including information about past events, current and foreseeable future conditions and circumstances. Assessments of expected credit losses are normally based on historical probability of the inability to collect debts, supplemented by future parameters relevant to credit risk.

For trade receivables, a simplified approach to expected credit loss measurement is applied i.e. measurement on a collective basis, depending on the type of customer, and are monitored according to their ageing structure. For example, ageing groups may be defined as follows: not past due, due in 0-90 days, due in 90-180 days, etc. The ageing groups are determined according to the stages of the collection process.

2.10. Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business, less costs to sell.

2.11. Cash and cash equivalents

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

2. Significant accounting policies (continued)

2.12. Borrowings

Borrowings are initially recognised at fair value less transaction costs and subsequently at amortised cost using the effective interest rate method. Interest is recognised as an expense, except in the case of the construction of a qualifying asset, when it is capitalised as part of the asset's cost.

The effective interest rate method is a method to calculate the amortised cost of a financial liability and allocate interest expenses over the accounting period.

Borrowings are classified based on the agreed maturity as current liabilities, or non-current liabilities if they mature in more than 12 months. If the Company has an unconditional right to defer the settlement of a liability for at least 12 months after the reporting date, such liabilities are classified as non-current liabilities.

The Company derecognises financial liabilities when, and only when, they have been discharged, cancelled or have expired.

2.13. Trade payables

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

2.14. Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

The current tax liability is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years or non-taxable, i.e. not recognised as expense for income tax purposes. The Company's current tax liability is calculated using tax rates that have been enacted by the reporting date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases 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 generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the tax asset to be recovered. Deferred tax is 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 deferred tax is also recognised directly in equity.

2.15. Employee benefits

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

2. Significant accounting policies (continued)

2.15. Employee benefits (continued)

Termination benefits
The Company pays one-time termination benefits to its employees at retirement. The liability and costs of such benefits are determined using the projected unit credit method and discounted to their present value based on calculations made at the end of each reporting period, which take into account the assumptions of the number of employees estimated to become entitled to termination benefits at regular retirement, the estimated cost of such termination benefits, and the discount rate defined as the average anticipated rate of return on investment in government bonds. Actuarial gains and losses resulting from experience adjustments and changes in actuarial assumptions are recognised immediately in profit or loss.

Long-term employee benefits
The Company recognises a liability for long-term employee benefits (jubilee awards) evenly over the period the benefit is earned based on actual years of service. The long-term employee benefit liability is determined annually at the end of each reporting period using assumptions regarding the likely number of staff to whom the benefits will be payable, estimated benefit cost and the discount rate which is determined as the average expected yield rate on investments in government bonds. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in profit or loss.

2.16. Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

2.17. Share capital

The Company's share capital comprises ordinary shares. The consideration paid for treasury shares, including any directly attributable transaction costs, is deducted from equity attributable to the Company's shareholders until the shares are withdrawn, reissued or disposed of. When such shares are subsequently disposed of or reissued, any consideration received, net of any directly attributable transaction costs, is included in equity attributable to the Company's shareholders.

2.18. Revenue recognition

Revenue is income arising in the course of the Company's ordinary activities. A five-step model used for recognition of revenue from contracts with customers is presented below:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Revenue is recognised for each separate contractual performance obligation in the amount of the transaction price. The transaction price is the amount of the consideration in the contract to which the Company expects to be entitled in exchange for transferring control over the promised goods or services to a customer.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and specific criteria have been met for each of the Company's activities.

2. Significant accounting policies (continued)

2.18. Revenue recognition (continued)

Service income
Income from hotel & tourism services is recognised in the period the services are provided.

Lease income
Lease income is generally recognised in the period the services are provided, using a straight-line method over the lease term.

Interest income
Interest income is recognised on a time-proportion basis using the effective interest method.

2.19. Government grants

Government grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. A grant receivable as compensation for costs or losses already incurred or for immediate financial support, with no future related costs, are recognised as income in the period in which it is receivable within other operating income (Note 7).

2.20. Leases

The Company as the lessee

At inception of a contract, the Company assesses whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. If the above conditions are met, the contract is considered to be or contain lease. If the terms and conditions of the contract are changed, the Company shall reassess whether the above conditions are met.

The Company determines the lease term as the non-cancellable period of a lease, together with the periods covered by the option to extend the lease if the lessee is reasonably certain to exercise that option; and the periods covered by the option to terminate the lease if the lessee is reasonably certain not to exercise that option, with the obligation to reassess the above if significant events or a significant change in circumstances arise.

At the lease commencement date (the date on which the underlying asset is available for use), the Company recognises a right-of-use asset and a lease liability.

The right-of-use assets are measured at cost that comprises: the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date, less any lease incentives received; any initial direct costs incurred.

After the commencement date, the right-of-use assets are measured using the cost model. Under the cost model, the right-of-use asset is measured at cost: less any accumulated depreciation on a straight-line basis over the period of the lease (3-15 years), and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability.

Lease liabilities at the present value of the lease payments that are not paid by that date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used.

The measurement of lease liabilities includes: fixed payments less any lease incentives receivable; variable lease payments that are based on an index or a rate; amounts expected to be payable by the Company under residual value guarantees; the exercise price of a purchase option if the Company is reasonably certain to exercise that option; payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

2. Significant accounting policies (continued)

2.20. Leases (continued)

After the commencement date, the lease liability is measured considering any changes in the interest rate, lease payments made and any reassessment or lease modifications.

Short-term leases and leases of low-value assets
The Company has decided to apply the short-term lease exemption recognition (for leases up to 12 months that do not include the purchase option) and leases for which the underlying asset is of low value (up to HRK 30,000). Payments for leases for which the underlying asset is of low value are recognised on a straight-line basis as an expense over the lease term. The Company will consider a short-term lease to be a new lease if there is a lease modification and/or a change to the lease term. These leases mainly relate to photocopier machines and fire extinguishers.

The Company as the lessor
Leases where the Company does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Lease income is recognised on a straight-line basis over the lease term and included in the statement of comprehensive income due to its operating nature.

Concession arrangements
If investments are made that are expected to last less than one accounting period, then that expense is recognised as expense for the period, and if investments made in the concession area are expected to last longer than one accounting period, they will be capitalised. Investments in the concession area have a limited useful life and are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method to allocate the cost of investments over their estimated useful lives, which is consistent with the remaining life of the concession contract.

2.21. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings over the period of their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.
All other borrowing costs are recognised in the period in which they are incurred.

2.22. Foreign currencies

Transactions in currencies other than Croatian kuna are recorded at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the reporting date using the exchange rate prevailing at that date. Gains and losses arising on translation are charged to profit or loss in the period when incurred.

2.23. Earnings / (loss) per share

Earnings / (loss) per share are determined by dividing the profit or loss attributable to shareholders of the Company by the weighted average number of ordinary shares during the year.

2.24. Investments in subsidiaries

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Investments in subsidiaries are recognised at cost less impairment loss.

2. Significant accounting policies (continued)

2.25. Segment reporting

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

2.26. Non-current assets held for sale and disposal groups

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount or fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered primarily through sale rather than through continued use. This condition is considered to be met only when the sale is highly probable, and the asset or disposal group is immediately available for sale in its current condition at the balance sheet date. The activities necessary to complete the sale should indicate that it is not likely that there will be any significant changes to the sale or that the sale will be abandoned. Management must commit to a sale, which is expected to be recognized as a completed within one year of the date of classification.

Property, plant and equipment and intangible assets are not depreciated and amortized after they are classified as held for sale.

Assets and liabilities classified as held for sale or distribution are reported separately as current or short-term items in the statement of financial position.

2.27. Events after the end of the reporting year

Events after the end of the reporting year providing additional information about the position of the Company as at the date of the financial statements (adjusting events) are reflected in the financial statements. Non-adjusting events are disclosed in the notes to the financial statements, if material.

3. Critical accounting judgements and estimates

In applying the accounting policies described in Note 2, management has made certain judgements that had a significant impact on the amounts reported in the financial statements (independent of those presented below). These judgements are detailed in the relevant notes and the most significant ones among them relate to the following:

Estimated useful life of property, plant and equipment
The Company, with the assistance of an expert, analysed the useful lives of buildings and their individual components. When a significant investment in tourism properties (buildings) occurs, the useful life of buildings or their components is reassessed/reviewed. The useful lives should be periodically revised to reflect any changes in circumstances since the previous assessment. Changes in estimate, if any, will be reflected prospectively in a revised depreciation charge over the remaining, revised useful life.

Analysis of sensitivity to changes in useful lives
By using a certain asset, the Company uses the economic benefits contained in this asset, which diminish more intensely with economic and technological ageing. Consequently, in the process of determining the useful life of an asset, in addition to assessing the expected physical utilisation, it is necessary to consider the changes in demand on the tourism market, which will cause a faster economic obsolescence as well as a more intense development of new technologies.

In view of the above, business operations in the hotel industry impose the need for more frequent investments, and this circumstance contributes to the fact that the useful life of assets is decreasing.

If the useful life of property, plant and equipment had been 10% longer, with all other variables held constant, the net profit for 2022 would have been HRK 2,278 thousand higher (for 2021 it would have been HRK 2,122 thousand higher), and the net carrying value of property, plant and equipment would have been HRK 2,788 thousand higher (for 2021 it would have been HRK 2,588 thousand higher).

If the useful life of property, plant and equipment had been 10% shorter, with all other variables held constant, the net profit for the year would have been HRK 2,278 thousand lower (for 2021 it would have been HRK 2,122 thousand lower), and the net carrying value of property, plant and equipment would have been HRK 2,278 thousand lower (for 2021 it would have been HRK 2,588 thousand lower).

Impairment of non-current assets - recoverable amount of property, plant and equipment, investment property and right-of-use assets

1) Property, plant and equipment and investment property

In accordance with the adopted accounting policy, the Company reviews the carrying amounts of non-financial assets (including property, plant and equipment, investment property and right-of-use assets) at least once a year to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The cash-generating unit in the hotel industry/tourism is the accommodation facility. The accounting policy is presented in Note 2.8.

Given the prolonged impact of the COVID-19 pandemic on the Company's operations and inflationary shocks that the Company faced in 2022, the Company has assessed that there are indicators of impairment of certain categories of non-current non-financial assets and in accordance with IAS 36 made an impairment test of all its cash-generating units i.e. accommodation facilities (own as well as rental facilities).

3. Critical accounting judgements and estimates (continued)

Impairment of non-current assets - recoverable amount of property, plant and equipment, investment property and right-of-use assets (continued)

1) Property, plant and equipment and investment property (continued)

The recoverable amount is calculated in one of two ways: by calculating the value of assets in use or by calculating the fair value of assets less costs to sell for individual cash-generating units whose value in use determined by the Discounted Cash Flows (DCF) method does not reflect their intrinsic value (taking into account their location and development potential).

The investment cycle started by the Company in 2019 and continued following year resulted in an increase in revenue in the facilities covered by new investments. During the preparation of the impairment test as at 31 December 2021 the Company estimated that the historical approach to allocating administrative costs by revenue of an individual facility in relation to total revenues did not adequately reflect the Company's new asset structure. In order to optimally allocate the administrative costs of central services, a new method of allocating these costs had been applied, which was based on the number of accommodation units per each facility.
During the preparation of impairment tests on the reporting date, the Company observed 4 different allocation keys (number of accommodation units, revenue, GOP and EBIDTA). The application of three distribution keys (revenue, GOP and EBIDTA) showed similar results for individual objects in the portfolio, while the application of a key based on the number of accommodation units of an individual object resulted in significantly different values.
Due to the aforementioned deviations, the Company's management concluded that it is appropriate to abandon the distribution key by number of accommodation units and return to the "old key", i.e. distribution by revenue. Additionally, the allocation keys were checked with other companies within the industry and it was concluded that this approach is a market practice. By applying the new method of allocating administrative costs of central services, the Company's total operating result remained unchanged.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining the recoverable amount, management considers key indicators such as revenue growth based on occupancy of facilities, revenue per unit and expected market growth in the hotel industry, etc. The valuations are based on five-year cash flow projections prepared by the Company's management, with the budget for 2023 also approved by the Supervisory Board. For the period after the end of the five-year period, the assumed long-term sustainable growth rate (sustainable growth rate) was applied. Taking into account the significant capital investments in the Company's accommodation units, the sustainable growth rates used in the valuation represent the maximum value of the projected inflation rates in the Republic of Croatia.
An overview of the assumptions used in the in-use value calculation model is as follows:

Tourism	**2023 - 2026**
EBITDA margin	5% - 52% (higher profitability rates are assumed for campsites and apartments)
Revenue growth	5% - 17% (depending on the type of accommodation and capital investment)
Discount rate (before tax)	10.2% - 10.4% (depending on the type of the CGU)
Sustainable long-term growth rate	2%

Note: the margin and revenue growth listed in the table above reflect the ranges after returning to the business level after the Covid-19 pandemic (in 2023 or onward) and depend on the individual facility of different characteristics.

3. Critical accounting judgements and estimates (continued)

Impairment of non-current assets - recoverable amount of property, plant and equipment, investment property and right-of-use assets (continued)

1) Property, plant and equipment and investment property (continued)

The calculation of fair value less costs to sell is based primarily on the revenue method, and in two cases on the comparative (for land) and cost method. According to the income method, real estate is worth as much as the cash it is able to generate over its lifetime. After determining all income and expenses related to an individual accommodation unit, the net income of all future periods is calculated and discounted at an adequate discount rate in order to obtain the present value of future cash flows. The assumptions used in the income method are the average board price per accommodation unit, the average occupancy rate, the estimated total cost defined as % of GOP and the capitalisation factor.

The following is an overview of the key assumptions in the revenue method used:

Tourism	2023
Average board price (HRK)	43 - 646
Average occupancy rate	14% - 52%
Estimated total cost (% of GOP)	60%
Capitalisation factor	7%

Note: The key assumptions listed in the table above depend on the individual facility of different characteristics.

For accommodation facilities where land represents the most significant part of the estimated value, a comparative method was used, i.e. method of determination based on realised comparable transactions on the real estate market, in accordance with the current state of the respective real estate.

Prepared impairment tests suggest that the recoverable amount of each facility exceeds the net carrying amount of each facility as at 31 December 2022 and, accordingly, there are no indications of impairment. Furthermore, as the tests showed that the recoverable value of the facility, which was impaired during 2020, for the second year in a row show a significantly higher value than the net book value, the Company decided to reverse previously recognized impairment in the amount of HRK 9,228 thousand.

The Company considered the impact of reasonable changes in key assumptions and identified the following:

- if the EBITDA margin rate were to decrease by 100 bps within the projected five-year period, the Company should recognise an impairment in the amount of HRK 3.6 million in its records
- if the growth rate were to decrease by 100 bps within the projected five-year period, the Company should recognise an impairment in the amount of HRK 13.2 million in its records
- if the discount rate were to increase by 50bps, the Company should recognise an impairment in the amount of HRK 10.3 million in its records and
- if the terminal growth rate were to decrease by 50bps, the Company should recognise an impairment in the amount of HRK 8.7 million in its records.

2) Right-of-use assets

In 2022, the Company conducted an impairment test for right-of-use assets with respect to the indicators of impairment due to the prolonged effects of the COVID-19 pandemic. A leased accommodation facility was identified as a cash-generating unit.
The recoverable amount of leased accommodation facilities has been determined on the basis of the value in use based on financial projections in the contracted lease term at a discount rate.

3. Critical accounting judgements and estimates (continued)

Impairment of non-current assets - recoverable amount of property, plant and equipment, investment property and right-of-use assets (continued)

2) Right-of-use assets (continued)

For tourism facilities for which the recoverable amount is determined at fair value less valuation costs, the Company has determined that the level of the fair value hierarchy - Level 3. The applied valuation methods for these facilities are described above.

The results of this analysis suggest that the recoverable amount of each leased facility exceeds the reported net carrying amount of each facility as at 31 December 2022 and, accordingly, there are no indications of impairment.

3) Recoverability of investments in subsidiaries

As at 31 December 2022, the investment in subsidiaries relates to 100% shares in the subsidiary Stolist d.o.o. in the amount of HRK 977 thousand. The Company's management believes that the investment in the subsidiary is recoverable and that there are no indications of its impairment.

4) Recoverability of assets held for sale

On 6 February 2023, Jadran d.d. has successfully fulfilled all the prerequisites established by the concluded agreements on the purchase and sale of business shares in the company Club Adriatic d.o.o., by which Jadran sold and transferred 100% of the shares in that company to the company Adria Grupa Baško Polje d.o.o. Based on the completed transaction, the Company's Management believes that there are no indications of its impairment.

Deferred tax assets
Deferred tax assets include the amount of HRK 18,905 thousand (2021: -), which is created based of tax losses carried forward and deducible temporary tax differences.
The Company has a remaining 4 years for utilization of amounts reported based on tax losses carried forward (for more details please see note 15). The realization of deferred tax assets arising from deductible temporary tax differences is not time-limited, and therefore there is no high uncertainty surrounding the use of this part.

During the assessment of the recoverability of the recognized deferred tax assets, the Company considered the following factors in favour of recognition:

- implementation of the sale transaction of the subsidiary, Club Adriatic (note 40);
- the result achieved in the observed year and projections of future operations as well as
- the pandemic of the COVID-19, which it considered as an event that will not repeat again.

The unfavorable factor of uncertainty surrounding the full realization of current business plans was also considered. Detailed projections of future business results were made for the next 6 years. Considering the uncertainty factor, the Company decided to recognize deferred tax assets in the amount corresponding to the projections for the next 4 years. It is important to emphasize that the realization of a significant part of recognized deferred tax assets is already expected in the first year.

Based on the analysis, the Company concludes that the deferred tax assets will be recoverable using estimated future taxable income based on approved business plans and budgets. Taking into account all of the above, it is expected that the Company will fully utilize all tax losses carried forward in the next couple of years, i.e. before they expire.

3. Critical accounting judgements and estimates (continued)

Leases

As the interest rate implicit in the lease cannot be readily determined, the Company uses its own incremental borrowing rate of 3.50% (2021: 2.70%) when calculating the lease liability for cash flow discounting purposes in 2022.

The Company defines a lease term as a non-cancellable period, together with periods under the lease extension and/or termination option if it is reasonably certain that such option will be exercised (extension) or not exercised (termination). The Company does not expect to exercise either the lease termination or the extension option, and no potential effects were calculated in relation to these options. The exception is the termination of the lease for the Grand Hotel View, the effects of which will be calculated at within the purchase price allocation.

Impairment of receivables

The Company classifies its receivables in Stage 2 and Stage 3. Stage 2 includes recognised expected credit losses possible for the entire life of the receivable (lifetime credit losses). Lifetime credit losses are calculated on the basis of a matrix for expected credit losses and are applied collectively to all Stage 2 receivables. Stage 3 represents receivables for which, after the analysis, it was concluded that they will not be collectible and their value is individually adjusted to the expected collectible amount. At the end of each year, the Inventory Committee reviews the recoverability of receivables and adjustments are made according to the information gathered from the sales and legal departments, depending on the maturity of the receivables.

In 2022, the Company released the previously recognised credit losses under the simplified IFRS 9 model for trade receivables whose total net effect amounted to HRK 423.905 (2021: HRK 1,288,489).

4. Financial instruments

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Company's capital structure consists of share capital, capital reserves, retained earnings/(accumulated loss) and profit for the year.

Classes of financial instruments

	31 December 2021	31 December 2022
Financial assets		
Trade receivables	2,642,111	2,160,622
Receivables from related parties	541,423	138,354
Cash and cash equivalents	15,723,956	5,991,134
Loans receivable	10,566,438	99,081
Total	**29,473,928**	**8,389,191**
Financial liabilities		
Liabilities to financial institutions	244,802,293	222,880,923
Trade payables	10,522,870	10,954,958
Lease liabilities	121,291,413	279,193,158
Total	**376,616,576**	**513,029,039**

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company does not have a formal risk management programme in place, and the overall risk management is carried out by the Company's Management Board and Company's management.

Market risk

The Company's activities primarily expose the Company to the financial risks of changes in foreign currency exchange rates and interest rates (see below). Market risk exposures are supplemented by the sensitivity analysis. There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

Currency risk management

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities as at the reporting date are as follows:

Company	Assets		Liabilities	
	31 December 2021	31 December 2022	31 December 2021	31 December 2022
EUR	12,745,834	4,562,670	(366,388,441)	(501,979,153)

4. Financial instruments (continued)

Analysis of foreign currency sensitivity

The Company was exposed to foreign currency risk in the event of a change in the euro (EUR) exchange rate until the adoption of euro, as described below. The analysis of the effects of changes for 2021 in the HRK exchange rate compared to the increase or decrease in HRK value by 10% in relation to EUR shows that the Company's loss would have been lower or higher by HRK 35,364 thousand. 10% is the rate used for internal reporting to the Management Board on foreign currency risk and represents the Management Board's estimate of the reasonably possible change in foreign exchange rates.

With the introduction of the euro as the national currency in the Republic of Croatia on January 1, 2023, there is no currency risk for the euro currency on the reporting date of December 31, 2022. The Company may be exposed to currency transaction risk if it enters into transactions using a currency that is different from the national currency (euro). At the Company level, apart from HRK and EUR transactions, transactions in other currencies do not make up a material part of the total turnover. After the introduction of the euro as the domestic currency as off 1 January 2023. the Company does not expect exposure to currency risk.

Interest rate risk management
The Company is exposed to interest rate risk as it enters into loan agreements with variable interest rates. The Company's exposure to interest rates based on financial assets and liabilities is detailed under *Liquidity risk management*. The Company manages this risk by maintaining an appropriate ratio of loans with fixed and variable interest rates in its loan portfolio.

Interest rate sensitivity analysis
Cash flow interest rate risk is the risk that the cost of interest for the instrument will fluctuate over time. Most financial liabilities are contracted at fixed interest rates and the sensitivity analysis of interest rate changes to financial liabilities contracted at a variable interest rate is shown in the following table:

	2021	**2022**
Interest rate change by +100 bp		
(Increase in loss) / (Decrease in profit)	1,010,383	936,759
Interest rate change by -100 bp		
Decrease in loss / increase in profit	(1,010,383)	(936,759)

Credit risk management
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss for the Company. The Company constantly monitors its exposure to the parties it conducts business with and their credit ratings and allocates the total value of transactions among acceptable customers.
The carrying amount of financial assets recorded in the financial statements, net of impairment losses, represents the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained.

4. Financial instruments (continued)

Inflation risk (increase in consumer prices)

Inflation risk is present in contractual relationships where the price of a service or product is indexed and tied to the Croatian National Bank's strong HRK policy. As this is an external risk, the ability to eliminate it is minimal. The Company notes trends of increasing inflation rates primarily measured through the consumer price index, as a result of extremely expansive monetary policies of central banks and for the purpose of minimising inflation risk, the Company insists on negotiating fixed terms of supply with all suppliers where possible. Suppliers of energy are an exception - their prices are subject to market variations.

Liquidity risk management

The ultimate responsibility for liquidity risk management rests with the Company's 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 management requirements. The Company manages liquidity risk by maintaining adequate reserves, bank borrowings and other sources of financing, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below details the remaining contractual maturities for the Company for non-derivative financial liabilities. The table has been prepared on the basis of undiscounted cash flows of financial liabilities based on the earliest date on which the Company may be required to settle the liabilities.

Maturities of non-derivative financial liabilities

	Weighted average interest method	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
2021							
Interest-free		10,169,733	353,097	-	-	-	10,522,870
Lease liabilities		2,093,707	4,501,340	21,501,452	62,096,231	44,026,605	134,219,335
Fixed interest rate	2.7%	1,108,648	2,005,306	21,986,601	79,260,819	53,126,358	157,397,732
Variable interest rate	2.1%	1,018,648	524,557	9,163,335	46,760,856	56,146,204	112,594,952
Total		**13,282,128**	**7,384,300**	**52,651,388**	**188,177,906**	**153,299,167**	**414,734,889**
2022							
Interest-free		10,416,135	538,819	-	-	-	10,954,954
Lease liabilities		2,058,356	1,579,303	10,215,271	118,113,789	228,569,858	360,536,577
Fixed interest rate	2.7%	810,144	1,593,417	20,493,421	67,979,762	41,815,569	132,692,313
Variable interest rate	2.1%	17,403	3,520,078	16,460,880	46,006,141	45,098,731	111,103,233
Total		**13,302,038**	**7,231,617**	**47,169,572**	**232,099,692**	**315,484,158**	**615,287,077**

5. Segment information

Operating segments are presented in accordance with the internal procedure of reporting to the Company's Management Board, the chief operating decision-maker, which is responsible for allocating resources to the reportable segments and assessing its performance.
Management defined Hotels & Apartments, Campsites and Other (beach buffet Kačjak, Inter café bar, Katarina swimming pools etc.) as its reportable segments.
The segment information for the reportable segments for the year ended 31 December 2022 is as follows:

Operating segment	Income by segment	Expenses by segment	Result by segment
Hotels & Apartments	207,047,901	(161,201,741)	45,846,160
Campsites	22,807,318	(13,446,936)	9,360,382
Other	7,280,564	(6,428,140)	852,424
Total reportable segments	**237,135,783**	**(181,076,817)**	**56,058,966**

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

Operating segment	Income by segment	Expenses by segment	Result by segment
Hotels & Apartments	116,851,127	(110,419,401)	6,431,726
Campsites	18,084,574	(10,335,189)	7,749,385
Other	6,319,020	(6,189,358)	129,662
Total reportable segments	**141,254,721**	**(126,943,948)**	**14,310,773**

Result by segment represents the profit of each segment before the distribution of other operating income, other operating expenses, finance income, finance costs and income tax. This result represents a benchmark that is submitted to the Company's Management Board for the purpose of making a decision on allocating resources to that segment and evaluating its performance.

A reconciliation of the result by reportable segments and net loss for the period is provided as follows:

Item	**31 December 2021**	**31 December 2022**
Result by reportable segment	14,310,773	56,058,966
Unallocated operating income	6,263,077	4,841,043
Unallocated finance income	3,275,818	1,847,367
Unallocated operating costs:	(20,204,010)	(28,383,555)
Cost of goods sold	0	2,251
Cost of raw materials and supplies	(356,190)	(677,673)
Cost of services	(5,423,476)	(6,985,974)
Staff costs	(13,796,338)	(16,390,736)
Depreciation and amortisation	(1,498,728)	(1,904,678)
Reversal of impairment	2,867,409	423,280
Other operating expenses	(1,996,687)	(2,850,025)
Unallocated finance costs	(11,221,436)	(15,642,357)
(Loss) / gain for the year before tax	**(7,575,778)**	**18,721,464**

The Company does not monitor assets and liabilities by segments and therefore, this information has not been disclosed. The hotels, apartments and campsites (operating assets) are located in the Republic of Croatia.
The Company provides its hotel/hospitality services and sales activities in Croatia to domestic and foreign customers.

6. Revenue from sales of goods and providing services on the market

	2021	2022
Accommodation	90,028,775	152,501,196
Food and beverages	41,049,964	63,731,152
Other hotel services	2,292,473	3,335,516
Trade goods	370,585	497,191
TOTAL	**133,741,797**	**220,065,055**

The Company provides its hotel/hospitality services and sales activities in Croatia to domestic and foreign customers. The Company's revenues are classified according to the customers' origin.

	2021	2022
Sales - domestic customers	34,409,137	46,240,739
Sales - foreign customers	86,001,991	153,974,353
Other /i/	13,330,669	19,849,963
Total	**133,741,797**	**220,065,055**

/i/ Other includes revenues from the sale of trade goods, alcoholic and non-alcoholic beverages, food, parking services, wellness and other similar services, where it is not possible to determine whether revenue was earned from the sale to foreign or domestic customers.

7. Other income

	2021	2022
Net gains on termination of lease contract /ii/	-	10,668,601
Rental income	4,051,227	4,648,169
Recharged costs of lessees	630,068	987,594
Insurance reimbursements	610	834,227
Income from marketing and other services	1,103,217	574,257
Direct aid	361,761	487,252
Reversal of provisions	172,114	242,371
Disposal of non-current assets	291,451	11,036
Collection of amounts due as per judgement and out-of-court settlement	12,502	7,292
Collection of doubtful and bad debts	65,570	6,864
Covid-19-related grants	4,401,761	-
Other operating income	2,685,720	3,444,108
TOTAL	**13,776,001**	**21,911,771**

/ii/ Net gains from the termination of the lease contract refer to the termination of the contract for the Garden Palace Resort Umag, which was initially signed for ten years, for a period from 1 April 2020 to 31 March 2030. With the contract on the termination of the lease contract, the lease was terminated on 30 September 2022.

8. Cost of raw materials and supplies

	2021	2022
Groceries consumed	10,483,689	21,026,044
Electricity	5,315,756	9,965,709
Consumables and cleaning supplies	1,627,463	3,444,913
Water consumed	2,471,890	3,218,775
Heating oil and gas	1,237,141	2,207,312
Write-off of small inventory	569,201	1,614,809
Alcoholic and soft drinks consumed	991,140	1,592,129
Fuel for passenger and freight vehicles	399,503	557,966
Office supplies	75,883	108,213
Packaging	128,275	93,903
Overheads - leased properties	300,641	-
Other costs	189,360	257,911
TOTAL	**23,789,942**	**44,087,684**

9. Cost of services

	2021	2022
Commissions and banking services	10,322,641	16,276,069
Contractor services	6,877,933	10,978,204
Investment and current maintenance	2,722,644	4,056,854
Utilities	2,738,357	2,818,184
Intellectual services	2,291,340	2,501,480
Student employment agency services	1,673,057	2,447,958
Telephone, Internet and mail	588,654	1,452,578
Gross temporary service contract cost	812,528	1,247,824
Advertising services	666,465	967,992
Rentals	515,886	913,324
Music and ZAMP fees	127,240	337,009
Transport services (road and maritime transport)	76,413	217,025
Other services	963,967	1,373,587
TOTAL	**30,377,125**	**45,588,088**

10. Staff costs

	2021	2022
Net salaries	19,726,081	31,229,573
Contributions from salaries	5,707,393	8,855,468
Contributions on salaries	4,575,287	7,290,334
Performance bonus and holiday pay	2,863,915	3,852,714
Taxes and surtaxes	2,122,285	3,557,312
Transportation to and from work	1,052,237	1,678,231
Meal	946,226	1,381,455
Children's gifts, Christmas bonus, non-taxable voucher	1,003,596	1,164,170
Accruals for unused vacation days	1,483,157	138,486
Termination benefits and jubilee awards	121,133	127,940
Unused hours off - redistribution	528,795	126,994
Non-current provisions for termination benefits and jubilee awards	63,332	-
Other	299,842	373,474
TOTAL	**40,493,279**	**59,776,151**

Remuneration for the members of the Company's key personnel and Supervisory Board:

	2021	2022
Key personnel	1,814,838	3,048,943
of which r benefits in kind	*146,601*	*153,798*
Supervisory Board	576,551	568,717
TOTAL	**2,391,389**	**3,617,660**

11. Reversal of impairment of non-current financial assets

	2021	2022
Impairment of property, plant and equipment (Note 17)	-	9,227,860
TOTAL	**-**	**9,227,860**

12. Net gains on value adjustments of financial assets

	2021	2022
Impairment of trade receivables	(179,920)	(120,105)
Expected credit losses – trade receivables	(153,113)	-
Release of impairment of expected credit losses – trade receivables	1,441,602	423,905
Release of impairment of expected credit losses – loans	1,614,623	-
TOTAL	**2,723,192**	**303,800**

13. Other operating expenses

	2021	2022
Municipal charges and concessions	1,697,197	2,610,064
Employee accommodation	371,149	1,668,784
Charges to Hrvatske vode	1,280,953	1,341,482
Insurance premiums	920,656	1,292,574
Animation and entertainment	664,606	1,038,052
Reimbursement to students in practice and scholarships	375,616	626,799
Aid to employees	273,444	518,885
Taxes and contributions irrespective of business result	332,228	510,591
Subscriptions and memberships	350,200	488,152
Entertainment	462,576	400,762
Net book amount of disposed assets	345,477	294,875
Travel expenses, per diems, accommodation and field bonus	102,645	225,643
Professional training of employees	32,164	132,078
Disability benefits	61,200	67,500
Other operating expenses	1,722,644	1,649,648
TOTAL	**8,992,755**	**12,865,889**

14. Finance income and costs

	2021	2022
Finance income		
Regular and penalty interest income	527,797	221,976
Foreign exchange gains	2,748,021	1,625,391
	3,275,818	**1,847,367**

	2021	2022
Finance costs		
Regular and penalty interest expense	(5,503,093)	(5,953,358)
Foreign exchange losses	(2,098,488)	(2,226,377)
Interest expense on lease	(3,619,855)	(7,462,622)
	(11,221,436)	**(15,642,357)**
NET FINANCE (COSTS)	**(7,945,618)**	**(13,794,990)**

15. Income tax and deferred tax assets

Income tax

	2021	2022
Current tax	-	-
Deferred tax	-	(18,905,484)
Income tax in statement of comprehensive income (tax credit)	**-**	**(18,905,484)**

The Company is liable for income tax under the laws and regulations of the Republic of Croatia. The tax base is determined as the difference between income and expenses for the period plus and net of income and expenses having a different tax treatment according to the tax regulations concerning the taxation of income. The income tax rate was 18% in all presented periods.

	2021	2022
Accounting loss before tax	**(7,575,778)**	**18,721,464**
Income tax calculated at the rate of 18%	(1,363,640)	3,369,864
Effects of expenses not recognised for tax purposes	632,109	1,354,267
Effects of income not recognised for tax purposes	(3,659,515)	(3,998,283)
Effects of unrecognised deferred tax assets	4,391,046	-
Effects of unrecognised deferred tax assets utilization	-	(725,848)
Effect of recognition of deferred tax assets of tax losses carried forward and deductible temporary differences from previous years		(18,905,484)
Income tax / (tax credit)	**-**	**(18,905,484)**

The Tax Administration has not conducted any audits of the Company's income tax returns in the past several years. According to the relevant tax regulations, the Tax Administration may inspect the Company's books and records at any time within three years of the end of the year in which the relevant tax liability is presented and may impose additional tax liabilities and penalties. The Management Board is not aware of any circumstances that may give rise to a potential material liability in this respect.

Deferred tax assets

Deferred tax assets were created as a temporary difference between the book value of assets and liabilities determined for financial reporting purposes and the legally prescribed tax base.

As at 31 December 2022, a deferred tax asset in the amount of HRK 11,793 thousand was created based on tax losses, available to be carried forward, as stated below:

Year incurred	Amount	Year of expiry
2018	(3,449,889)	2023
2019	(920,085)	2024
2020	(36,754,195)	2025
2021	(24,394,700)	2026
Total	**(65,518,869)**	

15. Income tax and deferred tax assets (continued)

Additionally, based on deductible temporary tax differences related to depreciation of property, plant and equipment, a deferred tax assets in the amount of HRK 7,112 thousand was created.

On the same basis, the Company has HRK 9,197 thousand available temporary tax differences for which no deferred tax assets have been recognized.

	2021.	2022.
Deferred tax assets recoverable within one year	-	9,879,878
Deferred tax assets recoverable within a period longer than one year	-	9,025,606
Deferred tax assets	**-**	**18,905,484**

16. (Loss) / earnings per share

	2021	2022
(Loss) / earnings attributable to shareholders of the Company	(7,575,778)	37,626,948
Weighted average number of ordinary shares used to calculate basic/diluted earnings per share	27,971,463	27,971,463
Basic and diluted (loss) / earnings per share	(0.27)	1.35

17. Property, plant and equipment

Item description	Land	Buildings	Plant and equipment	Other assets	Tangible assets under construction	Total
Cost						
At 1 January 2021	**269,089,115**	**734,541,792**	**133,501,779**	**1,185,716**	**2,666,455**	**1,140,984,857**
Additions	-	7,381,156	19,063,046	518,488	919,997	27,882,687
Disposals	(220,635)	-	(1,596,300)	-	-	(1,816,935)
At 31 December 2021	**268,868,480**	**741,922,948**	**150,968,525**	**1,704,204**	**3,586,452**	**1,167,050,609**
Additions	-	5,551,675	12,206,086	282,170	13,406,664	31,446,595
Disposals	(324,878)	-	(957,368)	-	-	(1,282,246)
Transfer to investment property	(1,599,975)	-	-	-	-	(1,599,975)
At 31 December 2022	**266,943,627**	**747,474,623**	**162,217,243**	**1,986,374**	**16,993,116**	**1,195,614,983**
Accumulated depreciation						
At 1 January 2021	**27,988,580**	**488,810,535**	**40,281,360**	**370,582**	**-**	**557,451,057**
Depreciation charge	-	8,637,940	16,985,369	158,039	-	25,781,348
Disposals	-	-	(1,111,967)	-	-	(1,111,967)
At 31 December 2021	**27,988,580**	**488,810,535**	**40,281,360**	**370,582**	**-**	**557,451,057**
Depreciation charge	-	9,037,172	18,462,775	206,627	-	27,706,574
Disposals	-	-	(682,087)	-	-	(682,087)
Impairment reversal	(2,461,406)	(6,766,454)				(9,227,860)
At 31 December 2022	**25,527,174**	**499,719,193**	**73,935,450**	**735,248**	**-**	**599,917,065**
Net book amount						
At 31 December 2021	**240,879,900**	**244,474,473**	**94,813,763**	**1,175,583**	**3,586,452**	**584,930,171**
At 31 December 2022	**241.416.453**	**247.755.430**	**88.281.793**	**1.251.126**	**16.993.116**	**595.697.918**

Additions to tangible assets in 2022: buildings in the amount of HRK 5,551,675 relate to investments in hotel facilities (upgrading the classification of hotels, developing campsites and other construction works), equipment in the amount of HRK 12,206,086 relates to the purchase of equipment necessary for operations in hotels and campsites, additions to tangible assets under construction in the amount of HRK 13,406,664 relate to investments in hotel facilities and campsite development, which were not put into use during 2022. The disposals in land in the amount of HRK 1,924,853 relate to the divestment in 2022 (of which the amount of HRK 324,878 relates to own property, and the amount of HRK 1,599,975 relates to investment property).

Additions to tangible assets in 2021: buildings in the amount of HRK 8,045,666 relate to investments in hotel facilities (upgrading the classification of hotels, developing campsites and other construction works), equipment in the amount of HRK 19,063,047 relates to the purchase of equipment necessary for operations in hotels and campsites, additions to tangible assets under construction in the amount of HRK 919,997 relate to investments in hotel facilities and campsite development, which were not put into use during 2021. The disposals in land in the amount of HRK 1,656,212 relate to the divestment in 2021 (of which the amount of HRK 220,635 relates to own property, and the amount of HRK 1,435,578 relates to investment property).

17. Property, plant and equipment (continued)

As at 31 December 2022, the carrying amount of mortgaged properties (hotels Omorika, hotel Ad Turres, Esplanade, Katarina, International, Slaven resort, pavilions, swimming pool and central restaurant within the Ad Turres, Kačjak and Kaštel resorts) amounts to a total of HRK 281,877,908 (31 December 2021: HRK 298,653,837).

The total value of tangible assets that are fully depreciated, and which are still in use as at 31 December 2022 amounts to HRK 107,677,364 (31 December 2021: HRK 106,434,619).

18. Intangible assets

Item description	Licences, software and other rights	Total
Cost		
At 1 January 2021	**1,929,588**	**1,929,588**
Additions	1,554,211	1,554,211
Disposals	(12,245)	(12,245)
At 31 December 2021	**3,471,554**	**3,471,554**
Additions	816,968	816,968
Disposals	(95,847)	(95,847)
At 31 December 2022	**4,192,675**	**4,192,675**
Accumulated amortisation		
At 1 January 2021	**1,311,773**	**1,311,773**
Amortisation charge	286,822	286,822
Disposals	(11,926)	(11,926)
At 31 December 2021	**1,586,669**	**1,586,669**
Amortisation charge	637,220	637,220
Disposals	(55,786)	(55,786)
At 31 December 2022	**2,168,103**	**2,168,103**
Net book amount		
At 31 December 2021	**1,884,885**	**1,884,885**
At 31 December 2022	**2,024,572**	**2,024,572**

19. Investment property

Item description	Land and buildings	Total
Cost		
At 1 January 2021	**32,878,873**	**32,878,873**
Additions	664,510	664,510
Disposals	(1,435,578)	(1,435,578)
At 31 December 2021	**32,107,805**	**32,107,805**
Transfer from property, plant and equipment	1,599,975	1,599,975
At 31 December 2022	**33,707,780**	**33,707,780**
Accumulated depreciation		
At 1 January 2021	**1,747,197**	**1,747,197**
Depreciation charge	86,750	86,750
At 31 December 2021	**1,833,947**	**1,833,947**
Depreciation charge	68,880	68,880
At 31 December 2022	**1,902,827**	**1,902,827**
Net book amount		
At 31 December 2021	**30,273,858**	**30,273,858**
At 31 December 2022	**31,804,953**	**31,804,953**

Investment property relates to land and buildings that are leased or held for future realisation through renting or selling.

The fair value of investment property based on an external appraisal by independent appraisers or an internal appraisal amounts to HRK 31,805 thousand at the balance sheet date. Estimates of the fair value of investment property are categorised as level 3 in the fair value hierarchy.

20. Financial assets

	31 December 2021	31 December 2022
Hoteli Novi d.d. in bankruptcy	4,384,800	4,384,800
Impairment of shares	(4,384,800)	(4,384,800)
TOTAL	**-**	**-**

21. Investments in subsidiaries and non-current assets held for sale

As at 31 December, the Company holds shares in the following subsidiaries:

Investments in subsidiaries

	Country	Ownership share	31 December 2021	31 December 2022
Club Adriatic /i/	Republic of Croatia	100%	117,604,500	117,604,500
Stolist /ii/	Republic of Croatia	100%	976,685	976,685
TOTAL			**118,581,185**	**976,685**

Non – current assets held for sale

	31 December 2021	31 December 2022
Club Adriatic /i/	-	117,604,500
TOTAL	**-**	**117,604,500**

/i/ Club Adriatic

On 6 February 2023, Jadran d.d. has successfully fulfilled all the prerequisites established by the concluded agreements on the purchase of business shares in the company Adria coast turizam d.o.o., which provided for the acquisition of 100% of the shares in that company by Jadran d.d., as well as the agreement on the sale of business shares in the company Club Adriatic d.o.o., by which Jadran sold and transferred 100% of the shares in that company to Adria Grupa Baško Polje d.o.o.

With the agreement on the transfer of business shares in the company Club Adriatic d.o.o., by which Jadran transferred 100% of the shares in that company to Adria Grupa Baško Polje d.o.o. the conditions to classify this business segment as discontinued operations as at 31 December 2022 were met.

As a result of the above, as at 31 December 2022, the Company presented the investment in the subsidiary Club Adriatic d.o.o. in the amount of HRK 117,604,500 within non – current assets held for sale.

/ii/ Stolist – as at 18 June 2019, the Company entered into a Sale and Purchase Agreement for the acquisition of Stolist d.o.o. Pursuant to this Agreement, the Company acquired 100% of the shares in the said company. The Company paid HRK 976,685 to acquire Stolist d.o.o.

22. Inventories

	31 December 2021	31 December 2022
Raw materials and supplies on stock	719,115	851,142
Cost - low value items, tyres in use	9,046,994	9,771,564
Impairment of small inventory and tyres	(9,046,994)	(9,771,564)
Trade goods	30,408	20,560
Packaging	55,458	34,794
TOTAL	**804,981**	**906,496**

23. Trade receivables

	31 December 2021	31 December 2022
Domestic trade receivables	3,661,557	2,994,040
Foreign trade receivables /i/	968,092	586,657
Impairment of trade receivables - individual adjustments	(885,470)	(741,913)
Impairment of receivables - expected credit losses (IFRS 9)	(1,102,067)	(678,162)
Receivables from related parties	11,605,702	11,202,634
Impairment of trade receivables from related parties	(11,064,280)	(11,064,280)
TOTAL	**3,183,534**	**2,298,976**

/i/ The carrying amount of foreign trade receivables is translated from EUR.

Maturity structure of total trade receivables:

Company	Gross trade receivables		Impairment		Net trade receivables	
	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022
Not past due	1,961,982	1,109,544	(97,385)	(27,353)	1,864,597	1,082,191
Up to 30 days	284,230	796,295	(60,972)	(85,928)	223,258	710,367
31-60 days	716,762	288,341	(422,486)	(119,414)	294,276	168,927
61-90 days	593,190	97,152	(13,438)	-	579,752	97,152
91-180 days	471,875	306,670	(307,641)	(177,080)	164,234	129,590
181-365 days	181,783	238,522	(174,068)	(127,773)	7,715	110,749
365 days and more	12,025,529	11,946,807	(11,975,827)	(11,946,807)	49,702	-
TOTAL	**16,235,351**	**14,783,331**	**(13,051,817)**	**(12,484,355)**	**3,183,534**	**2,298,976**

Changes in the impairment allowance on trade receivables for expected credit losses and individual adjustments were as follows:

	31 December 2021	31 December 2022
At 1 January	14,546,066	13,051,817
Increase in expected credit losses in the current period	153,113	-
Collection/reversal of impairment in the current period	(1,441,602)	(423,905)
Total changes in expected credit loss through profit or loss	*(1,288,489)*	*(423,905)*
Write-off of previously impaired receivables	(205,760)	(143,557)
At 31 December	**13,051,817**	**12,484,355**

24. Receivables from the government

	31 December 2021	31 December 2022
Grants receivable	74,723	13,594
Prepaid VAT receivable	2,689,975	3,026,810
Other receivables from the government	577,869	321,017
TOTAL	**3,342,567**	**3,361,421**

25. Other receivables

	31 December 2021	31 December 2022
Suspense accounts for services accounted for	620,361	73,784
Recognised leasehold improvements	42,769	-
Banking charges for loans	221,223	161,134
Receivables for advances given /i/	2,737,562	1,276,128
Prepayments - other costs	38,609	412,160
TOTAL	**3,660,524**	**1,923,206**

/i/ Receivables arising from advances given relate to advances for insurance premium paid in the amount of HRK 692,427, the amount of HRK 445,584 paid to HEP and other advances given to suppliers. (31 December 2021: Receivables arising from advances given relate to rent advances in the amount of HRK 823,563, the amount of HRK 560,199 paid to HEP, HRK 464,230 paid to Cosseto and other advances given to suppliers).

26. Receivables for loans granted to related parties

	31 December 2021	31 December 2022
Receivables for loans granted to related parties /i/	10,583,134	115,777
Impairment of loan receivables – IFRS 9	(16,696)	(16,696)
TOTAL	**10,566,438**	**99,081**

/i/ Receivables from related parties in the amount of HRK 115.777 relate to short-term loans granted to Stolist d.o.o. in the amount of HRK 115.000 and HRK 777 of associated interest. The loans were granted in 2022 at an interest rate of 2.68% and they are repayable at the first call of the lender. The loans are classified as Stage 2.

27. Cash and cash equivalents

	31 December 2021	31 December 2022
Bank balances - domestic currency	3,766,850	2,015,119
Bank balances - foreign currency /i/	11,953,414	3,976,015
Cash on hand	3,692	-
TOTAL	**15,723,956**	**5,991,134**

/i/ The carrying amount of cash at banks in foreign currency was translated from EUR.

The Company mainly deposits cash with local banks that are members of banking groups with the following credit ratings by Standard & Poor's:

	31 December 2021	31 December 2022
A	6,722,026	3,343,113
BBB	8,961,358	2,571,989
No credit rating	36,880	76,032
TOTAL	**15,720,264**	**5,991,134**

28. Capital and reserves

The Company's share capital amounts to HRK 482,507,730 and is divided among 27,971,463 ordinary shares without a nominal value with the ticker symbol JDRN-R-B. The Company's ID No. (OIB) is 56994999963, while its Reg. No. (MBS) is 040000817. The share capital represents the Company's own sources of assets for its operating purposes.

Capital reserves as of 31 December 2022 as well as of 31 December 2021 amount to HRK 234,210,922 and are not available for distribution to the shareholders.

Individual major shareholders are PBZ CO OMF – CATEGORY B which holds 58.30% of shares and ERSTE PLAVI OMF CATEGORY B which holds 30.56% of the Company's shares.

Table 1: Structure of shareholders as at 31 December 2022 and 31 December 2021

	31 December 2021		31 December 2022	
Investor	**Balance**	**%**	**Balance**	**%**
Erste & Steiermarkische bank d.d./PBZ CO OMF - category B (1/1) - custodial account	16,250,954	58.10	16,307,401	58.30
OTP banka d.d. /Erste Plavi OMF category b - custodial account	8,547,346	30.56	8,547,346	30.56
Restructuring and Sale Center - CERP (0/1) Republic of Croatia (1/1) zs	673,666	2.41	673,666	2.41
Hrvatske vode, Water Management Corporation (1/1)	208,292	0.74	208,292	0.74
Town of Crikvenica (1/1)	184,056	0.66	184,056	0.66
OTP banka d.d./Erste Plavi Expert - voluntary pension fund (1/1) - custodial account	174,249	0.62	174,249	0.62
Other shareholders	1,932,900	6.91	1,876,453	6.71
TOTAL	**27,971,463**	**100.00**	**27,971,463**	**100.00**

29. Provisions

	31 December 2021	31 December 2022
Provisions for termination benefits	237,980	221,969
Provisions for jubilee awards	287,367	208,476
Provisions for legal disputes	181,000	181,000
TOTAL	**706,347**	**611,445**

Movements in provisions over the years are as follows:

	Legal disputes	Termination benefits	Jubilee awards	Total
At 31 December 2020	**-**	**174,648**	**309,353**	**484,001**
Additional provisions based on estimate	181,000	63,332	-	244,332
Release of provisions	-	-	(21,986)	(21,986)
At 31 December 2021	**181,000**	**237,980**	**287,367**	**706,347**
Release of provisions	-	(16,011)	(78,891)	-94,902
At 31 December 2022	**181,000**	**221,969**	**208,476**	**611,445**

30. Liabilities to banks and other financial institutions

	31 December 2021	31 December 2022
Interest in currency	859,068	982,792
Long-term loans-HBOR - DT-6/15 /i/	1,071,140	-
Long-term loans-HBOR - DT-1/16 /ii/	12,294,129	10,210,042
Long-term loans-HBOR - DT-10/16 /iii/	7,163,900	5,949,485
Long-term loans-PBZ - 2016 -5110217867-5110217867 /iv/	36,803,344	27,666,128
Long-term loans-PBZ - 2019 -5110228722-5110228722 /v/	85,572,377	78,369,003
Long-term loans-ERSTE - 2019-5117407680/15 /vi/	101,038,335	93,675,873
Short-term loans-ERSTE - 2022 - 5002285447 /vii/	-	6,027,600
Total liabilities	**244,802,293**	**222,880,923**
Current maturities of long-term loans in the current year	(28,859,295)	(30,674,847)
Short-term loans-ERSTE - 2022 - 5002285447 /vii/	-	(6,027,600)
Interest in currency	(859,068)	(982,792)
Current liabilities	**(29,718,363)**	**(37,685,239)**
Non-current liabilities	**215,083,930**	**185,195,684**

A summary of long-term loans denominated in foreign currencies is presented below:

	31 December 2021	31 December 2022
EUR	244,802,293	222,880,923

30. Liabilities to banks and other financial institutions (continued)

/i/ In 2015, the Company entered into a long-term loan agreement with the Croatian Bank for Reconstruction and Development for a loan of HRK 7 million, repayable over 5 years, with a 1-year grace period and 3% interest rate, for the renovation of facilities and upgrading the classification of Hotel Omorika and Selce Autocamp. The loan matured in 2022 due to a moratorium granted during the Covid-19 pandemic.

/ii/ In 2016, the Company entered into a long-term loan agreement with the Croatian Bank for Reconstruction and Development for a loan of HRK 17,400,000, repayable over 8 years, with a 1-year and 10 months grace period and 3% interest rate, for the renovation of facilities and upgrading the classification of Hotel Omorika and Hotel Varaždin (Katarina).

/iii/ In 2016, the Company entered into a long-term loan agreement with the Croatian Bank for Reconstruction and Development for a loan of HRK 10 million, repayable over 8 years, with a 1-year and 3 months grace period and 3% interest rate, for the renovation of facilities and upgrading the classification of Hotel Varaždin (Katarina).

/iv/ In 2016, the Company entered into a long-term loan agreement with Privredna banka Zagreb d.d. for a loan of EUR 7,400,000, repayable over 6 years, with a 1-year and 6 months grace period and 2.6% interest rate, for the renovation of facilities and upgrading the classification of Hotel Varaždin (Katarina) and Hotel Esplanade and to purchase the receivables from Veneto banka d.d. This Agreement was entered into in December of 2016. The amount of EUR 7,343,852 was drawn under the loan, and the loan commencement date was 20 July 2019.

/v/ In 2019, the Company entered into a long-term loan agreement with Privredna banka Zagreb d.d. for a loan of EUR 12,250,000, repayable over 12 years, with a 2.05% interest rate, for the renovation of facilities and upgrading the classification of the Ad Turres resort, Selce Campsite - swimming pool and allotment, Hotel Katarina, Hotel Omorika, Kačjak resort, Slaven pavilions and Hotel Esplanade.

/vi/ In 2019, the Company entered into a long-term loan agreement with Erste&Steiermärkische Bank d.d. for a loan of EUR 13,441,000, repayable over 10 years, with a 2.1% + 3M Euribor interest rate, to be used for investments - purchasing and other costs of acquiring Club Adriatic d.o.o. Zagreb.

/vii/ In 2022, the Company entered into a short-term loan agreement with Erste&Steiermärkische Bank d.d. for a loan of EUR 800,000, repayable until 30 September 2023, with a 1.2% + 3M Euribor interest rate, to be used for current liquidity financing

31. Other non-current liabilities

	31 December 2021	31 December 2022
Bankruptcy Plan /i/	61,720	61,720
TOTAL	**61,720**	**61,720**

/i/ The liabilities under the Bankruptcy Plan of HRK 61,720.31 relate to liabilities to secured creditors of the 2nd rank = HRK 31,224.55 and liabilities intended to be included in the share capital of HRK 30,496. The Bankruptcy Plan does not infringe on the secured creditors' right to be paid from items subject to separate satisfaction.

32. Trade payables

	31 December 2021	31 December 2022
Domestic trade payables	10,462,536	10,447,629
Liabilities to related suppliers (Note 39)	-	377,323
Foreign trade payables	60,334	130,006
TOTAL	**10,522,870**	**10,954,958**

33. Liabilities for advances, deposits and guarantees

	31 December 2020	31 December 2021
Advances received	2,585,739	2,128,154
Security and other deposits	533,619	533,619
TOTAL	**3,119,358**	**2,661,773**

34. Liabilities to employees

	31 December 2020	31 December 2021
Net salaries payable	1,672,340	2,080,053
Unused vacation days	1,708,294	1,637,223
Liabilities to employees - bonuses	2,908,982	2,000,000
Liabilities to employees - redistribution of working hours	592,510	719,504
Other liabilities to employees	261,815	123,197
TOTAL	**7,143,941**	**6,559,977**

35. Liabilities to the goverment

	31 December 2020	31 December 2021
Contributions from and on salaries	932,668	1,151,008
Taxes and surtaxes payable	190,955	237,228
Other liabilities to the government	237,454	402,412
TOTAL	**1,361,077**	**1,790,648**

36. Other current liabilities

	31 December 2020	31 December 2021
Accrual of received capital grants /i/	737,911	675,823
Fees based on temporary service agreements	75,095	32,045
Scholarships	23,025	41,132
Other liabilities - unpaid to bankruptcy creditors	6,695	6,695
TOTAL	**842,726**	**755,695**

/i/ The capital grants remitted by the Energy Efficiency and Environmental Protection Fund relate to the reconstruction of the heating system at Hotel Katarina in 2016 and are prorated to revenue on an annual basis.

37. Lease liabilities and right-of-use assets

The cost of interest on lease liabilities is included in *Finance costs - Interest expense* on lease (Note 13).

The method of recognition and measurement is set out in Note 2.20.

Lease liabilities

	31 December 2021	31 December 2022
Non-current lease liabilities	96,385,274	274,125,001
Current lease liabilities	24,906,138	5,068,157
TOTAL	**121,291,412**	**279,193,158**

Right-of-use assets

	Vehicles	Real estate	Beach concession	Total
Net book amount at 31 December 2020	**506,248**	**103,462,635**	**562,709**	**104,531,592**
Net book amount at 1 January 2021	506,248	103,462,635	562,709	104,531,592
Initial recognition as per new contracts	54,390	6,999,000	-	7,053,390
Modifications to existing contracts	1,112,795	5,740,838	-	6,853,633
Depreciation for the year	(763,810)	(19,032,247)	(75,028)	(19,871,085)
Disposals	(54,638)	-	-	(54,638)
Net book amount at 31 December 2021	**854,985**	**97,170,226**	**487,681**	**98,512,892**
Net book amount at 1 January 2022	854,985	97,170,226	487,681	98,512,892
Initial recognition as per new contracts /i/	991,105	249,098,181	-	250,089,286
Depreciation for the year	(865,888)	(27,046,425)	(75,028)	(27,987,341)
Termination of lease contract /ii/	(158,215)	(57,051,006)	-	(57,209,221)
Net book amount at 31 December 2022	**821,987**	**262,170,976**	**412,653**	**263,405,616**

/i/ It refers to the initial recognition of the lease contracts for Grand Hotel View in June 2022 and Stypia in December 2022.

/ii/ It refers to the termination of the contract for the Garden Palace Resort Umag, which was initially signed for ten years, for a period from 1 April 2020 to 31 March 2030. With the contract on the termination of the lease contract, the lease was terminated on 30 September 2022.

As stated in Note 2.20, the Company uses the exemption expedient for short-term leases and low-value leases. In 2022, short-term leases and low-value leases amounted to HRK 913,324 (in 2021: HRK 515,886) (Note 9).

38. Related party transactions

The main related party transactions during 2022 and 2021 were as follows:

31 December 2022

Subsidiary	Revenue	Expenses	Receivables and loans	Liabilities
Stolist	30,991	-	117,902	-
Club Adriatic	1,158,420	(48,986)	136,229	(377,323)
TOTAL	**1,189,410**	**(48,986)**	**254,131**	**(377,323)**

31 December 2021

Subsidiary	Revenue	Expenses	Receivables and loans	Liabilities
Stolist	24,460	-	98,219	-
Club Adriatic	1,437,559	(26,007)	11,026,338	-
TOTAL	**1,462,019**	**(26,007)**	**11,124,557**	**-**

Receivables based on approved loans as well as a description of the contractual conditions are described in Note 26.

39. Net debt

	Cash	Liabilities to financial institutions	Lease liabilities	Total
Net debt at 1 January 2021	**26,663,536**	**(264,032,809)**	**(125,837,802)**	**(363,207,075)**
Cash flow	(10,939,580)	17,973,734	18,026,524	25,060,678
Increase arising from new lease agreements and modifications	-	-	(13,907,023)	(13,907,023)
Interest expense	-	*(5,503,093)*	*(3,619,855)*	(9,122,948)
Interest paid	-	*6,020,214*	*3,619,855*	9,640,069
Foreign exchange differences and other non-cash movements	-	*739,661*	*426,889*	1,166,550
Net debt at 31 December 2021	**15,723,956**	**(244,802,293)**	**(121,291,412)**	**(350,369,749)**
Cash flow	(9,732,822)	22,447,013	22,356,579	35,070,770
Increase arising from new lease agreements and modifications	-	-	(250,089,286)	(250,089,286)
Termination of existing contracts	-	-	67,877,822	67,877,822
Interest expense	-	*(5,935,424)*	*(7,462,622)*	*(13,398,046)*
Interest paid	-	*5,811,700*	*7,462,622*	*13,274,322*
Foreign exchange differences and other non-cash movements	-	*(401,919)*	*1,953,139*	1,551,220
Net debt at 31 December 2022	**5,991,134**	**(222,880,923)**	**(279,193,158)**	**(496,082,947)**

40. Events after the balance sheet date

On the basis of the concluded Agreement on the Termination of the Agreement on Assignment of Contracts from 1 January 2023, the Company Club Adriatic d.o.o. ceased to be a lessee of the Noemia Hotel in Baška Voda, and Jadran d.d. became the lessee of the Noemia Hotel.

After the Company has successfully fulfilled all the prerequisites established by the concluded agreements on the purchase of business shares in the company Adria coast turizam d.o.o., which foresees the acquisition of 100% of the shares in that company by Jadran d.d., as well as the agreement on the sale of business shares in Club Adriatic d.o.o., by which Jadran sells and transfers 100% of the shares in that company to Adria Grupa Baško Polje d.o.o., on 6 February 2023, the following contracts were concluded:

- agreement on the transfer of business shares in the company Adria coast turizam d.o.o., by which Jadran d.d. acquired 100% of the shares in that company;
- agreement on the transfer of business shares in the company Club Adriatic d.o.o., by which Jadran transferred 100% of the shares in that company to Adria Grupa Baško Polje d.o.o.

In accordance with the above, as of 6 February 2023, Mr. Miroslav Pelko, as a former member of the board of Club Adriatic d.o.o. resigned from the position and was simultaneously appointed to the position of board member of Adria coast turizam d.o.o.

Upon implementation of these activities, the requirements of the Decision of the General Assembly of the Company from 31 August 2022.

On 14 March 2023, the Company concluded an Asset management contract with Club Adriatic d.o.o., based on which Jadran d.d. will manage accommodation objects in Baško Polje during 2023.

On January 1, 2023. the euro becomes the official currency and legal means of payment in the Republic of Croatia. The fixed conversion rate was set at HRK 7.53450 for one euro.
The introduction of the euro as the official currency in the Republic of Croatia represents a change in the functional currency that will be calculated prospectively and does not represent an event after the balance sheet date that requires the reconciliation of the amounts in these financial statements.

MANAGEMENT REPORT

1. Key operating information

Key operating indicators for the Company

	2021	2022	2022/2021
Number of accommodation units (capacity)	2,454	2,661	8.40%
Number of bed-places	5,772	6,186	7.20%
Full occupancy days	72	93	29.40%
Annual occupancy rate	20%	25%	29.40%
Number of accommodation units sold	176,327	247,368	40.30%
Number of overnights	443,364	640,777	44.50%
ADR (in HRK)	519	622	19.90%
RevPar (in HRK)	49,631	75,761	52.60%

Key financial indicators for the Company

	2021	2022	2022/2021
Total revenue	**150,793,616**	**243,824,193**	**61.7%**
Sales revenue	133,741,797	220,065,055	64.5%
Other operating income	13,776,001	21,911,771	59.1%
Total costs	**158,369,394**	**225,102,729**	**42.1%**
Operating expenses	147,147,958	209,460,372	42.3%
Material costs	54,359,111	89,949,978	65.5%
Staff costs	40,493,279	59,776,151	47.6%
Depreciation and amortisation	46,026,005	56,400,015	22.5%
Impairment of non-current non-financial assets	-	-9,227,860	n/a
Value adjustment	-2,723,192	-303,800	-88.8%
Other costs	8,992,755	12,865,889	43.1%
Finance income	3,275,818	1,847,367	-43.6%
Finance costs	11,221,436	15,642,357	39.4%
EBITDA	**46,395,845**	**88,916,469**	**91.6%**
EBITDA margin	31%	37%	16.8%
Normalised EBITDA[1]	**43,672,654**	**68,716,208**	**57.3%**
Normalised EBITDA margin	29%	28%	-2.1%
EBIT	**369,840**	**32,516,454**	**8692.0%**
Normalised EBIT[2]	-2,353,351	12,316,193	-623.3%
Net profit	**-7,575,778**	**18,721,464**	**-347.1%**

[1] EBITDA was normalised for one-time costs
[2] EBIT was normalised for one-time costs

2. General company information

Name and company
Jadran, joint stock company for hotel and tourism, entity registration number (MBS): 040000817, Company ID No. (OIB): 56994999963. The abbreviated name of the company is Jadran d.d.

Headquarters and legal form
Jadran d.d. is a joint stock company. The headquarters are in Crikvenica, Bana Jelačića 16, Republic of Croatia.

Securities
The Company's share capital amounts to HRK 482,507,730 and is divided among 27,971,463 ordinary shares without a nominal value with the ticker symbol JDRN-R-B. The shares were issued in dematerialized form, code JDRN-R-B, ISIN code HRJDRNB0002 and are kept in the SKDD depository.

In 2022, the **Supervisory Board** comprised the following members:

- from 1 January 2022 to 22 May 2022.
    - Goran Hanžek, Chairman of the Supervisory Board
    - Karlo Došen, Deputy Chairman of the Supervisory Board
    - Mirko Herceg, Member of the Supervisory Board
    - Dragan Magaš, Member of the Supervisory Board
    - Adrian Čajić, Member of the Supervisory Board

- from 23 May 2022 to 7 July 2022.
    - Goran Hanžek, Chairman of the Supervisory Board
    - Karlo Došen, Deputy Chairman of the Supervisory Board
    - Adrian Čajić, Member of the Supervisory Board

- from 8 July 2022 to 31 December 2022.
    - Goran Hanžek, Chairman of the Supervisory Board
    - Karlo Došen, Deputy Chairman of the Supervisory Board
    - Mirko Herceg, Member of the Supervisory Board
    - Sandra Janković, Member of the Supervisory Board
    - Adrian Čajić, Member of the Supervisory Board

In 2022, the **Management Board** comprised the following members:

- from 1 January 2022 to 22 May 2022:
    - Goran Fabris, Chairman of the Management Board
    - Ivan Safundžić, Member of the Management Board
    - Miroslav Pelko, Member of the Management Board
- from 23 May 2022 to 31 December 2022:
    - Ivan Safundžić, Member of the Management Board
    - Miroslav Pelko, Member of the Management Board .

The members of the Company's Management Board are authorised to represent the Company together with another member of the Management Board, based on the amendment to the provisions of the Articles of Association adopted at the General Assembly as at 31 August 2020.

2. General company information (continued)

The Jadran group consists of Jadran d.d. and its subsidiaries:

- Club Adriatic d.o.o. in which Jadran d.d. has 4 business shares with a total value of HRK 117,104,500, which makes 100% of shares and voting rights: one business share with a nominal amount of HRK 9,900, one business share with a nominal value of HRK 53,572.100 HRK, one business share with a nominal amount of HRK 6,418,000 and one business share with a nominal amount of HRK 57,104,500.
- Stolist d.o.o. in which JADRAN d.d. has 100% business shares.

The list of the Company's shareholders with a 5% share or more in the share capital of Jadran d.d. (balance at 31 December 2022) is as follows:

- Erste & Steiermarkische bank d.d../PBZ CO OMF - CATEGORY B holds 16,307,401 shares, representing a 58.30% share in the Company's share capital;
- OTP banka d.d./ERSTE PLAVI OMF CATEGORY B holds 8,547,346 shares, representing a 30.56% share in the Company's share capital.

The organizational structure in 2021 has changed compared to the 2020 structure. There were no changes in 2022. Work in the Company is organized through seven sectors / services led by directors of sectors / services. Additionally, 3 clusters and 2 profit centers were formed within the Hotel Operations Service, while the Office of the Administration, advisors to the Management Board, the Internal Audit and Control Service and the Legal Affairs Service were formed within the Management Board:

- Administration office,
- Advisors to the Management Board,
- Internal Audit and Control Service,
- Legal Affairs Service,
- Human Resources Management Service,
- IT Service,
- Technical Support Sector,
- Controlling Service,
- Sales and Marketing Sector,
- Finance and Accounting Sector,
- Hotel Operations Sector:
  - Accommodation department,
  - Procurement Service,
  - F&B Department,
  - Cluster Ad Turres, Omorika,
  - Selce Cluster,
  - Grad Cluster,
  - PC Lišanj.

2. General company information (continued)

Major events for Jadran d.d. in 2022 were as follows:

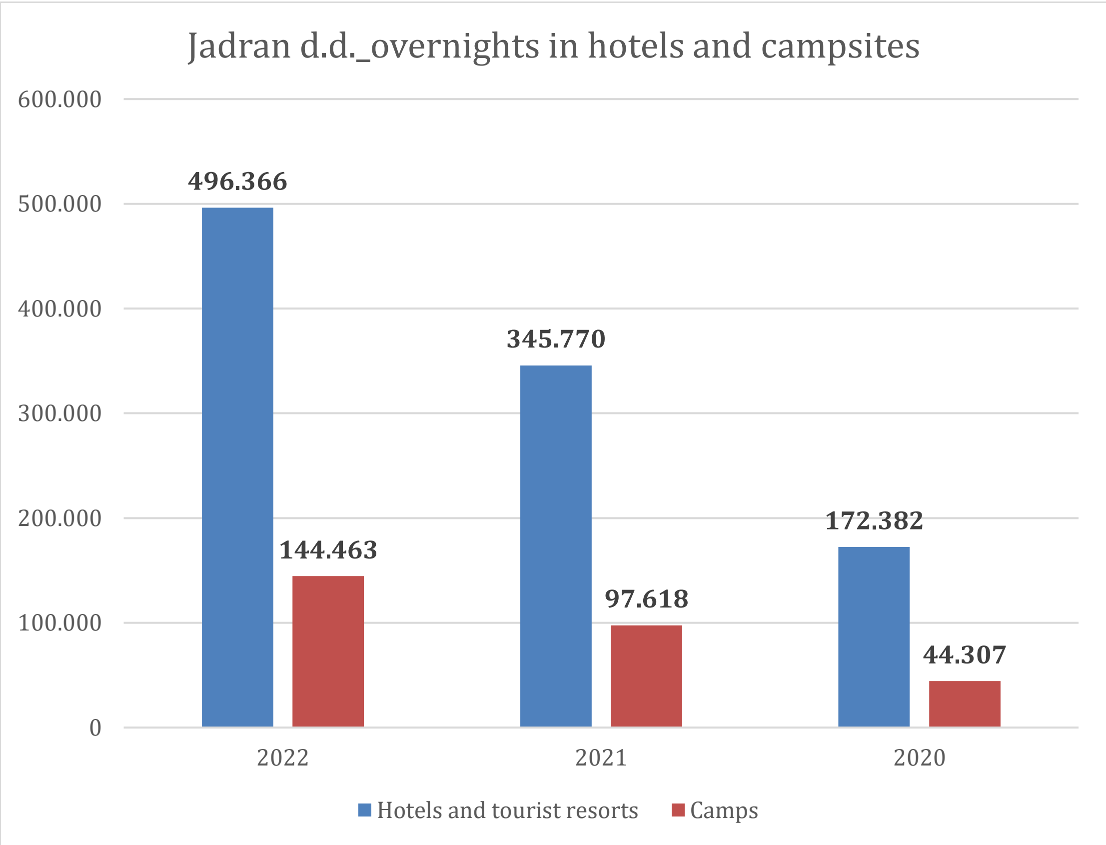
- On 23 March 2022, the Company concluded a lease contract for the Grand Hotel View on the island of Brač, with a capacity of 230 accommodation units for the period from 1 June 2022 to 31 December 2022. During the mentioned period the contracting parties needed to agree upon the terms of further business cooperation.
- On 29 June 2022, based on the concluded lease contract, the Company took possession of the Grand Hotel View. After taking possession, an internal analysis regarding the potential possibility of purchasing the building in question was conducted. At the same time, Jadran d.d. Crikvenica considered the possibility of selling its business shares in the company Club Adriatic d.o.o. considering the investments that are needed in the facilities owned by the mentioned company in order to maintain the appropriate service standard and considering the dispersed locations of the facilities managed by Club Adriatic d.o.o. in relation to the region of operation of Jadran d.d., Crikvenica. As the properties directly adjacent to the properties owned by Club Adriatic d.o.o. were at that moment owned by a company which (in terms of the applicable legislation of the Republic of Croatia) is partly connected to the then members of the company Adria coast turizam d.o.o., which expressed an interest in acquiring the properties owned by the company Club Adriatic d.o.o., communication was initiated with the aim of potential transaction realization in the way it was ultimately realized.
  Valuations of properties owned by Adria coast turizam d.o.o. Club Adriatic d.o.o. were made as part of the preparatory activities for transaction realization. After conducting a legal, financial and tax due diligence of the company Adria coast turizam d.o.o. and no significant inconsistencies or risks were identified, the company's Management Board decided to propose to the General Assembly of the company Jadran d.d., Crikvenica, to grant the prior approval for the acquisition of shares in the company Adria coast turizam d.o.o. At the Extraordinary General Assembly held, the Management Board of the company explained the submitted proposal, and none of the present shareholders objected to the insufficiency of the material, and no third party objected or requested additional documentation.
  After the assembly of Jadran d.d., Crikvenica gave its consent to the realization of the acquisition of shares in the company Adria coast turizam d.o.o., the preparation of contractual documentation began, both regarding the purchase of shares in the company Adria coast turizam d.o.o., as well as regarding the sale of shares in the company Club Adriatic d.o.o.
  On 30 September 2022,the process of signing the contracts on the purchase and sale of business shares began. The contracts were concluded under deferred conditions. In other words, the actual realization of the transfer of shares in both companies should have occurred after the fulfilment of certain (mutually agreed upon) conditions, the most important of which were the regulation of the financial liabilities of Adria coast turizam d.o.o., and the removal of encumbrances from property owned by Club Adriatic d.o.o. The expected date of fulfilment of the conditions in question was initially set at the end of 2022, however, as they had not been met by then, the deadline was extended to mid-February 2023.
  After the aforementioned conditions were met, on 6 February 2023, the contract on the transfer of business shares in Club Adriatic d.o.o. and in the company Adria coast turizam d.o.o. were signed.
- On 15 December 2022, the Company concluded a lease contract for the Heritage Hotel Stypia in Crikvenica with a capacity of 57 beds.

3. Realised overnights

Reservations in 2022 started quite late. The reasons were consequences of the pandemic and beginning of the war in Ukraine. Based on the previous season business results experiences and the continued advantage of independence from air traffic due to the geographical proximity of emitting markets, the Company achieved record business results.

Campsites were recognized as a very interesting product in 2022, as they provide all the comfort and infrastructure of hotel accommodation, but with additional privacy, proximity to nature and freedom of movement, which in previous years proved to be a benefit due to specific epidemiological circumstances, and today it has become a trend in choosing the preferred accommodation.
We believe that further planned investments in campsite infrastructure will significantly contribute to better results in the future.

Chart 1: Number of overnights recorded in hotels and campsites from 2020 to 2022



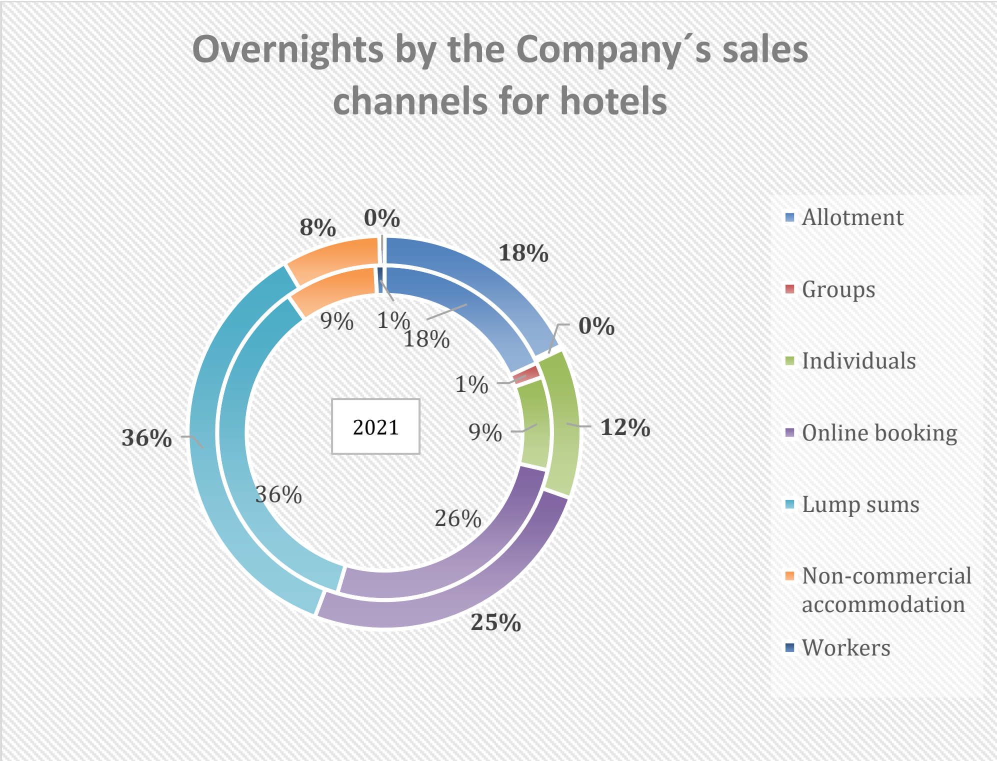
Source: Jadran d.d.

The continuation of the investment cycle, a new hotel and a new destination in the Jadran portfolio resulted in an increase in overnight stays in 2022. In hotel accommodation, we record a growth of 41% compared to 2021, while campsites at the Company level recorded a growth of even 48% compared to the year before.

The flexibility of cancellation policies, last-minute reservations, termination of lease agreements for facilities that were open for the whole year, and the earlier closure due to a facilitys technical failure affected changes in distribution by sales channels. The share of the group channel increased by 4% compared to 2021, while the shares of the individual and online channels decreased proportionally by 1% compared to the year before.

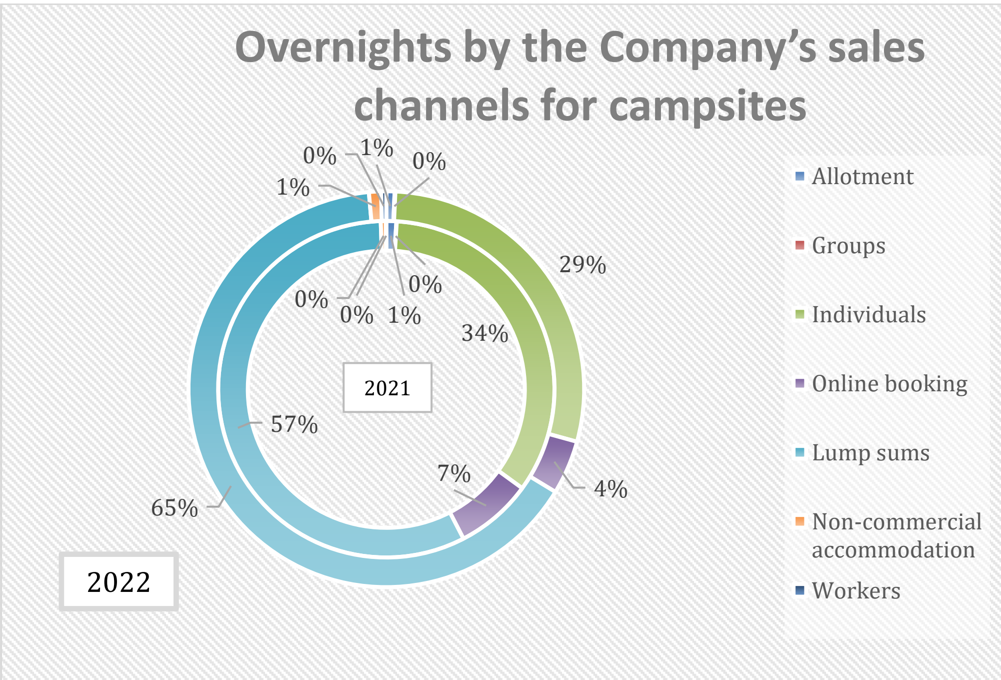
3. Realised overnights (continued)

Chart 2: Overnights by the Company's sales channels in 2021 and 2022 for hotel accommodation



Source: Jadran d.d.

Chart 3: Overnights by the Company's sales channels in 2021 and 2022 for campsites



Source: Jadran d.d.

3. Realised overnights (continued)

Chart 4: Overnight stays by country, hotels in 2022

Source: Jadran d.d.

In 2022, the Company realized 75% of overnight stays from foreign guests, and 25% of overnight stays from domestic guests in hotel facilities. In 2022, foreign guests came mostly from the emitting markets of Germany, Austria, Slovenia, Hungary and the Czech Republic.

3. Realised overnights (continued)

Chart 5: Overnight stays by country, campsites in 2022

Source: Jadran d.d.

The majority of guests in campsites arrive from Slovenia, 30%, followed by guests from Germany, Croatia, Austria and Poland.

4. Company business performance

4.1. Overview of the Company's operations in 2022

After two very challenging years marked predominantly by the COVID-19 pandemic, as well as by war in Ukraine, 2022 was a year of recovery for the Company. Despite the major inflationary and energy crisis, the Company carried out all necessary activities to optimize operations with the aim to minimize the negative impact of high input costs, primarily food and beverage costs.

In the period from January to December 2022, JADRAN d.d. generated total revenues of HRK 243,824,193 which is 62% higher than the total revenues generated in 2021. Total expenses amounted to HRK of 225,102,729 which was 42% more than the expenses incurred in 2021.

In 2022, the Company made a profit of HRK 18,721,464, compared to the year before when it made a loss of HRK 7,575,778.
EBITDA in 2022 amounted to HRK 88,916,469 and is 92% higher than EBITDA realized in 2021.

Jadran d.d. achieved a total of HRK 243,824,193 in revenue in 2022, which is 62% more than the revenue generated in 2021, i. e. 122% more than the revenue generated in 2019, the most successful year so far. When comparing revenues generated in the same capacities in 2022 and 2019, then 56% more revenues were generated in 2022.
Sales revenues amounted to HRK 220,065,055 and are 65% higher than those achieved in 2021, while other income amounted to HRK 21,911,771 or 59% more than those achieved in 2021.
Finance income amounted to HRK 1,847,367 and is 44% less than the income realized in 2021.

In 2022, the Company's total expenses amounted to HRK 225,102,729, which is 42% higher than the expenses incurred in the same period in 2021. Operating expenses amounted to HRK 209,460,372, which is 42% higher than operating expenses in 2021.
Finance cost amounted to HRK 15,642,357 and are 39% higher than the costs realized in 2021. The biggest increase in financial costs in 2022 compared to the previous year relates to interest on the new leased hotel, the Grand Hotel View.

In 2022, raw materials and supplies costs amounted to HRK 44,361,889 and are 85% higher than those in 2021. The costs of services amounted to HRK 45,588,088 and are 50% higher than those realized in 2021. Staff costs amounted to HRK 59,776,151 and exceed the costs incurred in 2021 by 48%. In 2022, amortisation and depreciation amounted to HRK 56,400,015 and is 23% higher than the amortisation and depreciation realised in 2021. It should be noted that the largest increase in depreciation in 2022 compared to 2021 refers to the depreciation of the new leased hotel, Grand Hotel View. Reversal of impairment of non-current non-financial assets amounts to HRK 9,227,860, while there was no reversal of impairment in 2021. Net gains from the adjustment of the value of financial assets amounted to HRK 303,800 and are 89% lower than those achieved in 2021. Other operating expenses amounted to HRK 12,865,889 and are 43% higher than those realized in 2021.

5. Asset management

5.1. Management of Company assets

Jadran d.d. manages owned properties and properties for which it has entered into lease agreements for a period longer than 1 year.

On 23 March 2022, the Company concluded the lease contract for the View Hotel on the island of Brač, with a capacity of 230 accommodation units.

On 30 September 2022 Jadran d.d. signed an Agreement on the termination of the lease contract with the company Adria Umag d.o.o for the lease of the Garden Bella Natura Resort facility in Umag. The focus of the Company's Management in the future would be on the use and management of facilities and capacities that will bring the Company significantly higher revenues and a significant increase in the profitability rate. With the aforementioned Agreement, the obligations from the lease contract for the facility ended on 30 September 2022. Jadran d.d. handed over the mentioned property to Adria Umag on 30 September 2022.

On 15 December 2022, the Company concluded a lease contract for the Heritage Hotel Stypia in Crikvenica with a capacity of 57 beds.

On 1 February 2023, the lease contract for the Hotel Lišanj in Novi Vinodolski expired, and Jadran d.d. returned the possession of the hotel to the lessor.

6. Group and company risk exposure

The most significant risks faced by the Company are as follows:

Competition risk
Competition risk in the tourism market is very high because other similar tourism destinations have invested substantial funds to further improve and develop their capacities, as well as in other marketing activities focusing on the arrival of tourists. Among other things, competition is based on the prices, quality and substance of tourism offers on the Crikvenica Riviera and other domestic and foreign tourism destinations.
Bearing in mind that the vast majority of the Company's guests are foreign guests, the macroeconomic policy of the countries they come from is extremely important, above all the stability of the exchange rate and the price of goods and services, which directly affect the purchasing power of the guests. Macroeconomic stability of domestic guests is also very important, because the reduction of their purchasing power directly affects decisions about coming to our facilities.
In addition to all the existing challenges related to competitiveness, the events related to the COVID-19 pandemic require that it should be considered how the Company and the local community manage the events related to this new challenge. The way in which the local communities at the destinations where the Company operates will respond to the challenges will be extremely important for the Company’s future business and therefore the Company is trying to engage in solving this problem in a structural manner.

Currency risk
The official currency of the Company in 2022 is HRK, but certain transactions denominated in foreign currencies are translated into HRK at the prevailing exchange rate at the balance sheet date. The resulting exchange differences are charged to operating expenses or credited to the income statement, but do not affect operating cash flows.

Interest rate risk
The Company is exposed to interest rate risk because it enters into loan agreements with banks at variable interest rates, which exposes the Company to higher risk. The inflation rate trends and the levels of interest rates on foreign and domestic financial markets are actively monitored, enabling the Company to react in a timely manner in the event of expected changes in interest rates on the domestic money market.

Settlement risk
Settlement risk is present in all bilateral transactions. Given that settling financial obligations to issuers is one of the key elements necessary for smooth business operations, the Company considers this risk to be highly important. The Company has established stringent procedures to minimise collection risks. In addition, settlement risk arising from executed contracts may be significantly increased if there is an option of terminating them on grounds of force majeure if the free movement of people and goods is disrupted during a pandemic.

6. Group and company risk exposure (continued)

Inflation risk (increase in consumer prices)
Inflation risk is present in contractual relationships where the price of a service or product is indexed and tied to the Croatian National Bank's strong HRK policy. As this is an external risk, the ability to eliminate it is minimal. The Company observes trends of increasing inflation rates primarily measured through the consumer price index, as a result of extremely expansive monetary policies of central banks and for the purpose of minimising inflation risk, the Company insists on negotiating fixed terms of supply with all suppliers where possible. Suppliers of energy are an exception - their prices are subject to market variations.

Liquidity risk
The Company manages liquidity risk by maintaining adequate reserves, bank borrowings and other sources of financing, by continuously monitoring planned and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Company is particularly focused on this risk due to increased uncertainty regarding revenues as a result of the pandemic's adverse impact on the free movement of guests, guests' spending power and performance of contractual obligations by business partners.
The current high level of indebtedness of the Company does not jeopardise current liquidity, and the Company's Management Board assesses that even in the event of a continued "crisis", the Company can provide the necessary liquidity and smooth operations from its own reserves. It should be noted that several parties have expressed their interest for the purchase of a part of the Company's property that is currently not in operation or its business performance is significantly below its current market value.

Risk of changes in tax and concession regulations
The risk of changes in tax and concession regulations is the likelihood that legislative authorities will amend tax regulations in a way that they adversely impact the Company's profitability. This risk is reflected in potential changes in tax rates and taxable assets, as well as changes in regulations concerning concessions and concessional authorisations. The right to use maritime domain is one of the significant conditions for the Company's further operations, and the Company has actively endeavoured to establish new bases for cooperation with the local community in this segment.

Tourism industry risk
Tourism trends are largely affected by the COVID-19 pandemic and the global political situation. As an industry, tourism is highly sensitive to the epidemiological situation at the destination and its surroundings. By launching the investment cycle and the advantages of the geographical position compared to the most important emitting markets (car destination), the Company will endeavour to minimise the impact of adverse market trends and the resulting risks. The global financial crisis may significantly reduce the spending power of individuals inclined to travelling, whereas a pandemic and war circumstances may also significantly reduce or completely eliminate the effects of tourist arrivals at the Company's destination as a result of the inability to travel outside one's own country or fear for one's own health and future.

Environmental risk
Environmental risk may significantly affect the Company's performance, notably through the quality of the sea and coast where guests stay. Climate changes may directly affect the length of stay in the Company's accommodation facilities. This risk also includes various other natural disasters.

7. Employees

As at 31 December 2022, Jadran d.d. had a total of 289 employees.

8. Research and development activities

The Company constantly monitors developments in its environment and invests in market research, identification of new business opportunities and new acquisitions. The Company directs and supports the activities of its related parties.

9. Own share redemption

As at 31 December 2022, the share capital of Jadran d.d. amounted to HRK 482,507,730, divided into 27,971,463 regular dematerialised shares with no nominal value and the Company held 631 own shares, which accounted for 0,0023% of the Company's share capital.
As at 31 December 2022, the share capital of Club Adriatic d.o.o. amounted to HRK 117,104,500.
As at 31 December 2022, the share capital of Stolist d.o.o. amounted to HRK 20,000.

10. Significant events after the reporting period

On the basis of the concluded Agreement on the Termination of the Agreement on Assignment of Contracts from 1 January 2023, the Company Club Adriatic d.o.o. ceased to be a lessee of the Noemia Hotel in Baška Voda, and Jadran d.d. became the lessee of the Noemia Hotel.

After the Company has successfully fulfilled all the prerequisites established by the concluded agreements on the purchase of business shares in the company Adria coast turizam d.o.o., which foresees the acquisition of 100% of the shares in that company by Jadran d.d., as well as the agreement on the sale of business shares in the Club Adriatic d.o.o., by which Jadran sells and transfers 100% of the shares in that company to Adria Grupa Baško Polje d.o.o., on 6 February 2023, the following contracts were concluded:

- agreement on the transfer of business shares in the company Adria coast turizam d.o.o., by which Jadran d.d. acquired 100% of the shares in that company;
- agreement on the transfer of business shares in the company Club Adriatic d.o.o., by which Jadran transferred 100% of the shares in that company to Adria Grupa Baško Polje d.o.o.

In accordance with the above, as of 6 February 2023, Mr. Miroslav Pelko, as a former member of the board of Club Adriatic d.o.o. resigned from the position and was simultaneously appointed to the position of board member of Adria coast turizam d.o.o..

Upon implementation of these activities, the requirements of the Decision of the General Assembly of the Company from 31 August 2022.

On 14 March 2023, the company concluded an Asset management contract with Club Adriatic d.o.o., based on which Jadran d.d. will manage accommodation objects in Baško Polje during 2023.

11. Social indicators

Health and safety

Based on the provisions of the Occupational Health and Safety Act (Official Gazette 71/14, 118/14, 154/14, 94/18, 96/18) Jadran d.d. regulated the occupational safety implementation, rules, rights, obligations and responsibilities of the employer, worker authorized from the employer, according to the activity performed, risk assessment, work process, jobs with special working conditions, work tools and dangerous chemicals. The risk assessment determined the level of danger, harm and efforts in terms of prevention of injuries at work, occupational disease, work-related illness and disruptions in the work process that could cause harmful consequences for the safety and health of workers. At the beginning of 2022, business was affected by the impact of the COVID-19 pandemic, which implied increased caution and possible consequences. For this reason, the Management Board of Jadran d.d. issued recommendations in order to actively manage possible risks and made appropriate decisions. In administrative departments, workers who regularly perform their work from the office were enabled to work from home. A comprehensive and structured approach ensured adequate working conditions in every department within the organization.

Jadran d.d. regularly undertakes activities to ensure a safe working environment for all its employees and regular training, improvement, and education of its employees in order to educate employees to work in a safe manner. We conduct our business in accordance with current legal regulations.

In accordance with legal regulations, we regularly inform the Workers' council about important issues of the state of health and safety at work. Authorized persons regularly conduct tests of used work equipment to check compliance with safety and health requirements.

In 2022, there were 7 injuries recorded at work, 6 of which were acknowledged, while one is still being processed.

In order to determine the health capacity of workers to perform certain jobs, workers are referred to health examinations. The Company concluded an Additional Health Insurance policy and thereby ensured additional health care for employees through medical check - ups.

Equality

Any direct or indirect discrimination based on race, skin color, gender, sexual orientation, marital status, family obligations, age, language, religion, political or other belief, national or social origin, property status, birth, social position, membership or non-membership in a political party, membership or non-membership in a trade union, or physical or mental disabilities is prohibited in Jadran d.d.

No form of abuse and harassment is tolerated within the Company. At the highest management levels of the organization, members of the Supervisory Board and the Management Board are elected, in accordance with the Companies Act and the Company's Articles of Association , which do not contain diversity restrictions in terms of age, gender, education or profession.

Employment

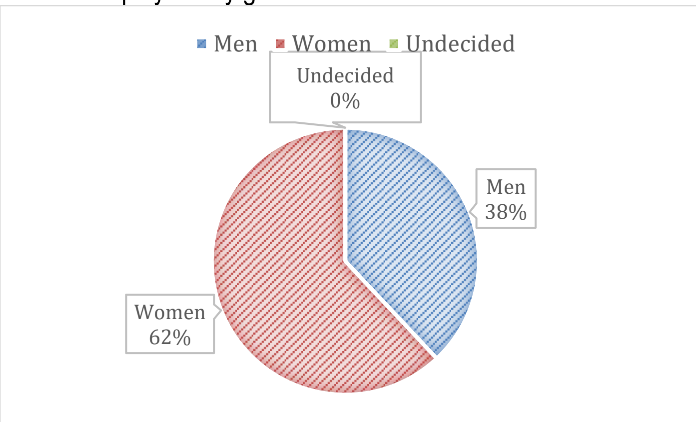
Jadran d.d. had 289 employees as at 31 December 2022. Of the total number, there were 106 semi-managers, 72 full-time workers, 82 seasonal workers, 19 managers, 6 permanent seasonal workers and 4 interns employed.

11. Social indicators (continued)

Employment (continued)

Of the total number of employees on the specified date, 62% are women, 38% are men and 0% are undecided.

Chart 6: Employees by gender



Source: Jadran d.d.

As an employer, Jadran d.d. encourages and invests in employee training and education and organizes internal and external training for workers, especially in the hotel operations department.

Collective Bargaining

Jadran d.d. respects the rights of workers to join workers' associations and unions. No worker will be discriminated by being or not being a member of an association or disadvantaged for participating or not participating in association activities. The company cooperates with the trade union. In 2022 the Management Board's negotiations began with the trade union representatives about the new Collective Agreement.

During 2022, an agreement with union representatives was concluded, based on which the employee's material rights were increased from those rights established by the collective agreement. Payment of rewards to employees was agreed based on good results achieved for the year 2022. With these payments the Company used the maximum amount of tax-free rewards for work results that could be paid to workers.

Environmental indicators

Jadran d.d. invests in projects that will improve or change existing business models with the aim of achieving sustainable business to contribute to the responsible use of natural resources and positively influence the destinations and society in which it operates.

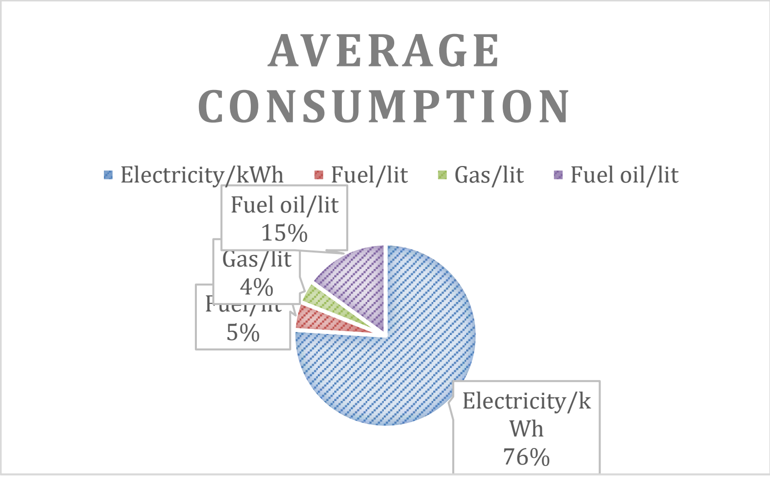
Energy consumption

The basic energy needs of Jadran d.d. are derived from fuel, the consumption of which is mostly related to heating buildings, cooking and transport (fuel oil, gas and gasoline) and electricity and heat supplied by energy utility companies. In future investments, the Company plans to implement systems for efficient energy saving from renewable energy sources. Improving energy efficiency will reduce CO2 emissions emitted by the Company.

11. Social indicators (continued)

Energy consumption (continued)

Chart 7: Average consumption



Source: Jadran d.d.

Waste management

On 10 June 2022, the Fund for Environmental Protection and Energy Efficiency published a public call for co-financing the purchase of machines to prevent the generation of biowaste (food waste) in hotels (JP EU-3/2022). Up to 40% of the purchase amount was co-financed, with maximum amount up to HRK 150,000 and total available funds of HRK 1,500,000, according to priority of application. The application was accepted and the Company signed an Agreement with the Fund on the Fund's direct participation in co-financing the procurement of d machines for preventing the generation of biowaste (food waste) in hotels, by providing subsidy funds (contract number 2022/027534, Class: 990-01/22-02/ 17, Number: 563-02-2/236-22-4), 4 August 2022. The Fund has paid the funds, the machine has been purchased and is in use.

In the area of environmental protection, Jadran d.d. is aware of the importance and burden of responsibility towards all interested parties and undertakes actions to ensure that business is perfomed to ensure sustainability and preserve natural resources. In this sense, actions are taken to continuously develop and improve business processes in the direction of responsible management and environmental protection. For Jadran d.d. to fulfill the above, the Company undertakes to carry out the following actions:

- harmonization of business activities with valid legal regulations of the Republic of Croatia
- harmonization of business activities with norms aimed at environmental protection
- responsible waste management generated within the processes of all levels of work within the organization
- prevention and reduction of possible pollution at the place of their origin
- in work processes where it is possible to use the most acceptable sources of energy
- developing the awareness of employees in the area of conservation and improvement of natural resources by conducting regular trainings
- actively cooperate with the local community and sustainably use indigenous natural resources.

12. Related party transactions

Related party transactions take place under normal commercial conditions and terms and with the application of market prices.
In the observed period, HRK 1,189,410 of revenue was generated from related party transactions, while expenses in the same period amounted to HRK 48,986. Balance of receivables from related parties as at 31 December 2022 amounted to HRK 254,131, while balance of liabilities from related parties as at 31 December 2022 amounted to HRK 377.323.

Corporate Governance Statement

Jadran d.d. (hereinafter Jadran d.d. or the Company), in accordance with Article 250.b. paragraphs 4 and 5 and Article 272.p of the Companies Act (Official Gazette No. 111/93, 34/99, 121/99, 52/00 - Decision of the Constitutional Court of the Republic of Croatia, 118/03, 107/07, 146/08, 137/09,152/11 - consolidated text, 111/12, 68/13, 110/15, 40/19 34/22, 114/22 and 18/23), hereby issues this Corporate Governance Statement.

In 2022, Jadran d.d., whose shares are listed on the ZSE Official Market, applied the Code of Corporate Governance adopted by the Croatian Financial Services Supervisory Agency (HANFA) and the Zagreb Stock Exchange, Inc. Zagreb. This Code has been in force since 1 January 2020, and has been published on the website of the Stock Exchange (www.zse.hr) and on the website of the Croatian Financial Services Supervisory Agency (www.hanfa.hr). The Company's application of the Zagreb Stock Exchange's Code is reflected in an annual questionnaire which is publicly disclosed in accordance with the applicable regulations. The answers in the questionnaire clearly show which provisions of the Code are complied with by the Company and which are not, and the Questionnaire is publicly available on the official website of the Zagreb Stock Exchange (www.zse.hr).
The Company's shares were listed on the official market of the Zagreb Stock Exchange in January 2018, and the shareholding report is an integral part of the Annual Report. As of the date its shares were first quoted on the stock exchange, the Company has not recorded profits and no dividend has thus been distributed.
The Company's share capital is HRK 482,507,730, divided and contained in 27,971,463 registered common dematerialised shares without nominal value, each entitling its holder to one vote. There are no holders of securities in the Company that entail special control rights or voting limitations to a specific percentage or number of votes. As at 31 December 2022, the Company held 631 treasury shares.

Information about significant shareholders is available on a daily basis on the official website of the Central Depositary and Clearing Company (www.skdd.hr). The corporate bodies of the Company consist of the General Assembly, the Supervisory Board and the Company's Management Board. The members of the corporate bodies of the Company have the duty and obligation to act in accordance with the best interest of the Company in their work. The Company applied the principle of equal treatment of all shareholders. The shareholders exercised their primary control rights by deciding on matters within their scope of responsibility via the General Assembly. The operation of the General Assembly, its powers, the rights of shareholders and the manner of their realisation are prescribed by the Company's Articles of Association, which are publicly available on the Company's website (www.jadran-crikvenica.hr).
The General Meeting is responsible for deciding on the following matters: election and removal of Supervisory Board members, allocation of profits, granting discharge to Management Board members, appointment of auditors, amendments to the Articles of Association, increasing and decreasing of share capital and any other matters placed under its responsibility under the law. The shareholders exercise their rights via the General Assembly .
In 2022, the General Assembly was convened and held in accordance with the provisions of the Companies Act and the Company's Articles of Association. The General Assembly notice, the motions made to, and resolutions passed by the General Assembly are publicly disclosed in accordance with the Companies Act, the Capital Market Act, the Zagreb Stock Exchange Rules and the Company's Articles of Association. Registrations for the General Assembly are limited insomuch as each shareholder is required to notify his/her their participation in accordance with the Companies Act.
At the session held on 8 July 2022, decisions on granting discharge to the members of the Company's Management Board and the Supervisory Board were adopted, a decision on loss coverage was rendered and acceptance of the Report on Remuneration of Members of the Management Board and the Supervisory Board of the Company in 2021 and an auditor was appointed to audit the financial statements for 2022.

All decisions from the sessions of the General Assembly were published in accordance with legal regulations on the websites of the Company (www.jadran-crikvenica.hr), the Zagreb Stock Exchange and HANFA.

The Extraordinary General Assembly was held on 31 August, 2022. The General Assembly made a decision by which the Management Board of the Company was given prior approval for the acquisition of 100% of the business shares of company Adria coast turizam d.o.o. for the purchase value, which can not be higher than EUR 47 million. In accordance with the Corporate Governance Code of the Zagreb Stock Exchange and HANFA in force since 1 January 2020, the Supervisory Board is mainly composed of independent members who do not have business, family or other relations with the Company, the majority shareholder or a group of majority shareholders or members of the Management Board or the Supervisory Board of the Company or the majority shareholder. The Supervisory Board has five members, four of whom are elected and relieved of duty by the General Assembly, and one representative is elected by the employees in accordance with the provisions of the Labour Act. In accordance with the amendment of the Articles of Association adopted at the General Assembly on 31 August 2020, the term of office of the Supervisory Board members is 2 years.
The rules for appointing and removing members of the Management Board and the Supervisory Board are defined by the Articles of Association and the Companies Act.

No restrictions as regards gender, age, education, profession or other similar restrictions apply in any executive, managing or supervisory bodies or at any other level.
Pursuant to the Companies Act and the Company's Articles of Association, the Supervisory Board renders decisions at its meetings. In 2022, the Supervisory Board supervised the management of the Company's affairs in accordance with the Companies Act, the Articles of Association and other internal corporate documents. The Supervisory Board held a total of 10 meetings, which is consistent with good corporate practices. In 2022, on the meeting held on 28 July 2022 the Supervisory Board made the Decision on the appointment of the committee of the Supervisory Board. Until the day of the adoption of the new Decision the Supervisory Board of the Company operated through three committees the Audit and Remuneration Committee, the Appointment Committee and the Corporate Governance Committee. With the new Decision, it was decided that the Supervisory Board will be assisted in its work by two Committees, Audit and Remuneration Committee and the Appointment Committee.
On 23 May 2022. the term of office of members of the Supervisory Board, Mr. Mirko Herceg and Mr. Dragan Magaš, expired.
At its session held on 8 July 2022. the General Assembly adopted the Decision on the appointment of members of the Supervisory Board.
As at 8 July 2022, the Supervisory Board comprised the following persons:
- Goran Hanžek, Chairman of the Supervisory Board
- Karlo Došen, Deputy Chairman of the Supervisory Board
- Mirko Herceg, Supervisory Board Member
- Sandra Janković, Supervisory Board Member
- Adrian Čajić - Supervisory Board Member (employee representative).

In 2022, the Management Board managed the Company's affairs in accordance with the Companies Act, the Articles of Association and other internal corporate documents, and fully complied with the provisions of the Code. On 23 May 2022. the term of office of the Chairman of the Management Board Mr. Goran Fabris and the member of the Management Board Mr. Ivan Safundžić expired. On 28 April 2022. the Supervisory Board made a decision to dismiss Mr. Goran Fabris from the position of President of the Management Board due to the expiration of his mandate on 23 May 2022, and the Supervisory Board passed the Decision on the appointment of a member of the Management Board, Mr. Ivan Safundžić, for a new term until 22 May 2026.
In 2022, the Company's Management Board comprised the following persons:
- from 1 January 2022 to 23 May 2022:
    - Goran Fabris, Chairman of the Management Board
    - Ivan Safundžić, Member of the Management Board
    - Miroslav Pelko, Member of the Management Board.
- from 23 May 2022 to 31 December 2022:
    - Ivan Safundžić, Member of the Management Board
    - Miroslav Pelko, Member of the Management Board.

At the meeting held on 17 May 2022 the Supervisory Board adopted the Decision on amending the Rules of Procedure on the work of the Management Board, which apply until the appointment of the President of the Company's Management Board.

Members of the Company's Management Board are authorised to represent the Company together with another member of the Management Board, based on the amendment of the Articles of Association adopted at the General Assembly on 31 August 2020.

In 2020, the Company established the Internal Audit Department, and in June 2020, the Internal Audit Charter was adopted, which defines the operational framework and the main principles used in the Company's internal audits.
The Internal Audit Department is responsible for assessing the level of risk management in business processes, auditing the effectiveness of internal control systems, in order to improve risk management and compliance with procedures, examining and analysing compliance of existing business systems with adopted policies, plans, procedures, laws and rules that may have a significant impact on business reports. It is charged with recommending preventive measures in the areas of financial reporting, compliance, operations and control in order to eliminate risks and possible deficiencies that could lead to the inefficiency of processes or fraudulent procedures. Internal audit informs the Management Board, the Audit and Remuneration Committee and the Supervisory Board about its activities and audit plan.
The Company complies with the provisions of the Code, except for those provisions that cannot be implemented at a given time. Such exceptions are as follows:

- The Company will not provide a proxy holder for shareholders who are unable to vote personally at the General Assembly for any reason. The Company has not received such requests from its shareholders to date but does provide its shareholders with a proxy form to help them authorise a person of their choice as their proxy;
- The Company does not maintain a long-term succession plan within the meaning of the Code but has a general plan for the replacement of key function holders through ongoing training programs;
- The remuneration paid to the Supervisory Board Members was not determined based on their contribution to the Company's performance but equals a fixed amount in line with the decision of the General Assembly. In order to maintain the independence and objectivity of the Supervisory Board members, the remuneration of the members of the Supervisory Board does not depend on the results of the Company and does not contain a variable part of the remuneration. In addition, it is not possible to evaluate each Supervisory Board Member's contribution to the Company's performance, especially since the Supervisory Board Members are not actively involved in the management of Company's business;
- The Audit and Remuneration Committee is not mostly comprised of independent Supervisory Board Members. It was decided to implement an alternative solution offered by Article 65 of the Audit Act, so the Supervisory Board appointed all three Members of the Audit Committee from among Supervisory Board Members. Of these three Audit and Remuneration Committee members, one is an independent Supervisory Board member and his membership in this Committee reflects the relevant proportion of independent members in the Supervisory Board. All three Audit Committee members are financial experts;
- The Supervisory Board did not prepare an evaluation of its activities in the past period, except for the review contained in the 2022 Supervision Report and the results of examining reports relevant to the closing of the fiscal year 2022;
- No transactions were conducted that involved any Supervisory Board Members or their related parties and the Company or its related parties, which is why they were not specified in the Company's reports. This also pertains to transactions involving Management Board members or Executive Directors or their related parties and the Company or its related parties;
- No contracts or agreements were entered into in 2022 between Supervisory Board Members or Management Board Members and the Company;

In accordance with the provisions of the Corporate Governance Code, the Company adopted the Code of Conduct, the Policy on Reporting Irregularities and the Conflict of Interest Management Policy, which acts are also published on the Company's official website.
The Audit and Remuneration Committee adopted the Policy on Prohibited Audit Services.
As part of its organisational model that encompasses all business operations and processes, the Company maintains developed internal control systems on all relevant levels which, inter alia, provide a true and fair view of the financial statements and business reports.

Pursuant to the Capital Market Act, the Zagreb Stock Exchange Rules and other applicable regulations, Jadran d.d. fully discloses the required inside information and any changes thereto as soon as such changes occur.

Jadran
Crikvenica
Hoteli
i kampovi

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E: uprava@jadran-crikvenica.hr
www.jadran-crikvenica.hr
OIB: 56994999963

SUPERVISORY BOARD

Crikvenica, April 28, 2023

Pursuant to Article 300.d, subject to the provision of Article 300.c of the Companies Act (Official Gazette No. 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11, 152/11, 111/12, 68/13, 110/15, 40/19, 34/22), and Article 34 of the Articles of Association of JADRAN d.d., the Supervisory Board of JADRAN d.d., having its registered office in Crikvenica, Bana Jelačića 16, at its 57th meeting held on April 28, 2023 brings the following

Resolution on the Validation of Annual Financial Statements

I

The 2022 Annual Financial Statements for the Company are hereby approved, including as follows:

- Balance Sheet with assets equal to the liabilities in the amount of HRK 1,045,334,513
- Profit and Loss Statement with an operating gain in the amount of HRK 37,626,948
- Cash Flow Statement – Indirect Method showing a reduction in cash and cash equivalents in the amount of HRK - 9,732,822 in 2022
- Statement of Changes in Capital and Reserves amounting as at December 31, 2022 to a total of HRK 519,864,216
- Notes to the Annual Financial Statements
- Management Board's Annual Financial Condition Report

The 2022 Consolidated Annual Financial Statements for the Group are hereby approved.

The Auditor's Report for the Company and the Group prepared by PricewaterhouseCoopers d.o.o., Heinzelova 70, 10000 Zagreb, PIN: 81744835353, is hereby also approved.

II

In accordance with the provision of Article 300.d of the Companies Act, based on the approval referred to in Section I of this Resolution, the 2022 Annual Financial Statements for Jadran d.d are hereby validated by the Management Board and the Supervisory Board.

Goran Hanžek
Chairman of the Supervisory Board

Temeljni kapital Društva iznosi 482.507.730,00 kn uplaćen u cijelosti, podijeljen i sadržan u 27.971.463 redovnih nematerijaliziranih dionica koje glase na ime, bez nominalnog iznosa i svaka s pravom na jedan glas. Društvo je upisano u Sudski registar Trgovačkog suda u Rijeci pri Trgovačkom sudu u Rijeci pod MBS: 040000817., Uprava društva: Ivan Safundžić član Uprave, Miroslav Pelko član Uprave, predsjednik Nadzornog odbora: Goran Hanžek. Poslovne banke i računi: PRIVREDNA BANKA ZAGREB d.d., IBAN: HR4323400091110722690, SWIFT: PBZGHR2X te ERSTE & STEIERMÄRKISCHE BANK d.d., IBAN: HR3924020061100620496, SWIFT: ESBCHR22.

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SUPERVISORY BOARD

Crikvenica, April 28, 2023

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PROPOSED DECISION ON THE USE OF GAIN FOR THE YEAR 2022

I

It is established that in the business year that ended on December 31, 2022 JADRAN d.d. made an operating gain in the amount of HRK 37,626,948 and It is hereby proposed that the realized gain is to be used to cover losses from previous years.

II

It is hereby further proposed that the General Meeting accept the joint proposal of the Management Board and the Supervisory Board, as determined in Section I of this Resolution.

Goran Hanžek
Chairman of the Supervisory Board