JADRAN d.d.

Bana Jelačića 16, Crikvenica

ANNUAL REPORT OF THE COMPANY
FOR 2020

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 2020, 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 28 April 2021.

What we have audited

The Company's separate financial statements comprise:

- the separate statement of comprehensive income for the year ended 31 December 2020;
- the separate statement of financial position as at 31 December 2020;
- the separate statement of changes in equity for the year ended 31 December 2020;
- the separate statement of cash flows for the year ended 31 December 2020; 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 and the Group in the period from 1 January 2020 to 31 December 2020.

Our audit approach

Overview

Materiality	• Overall Company materiality: HRK 2,040 thousand, which represents 2.5% of average revenues over the past three years.
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 2,040 thousand
How we determined it	2.5% of average revenues over the last three years
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 the Company's performance is measured on the basis of this benchmark, in terms of both their market share and customer base. In addition, net result for previous years was not positive while revenues are a more consistent measure of performance. Due to one-off effects of Covid-19 pandemic on Company's operating results, we have used and average of the chosen benchmark for the last three business years.

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.

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 estimates), Note 17 (Property, plant and equipment), Note 19 (Investment property) and Note 37 (Lease liabilities and Right-of-use assets).* As at 31 December 2020, the Company has stated property, plant and equipment with the carrying value of HRK 583,534 thousand and investment property with the carrying of HRK 31,132 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 104,532 thousand at the balance sheet date. In 2020, the COVID-19 pandemic negatively impacted the operating results of the Company and the overall economic market conditions. As a result, management calculated for each tourist object (hotel, campsite or other site) the recoverable amount using discounted cash flows (DSF) based on value-in-use or based on fair value less cost to sell. As a result of such calculations, the Company recognised an impairment loss amounting to HRK 59,331 thousand in total in 2020. We focused on this area because of the significant effects of COVID-19, the related uncertainty, and due to the fact that the impairment analysis carried out by management is a complex 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 at 31 December 2020. We tested the mathematical accuracy of the value-in-use calculations, compared input data to financial information and business plan for the next year. For two key assumptions used in the value-in use calculations, we engaged our valuation experts to assist us in assessing the reasonableness of the discount rates used by comparison to entities with similar risk profiles and market information, and in assessing the terminal value growth rates by comparison to economic growth forecasts. For the remaining key assumptions used in the value-in-use calculations (revenue growth rates and EBITDA margin), we compared the consistency of those assumptions between the tourist objects, taking into consideration significant capital investments made in last three years and expected return of the business to pre-Covid 19 pandemic level. The value-in-use calculations yielded different levels of headroom between the value-in-use amounts and carrying values of tourist objects. Taking into account 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 the touristic objects where recoverable amount was based on fair value less cost to sell, we engaged our valuation experts to review the methodology used in comparison to market practice, and to assist us in assessing the reasonableness of assumptions used and the determined fair values. We reviewed relevant disclosures in the separate financial statements.

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, 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.

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 2020, representing a total period of uninterrupted engagement appointment of 3 years.

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

PricewaterhouseCoopers d.o.o.
Heinzelova 70, Zagreb
30 April 2021

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 6 (the "Company") is responsible for ensuring that separate annual financial statements are prepared for 2020 in accordance with International Financial Reporting Standards (IFRS) as adopted in 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 financial statements, 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.

The Annual Report was authorised for issue by the Management Board on 30 April 2021.

Chairman of the Management Board

Goran Fabris

Member of the Management Board

Ivan Safundžić

JADRAN joint stock company for hotel management and tourism Crikvenica

SEPARATE ANNUAL FINANCIAL STATEMENTS FOR 2020

	Note	2019	2020
Revenue	6	98,585,084	60,003,345
Other income	7	10,837,621	12,150,637
Total operating income		**109,422,705**	**72,153,982**
Cost of goods sold		(180,654)	(145,273)
Cost of materials and supplies	8	(19,334,816)	(13,585,800)
Cost of services	9	(25,154,893)	(18,690,045)
Staff costs	10	(35,090,276)	(29,604,392)
Depreciation and amortisation	17,18,19.37	(16,981,502)	(37,186,555)
Impairment of non-current non-financial assets	11	-	(59,330,540)
Net losses on impairment of financial assets	12	(1,628,904)	(4,146,568)
Other operating expenses	13	(12,867,762)	(7,750,498)
Total operating expenses		**(111,238,807)**	**(170,439,671)**
Operating loss		**(1,816,102)**	**(98,285,689)**
Finance income	14	511,422	1,010,204
Finance costs	14	(3,469,689)	(10,207,628)
Net loss from financing activities		**(2,958,267)**	**(9,197,424)**
Loss before tax		**(4,774,369)**	**(107,483,113)**
Income tax	15	-	-
Net loss		**(4,774,369)**	**(107,483,113)**
Other comprehensive income		-	-
Total comprehensive loss for the year		**(4,774,369)**	**(107,483,113)**
Loss per share	16	(0.17)	(3.84)

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

	Note	1 January 2019 restated	31 December 2019 restated	31 December 2020
ASSETS				
Non-current assets				
Property, plant and equipment	17	485,422,231	600,040,691	583,533,800
Intangible assets	18	126,959	130,748	617,815
Investment property	19	32,345,154	31,747,455	31,131,676
Financial assets	20	-	-	-
Investments in subsidiaries	21	60,500,000	61,476,685	118,581,185
Right-of-use assets	37	59,082	16,059,093	104,531,592
Deferred tax assets		334,471	-	-
Total non-current assets		**578,787,897**	**709,454,672**	**838,396,068**
Current assets				
Inventories	22	452,470	397,008	451,721
Trade receivables	23	1,387,318	5,304,495	413,226
Receivables from related parties	23	8,543,650	9,828,355	1,288,253
Receivables from the government	24	29,913	353,642	3,538,700
Income tax receivable		289,550	624,021	624,021
Other receivables	25	2,977,136	68,463,195	1,610,896
Receivables for loans granted to related parties	26	-	14,250,728	24,626,866
Cash and cash equivalents	27	125,502,164	21,261,200	26,663,536
Total current assets		**139,182,201**	**120,482,644**	**59,217,219**
TOTAL ASSETS		**717,970,098**	**829,937,316**	**897,613,287**

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

	Note	1 January 2019 restated	31 December 2019 restated	31 December 2020
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital		482,507,730	482,507,730	482,507,730
Capital reserves		234,210,922	234,210,922	234,210,922
Accumulated loss		(114,648,124)	(119,422,493)	(226,905,606)
Total equity	28	**602,070,528**	**597,296,159**	**489,813,046**
Non-current liabilities				
Provisions	29	482,414	489,419	484,001
Liabilities to financial institutions	30	74,809,676	171,956,525	143,201,974
Other non-current liabilities	31	271,454	61,720	61,720
Lease liabilities	37	65,987	16,209,899	109,270,795
Total non-current liabilities		**75,629,531**	**188,717,563**	**253,018,490**
Current liabilities				
Trade payables	32	9,692,580	19,337,444	9,232,082
Liabilities for advances, deposits and guarantees	33	3,633,165	2,323,408	3,313,182
Liabilities to employees	34	3,346,698	3,927,786	3,575,974
Liabilities to the government	35	1,432,559	817,439	400,641
Liabilities to banks and other financial institutions	30	8,250,410	14,764,498	120,830,835
Derivative financial instruments		10,000,000	-	-
Other current liabilities	36	3,904,054	1,618,856	862,030
Lease liabilities	37	10,573	1,134,163	16,567,007
Total current liabilities		**40,270,039**	**43,923,594**	**154,781,751**
Total liabilities		**115,899,570**	**232,641,157**	**407,800,241**
TOTAL EQUITY AND LIABILITIES		**717,970,098**	**829,937,316**	**897,613,287**

**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 2019	**482,507,730**	**234,210,922**	**(114,648,124)**	**602,070,528**
Loss for the year	-	-	(4,774,369)	(4,774,369)
Total comprehensive loss for the year	-	-	*(4,774,369)*	*(4,774,369)*
Balance at 31 December 2019	**482,507,730**	**234,210,922**	**(119,422,493)**	**597,296,159**
Loss for the year	-	-	(107,483,113)	(107,483,113)
Total comprehensive loss for the year	-	-	*(107,483,113)*	*(107,483,113)*
At 31 December 2020	**482,507,730**	**234,210,922**	**(226,905,606)**	**489,813,046**

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

	Note	2019	2020
Cash flow from operating activities			
Loss after tax	15	(4,774,369)	(107,483,113)
Depreciation and amortisation	17,18,19. 37	16,981,502	37,186,555
Net loss on disposal of non-current assets		3,529,831	296,883
Changes in non-current provisions		7,006	(5,418)
Interest received	14	(263,125)	(677,327)
Interest paid	14	2,893,112	7,954,361
Net foreign exchange differences		368,965	1,860,117
Net impairment of receivables and other financial assets	12	1,628,904	4,146,568
Impairment of non-current assets	11	-	59,330,540
Changes in trade and other receivables		(5,067,193)	17,607,726
Changes in inventories		55,463	(54,713)
Decrease in trade and other payables		(4,161,256)	(10,082,819)
Cash flows from operating activities		**11,198,840**	**10,079,360**
Interest paid	41	(2,641,631)	(7,593,259)
A. Net cash from operating activities		**8,557,209**	**2,486,101**
Cash flow from investing activities			
Payments for purchases of non-current tangible and intangible assets		(133,509,873)	(59,483,542)
Interest received		12,397	19,869
Loans granted		(14,000,000)	(11,350,000)
Acquisition of a subsidiary	21	(68,081,185)	-
B. Net cash from investing activities		**(215,578,661)**	**(70,813,673)**
Cash flow from financing activities			
Proceeds from borrowings	41	120,266,262	75,665,552
Repayment of borrowings	41	(17,183,706)	(1,249,745)
Repayment of lease liabilities	41	(302,068)	(685,899)
C. Net cash from financing activities		**102,780,488**	**73,729,908**
Net increase/(decrease) in cash		(104,240,964)	5,402,336
Cash and cash equivalents at beginning of period		125,502,164	21,261,200
Cash and cash equivalents at end of period	27	21,261,200	26,663,536

**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 subscribed share capital of the Company amounts to HRK 482,507,730. The Company's authorised representatives are Goran Fabris, Chairman of the Management Board, appointed on 22 May 2018 and Ivan Safundžić, Member of the Management Board, appointed on 1 December 2020. 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 2020, the average number of employees was 232 (2019: 266 employees).

The Company's Supervisory Board comprises the following persons:

- Tomislav Kitonić, Chairman of the Supervisory Board
- Karlo Došen, Deputy Chairman of the Supervisory Board
- Ivan Blažević, Member of the Supervisory Board
- Dragan Magaš, Member of the Supervisory Board
- Mirko Herceg, 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.

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 30 April 2021 and issued separately. In the consolidated financial statements, subsidiaries Club Adriatic d.o.o. and Stolist (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 2020 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 the financial statements are disclosed in Note 3 below.

2.3 Going concern and the impact of the Covid-19 pandemic on the Company's operations

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 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.
After the balance sheet date, the Company realised the planned divestment in the company CLUB ADRIATIC (sale of land), thus creating the preconditions for the repayment of loan granted to a related company, but also providing funds for a continuous investment cycle, although restricted due to the pandemic.

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.

Similar to many economic entities around the world, the Company's operations in 2020 were marked by the COVID-19 pandemic. By the middle of the second quarter, the Company operated under as normal circumstances as possible, expecting the situation to return to normal and the development cycle that began in 2019 to continue. At the end of the first quarter of 2020, the pandemic completely stopped operations, which resulted in shutting down all of the Company's facilities in the period from 19 March to 11 May 2020, with a complete rationalisation of operations.

The rationalisation of operations, all with the aim of protecting business continuity and preserving the liquidity of the Company, included the rationalisation of costs, capital expenditures and cash outflow primarily by means of the following measures:

- Rationalisation of staff costs - use of vacation days and days off, working from home and in agreement with social partners, reduction of salaries for workers who do not work ("waiting").
- Later employment of seasonal workers, and a smaller number of overall employees (seasonal workers account for nearly half of the workforce).
- Suspending investments to the extent that does not jeopardise the operation of facilities and settling obligations to business partners.
- Rationalisation of operating costs – deciding not to purchase small inventory, minimising the cost of current maintenance to a "sustainable" minimum, assuming that the safety of facilities and guests and employees is not compromised.

2.3. Going concern and the impact of the Covid-19 pandemic on the Company's operations (continued)

- Lease agreements signed by JADRAN d.d. with lessors have been adjusted in a way to safeguard liquidity, but also to ensure the financial viability of these leases, while ensuring the sustainability of cooperation and the business continuity of partners with whom leases have been concluded.
- During June 2020, the Company entered into a moratorium with the Croatian Bank for Reconstruction and Development and a moratorium on loans with Privredna banka Zagreb.

With the relaxation of measures, after 11 May 2020, the Company began operating under "new" normal conditions, adapting to the new situation, strictly adhering to all prescribed epidemiological measures with continuous education of workers, thus protecting the health of its workers and guests.

After the main tourist season, the pandemic flared up again, which meant partial or complete shutdown of economic entities in our nearest emitting markets and as of 26 November 2020, the Decision on Necessary Epidemiological Measures Restricting Gatherings and Introducing Other Necessary Epidemiological Measures resulted in a renewed partial lockdown in the Republic of Croatia.

The Company's Management Board assessed that regardless of the "coronavirus crisis", the continuation of the investment cycle with reduced intensity is necessary to ensure the conditions for further growth and development and ensure the competitiveness of the Company in the coming years. During 2020, the total value of investments amounted to HRK 54 million, with special attention being paid to preserving the Company's liquidity. Of the realised investments, special emphasis should be placed on the final completion of the investment in the pool complex and new plots and 13 new mobile homes in the Selce campsite and the investment in Slaven hotel annexes, which were reclassified from the existing "2-star room for rent" to a 3-star hotel category.

The Company's cumulative losses as at 31 December 2020 amount to HRK 226,906 thousand, and current liabilities exceed current assets by HRK 95,565 thousand. Current liabilities exceeded the amount of current assets due to the transfer of a non-current liability to the creditor Erste & Steiermarkische bank d.d. to a current liability in the amount of HRK 101,303,446. The liability was reclassified because until the balance sheet date of 31 December 2020 the Company had not received a waiver from the Bank that the breach of the covenant from the contract will not be treated as a breach of contract. The said waiver was submitted to the Company on 28 April 2021 and as such represents a "Significant event after the balance sheet date", as a result of which the stated liability of the Company will be reclassified as a non-current liability.

The Company has sufficient funds in the account and due to agreed credit facilities is able to ensure the liquidity of the Company. Accordingly, the financial statements are prepared on the going concern principle.

2.4. Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous year unless otherwise stated and disclosed below. On 1 January 2020, the Company decided to amend the accounting policies in the following area: according to the concession agreements on the maritime domain for economic use of beaches, there are obligations to develop, enhance, repair and rehabilitate the concession area, all according to the Economic Feasibility Study.
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 agreement.

2.4.1 New and amended standards adopted by the Company

COVID-19-Related Rent Concessions Amendment to IFRS 16 issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020. The amendment provides lessees with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect

2.4.1 New and amended standards adopted by the Company (continued)

to account for rent concessions in the same way as if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: the change in lease payments results in revised consideration for the lease

that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; any reduction in lease payments affects only payments due on or before 30 June 2021; and there is no substantive change to other terms and conditions of the lease. The Company did not apply the stated concession.

The following amended standards became effective from 1 January 2020, but did not have a material impact on the Company:

- Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).
- Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).
- Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).
- Interest rate benchmark reform - Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020).

2.4.2 Standards and interpretations not yet adopted:

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Company.

- **Classification of liabilities as current or non-current - Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 01 January 2023).** These narrow-scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The guidance no longer requires that such rights are unconditional. Management's expectations whether the entity will exercise the right to defer settlement do not affect the classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions at the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. Conversely, a loan is classified as non-current if a covenant is breached after the reporting date. Furthermore, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other economic resources or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument. The amendment has not yet been endorsed by the EU. The Company is currently assessing the impact of the amendments on the financial statements.
- **Classification of liabilities as Current or Non-current - Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023, not endorsed by European Union yet).** The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance. The Company is currently assessing the impact of the amendments on the financial statements.

2.4.2 Standards and interpretations not yet adopted: (continued)

- **Proceeds before Intended Use, Onerous Contracts - Cost of Fulfilling a Contract, Reference to the Conceptual Framework - narrow-scope amendments to IAS 16, IAS 37 and IFRS 3 and Annual Improvements to IFRS Standards 2018-2020 cycle - amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).**
    - The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.
    - The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.
    - IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.
    - The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.
    - Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.
    - IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

2.4.2 Standards and interpretations not yet adopted: (continued)

- The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis. The amendment has not yet been endorsed by the EU. The Company is currently assessing the impact of the amendments on the financial statements.

- **Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021).** The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The amendments cover the following areas:

  - *Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform:* For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised. This practical expedient applies only to such a change and only to the extent it is necessary as a direct consequence of IBOR reform, and the new basis is economically equivalent to the previous basis. Insurers applying the temporary exemption from IFRS 9 are also required to apply the same practical expedient. IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of IBOR reform.
  - *End date for Phase 1 relief for non contractually specified risk components in hedging relationships*: The Phase 2 amendments require an entity to prospectively cease to apply the Phase 1 reliefs to a non-contractually specified risk component at the earlier of when changes are made to the non-contractually specified risk component, or when the hedging relationship is discontinued. No end date was provided in the Phase 1 amendments for risk components.
  - *Additional temporary exceptions from applying specific hedge accounting requirements*: The Phase 2 amendments provide some additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.
  - *Additional IFRS 7 disclosures related to IBOR reform*: The amendments require disclosure of: (i) how the entity is managing the transition to alternative benchmark rates, its progress and the risks arising from the transition; (ii) quantitative information about derivatives and non-derivatives that have yet to transition, disaggregated by significant interest rate benchmark; and (iii) a description of any changes to the risk management strategy as a result of IBOR reform.

  The Company is currently assessing the impact of the amendments on the financial statements.

Unless otherwise described above, the new standards and interpretations are either not relevant or not expected to affect significantly the Company's financial statements.

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 asset, 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 are measured at historical cost less accumulated amortisation and any accumulated impairment losses. Subsequent costs are capitalised only if they enhance future economic benefits associated with 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 leases with the Company as lessor are recognised in income for the period over the lease term.

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, the financial assets are classified as part of "other" business model and is 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.

2.12. 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 expense, except in the case of 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 for the period 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 the amount expected to result in a liability or refund based on the difference 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 and included in profit or loss, except to the extent it arises from 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 other 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.

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.

2.15. Employee benefits (continued)

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 rate of return 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 purchased, 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 performance obligation in the contract 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.

Service income
Income from hotel and 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 the 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 a lease or to contain a 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 a 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 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.

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.

2.20. Leases (continued)

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.

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 the subsidiary are recognised at cost less impairment loss.

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. 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. Events that are not adjusting events are disclosed in the notes to financial statements, if material.

2.27. Correction of errors in prior-period financial statements

During 2020, for the purpose of more accurate presentation and correction of misstatements of financial information for previous periods, the Company made the following reclassification and correction:

a) Assets not used for operations but held for lease and/or appreciation were reclassified from Property, plant and equipment to Investment property in previous periods in the statement of financial position.

The above identified errors have been corrected by restating amounts from prior periods in the statement of financial position. The effect of restatements is presented in the table below.

Statement of financial position		**Effect of restatements**		
At 1 January 2019		**Previously disclosed**	**Restatement**	**Restated**
(in thousands of HRK)				
Property, plant and equipment	(a)	517,826,466	(32,345,154)	485,481,312
Investment property	(a)	-	32,345,154	32,345,154
Total assets	(a)	**517,826,466**	**-**	**517,826,466**

Statement of financial position		**Effect of restatements**		
At 31 December 2019		**Previously disclosed**	**Restatement**	**Restated**
(in thousands of HRK)				
Property, plant and equipment	(a)	631,788,145	(31,747,455)	600,040,691
Investment property	(a)	-	31,747,455	31,747,455
Total assets	(a)	**631,788,145**	**-**	**631,788,145**

These restatements of the line items in the statement of financial position did not affect the line items of the statement of comprehensive income (including loss per share) or the line items in the statement of cash flows.

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. Based on the performed analysis, the Company retrospectively changed the useful life of the buildings and revised the financial statements for the year 2018. The new estimated useful life of buildings and the corresponding depreciation rates were applied in 2020 as well. When a significant investment in tourism properties (buildings) occurs, the useful life of buildings or their components is reassessed/reviewed.

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.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

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.
The useful lives should be periodically revised to reflect any changes in circumstances since the previous assessment. Changes in estimates, if any, will be reflected prospectively in a revised depreciation charge over the remaining, revised useful life.
During 2019, the Company adjusted the useful life of buildings as well as equipment and other assets, all in accordance with trends in the hotel industry.
If the useful life of property, plant and equipment had been 10% longer, with all other variables held constant, the net profit for 2020 would have been HRK 1,812 thousand higher (for 2019 it would have been HRK 1,256 thousand higher), and the net carrying value of property, plant and equipment would have been HRK 2,210 thousand higher (for 2019 it would have been HRK 1,531 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 1,812 thousand lower (for 2019 it would be have been HRK 1,256 thousand lower), and the net carrying value of property, plant and equipment would have been HRK 2,210 thousand lower (for 2019 it would have been HRK 1,531 thousand lower).

Provisions for court disputes
The Company is a party to a number of court disputes arising from the ordinary course of business. A provision is made if there is a present obligation resulting from a past event (taking into account all available evidence, including the opinions of legal experts) when it is probable than an outflow of resources will be required to settle the obligation, and the amount of the obligation can be measured reliably. As at 31 December 2020, provisions for court disputes amounted to HRK 0 thousand (31 December 2019: HRK 0, see Note 25).

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 significant impact of the COVID-19 pandemic on the Company's operations in 2020 and the absence of operating profit or overall operations in individual cash-generating units, 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). Although the Company has identified COVID-19 as an event that requires special attention in identifying impairment of assets, the Management Board considers it to be a one-off event and expects recovery by 2023/2024 depending on the location of the hotel and the type of service provided at each location.

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).

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

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

industry, etc. The valuations are based on five-year cash flow projections prepared by the Company's management, with the budget for 2021 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 just before the outbreak of the Covid-19 pandemic, 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 - 2025
EBITDA margin	30% - 52% (higher profitability rates are assumed for campsites and apartments)
Revenue growth	5% - 11% (depending on the type of accommodation and capital investment)
Discount rate (before tax)	10.1% - 10.3% (depending on the type of the CGU)
Sustainable long-term growth rate	2.1%

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) and depend on the individual facility of different characteristics.

The calculation of fair value less costs to sell is based primarily on the revenue method, and in 2 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	2020
Average board price (HRK)	43 - 646
Average occupancy rate	18% - 66%
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.

Based on the prepared impairment tests, in 2020 the Company recognised an impairment loss on property, plant and equipment in the amount of HRK 52,994 thousand and an impairment loss on investment property in the amount of HRK 550 thousand (Note 11). An impairment loss on a non-financial asset is presented as a separate item in the income statement due to its materiality.

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 additional impairment in the amount of HRK 4.7 million in its records.
- if the revenue growth rate were to decrease by 100 bps within the five-year period, the Company should recognise an additional impairment in the amount of HRK 1.4 million in its records.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

- if the discount rate were to increase by 50bps the Company should recognise an additional impairment of HRK 14.9 million in its records
- if the terminal growth rate were to decrease by 50bps, the Company would recognise less impairment in the amount of HRK 10.6 million in its records

2) Right-of-use assets

In 2020, the Company conducted an impairment test for right-of-use assets with respect to the indicators of impairment due to the COVID-19 pandemic. A leased accommodation facility was identified as a cash-generating unit. The recoverable amount of leased accommodation is determined on the basis of the value in use based on financial projections in the contracted lease term at a discount rate. As a result of this analysis, an impairment loss of HRK 5,786 thousand was identified for one leased property (Note 11).

For tourism facilities for which the recoverable amount is determined at fair value less costs to assess, based on the assessment of an independent valuer, the Company has classified them in Level 3 of the fair value hierarchy. The applied valuation methods for these facilities are described above.

Recoverability of investments in subsidiaries

As at 31 December 2020, the investment in subsidiaries relates to 100% shares in the subsidiary Club Adriatic d.o.o. in the amount of HRK 117,605 thousand and the subsidiary Stolist d.o.o. in the amount of HRK 977 thousand.

The valuation was prepared by the Company, whereby for the valuation of the share in the company Club Adriatic d.o.o. the company hired independent experts. The valuation of Club Adriatic d.o.o. was determined using the fair value approach less costs to sell, given that the market value of the location or land owned by the subsidiary significantly exceeds the value in use of the assets of this subsidiary, primarily due to dilapidation and the need for significant investment and development of facilities and ancillary facilities, for the purposes of the impairment test the Company used a non-binding offer of a potential investor, increased by the present value of future cash flows of the leased tourist facility of the subsidiary (where the estimate of the independent appraiser for the land in question approximates the fair value less estimated costs to sell). The fair value determined is significantly higher than the carrying amount of the investment in this subsidiary.

Leases

As the interest rate implicit in the lease cannot be readily determined, the Company uses its own incremental borrowing rate of 2.70% (2019: 3%) when calculating the lease liability for cash flow discounting purposes in 2020.

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.

Impairment of receivables

The Company classifies its receivables in Stage 2 and Stage 3 classes. Stage 2 class includes recognised expected credit losses that are 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 category 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

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Committee reviews recoverability of receivables and adjustments are made according to the information gathered from sales and legal departments, depending on the maturity of the receivables.

In 2020, the Company recognised expected credit losses under the simplified IFRS 9 model for trade receivables in the total amount of HRK 2,390,566.

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, statutory reserves, retained earnings/(accumulated loss) and profit for the year.

Classes of financial instruments

	31 December 2019	31 December 2020
Financial assets		
Trade receivables	5,304,495	413,226
Receivables from related parties	9,828,355	1,288,253
Cash and cash equivalents	21,261,200	26,663,536
Loans receivable	14,250,728	24,626,866
Total	**50,644,778**	**52,991,881**
Financial liabilities		
Liabilities to financial institutions	186,721,023	264,032,809
Trade payables	19,337,444	9,227,082
Lease liabilities	17,344,062	125,837,802
Total	**223,402,529**	**399,097,693**

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 in respect of these risks is carried out by the Company's Management Board and 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 and is consequently exposed to exchange rate fluctuations arise. The carrying amounts of the Company's monetary assets and monetary liabilities denominated in foreign currencies as at the reporting date are as follows:

Company	**Assets**		**Liabilities**	
	31 December 2019	**31 December 2020**	**31 December 2019**	**31 December 2020**
EUR	8,067,737	17,774,519	205,485,562	390,270,891

4. FINANCIAL INSTRUMENTS (continued)

Analysis of foreign currency sensitivity

The Company is exposed to currency risk in the event of a change in the euro (EUR) exchange rate. The following table presents an analysis of the effects of changes in the HRK exchange rate compared to the increase or decrease in HRK value by 10% in relation to EUR. 10% is the rate used for internal reporting to the Management Board on foreign currency risk and represents the Management Board's assessment of the reasonably possible change in foreign exchange rates. An analysis is performed only for receivables and liabilities denominated in foreign currencies and represents the adjustment of their value at the period end for a change in the exchange rate of 10%. The sensitivity analysis includes third-party loans where the loan is denominated in the currency different from the lender's or the borrower's currency. The positive/negative amount recorded below indicates a net decrease/increase in profit or other equity when HRK compared to the relevant currency strengthens by 10%. If HRK weakens by 10% in relation to another relevant currency, the effect would be the same, only negative.

	2019	2020
EUR exchange rate fluctuation by +10%		
Gain or loss	21,355,330	40,804,541
EUR exchange rate fluctuation by -10%		
Profit or loss	(21,355,330)	(40,804,541)

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:

	2019	2020
Interest rate change by +100 bp		
Decrease in profit	700,243	1,013,034
Interest rate change by -100 bp		
Increase in profit	(700,243)	(1,013,034)

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 into account the value of any collateral obtained.

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
2019							
Interest-free		18,987,068	350,376	-	-	-	19,337,444
Lease liabilities		816,412	-	816,412	11,043,874	7,347,709	20,024,407
Fixed interest rate	3%	554,979	1,096,514	15,787,185	72,831,211	38,555,120	128,825,009
Variable interest rate	2%	-	367,627	1,127,391	24,708,692	54,815,790	81,019,501
Total		**20,358,459**	**1,814,517**	**17,730,988**	**108,583,777**	**100,718,619**	**249,206,360**
2020							
Interest-free		7,905,646	18,762	-	-	-	7,924,408
Lease liabilities		1,660,653	87,624	18,162,162	65,536,819	55,607,607	141,054,865
Fixed interest rate	2.7%	264,828	504,044	20,934,064	91,754,804	65,110,598	178,568,338
Variable interest rate	2.1%	-	531,843	1,625,076	45,200,732	67,689,654	115,047,305
Total		**9,831,127**	**1,142,273**	**40,721,302**	**202,492,355**	**188,407,859**	**442,594,916**

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 2020 is as follows:

	Income by segment	Expenses by segment	Income by segment
Operating segment	HRK	HRK	HRK
Hotels & apartments	55,159,698	(137,971,267)	(82,811,569)
Campsites	6,307,490	(5,168,380)	1,139,110
Other	4,064,206	(4,458,360)	(394,154)
TOTAL	**65,531,394**	**(147,598,007)**	**(82,066,613)**
Other operating segments	6,622,588	(22,841,664)	(16,219,076)
Total segments	**72,153,982**	**(170,439,671)**	**(98,285,689)**

The segment information for the reportable segments for the year ended 31 December 2019 is as follows:

	Income by segment	Expenses by segment	Income by segment
Operating segment	HRK	HRK	HRK
Hotels & Apartments	94,248,022	(76,279,343)	17,968,679
Campsites	7,872,484	(3,510,910)	4,361,574
Other	5,522,156	(5,304,428)	217,728
TOTAL	**107,642,662**	**(85,094,681)**	**22,547,981**

Profit 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 operating profit/(loss) profit before tax to net loss is provided as follows:

	31 December 2019	31 December 2020
Item	HRK	HRK
Operating income before taxes by segment	22,547,981	(82,066,613)
Unallocated operating income	1,780,043	6,622,588
Unallocated finance income	511,422	1,010,204
Unallocated operating costs:	(26,144,126)	(22,841,664)
Cost of goods sold	-	1,011
Cost of materials and supplies	(279,399)	(338,135)
Cost of services	(7,324,999)	(4,380,336)
Staff costs	(11,392,863)	(11,100,044)
Depreciation and amortisation	(1,847,006)	(1,104,737)
Impairment	(1,624,403)	(4,021,875)
Other operating expenses	(3,675,456)	(1,897,548)
Unallocated finance costs	(3,469,689)	(10,207,628)
Loss for the year	**(4,774,369)**	**(107,483,113)**

5. SEGMENT INFORMATION (continued)

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

	2019	2020
Accommodation	61,545,944	39,694,817
Food and beverages	34,621,334	19,179,207
Other hotel services	1,955,777	870,119
Trade goods	462,029	259,202
TOTAL	**98,585,084**	**60,003,345**

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

	2019	2020
Sales - domestic customers	15,074,258	13,612,895
Sales - foreign customers	70,610,281	39,197,907
Other /i/	12,900,545	7,192,543
Total	**98,585,084**	**60,003,345**

/i/ Other includes revenues from the sale of trade goods, alcoholic and non-alcoholic drinks, food and beverages, 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

	2019	2020
Income from marketing and other services	5,045,474	362,085
Rental income	3,198,253	2,825,198
Recharged costs of lessees	769,400	577,859
Insurance reimbursements	251,213	50,484
Direct aid	153,013	346,126
Collection of amounts due as per judgement and out-of-court settlement	-	95,428
Collection of doubtful and bad debts	53,493	1,280
Disposal of non-current assets	107,321	13,765
Covid-19-related grants	-	6,326,824
Other operating income	1,259,454	1,551,587
TOTAL	**10,837,621**	**12,150,636**

8. COST OF RAW MATERIAL AND SUPPLIES

	2019	2020
Groceries consumed	8,787,861	5,217,313
Electricity	4,189,553	2,866,739
Heating oil and gas	971,927	566,487
Water consumed	1,058,538	966,820
Alcoholic and soft drinks consumed	1,052,775	532,294
Consumables and cleaning supplies	1,162,998	1,168,507
Write-off of small inventory	1,317,572	892,966
Fuel for passenger and freight vehicles	218,786	197,667
Packaging	162,254	119,925
Office supplies	98,221	56,916
Overheads - leased properties	-	766,104
Other costs	314,331	234,062
TOTAL	**19,334,816**	**13,585,800**

9. COST OF SERVICES

	2019	2020
Investment and current maintenance	3,056,233	1,679,300
Contractor services	5,667,043	3,377,922
Intellectual services	3,794,131	2,090,244
Commissions and banking services	6,101,699	5,921,352
Utilities	1,402,178	1,876,086
Gross temporary service contract cost	428,376	405,218
Student employment agency services	453,574	990,257
Telephone, Internet and mail	982,149	726,134
Advertising services	572,408	349,813
Rentals	894,905	526,118
Music and ZAMP fees	193,654	125,540
Transport services (road and maritime transport)	68,393	20,465
Other services	1,540,150	601,596
TOTAL	**25,154,893**	**18,690,045**

10. STAFF COSTS

	2019	2020
Net salaries	17,941,613	16,076,054
Transportation to and from work	925,375	745,717
Taxes and surtaxes	2,123,246	2,071,752
Contributions from salaries	5,196,249	4,837,612
Contributions on salaries	4,016,026	3,694,069
Unused hours off - redistribution	94,003	63,715
Provisions for unused vacation days	1,116,777	397,251
Non-current provisions for termination benefits and jubilee awards	54,637	23,200
Termination benefits	272,668	708,042
Children's gifts, Christmas bonus, non-taxable voucher	351,446	450,200
Performance bonus and holiday pay	2,474,762	6,417
Meal	224,437	372,901
Other	299,037	157,462
TOTAL	**35,090,276**	**29,604,392**

Remuneration for the Management Board and Supervisory Board members of the Company:

	2019	2020
Management Board	1,657,111	1,115,477
of which receipts in kind	221,935	49,522
Supervisory Board	179,159	293,527
TOTAL	**1,836,270**	**1,409,004**

11. IMPAIRMENT OF NON-CURRENT FINANCIAL ASSETS

	2019	2020
Impairment of property, plant and equipment (Note 17)	-	52,994,245
Impairment of investment property (Note 19)	-	549,799
Impairment of right-of-use assets (Note 37)	-	5,786,496
TOTAL	**-**	**59,330,540**

12. NET LOSSES ON IMPAIRMENT OF FINANCIAL ASSETS

	2019	2020
Impairment of trade receivables	130,180	124,693
Impairment - related parties	1,498,724	-
Expected credit losses - trade receivables	-	2,390,556
Expected credit losses - loans	-	1,631,319
TOTAL	**1,628,904**	**4,146,568**

13. OTHER OPERATING EXPENSES

	2019	2020
Reimbursement to students in practice and scholarships	325,124	209,143
Insurance premiums	766,521	775,068
Municipal charges and concessions	1,811,412	2,273,798
Entertainment	182,812	217,572
Travel expenses, per diems, accommodation and field bonus	209,987	159,504
Aid to employees	95,000	77,000
Hrvatske vode charges	1,822,447	1,719,928
Taxes and contributions irrespective of result	318,351	219,785
Professional training of employees	145,057	54,648
Employee accommodation	692,366	214,811
Animation and entertainment	26,000	108,365
Subscriptions and memberships	225,064	255,508
Disability benefits	67,500	67,031
Net book amount of disposed assets	3,415,643	271,403
Other operating expenses	2,764,478	1,126,934
TOTAL	**12,867,762**	**7,750,498**

14. FINANCE INCOME AND COSTS

	2019	2020
Finance income		
Regular and penalty interest income	263,125	677,327
Foreign exchange gains	248,297	332,877
	511,422	**1,010,204**
	2019	**2020**
Finance costs		
Regular and penalty interest expense	(2,367,687)	(4,816,968)
Foreign exchange losses	(576,577)	(2,253,267)
Interest expense on lease	(525,425)	(3,137,393)
	(3,469,689)	**(10,207,628)**
NET FINANCE (EXPENSES) / INCOME	**(2,958,267)**	**(9,197,424)**

15. INCOME TAX

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.

	2019	2020
Accounting loss before tax	**(4,774,369)**	**(107,483,113)**
Income tax calculated at the rate of 18%	(859,387)	(19,346,960)
Effect of expenses not recognised for tax purposes	713,837	13,880,352
Effects of income not recognised for tax purposes	(20,066)	(1,149,146)
Effects of unrecognised deferred tax assets	165,616	6,615,754
Income tax	-	-

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 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.

As at 31 December 2020, temporary tax differences for which deferred tax assets were not recognised, and which relate to property, plant and equipment, amount to HRK 29,576 thousand, and for those that relate to financial assets they amount to HRK 724 thousand. Deferred tax assets are not recognised given that their utilisation is uncertain due to the losses realised. In the following periods, the Company will consider the recognition of deferred tax assets in accordance with the requirements of IAS 12.

Adjustments of the deferred tax assets are as follows:

	2019	2020
At 1 January	334,471	-
Increase in deferred tax assets	-	-
Decrease in deferred tax assets	(334,471)	-
At 31 December	-	-

Tax losses available for carry forward are presented below:

Year incurred	Amount	Year of expiry
2017	(6,359,699)	2022
2018	(3,449,889)	2023
2019	(920,085)	2024
2020	(36,754,195)	2025
Total	**(47,483,868)**	

16. LOSS PER SHARE

	2019	2020
Loss attributable to shareholders of the Company	(4,774,369)	(107,483,113)
Weighted average number of ordinary shares used to calculate basic/diluted earnings per share	27,971,463	27,971,463
Basic and diluted loss per share	(0.17)	(3.84)

17. PROPERTY, PLANT AND EQUIPMENT

Item description	Land	Buildings	Plant and equipment	Other assets	Tangible assets under construction	Total
COST						
At 1 January 2019 (restated)	**269,098,311**	**648,399,623**	**53,741,485**	**210,806**	**5,101,866**	**976,552,091**
Additions /i/	-	52,945,530	48,580,249	647,166	30,753,550	132,926,495
Disposals	-	(20,471,818)	(3,877,191)	-	-	(24,349,009)
At 31 December 2019 (restated)	**269,098,311**	**680,873,335**	**98,444,543**	**857,972**	**35,855,416**	**1,085,129,577**
Additions	-	53,668,457	38,074,627	327,744	(33,188,961)	58,881,867
Disposals	(9,196)	-	(3,017,391)	-	-	(3,026,587)
At 31 December 2020	**269,089,115**	**734,541,792**	**133,501,779**	**1,185,716**	**2,666,455**	**1,140,984,857**
ACCUMULATED DEPRECIATION						
At 1 January 2019 (restated)	**-**	**465,206,232**	**25,712,822**	**210,806**	**-**	**491,129,860**
Depreciation charge	-	8,081,079	7,175,050	57,477	-	15,313,606
Disposals	-	(17,867,594)	(3,486,986)	-	-	(21,354,580)
At 31 December 2019 (restated)	**-**	**455,419,717**	**29,400,886**	**268,283**	**-**	**485,088,886**
Depreciation charge	-	8,385,153	13,614,572	102,299	-	22,102,024
Disposals	-	-	(2,734,098)	-	-	(2,734,098)
Impairment of non-current assets	27,988,580	25,005,665	-	-	-	52,994,245
At 31 December 2020	**27,988,580**	**488,810,535**	**40,281,360**	**370,582**	**-**	**557,451,057**
At 1 January 2019 (restated)	**269,098,311**	**183,193,391**	**28,028,663**	**-**	**5,101,866**	**485,422,231**
At 31 December 2019 (restated)	**269,098,311**	**225,453,618**	**69,043,657**	**589,689**	**35,855,416**	**600,040,691**
At 31 December 2020	**241,100,535**	**245,731,257**	**93,220,419**	**815,134**	**2,666,455**	**583,533,800**

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Increase in tangible assets in 2020: buildings in the amount of HRK 53,668,457 relate to investment in hotel facilities (upgrading the classification of hotels, developing campsites and other construction works), equipment in the amount of HRK 38,074,627 relates to the purchase of necessary equipment for operations in hotels and campsites and the decrease in tangible assets under construction in the amount of HRK 33,188,961 relates to investments in hotel facilities and campsite development, which were not put into use during 2019 but rather during 2020.

Increase in tangible assets in 2019: buildings in the amount of HRK 52,945,530 relates to investment in hotel facilities (upgrading the classification of hotels, developing campsites and other construction works), equipment in the amount of HRK 48,580,249 relates to the purchase of equipment necessary for operations in hotels and campsites and tangible assets under construction in the amount of HRK 30,753,550 relates to investments in hotel facilities and campsite development, which were not put into use during 2019.

In 2020, the interest expense under loan no. 5110228722 from Privredna banka d.d. was capitalised in the amount of HRK 663,929. The value of the item Buildings increased by the stated amount.

As at 31 December 2020, the carrying amount of mortgaged properties (hotels Omorika, Ad Turres, Esplanade, Katarina, International, Slaven resort, pavilions, swimming pool and central restaurant within the Ad Turres resort) amounts to a total of HRK 165,115,398 (31 December 2019: HRK 166,564,244).

The total value of tangible assets that are fully depreciated, and which are still in use as at 31 December 2020 amounts to HRK 102,812,819 (31 December 2019: HRK 28,320,179).

18. INTANGIBLE ASSETS

Item description	Licences, software and other rights	Total
COST		
At 1 January 2019	**1,690,537**	**1,690,537**
Additions	72,703	72,703
Disposals	(62,190)	(62,190)
At 31 December 2019	**1,701,050**	**1,701,050**
Additions	601,675	601,675
Disposals	(373,137)	(373,137)
At 31 December 2020	**1,929,588**	**1,929,588**
ACCUMULATED AMORTISATION		
At 1 January 2019	**1,563,578**	**1,563,578**
Amortisation charge	65,232	65,232
Disposals	(58,508)	(58,508)
At 31 December 2019	**1,570,302**	**1,570,302**
Amortisation charge	110,212	110,212
Disposals	(368,741)	(368,741)
At 31 December 2020	**1,311,773**	**1,311,773**
NET BOOK AMOUNT		
At 1 January 2019	**126,959**	**126,959**
At 31 December 2019	**130,748**	**130,748**
At 31 December 2020	**617,815**	**617,815**

19. INVESTMENT PROPERTY

Item description	Land and buildings	Total
COST		
At 1 January 2019 (restated)	**35,081,465**	**35,081,465**
Disposals	(2,202,592)	(2,202,592)
At 31 December 2019 (restated)	**32,878,873**	**32,878,873**
At 31 December 2020	**32,878,873**	**32,878,873**
ACCUMULATED DEPRECIATION		
At 1 January 2019 (restated)	**2,736,311**	**2,736,311**
Depreciation charge	65,980	65,980
Disposals	(1,670,873)	(1,670,873)
At 31 December 2019 (restated)	**1,131,418**	**1,131,418**
Depreciation charge	65,980	65,980
Impairment	549,799	549,799
At 31 December 2020	**1,747,197**	**1,747,197**
NET BOOK AMOUNT		
At 1 January 2019 (restated)	**32,345,154**	**32,345,154**
At 31 December 2019 (restated)	**31,747,455**	**31,747,455**
At 31 December 2020	**31,131,676**	**31,131,676**

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 34,169 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 2019	31 December 2020
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

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

	Country	Ownership share	31 December 2019	31 December 2020
Club Adriatic /i/	Republic of Croatia	100%	60,500,000	117,604,500
Stolist /i/	Republic of Croatia	100%	976,685	976,685
TOTAL			**61,476,685**	**118,581,185**

/i/ Club Adriatic

CLUB ADRIATIC d.o.o., having its registered office at Savska cesta 41/V, Zagreb, Company ID. No.PIN: 44661735229, performs the following principal activities: provision of services in nautical, rural, medical, hunting, conference and other forms of tourism, provision of other tourism services, sport facility management, sport recreation and organization of sporting and cultural events, preparation of food and provision of food services, preparation and serving of drinks and beverages, provision of accommodation services, preparation of food to be consumed elsewhere (in vehicles, at events, etc.) and supply of that food (catering), etc. The Company operates a hotel and a campsite at Baško polje. Hotel Alem has 99 double rooms and 9 double suites and the annexes have 198 more double rooms. Baško Polje Campsite, classified as a 3-star campsite, has 600 pitches, 17 bungalows and 16 mobile homes. Club Adriatic d.o.o. is undergoing a pre-bankruptcy settlement procedure, which was initiated against it on 10 October 2014.
On 6 November 2018, the Restructuring and Sale Center rendered the Decision on Acceptance of the Binding Offer made by Jadran d.d. for the acquisition of three shares in CLUB ADRIATIC d.o.o., Zagreb, having a total nominal value of HRK 120,947,000 which accounts for 100% of the share capital, for a purchase price of HRK 50,500,000. The Agreement on the Sale and Transfer of Shares of CLUB ADRIATIC was signed on 19 November 2018. Jadran d.d. paid HRK 50.5 million on 19 December 2018 and thus acquired control of Club Adriatic d.o.o.

On 19 December 2018, the Company acquired 100% of shares in Club Adriatic d.o.o.

Consideration transferred	
- paid to CERP in cash	50,500,000
- deferred consideration (Prosperus)	10,000,000
	60,500,000

On 19 December 2018, Jadran d.d. signed an agreement regulating mutual relations resulting from investments in Club Adriatic d.o.o. with Prosperus Invest d.o.o., which defines that Prosperus is required to participate in the increase of share capital of Club Adriatic d.o.o. by paying a cash contribution of HRK 57,104,500, after which Prosperus- Invest will transfer the share thus acquired to Jadran d.d. for a consideration of HRK 67,104,500. The execution of this Agreement allowed Jadran d.d. to recognise in its records a difference of HRK 10 million relating to the investment in a subsidiary and its liability to Prosperus. The deferred consideration relates to a payment obligation to Prosperus Invest d.o.o. for the transfer of rights and obligations in connection with the pre-bankruptcy settlement proceedings of Club Adriatic d.o.o. The consideration is planned to be paid in 2019, and therefore the deferred consideration is presented in the financial statements in its undiscounted amount.

On 19 December 2019, the Commercial Court in Zagreb issued Decision No. Stpn-217/2015 authorising the pre-bankruptcy settlement agreement between CLUB ADRIATIC d.o.o. as the debtor and its creditors.

In the period from 5 March to 11 March 2020 Club Adriatic d.o.o. made payments to all creditors involved in the pre-bankruptcy settlement, in the amounts determined by the pre-bankruptcy settlement as amounts to be paid after the write-off.

21. INVESTMENTS IN SUBSIDIARIES (continued)

It was not possible to make a payment to a small number of creditors, who were deleted from the court register or did not have open accounts, so the amount of HRK 41,419.51 was stored in a special account and will be paid if the legal preconditions are met.
On June 29, 2020, the previous shareholder PROSPERUS-INVEST d.o.o. withdrew from Club Adriatic d.o.o., since on that day an Agreement on the transfer of business share was concluded between the transferor PROSPERUS-INVEST d.o.o. and the acquirer JADRAN d.d. Crikvenica. Immediately after concluding the Agreement, JADRAN d.d. fulfilled its obligation to the company PROSPERUS-INVEST d.o.o. to pay a consideration for the acquired business share by paying a notary deposit. Thus, as of 29 June 2020, JADRAN d.d. became the only shareholder of CLUB ADRIATIC d.o.o with a 100% share in the share capital of that company. In the described manner, all mutual obligations between the companies Jadran d.d. and PROSPERUS-INVEST d.o.o. from the Agreement of 19 December 2018 have been fully met, and also, there are no further obligations of the company CLUB ADRIATIC d.o.o. towards the company PROSPERUS-INVEST d.o.o.
On 29 June 2020, a session of the General Meeting of CLUB ADRIATIC d.o.o. was held, at which the only shareholder of JADRAN d.d. made a decision to change the company's registered office, by moving the company's registered office from Zagreb to Baška Voda, and at the same time the address was determined in the place of the new registered office. In this respect, and considering the fact of the withdrawal of PROSPERUS-INVEST d.o.o. from the company, further decisions were made, namely the decision to amend the Articles of Association of Club Adriatic d.o.o., and then, representatives of the company's Supervisory Board and Management Board were relieved of duty that had been appointed i.e. elected at the proposal of PROSPERUS-INVEST d.o.o., namely Ivana Hatvalić Poljak from the Supervisory Board, and Tomislav Tičić from the Management Board. The Assembly elected Mr. Mirko Herceg as a new member of the Supervisory Board with his term of office starting on the election date, and at the same time, no new member of the Management Board was appointed, but it was decided that the Management Board would be composed of one member, called the company Director. Thus, the current Chairman of the Management Board Goran Fabris continues his term as a member of the Management Board - Director of the Company.

/ii/ Stolist - On 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 said company. The Company paid HRK 976,685 to acquire Stolist d.o.o.

The total consideration paid on the basis of the acquisition of the subsidiaries Club Adriatic d.o.o. and Stolist d.o.o. amounted to HRK 68,081,185 in 2019 as shown in the statement of cash flows, while the liability on the basis of the transfer of business share to PROSPERUS-INVEST d.o.o. was closed from the advance paid in 2019 (Note 25).

22. INVENTORIES

	31 December 2019	31 December 2020
Raw materials and supplies on stock	343,728	417,840
Cost - low value items, tyres in use	11,667,090	9,457,066
Impairment of small inventory and tyres	(11,667,090)	(9,457,066)
Trade goods	22,642	13,710
Inventories - packaging	30,638	20,171
TOTAL	**397,008**	**451,721**

23. TRADE RECEIVABLES

	31 December 2019	31 December 2020
Domestic trade receivables	5,200,947	3,106,417
Foreign trade receivables	1,077,139	788,595
Impairment of trade receivables - individual adjustments	(1,033,842)	(1,091,230)
Impairment of receivables - expected credit losses (IFRS 9)	-	(2,390,556)
Receivables from related parties	20,892,634	12,352,533
Impairment of trade receivables from related parties	(11,064,280)	(11,064,280)
Other trade receivables	60,252	-
TOTAL	**15,132,850**	**1,701,479**

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

Maturity structure of total trade receivables:

Company	**Gross trade receivables**		**Impairment**		**Net trade receivables**	
	31 Dec. 2019	**31 Dec. 2020**	**31 Dec. 2019**	**31 Dec. 2020**	**31 Dec. 2019**	**31 Dec. 2020**
Not past due	1,703,400	390,456	-	(10,097)	1,703,400	380,359
Up to 30 days	586,703	250,299	-	(31,544)	586,703	218,755
31-60 days	206,591	439,065	-	(91,027)	206,591	348,038
61-90 days	734,754	113,851	-	(60,685)	734,754	53,166
91-180 days	1,966,324	1,297,706	-	(840,021)	1,966,324	457,685
181-365 days	533,207	679,469	-	(502,421)	533,207	177,049
365 days and more	21,499,993	13,076,699	(12,098,122)	(13,010,271)	9,401,871	66,428
TOTAL	**27,230,972**	**16,247,545**	**(12,098,122)**	**(14,546,066)**	**15,132,850**	**1,701,479**

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

23. TRADE RECEIVABLES (continued)

	31 December 2019	31 December 2020
At 1 January	10,719,590	12,098,122
Impairment of expected credit losses in the current period	-	2,390,556
Collection/reversal of impairment in the current period	(44,258)	(1,280)
Total changes in expected credit loss through profit or loss	*(44,258)*	*2,389,276*
Write-off of previously impaired receivables	1,422,790	58,668
Other	-	-
At 31 December	**12,098,122**	**14,546,066**

24. RECEIVABLES FROM THE GOVERNMENT

	31 December 2019	31 December 2020
Grants receivable	-	1,823,064
Prepaid VAT receivable	348,093	1,608,943
Other receivables from the government	5,549	106,693
TOTAL	**353,642**	**3,538,700**

25. OTHER RECEIVABLES

	31 December 2019	31 December 2020
Suspense accounts for services accounted for	(109,315)	129,298
Recognised leasehold improvements	341,860	87,450
Banking charges for loans	341,402	281,312
Receivables for advances given /ii/	67,448,793	1,000,207
Prepayments - heating oil	187,832	-
Prepayments - consulting	150,000	-
Prepayments - other costs	102,623	112,629
TOTAL	**68,463,195**	**1,610,896**

/i/ Leasehold improvement of the lessee Fit for Life in the amount of HRK 85,539 and leasehold improvement of the lessee Panis in the amount of HRK 1,911. These leasehold improvements are released on an annual basis in proportion to the number of years of the lease term.

/ii/ Receivables arising from given advances relate to advances for paid rents in the amount of HRK 692,231 and to other advances given to suppliers (31 December 2019: receivables arising from given advances related to the advance which was used via Prosperus for the share increase of Club Adriatic in the amount of HRK 57,104,500; to the advance payment to the company RR Concept d.o.o. in the amount of HRK 8,513,831 (contractor responsible for the works on the facilities Ad Turres resort and Omorika) and to other advances given to suppliers).

26. RECEIVABLES FOR LOANS GRANTED TO RELATED PARTIES

	31 December 2019	31 December 2020
Receivables for loans granted to related parties/i/	14,250,728	26,258,185
Impairment of trade and loan receivables – IFRS 9	-	(1,631,319)
TOTAL	**14,250,728**	**24,626,866**

/i/ Receivables from related parties in the amount of HRK 26,258,185 relate to short-term loans granted to Club Adriatic d.o.o. in the amount of HRK 25,300,000 and associated interest in the amount of HRK 907,924 and to short-term loans granted to Stolist d.o.o. in the amount of HRK 50,000 and HRK 262 of associated interest. Loans were granted in 2020 at an interest rate of 3.42% 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 2019	31 December 2020
Bank balances - domestic currency	13,946,295	9,399,315
Bank balances - foreign currencies /i/	7,313,858	17,261,339
Cash on hand	1,047	2,882
TOTAL	**21,261,200**	**26,663,536**

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

The Company mainly deposits money with local banks that are members of banking groups that, according to Standard & Poor's, have the following credit ratings:

Cash at bank and deposits:	31 December 2019	31 December 2020
A (2019: A)	1,729,133	2,040,098
BBB	19,510,854	24,599,035
No credit rating	20,166	21,521
TOTAL	**21,260,153**	**26,660,654**

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.

In 2018, new majority shareholders of the Company increased the share capital. The share capital was first decreased by HRK 208,809,600 to HRK 282,507,090, which created reserves. The Company's share capital was then increased by HRK 200,000,640, whereby the share capital was increased to HRK 482,507,730.

On 24 August 2018, the General Meeting of Jadran d.d. passed the Resolution on ordinary decrease of share capital and the Resolution on ordinary increase of share capital by cash contributions.

The Company's share capital was decreased from HRK 491,316,690 by HRK 208,809,600 to HRK 282,507,090 as a result of transferring the proceeds of the capital decrease to the Company's reserves. After such share capital decrease, the value of one share was less than the minimum allowable amount defined in Article 163(2) of the Companies Act, after which the three common shares were combined into a single one in accordance with Article 342(4) of the Companies Act. After such ordinary share capital decrease by share combination, the new share capital is HRK 282,507,090, divided into 16,377,223 ordinary dematerialized shares with no nominal value. The Company's share capital decrease was registered in the Court Registry of the Commercial Court in Rijeka on 30 August 2018.

Pursuant to the Share Capital Increase Resolution, the share capital was increased by a cash contribution. The Issuer's General Meeting determined the price of the New Shares to be HRK 17.25 per New Share. According to the General Meeting's Share Capital Increase Resolution, up to 16,390,360 New Shares were issued at a price of HRK 17.25, whereby the Issuer's share capital was increased from HRK 282,507,090 by up to HRK 282,733,710 to no more than HRK 565,240,800. As required, the share capital increase in share capital based on the commitment made was registered in the Court Registry of the Commercial Court in Rijeka on 3 October 2018.

Individual major shareholders are PBZ CO OMF – CATEGORY B which holds 57.19% of shares and ERSTE PLAVI OMF CATEGORY B which holds 30.56% of Company's shares.

Table 1: The structure of shareholders as at 31 December 2020 and 31 December 2019

	31 December 2020		31 December 2019	
Investor	**Balance**	**%**	**Balance**	**%**
ADDIKO BANK D.D./PBZ CO OMF - CATEGORY B (1/1) - Custodial account	16,228,666	58.02	16,121,391	57.64
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	1,955,188	6.99	2,062,463	7.37
TOTAL	**27,971,463**	**100**	**27,971,463**	**100**

29. PROVISIONS

	31/12/2019	31 December 2020
Provisions for termination benefits	151,448	174,648
Provisions for jubilee awards	337,971	309,353
TOTAL	**489,419**	**484,001**

Movements in provisions over the years are as follows:

	Termination benefits	Jubilee awards	Total
At 31 December 2018	**199,080**	**283,334**	**482,414**
Additional provisions based on estimate	-	54,637	54,637
Reversal of provisions	(47,632)	-	(47,632)
At 31 December 2019	**151,448**	**337,971**	**489,419**
Additional provisions based on estimate	23,200	-	23,200
Reversal of provisions	-	(28,618)	(28,618)
At 31 December 2020	**174,648**	**309,353**	**484,001**

30. LIABILITIES TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2019	31 December 2020
Interest in currency	363,748	1,377,861
Long-term loans-HBOR - DT-6/15 /i/	2,041,807	1,718,321
Long-term loans-HBOR - DT-1/16 /ii/	13,780,150	13,382,934
Long-term loans-HBOR - DT-10/16 /iii/	8,029,819	7,798,357
Long-term loans-PBZ - 2016 -5110217867-5110217867 /iv/	45,547,674	46,124,889
Long-term loans-PBZ - 2019 -5110228722-5110228722 /v/	46,933,551	92,327,001
Long-term loans-ERSTE-2019-5117407680/15 /vi/	70,024,274	101,303,446
TOTAL LIABILITIES	**186,721,023**	**264,032,809**
Current maturities of long-term loans in the current year	(14,400,750)	(119,452,974)
Interest in currency	(363,748)	(1,377,861)
CURRENT LIABILITIES	**(14,764,498)**	**(120,830,835)**
NON-CURRENT LIABILITIES	**171,956,525**	**143,201,974**

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

	31 December 2019	31 December 2020
EUR	186,271,023	264,032,809

/i/ In 2015, the Company entered with the Croatian Bank for Reconstruction and Development into a long-term loan agreement for HRK 7 million, repayable over 5 years, 1-year grace period, 3% interest rate, for the renovation of facilities and upgrading the classification of Hotel Omorika and Selce Auto-Camp.

30. LIABILITIES TO BANKS AND OTHER FINANCIAL INSTITUTIONS (continued)

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

/iv/ In 2016, the Company entered with Privredna banka Zagreb d.d. into a long-term loan agreement for EUR 7,400,000, repayable over 6 years, 1-year and 6 months grace period, 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 with Privredna banka Zagreb d.d. into a long-term loan agreement for EUR 12,250,000, repayable over 12 years, 2.05% interest rate, for the renovation of facilities and upgrading the classification of 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 13,441,000.00, repayable over 10 years, with an interest rate 2.1%, to be used for investments - purchasing and other costs of acquiring Club Adriatic d.o.o. Zagreb.

31. OTHER NON-CURRENT LIABILITIES

	31 December 2019	31 December 2020
Bankruptcy Plan /i/	61,720	61,720
TOTAL	**61,720**	**61,720**

/i/ The liabilities under the Bankruptcy Plan of HRK 61,720 relate to liabilities to secured creditors of the 2nd rank = HRK 31,224 and liabilities intended to be included in the share capital of HRK 30,496. The Bankruptcy Plan does not infringe on secured creditors' right to be paid from items subject to separate satisfaction.

32. TRADE PAYABLES

	31 December 2019	31 December 2020
Domestic trade payables	18,884,781	8,131,651
Liabilities to related suppliers (Note 39)	140,586	968,864
Foreign trade payables	312,077	131,567
TOTAL	**19,337,444**	**9,232,082**

33. LIABILITIES FOR ADVANCES, DEPOSITS AND GUARANTEES

	31 December 2019	31/12/2020
Advances received /i/	1,746,947	2,719,563
Security and other deposits	576,461	593,619
TOTAL	**2,323,408**	**3,313,182**

/i/ The liabilities for advances received in 2020 mainly relate to Katarina line d.o.o., Opatija, in the amount of HRK 1,118,398 (equivalent of EUR 148,390), individual advances in the amount of HRK 464,864 (equivalent of EUR 61,678) and Globtour group a.s. in the amount of HRK 136,712 (equivalent of EUR 18,139).

34. LIABILITIES TO EMPLOYEES

	31 December 2019	31 December 2020
Net salaries payable	1,136,596	1,190,067
Unused vacation days	1,116,777	397,251
Liabilities to employees - bonuses	1,393,817	1,393,817
Liabilities to employees - redistribution of working hours	94,002	63,715
Other liabilities to employees /i/	186,594	531,124
TOTAL	**3,927,786**	**3,575,974**

/i/ Other liabilities to employees include liabilities for termination benefits of HRK 476,886, liabilities for employees transportation to work in the amount of HRK 27,116, liabilities for meals in the amount of HRK 14,637, liabilities for HRK-per diems in the amount of HRK 8,708, liabilities for reimbursements of costs in the amount of HRK 2,083 and other employee benefits in the amount of HRK 1,694.

35. LIABILITIES TO THE GOVERNMENT

	31 December 2019	31 December 2020
Contributions from and on salaries	599,342	580,096
Taxes and surtaxes payable	134,255	133,434
Other liabilities to the government	83,842	(312,889)
TOTAL	**817,439**	**400,641**

36. OTHER CURRENT LIABILITIES

	31 December 2019	31 December 2020
Accrual of received capital aid /i/	862,087	799,999
Deferred income	442,243	-
Fees based on temporary service agreements	18,186	30,136
Scholarships	35,200	25,200
Other liabilities - unpaid to bankruptcy creditors	6,695	6,695
Other liabilities - investment in Selce campsite to be settled	209,734	-
Other liabilities - bank fees	44,711	-
TOTAL	**1,618,856**	**862,030**

/i/ The government grant of HRK 799,999 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

In the course of 2019, the Company signed two lease agreements for the lease of business premises, from 1 February 2019 for three pavilions within Ad Turres resort and from 1 March 2019 for the lease of the Delfin Hotel in Omišalj, both for a period of 10 years.

In 2020, the Company signed new lease agreements for the lease of business premises, as follows:

- Skoko Jozo-rental of a restaurant, pavilion and three bungalows with a parking lot near the hotel Omorika, from 1 January 2020 for a period of 5 years,
- Hotel Lišanj in Novi Vinodolski, from 18 February 2020 for a period of 3 years,
- Resort Umag, in Umag from 1 April 2020 for a period of 10 years.

As of 1 January 2020, the Company began presenting liabilities arising from the lease for the concession on the beach Kačjak in Dramalj within non-current assets for a period of 10 years, and the rental of personal vehicles for the rental of vehicles exceeding a period of one year.

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.

37. LEASE LIABILITIES AND RIGHT-OF-USE ASSETS (continued)

LEASE LIABILITIES

	1 January 2020	31 December 2020
Non-current lease liabilities	16,209,899	109,270,795
Current lease liabilities	1,134,163	16,567,007
TOTAL	**17,344,062**	**125,837,802**

RIGHT-OF-USE ASSETS

	Vehicles	Real estate	Beach concession	Total
Net book amount at 1 January 2019	**91,957**	**-**	**-**	**91,957**
Additions	-	17,569,570	-	17,569,570
Depreciation for the year	(32,875)	(1,569,559)	-	(1,602,434)
Net book amount at 31 December 2019	**59,082**	**16,000,011**	**-**	**16,059,093**
Net book amount at 1 January 2019	59,082	16,000,011	-	16,059,093
Additions	886,228	107,643,369	637,737	109,167,334
Depreciation for the year	(439,062)	(14,394,249)	(75,028)	(14,908,339)
Impairment	-	(5,786,496)	-	(5,786,496)
Net book amount at 31 December 2020	**506,248**	**103,462,635**	**562,709**	**104,531,592**

As stated in Note 2.20, the Company uses the exemption expedient for short-term leases and low-value leases. In 2020, short-term leases and low-value leases amounted to HRK 526,118. (Note 9).

38. CONTINGENT LIABILITIES

After the bankruptcy proceedings were completed in 2014, the Company continued to conduct all court disputes initiated at the time of bankruptcy, as well as those the Company did not manage to resolve during the bankruptcy period. Most legal actions related to claims brought by employees for failure to pay wages owed since before the year 2000. At the time the bankruptcy proceedings were initiated, 565 creditors notified the bankruptcy administrator that they were also secured creditors of the debtor in bankruptcy and that they held registered mortgages over Company's assets at the time the bankruptcy proceedings were opened. In the course of the bankruptcy proceedings, agreements for the release of mortgages were reached with most creditors. However, 99 creditors with registered mortgages over Company assets remained after the completion of the bankruptcy proceedings. The bankruptcy administrator brought 22 legal actions against these creditors to challenge their right to separate satisfaction against Company assets. The Company was not successful in these disputes – in 2017 and 2018 the Company entered into out-of-court settlement agreements for amicable resolution of mutual disputes. These settlement agreements were entered into with all former employees who agreed to withdraw their legal actions and release the mortgages after their claims are paid, which the Company committed to pay in 12 equal instalments.

Pursuant to the settlement agreements signed the Company made relevant payments to its former employees and the relevant registered mortgages/pledges and annotations were removed from the land registry. The Company took legal action against a former employee with whom no settlement agreement was reached.

The process of Company's transformation and the Property Statement Resolution issued by the Croatian Privatisation Fund resulted in unresolved proprietary matters. For the purpose of resolving such proprietary matters regarding its properties, the Company initiated individual corrective processes to align the land registry status with the actual status of the properties, as well as processes to establish title.

Modular structures owned by third parties were illegally mounted on part of the assets owned by the Company, namely on Selce campsite and Kačjak campground. As the owners of these modular structures refuse to remove them and surrender the plots, the Company took legal action for the purpose of repossessing the land/plots. The Company is conducting three court proceedings related to the determination of ownership rights for two restaurants that were owned by the Company until 2006, when the Company gave them under lease. Based on the Decisions of the Primorje-Gorski Kotar County, these facilities were given to third parties, without the Company receiving any compensation, and since these are facilities that the Company built and maintained until the moment of leasing. The proceedings in question are being conducted against the Town of Crikvenica and the Republic of Croatia.
Also, the Company has several disputes with the City of Crikvenica regarding property issues.
The return of the plots in the Selce campsite and the Kačjak campground to the possession of the Company is a precondition for the Company to continue the investment cycle in these two very attractive locations. For the further continuation of the investment cycle, it is important to resolve the issue of the status of the restaurant as well as disputes with the Town of Crikvenica.

As regards other court proceedings, the Company is a party to proceedings for the restitution of and compensation for property seized and enforcement proceedings to collect debt owed to it by third parties.

39. RELATED PARTY TRANSACTIONS

On 6 April 2018, the Sale and Transfer Agreement was signed for 70.74% of the shares of JADRAN d.d. Crikvenica. The Agreement was signed by the Restructuring and Sale Center (CERP) as the seller and PBZ CROATIA OSIGURANJE pension funds and ERSTE d.o.o. pension funds as the acquirers.

The main transactions with related parties during 2020 and 2019 were as follows:

31 December 2019

Company	Revenue	Expenses	Receivables and loans	Liabilities
Stolist	7,000	-	8,750	(12,500)
Club Adriatic	581,238	(24,574)	24,070,332	(128,086)
TOTAL	**588,238**	**(24,574)**	**24,079,082**	**(140,586)**

31 December 2020

Company	Revenue	Expenses	Receivables and loans	Liabilities
Stolist	20,784	-	72,165	-
Club Adriatic	1,229,522	(46,244)	27,474,274	(968,864)
TOTAL	**1,250,306**	**(46,244)**	**27,546,439**	**(968,864)**

40. EVENTS AFTER THE BALANCE SHEET DATE

On 2 December 2020, the High Commercial Court of the Republic of Croatia issued Judgment No. 61 Pž-2766 / 2019-2 of the plaintiff CLUB ADRIATIC d.o.o. against the defendant Municipality of Podgora. This judgment confirms that the Municipality of Podgora is required to pay the Club HRK 1.0 million with the associated interest, accruing as of 2 August 2014. The Municipality of Podgora is also required to pay CLUB ADRIATIC d.o.o. the amount of HRK 135,800.00 with legal default interest accruing as of 2 August 2014 arising from guaranteed profit. The Municipality of Podgora was urged to reimburse CLUB ADRIATIC d.o.o. for further costs of the proceedings in the amount of HRK 29,997.02 with statutory default interest accruing as of 2 December 2020.

On 30 March 2021, a Real Estate Purchase Agreement was concluded between CLUB ADRIATIC d.o.o. and Adria Podbiokovlje d.o.o. in the amount of EUR 392,948.40 in HRK equivalent on the date of the sale.
On 30 March 2021, the Real Estate Purchase Agreement was concluded between CLUB ADRIATIC d.o.o. and Adria Baško polje d.o.o. in the amount of EUR 4,745,143.00 in HRK equivalent on the date of the sale.

Current liabilities exceeded the amount of current assets due to the transfer of a non-current liability to the creditor Erste&Steiermärkische bank d.d. to a current liability in the amount of HRK 101,303,446. The liability was reclassified because until the balance sheet date of 31 December 2020 the Company had not received a waiver from the Bank that the breach of the covenant from the contract will not be treated as a breach of contract. The said waiver was submitted to the Company on 28 April 2021 and as such represents a “Significant event after the balance sheet date”, as a result of which the stated liability of the Company will be reclassified as a non-current liability.

41. NET DEBT

	Cash	Liabilities to financial institutions	Lease liabilities	Total
Net debt at 1 January 2019	**125,502,164**	**(83,136,646)**	**(91,957)**	**42,273,561**
Cash flow	(104,240,964)	(100,977,516)	302,068	(204,916,412)
Increase due to new leases	-	-	(17,569,570)	(17,569,570)
Interest expense	-	*(2,116,206)*	*(525,425)*	(2,641,631)
Interest paid	-	*2,116,206*	*525,425*	2,641,631
Foreign exchange differences and other non-cash movements	-	(2,606,861)	15,397	(2,591,464)
Net debt at 31 December 2019	**21,261,200**	**(186,721,023)**	**(17,344,062)**	**(182,803,885)**
Cash flow	5,402,336	(74,415,807)	685,899	(68,327,572)
Increase due to new leases	-	-	(109,167,334)	(109,167,334)
Interest expense	-	*(4,455,866)*	*(3,137,393)*	(7,593,259)
Interest paid	-	*4,455,866*	*3,137,393*	7,593,259
Foreign exchange differences and other non-cash movements	-	*(2,895,979)*	*(12,305)*	(2,908,284)
Net debt at 31 December 2020	**26,663,536**	**(264,032,809)**	**(125,837,802)**	**(363,207,075)**

MANAGEMENT REPORT

For the year ended 31 December 2020 (All amounts are expressed in HRK)

1. KEY OPERATING INFORMATION

Key operating indicators for the Company

	2019	2020	2020/2019
Number of accommodations (capacity)	1,889	2,169	14.8%
Number of bed-places	4,400	5,067	15.2%
Full occupancy days	89	47	-47.2%
Annual occupancy rate	32%	12%	-62.5%
Number of accommodations sold	218,904	84,574	-61.4%
Number of overnights	392,072	215,111	-45.1%
ADR (in HRK)	368	474	28.8%
RevPar (in HRK)	42,913	28,556	-33.5%

*In 2019, the key operating indicators include the figures for Delfin Boarding House and 3 pavilions in Ad Turres, and in 2020 they relate to Hotel Lišanj and Garden Resort Bella Natura Umag.

Key financial indicators for the Company

	2019	2020	2020/2019
TOTAL REVENUE	**109,934,127**	**73,164,186**	**-33%**
SALES REVENUE	98,585,084	60,003,345	**-39%**
OTHER OPERATING INCOME	10,837,621	12,150,637	**12%**
TOTAL EXPENSES	**114,708,496**	**180,647,299**	**57%**
OPERATING EXPENSES	111,238,807	170,439,671	**53%**
MATERIAL COSTS	44,670,363	32,421,118	**-27%**
STAFF COSTS	35,090,276	29,604,392	**-16%**
DEPRECIATION AND AMORTISATION	16,981,502	37,186,555	**119%**
IMPAIRMENT OF NON-CURRENT NON-FINANCIAL ASSETS	0	59,330,540	**n/a**
IMPAIRMENT	1,628,904	4,146,568	**155%**
OTHER COSTS	12,867,762	7,750,498	**-40%**
FINANCE INCOME	511,422	1,010,204	**98%**
FINANCE COSTS	3,469,689	10,207,628	**194%**
EBITDA	**15,165,401**	**-61,099,134**	**-503%**
EBITDA MARGIN	14%	-84%	**-705%**
NORMALISED EBITDA[1]	**25,417,656**	**2,377,974**	**-91%**
NORMALISED EBITDA MARGIN	22%	3%	**-86%**
EBIT	**-1,816,102**	**-98,285,689**	**5312%**
NORMALISED EBIT[2]	8,436,153	-34,808,581	**-513%**
EBT	**-4,774,369**	**-107,483,113**	**2151%**

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

2. GENERAL COMPANY INFORMATION

Name
JADRAN, dioničko društvo za hotelijerstvo i turizam, registration number (MBS): 040000817, Company ID no. (OIB): 56994999963. The abbreviated company name is JADRAN d.d.

Registered office and lega form
JADRAN d.d. is a joint stock company. The registered office is in Crikvenica, Bana Jelačića 16, Republic of Croatia.

Securities
As at 31 December 2020, the Company's share capital amounts to HRK 482,507,730.00 and is divided into 27,971,463 ordinary shares, without nominal amount, ticker JDRN-R-B. The shares were issued in dematerialised form under ticker JDRN-R-B, ISIN: HRJDRNB0002 and are held in custody of the depository of the Central Depository and Clearing Company.

In 2020, the **Supervisory Board** comprised the following members:

- Tomislav Kitonić, Chairman of the Supervisory Board
- Karlo Došen, Deputy Chairman of the Supervisory Board
- Dragan Magaš, Member of the Supervisory Board
- Mirko Herceg, Member of the Supervisory Board
- Ivan Blažević, Member of the Supervisory Board

In 2020, the **Management Board** comprised the following members:

- from 1 January 2020 to 22 May 2020:
    - Goran Fabris, Chairman of the Management Board
    - Karlo Čulo, Member of the Management Board

On 22 May 2020, the term of office of Karlo Čulo, a member of the Management Board, expired.

- from 23 May 2020 to 30 November 2020:
    - Goran Fabris, Chairman of the Management Board

The members of the Management Board are authorised to represent the Company solely and independently.

- from 1 December 2020 to 31 December 2020:
    - Goran Fabris, Chairman of the Management Board
    - Ivan Safundžić, Member of the Management Board

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

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

- CLUB ADRIATIC d.o.o., in which JADRAN has 4 business shares with a total value of HRK 117,104,500.00, which comprises 100% of shares and voting rights: one business share with a nominal amount of HRK 9,900.00, one business share with a nominal amount of HRK 53,572,100.00 HRK, one business share with a nominal amount of HRK 6,418,000.00 and one business share with a nominal amount of HRK 57,104,500.00.
- Stolist d.o.o. in which JADRAN 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 2020) is as follows:

- ADDIKO BANK D.D./PBZ CO OMF - KATEGORIJA B holds16,228,666 shares, representing a 58.02% share in the Company's share capital;
- OTP BANKA D.D./ERSTE PLAVI OMF KATEGORIJE B holds8,547,346 shares, representing a 30.56% share in the Company's share capital;

In 2020, the organisational structure has not changed. The Company operates through seven departments managed by the respective department directors. In addition, the Hotel Operations Department comprises ten profit centres and the Management Board operates a Management Board Office:

- Hotel Operations Department:
    - PC Kačjak,
    - PC Omorika,
    - PC Esplanade,
    - PC Ad Turres,
    - PC Zagreb,
    - PC International,
    - PC Kaštel,
    - PC Katarina,
    - PC Selce Campsite and
    - PC Slaven.
- Procurement Department,
- Technical Support and Maintenance Department,
- Finance and Accounting Department,
- HR, Legal and Administration Department,
- Controlling Department,
- Marketing and Sales Department and
- Management Board Office.

In 2020, the major events for JADRAN d.d. are set out below:

- In 2020, JADRAN d.d. signed new lease agreements for business premises, as follows:
    - Skoko Jozo - a lease was agreed on a restaurant, pavilion and three bungalows with parking near the hotel Omorika, from 1 January 2020 for a period of 5 years,
    - Hotel Lišanj in Novi Vinodolski, from 18 February 2020 for a period of 3 years,
    - Resort Umag, in Umag from 1 April 2020 for a period of 10 years.
- As of 1 January 2020, JADRAN d.d. started disclosing the 10-year concession on the beach Kačjak in Dramalj as well as car rentals for the rental periods longer than one year as part of non-current assets and lease liabilities.

- The company CLUB ADRIATIC d.o.o. has signed a lease agreement for the Hotel Noemia in Baška Voda, for a period of 15 years.
- As of 1 January 2020, the company Stolist started disclosing the 7-year concession on the beach Kaštel in Crikvenica, in front of hotel Kaštel as part of non-current assets and lease liabilities.

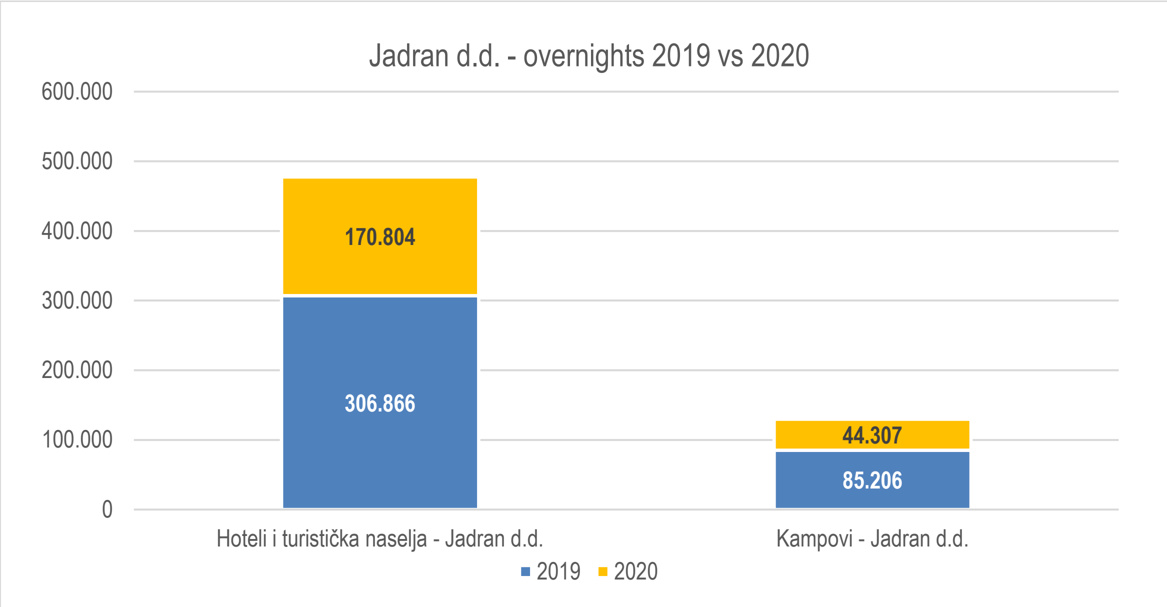
- On 2 December 2020, the High Commercial Court of the Republic of Croatia issued Judgement No. 61 Pž-2766/2019-2 in the case of the plaintiff CLUB ADRIATIC d.o.o. against the defendant Municipality of Podgora. This judgement confirms that the Municipality of Podgora is required to pay CLUB ADRIATIC d.o.o. the amount of HRK 1.0 million including the associated interest accruing as of 2 August 2014. The Municipality of Podgora is also required to pay CLUB ADRIATIC d.o.o. the amount of HRK 135,800.00 including the legal default interest accruing as of 2 August 2014 arising from guaranteed profit. The Municipality of Podgora was urged to reimburse CLUB ADRIATIC d.o.o. for further costs of the proceedings in the amount of HRK 29,997.02 with statutory default interest accruing as of 2 December 2020. The said judgement becomes final on the date of its issue and enforceable. In accordance with the above, the Company decided to record the said judgement on the day when the notice was received, i.e. on 1 March 2021.

3. REALISED OVERNIGHTS

At the JADRAN d.d. level 2020 was without a doubt the most challenging year since the start of business, during which the tourism sector had to face inevitable challenges on a global scale. With the support of government aid instruments and the flexibility of all employees, we believe that we have successfully responded to objective circumstances beyond our control by introducing a number of new transformative forms of collaboration and management from which we will benefit greatly in future years of development should external circumstances be more stable.

In 2020, campsites have been recognised as a product of the future as they provide all the comfort and infrastructure of hotel accommodation, but offer additional isolation, privacy, freedom of movement and proximity to nature, which has proven to be a benefit in the present specific epidemiological circumstances. We believe that further investment planning in campsite infrastructure will significantly contribute to better future results.

Chart 1 Overnights recorded by the Company in 2019 and 2020



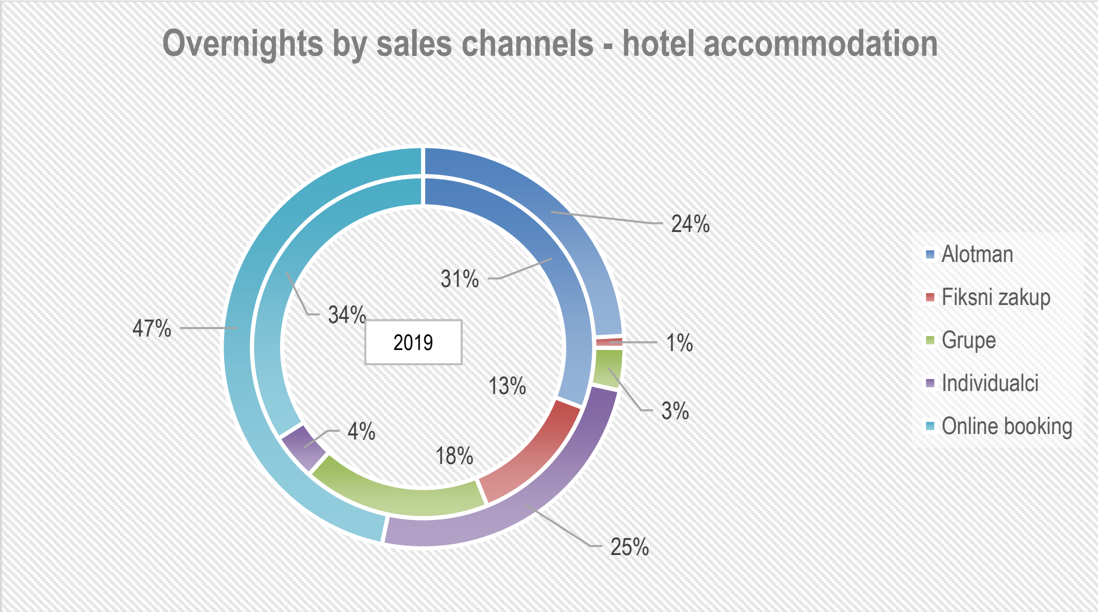
Source: JADRAN d.d.

The flexibility of cancellation policies, the restrictive regime of entering the country and limitation of hotel capacities in order to ensure the safest possible stay for guests, has resulted in a change in the distribution of JADRAN d.d. sales channels in realised overnights in 2020.

In the context of the decline in the number of overnights in hotel accommodation compared to 2019, the share of individual channels increased by 196% compared to 2019, with a share of 23% in total traffic in 2020. Developing an individual channel in 2020 and establishing a booking call centre indicate the strategic commitment and focus of business operations and investments in the future period. Online booking grew from a 34% share in 2019 to a 44% share in overnights in 2020.

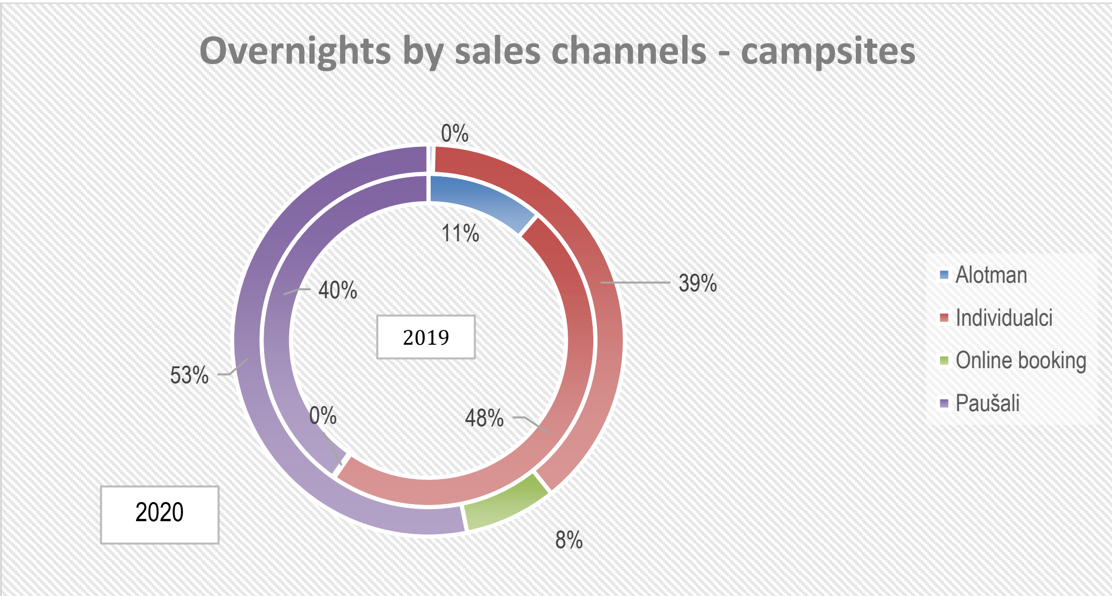
The 48% drop in overnights in campsites was caused by their late opening and earlier closing due to the COVID-19 crisis and the closing of the borders of our most important emitting markets for this type of accommodation, especially in the lump sum segment.

Chart 3a Overnights by sales channels in 2019 and 2020 for hotel accommodation



Source: JADRAN d.d.

Chart 3b Overnights by sales channels in 2019 and 2020 for campsites



Source: JADRAN d.d.

In 2020, foreign guests accounted for 79% of the Company's overnights and domestic guests accounted for 21%. In 2020, foreign guests mainly arrived from Germany, Slovenia, the Czech Republic, Hungary and Austria, with a significant increase in the number of guests from Poland.

4. COMPANY BUSINESS PERFORMANCE

4.1. Impact of COVID-19 on the Company's operations

Similar to many economic entities around the world, the Company's operations in 2020 were marked by the COVID-19 pandemic. By the middle of the second quarter, the Company operated under as normal circumstances as possible, expecting the situation to return to normal and the development cycle that began in 2019 to continue. Due to such expectations, the Company opted to complete all started investments for which it estimated that stopping them, in the long run, could cause additional damage and result in defaulting on the obligations to partners. At the end of the first quarter of 2020, the pandemic completely stopped operations, which resulted in shutting down all of the Company's facilities in the period from 19 March to 11 May 2020, with a complete rationalisation of operations.

The rationalisation of operations, all with the aim of protecting business continuity and preserving the liquidity of the Company, included the rationalisation of costs, capital expenditures and cash outflow primarily by means of the following measures:

- Rationalisation of staff costs – use of vacation days and days off, working from home and in agreement with social partners, reduction of salaries for workers who do not work (“waiting”).
- Later employment of seasonal workers and a smaller number of overall employees (seasonal workers account for nearly half of the workforce).
- Suspending investments to the extent that does not jeopardise the operation of facilities and settling obligations to business partners.
- Rationalisation of operating expenses – deciding not to purchase small inventory, minimising the cost of current maintenance to a “sustainable” minimum, assuming that the safety of facilities and guests and employees is not compromised.
- Lease agreements signed by JADRAN d.d. with lessors have been adjusted in a way to safeguard liquidity, but also to ensure the financial viability of these leases, while ensuring the sustainability of cooperation and the business continuity of partners with whom leases have been concluded.
- During June 2020, the Company entered into a moratorium with the Croatian Bank for Reconstruction and Development and a moratorium on loans with Privredna banka Zagreb.

With the relaxation of measures, after 11 May 2020, the Company began operating under “new” normal conditions, adapting to the new situation, strictly adhering to all prescribed epidemiological measures with continuous education of workers, thus protecting the health of its workers and guests.
After the main tourist season, the pandemic flared up again, which meant partial or complete shutdown of economic entities in our nearest emitting markets and as of 26 November 2020, the Decision on Necessary Epidemiological Measures Restricting Gatherings and Introducing Other Necessary Epidemiological Measures resulted in a renewed partial lockdown in the Republic of Croatia.

The Company's Management Board assessed that regardless of the “coronavirus crisis”, the continuation of the investment cycle with reduced intensity is necessary to ensure the conditions for further growth and development and ensure the competitiveness of the Company in the coming years. During 2020, the total value of investments amounted to HRK 54 million, with special attention being paid to preserving the Company's liquidity. Of the realised investments, special emphasis should be placed on the final completion of the investment in the pool complex, new plots and 13 new mobile homes in the Selce campsite and the investment in Slaven hotel annexes, which were reclassified from the existing “2* room for rent” category to a 3* hotel.

4.2. Overview of the Company's operations in 2020

In the period from January to December 2020, the Company generated total revenues of HRK 73,164,186, which is 33% less than the total revenues generated in the same period in 2019. Total expenses amounted to HRK 180,647,299 and are 57% higher than expenses incurred in the same period in 2019. The Company realised a loss of HRK 107,483,113, which is by HRK 102,708,744 higher than the loss realised in 2019. In 2020, EBITDA amounted to HRK -61,099,134, which is by HRK 76,264,535 lower than the EBITDA realised in 2019.

In order to better understand the results, it is necessary to further explain the structure of expenses, given the extremely high impact of "impairment" which is by HRK 61,848,204 higher than last year when it amounted to HRK 1,628,904, and this year it amounted to HRK 63,477,108 as presented below.

- Impairment of assets in the amount of HRK 59,330,540,
- Impairment of trade receivables in the amount of HRK 2,515,249 and
- Impairment of receivables from loans granted in the amount of HRK 1,631,319.

The *impairment of assets* is the result of business disruptions caused by the COVID-19 pandemic, which led to the fact that the Company's investments realised in the period from 2018 to 2019 did not bring the expected business results. Due to the high indebtedness of the Company and the need to preserve liquidity and a high degree of uncertainty, in 2020 it was necessary to stop the planned investment cycle, which aimed to raise value and make better use of some properties that have been neglected during the past two decades.
This primarily refers to the tourist complex Kačjak which is considered to be a genuine "pearl", whose potential is in itself unquestionable, but the expected value cannot be generated without making more serious investments.
The situation is similar with Hotel Katarina, in which the Company has invested almost HRK 20 million in the last two years, but due to the COVID-19 pandemic, the entire project has not been completed and its final realisation, including the reconstruction of the remaining rooms and introducing a famous medical brand, is expected in 2023.
Hotel Esplanade is considered to be the "flagship" of the Company, but also of the Crikvenica Riviera as a whole. The first part of the investment cycle was completed in the second half of 2018, but the final positioning of this facility as a year-round 'gourmet' hotel including the generation of expected results, can only be realised through additional investments in an indoor pool and additional facilities.
The Management Board of the Company believes that already in the period from 2023-2024, the impairment of assets from 2020 will be adjusted with regard to the expected recovery of the market after the pandemic and the realisation of previously planned investments that will ensure significantly better financial results of business facilities in the long run.

The impairment of leased assets is also the result of a somewhat poorer business performance of the said assets due to significant market disturbances caused by the COVID-19 pandemic.
The 2020 business results show that the Company, despite the negative effects of the pandemic generated a positive "cash flow" by way of the leased facilities. However, the final performance at the end of the lease term will depend primarily on how quickly the market will recover. In order to present the asset position as realistically as possible, the Management Board of the Company decided to recognise impairment on leased buildings, noting that in case of further negative market trends, together with business partners, it would consider redefining the lease conditions similar to the ones agreed in 2020.
In this case as well, the Management Board of the Company believes that in the next three years, as operations return to normal, the conditions will be met to eliminate "impairment".

The *impairment of trade receivables* is the result of an analysis of receivables collection for the previous three years in which the Company realised a lower receivables collection, and of objective circumstances caused by the COVID-19 pandemic which slowed down the collection of receivables from certain strategic customers. Despite the disruption in the dynamics of receivables collection and the fact that part of the receivables was collected with a significant delay, and a smaller part had to be written off, the Company believes that by the end of the business year 2021 the reasons for this impairment will disappear, i.e. that the ageing structure will improve significantly. Based on the current ageing structure of trade receivables, the historical data on collection and the current impact of COVID-19, the Company recorded an impairment in the amount of HRK 2,515,249, of which HRK 908,986 relates to receivables from wholly owned related parties.

The *impairment of receivables from loans granted* relates to the related party CLUB ADRIATIC. Namely, during the merger with CLUB ADRIATIC d.o.o., the Company had to secure the financial resources necessary for the business continuity of CLUB ADRIATIC from its own funds. Primarily, this refers to HRK 20 million secured for the payment of arrears to the employees of the said company, and the second part of the funds is directed to the necessary investments in order for the Hotel Alem and its annexes to retain the 2* classification. A divestment was performed by selling a part of the "company's inactive assets", whereby CLUB ADRIATIC provided funds for regular operations and development, and using these funds, JADRAN's receivables from loans granted will be settled. By 30 April 2021, CLUB ADRIATIC repaid the loan to JADRAN in the amount of HRK 10 million.

As a result of the above, after excluding the "impairment" effects during 2020, the Company realised EBITDA in the amount of HRK 2,377,974.

The analysis of the Company's total revenues in 2020 shows that of the total amount of HRK 73,164,186, operating income amounted to HRK 72,153,982, and finance income to HRK 1,010,204. The Company requested and received grants for employment protection and job preservation for March, April, May, June, November and December in the amount of HRK 6,326,824. If grants are excluded from total revenues, then total revenues amount to HRK 66,837,362 or 39% less than the total revenues generated in 2019. If grants are deducted from operating income, the total operating income amounts to HRK 65,827,158, so the real decline in revenues, compared to the same period in 2019, is 40%.

To better understand the business results, it is necessary to emphasise that for JADRAN d.d. the year 2020 started with new capacities (Hotel Lišanj with a total of 168 accommodation units and Garden Palace Resort Umag with a total of 112 accommodation units), which represents a physical growth of 15%. In addition, there are 40 accommodation units in the Ad Turres 3* hotel, which were not in operation during 2019, so the real physical growth is 17%.

The Company's total expenses in the period from January to December 2020 amounted to HRK 180,647,299, which is 57% more than the expenses generated in the same period in 2019. In the period from January to December 2020, operating expenses amounted to HRK 170,439,671, which is 54% more than the operating expenses generated in the same period in 2019.

The highest increase in total expenses refers to the increase in depreciation, which in the period from January to December 2020 amounted to HRK 37,186,555, i.e. it was 119% higher than the depreciation realised in the same period in 2019. It should be emphasised that the main reason for such increased depreciation in this period lies in the depreciation costs of leased facilities, in accordance with IFRS 16, the new method of calculating depreciation for facilities owned by the Company and the start of calculating depreciation for new investments completed in 2020. Thus, the total depreciation for facilities owned by the Company as at 31 December 2020 amounted to HRK 22,278,216, which is 34% or HRK 5,702,982 higher than the depreciation realized in 2019. The depreciation of leased facilities, all in accordance with IFRS 16, as at 31 December 2020 totalled HRK 14,820,339, which is HRK 13,305,905 higher than the depreciation of leased facilities in 2019. It should be further noted that the realised lease expenses 2020 amounted to HRK 3,336,001 and, accordingly, the leased facilities had a positive impact on the Company's cash flow.

By far the highest increase in total expenses was due to the impairment charge of the Company's non-current intangible assets in the amount of up to HRK 59,330,540, of which HRK 53.54 million relates to facilities owned by the Company and HRK 5.79 million to leased facilities.
In 2020, material costs amounted to HRK 32,421,118 or 27% lower than the costs incurred in 2019. Staff costs in 2020 amounted to HRK 29,604,392 or 16% lower than in the same period in 2019. In 2020, other expenses amounted to HRK 7,750,498 and were by 38% lower than the expenses incurred in the same period in 2019.

The “impairment” charge amounted to HRK 63,477,108 and has been explained earlier in the text.
Finance costs amounted to HRK 10,207,628, which was by 168% or HRK 6,400,960 higher than the costs incurred in the same period in 2019. It should be emphasised that in 2020, interest on operating leases (IFRS 16) increased by HRK 2,611,968 (new capacity) and interest on loans in the amount of HRK 2,436,048.

It should be emphasised once more that in 2020 the lease agreement for new business capacities was “activated”, which in accordance with IFRS 16 resulted in an increase in the value of intangible assets and, accordingly, an increase in lease liabilities by HRK 108.5 million. In accordance with the signed agreements and corrections of lease amounts for 2020, considering the adjustment to the new situation caused by the COVID-19 pandemic, these leases additionally contributed to the Company's cash flow being more stable this year.

In the period from January to December 2020, the Company realised a loss in the amount of HRK 107,483,113, while in the same period in 2019 it realised a loss in the amount of HRK 4,774,369. In 2020, EBITDA amounted to HRK -61,099,134 and was by HRK 76,264,535 lower than the EBITDA realised in the same period in 2019.
If the “impairment” effects would be excluded, the Company's loss in 2020 would amount to HRK 44,006,005, and the EBITDA normalised for one-time costs would amount to HRK 2,377,974, which is HRK 23,039,682 less than the normalised EBITDA in 2019.

For the year ended 31 December 2020 (All amounts are expressed in HRK)

5. ASSET MANAGEMENT

5.1. Management of Company assets

JADRAN d.d. manages owned immovable properties, namely eight hotels, a campsite, a campground and two resorts.

Table 3 The Company's accommodation capacities

FACILITY	Classification:	Capacity of accommodation units	Capacity of bed-places
KAČJAK	2* rooms	185	435
OMORIKA	4*/3*	169	350
AD TURRES TN	TN 3*	351	663
AD TURRES HOTEL	3*	40	80
ESPLANADE	4*	38	76
ZAGREB	2*	39	62
INTERNATIONAL	2*	52	82
KAŠTEL	3*	74	178
KATARINA	4*	152	352
SLAVEN HOTEL	3*	50	85
SLAVEN PAVILIONS	3*	161	322
SELCE CAMPSITE	3*	500	1,500
KAČJAK CAMPGROUND	campground	30	90
DELFIN	boarding house	48	123
LIŠANJ	4*	168	376
GARDEN PALACE RESORT UMAG	4*	112	293
	TOTAL IMMOVABLE FACILITIES	**1,639**	**3,477**
	TOTAL OTHER	**530**	**1,590**
	TOTAL	**2,169**	**5,067**

Source: JADRAN d.d.

In 2019 and 2020, the Company concluded lease agreements for the lease of the boarding house Delfin on the island of Krk, 3 pavilions as part of TN Ad Turres, hotel Lišanj in Novi Vinodolski, hotel Noemia in Baška Voda and Garden Palace Resort in Umag.
The lease agreement concluded for Hotel Noemia envisages the possibility for JADRAN d.d. to transfer the rights and obligations from the lease agreement to CLUB ADRIATIC d.o.o., which was done on 17 June 2020.

Based on the concluded lease agreements, the Company increased the number of accommodation units by 406 units or 945 bed-places.
With the new facilities managed by the Company since 2020, the Company manages a total of 2,169 accommodation units and 5,067 bed-places.

5.2. The Company's disputes

On completion of the bankruptcy proceeding in 2014, the Company continued to conduct all legal proceedings brought during its bankruptcy, as well as those it did not manage to resolve in the course of the bankruptcy proceeding. Most of these proceedings were claims submitted by employees for the failure to pay salaries in the period before the year 2000. Pursuant to the settlement agreements reached, the Company made the relevant payment to its former employees and the relevant mortgages/pledges and annotations were removed from the land registry. The Company took legal action against a former employee with whom no settlement agreement was reached.

The process of the Company's transformation and the Property Statement Resolution issued by the Croatian Privatisation Fund resulted in unresolved proprietary matters. For the purpose of resolving such proprietary matters regarding its properties, the Company initiated individual corrective proceedings to align the land registry status with the actual status of the properties, as well as processes to establish title.

Modular structures owned by third parties were illegally mounted on a part of assets owned by the Company, namely at the Selce campsite and the Kačjak campground. As the owners of such modular structures refuse to remove them and surrender the plots, the Company took legal action for the purpose of repossessing the land/plots.
The Company is involved in three legal proceedings concerning the establishment of title regarding two restaurants that had been in the Company's possession until 2006 and which the Company then leased out. Pursuant to the Decision of the Primorje-Gorski Kotar County, these properties were made available to third parties and the Company received no indemnification, considering that the Company built and maintained these properties until they were leased. These proceedings are conducted against the City of Crikvenica and the Republic of Croatia.
The Company is also involved in several disputes with the City of Crikvenica regarding proprietary matters.
The Company needs to repossess the plots at Selce campsite and Kačjak campground to be able to continue the investment cycle at these two highly attractive locations and the further development of the investment cycle is contingent upon the resolution of the restaurants' status and disputes with the City of Crikvenica.

As regards other legal proceedings, the Company is a party to proceedings for the restitution of and compensation for property seized and enforcement proceedings to collect receivables from third parties.

6. COMPANY AND GROUP 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. To increase its market competitiveness, the Company launched a new investment cycle in 2018, which continued in 2019 including not only investments in accommodation for the purpose of increasing the number of units and improve accommodation quality, but also investments in the destination through active involvement in all events and designing new attractions on the Crikvenica Riviera. Regardless of the "coronavirus crisis", the Company's Management Board has assessed that, without jeopardising its liquidity, the Company can continue with a part of its investments planned for the 2020 season, which were concluded during the year. 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 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.

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. During the pandemic, certain partners may be further exposed to liquidity risk, which may result in higher settlement risk. 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 or in case the free movement of people and goods is disrupted during the pandemic.

Inflation risk
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. 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 stock exchange 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.
Liquidity risk management involves maintaining a sufficient amount of cash and working capital.
The current high level of indebtedness of the Company does not jeopardise current liquidity, and the 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.
After the balance sheet date, the Company realised the planned divestment in the company CLUB ADRIATIC, thus creating the preconditions for the repayment of borrowings from a related company, but also providing funds for a continuous investment cycle, although restricted due to the pandemic.

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. During the pandemic, the Company is hoping that the legislator, the relevant executive authorities and the local community will, in addition to the measures absolutely necessary to protect people's health, offer various financial and operational reliefs for entities adversely affected by the pandemic.

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 aforementioned 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 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 2020, JADRAN d.d. had a total of 172 employees.
As at 31 December 2020, CLUB ADRIATIC d.o.o. had a total of 55 employees.
As at 31 December 2020, Stolist d.o.o. had no employees.
At 31 December 2020, the Group had 227 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 2020, the share capital of JADRAN d.d. amounted to HRK 482,507,730.00, 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 2020, the share capital of CLUB ADRIATIC d.o.o. amounted to HRK 117,104,500.00.
As at 31 December 2020, the share capital of Stolist d.o.o. amounted to HRK 20,000.

10. SIGNIFICANT EVENTS AFTER THE YEAR END

On 2 December 2020, the High Commercial Court of the Republic of Croatia issued Judgement No. 61 Pž-2766/2019-2 in the case of the plaintiff CLUB ADRIATIC d.o.o. against the defendant Municipality of Podgora. This judgement confirms that the Municipality of Podgora is required to pay CLUB ADRIATIC d.o.o. an amount of HRK 1.0 million including the associated interest accruing as of 2 August 2014. The Municipality of Podgora is also required to pay CLUB ADRIATIC d.o.o. the amount of HRK 135,800.00 including the legal default interest accruing as of 2 August 2014 arising from guaranteed profit. The Municipality of Podgora was urged to reimburse CLUB ADRIATIC d.o.o. for further costs of the proceedings in the amount of HRK 29,997.02 with statutory default interest accruing as of 2 December 2020.

On 30 March 2021, a Real Estate Purchase Agreement was concluded between CLUB ADRIATIC d.o.o. and Adria Podbiokovlje d.o.o. in the amount of EUR 392,948.40 in HRK equivalent on the date of the sale.
On 30 March 2021, a Real Estate Purchase Agreement was concluded between CLUB ADRIATIC d.o.o. and Adria Baško polje d.o.o. in the amount of EUR 4,745,143.00 in HRK equivalent on the date of the sale.

Based on an analysis of the balance sheet, current liabilities exceeded current assets due to the transfer of a non-current liability to the creditor Erste&Steiermärkische bank d.d. to a current liability in the amount of HRK 101,303,446. The liability was reclassified because until the balance sheet date as at 31 December 2020 the Company had not received a waiver from the Bank that the breach of the covenant from the contract will not be treated as a breach of contract. The said waiver was submitted to the Company on 28 April 2021 and as such represents a “Significant event after the balance sheet date”, as a result of which the stated liability of the Company will be reclassified as a non-current liability. The said judgement becomes final on the date of its issue and enforceable. In accordance with the above, the Company decided to record the said judgement on the day when the notice was received, i.e. on 1 March 2021.

11. RELATED PARTY TRANSACTIONS

Related party transactions are performed at arm’s length whereby market prices apply.
In the period under review, HRK 1,250,306 of revenue was generated from related party transactions, while costs incurred during this period amounted to HRK 46,244. As at 31 December 2020, receivables from related parties amounted to HRK 27,546,439, and the Company’s liabilities to related parties amounted to HRK 968,864.

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 and 40/19), hereby issues this Corporate Governance Statement.

In 2020, 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 482,507,730.00, 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 2020, 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 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 Meeting. The operation of the General Meeting, 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 Meeting.
In 2020, the General Meeting in was convened and held in accordance with the provisions of the Companies Act and the Company's Articles of Association. The General Meeting notice, the motions made to, and resolutions passed by the General Meeting 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 Meeting 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 31 August 2020, 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 a decision was rendered on amendments to the Company's Articles of Association and an auditor was appointed to audit the financial statements for 2020.

All decisions from the sessions of the General Meeting were published in accordance with legal regulations on the websites of the Company (www.jadran-crikvenica.hr), the Zagreb Stock Exchange and HANFA.
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 Meeting, 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 Meeting 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 2020, 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. The Supervisory Board of the Company operated three committees which support the Supervisory Board by preparing decisions to be taken by the Supervisory Board and supervising their implementation. These committees are as follows: the Audit and Remuneration Committee, the Appointment Committee and the Corporate Governance Committee.
As at 31 December 2020, the Supervisory Board comprised the following persons:
- Tomislav Kitonić, Chairman of the Supervisory Board
- Karlo Došen, Deputy Chairman of the Supervisory Board
- Dragan Magaš, Supervisory Board Member
- Mirko Herceg, Supervisory Board Member
- Ivan Blažević, Supervisory Board Member (employee representative) – until 19 April 2021
- Adrian Čajić - Supervisory Board Member (employee representative) – as of 19 April 2021

On 23 April 2021, the Company received a notification from the Workers' Council on the change of employee representatives in the Company's Supervisory Board. The Workers' Council informed the Company that on 19 April 2021 a session of the Workers' Council was held at which the new employee representative in the Supervisory Board was appointed - Mr. Adrian Čajić, and with this new appointment, the term of office of Mr. Ivan Blažević ended.
In 2020, 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.
In 2020, the Company's Management Board comprised the following persons:
- from 1 January 2020 to 22 May 2020:
  - Goran Fabris, Chairman of the Management Board
  - Karlo Čulo, Member of the Management Board

On 22 May 2020, Karlo Čulo's term of office as Management Board Member expired.
- from 23 May 2020 to 30 November 2020:
  - Goran Fabris, Chairman of the Management Board

The Members of the Company's Management Board are authorised to represent the Company solely and independently.

- from 1 December 2020 to 31 December 2020:
  - Goran Fabris, Chairman of the Management Board
  - Ivan Safundžić, Member of the 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 Meeting 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 Meeting 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 empower a person of their choice;
- 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 Meeting. 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 2020 Supervision Report and the results of examining reports relevant to the closing of the fiscal year 2020;
- 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 in 2020 between Supervisory Board Members or Management Board Members and the Company;
- The Audit and Remuneration Committee assessed that there was no need to draft rules specifying which services an external audit company may not provide to the Company;

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. duly discloses the required inside information and any changes thereto as soon as such changes occur.