



JADRAN d.d.
Bana Jelačića 16, Crikvenica

**ANNUAL REPORT OF THE COMPANY AND THE GROUP
FOR 2023 AND AUDITOR'S REPORT**

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This Annual Report format does not constitute an official ESEF Annual Report.



Independent Auditor's Report

To the Shareholders of Jadran d.d.

Report on the audit of the separate and consolidated financial statements

Our opinion

In our opinion, the separate and consolidated financial statements present fairly, in all material respects, the separate and consolidated financial position of Jadran d.d. (the "Company") and its subsidiaries (together – the "Group") as at 31 December 2023, and the Company's and the Group's separate and consolidated financial performance and separate and consolidated 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 29 April 2024.

What we have audited

The Company's separate and the Group's consolidated financial statements comprise:

- the separate and consolidated statements of comprehensive income for the year ended 31 December 2023;
- the separate and consolidated statements of financial position as at 31 December 2023;
- the separate and consolidated statements of changes in equity for the year ended 31 December 2023;
- the separate and consolidated statements of cash flows for the year ended 31 December 2023; and
- the notes to the separate and consolidated financial statements, comprising material accounting policy information 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 and consolidated 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 and the Group 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 other permitted non-audit services to the Group in the period from 1 January 2023 through 31 December 2023.

PricewaterhouseCoopers d.o.o., Heinzelova 70, 10000 Zagreb, Croatia
T: +385 (1) 6328 888, F: +385 (1) 6111 556, www.pwc.hr

Commercial Court in Zagreb, no.: Tt-99/7257-2, Reg. No.: 080238978; Company ID No.: 81744835353; Founding capital: EUR 240,228.28, paid in full; Management Board: J. M. Gasparac, President; S. Dusic, Member; T. Macasovic, Member; Business account: Raiffeisenbank Austria d.d., Magazinska 69, Zagreb, Croatia, IBAN: HR8124840081105514875.



Our audit approach

Overview

	<ul style="list-style-type: none"> • Overall Group materiality: EUR 716 thousand, which represents approximately 2.5% of total revenues from continuing operations. • Overall Company materiality: EUR 590 thousand, which represents approximately 2.5% of total revenues from continuing operations.
	<ul style="list-style-type: none"> • We conducted audit work at two reporting units in Croatia. Our audit scope addressed 100% of the Group's revenues and assets and almost 100% of the Group's absolute value of underlying profit before tax.
	<ul style="list-style-type: none"> • The Company and the Group – recoverable amount of property, plant and equipment • The Group – Business combinations in 2023

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the separate and consolidated 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.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the separate and consolidated 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 and consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the separate and consolidated 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 and consolidated financial statements as a whole.

Overall Company and Group materiality	The Company: EUR 590 thousand The Group: EUR 716 thousand
How we determined it	The Company and the Group: approximately 2.5% of total revenues from continuing operations
Rationale for the materiality benchmark applied	We chose revenue as the benchmark because the Company and the Group are in the process of restructuring with emphasis on growth and, in our view, the Company's and the Group's performance is measured on the basis of this benchmark. In addition, the net results for the previous years were not constant and revenues are a more consistent measure of performance. The percentage used is consistent with quantitative materiality thresholds used for the companies in this sector.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated 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
<p><i>The Company and the Group – Recoverable amount of property, plant and equipment</i></p> <p>See Notes 2.5 and 2.8 (Material accounting policy information), Note 3 (Critical accounting judgments and estimates) and Note 17 (Property, plant and equipment)</p> <p>As at 31 December 2023, the Company recorded property, plant and equipment with a carrying value of EUR 75,347 thousand (Group: EUR 120,682 thousand), which is carried at historical cost less accumulated depreciation and impairment, where required.</p> <p>In accordance with the provisions of IAS 36 Impairment of Assets, the Company's management reviews its accommodation facilities (defined as cash-generating units) at each balance sheet date to determine whether there are indications that their value is not recoverable at the balance sheet date. Management performs a detailed review of the accommodation facilities for which an impairment loss was recognised in previous periods, whether there are reasons for its reversal in the current period.</p> <p>Based on the analyses performed, management concluded that there is no additional need to recognise an impairment loss, nor to reverse a previously recognised loss.</p> <p>We focused on this matter due to the materiality of the amount of these assets as well as the complex impairment testing process which involves the use of multiple estimates as described in Note 3.</p>	<p>We obtained a detailed overview of the achieved EBITDA levels for all accommodation facilities (hotel, tourist resort or campsite), and checked the Company's and the Group's conclusion on accommodation facilities with indications of impairment or possible indications of result improvements for facilities with previously recognised losses. Based on this analysis and calculation of the recoverable value of the identified accommodation facilities, we carried out the following detailed procedures:</p> <ul style="list-style-type: none"> • we tested the mathematical accuracy of the value-in-use calculations, compared input data to financial information and business plan for the following year as well as the consistency of methodology used in comparison to the previous year; • we checked, on a sample basis, the allocation of operating revenues and expenses on appropriate accommodation facilities; • we compared the actual and budgeted EBITDA level for 2023 in order to identify significant deviations, if any, and whether these deviations have been appropriately considered in calculating the recoverable amount; • for two key assumptions (discount rate and terminal value growth rate) used in the value-in use calculations for the selected facilities, we engaged our valuation experts to assist us in assessing its reasonableness by comparing to entities with similar risk profiles and observable market information in relation to economic growth forecasts; • in order to confirm the defined fair value less the cost of sales for certain facilities, we reviewed the estimates in order to assess the adequacy of the methodology, the used assumptions and the determined fair value as at the balance sheet date. <p>We reviewed the relevant disclosures in the separate and consolidated financial statements.</p>



Key audit matter

The Group – Business combinations in 2023

See Note 2.25 (Significant accounting policies), Note 3 (Critical accounting judgements and estimates) and Note 38 (Acquisition of Adria coast turizam d.o.o.)

Based on the signed sales agreement, on 6 February 2023, Jadran d.d. sold its former subsidiary Club Adriatic d.o.o. and acquired a new subsidiary Adria coast turizam d.o.o.

The acquisition of the aforementioned company represents a business combination that is calculated using the acquisition method in accordance with the provisions of IFRS 3 Business Combinations.

Management considered the IFRS criteria related to the exchange of assets, the contractual relationships existing before the acquisition date, and the conditions for determining the acquisition date itself.

Furthermore, management allocated the purchase price to the acquired net fair value of assets with assistance from external experts. This included the assets of the acquired subsidiary, i.e. the Grand Hotel View accommodation facility, as well as the value of the terminated lease agreement as of the acquisition date.

We focused on this matter because of the significance of the business combination described above and its impact on the consolidated financial statements as set out in Note 38.

How our audit addressed the key audit matter

Our audit procedures included the following:

- We read the most significant legal documentation related to the business combination in order to determine its nature and the appropriate accounting method in the consolidated financial statements.
- We checked the adequacy of the applied accounting treatment of the business combination in accordance with the provisions of IFRS 3 with the assistance of internal experts.
- With respect to the purchase price allocation to the acquired fair value, we performed the following detailed procedures:
 - we tested the mathematical accuracy of the allocation and the goodwill calculation;
 - we reconciled the acquired assets and liabilities with the financial data of the acquired company on the date of acquisition;
 - we reviewed the valuation of the Grand Hotel View made by an independent appraiser and, with the assistance of external experts, assessed the appropriateness of the applied methodology, the used assumptions and the determined fair value;
 - we assessed the competences, abilities, objectivity and qualifications of the independent appraisers engaged by management;
 - we analysed the adequacy of the calculation of the effect of the termination of the lease agreement assessed as an earlier contractual relationship and its impact on the calculation of the business combination.
- We reviewed the relevant disclosures in the consolidated financial statements and assessed their completeness and accuracy.

How we tailored our Group audit scope

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



Reporting on other information

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

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

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated 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 Articles 21 and 24 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 and consolidated financial statements are prepared is consistent, in all material respects, with the separate and consolidated financial statements;
- the Management Report has been prepared in accordance with the requirements of Articles 21 and 24 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 the Group and their environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management Report and the Corporate Governance Statement and other information 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 and consolidated financial statements

Management is responsible for the preparation and fair presentation of the separate and consolidated 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 and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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



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

Our objectives are to obtain reasonable assurance about whether the separate and consolidated 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 and consolidated 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 and consolidated 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 and Group'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 and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and consolidated 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 and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 and consolidated 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 and the Group on 28 September 2018. Our appointment has been renewed annually by shareholder resolution with the most recent reappointment on 14 July 2023, representing a total period of uninterrupted engagement appointment of 6 years.

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

We have been engaged based on our agreement by the management of the Company to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the presentation of the Company's and the Group's separate and consolidated financial statements for the year ended 31 December 2023 included in the attached electronic file "jadrandd-2023-12-31-hr.zip" (the "Presentation of the Financial Statements").

Description of subject matter and applicable criteria

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

Those regulations require that:

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

The requirements described above determine the basis for application of the Presentation of the Financial Statements and, in our view, constitute appropriate criteria to form a reasonable assurance conclusion.

Responsibility of the management and those charged with governance

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

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



Our responsibility

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

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

Procedures performed

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

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

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

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

Conclusion

In our opinion, based on the procedures performed and evidence obtained, the Presentation of the Financial Statements for the year ended 31 December 2023 included in the above stated attached electronic file complies, in all material respects, with the ESEF Regulation and the Capital Market Act.

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

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

PricewaterhouseCoopers d.o.o.
Heinzelova 70, Zagreb
29 April 2024

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

Jadran d.d.

Statement of the Management Board's responsibilities

Pursuant to the Croatian Accounting Act in force, the Management Board of Jadran d.d., Crikvenica, Bana Jelačića 16 (the "Company") is responsible for ensuring that separate and consolidated annual financial statements are prepared for 2023 in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, in order to give a true and fair view of the financial position, operating results, cash flows of the Company and the Group for the period.

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

In preparing the annual separate and consolidated 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 financial reporting standards;
- judgements and estimates are reasonable and prudent;
- applicable accounting standards are followed; subject to any material departures disclosed and explained in the separate and consolidated financial statements; and
- the annual separate and consolidated 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, and cash flows of the Company and the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

The Annual Report was authorised for issue by the Management Board on 29 April 2024.

Miroslav Pelko

Member of the Management
Board



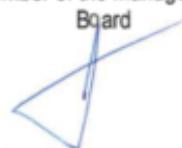
Irina Tomić

President of the Management
Board



Ivan Safundžić

Member of the Management
Board





**JADRAN joint stock company for hotel management and tourism
Crikvenica**

**SEPARATE AND CONSOLIDATED ANNUAL
FINANCIAL STATEMENTS
FOR 2023**

	Note	Company		Group	
		2022	2023	2022	2023
		*Restated		*Restated	
		EUR '000	EUR '000	EUR '000	EUR '000
<i>Continuing operations</i>					
Revenue from sales of goods and providing services on the market	6	29,220	23,600	30,219	28,642
Other income and gains	7	2,909	11,721	2,929	3,782
Total operating income		32,129	35,321	33,148	32,424
Cost of goods sold		(36)	(36)	(42)	(37)
Cost of raw materials and supplies	8	(5,854)	(4,939)	(6,097)	(5,889)
Cost of services	9	(6,053)	(5,623)	(6,246)	(6,432)
Staff costs	10	(7,937)	(8,332)	(8,252)	(9,375)
Depreciation and amortisation	17, 18, 19, 34	(7,489)	(5,700)	(8,049)	(9,056)
Reversal of impairment / (Impairment) of non-current non-financial assets	11	1,225	(3,251)	(971)	276
Net gains / (losses) on value adjustments of financial assets	12	40	30	(2)	(83)
Other operating expenses	13	(1,708)	(2,500)	(1,728)	(3,087)
Total operating expenses		(27,812)	(30,351)	(31,387)	(33,683)
Operating profit / (loss)		4,317	4,970	1,761	(1,259)

*Restated due to the change in the presentation currency from kuna to euro (see Note 2).

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

	Note	Company		Group	
		2022 *Restated	2023	2022 *Restated	2023
		EUR '000	EUR '000	EUR '000	EUR '000
Finance income	14	245	12	248	4
Finance costs	14	(2,076)	(1,567)	(2,298)	(2,978)
Net loss from financing activities		(1,831)	(1,555)	(2,050)	(2,974)
Profit / (loss) before tax		2,486	3,415	(289)	(4,233)
Income tax	15	2,342	(686)	(168)	(530)
Profit / (loss) from continuing operations		4,828	2,729	(457)	(4,763)
Gain from discontinued operations	37	-	-	186	1,373
Net profit / (loss) for the year		4,828	2,729	(271)	(3,390)
Other comprehensive income		56	-	42	-
Total comprehensive income / (loss) for the year		4,884	2,729	(229)	(3,390)
Earnings / (loss) per share from continuing operations		0.17	0.10	(0,02)	(0,17)
Earnings / (loss) per share from discontinued operations	16	0.17	0.10	(0,01)	(0,12)
Total comprehensive income attributable to Owners arises from:					
Continuing operations		4,884	2,729	(415)	(4,763)
Discontinued operations		-	-	186	1,373

*Restated due to the change in the presentation currency from kuna to euro (see Note 2).

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

	Note	Company			Group		
		1 January 2022	31 December 2022	31 December 2023	1 January 2022	31 December 2022	31 December 2023
		*Restated EUR '000	*Restated EUR '000	EUR '000	*Restated EUR '000	*Restated EUR '000	EUR '000
Assets							
Non-current assets							
Goodwill	38	-	-	-	175	-	489
Property, plant and equipment	17	77,779	79,064	75,347	101,169	79,064	120,682
Intangible assets	18	251	268	207	261	268	207
Investment property	19	4,026	4,221	4,212	4,119	4,221	4,212
Financial assets	20	-	-	-	181	-	130
Investments in subsidiaries	21	15,767	129	23,071	-	-	-
Right-of-use assets	37	13,099	34,960	7,659	20,307	39,579	7,888
Deferred tax assets	15	545	2,886	2,200	545	2,886	2,200
Total non-current assets		111,467	121,528	112,696	126,757	126,018	135,808
Current assets							
Inventories	22	107	121	81	120	121	118
Trade receivables	23	351	287	428	2,175	287	457
Receivables from related parties	23	72	18	72	-	-	-
Receivables from the government and other receivables	24	931	701	568	1,191	702	659
Income tax receivable		83	45	-	159	45	-
Receivables for loans granted to related parties	25	1,405	13	474	-	-	-
Cash and cash equivalents	26	2,091	795	1,023	3,092	806	1,769
		5,040	1,980	2,646	6,737	1,961	3,003
Assets held for sale	21, 37	-	15,609	-	-	24,419	-
Total current assets		5,040	17,589	2,646	6,737	26,380	3,003
Total assets		116,507	139,117	115,342	133,494	152,398	138,811

*Restated due to the change in the presentation currency from kuna to euro (see Note 2).

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

	Note	Company			Group		
		1 January 2022	31 December 2022, *Restated EUR '000	31 December 2023	1 January 2022	31 December 2022, *Restated EUR '000	31 December 2023 EUR '000
Capital and reserves							
Share capital		64,159	64,040	64,040	64,159	64,040	64,040
Capital reserves		31,143	31,085	31,085	31,143	31,085	31,085
Accumulated loss		(30,634)	(25,750)	(23,021)	(22,844)	(23,073)	(26,463)
Total equity	27	64,668	69,375	72,104	72,458	72,052	68,662
Non-current liabilities							
Provisions	28	94	81	152	94	81	154
Liabilities to financial institutions	29	28,600	24,580	20,547	28,600	24,580	43,047
Other non-current liabilities	30	8	8	8	8	8	8
Lease liabilities	34	12,816	36,383	10,499	20,835	44,045	10,709
Deferred tax liabilities	15	-	-	-	-	-	2,111
Total non-current liabilities		41,518	61,052	31,206	49,537	68,714	56,029
Current liabilities							
Trade payables	31	1,399	1,454	1,035	2,058	1,407	2,629
Liabilities for advances, deposits and guarantees	32	415	354	482	535	354	499
Liabilities to banks	29	3,952	5,001	6,767	3,952	5,001	8,625
Other current liabilities	33	1,243	1,208	2,795	1,371	1,209	1,394
Lease liabilities	34	3,312	673	953	3,583	1,015	973
		10,321	8,690	12,032	11,499	8,986	14,120
Liabilities from assets held for sale	37	-	-	-	-	2,646	-
Total current liabilities		10,321	8,690	12,032	11,499	11,632	14,120
Total liabilities		51,839	69,742	43,238	61,036	80,346	70,149
Total equity and liabilities		116,507	139,117	115,342	133,494	152,398	138,811

*Restated due to the change in the presentation currency from kuna to euro (see note 2).

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

Company	Share capital	Capital reserves	Accumulated loss	Total
<i>EUR '000</i>				
Balance at 1 January 2022	64,159	31,143	(30,634)	64,668
<i>Effect of change in accounting policy (presentation currency) – Note 2</i>	<i>(119)</i>	<i>(58)</i>	<i>56</i>	<i>(121)</i>
<i>Net profit</i>	<i>-</i>	<i>-</i>	<i>4,828</i>	<i>4,828</i>
Balance at 31 December 2022	64,040	31,085	(25,750)	69,375
<i>Comprehensive income for the year</i>	<i>-</i>	<i>-</i>	<i>2,729</i>	<i>2,729</i>
Balance at 31 December 2023	64,040	31,085	(23,021)	72,104

*Restated due to the change in the presentation currency from kuna to euro (see Note 2).

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

Group	Share capital	Capital reserves	Accumulated loss	Total
<i>EUR '000</i>				
Balance at 1 January 2022	64,159	31,143	(22,844)	72,458
<i>Effect of change in accounting policy (presentation currency) – note 2</i>	<i>(119)</i>	<i>(58)</i>	<i>42</i>	<i>(135)</i>
<i>Net loss</i>	<i>-</i>	<i>-</i>	<i>(271)</i>	<i>(271)</i>
Balance at 31 December 2022	64,040	31,085	(23,073)	72,052
<i>Comprehensive income for the year</i>	<i>-</i>	<i>-</i>	<i>(3,390)</i>	<i>(3,390)</i>
Balance at 31 December 2023	64,040	31,085	(26,463)	68.662

*Restated due to the change in the presentation currency from kuna to euro (see Note 2).

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

		Company	Company	Group	Group
	Note	2022 *Restated	2023	2022 *Restated	2023
		EUR '000	EUR '000	EUR '000	EUR '000
Cash flow from operating activities					
Profit / (loss) before tax from:					
Continuing operations	15	2,486	3,415	(289)	(4,233)
Discontinued operations		-	-	301	1,373
Profit / (loss) before tax including discontinued operations		2,486	3,415	12	(2,860)
Depreciation and amortisation	17,18,19,34	7,489	5,700	8,491	9,056
Net loss on sale and disposal of non-current assets		85	1,183	119	1,187
Change in non-current provisions		(13)	71	(13)	73
Interest received	14	(29)	(12)	-	(4)
Interest paid	14	1,780	1,567	2,002	2,978
Net foreign exchange differences		(64)	-	(61)	-
Net gains on value adjustments of financial assets	12	(40)	(30)	(47)	(43)
Net gains on sale of subsidiary	7	-	(7,510)	-	-
Net gains on termination of lease contract	7	(1,417)	(2,156)	(1,417)	(2,156)
(Reversal of impairment) / impairment of non-current non-financial assets	11	(1,225)	3,251	796	(276)
Impairment of goodwill	11	-	-	175	-
Changes in trade and other receivables		412	453	1,368	745
Changes in inventories		(13)	40	(16)	3
Changes in trade and other payables		(171)	(208)	(691)	124
Cash flows from operating activities		9,280	5,764	10,718	8,827
Interest paid	36	(1,762)	(1,499)	(1,982)	(2,759)
A. Net cash from operating activities		7,518	4,265	8,736	6,068

*Restated due to the change in the presentation currency from kuna to euro (see Note 2).

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

Separate and consolidated statement of cash flows
For the year ended 31 December 2023

		Company	Company	Group	Group
	Note	2022 *Restated	2023	2022 *Restated	2023
		EUR '000	EUR '000	EUR '000	EUR '000
Cash flow from investing activities					
Acquisition of the cash of a subsidiary	38	-	-	-	9
Payments for purchases of non-current tangible and intangible assets		(4,282)	(1,530)	(4,387)	(3,050)
Cash receipts from the sale of subsidiary	37	-	1,677	-	1,676
Interest received		41	9	-	4
Loans granted		(8)	(475)	-	-
Repayment of loans granted		1,386	-	-	-
B. Net cash from investing activities		(2,863)	(319)	(4,387)	(1,361)
Cash flow from financing activities					
Proceeds from borrowings	36	800	4,227	800	4,227
Repayment of borrowings	36	(3,780)	(6,560)	(3,780)	(6,560)
Repayment of lease principal	36	(2,967)	(1,385)	(3,650)	(1,411)
C. Net cash from financing activities		(5,947)	(3,718)	(6,630)	(3,744)
Net (decrease) / increase in cash		(1,292)	228	(2,281)	963
Cash and cash equivalents at beginning of period	26	2,091	795	3,092	806
Effects of exchange rate changes		(4)		(5)	-
Cash and cash equivalents at end of period	26	795	1,023	806	1,769

*Restated due to the change of presentation currency from kuna to euro (see note 2).

**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 and the Group

Jadran joint stock company for hotel management and tourism, Bana Jelačića 16, Crikvenica (the "Company") is registered with the Commercial Court in Rijeka under Reg. No. (MBS): 040000817. The Company's subscribed share capital amounts to EUR 64.039.780 and is divided into 27,971,463 ordinary shares without nominal amount with the ticker symbol JDRN-R-B. The company's shares are listed on the official market of the Zagreb Stock Exchange. The major shareholder is PBZ Croatia osiguranje mandatory pension fund - category B ("Parent Company"), which owns 58.30% of the Company's share capital. Given that the parent company is an investment entity, and the company Jadran d.d. is not an investment entity and its business activity is not related to the investment activities of the investment entity, the Parent Company in accordance with IFRS 10 is not obliged to consolidate subsidiaries.

Pursuant to the provisions of the Act on the Introduction of the Euro as the Official Currency in the Republic of Croatia and the Act on Amendments to the Companies Act, and based on the decision of the General Assembly on the adjustment of share capital dated 14 July 2023, the share capital of the Company, by applying a fixed HRK to EUR conversion rate, was converted into euros and reduced by the amount of 1.01 euros to the extent necessary for compliance with the relevant regulations in a simplified manner, in favour of capital reserves.

The Company's authorised representatives are Ivan Safundžić, Member of the Management Board, appointed on 1 December 2020, Miroslav Pelko, Member of the Management Board, appointed on 1 September 2021 and Irina Tomić, President of the Management Board, appointed on 1 December 2023. 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 2023, the average number of employees of the Company was 383 (2022: 289 employees). In 2023, the average number of employees of the Group was 443 (2022: 329 employees).

The Jadran Group consists of Jadran d.d., Crikvenica and its subsidiaries Adria coast turizam d.o.o. and Stolist d.o.o. (the "Group") in which Jadran d.d., Crikvenica has a 100% share and voting rights (2022: The Jadran Group consisted of Jadran d.d., Crikvenica and its subsidiaries Club Adriatic d.o.o. and Stolist d.o.o. in which Jadran d.d., Crikvenica had a 100% share and voting rights).

As stated in Notes 37 and 38, on 6 February 2023, Jadran d.d. successfully fulfilled all the prerequisites established by the concluded agreements on the purchase of business shares in Adria coast turizam d.o.o., which provided for the acquisition of 100% of the shares in that company by Jadran d.d., as well as the agreement on the sale of business shares in Club Adriatic d.o.o., by which Jadran sold and transferred 100% of the shares in that company to Adria Grupa Baško Polje d.o.o.

Based on the above facts, the criteria for classifying this subsidiary as Assets held for sale in accordance with IFRS 5 *Non-current assets held for sale and discontinued operations* were met as of 31 December 2022.

In 2023, the Supervisory Board consisted of the following persons:

- Goran Hanžek, Chairman of the Supervisory Board
- Karlo Došen, Deputy Chairman of the Supervisory Board
- Mirko Herceg, Member of the Supervisory Board
- Sandra Janković, Member of the Supervisory Board
- Adrian Čajić, Member of the Supervisory Board.

2. Material accounting policy information

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 and Group's consolidated 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, except as stated and disclosed below.

The separate and consolidated 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.

Change in accounting policy

As of 1 January 2023, the euro became the official currency and legal tender in the Republic of Croatia, replacing the previous kuna. The introduction of the euro as the official currency in the Republic of Croatia represents a change in the functional currency that is applied prospectively from the above specified date. Consequently, the presentation currency for the financial statements for 2023 was changed from kuna to euro, and the financial information for the comparative period was reconverted to euro as the new functional and presentation currency.

As the prior period's financial statements were presented in kuna, the change in the presentation currency of the comparative period in this year's financial statements represents a change in the Company's and Group's accounting policy.

Accordingly, the Company and the Group present three statements of financial position in this year's financial statements, as of 1 January 2022, 31 December 2022, and 31 December 2023. As the conversion rate of the statement of financial position as of 31 December 2023, the fixed prescribed exchange rate was used, which was HRK 7.5345 for the euro, while for the conversion rate of the statement of financial position as of 1 January 2022 was the middle exchange rate of the CNB on 1 January 2022, which amounted to HRK 7.520447 for EUR 1. Also, for the conversion of the items of capital and reserves, the aforementioned fixed prescribed exchange rate as of 31 December 2022, i.e., the middle exchange rate of the CNB as of 1 January 2022, was used. As the conversion rate of the statement of comprehensive income for the year ended 31 December 2022 the average annual exchange rate of the CNB was used, which was HRK 7.531381 for EUR 1. During 2022, there were no significant fluctuations in the relationship between the euro and the Croatian kuna, therefore the Company's Management considers that the application of the average exchange rate instead of the exchange rate on the date of the transaction is appropriate in the given circumstances. The conversion difference that occurs due to the different exchange rates used for translating the balance sheet and profit and loss account for 2022 in the amount of EUR 2,068 (for the Group in the amount of EUR 43) is recognised within equity, in the position "accumulated loss" and was recognised within accumulated loss as at 1 January 2023, after the introduction of the euro as the functional and presentation currency.

Subsidiaries in separate financial statements

The Company discloses its subsidiaries in the separate financial statements at cost less impairment (Note 21 – Investments in subsidiaries and Assets held for sale).

2. Material accounting policy information (continued)

2.2. Critical accounting judgements and key sources of estimation uncertainty

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

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

2.3. Going concern

The separate and consolidated financial statements have been prepared on the assumption that the Company and the Group will continue in business on a going concern basis.

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

After three years of struggling with the impact of the COVID-19 pandemic on business, 2023 was the first year in which the Company's and the Group's business operations took place without any health restrictions.

The positive tourism trends that marked 2022 continued at the beginning of 2023. New Year's holidays and occupancy of facilities were a good indicator of tourist trends in the coming period. Even though the contract for the lease of Hotel Lišanj in Novi Vinodolski expired on 31 January 2023, the lack of family capacity was successfully compensated by the capacity at Hotel Katarina. In addition to the family segment, the group segment also increased its activities, and in the first quarter, in the same capacities, the best tourism results have been achieved so far.

In addition to Hotel Lišanj, in 2023, compared to 2022, the Company operated without Garden Palace Resort Umag (the contract was terminated on 30 September 2022), while the Heritage Hotel Stypia entered the Company's portfolio at the end of 2022 with 25 accommodation units, followed by the Boutique Hotel Noemia with 62 accommodation units (transferring the lease agreement from Club Adriatic d.o.o. to Jadran d.d.). Also, at the beginning of February, Jadran d.d. bought the company Adria coast turizam and the contract for the lease of the Grand Hotel View was terminated, by which the mentioned hotel became part of the Jadran group.

The Company's cumulative losses as of 31 December 2023 amounted to EUR 23,021 thousand (31 December 2022: EUR 25,750 thousand), and current liabilities exceeded current assets by EUR 9,386 thousand (31 December 2022: EUR 6,710 thousand).

The Group's cumulative losses as of 31 December 2023 amounted to EUR 26,463 thousand (31 December 2022: EUR 23,073 thousand), and current liabilities exceeded current assets by EUR 11,117 thousand (31 December 2022: current assets including assets held for sale exceeded short term liabilities including liabilities from assets held for sale by EUR 14,748 thousand).

After the challenging period caused by the COVID-19 pandemic ended, which greatly affected the Company, the Group and the entire sector in which they operate, the Company and the Group made an operating profit in the past two years. Cash flow projections prepared by the Company's management (and approved by the Supervisory Board) for the next period show positive results.

2. Material accounting policy information (continued)

2.3. Going concern (continued)

The Company's revenue for the first three months of 2024 is significantly higher than in the same period last year. This revenue normalised for the one-off income from the termination of the lease agreement for the Grand Hotel View and compared to the same capacities, the Company's performance is 20% above compared to the previous year. According to the current bookings, overnight stays are 7%, and income from accommodation is 15% above those in 2023, based on which the Company expects a continuation of the positive trend in the rest of the year.

The Group's revenue for the first three months of 2024 is significantly higher than in the same period last year. This revenue normalised for the one-off income from the termination of the lease agreement for the Grand Hotel View and compared to the same capacities, the Group's performance is 17% above compared to the previous year. According to the current bookings, overnight stays are 10%, and income from accommodation is 22% above those in 2023, based on which the Group expects a continuation of the positive trend in the rest of the year.

Most of the Company's and Group's current liabilities as of the reporting date refer to liabilities to banks, trade payables and lease liabilities, which the Company and the Group regularly settle from the funds in the account from regular business activities. Due to the seasonality of their business, the Company and the Group have agreed credit arrangements, so that, in case of need, they would be able to ensure liquidity.

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

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

2. Material accounting policy information (continued)

2.4. Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the introduction of the euro as a new functional and presentational currency, as explained in Note 2.1 and the following amended IFRSs which have been adopted by the Company and the Group as of 1 January 2023:

- Amendments to IAS 12 *Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, issued on 7 May 2021 (effective for annual periods beginning on or after 1 January 2023). The effect of the adoption of these amendments is disclosed in Note 15.
- Amendments to IAS 12 *Income taxes: International Tax Reform – Pillar Two Model Rules*, issued on 23 May 2023 (effective for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2: *Disclosure of Accounting policies*, issued on 12 February 2021 (effective for annual periods beginning on or after 1 January 2023). The changes resulted in the correction of accounting policies in terms of disclosure of significant information about accounting policies instead of extensive detailed descriptions.
- Amendments to IAS 8 *Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates*, issued on 12 February 2021 (effective for annual periods beginning on or after 1 January 2023).

The adoption of these standards and interpretations did not have a significant impact on the financial statements of the Company and the Group, unless otherwise stated.

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

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

The European Commission endorsed the following changes to the accounting principles applicable to reporting, that were not effective for the preparation of 2023 financial statements:

- Amendments to IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current - Deferral of Effective Date*, issued on 23 January 2020 and 15 July 2020 respectively (effective for annual periods beginning on or after 1 January 2024).
- Amendments to IFRS 16 *Leases: Lease Liability in a Sale and Leaseback*, issued on 22 September 2022 (effective for annual periods beginning on or after 1 January 2024).

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

- Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability* (issued on 15 August 2023).
- Amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures: Supplier Finance Arrangements* (issued on 25 May 2023).
- New standard IFRS 18 *Presentation and disclosures in financial statements*, effective for periods beginning on or after January 1, 2027, which will replace IAS 1 *Presentation of financial statements*. The Company and the Group are currently evaluating the impact of this standard on their financial statements.

The Company and the Group do not expect that the adoption of these standards and interpretations will have a significant impact on the financial statements of the Company and the Group.

2. Material accounting policy information (continued)

2.5. Property, plant and equipment

Property, plant and equipment are presented in the statement of financial position (balance sheet) at historical cost less accumulated depreciation and accumulated impairment losses.

The calculation of depreciation begins at the moment at which the asset is ready for its intended use. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Buildings - buildings made of concrete, metal, stone and brick	20-59 years
Buildings - buildings made of wood and other materials	20-59 years
Campsite infrastructure	20 years
Infrastructure	5-20 years
Infrastructure related to the duration of the concession	3-4 years
Furniture and technological equipment	2-20 years
Transportation vehicles	7 years
Passenger cars	10 years
Office equipment	4-10 years
Equipment - mobile homes	10 years
ICT equipment	2-14 years
Other equipment	2-20 years
Landscaping	10 years

2.6. Intangible assets

Non-current intangible assets include licenses and software and are measured at historical cost less accumulated amortisation and any accumulated impairment losses.

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. The Company and the Group do not use them and they are measured at cost less accumulated depreciation and impairment losses, if any. Income from a lease with the Company and the Group as lessor is 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. The recoverable amount of an asset or cash-generating unit is the higher of the asset's value in use or fair value less costs to sell. In assessing value in use, the present value of estimated future cash flows is calculated using a pre-tax discount rate that reflects the assessment of the time value of money in the market and the risk specific to that asset. For the purposes of assessing impairment, assets are grouped at the lowest level in order to individually determine the cash flow (cash generating unit - CGU). 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. Material accounting policy information (continued)

2.9. Financial assets

The business model reflects how the Company and the Group manage their assets in order to generate cash flows - regardless whether the Company's and Group'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").

As at the reporting date, the Company's and the Group'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 an expense, except in the case of the construction of a qualifying asset, when it is capitalised as part of the asset's cost.

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

Borrowings are classified based on the agreed maturity as current liabilities, or non-current liabilities if they mature in more than 12 months. If the Company and the Group have 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 and the Group derecognises financial liabilities when, and only when, they have been discharged, cancelled or have expired.

2. Material accounting policy information (continued)

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 payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.14. Taxation

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

The current tax liability is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years or non-taxable, i.e. not recognised as expense for income tax purposes.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the tax asset to be recovered. Deferred tax assets and liabilities are offset where there is a legally permitted right to set off current tax assets and liabilities and where deferred tax items refer to the same Tax Administration.

2.15. Employee benefits

Pension obligations and post-employment benefits

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

Termination benefits

The Company and the Group pay one-time termination benefits to their 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. Material accounting policy information (continued)

2.15. Employee benefits (continued)

Long-term employee benefits

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

2.16. Provisions

Provisions are recognised when the Company and the Group have 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 and the Group expect a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The Company and the Group recognise provisions for legal disputes in their financial statements.

2.17. Share capital

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

2.18. Revenue recognition

Revenue is income arising in the course of the Company's and the Group's ordinary activities. IFRS 15 establishes a comprehensive framework for determining whether, when and how much revenue is recognized. According to IFRS 15, revenues are recognized in a manner that reflects the pattern of transfer of goods and services to customers. The amount recognized should reflect the amount to which the entity expects to be entitled in exchange for those products and services.

Income from services

The Company and the Group generate income primarily from accommodation services. The aforementioned services are provided on the basis of concluded contracts with a fixed price. The sale of services also includes spa services and certain other services such as transfers, excursions and similar. Revenues from performed hospitality services are recognized in the period in which the services were performed ("over time"). Individual services are usually contracted separately with customers and as such are recognized separately as revenue.

Food and beverages

The Company and the Group offer food and drinks in hotel restaurants to hotel guests and other guests. Revenues are recognized at the point in time when the services are rendered.

2. Material accounting policy information (continued)

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 and the Group 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, is recognised as income in the period in which it is receivable within other operating income (Note 7).

2.20. Leases

The Company and the Group as the lessee

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

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

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

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used.

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 and the Group have 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 EUR 4,000). 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 and Group will consider a short-term lease to be a new lease if there is a lease modification and/or a change to the lease term. These leases mainly relate to photocopier machines and fire extinguishers.

The Company and the Group as the lessor

Leases where the Company and the Group do 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.

Maritime domain concession arrangements

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

2. Material accounting policy information (continued)

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.

2.22. Foreign currencies

Transactions in currencies other than euro 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 and Group by the weighted average number of ordinary shares during the year.

2.24. Investments in subsidiaries

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

2.25. Business combinations

Subsidiaries are all entities controlled by the Group. The Group controls the entity when the Group is exposed or is entitled to variable returns from its association with the entity and has the ability to influence those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through comprehensive income.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either as income or expense or as a change to other comprehensive income. The contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2. Material accounting policy information (continued)

Goodwill is initially measured as the difference between the consideration transferred and the amount of non-controlling interest in the acquiree in relation to the fair value of identified net assets acquired. If this consideration is lower than the fair value of the net assets acquired, the difference is recognised in the statement of comprehensive income. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

2.26. Consolidation

Intercompany transactions, balances, income and expenses from transactions with Group entities are eliminated. Gains and losses from intercompany transactions recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.27. 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.

2.28. Non-current assets held for sale

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

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

Analysis of sensitivity to changes in useful lives

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

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

If the useful life of property, plant and equipment of the Company had been 10% longer / shorter, with all other variables held constant, the net profit for 2023 would have been EUR 329 thousand higher / lower (for 2022 it would have been EUR 302 thousand higher / lower), and the net carrying value of property, plant and equipment would have been EUR 401 thousand higher / lower (for 2022 it would have been EUR 369 thousand higher / lower).

If the useful life of property, plant and equipment of the Group had been 10% longer / shorter, with all other variables held constant, the net profit for 2023 would have been EUR 544 thousand higher / lower (for 2022 it would have been EUR 302 thousand higher / lower), and the net carrying value of property, plant and equipment would have been EUR 664 thousand higher / lower (for 2022 it would have been EUR 369 thousand higher / lower).

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

1) Property, plant and equipment and investment property

In accordance with the adopted accounting policy, the Company and the Group review 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 impact inflationary challenges that the Company and Group faced in 2022 and 2023 on the Company's and the Group's operations, the Company and Group have assessed that there are indicators of impairment of certain categories of non-current non-financial assets and in accordance with IAS 36 made an impairment test of all its cash-generating units i.e. accommodation facilities (own as well as rental facilities).

3. Critical accounting judgements and estimates (continued)

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

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

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining the recoverable amount, management considers key indicators such as revenue growth based on occupancy of facilities, revenue per unit and expected market growth in the hotel industry, etc. The valuations are based on five-year cash flow projections prepared by the Company's management, with the budget for 2024 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 and the Group's accommodation units, the sustainable growth rates used in the valuation represent the maximum value of the projected inflation rates in the Republic of Croatia.

An overview of the assumptions used in the value-in-use calculation model is as follows:

Tourism	2024 - 2028
EBITDA margin	8% - 45% (higher profitability rates are assumed for campsites)
Revenue growth	0% - 70% (depending on the type of accommodation and capital investment)
Discount rate (before tax)	10.2
Sustainable long-term growth rate	2%

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

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

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

Tourism	2023
Average board price (EUR)	90 - 228
Average occupancy rate	19% - 56%
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.

3. Critical accounting judgements and estimates (continued)

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

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

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

Prepared impairment tests suggest that the recoverable amount of each facility exceeds the net carrying amount of each facility as at 31 December 2023 and, accordingly, there are no indications of impairment.

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

- if the EBITDA margin rate were to decrease by 100 bps within the projected five-year period
- if the growth rate were to decrease by 100 bps within the projected five-year period,
- if the discount rate were to increase by 50bps and
- if the terminal growth rate were to decrease by 50bps.

According to each of these scenarios, the Company and the Group should recognise an impairment of EUR 267 thousand in its records.

2) Right-of-use assets

In 2023, the Company and the Group conducted an impairment test for right-of-use assets with respect to the indicators of impairment due to the prolonged effects of the COVID-19 pandemic. A leased accommodation facility was identified as a cash-generating unit.

The recoverable amount of leased accommodation facilities has been determined on the basis of the value in use based on financial projections in the contracted lease term at a discount rate.

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

The results of this analysis suggest that the recoverable amount of each leased facility exceeds the reported net carrying amount of each facility as of 31 December 2023 and, accordingly, there are no indications of impairment.

It should be noted that on 1 January 2023, the Company recognised an impairment in the amount of EUR 3,205 thousand at the initial recognition of the Noemia hotel.

Recoverability of investments in subsidiaries

As at 31 December 2023, the investment in subsidiaries relates to 100% shares in the subsidiary Stolist d.o.o. in the amount of EUR 129 thousand. The Company's management believes that the investment in the subsidiary is recoverable and that there are no indications of its impairment.

3. Critical accounting judgements and estimates (continued)

Recoverability of investments in subsidiaries (continued)

Additionally, investment in subsidiaries also includes 100% shares in the subsidiary Adria coast turizam d.o.o. in the amount of EUR 22,942 thousand as of 31 December 2023. Considering that this is the amount realised in the transaction of the purchase and sale of business shares carried out in February 2023 (with a subsequent additional payment by the Company in the amount of EUR 1,500 thousand) Management believes that the investment in the subsidiary is recoverable and that there are no indications of its impairment.

Deferred tax assets

Deferred tax assets include the amount of EUR 2,200 thousand (2022: EUR 2,886 thousand) both for the Company and the Group, which is created based on tax losses carried forward and deductible temporary tax differences.

The Company has a remaining period of 3 years to use the amounts reported based on tax losses carried forward (for more details please see Note 15). The realisation of deferred tax assets arising from deductible temporary tax differences is not time-limited, and therefore the uncertainty regarding the use of this part is remote.

In its assessment of the recoverability of the recognised deferred tax assets, Jadran d.d. earlier recorded the sale of the subsidiary, Club Adriatic (Note 37), and subsequently other factors, such as the result achieved in the observed year and projections of future operations.

The unfavourable factor of uncertainty regarding the full realisation of current business plans was also considered. Detailed projections of future business results were made for the next 6 years. Considering the uncertainty factor, the Company decided to recognise deferred tax assets in the amount corresponding to the projections for the next 5 years.

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

Leases

As the interest rate implicit in the lease cannot be readily determined, the Company and the Group use its own incremental borrowing rate of 3.50% (2022: 3.50%) when calculating the lease liability for cash flow discounting purposes in 2023.

The Company and the Group define 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 and Group do not expect to exercise either the lease termination or the extension option, and no potential effects were calculated in relation to these options.

3. Critical accounting judgements and estimates (continued)

Impairment of receivables

The Company and the Group use a simplified approach (provision matrix) because they primarily have receivables from customers as financial assets. Credit losses are calculated based on the matrix for expected credit losses and are applied collectively to all claims included in the calculation. Stage 3 represents receivables for which, after the analysis, it was concluded that they will not be collectible, and their value is individually adjusted to the expected collectible amount. At the end of each year, the Inventory Committee reviews the recoverability of receivables and adjustments are made according to the information gathered from the sales and legal departments, depending on the maturity of the receivables.

In 2023, the Company released the previously recognised credit losses under the simplified IFRS 9 model for trade receivables whose total net effect amounted to EUR 77 thousand (2022: EUR 56 thousand).

In 2023, the Group released the previously recognised credit losses under the simplified IFRS 9 model for trade receivables whose total net effect amounted to EUR 73 thousand (2022: EUR 14 thousand).

4. Financial instruments

Capital risk management

The Company and the Group manage its capital to ensure that they 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 and the Group's capital structure consists of share capital, capital reserves, retained earnings / (accumulated loss) and profit for the year.

Classes of financial instruments

Company	31 December 2022	31 December 2023
	EUR '000	EUR '000
Financial assets		
Trade receivables	287	428
Receivables from related parties	18	72
Cash and cash equivalents	795	1,023
Loans receivable	13	474
Total	1,113	1,997
Financial liabilities		
Liabilities to banks	29,581	27,314
Trade payables	1,454	1,035
Lease liabilities	37,056	11,452
Total	68,091	39,801
Group		
	31 December 2022	31 December 2023
	EUR '000	EUR '000
Financial assets		
Non – current financial assets	-	130
Trade receivables	287	457
Cash and cash equivalents	806	1,769
Total	1,093	2,356
Financial liabilities		
Liabilities to banks	29,581	51,672
Trade payables	1,407	2,629
Lease liabilities	45,060	11,682
Total	76,048	65,983

Financial risk factors

The Company's and the Group'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 and Group do not have a formal risk management programme in place, and the overall risk management is carried out by the Company's and the Group's Management Board and the Company's and the Group's management.

4. Financial instruments (continued)

Market risk

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

Currency risk management

The Company and the Group undertake certain transactions denominated in foreign currencies, resulting in exposures to exchange rate fluctuations.

Analysis of foreign currency sensitivity

The Company and the Group were exposed to foreign currency risk in the event of a change in the euro (EUR) exchange rate until the adoption of euro. The Company and the Group may be exposed to currency transaction risk if they enter transactions using a currency that is different from the national currency (euro). At the Company and the Group level, transactions in other currencies do not make up a material part of the total turnover. After the introduction of the euro as the domestic currency as of 1 January 2023, the Company and the Group have not been significantly exposed to currency risk.

Interest rate risk management

The Company and Group are exposed to interest rate risk as they enter into loan agreements with variable interest rates. The Company's and the Group's exposure to interest rates based on financial assets and liabilities is detailed under *Liquidity risk management*. The Company and the Group manage 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:

Company	2022	2023
	EUR '000	EUR '000
Interest rate change by +100 bp		
(Increase in loss) / (Decrease in profit)	124	111
Interest rate change by -100 bp		
Decrease in loss / increase in profit	(124)	(111)
Group	2022	2023
	EUR '000	EUR '000
Interest rate change by +100 bp		
(Increase in loss) / (Decrease in profit)	124	351
Interest rate change by -100 bp		
Decrease in loss / increase in profit	(124)	(351)

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 and the Group. The Company and the Group constantly monitor their exposure to the parties they conducts business with and their credit ratings and allocate 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 and the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

4. Financial instruments (continued)

Inflation risk (increase in consumer prices)

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

Liquidity risk management

The ultimate responsibility for liquidity risk management rests with the Company's Management Board which has built an appropriate liquidity risk management framework for the management of the Company's and Group's short, medium and long-term funding and liquidity management requirements. The Company and the Group manage 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 and Group 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 and the Group may be required to settle the liabilities.

Maturities of non-derivative financial liabilities

<i>Company</i>	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
<i>EUR '000</i>							
2022							
Interest-free		1,382	72	-	-	-	1,454
Lease liabilities		273	210	1,356	15,676	30,336	47,851
Fixed interest rate	2.7%	108	211	2,720	9,022	5,550	17,611
Variable interest rate	2.1%	2	467	2,185	6,106	5,986	14,746
Total		1,765	960	6,261	30,804	41,872	81,662

4. Financial instruments (continued)

Maturities of non-derivative financial liabilities (continued)

<i>Company</i>	<i>Weighted average interest method</i>	<i>Up to 1 month</i>	<i>1 to 3 months</i>	<i>3 months to 1 year</i>	<i>1 to 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
EUR '000							
2022							
Interest-free		964	71	-	-	-	1,035
Lease liabilities		30	37	1,339	5,943	6,247	13,596
Fixed interest rate	2.7%	112	227	5,234	7,171	4,428	17,172
Variable interest rate	2.1%	-	511	1,523	7,295	4,874	14,203
Financial guarantee (nominal amount)		1,500	-	-	22,500	-	24,000
Total		2,606	846	8,096	42,909	15,549	70,006

Based on the contract with Gorenjska banka, the Company acted as a financial guarantor for the credit obligation of the subsidiary in the total nominal amount of EUR 24 million. The fair value of the financial guarantee is not significant and therefore not recorded in the Company's separate financial statements, and the loan matures in 2036 (over 5 years).

<i>Group</i>	<i>Weighted average interest method</i>	<i>Up to 1 month</i>	<i>1 to 3 months</i>	<i>3 months to 1 year</i>	<i>1 to 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
EUR '000							
2022							
Interest-free		1,335	72	-	-	-	1,407
Lease liabilities		273	210	1,911	19,173	35,838	57,405
Fixed interest rate	2.7%	108	211	2,720	9,022	5,550	17,611
Variable interest rate	2.1%	2	467	2,185	6,106	5,986	14,746
Total		1,718	960	6,816	34,301	47,374	91,169
2023							
Interest-free		2,558	71	-	-	-	2,629
Lease liabilities		30	37	1,365	6,028	6,407	13,867
Fixed interest rate	2.7%	112	227	5,234	7,171	4,428	17,172
Variable interest rate	2.1%	-	511	3,256	17,408	31,375	52,550
Total		2,700	846	9,855	30,607	42,210	86,218

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 their 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 2023 is as follows:

Company	Income by segment	Expenses by segment	Result by segment
Operating segment	EUR '000	EUR '000	EUR '000
Hotels & Apartments	23,656	(21,693)	1,963
Campsites	3,052	(2,070)	982
Other	1,103	(958)	145
Total reportable segments	27,811	(24,721)	3,090

Group	Income by segment	Expenses by segment	Result by segment
Operating segment	EUR '000	EUR '000	EUR '000
Hotels & Apartments	28,234	(24,891)	3,343
Campsites	3,052	(2,070)	982
Other	1,138	(1,109)	29
Total reportable segments	32,424	(28,070)	4,354

The segment information for the reportable segments for the year ended 31 December 2022 is as follows:

Company	Income by segment	Expenses by segment	Result by segment
Operating segment	EUR '000	EUR '000	EUR '000
Hotels & Apartments	27,491	(21,404)	6,087
Campsites	3,028	(1,785)	1,243
Other	967	(854)	113
Total reportable segments	31,486	(24,043)	7,443

Group	Income by segment	Expenses by segment	Result by segment
Operating segment	EUR '000	EUR '000	EUR '000
Hotels & Apartments	28,616	(22,818)	5,798
Campsites	3,028	(1,813)	1,215
Other	1,000	(885)	115
Total reportable segments	32,644	(25,516)	7,128

5. Segment information (continued)

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

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

Company	31 December 2022	31 December 2022
	<i>EUR '000</i>	<i>EUR '000</i>
Item		
Result by reportable segment	7,443	3,090
Unallocated operating income	643	7,510
Unallocated finance income	245	12
Unallocated operating costs:	(3,769)	(5,630)
<i>Cost of raw materials and supplies</i>	(90)	(55)
<i>Cost of services</i>	(928)	(2,606)
<i>Staff costs</i>	(2,176)	(2,349)
<i>Depreciation and amortisation</i>	(253)	(268)
<i>Reversal of impairment / (impairment)</i>	56	-
<i>Other operating expenses</i>	(378)	(352)
Unallocated finance costs	(2,076)	(1,567)
Profit for the year before tax	2,486	3,415

Group	31 December 2022	31 December 2022
	<i>EUR '000</i>	<i>EUR '000</i>
Item		
Result by reportable segment	7,128	4,354
Unallocated operating income	504	-
Unallocated finance income	248	4
Unallocated operating costs:	(5,871)	(5,613)
<i>Cost of raw materials and supplies</i>	(90)	(50)
<i>Cost of services</i>	(907)	(2,630)
<i>Staff costs</i>	(2,176)	(2,349)
<i>Depreciation and amortisation</i>	(253)	(268)
<i>Impairment</i>	(2,182)	76
<i>Other operating expenses</i>	(221)	(392)
Unallocated finance costs	(2,298)	(2,978)
Profit for the year from discontinued operations	186	1,373
Income tax	(168)	(530)
Loss for the period	(271)	(3,390)

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

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

Company	2022	2023
	<i>EUR '000</i>	<i>EUR '000</i>
Accommodation	20,249	17,017
Food and beverages	8,462	6,017
Other hotel services	443	498
Trade goods	66	68
Total	29,220	23,600

Group	2022	2023
	<i>EUR '000</i>	<i>EUR '000</i>
Accommodation	20,998	20,647
Food and beverages	8,676	7,291
Other hotel services	469	630
Trade goods	76	74
Total	30,219	28,642

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

Company	2022	2023
	<i>EUR '000</i>	<i>EUR '000</i>
Sales – domestic customers	6,140	4,228
Sales – foreign customers	20,444	16,733
Other /i/	2,636	2,639
Total	29,220	23,600

Group	2022	2023
	<i>EUR '000</i>	<i>EUR '000</i>
Sales – domestic customers	6,265	4,829
Sales – foreign customers	21,222	20,548
Other /i/	2,732	3,265
Total	30,219	28,642

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

7. Other income and gains

Company	2022	2023
	<i>EUR '000</i>	<i>EUR '000</i>
Net gains on disposal of subsidiary	-	7,510
Net gains on termination of lease contract /ii/	1,417	2,156
Rental income	617	529
Recharged costs of lessees	131	180
Insurance reimbursements	111	81
Income from marketing and other services	76	122
Direct aid	65	101
Reversal of provisions	32	80
Disposal of non-current assets	1	2
Collection of amounts due as per judgement and out-of-court settlement	1	-
Collection of doubtful and bad debts	1	-
Other operating income	457	960
Total	2,909	11,721

Group	2022	2023
	<i>EUR '000</i>	<i>EUR '000</i>
Net gains on termination of lease contract /ii/	1,417	2,156
Rental income	617	529
Recharged costs of lessees	131	180
Insurance reimbursements	111	91
Income from marketing and other services	78	128
Direct aid	65	101
Reversal of provisions	32	80
Disposal of non-current assets	9	2
Collection of amounts due as per judgement and out-of-court settlement	1	-
Collection of doubtful and bad debts	1	-
Other operating income	467	515
Total	2,929	3,782

/i/ Net gains on the disposal of the subsidiary refers to the difference between the investment in the former subsidiary Club Adriatic d.o.o. which the Company held at acquisition cost (in the amount of EUR 15,609 thousand) and the realised transaction price, as described in Notes 21 and 37.

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

Net gains on the termination of the lease contract in 2023 refer to the termination of the contract for the Grand hotel View, which was terminated on 6 February 2023, when the Company purchased Adria coast turizam d.o.o.

8. Cost of raw materials and supplies

Company	2022	2023
	<i>EUR '000</i>	<i>EUR '000</i>
Groceries consumed	2,792	2,075
Electricity	1,323	1,635
Consumables and cleaning supplies	458	379
Water consumed	427	300
Heating oil and gas	293	173
Write-off of small inventory	215	86
Alcoholic and soft drinks consumed	211	190
Fuel for passenger and freight vehicles	74	50
Office supplies	14	11
Packaging	13	12
Overheads – leased properties	-	5
Other costs	34	23
Total	5,854	4,939

Group	2022	2023
	<i>EUR '000</i>	<i>EUR '000</i>
Groceries consumed	2,896	2,563
Electricity	1,405	1,885
Consumables and cleaning supplies	475	459
Water consumed	436	351
Heating oil and gas	296	176
Write-off of small inventory	222	108
Alcoholic and soft drinks consumed	221	238
Fuel for passenger and freight vehicles	74	54
Office supplies	15	13
Packaging	13	13
Overheads – leased properties	-	5
Other costs	44	24
Total	6,097	5,889

9. Cost of services

Company	2022	2023
	<i>EUR '000</i>	<i>EUR '000</i>
Commissions and banking services	2,161	1,778
Contractor services <i>/i/</i>	1,457	1,083
Investment and current maintenance	538	500
Utilities	374	277
Intellectual services	332	765
Student employment agency services	325	164
Telephone, Internet and mail	193	252
Gross temporary service contract cost	166	157
Advertising services	129	185
Rentals	122	208
Music and ZAMP fees	45	34
Transport services (road and maritime transport)	29	16
Other services	182	204
Total	6,053	5,623

Group	2022	2023
	<i>EUR '000</i>	<i>EUR '000</i>
Commissions and banking services	2,270	2,189
Contractor services <i>/i/</i>	1,478	1,170
Investment and current maintenance	573	568
Utilities	384	313
Intellectual services	334	784
Student employment agency services	326	267
Telephone, Internet and mail	196	257
Gross temporary service contract cost	166	175
Advertising services	129	186
Rentals	129	247
Music and ZAMP fees	48	38
Transport services (road and maritime transport)	29	21
Other services	184	217
Total	6,246	6,432

/i/ Contractor services refer to services of washing, dry cleaning and ironing of hotel bed linen and services of protection of property and persons.

Auditors' fee

The costs of audit services amounted to EUR 57 thousand (2022: EUR 58 thousand) for the Company and EUR 72 thousand (2022: EUR 71 thousand) for the Group. The agreed fee for audit services for the year 2023 was EUR 54 thousand for the Company and EUR 68 thousand for the Group. Additionally, a company from the network to which the audit firm belongs provided non-audit services worth EUR 17 thousand (2022: EUR 5 thousand) for the Company and the Group in connection with consulting regarding EU funds, contracted in 2022.

10. Staff costs

Company	2022	2023
	<i>EUR '000</i>	<i>EUR '000</i>
Net salaries	4,147	4,270
Contributions from salaries	1,176	1,216
Contributions on salaries	968	1,000
Performance bonus and holiday pay	511	662
Taxes and surtaxes	472	524
Transportation to and from work	223	180
Meal	183	222
Children's gifts, Christmas bonus, non-taxable voucher	155	141
Accruals for unused vacation days	18	58
Termination benefits and jubilee awards	17	27
Unused hours off – redistribution	17	(40)
Non-current provisions for termination benefits and jubilee awards	-	15
Other	50	57
Total	7,937	8,332

Group	2022	2023
	<i>EUR '000</i>	<i>EUR '000</i>
Net salaries	4,422	4,814
Contributions from salaries	1,177	1,368
Contributions on salaries	969	1,126
Performance bonus and holiday pay	534	719
Taxes and surtaxes	473	589
Transportation to and from work	235	190
Meal	183	267
Children's gifts, Christmas bonus, non-taxable voucher	155	155
Accruals for unused vacation days	19	67
Termination benefits and jubilee awards	17	27
Unused hours off – redistribution	18	(27)
Non-current provisions for termination benefits and jubilee awards	-	16
Other	50	64
Total	8,252	9,375

10. Staff costs (continued)

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

Company	2022	2023
	<i>EUR '000</i>	<i>EUR '000</i>
Key personnel	405	329
<i>of which benefits in kind</i>	20	3
Supervisory Board	75	93
Total	480	422

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

Group	2022	2023
	<i>EUR '000</i>	<i>EUR '000</i>
Key personnel	405	329
<i>of which benefits in kind</i>	20	3
Supervisory Board	88	95
Total	493	424

11. Reversal of impairment / (impairment) of non-current financial assets

Company	2022	2023
	<i>EUR '000</i>	<i>EUR '000</i>
Impairment of right-of-use assets (Note 34)	-	(3,205)
Reversal of impairment / (impairment) of property, plant and equipment (Note 17)	1,225	(46)
Total	1,225	(3,251)

Group	2022	2023
	<i>EUR '000</i>	<i>EUR '000</i>
(Impairment) / reversal of impairment of right-of-use assets (Note 34)	(2,021)	322
Reversal of impairment / (impairment) of property, plant and equipment (Note 17)	1,225	(46)
Impairment of goodwill	(175)	-
Total	(971)	276

12. Net gains / (losses) on value adjustments of financial assets

Company	2022	2023
	<i>EUR '000</i>	<i>EUR '000</i>
Impairment of trade receivables	(16)	(30)
Release of impairment of expected credit losses– trade receivables	56	77
Expected credit losses – loans	-	(17)
Total	40	30

Group	2022	2023
	<i>EUR '000</i>	<i>EUR '000</i>
Write-off of trade receivables	-	(126)
Impairment of trade receivables	(16)	(30)
Release of impairment of expected credit losses– trade receivables	14	73
Total	(2)	(83)

13. Other operating expenses

Company	2022	2023
	<i>EUR '000</i>	<i>EUR '000</i>
Expenses from unrealised investments //	-	975
Municipal charges and concessions	346	330
Employee accommodation	221	260
Fees paid to Hrvatske vode	178	148
Insurance premiums	172	177
Animation and entertainment	138	36
Reimbursement to students in practice and scholarships	83	53
Aid to employees	69	10
Taxes and contributions irrespective of business result	68	74
Subscriptions and memberships	65	67
Entertainment	53	34
Net book amount of disposed assets	39	31
Travel expenses, per diems, accommodation and field bonus	30	20
Professional training of employees	18	23
Disability benefits	9	10
Other operating expenses	219	252
Total	1,708	2,500

13. Other operating expenses (continued)

Group	2022	2023
	<i>EUR '000</i>	<i>EUR '000</i>
Expenses from unrealised investments <i>/i/</i>	-	975
Municipal charges and concessions	351	381
Employee accommodation	224	385
Fees paid to Hrvatske vode	181	148
Insurance premiums	174	218
Animation and entertainment	138	55
Reimbursement to students in practice and scholarships	83	54
Aid to employees	73	11
Taxes and contributions irrespective of business result	68	82
Subscriptions and memberships	66	74
Entertainment	54	42
Net book amount of disposed assets	39	34
Travel expenses, per diems, accommodation and field bonus	30	21
Professional training of employees	18	24
Disability benefits	9	10
Other operating expenses	220	573
Total	1,728	3,087

/i/ Expenses from unrealised investments refers to assets under construction for which the Company decided to discontinue further investments, which is why it will not be possible to capitalise the mentioned amounts. The largest portion of the amount refers to the project International.

14. Finance income and costs

Company	2022	2023
	<i>EUR '000</i>	<i>EUR '000</i>
Finance income		
Interest income	29	12
Foreign exchange gains	216	-
	245	12
	2022	2023
	<i>EUR '000</i>	<i>EUR '000</i>
Finance costs		
Interest expense	(790)	(1.054)
Foreign exchange losses	(296)	-
Interest expense on lease	(990)	(513)
	(2.076)	(1.567)
Net finance (costs)	(1.831)	(1.555)
Group	2022	2023
	<i>EUR '000</i>	<i>EUR '000</i>
Finance income		
Interest income	29	4
Foreign exchange gains	219	-
	248	4
	2022	2023
	<i>EUR '000</i>	<i>EUR '000</i>
Finance costs		
Interest expense	(791)	(2.453)
Foreign exchange losses	(296)	-
Interest expense on lease	(1.211)	(525)
	(2,298)	(2,978)
Net finance (costs)	(2,050)	(2,974)

15. Income tax and deferred tax assets and liabilities

Income tax

Company	2022	2023
	<i>EUR '000</i>	<i>EUR '000</i>
Current tax	-	-
Deferred tax	(2,342)	686
Income tax in statement of profit or loss	(2,342)	686
Group	2022	2023
	<i>EUR '000</i>	<i>EUR '000</i>
Current tax	-	-
Deferred tax	168	530
Income tax on the profit from discontinued operations	115	-
Income tax in statement of profit or loss	283	530

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.

Company	2022	2023
	<i>EUR '000</i>	<i>EUR '000</i>
Accounting profit before tax	2,486	3,415
Income tax calculated at the rate of 18%	447	615
Effects of expenses not recognised for tax purposes /i/	180	774
Effects of income not recognised for tax purposes /ii/	(531)	(397)
Effects of unrecognised deferred tax assets	168	-
Effects of unrecognised deferred tax assets utilization	(96)	(306)
Effect of recognition of deferred tax assets of tax losses carried forward and deductible temporary differences from previous years	(2,510)	-
Income tax / (tax credit)	(2,342)	686

/i/ The effects of expenses not recognised for tax purposes mainly include depreciation above the prescribed rates, provisions and value adjustments of financial assets and receivables.

/ii/ The effects of income not recognised for tax purposes include depreciation expenses that were not previously recognized and state grants for education.

15. Income tax and deferred tax assets and liabilities (continued)

Group	2022	2023
	<i>EUR '000</i>	<i>EUR '000</i>
Accounting loss before tax from continuing operations	(289)	(4,233)
Accounting profit before tax from discontinued operations	300	-
Accounting profit / (loss) before tax	11	(4,233)
Income tax calculated at the rate of 18%	2	(762)
Effects of expenses not recognised for tax purposes /i/	181	960
Effects of income not recognised for tax purposes /ii/	(68)	(397)
Effects of unrecognised deferred tax assets utilization	168	729
Income tax	283	530

/i/ The effects of expenses not recognised for tax purposes mainly include depreciation above the prescribed rates, provisions and value adjustments of financial assets and receivables.

/ii/ The effects of income not recognised for tax purposes include depreciation expenses that were not previously recognized and state grants for education.

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

Deferred tax assets

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

The Company has available gross tax losses, as stated below:

Year incurred	Amount	Year of expiry
Company Jadran	<i>EUR '000</i>	
2021	(3,187)	2026
Total	(3,187)	

15. Income tax and deferred tax assets and liabilities (continued)

Movement of deferred tax assets and deferred tax liabilities of the Company is shown below:

<i>Company</i>	Available tax losses	Amortisation	Lease liabilities / Right-of-use assets	Total
<i>EUR '000</i>				
Creation of deferred tax assets	-	-	2,903	2,903
Less deferred tax liability created	-	-	(2,358)	(2,358)
Balance at 1 January 2022 (restated)	-	-	545	545
Creation of deferred tax assets	1,565	944	3,767	6,276
Less deferred tax liability created	-	-	(3,935)	(3,935)
(Charged to) / recognised in profit and loss	1,565	944	(168)	2,341
Balance at 31 December 2022 (restated)	1,565	944	377	2,886
Release of deferred tax assets	(992)	-	(4,608)	(5,600)
Less release of deferred tax liability	-	-	4,914	4,914
(Charged to) / recognised in profit and loss	(992)	-	306	(686)
Balance at 31 December 2023	573	944	683	2,200

Based on deductible temporary tax differences related to the depreciation of property, plant and equipment, the Company has EUR 947 thousand available for which no deferred tax assets have been recognised.

Gross amount of deferred tax assets and liabilities of the Company is shown in the following table:

<i>Company</i>	2023			2022		
	Deferred tax assets	Deferred tax liabilities	Net	Deferred tax assets	Deferred tax liabilities	Net
<i>EUR '000</i>						
Gross balance at 1 January	9,179	(6,293)	2,886	2,903	(2,358)	545
Increase/(decrease) during the year	(4,608)	3,922	(686)	6,276	(3,935)	2,341
Gross balance at 31 December	4,571	(2,371)	2,200	9,179	(6,293)	2,886

15. Income tax and deferred tax assets and liabilities (continued)

The Group has available gross tax losses, as stated below:

Year incurred	Amount	Year of expiry
Group Jadran		
	<i>EUR '000</i>	
2020	(481)	2025
2021	(3,308)	2026
2022	(1,882)	2027
2023	(2,800)	2028
Total	(8,471)	

Movement of deferred tax assets and deferred tax liabilities of the Group is shown below:

Group	Available tax losses	Amortisation	Lease liabilities / Right-of-use assets	Total deferred tax assets	Revaluation of property, plant and equipment
<i>EUR '000</i>					
Creation of deferred tax assets	-	-	2,903	2,903	-
Less deferred tax liability created	-	-	(2,358)	(2,358)	-
Balance at 1 January 2022 (restated)	-	-	545	545	-
Creation of deferred tax assets	1,565	944	3,767	6,276	-
Less deferred tax liability created (Charged to) / recognised in profit and loss	-	-	(3,935)	(3,935)	(2,509)
	1,565	944	(168)	2,341	(2,509)
Balance at 31 December 2022 (restated)	1,565	944	377	2,886	(2,509)
Release of deferred tax assets	(992)	-	(4,608)	(5,600)	-
Less release of deferred tax liability (Charged to) / recognised in profit and loss	-	-	4,914	4,914	(2,267)
	(992)	-	306	(686)	156
Balance at 31 December 2023	573	944	683	2,200	(2,111)

15. Income tax and deferred tax assets and liabilities (continued)

Gross amount of deferred tax assets and liabilities of the Group is shown in the following table:

<i>Group</i>						
<i>EUR '000</i>	Deferred tax assets	2023 Deferred tax liabilities	Net	Deferred tax assets	2022 Deferred tax liabilities	Net
Gross balance at 1 January	9,179	(8,802)	377	2,903	(2,358)	545
Increase/(decrease) during the year	(5,559)	5,271	(288)	6,276	(6,444)	(168)
Gross balance at 31 December	3,620	(3,531)	89	9,179	(8,802)	377
Offsetting	(1,420)	(1,420)		(6,293)	(6,293)	
Net balance in statement of financial position	2,200	(2,111)		2,886	(2,509)	

16. Earnings / (loss) per share

<i>Company</i>	2022	2023
	<i>EUR '000</i>	<i>EUR '000</i>
Earnings attributable to shareholders of the Company	4,828	2,729
Weighted average number of ordinary shares used to calculate basic/diluted earnings per share	27,970,832	27,970,832
	<i>EUR</i>	<i>EUR</i>
Basic and diluted earnings per share	0.17	0.10
<i>Group</i>	2022	2023
	<i>EUR '000</i>	<i>EUR '000</i>
Weighted average number of ordinary shares used to calculate basic/diluted earnings per share	27,970,832	27,970,832
Loss from continuing operations	(457)	(4,763)
	<i>EUR</i>	<i>EUR</i>
Basic and diluted loss per share from continuing operations attributable to shareholders of the Group	(0.02)	(0.17)
Gain from discontinued operations	186	1,373
	<i>EUR</i>	<i>EUR</i>
Basic and diluted gain per share from discontinued operations	0.01	0.05
Loss attributable to shareholders of the Group	(271)	(3,390)
	<i>EUR</i>	<i>EUR</i>
Basic and diluted loss per share with discontinued operations	(0.01)	(0.12)

17. Property, plant and equipment

<i>Company</i>	Land	Buildings	Plant and equipment	Other assets	Tangible assets under construction	Total
EUR '000						
Cost						
At 1 January 2022	35,685	98,470	20,037	226	477	154,895
Direct additions	-	737	1,620	38	1,779	4,174
Disposals	(43)	-	(127)	-	-	(170)
Transfer to investment property	(212)	-	-	-	-	(212)
At 31 December 2022	35,430	99,207	21,530	264	2,256	158,687
Additions	-	1,451	1,186	31	(2,668)	-
Direct additions	-	-	-	-	1,486	1,486
Disposals	(114)	-	(418)	-	(975)	(1,507)
At 31 December 2023	35,316	100,658	22,298	295	99	158,666
Accumulated depreciation						
At 1 January 2022	3,715	66,023	7,453	70	-	77,261
Depreciation charge	-	1,199	2,453	28	-	3,680
Disposals	-	-	(93)	-	-	(93)
Reversal of impairment of non-current assets	(327)	(898)	-	-	-	(1,225)
At 31 December 2022	3,388	66,324	9,813	98	-	79,623
Depreciation charge	-	1,311	2,639	30	-	3,980
Disposals	-	-	(330)	-	-	(330)
Impairment of non-current assets	-	-	46	-	-	46
At 31 December 2023	3,388	67,635	12,168	128	-	83,319
Net book amount						
At 31 December 2022	32,042	32,883	11,717	166	2,256	79,064
At 31 December 2023	31,928	33,023	10,130	167	99	75,347

17. Property, plant and equipment (continued)

Additions to tangible assets in 2023: buildings in the amount of EUR 1,451 thousand relate to investments in hotel facilities (upgrading the classification of hotels, developing campsites and other construction works), equipment in the amount of EUR 1,186 thousand relates to the purchase of equipment necessary for operations in hotels and campsites, additions to tangible assets under construction in the amount of EUR 1,486 thousand relate to investments in hotel facilities and campsite development, which were not put into use during 2023. The disposals in land in the amount of EUR 114 relate to the divestment in 2023 (sale of own property). The write-off in the amount of EUR 975 thousand refers to assets under construction for which the Company decided to discontinue further investments, which is why it will not be possible to capitalise the stated amounts. The majority of the amount refers to the project International.

Additions to tangible assets in 2022: buildings in the amount of EUR 737 thousand relate to investments in hotel facilities (upgrading the classification of hotels, developing campsites and other construction works), equipment in the amount of EUR 1,620 thousand relates to the purchase of equipment necessary for operations in hotels and campsites, additions to tangible assets under construction in the amount of EUR 1,779 thousand relate to investments in hotel facilities and campsite development, which were not put into use during 2022. The disposals in land in the amount of EUR 255 thousand relate to the divestment in 2022 (of which the amount of EUR 43 thousand relates to own property, and the amount of EUR 212 thousand relates to investment property).

As at 31 December 2022, the carrying amount of mortgaged properties (hotels Omorika, Ad Turre, Esplanade, Katarina, International, Slaven resort, pavilions, swimming pool and central restaurant within the Ad Turre, Kačjak and Kaštel resorts) amounts to a total of EUR 44,463 thousand (31 December 2022: EUR 37,412 thousand).

The total value of tangible assets that are fully depreciated, and which are still in use as of 31 December 2023 amounts to EUR 15,469 thousand (31 December 2022: EUR 14,291 thousand).

Proceeds from the sale of property, plant and equipment in 2023 amounted to EUR 95 thousand (in 2022: EUR 12 thousand without discontinued operations).

The book value of assets where the Company is not listed as the owner or in respect of which there is a legal dispute regarding ownership as of 31 December 2023, amounts to EUR 279 thousand.

17. Property, plant and equipment (continued)

Group	Land	Buildings	Plant and equipment	Other assets	Tangible assets under construction	Total
EUR '000						
Cost						
At 1 January 2022	54,544	103,301	22,604	251	924	181,624
Reclassification to assets held for sale (Note 37)	(18,859)	(5,197)	(2,503)	(24)	(173)	(26,756)
Direct additions	-	1,103	1,633	37	1,505	4,278
Disposals	(43)	-	(194)	-	-	(237)
Transfer to investment property	(212)	-	-	-	-	(212)
At 31 December 2022	35,430	99,207	21,540	264	2,256	158,697
Acquisition of subsidiary (Note 38)	3,990	32,674	11,592	314	64	48,634
Transfer to use	-	1,451	1,186	31	(2,668)	-
Direct additions	-	1,296	274	14	1,422	3,006
Disposals	(114)	(1)	(427)	-	(975)	(1,517)
At 31 December 2023	39,306	134,627	34,165	623	99	208,820
Accumulated depreciation						
At 1 January 2022	3,715	68,191	8,661	77	-	80,644
Reclassification to assets held for sale (Note 37)	-	(2,339)	(1,418)	(7)	-	(3,764)
Depreciation charge	-	1,370	2,705	28	-	4,103
Disposals	-	-	(125)	-	-	(125)
Reversal of impairment of non-current assets	(327)	(898)	-	-	-	(1,225)
At 31 December 2022	3,388	66,324	9,823	98	-	79,633
Acquisition of subsidiary (Note 38)	-	634	833	27	-	1,494
Depreciation charge	-	2,747	4,462	92	-	7,301
Disposals	-	(1)	(335)	-	-	(336)
Impairment of non-current assets	-	-	46	-	-	46
At 31 December 2023	3,388	69,704	14,829	217	-	88,138
Net book amount						
At 31 December 2022	32,042	32,883	11,717	166	2,256	79,064
At 31 December 2023	35,918	64,923	19,336	406	99	120,682

Additions to tangible assets in 2023: buildings in the amount of EUR 1,451 thousand relate to investments in hotel facilities (upgrading the classification of hotels, developing campsites and other construction works), equipment in the amount of EUR 1,186 thousand relates to the purchase of equipment necessary for operations in hotels and campsites, additions to tangible assets under construction in the amount of EUR 1,422 thousand relate to investments in hotel facilities and campsite development, which were not put into use during 2023. The disposals in land in the amount of EUR 114 relate to the divestment in 2023 (sale of own property). The write-off in the amount of EUR 975 thousand refers to assets in preparation for which the Company decided to discontinue further investments, which is why it will not be possible to capitalise the stated amounts. The majority of the amount refers to the project International. Other direct additions to assets refer to the assets that the Group acquired with the purchase of the subsidiary Adria coast turizam.

17. Property, plant and equipment (continued)

Additions to tangible assets in 2022: buildings in the amount of EUR 1,103 thousand relate to investments in hotel facilities (upgrading the classification of hotels, developing campsites and other construction works), equipment in the amount of EUR 1,633 thousand relates to the purchase of equipment necessary for operations in hotels and campsites, additions to tangible assets under construction in the amount of EUR 1,505 thousand relate to investments in hotel facilities and campsite development, which were not put into use during 2022. The disposals in land in the amount of EUR 255 thousand relate to the divestment in 2022 (of which the amount of EUR 43 thousand relates to own property, and the amount of EUR 212 thousand relates to investment property).

As at 31 December 2022, 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, Kačjak, Kaštel resorts and Grand hotel View) amounts to a total of EUR 71,078 thousand (31 December 2022: EUR 37,412 thousand).

The total value of tangible assets that are fully depreciated, and which are still in use as of 31 December 2023 amounts to EUR 15,469 thousand (31 December 2022: EUR 14,291 thousand).

Proceeds from the sale of property, plant and equipment in 2023 amounted to EUR 95 thousand (in 2022: EUR 12 thousand without discontinued operations).

The book value of assets where the Group is not listed as the owner or in respect of which there is a legal dispute regarding ownership as of 31 December 2023, amounts to EUR 279 thousand.

18. Intangible assets

<i>Company</i>	Licences, software and other rights	Total
<i>EUR '000</i>		
Cost		
At 1 January 2022	461	461
Direct additions	109	109
Disposals	(13)	(13)
At 31 December 2022	557	557
Direct additions	44	44
Disposals	(26)	(26)
At 31 December 2023	575	575
Accumulated amortisation		
At 1 January 2022	211	211
Amortisation charge	85	85
Disposals	(7)	(7)
At 31 December 2022	289	289
Amortisation charge	99	99
Disposals	(20)	(20)
At 31 December 2023	368	368
Net book amount		
At 31 December 2022	268	268
At 31 December 2023	207	207

18. Intangible assets (continued)

<i>Group</i>	Licences, software and other rights	Total
<i>EUR '000</i>		
Cost		
At 1 January 2022	572	572
Reclassification to assets held for sale (Note 37)	(106)	(106)
Direct additions	109	109
Disposals	(18)	(18)
At 31 December 2022	557	557
Direct additions	44	44
Disposals	(26)	(26)
At 31 December 2023	575	575
Accumulated amortisation		
At 1 January 2022	312	312
Reclassification to assets held for sale (note 37)	(104)	(104)
Amortisation charge	91	91
Disposals	(10)	(10)
At 31 December 2022	289	289
Amortisation charge	99	99
Disposals	(20)	(20)
At 31 December 2023	368	368
Net book amount		
At 31 December 2022	268	268
At 31 December 2023	207	207

19. Investment property

<i>Company</i>	Land and buildings	Total
<i>EUR '000</i>		
Cost		
At 1 January 2022	4,262	4,262
Transfer from property, plant and equipment	212	212
At 31 December 2022	4,474	4,474
Transfer from property, plant and equipment	-	-
At 31 December 2023	4,474	4,474
Accumulated depreciation		
At 1 January 2022	244	244
Depreciation charge	9	9
At 31 December 2022	253	253
Depreciation charge	9	9
At 31 December 2023	262	262
Net book amount		
At 31 December 2022	4,221	4,221
At 31 December 2023	4,212	4,212

19. Investment property (continued)

<i>Group</i>	Land and buildings	Total
EUR '000		
Cost		
At 1 January 2022	5,164	5,164
Reclassification to assets held for sale (Note 37)	(902)	(902)
Transfer from property, plant and equipment	212	212
At 31 December 2022	4,474	4,474
Transfer from property, plant and equipment	-	-
At 31 December 2023	4,474	4,474
Accumulated depreciation		
At 1 January 2022	1,053	1,053
Reclassification to assets held for sale (Note 37)	(827)	(827)
Depreciation charge	27	27
At 31 December 2022	253	253
Depreciation charge	9	9
At 31 December 2023	262	262
Net book amount		
At 31 December 2022	4,221	4,221
At 31 December 2023	4,212	4,212

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 EUR 4,212 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

Company	31 December 2022	31 December 2023
	<i>EUR '000</i>	<i>EUR '000</i>
Hoteli Novi d.d. in bankruptcy	582	582
Impairment of shares	(582)	(582)
Total	-	-

Group	31 December 2022	31 December 2023
	<i>EUR '000</i>	<i>EUR '000</i>
Hoteli Novi d.d. in bankruptcy	582	582
Impairment of shares	(582)	(582)
Loans given	-	130
Total	-	130

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

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

Investments in subsidiaries

	Country	Ownership share	31 December 2022	31 December 2023
			<i>EUR '000</i>	<i>EUR '000</i>
Adria coast turizam /i/	Republic of Croatia	100%	-	22,942
Stolist /ii/	Republic of Croatia	100%	129	129
Total			129	23,071

Non – current assets held for sale

	31 December 2022	31 December 2023
	<i>EUR '000</i>	<i>EUR '000</i>
Club Adriatic /i/	15,609	-
Total	15,609	-

/i/ Adria coast turizam and Club Adriatic

On 6 February 2023, Jadran d.d. successfully fulfilled all the prerequisites established by the concluded agreements on the purchase of business shares in the company Adria coast turizam d.o.o., which provided for the acquisition of 100% of the shares in that company by Jadran d.d., as well as the agreement on the sale of business shares in the company Club Adriatic d.o.o., by which Jadran sold and transferred 100% of the shares in that company to Adria Grupa Baško Polje d.o.o. (Note 38).

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

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

As a result of the above, as at 31 December 2022, the Company presented the investment in the subsidiary Club Adriatic d.o.o. in the amount of EUR 15,609 thousand within non – current assets held for sale. For more details please see Notes 37 and 38.

/ii/ Stolist

As at 18 June 2019, the Company entered into a Sale and Purchase Agreement for the acquisition of Stolist d.o.o. Pursuant to this Agreement, the Company acquired 100% of the shares in the said company. The Company paid EUR 129 thousand to acquire Stolist d.o.o.

22. Inventories

<i>Company</i>	31 December 2022	31 December 2023
	<i>EUR '000</i>	<i>EUR '000</i>
Raw materials and supplies on stock	113	75
Cost of small inventory and tyres	1,297	1,219
Impairment of small inventory and tyres	(1,297)	(1,219)
Trade goods	3	2
Packaging	5	4
Total	121	81

<i>Group</i>	31 December 2022	31 December 2023
	<i>EUR '000</i>	<i>EUR '000</i>
Raw materials and supplies on stock	113	110
Cost of small inventory and tyres	1,297	1,481
Impairment of small inventory and tyres	(1,297)	(1,481)
Trade goods	3	3
Packaging	5	5
Total	121	118

23. Trade receivables and related party receivables

Company	31 December 2022	31 December 2023
	<i>EUR '000</i>	<i>EUR '000</i>
Domestic trade receivables	397	1.086
Foreign trade receivables <i>/i/</i>	78	14
Impairment of trade receivables – individual adjustments	(98)	(660)
Impairment of receivables – expected credit losses (IFRS 9)	(90)	(12)
Receivables from related parties	1,487	73
Impairment of trade receivables from related parties	(1,469)	(1)
Total	305	500

Group	31 December 2022	31 December 2023
	<i>EUR '000</i>	<i>EUR '000</i>
Domestic trade receivables	398	1.109
Foreign trade receivables <i>/i/</i>	78	24
Impairment of trade receivables – individual adjustments	(99)	(660)
Impairment of receivables – expected credit losses (IFRS 9)	(90)	(16)
Total	287	457

/i/ The carrying amount of foreign trade receivables in 2022 is translated from EUR.

Maturity structure of total trade receivables:

Company	Gross trade receivables		Impairment		Net trade receivables	
	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023
	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>
Not past due	147	443	(4)	(5)	143	438
Up to 30 days	106	38	(11)	(1)	95	37
31-60 days	38	2	(16)	(2)	22	-
61-90 days	13	14	-	-	13	14
91-180 days	41	33	(23)	(22)	18	11
181-365 days	31	7	(17)	(7)	14	-
365 days and more	1,586	636	(1,586)	(636)	-	-
Total	1,962	1,173	(1,657)	(673)	305	500

23. Trade receivables and related party receivables (continued)

Group 31 December 2023	Not past due	Past due up to 30 days	Past due from 31–90 days	Past due from 91–180 days	Past due from 181–270 days	Past due beyond 270 days	TOTAL
Expected loss rate	1.35%	1.79%	17.24%	63.64%	87.50%	100%	77.85%
Gross book amount – trade receivables	370	56	29	33	8	637	1,133
Loss allowance	(5)	(1)	(5)	(21)	(7)	(637)	(676)
Trade receivables – net of impairment	365	55	24	12	1	-	457

Group 31 December 2023	Not past due	Past due up to 30 days	Past due from 31–90 days	Past due from 91–180 days	Past due from 181–270 days	Past due beyond 270 days	TOTAL
Expected loss rate	2.82%	10.79%	30.98%	57.74%	53.57%	100.00%	39.66%
Gross book amount – trade receivables	129	106	51	41	32	117	476
Loss allowance	(4)	(11)	(16)	(24)	(17)	(117)	(189)
Trade receivables – net of impairment	125	95	35	17	15	-	287

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

Company	2022	2023
	<i>EUR '000</i>	<i>EUR '000</i>
At 1 January	1,732	1,657
Increase in expected credit losses in the current period	-	30
Collection/reversal of impairment in the current period	(56)	(77)
<i>Total changes in expected credit loss through profit or loss</i>	<i>(56)</i>	<i>(47)</i>
Write-off of previously impaired receivables	(19)	(937)
At 31 December	1,657	673

Group	2022	2023
	<i>EUR '000</i>	<i>EUR '000</i>
At 1 January	752	189
Increase in bad debt allowance over the period	5	30
Write-off of previously impaired receivables	(24)	(8)
IFRS 9 effects	(56)	(73)
Transfer of movements in provisions for losses for trade receivables related to discontinued operations to assets held for sale	(478)	-
Transfer of impaired receivables from a subsidiary sold <i>/i/</i>	-	538
Other movements	(10)	-
At 31 December	189	676

/i/ The item refers to impaired receivables from Club Adriatic, which was previously a subsidiary, so this category did not exist at the Group level.

24. Receivables from the government and other receivables

<i>Company</i>	31 December 2021	31 December 2022
	<i>EUR '000</i>	<i>EUR '000</i>
Grants receivable	2	-
Prepaid VAT receivable	402	148
Other receivables from the government	42	80
Suspense accounts for services accounted for /i/	10	141
Banking charges for loans	21	13
Receivables for advances given /ii/	169	177
Prepayments – other costs	55	9
Total	701	568

/i/ Suspense accounts for services accounted for refer to the balance of transition accounts that are uploaded from the reception software.

/ii/ Receivables arising from advances given relate to advances for insurance premium paid in the amount of EUR 104 thousand, the amount of EUR 59 paid to HEP and other advances given to suppliers. (31 December 2022: Receivables arising from advances given relate to rent advances in the amount of EUR 20 thousand, the amount of EUR 59 thousand paid to HEP, EUR 40 thousand paid to Gradnja Slavonska d.o.o. and other advances given to suppliers).

<i>Group</i>	31 December 2021	31 December 2022
	<i>EUR '000</i>	<i>EUR '000</i>
Grants receivable	2	-
Prepaid VAT receivable	402	185
Other receivables from the government	43	120
Suspense accounts for services accounted for /i/	10	150
Banking charges for loans	21	13
Receivables for advances given /ii/	169	182
Prepayments – other costs	55	9
Total	702	659

/i/ Suspense accounts for services accounted for refer to the balance of transition accounts that are uploaded from the reception software.

/ii/ Receivables arising from advances given relate to advances for insurance premium paid in the amount of EUR 129 thousand, the amount of EUR 59 paid to HEP and other advances given to suppliers. (31 December 2022: Receivables arising from advances given relate to rent advances in the amount of EUR 20 thousand, the amount of EUR 59 thousand paid to HEP, EUR 40 thousand paid to Gradnja Slavonska d.o.o. and other advances given to suppliers).

25. Receivables for loans granted to related parties

Company	31 December 2022	31 December 2023
	<i>EUR '000</i>	<i>EUR '000</i>
Receivables for loans granted to related parties /i/	15	493
Impairment of loan receivables – IFRS 9	(2)	(19)
Total	13	474

/i/ Receivables from related parties relate to two loans granted to Stolist d.o.o. in the total amount of loan principal and of associated interest of EUR 15.2 thousand. The loans were granted in 2021 and 2022.

Additionally, in 2023 the Company granted a loan of EUR 475 thousand to Adria coast turizam, with EUR 3 thousand of associated interest.

The above-mentioned loans were granted at the legally prescribed intra-group interest rate (repayable at the lender's first call). The loans are classified as Stage 2.

26. Cash and cash equivalents

Company	31 December 2022	31 December 2023
	<i>EUR '000</i>	<i>EUR '000</i>
Bank balances – domestic currency	267	1,022
Bank balances – foreign currency /i/	528	-
Cash on hand	-	1
Total	795	1,023

Group	31 December 2022	31 December 2023
	<i>EUR '000</i>	<i>EUR '000</i>
Bank balances – domestic currency	278	1,768
Bank balances – foreign currency /i/	528	-
Cash on hand	-	1
Total	806	1,769

/i/ The carrying amount of cash at banks in foreign currency in 2022 was translated from EUR.

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

26. Cash and cash equivalents (continued)

Company	31 December 2022	31 December 2023
	<i>EUR '000</i>	<i>EUR '000</i>
A	444	15
BBB	341	986
No credit rating	10	21
Total	795	1,022

Group	31 December 2022	31 December 2023
	<i>EUR '000</i>	<i>EUR '000</i>
A	444	15
BBB	352	1,731
No credit rating	10	22
Total	806	1,768

27. Capital and reserves

The Company's share capital amounts to EUR 64.039.780 and is divided among 27,971,463 ordinary shares without a nominal value with the ticker symbol JDRN-R-B. The Company's ID No. (OIB) is 56994999963, while its Reg. No. (MBS) is 040000817. The share capital represents the Company's own sources of assets for its operating purposes.

Capital reserves as of 31 December 2023 as well as of 31 December 2022 amount to EUR 31.085.132 and are not available for distribution to the shareholders.

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

Table 1: Structure of shareholders as at 31 December 2023 and 31 December 2022

Investor	31 December 2022		31 December 2023	
	Balance	%	Balance	%
Erste & Steiermarkische bank d.d./PBZ CO OMF – category B (1/1) – custodial account	16,307,401	58.30	16,307,401	58.30
OTP banka d.d. /Erste Plavi OMF category b – custodial account	8,547,346	30.56	8,547,346	30.56
Restructuring and Sale Center – CERP (0/1) Republic of Croatia (1/1) zs	673,666	2.41	673,666	2.41
Hrvatske vode, Water Management Corporation (1/1)	208,292	0.74	208,292	0.74
Town of Crikvenica (1/1)	184,056	0.66	184,056	0.66
OTP banka d.d./Erste Plavi Expert – voluntary pension fund (1/1) – custodial account	174,249	0.62	174,249	0.62
Other shareholders	1,876,453	6.71	1,876,453	6.71
TOTAL	27,971,463	100.00	27,971,463	100.00

27. Capital and reserves (continued)

Pursuant to the provisions of the Act on the Introduction of the Euro as the Official Currency in the Republic of Croatia and the Act on Amendments to the Companies Act, and based on the decision of the General Assembly on the adjustment of share capital dated 14 July 2023, the share capital of the Company, by applying a fixed HRK to EUR conversion rate, was converted into euros and reduced by the amount of 1.01 euros to the extent necessary for compliance with the relevant regulations in a simplified manner, and credited to capital reserves.

As of 31 December 2023, the Company holds 631 treasury shares (2022: 631), which represents 0.0023% (2022: 0.0023%) of the Company's share capital.

28. Provisions

Company	31 December 2022	31 December 2023
	<i>EUR '000</i>	<i>EUR '000</i>
Provisions for termination benefits	29	34
Provisions for jubilee awards	28	38
Provisions for legal disputes	24	80
Total	81	152

Group	31 December 2022	31 December 2023
	<i>EUR '000</i>	<i>EUR '000</i>
Provisions for termination benefits	29	35
Provisions for jubilee awards	28	39
Provisions for legal disputes	24	80
Total	81	154

Movements in provisions over the years are as follows:

Company	Legal disputes	Termination benefits	Jubilee awards	Total
<i>EUR '000</i>				
At 31 December 2021	24	32	38	94
Release of provisions	-	(3)	(10)	(13)
At 31 December 2022	24	29	28	81
Additional provisions based on estimate	56	5	10	71
At 31 December 2023	80	34	38	152

Group	Legal disputes	Termination benefits	Jubilee awards	Total
<i>EUR '000</i>				
At 31 December 2021	24	32	38	94
Release of provisions	-	(3)	(10)	(13)
At 31 December 2022	24	29	28	81
Additional provisions based on estimate	56	5	10	71
At 31 December 2023	80	34	38	152

29. Liabilities to banks

<i>Company</i>	31 December 2022	31 December 2023
	<i>EUR '000</i>	<i>EUR '000</i>
Long-term loans-HBOR – DT-1/16 /i/	1,355	1,075
Long-term loans-HBOR – DT-10/16 /ii/	790	626
Long-term loans-PBZ – 2016 -5110217867-5110217867 /iii/	3,672	2,448
Long-term loans-PBZ – 2019 -5110228722-5110228722 /iv/	10,401	9,380
Long-term loans-ERSTE – 2019 -5117407680/15 /v/	12,433	11,089
Short-term loans-ERSTE – 2022 – 5002285447 /vi/	800	-
Short-term loans – OTP 2023-3825/23 /viii/	-	2,000
Short-term loans – ZABA 5702182152 /ix/	-	500
Interest	130	196
Total liabilities	29,581	27,314
Current maturities of long-term loans in the current year	(4,071)	(4,071)
Short-term loans-ERSTE – 2022 – 5002285447 /vi/	(800)	-
Short-term loans – OTP 2023-3825/23 /vii/	-	(2,000)
Short-term loans – ZABA 5702182152 /ix/	-	(500)
Interest	(130)	(196)
Current liabilities	(5,001)	(6,767)
Non-current liabilities	24,580	20,547
<i>Group</i>	31 December 2022	31 December 2023
	<i>EUR '000</i>	<i>EUR '000</i>
Long-term loans-HBOR – DT-1/16 /i/	1,355	1,075
Long-term loans-HBOR – DT-10/16 /ii/	790	626
Long-term loans-PBZ – 2016 -5110217867-5110217867 /iii/	3,672	2,448
Long-term loans-PBZ – 2019 -5110228722-5110228722 /iv/	10,401	9,380
Long-term loans-ERSTE – 2019 -5117407680/15 /v/	12,433	11,089
Long-term loans-Gorenjska banka /vi/	-	24,000
Short-term loans-ERSTE – 2022 – 5002285447 /vii/	800	-
Short-term loans – OTP 2023-3825/23 /viii/	-	2,000
Short-term loans – ZABA 5702182152 /ix/	-	500
Interest	130	554
Total liabilities	29,581	51,672
Current maturities of long-term loans in the current year	(4,071)	(5,571)
Short-term loans-ERSTE – 2022 – 5002285447 /vi/	(800)	-
Short-term loans – OTP 2023-3825/23 /viii/	-	(2,000)
Short-term loans – ZABA 5702182152 /ix/	-	(500)
Interest	(130)	(554)
Current liabilities	(5,001)	(8,625)
Non-current liabilities	24,580	43,047

29. Liabilities to banks (continued)

- /i/ In 2016, the Company entered into a long-term loan agreement with the Croatian Bank for Reconstruction and Development for a loan of HRK 17,400,000, repayable over 8 years, with a 1-year and 10 months grace period and 3% interest rate, for the renovation of facilities and upgrading the classification of Hotel Omorika and Hotel Varaždin (Katarina).
- /ii/ In 2016, the Company entered into a long-term loan agreement with the Croatian Bank for Reconstruction and Development for a loan of HRK 10 million, repayable over 8 years, with a 1-year and 3 months grace period and 3% interest rate, for the renovation of facilities and upgrading the classification of Hotel Varaždin (Katarina).
- /iii/ In 2016, the Company entered into a long-term loan agreement with Privredna banka Zagreb d.d. for a loan of EUR 7,400,000, repayable over 6 years, with a 1-year and 6 months grace period and 2.6% interest rate, for the renovation of facilities and upgrading the classification of Hotel Varaždin (Katarina) and Hotel Esplanade and to purchase the receivables from Veneto banka d.d. This Agreement was entered into in December of 2016. The amount of EUR 7,343,852 was drawn under the loan, and the loan commencement date was 20 July 2019.
- /iv/ In 2019, the Company entered into a long-term loan agreement with Privredna banka Zagreb d.d. for a loan of EUR 12,250,000, repayable over 12 years, with a 2.05% interest rate, for the renovation of facilities and upgrading the classification of the Ad Turres resort, Selce Campsite – swimming pool and allotment, Hotel Katarina, Hotel Omorika, Kačjak resort, Slaven pavilions and Hotel Esplanade.
- /v/ In 2019, the Company entered into a long-term loan agreement with Erste&Steiermärkische Bank d.d. for a loan of EUR 13,441,000, repayable over 10 years, with a 2.1% + 3M Euribor interest rate, to be used for investments – purchasing and other costs of acquiring Club Adriatic d.o.o. Zagreb.
- /vi/ In 2022, Adria coast turizam, Company's subsidiary, entered into an agreement with Gorenjska banka on a long-term loan in the amount of EUR 27.5 million, with a repayment period of 15 years, and an interest rate of 3.5% + 3M Euribor, for the construction of the Grand Hotel View.
- /vii/ In 2022, the Company entered into a short-term loan agreement with Erste&Steiermärkische Bank d.d. for a loan of EUR 800,000, repayable until 30 September 2023, with a 1.2% + 3M Euribor interest rate, to be used for current liquidity financing.
- /viii/ In 2023, the Company entered into a short-term loan agreement with OTP Bank d.d. for a loan of EUR 2 million, repayable until 31 October 2024, with a 6% interest rate, to be used for current liquidity financing.
- /ix/ In 2023, the Company entered into a short-term revolving loan agreement with Zagrebačka banka d.d. for a loan of EUR 3 million, repayable until 30 November 2024, with a 4,4% interest rate, to be used for current liquidity financing. From the stated amount by the end of the year, EUR 500 thousand had been withdrawn.

Covenant for the above loans of the Company and the Group include the obligation to perform a certain % of payment transactions through specific bank, the obligation to maintain the agreed interest coverage ratio, the need to notify banks in cases of major new loans of the Company and the Group, and the need to notify banks in cases of granting loans to subsidiary. Additionally, the contractual provisions for the subsidiary's loan imply the need to maintain a minimum debt repayment coverage ratio. The Company and the Group believe that there was no covenant breaches during or at the end of the year.

All loans of the Company and the Group are denominated in local currency. Credit collateral are promissory notes, debentures and property, plant and equipment of the Company and Group, as disclosed in note 17. As of 31 December 2023, the Company's (and Group's) agreed unused credit lines with financial institutions for the year 2023 total EUR 2.5 million.

30. Other non-current liabilities

Company and Group	31 December 2022	31 December 2023
	<i>EUR '000</i>	<i>EUR '000</i>
Bankruptcy Plan /i/	8	8
Total	8	8

/i/ The liabilities under the Bankruptcy Plan of EUR 8 thousand relate to liabilities to secured creditors of the 2nd rank in the amount of EUR 4 thousand and liabilities intended to be included in the share capital in the amount of EUR 4 thousand. The Bankruptcy Plan does not infringe on the secured creditors' right to be paid from items subject to separate satisfaction.

31. Trade payables

Company	31 December 2022	31 December 2023
	<i>EUR '000</i>	<i>EUR '000</i>
Domestic trade payables	1,387	1,019
Liabilities to related suppliers (Note 35)	50	-
Foreign trade payables	17	16
Total	1,454	1,035

Group	31 December 2022	31 December 2023
	<i>EUR '000</i>	<i>EUR '000</i>
Domestic trade payables	1,390	2,604
Foreign trade payables	17	25
Total	1,407	2,629

32. Liabilities for advances, deposits and guarantees

Company	31 December 2022	31 December 2023
	<i>EUR '000</i>	<i>EUR '000</i>
Advances received	283	424
Security and other deposits	71	58
Total	354	482

Group	31 December 2022	31 December 2023
	<i>EUR '000</i>	<i>EUR '000</i>
Advances received	283	441
Security and other deposits	71	58
Total	354	499

33. Other current liabilities

Company	31 December 2022	31 December 2023
	<i>EUR '000</i>	<i>EUR '000</i>
Net salaries payable	276	285
Unused vacation days	217	242
Liabilities to employees – bonuses	266	276
Liabilities to employees – redistribution of working hours	96	56
Other liabilities to employees	16	11
Contributions from and on salaries	153	151
Taxes and surtaxes payable	31	33
Other liabilities to the government	53	124
Accrual of received capital grants /i/	90	94
Fees based on temporary service agreements	4	10
Scholarships	5	-
Other liabilities – unpaid to bankruptcy creditors	1	1
Obligations for additional payments /ii/	-	1,500
Deferred income	-	12
Total	1,208	2,795

Group	31 December 2022	31 December 2023
	<i>EUR '000</i>	<i>EUR '000</i>
Net salaries payable	276	316
Unused vacation days	217	250
Liabilities to employees – bonuses	266	284
Liabilities to employees – redistribution of working hours	96	69
Other liabilities to employees	16	12
Contributions from and on salaries	153	166
Taxes and surtaxes payable	31	36
Other liabilities to the government	53	144
Accrual of received capital grants /i/	91	94
Fees based on temporary service agreements	4	10
Scholarships	5	-
Other liabilities – unpaid to bankruptcy creditors	1	1
Deferred income	-	12
Total	1,209	1,394

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

/ii/ Obligations for additional payments refer to the obligation of the company Jadran to pay into the capital reserves of the subsidiary Adria coast turizam in the amount of EUR 1,500 thousand.

34. Lease liabilities and right-of-use assets

The cost of interest on lease liabilities is included in *Finance costs – Interest expense* on lease (Note 14).

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

Lease liabilities

Company	31 December 2022	31 December 2023
	<i>EUR '000</i>	<i>EUR '000</i>
Non-current lease liabilities	36,383	10,499
Current lease liabilities	673	953
Total	37,056	11,452

Group	31 December 2022	31 December 2023
	<i>EUR '000</i>	<i>EUR '000</i>
Non-current lease liabilities	44,045	10,709
Current lease liabilities	1,015	973
Total	45,060	11,682

Right-of-use assets

Company	Vehicles	Real estate	Beach concession	Total
<i>EUR '000</i>				
Net book amount at 31 December 2021	113	12,897	65	13,075
Initial recognition as per new contracts /i/	132	33,061	-	33,193
Depreciation for the year	(115)	(3,590)	(10)	(3,715)
Termination of existing contracts /ii/	(21)	(7,572)	-	(7,593)
Net book amount at 31 December 2022	109	34,796	55	34,960
Initial recognition as per new contracts /iii/	234	7,730	-	7,964
Depreciation for the year	(87)	(1,514)	(11)	(1,612)
Termination of existing contracts /iv/	(87)	(30,361)	-	(30,448)
Impairment /v/	-	(3,205)	-	(3,205)
Net book amount at 31 December 2023	169	7,446	44	7,659

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

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

34. Lease liabilities and right-of-use assets (continued)

/iii/ It refers to the initial recognition of the lease contracts for hotel Noemia, that was transferred on 1 January 2023 from Club Adriatic and the contract for the office in Zagreb, signed in June 2023.

./iv/ It refers to the lease contract for Grand hotel View, that was terminated on 6 February 2023, with the purchase of Adria coast turizam.

/v/ It refers to the impairment recognised at initial recognition of the lease contract for the Noemia hotel.

Group	Vehicles	Real estate	Beach concession	Total
EUR '000				
Net book amount at 31 December 2021	113	20,069	87	20,269
Initial recognition as per new contracts /i/	132	33,061	-	33,193
Depreciation for the year	(115)	(4,139)	(15)	(4,269)
Termination of existing contracts /ii/	(21)	(7,572)	-	(7,593)
Reversal of impairment	-	(2,021)	-	(2,021)
Net book amount at 31 December 2022	109	39,398	72	39,579
Initial recognition as per new contracts /iii/	234	146	247	627
Depreciation for the year	(87)	(1,514)	(46)	(1,647)
Termination of existing contracts /iv/	(87)	(30,906)	-	(30,993)
Impairment /v/	-	322	-	322
Net book amount at 31 December 2023	169	7,446	273	7,888

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

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

/iii/ It refers to the initial recognition of the lease contracts for the Noemia hotel, that was transferred on 1 January 2023 from Club Adriatic and the contract for the office in Zagreb, signed in June 2023.

./iv/ It refers to the lease contracts for Grand hotel View, that was terminated on February 6, 2023, with purchase of Adria coast turizam.

/v/ It refers to the net result of the termination of the lease agreement for the Noemia hotel (by exiting the portfolio of the then subsidiary Club Adriatic) and the impairment recognised upon the initial recognition of the lease agreement for the Noemia hotel by the parent company Jadran.

As stated in Note 2.20, the Company and the Group use the exemption expedient for short-term leases and low-value leases.

In 2023, short-term leases and low-value leases of the Company amounted to EUR 208 thousand (Note 9).

In 2023, short-term leases and low-value leases of the Group amounted to EUR 247 thousand (Note 9).

35. Related party transactions

The main related party transactions during 2023 and 2022 were as follows:

31 December 2023

Subsidiary	Revenue	Expenses	Receivables and loans	Liabilities
<i>EUR '000</i>				
Stolist	5	-	16	-
Adria coast turizam	575	(104)	551	(1,500)
Total	580	(104)	567	(1,500)

31 December 2022

Subsidiary	Revenue	Expenses	Receivables and loans	Liabilities
<i>EUR '000</i>				
Stolist	4	-	16	-
Club Adriatic	154	(7)	18	(50)
Total	158	(7)	34	(50)

Receivables based on approved loans as well as a description of the contractual conditions are set out in Note 25.

36. Net debt

<i>Company</i>	Cash	Liabilities to banks	Lease liabilities	Total
<i>EUR '000</i>				
Net debt at 1 January 2022	2,091	(32,552)	(16,128)	(46,589)
Cash flow	(1,292)	2,980	2,967	4,655
Increase arising from new lease agreements and modifications	-	-	(33,193)	(33,193)
Termination of existing contracts	-	-	9,010	9,010
<i>Interest expense</i>	-	(790)	(990)	(1,780)
<i>Interest paid</i>	-	772	990	1,762
Non-cash movements	(4)	9	288	293
Net debt at 31 December 2022	795	(29,581)	(37,056)	(65,842)
Cash flow	228	2,333	1,385	3,946
Increase arising from new lease agreements and modifications	-	-	(7,964)	(7,964)
Termination of existing contracts	-	-	32,604	32,604
<i>Interest expense</i>	-	(1,054)	(513)	(1,567)
<i>Interest paid</i>	-	986	513	1,499
Non-cash movements	-	2	(421)	(419)
Net debt at 31 December 2023	1,023	(27,314)	(11,452)	(37,743)

<i>Group</i>	Cash	Liabilities to banks	Lease liabilities	Total
<i>EUR '000</i>				
Net debt at 1 January 2022	3,092	(32,552)	(24,418)	(53,878)
Cash flow	(2,281)	2,980	3,650	4,349
Increase arising from new lease agreements and modifications	-	-	(33,193)	(33,193)
Termination of existing contracts	-	-	9,010	9,010
<i>Interest expense</i>	-	(791)	(1,211)	(2,002)
<i>Interest paid</i>	-	771	1,211	1,982
Non-cash movements	(5)	11	(109)	(103)
Net debt at 31 December 2022	806	(29,581)	(45,060)	(73,835)
Cash flow	954	2,333	1,411	4,698
Acquisition of subsidiary (Note 38)	9	(24,163)	-	(24,154)
Increase arising from new lease agreements and modifications	-	-	(627)	(627)
Termination of existing contracts	-	-	33,149	33,149
<i>Interest expense</i>	-	(2,453)	(525)	(2,978)
<i>Interest paid</i>	-	2,234	525	2,759
Non-cash movements	-	(42)	(555)	(597)
Net debt at 31 December 2023	1,769	(51,672)	(11,682)	(61,585)

37. Discontinued operations

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

With the agreement on the transfer of business shares in the company Club Adriatic d.o.o., dated 6 February by which Jadran transferred 100% of the shares in that company to Adria Grupa Baško Polje d.o.o. the conditions have been met for this business segment to be classified as discontinued operations on December 31, 2022.

As stated above, Club Adriatic was sold on 6 February 2023 (effective from 31 January 2023) and presented as discontinued operations. Financial information relating to the discontinued operations until the date of sale are shown below.

The impact of discontinued operations and assets held for sale on the statement of comprehensive income, statement of financial position and statement of cash flows is presented below.

	Discontinued operations	
	2022	January 2023
	EUR '000	EUR '000
Revenue	3,225	-
Other income	94	33
Total operating income	3,319	33
Cost of raw materials and supplies	(545)	(27)
Cost of services	(330)	(13)
Staff costs	(860)	(35)
Depreciation and amortisation	(444)	(32)
Losses on impairment of non-financial assets	(11)	-
Other operating expenses	(781)	(14)
Total operating expenses	(2,971)	(121)
Operating profit	348	(88)
Finance income	-	-
Finance costs	(47)	-
Net loss from financing activities	(47)	-
	-	
Profit before tax	301	(88)
Income tax	(115)	-
Gain/(loss) from discontinued operations	186	(88)
Gain on sale of subsidiary, after tax	-	1,461
Total gain from discontinued operations	-	1,373

37. Discontinued operations (continued)

Details on the sale of the subsidiary:

	2023 <i>EUR '000</i>
Consideration received	
Cash	1,676
Consideration defined by the Sales Contract and Annexes to the Contract For the acquisition of a 100% share in Adria coast tourism	21,442
Total disposal consideration	23,118
Carrying amount of net assets sold	(21,657)
Gain on sale of subsidiary	1,461

The carrying amounts of assets and liabilities at the date of sale (31 January 2023) were as follows:

	31 January 2023 <i>EUR '000</i>
Assets	
Property, plant and equipment	23,035
Intangible assets	2
Financial assets	120
Inventory	14
Trade receivables	122
Receivables from the government and other receivables	43
Tax receivables	123
Cash and cash equivalents	879
Total assets	24,338
Liabilities	
Deferred tax liability	2,509
Trade payables	76
Liability for advances, deposits and guarantees	41
Other short-term liabilities	55
Total liabilities	2,681
Net assets	21,657

37. Discontinued operations (continued)

Impact on the statement of financial position

	31 December 2022
Assets	<i>EUR '000</i>
Non-current assets	
Property, plant and equipment (Note 17)	22,992
Intangible assets (Note 18)	2
Investment property (Note 19)	75
Financial assets	119
Other non-current assets	1
Total non-current assets	23,189
Current assets	
Inventories	14
Trade receivables	7
Receivables from the government	21
Income tax receivable	216
Other receivables	30
Cash and cash equivalents	942
Total current assets	1,230
Total assets held for sale	24,419
Liabilities	
Trade payables	45
Liabilities for advances, deposits and guarantees	13
Liabilities to employees	56
Liabilities to the government	22
Other current liabilities	1
Deferred tax liability	2,509
Total liabilities	2,646
Total liabilities from assets held for sale	2,646

Impact on the statement of cash flows

	2022
	<i>EUR '000</i>
A. Net cash from operating activities	1,705
B. Net cash from investing activities	(380)
C. Net cash from financing activities	(1,379)
Net (decrease in) cash generated by subsidiary	(54)

38. Acquisition of Adria coast turizam d.o.o.

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

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

On 6 February 2023, the Group acquired 100% ownership of Adria Coast Turizam d.o.o. for the agreed amount of EUR 47,000 thousand, net of the amount of the loan obligations to Gorenjska banka (in the amount of EUR 24,245 thousand), the value of the investment in the beach (EUR 1,611 thousand) adjusted for the items of the financial position as of 31 January 2023, which Jadran d.d. and Adria Grupa Baško Polje d.o.o. used for the purposes of concluding the transaction: short-term receivables and financial assets in the amount of EUR 358 thousand, cash in the amount of EUR 9 thousand of money and short-term liabilities in the amount of EUR 69 thousand.

The fair value of the compensation transferred in the business transaction of the acquisition of Adria coast turizam d.o.o. was determined based on the assessment of the fair value of non-current tangible assets in the amount of EUR 22 million and current assets in the amount of EUR 1.1 million of the company Club Adriatic d.o.o. net of the amount paid by the owner of AGBP totalling EUR 1.7 million.

The amounts were calculated in accordance with Jadran's accounting policies.

The acquired net asset value and the determined goodwill are presented as follows:

	2023
	<i>EUR '000</i>
Acquisition cost	21,442
Compensation defined by the Sales Contract and the Annexes to the Contract for the acquisition of 100% shares in Club Adriatic d.o.o.	21,442
Fair value of acquired assets of Adria Coast Turizam d.o.o.	(20,953)
Goodwill	489

38. Acquisition of Adria coast turizam d.o.o. (continued)

The fair value of acquired assets at the acquisition date is as follows:

	2023
	<i>EUR '000</i>
Land (Note 17)	3,990
Buildings (Note 17)	32,040
Plant and equipment (Note 17)	10,759
Other equipment (Note 17)	287
Tangible assets under construction (Note 17)	64
Trade and other receivables	287
Cash	9
Deposits	130
Trade and other payables	(183)
Deferred tax liability	(2,267)
Loans from banks (Note 36)	(24,163)
Net assets acquired	20,953

As stated above, for the acquisition of shares in Adria coast turizam d.o.o. the shares of Club Adriatic d.o.o. were transferred, with an adjustment for financial position items, and there was no outflow of cash, while the account balance of Adria coast turizam at the time of acquisition is not material.

With the acquisition of Adria coast turizam d.o.o. ends the lease of the View Hotel, described in Note 34.

39. Contingent liabilities and assets

After the bankruptcy proceedings were completed in 2014, the Company continued to conduct all legal disputes initiated at the time of bankruptcy of Jadran d.d., as well as those that the stated company did not manage to resolve during the bankruptcy period.

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 the Company's 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 a part of assets owned by the Company, namely at the Selce campsite. 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 as well as action for damages for the unauthorised use of land owned by the Company.

The Company is involved in property disputes for determining the title over a part of land surrounding the Slaven hotel and annex buildings.

The book value of assets in respect of which Jadran is not listed as the owner or in respect of which there is a legal dispute regarding ownership as of 31 December 2023, amounts to EUR 279 thousand.

The Company is involved in three legal proceedings concerning the establishment of title regarding two restaurants that had been owned by the Company until 2006, when the Company leased them out. Based on the Decisions of the Primorje-Gorski Kotar County, these facilities were given to be managed by third parties, without the Company receiving any compensation. In the meantime, the border of the maritime domain has been determined, which also includes the stated facilities. The proceedings in question are being conducted against the Town of Crikvenica and the Republic of Croatia.

Also, the Company is a party to several ongoing proceedings against the Town of Crikvenica, related to property issues.

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 debt owed to it by third parties.

In 2023, Adria coast turizam and Stolist were not involved in any proprietary or other legal disputes and the above-mentioned disputes are also relevant for the Group.

40. Events after the balance sheet date

On 19 March 2024, the lease contract for Uvala Slana camp was terminated, and on 20 March 2024, the camp was handed over to the owners.

After 31 December 2023, no business events or transactions have occurred or are expected to have a significant impact on the financial statements as of or for the period ending on 31 December 2023 or that they are of such importance for the operations of the Company and the Group that they should be disclosed in the notes to the financial statements.

MANAGEMENT REPORT

1. Key operating information

Key operating indicators for the Company

	2022	2023	2023 / 2022
Number of accommodation units (capacity)	2,661	2,101	(21.0%)
Number of bed-places	6,186	4,954	(19.9%)
Full occupancy days	93	100	7.6%
Annual occupancy rate	25%	28%	9.9%
Number of accommodation units sold	247,368	210,921	(14.7%)
Number of overnights	640,777	504,232	(21.3%)
Average daily rate ADR (in EUR)	83	82	(0.9%)
Revenue Per Available Room RevPar (in EUR)	10,059	10,092	0.3%

Key financial indicators for the Company

	2022	2023	2023 / 2022
EUR '000			
Total revenue	32,374	35,333	9.1%
Sales revenue	29,220	23,600	(19.2%)
Other operating income	2,909	11,721	302.9%
Total costs	29,888	31,918	6.8%
Operating expenses	27,812	30,351	9.1%
Material costs	11,943	10,598	(11.3%)
Staff costs	7,937	8,332	5.0%
Depreciation and amortisation	7,489	5,700	(23.9%)
Impairment of non-current non-financial assets	(1,225)	3,251	(365.3%)
Value adjustment	(40)	(30)	(24.8%)
Other costs	1,708	2,500	46.3%
Finance income	245	12	(95.1%)
Finance costs	2,076	1,567	(24.5%)
EBITDA	11,806	10,670	(9.6%)
EBITDA margin	37%	30%	(17.8%)
Normalised EBITDA¹	9,124	5,199	(43.0%)
Normalised EBITDA margin	28%	15%	(48.2%)
EBIT	4,317	4,971	15.1%
Normalised EBIT ²	1,635	(501)	(130.6%)
Net profit	4,828	2,729	(44.1%)

¹ EBITDA was normalised for one-time costs non-recurring income (net gains on termination of lease contract, net gains on disposal of subsidiary Club Adriatic) and expenses (value adjustments, impairment of long-term non-financial assets, expenses from unrealized investments).

² EBIT was normalised for one-time costs.

1. Key operating information (continued)

Key operating indicators for the Group

	2022	2023	2023 / 2022
Number of accommodation units (capacity)	3,548	2,331	(34.3%)
Number of bed-places	8,575	5,414	(36.9%)
Full occupancy days	88	86	(2.3%)
Annual occupancy rate	24%	27%	16.3%
Number of accommodation units sold	305,821	233,759	(23.6%)
Number of overnights	805,701	561,072	(30.4%)
Average daily rate ADR (in EUR)	72	90	25.2%
Revenue Per Available Room RevPar (in EUR)	7,911	11,007	39.1%

Key financial indicators for the Company

	2022	2023	2023 / 2022
EUR '000			
Total revenue	33.396	32.428	(2.9%)
Sales revenue	30.219	28.642	(5.2%)
Other operating income	2.929	3.782	29.1%
Total costs	33.685	36.661	8.8%
Operating expenses	31.387	33.683	7.3%
Material costs	12.385	12.358	(0.2%)
Staff costs	8.252	9.375	13.6%
Depreciation and amortisation	8.049	9.056	12.5%
Impairment of non-current non-financial assets	971	-276	(128.4%)
Value adjustment	2	83	4,789.7%
Other costs	1.728	3.087	78.6%
Finance income	248	4	(98.4%)
Finance costs	2.298	2.978	29.6%
EBITDA	9.811	7.797	(20.5%)
EBITDA margin	29.60%	24.05%	(18.8%)
Normalised EBITDA¹	9.812	7.604	(22.5%)
Normalised EBITDA margin	29.60%	23.45%	(20.8%)
EBIT	1,761	-1,259	(171.5%)
Normalised EBIT ²	1,763	-1,452	(182.4%)
Gain from discontinued business	186	1,373	638.2%
Net loss	-271	-3,390	1,380.3%

2. General Company and Group information

Name and company

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

Registered office and legal form

Jadran d.d. is a joint stock company. Its registered office is in Crikvenica, Bana Jelačića 16, Republic of Croatia.

Securities

The Company's share capital amounts to EUR 64,039,780 and is divided among 27,971,463 ordinary shares without a nominal value. The shares were issued in dematerialized form, ticker symbol JDRN-R-B, ISIN code HRJDRNB0002 and are kept in the SKDD depository.

Based on the decision of the General Assembly on the adjustment of share capital dated 14 July 2023, pursuant to the provisions of the Act on Amendments to the Companies Act, the share capital of the Company, was reduced by the amount of 1.01 euros, from the amount of EUR 64,039,781.01 to the amount of EUR 64,039,780.00. The difference of EUR 1.01 was allocated to capital reserves.

In 2023, the **Supervisory Board** comprised the following members:

- Goran Hanžek, Chairman of the Supervisory Board
- Karlo Došen, Deputy Chairman of the Supervisory Board
- Mirko Herceg, Member of the Supervisory Board
- Sandra Janković, Member of the Supervisory Board
- Adrian Čajić, Member of the Supervisory Board

In 2023, the **Management Board** comprised the following members:

- from 1 January 2023 to 30 November 2023:
 - Ivan Safundžić, Member of the Management Board
 - Miroslav Pelko, Member of the Management Board
- from 1 December 2023 to 31 December 2023:
 - Irina Tomić, President of the Management Board
 - Ivan Safundžić, Member of the Management Board
 - Miroslav Pelko, Member of the Management Board.

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

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

Until 6 February 2023

- Club Adriatic d.o.o. in which Jadran d.d. had 4 business shares with a total value of EUR 15,542,438.12, which makes 100% of shares and voting rights (one business share with a nominal amount of EUR 1,325.90, one business share with a nominal value of EUR 7.110.239,56, one business share with a nominal amount of EUR 851,814.98 and one business share with a nominal amount of EUR 7,579,069.91).
- Stolist d.o.o. in which Jadran d.d. has 100% business shares.

2. General Company and Group information (continued)

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

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

Based on the above-mentioned contracts, as of 6 February 2023, Jadran group consists of Jadran d.d. and its subsidiaries:

- Adria coast turizam d.o.o., in which Jadran d.d. has 20 business shares with a total value of EUR 13,200, the individual nominal value of the business share in the amount of EUR 660, which constitutes 100% of the shares and voting rights and
- Stolist d.o.o. in which Jadran d.d. has 100% business shares.

The list of the Company's shareholders with a 5% share or more in the share capital of Jadran d.d. (balance at 31 December 2023) is as follows:

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

3. Realised overnights

In 2023, the Republic of Croatia faced a series of challenges that impacted the hospitality industry, including the transition to the euro as the official currency. In analysing the company's business for the reporting period, it is important to highlight the influence of economic factors on the tourism industry. As widely known, economic conditions play a crucial role in consumers' decisions about travel and spending during these travels. The introduction of the euro as a new currency in the Republic of Croatia significantly marked the business environment, causing fluctuations in prices and adjustments in consumer habits. For this reason, the year 2023 started with bookings relatively late, with a majority of last-minute bookings.

If we focus on campsites, in 2023 they did not record the expected number of overnight stays, despite being a popular choice in the tourism industry in the past. Their attractiveness stems from a combination of comfort, hotel-like infrastructure, additional privacy, proximity to nature, and freedom of movement. This allure became particularly evident due to specific epidemiological circumstances in previous years, becoming a trend in choosing preferred accommodation.

The lack of the expected number of overnight stays in campsites in 2023 can be attributed to various factors, including changes in tourist preferences, competition from other types of accommodation, as well as economic and political influences on the tourism industry as a whole.

In hotel accommodation, there was a 27% decrease compared to 2022, while campsites within the Company record a smaller decrease of 2% compared to the previous year. It is important to note that the Company did not operate at the same capacities in 2023 and 2022. When comparing overnight stays in the same capacities, there was an overall increase of 3% in 2023 compared to 2022.

The share of the group channel of sales, observed in the same capacities, increased by 29% compared to 2022, the share of the allotments channel increased by 6%, the share of the online channel increased by 5%, and the share of the individual channel decreased by 10% compared to the year before.

Jadran d.d. achieved 82% of overnight stays from foreign guests in 2023, with 18% of overnight stays from domestic guests in hotel capacities. In 2023, foreign guests mostly came from the source markets of Slovenia, Germany, Hungary, Austria, Czech Republic, Slovakia, and Poland.

Looking at the data for the Group, there was a 25% decrease in hotel accommodation compared to 2022, while campsites within the Company recorded decrease of 43% compared to the previous year. It is important to note that the Group did not operate at the same capacities in 2023 and 2022. When comparing overnight stays in the same capacities, 13% more overnights were realized in hotel accommodation, 2% fewer overnights were realized in campsites, while overall 9% more overnights were realized compared to 2022.

For the Group, the share of the group channel of sales, observed in the same capacities, increased by 42% compared to 2022, the share of the allotment channel increased by 15%, the share of the online channel increased by 13%, and the share of the individual channel decreased by 6% compared to the year before.

In 2023, the Group achieved 82% of overnight stays from foreign guests, with 18% of overnight stays from domestic guests in hotel capacities. Foreign guests mostly came from the source markets of Slovenia, Germany, Austria, Hungary, Poland, Czech Republic and Slovakia in 2023

4. Company and Group business performance

4.1. Overview of the Company's operations in 2023

After three years of struggle with the impact of the COVID-19 pandemic on business operations, 2023 was the first year in which the business of the Company and the Group took place without any health restrictions.

The positive tourism trends that marked the 2022 continued at the beginning of 2023. New Year's holidays and occupancy of facilities were a good indicator of tourist trends in the coming period. Even though the contract for the lease of Hotel Lišanjski in Novi Vinodolski expired on 31 January 2023, the lack of family capacity was successfully compensated by the capacity at Hotel Katarina. In addition to the family segment, the group segment also increased its activities, and in the first quarter, in the same capacities, the best tourism results were achieved so far.

In addition to Hotel Lišanjski, in 2023, compared to 2022, the Company operated without Garden Palace Resort Umag (the contract was terminated on September 30, 2022), while the Heritage Hotel Stypia entered the Company's portfolio at the end of 2022 with 25 accommodation units, and also Boutique Hotel Noemia with 62 accommodation units (transferring the lease agreement from Club Adriatic d.o.o. to Jadran d.d.). Also, at the beginning of February, Jadran d.d. bought the company Adria coast turizam and the contract for the lease of the Grand Hotel View was terminated, and the mentioned hotel became part of the Jadran group.

In the period from January to December, Jadran d.d. achieved a total of 504,232 overnights, which is 21% less than the overnight stays achieved in the same period in 2022. If overnights in the same capacity were compared, then in 2023, 3% more overnight stays were realized. The most overnight stays were made by guests from the Republic of Croatia, Slovenia, Germany, Hungary, Austria, the Czech Republic, Slovakia and Poland.

Business in 2023 was still marked by an increase in costs, primarily food and beverage costs, but the Company carried out all necessary activities to optimize operations.

In the period from January to December 2022, Jadran d.d. generated total revenues of EUR 35,333 thousand which is 9% higher than the total revenues generated in 2022. Total expenses amounted to EUR 31,918 thousand and are 7% higher than the expenses realized in 2023. The realized profit before taxation amounts to EUR 3,415 thousand, in contrast to the year before, when the realized profit was EUR 2,486 thousand.

EBITDA in 2023 amounts to EUR 10,670 thousand and is 10% less than EBITDA realized in 2022.

In 2023, the Company generated a total of EUR 35,333 thousand in revenue, which is 9% more than the revenue generated in 2022. If you were to compare the revenues generated in the same capacities and without one off revenues, then in 2023, 12% more revenues were generated.

Sales revenues amounted to EUR 23,600 thousand and are 19% less than those realized in 2022, while other revenues amounted to EUR 11,721 thousand or EUR 8,812 thousand higher than those realized in 2022.

Finance income amounted to EUR 12 thousand and is EUR 233 thousand less than the income realized in 2022.

In 2023, the company made a total of EUR 31,918 thousand in expenses, which is 7% more than the expenses made in 2022. Operating expenses amounted to EUR 30,351 thousand and are 9% higher than the expenses realized in 2022. Finance costs amounted to EUR 1,567 thousand and are 25% less than the costs realized in 2022.

4. Company and Group business performance (continued)

4.1. Overview of the Company's operations in 2023 (continued)

The costs of raw materials and materials amounted to EUR 4,975 thousand and are 16% lower than those in 2022. The costs of services amounted to EUR 5,623 thousand and are 7% lower than those realized in 2022. Staff costs amounted to EUR 8,332 thousand and are 5% higher than the costs realized in 2022. Depreciation amounted to EUR 5,700 thousand and is 24% less than the depreciation realized in 2022. Impairment of long-term non-financial assets amounts to EUR 3,251 thousand, while the impairment of non-financial assets in 2022 amounted to EUR -1,225 thousand. Net gains from the adjustment of the value of financial assets amounted to EUR 30 thousand and are 25% lower than those realized in 2022. Other operating expenses amounted to EUR 2,500 thousand and are 46% higher than those realized in 2022.

4.2 Overview of the Group's operations in 2023

During 2023, subsidiaries of the Group changed. By selling the company Club Adriatic d.o.o. the Group was left without facilities located in Baška voda, while with the purchase of the company Adria coast turizam it became the owner of the Grand Hotel View in Postire. The group recorded the investment in the subsidiary Club Adriatic d.o.o. at cost (in the amount of EUR 15.6 million). In the sale transaction of Club Adriatic d.o.o. and purchase of Adria coast turizam d.o.o. with the other party, Adria Group Baško Polje, the net value of the transaction ("company for company") was defined in the amount of approximately EUR 23.1 million, from which it follows that Jadran realized a profit on the transaction in the amount of approximately EUR 7.5 million.

The Group achieved a total of 561,072 overnights from January to December 2023, which is 30% less than the overnights achieved in 2022. However, when comparing the data in the same capacity, in 2023 a total of 9% more overnight stays were achieved than in 2022.

From January to December 2023, the Group generated a total of EUR 32,428 thousand in revenue, which is 3% less than the revenue generated in 2022. Total expenses amounted to EUR 36,661 thousand and are 9% higher than the expenses realized in 2023. The realized loss before taxation amounts to EUR 4,233 thousand, in contrast to the year before, when a loss of EUR 289 thousand was realized.

EBITDA in 2023 amounts to EUR 7,797 thousand and is 21% lower than EBITDA realized in 2022.

In 2023, the Group generated a total of EUR 32,428 thousand in revenue, which is 3% less than the revenue generated in 2022. If we were to compare the revenues generated in the same capacities and without one-off revenues, then in 2023 a total of 21% more revenues were generated.

Sales revenues amounted to EUR 28,642 thousand and are 5% less than those realized in 2022, while other revenues amounted to EUR 3,782 thousand or 29% more than those realized in 2022. Financial income amounted to EUR 4 thousand and is EUR 244 thousand less than the income realized in 2022.

In 2023, the Group incurred a total of EUR 36,661 thousand in expenses, which is 9% more than the expenses incurred in 2022. Operating expenses amounted to EUR 33,683 thousand and are 7% higher than the expenses realized in 2022. Finance costs amounted to EUR 2,978 thousand and are 30% higher than the costs realized in 2022.

4. Company and Group business performance (continued)

4.2 Overview of the Group's operations in 2023 (continued)

The costs of raw materials and supplies amounted to EUR 5,926 thousand and are 3% lower than those in 2022. The costs of services amounted to EUR 6,432 thousand and are 3% higher than those realized in 2022. Staff costs amounted to EUR 9,375 thousand and are 14% higher than the expenses realized in 2022. Depreciation amounted to EUR 9,056 thousand and is 13% higher than the depreciation realized in 2022. Impairment of long-term non-financial assets amounted to EUR -276 thousand, while the impairment of non-financial assets in 2022 amounted to EUR 971 thousand. Net gains from the adjustment of the value of financial assets amounted to EUR 83 thousand, while in 2022 they amounted to EUR 2 thousand. Other business expenses amounted to EUR 3,087 thousand, while in 2022 they amounted to EUR 1,728 thousand.

5. Asset management

5.1. Management of Company and Group assets

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

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

On February 6, 2023, the Company concluded a sales contract for the purchase of business shares of Adria coast turizam d.o.o. which has one real estate which essentially represents the hotel View on the island of Brač. By concluding this purchase agreement, the Company no longer had the need to extend the lease agreement for the lease of the hotel View. During 2023, the hotel View operated as part of Adria coast turizam d.o.o.

5.2. Company and Group disputes

After the bankruptcy proceedings were completed in 2014, the Company continued to conduct all legal disputes initiated at the time of bankruptcy of Jadran d.d., as well as those that the Company did not manage to resolve during the bankruptcy period.

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 the Company's 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 a part of assets owned by the Company, namely at the Selce campsite. 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 property disputes for determining the title over a part of land surrounding the Slaven hotel and annex buildings.

5. Asset management (continued)

5.2. Company and Group disputes (continued)

The Company is involved in three legal proceedings concerning the establishment of title regarding two restaurants that had been owned by the Company until 2006, when the Company leased them out. Based on the Decisions of the Primorje-Gorski Kotar County, these facilities were given to be managed by third parties, without the Company receiving any compensation. In the meantime, the border of the maritime domain has been determined, which also includes the stated facilities. 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 Town of Crikvenica, related to property issues.

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 debt owed to it by third parties.

In 2023, Adria coast turizam and Stolist were not involved in any proprietary or other legal disputes and the above-mentioned disputes are also relevant for the Group.

6. Group and Company risk exposure

The most significant risks faced by the Company and the Group 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, Makarska Riviera, Riviera of Brač island and other domestic and foreign tourism destinations. In order to increase its market competitiveness, the Company and the Group are in the period from 2018-2023 launched an investment cycle that does not only involve investing in accommodation facilities with the aim of increasing the number of units and raising the quality of accommodation, but also investing in the destination through active involvement in all existing events, as well as thinking about new attractions in the area of all the Rivas where the Company and the Group operate.

Currency risk

The official currency of the Company and the Group in 2023 is EUR, which reduced the currency risk to a minimum. The Company and the Group realise most of their sales with guests whose official currency is the euro, therefore no significant disruptions are expected that could affect the Company's and the Group's operations.

Interest rate risk

The Company and the Group are exposed to interest rate risk because they enter into loan agreements with banks at variable interest rates, which exposes the Company and the Group to higher risk. The inflation rate trends and the levels of interest rates on foreign and domestic financial markets are actively monitored, enabling the Company and the Group to react in a timely manner in the event of expected changes in interest rates on the domestic money market. In particular, announcements by central banks that create monetary policy are actively followed, and accordingly the Company and the Group plan to align their credit arrangements.

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 and the Group consider this risk to be highly important. The Company and Group have established stringent procedures to minimise collection risks. In times of pandemic diseases, armed conflicts in the immediate or distant environment, individual partners may be additionally exposed to the risk of reduced liquidity, which may lead to an increase in the risk of settlement from the other contracting party. In addition, settlement risk arising from executed contracts may be significantly increased if there is an option of terminating them on grounds of force majeure if the free movement of people and goods is disrupted during a pandemic or armed conflicts in the immediate or distant environment.

Inflation risk (increase in consumer prices)

The pandemic caused by COVID-19 and the disruptions in supply chains that it caused as a direct consequence had an increase in energy prices, but also the prices of other goods and services, which were further increased by the war in Ukraine. The war in Ukraine has fuelled global inflation and a general rise in prices.

Inflation and an increase in the purchase prices of goods and services can have an impact on the purchasing power of guests, but also on the selling prices in the Company's and Group's facilities.

The Company and the Group achieve a large share of overnight stays through direct channels, thus achieving flexibility when forming final prices.

6. Group and company risk exposure (continued)

Liquidity risk

The Company and the Group manage 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 and the Group pay special attention to this risk in order to determine possible factors and negative effects that may affect the free movement of guests, the reduction of guests' purchasing power and the fulfilment of contractual obligations by business partners.

Liquidity risk management includes maintaining sufficient cash and working capital.

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 and the Group's profitability. This risk is reflected in potential changes in tax rates and taxable assets, as well as changes in regulations concerning concessions and concessional authorisations. The right to use maritime domain is one of the significant conditions for the Company's further operations, and the Company has actively endeavoured to establish new bases for cooperation with the local community in this segment.

Tourism industry risk

The wider political situation, the rise of terrorism, the global financial crisis and pandemic diseases have a significant impact on tourism trends. Tourism as a branch is very sensitive to the security situation in the destination and surroundings. Through the previously indicated investment cycle, the Company and the Group will try to minimize the impact of "negative" market trends and risks on this basis.

The global financial crisis can significantly reduce the purchasing power of the population that is inclined to travel, while pandemic diseases and war can also significantly reduce or completely or partially eliminate the effect of tourists arriving at the Company's and Group's destination.

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 2023, Jadran d.d. had a total of 265 employees.

As at 31 December 2023, Adria coast turizam d.o.o. had a total of 28 employees.

As at 31 December 2023, Stolist d.o.o. had no employees.

As at 31 December 2023, the Group had a total of 293 employees.

8. Research and development activities

The Company and the Group constantly monitor development 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. Treasury share redemption

As at 31 December 2023, the share capital of Jadran d.d. amounted to EUR 64,039,780, divided into 27,971,463 regular dematerialised shares with no nominal value and the Company held 631 treasury shares, which accounted for 0,0023% of the Company's share capital.

As at 31 December 2023, the share capital of Adria coast turizam d.o.o. amounted to EUR 13,200.

As at 31 December 2023, the share capital of Stolist d.o.o. amounted to EUR 2,654.46.

10. Significant events after the reporting period

On 19 March 2024, the lease contract for Uvala Slana camp was terminated, and on 20 March 2024, the camp was handed over to the owners.

After 31 December 2023, no business events or transactions have occurred or are expected to have a significant impact on the financial statements as of or for the period ending on 31 December 2023 or that they are of such importance for the operations of the Company and the Group that they should be disclosed in the notes to the financial statements.

11. Related party transactions

Related party transactions take place under normal commercial conditions and terms and with the application of market prices, as disclosed in Note 35.

Corporate Governance Statement

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

In 2023, 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 distributed dividend.

The Company's share capital is EUR 64,039,780, 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 2023, the Company held 631 treasury shares.

Information about significant shareholders is available on a daily basis on the official website of the Central Depository and Clearing Company (www.skdd.hr). The corporate bodies of the Company consist of the General Assembly, the Supervisory Board and the Company's Management Board. The members of the corporate bodies of the Company have the duty and obligation to act in accordance with the best interest of the Company in their work. The Company applied the principle of equal treatment of all shareholders. The shareholders exercised their primary control rights by deciding on matters within their scope of responsibility via the General Assembly. The operation of the General Assembly, its powers, the rights of shareholders and the manner of their realisation are prescribed by the Company's Articles of Association, which are publicly available on the Company's website (www.jadran-crikvenica.hr).

The General Assembly is responsible for deciding on the following matters: election and removal of Supervisory Board members, allocation of profits, granting discharge to Management Board members, appointment of auditors, amendments to the Articles of Association, increasing and decreasing of share capital and any other matters placed under its responsibility under the law. The shareholders exercise their rights via the General Assembly .

In 2023, the General Assembly was convened and held in accordance with the provisions of the Companies Act and the Company's Articles of Association. The General Assembly notice, the motions made to, and resolutions passed by the General Assembly are publicly disclosed in accordance with the Companies Act, the Capital Market Act, the Zagreb Stock Exchange Rules and the Company's Articles of Association. Registrations for the General Assembly are limited inasmuch as each shareholder is required to notify his/her their participation in accordance with the Companies Act.

At the session held on 14 July 2023, decisions, as mentioned below, were adopted: on granting discharge to the members of the Management Board and the Supervisory Board, the decision on loss coverage, the decision on the election of the members of the Supervisory Board, the Report on the Remuneration of Members of the Management Board and the Supervisory Board was approved, the Decision on share capital adjustment was adopted, as well as the decision on amendments to the Company's Articles of Association, and an auditor was appointed to audit the financial statements for the year 2023.

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

In accordance with the Corporate Governance Code of the Zagreb Stock Exchange and HANFA in force since 1 January 2020, the Supervisory Board is mainly composed of independent members who do not have business, family or other relations with the Company, the majority shareholder or a group of majority shareholders or members of the Management Board or the Supervisory Board of the Company or the majority shareholder. The Supervisory Board has five members, four of whom are elected and relieved of duty by the General Assembly, and one representative is elected by the employees in accordance with the provisions of the Labour Act. In accordance with the amendment of the Articles of Association adopted at the General Assembly on 31 August 2020, the term of office of the Supervisory Board members was 2 years. In accordance with the amendment of Article 19. para. 4. of the Articles of Association adopted at the General Assembly held on 14 July 2023, the term of office of members of the Supervisory Board is 4 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 2023, 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. At its session held on 14 July 2023, the General Assembly passed the Decision on the reappointment of Supervisory Board Members Mr. Goran Hanžek and Mr. Karlo Došen. The decision in question established that their mandate lasts 4 years.

After the General Assembly, a meeting of the Supervisory Board was held at which the Chairman and Deputy Chairman of the Supervisory Board were appointed, and a Decision was made on the appointment of Committees that assist the work of the Supervisory Board. During 2023, the Supervisory Board was assisted in its work by two Committees, namely the Audit and Remuneration Committee and the Appointment Committee.

As at 14 July 2023, the Supervisory Board comprised the following persons:

- Goran Hanžek, Chairman of the Supervisory Board
- Karlo Došen, Deputy Chairman of the Supervisory Board
- Mirko Herceg, Supervisory Board Member
- Sandra Janković, Supervisory Board Member
- Adrian Čajić - Supervisory Board Member (employee representative).

In 2023, the Management Board managed the Company's affairs in accordance with the Companies Act, the Articles of Association and other internal corporate documents, and fully complied with the provisions of the Code. On 8 November 2023, the Supervisory Board decided on the appointment of the President of the Management Board, Mrs. Irina Tomić. The appointment decision established that Mrs. Tomić's term of office begins on 1 December 2023 and lasts for 4 years.

In 2023, the Company's Management Board comprised the following persons:

- from 1 January 2023 to 30 November 2023:
 - Ivan Safundžić, Member of the Management Board
 - Miroslav Pelko, Member of the Management Board.
- from 1 December 2023 to 31 December 2023:
 - Irina Tomić, President of the Management Board
 - Ivan Safundžić, Member of the Management Board
 - Miroslav Pelko, Member of the Management Board.

At the session held on 29 December 2023, the Supervisory Board passed the Decision on amending the Management Board's Rules of Procedure.

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

In 2020, the Company established the Internal Audit Department, and in June 2020, the Internal Audit Charter was adopted, which defines the operational framework and the main principles used in the Company's internal audits.

The Internal Audit Department is responsible for assessing the level of risk management in business processes, auditing the effectiveness of internal control systems, in order to improve risk management and compliance with procedures, examining and analysing compliance of existing business systems with adopted policies, plans, procedures, laws and rules that may have a significant impact on business reports. It is charged with recommending preventive measures in the areas of financial reporting, compliance, operations and control in order to eliminate risks and possible deficiencies that could lead to the inefficiency of processes or fraudulent procedures. Internal audit informs the Management Board, the Audit and Remuneration Committee and the Supervisory Board about its activities and audit plan.

The Company complies with the provisions of the Code, except for those provisions that cannot be implemented at a given time. Such exceptions are as follows:

- The Company will not provide a proxy holder for shareholders who are unable to vote personally at the General Assembly for any reason. The Company has not received such requests from its shareholders to date but does provide its shareholders with a proxy form to help them authorise a person of their choice as their proxy;
- The Company does not maintain a long-term succession plan within the meaning of the Code but has a general plan for the replacement of key function holders through ongoing training programs;
- The remuneration paid to the Supervisory Board Members was not determined based on their contribution to the Company's performance but equals a fixed amount in line with the decision of the General Assembly. In order to maintain the independence and objectivity of the Supervisory Board members, the remuneration of the members of the Supervisory Board does not depend on the results of the Company and does not contain a variable part of the remuneration. In addition, it is not possible to evaluate each Supervisory Board Member's contribution to the Company's performance, especially since the Supervisory Board Members are not actively involved in the management of Company's business;
- The Audit and Remuneration Committee is not mostly comprised of independent Supervisory Board Members. It was decided to implement an alternative solution offered by Article 65 of the Audit Act, so the Supervisory Board appointed all three Members of the Audit Committee from among Supervisory Board Members. Of these three Audit and Remuneration Committee members, one is an independent Supervisory Board member and his membership in this Committee reflects the relevant proportion of independent members in the Supervisory Board. All three Audit Committee members are financial experts;
- The Supervisory Board did not prepare an evaluation of its activities in the past period, except for the review contained in the 2023 Supervision Report and the results of examining reports relevant to the closing of the fiscal year 2023;
- No transactions were conducted that involved any Supervisory Board Members or their related parties and the Company or its related parties, which is why they were not specified in the Company's reports. This also pertains to transactions involving Management Board members or Executive Directors or their related parties and the Company or its related parties;
- No contracts or agreements were entered into in 2023 between Supervisory Board Members or Management Board Members and the Company;

In accordance with the provisions of the Corporate Governance Code, the Company adopted the Code of Conduct, the Policy on Reporting Irregularities and the Conflict of Interest Management Policy, which acts are also published on the Company's official website.

The Audit and Remuneration Committee adopted the Policy on Prohibited Audit Services.

As part of its organisational model that encompasses all business operations and processes, the Company maintains developed internal control systems on all relevant levels which, inter alia, provide a true and fair view of the financial statements and business reports

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

SUPERVISORY BOARD

Crikvenica, April 29, 2024

Pursuant to Article 300.d, subject to the provision of Article 300.c of the Companies Act (Official Gazette No. 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11, 152/11, 111/12, 68/13, 110/15, 40/19, 34/22), and Article 34 of the Articles of Association of JADRAN d.d., the Supervisory Board of JADRAN d.d., having its registered office in Crikvenica, Bana Jelačića 16, at its 10th meeting held on April 29, 2024 brings the following

Resolution on the Validation of Annual Financial Statements

I

The 2023 Annual Financial Statements for the Company are hereby approved, including as follows:

- Balance Sheet with assets equal to the liabilities in the amount of EUR 115,342,865
- Profit and Loss Statement with an operating gain in the amount of EUR 2,728,967
- Cash Flow Statement – Indirect Method- showing an increase in cash and cash equivalents in the amount of EUR 227,466 in 2023
- Statement of Changes in Capital and Reserves amounting as of December 31, 2023, to a total of EUR 72,103,971
- Notes to the Annual Financial Statements
- Management Board's Annual Financial Condition Report

The 2023 Consolidated Annual Financial Statements for the Group are hereby approved.

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

II

In accordance with the provision of Article 300.d of the Companies Act, based on the approval referred to in Section I of this Resolution, the 2023 Annual Financial Statements for Jadran d.d are hereby validated by the Management Board and the Supervisory Board.

Goran Hanžek
Chairman of the Supervisory Board

*This is to certify that this Decision is
Identical as the signed original thereof*

SUPERVISORY BOARD

Crikvenica, April 29, 2024

Pursuant to Article 300.d, subject to the provision of Article 300.c of the Companies Act (Official Gazette No. 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11, 152/11, 111/12, 68/13, 110/15, 40/19, 34/22), and Article 34 of the Articles of Association of JADRAN d.d., the Supervisory Board of JADRAN d.d., having its registered office in Crikvenica, Bana Jelačića 16, at its 10th meeting held on April 29, 2024 brings the following

PROPOSED DECISION ON THE USE OF GAIN FOR THE YEAR 2023

I

It is established that in the business year that ended on December 31, 2023, JADRAN d.d. made an operating gain in the amount of **EUR 2,728,967** and it is hereby proposed that the realized gain is to be used to cover losses from previous years.

II

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

Goran Hanžek
Chairman of the Supervisory Board

*This is to certify that this Decision is
Identical as the signed original thereof*