

FTB TURIZAM d.d.

**ANNUAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2020**

This version of the financial statements is a translation from the original, which was prepared in the 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 the report takes precedence over this translation.

FTB TURIZAM d.d.

Content

Management Report to the Shareholders of FTB TURIZAM d.d. Group for 2020	1-4
Statements of Corporate Governance Code	5-6
Statements of the Management's responsibilities	7
Independent Auditors' Report to the shareholders of FTB TURIZAM d.d.	8-13
Financial statements	14-57

FTB TURIZAM d.d.

Management Report to the shareholders of FTB TURIZAM d.d. Group for the year 2020

The Annual Report of the Management Board has been prepared on the basis of Article 250.a of the Companies Act and Article 21 and 24 of the Accounting Act.

The report relates to FTB Turizam Group composed of the companies Hoteli Cavtat d.d. Cavtat, Hoteli Metropol d.o.o. Portorož, Remisens Hotel Group d.o.o. Zagreb and FTB Turizam d.d. Zagreb, with the aim of presenting the most important achievements in the year 2020 as well as an overview of future expectations.

Review of operations in 2020 with a focus on the most important financial indicators of business operations

The consolidated results of the FTB Turizam Group for the year 2020 show that the Group's companies (Hoteli Cavtat d.d., Hoteli Metropol d.o.o., Remisens Hotel Group d.o.o. and FTB TURIZAM d.d.) achieved 99% fewer overnight stays than last year. Operating income reached the amount of HRK 6,9 million, and were 96% less than operating expenses in the last year.

Operating expenses including material expenses, staff cost, amortization, impairment of receivables and other operating expenses u 2020 reached the amount of 72,1 million HRK, and were 53% less than in last year.

The result from financial activities is negative in the amount of HRK 3.4 million HRK, and HRK 946,000 higher than the last year. In 2019 the negative result was HRK 2,5 million.

In 2020, FTB TURIZAM d.d. (Group) achieved loss before tax in the amount HRK 59,244 thousand, (2019: profit of HRK 25,007 thousand). Drop of the profits in 2020 compared to 2019 was the result of global pandemic (COVID-19). Cause of the pandemic was cancellation of provisions and impossibility to open the hotel in Cavtat, as well as closing the Remisens hotel Lucija in Portorož (the hotel was opened at the start of March, 2020. and was closed in the same month), and the impossibility to open of hotels in the same destination.

Research and development activities

Within the framework of activities that the Group and its related companies perform, there are opportunities for significant investment in research and development of new products and technologies.

Expected development in the future

With a goal of trying to improve business in the newly created situation because of the pandemic in 2020, the company has started to restructure HC and HM companies within the group, with cost management taken into account. Furthermore, the goal of the restructuring HM company was to equalize the business in the coming years with the HC company. Therefore, the same parameters according to the Usali report for the following year were applied in the operations of the company HM as in the company HC.

The period planned to keep hotels open in the coming years is from May to September.

Based on the newly created situation in 2020 and continuing years, all investment plans are susceptible to change because of the unpredictability of the future development of the Corona crisis.

FTB TURIZAM d.d.

Management Report to the shareholders of FTB TURIZAM d.d. Group for the year 2020 (continued)

Information on repurchase of own shares

The Company has 4,485 own shares, which makes a total of 1.48% of the Company's share capital. Other companies don't have their own shares.

Financial instruments

The Group's financial instrument management policy defines underlying principles to ensure short-term and long-term liquidity, as well as investment security together with the realization of maximum possible income with minimum risk.

The financial assets of the Group entities consist of cash funds, receivables for short-term borrowings within the Group, trade receivables and other receivables. The rest of the Operating expenses in 2020 include receivables for advance payments of income tax amounting HRK 5,4 million, and because of the negative Group result in 2020 the return of the resources is expected in 2021. The liquidity of the Companies inside the Group, in 2020, is insured with cash and new loans.

The financial instrument management policy determines the Group's exposure to risk as well as measures to hedge these risks.

Group risk exposure

The Group is exposed to financial risk through the operations of its members, particularly market risk (including currency risk, interest rate cash flow and fair value and price risk), credit risk and liquidity risk.

Exchange rate risk

The Group is exposed to foreign exchange rate risk since credit liabilities, trade payables and trade receivables from the companies in the Group are expressed in EUR.

Interest rate risk

The Group is exposed to interest rate risk because debts and deposits are contracted at variable interest rates.

Credit risk

The Group has short-term loans between its Companies and is exposed to this risk.

Management Report to the shareholders of FTB TURIZAM d.d. for the year 2020 (continued)

Liquidity risk

At the Group level, liquidity risk is managed by maintaining adequate reserves, bank assets and provisions for borrowed funds, continuous monitoring of forecast and actual cash flows, as well as comparing the maturity of financial assets and liabilities.

The spread of the coronavirus and its impact on global tourism have changed the risk exposure position for the Group after the balance sheet date. Liquidity risk increased due to decline in bookings and cancelation in bookings. The Group responded by adjusting business plans, decisions and business activities, as described below. However, the course of the pandemics is unpredictable and at present complete risk evaluation is not possible.

All important events that occurred after the end of the business year

After the end of the business year, there were no business events that would significantly affect the business of the Group. In 2021, uncertainty continued regarding the prevention measures taken with the aim of stopping the spread and suppression of the COVID-19 pandemic. It is not possible to estimate the future and service life of the pandemic, but the Group is actively monitoring the situation and will take all necessary measures to minimize its potential negative impacts in case of worsening of the situation.

Review of operations in 2020 with an emphasis on the most important financial indicators of the business

In 2020, FTB TURIZAM d.d. notes the loss after taxation in the amount of HRK 278 thousand, and in 2019, it recorded a loss in the amount of HRK 252 thousand.

Research and development activities

The company's activity does not open the possibility of significant investments in research and development of new products or technologies.

The expected development of society in the future

The future and development of the Company will be consistent with the operations of its members HC and HM.

Management Report to the shareholders of FTB TURIZAM d.d. for the year 2020 (continued)

Information on the purchase of own shares

In the period from June to September 2018, the company based on the Decision of the General Assembly. The company started buying back its own shares, and the company has a total of 4,485 own shares, which makes a total of 1.481954% of the Company's share capital.

Financial instruments

The Company's financial instruments management policy defines the basic principles by which ensures short-term and long-term liquidity and investment security while achieving the maximum possible e.g. yield with minimal risk.

The Company's financial assets consist of cash on accounts, short-term receivables loan from a related company, receivables from customers and other receivables. From the total financial assets, most of which refers to short-term loans given to related companies, the Company ensured both short-term and long-term liquidity.

Financial liabilities of the company consist of liabilities to suppliers, liabilities for short-term loans according to related companies and the state, which settles within the due dates.

The Company's exposure to risks is determined by the financial instruments and management policy protect against these risks.

The Company's exposure to risks

Through business operations, the company may be exposed to financial risks, especially market risk (includes currency risk, cash flow interest rate risk and fair value and price risk), credit risk and liquidity risk.

Exchange rate risk

The company is not significantly exposed to exchange rate risk even if it has no credit obligations, and therefore neither liabilities expressed in euros or another foreign currency.

Interest rate risk

The company is not exposed to the interest rate risk because there are no credit debts.

Credit risk

There is no credit risk in 2020.

Liquidity risk

The Company manages liquidity risk by maintaining adequate reserves, bank funds and reserves borrowed funds, continuous monitoring of predicted and actual cash flows and they also manage the maturities of financial assets and liabilities.

Corporate Governance Code Compliance Statement

Pursuant to Article 272 of the Companies Act (NN 111/93, 34/99, 52/00, 118/03, 107/07 and 148/08, hereinafter referred to as the CA) and Article 22 of the Accounting Act (NN 120/16), the Management Board of **FTB TURIZAM d.d. Zagreb**, Miramarska 24 ("the Company") on 26.02.2020, brings the following

Corporate Governance Code Compliance Statement

1. The Company voluntarily applies the Corporate Governance Code prescribed by the Croatian Financial Services Supervisory Agency (HANFA) and the Zagreb Stock Exchange d.d., Zagreb.
2. In 2020, the Company followed and applied the recommendations set out in the Code, publishing all the information whose publishing is anticipated by positive regulations as well as information that is in the best interests of the Company's shareholders. The Company does not deviate from the Corporate Governance Code.
3. In accordance with a requirement of the Code and with the directives of the CA, the Supervisory Board conducts internal control of the Company through regular audits of the presented reports. The members of the Supervisory Board are regularly (at least once a month) provided with detailed information on the management and operation of the Company. At the Supervisory Boards meetings, all the matters within the competence of that body, prescribed by the CA and the Company's Articles of Association, are discussed and decisions are made. The Supervisory Board's report on the conducted supervision of the management of business activities is a part of the Company's Annual Report submitted to the General Assembly. The Management Board is responsible for monitoring whether the Company maintains business and other books and documentation, compiles accounting documents, accurately evaluates assets and liabilities and prepares financial and other reports in accordance with accounting regulations and standards, as well as applicable laws and regulations.

The Company does not have a formal diversity policy in place with respect to gender, age, education or education for its executive, management and supervisory bodies. The Company's policy of appointment to executive bodies is carried out in accordance with the needs of specific business activities in terms of knowledge, qualifications and competence on the part of potential executives, without taking into account gender or age. The Company's management and oversight bodies also require certain knowledge, education and competence on the part of potential executives in these bodies, in accordance with the criteria and decisions of the Supervisory Board and the Company's Assembly.

Corporate Governance Code Compliance Statement (*continued*)

4. The ten largest shareholders as at 31 December 2020 were as follows:

Nr.	Shareholder	Number of shares	Share in ownership %
1.	SNH GAMA D.D. (1/1)	260,442	86,06
2.	CERP / REPUBLIKA HRVATSKA (0/1)	8,589	2.84
3.	FTB TURIZAM D.D. (1/1)	4,485	1.48
4.	HPB D.D./ HMID PLUS AIF	1.854	0.61
5.	CROATIA BANKA D.D.	1,759	0.58
6.	HPB D.D./ KAPITALNI FOND D.D.	1,295	0.43
7.	HPB D.D.	1,255	0.41
8.	ADDIKO BANK D.D./ PBZ CO OMF - KATEGORIJA A	1,114	0.37
9.	SAUKA GORAN	1,022	0.34
10.	HPB D.D.	912	0.30

In accordance with the Company's Articles of Association, the voting right of a shareholder is not limited to a certain percentage or number of votes, nor are there time constraints to realise voting rights. Each regular share entitles the shareholder to one vote at the General Assembly.

The Company's rights and obligations arising from the acquisition of its own shares are achieved in accordance with the directives of the CA.

5. The Management Board of the Company is composed of one member:

- Jasnica Juroš, Director

The Management Board manages the Company's business in accordance with the Company's Articles of Association and legal regulations.

The Management Board appoints and revokes the Supervisory Board in accordance with the Company's Articles of Association and the CA. The Supervisory Board is composed of the following members:

- Tin Dolički, President
- Darko Ostoja, Vice president
- Joško Marić, Member

Pursuant to the provisions of Article 250.a paragraph 4 and Article 272.p of the CA, this Statement is a separate section and an integral part of the Annual Report on the Company's status for the year 2020.

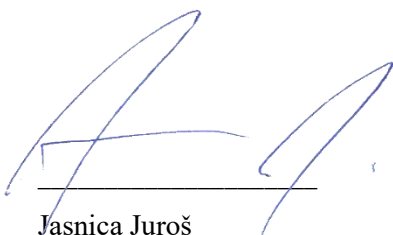
Statements of the Management's responsibilities

The Management Board is required to prepare financial statements for each financial year which give a true and fair view of the financial position of the Company and of the results of its operations and its cash flows, in accordance with International Financial Reporting standards as adopted by European Union, and is responsible for maintaining proper accounting records to enable the preparation of such financial statements at any time. It has a general responsibility for taking such steps as are reasonably available to it to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Management Board is responsible for selecting suitable accounting policies to conform with applicable accounting standards and then apply them consistently; make judgements and estimates that are reasonable and prudent; and prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Management is also responsible for the preparation and content of the Management Report and the Corporate Governance Code Compliance Statement, as required by the Croatian Accounting Act. The Management Report and the Corporate governance statement set out on pages 1 to 7, were authorised for issuance by the Management Board. The Management Board is responsible for submitting the Annual Report to the Supervisory Board, including financial statements, and the Supervisory Board is required to approve the financial statements for submission to the General Assembly of Shareholders for adoption.

The Annual report was approved by the Management Board on 30 April 2021 for submission to the Supervisory Board and was signed below by:

A handwritten signature in blue ink, consisting of a large, stylized 'A' followed by a horizontal line and a smaller, more complex flourish.

Jasnica Juroš

Director



Independent Auditors' Report to the shareholders of FTB Turizam d.d.

Report on the Audit of the Separate and Consolidated Financial Statements

Opinion

We have audited the separate financial statements of FTB Turizam d.d. ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the separate and consolidated statements of financial position of, respectively, the Company and the Group as at 31 December 2020, and their respective statements of comprehensive income, cash flows and changes in equity for the year then ended, and notes, comprising significant accounting policies and other explanatory information (further referred to as "the financial statements").

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the respective unconsolidated and consolidated financial position of the Company and the Group as at 31 December 2020 and of their respective unconsolidated and consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Croatia and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2.1.1 *Going concern* which indicates negative impact of COVID-19 outbreak which is expected to have significant impact on the Group's operations. Without financial support from banks and government of Republic of Croatia and Slovenia and majority owners, the Group may be unable to settle its liabilities as they fall due. As stated in Note 2.1.1 *Going concern*, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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. In addition to the issue described in the section *Significant uncertainty related to going concern*, we have determined that the issue is described below is a key audit issue that should be disclosed in our report.



Independent Auditors' Report to the shareholders of FTB Turizam d.d. (continued)

Report on the Audit of the Separate and Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Impairment of tourism properties (consolidated financial statements)

The carrying amount of *property, plant and equipment* of the Group as at 31 December 2020 was HRK 341,338 thousand (2019: HRK 365,031 thousand).

Refer to Note 2.4 of *Summary of Accounting policies*, and Note 13.1 on *Property, plant and equipment* of the financial statements.

Key audit matter

As at 31 December 2020, the carrying amount of *property, plant and equipment* represented approximately 88% of the total assets of the Group. These assets, carried at cost less accumulated depreciation and any accumulated impairment losses, consist primarily of tourism properties and related assets, and are subject to annual review to assess whether or not they may be impaired.

The Group owns and operates tourism properties which were subjected to a detailed impairment of assets review through analysis of its recoverable amount (derived from higher of a value-in-use calculation based on a discounted cash flow model and an estimate of its fair value less cost to sell). Any excess of the carrying amount of each of the assets (which each represents a single cash-generating unit or CGU) over its recoverable amount would represent an impairment and would require an impairment loss to be recognized in profit or loss.

The Group's assessment relies on significant judgments and assumptions about tourism flows in the future, including: discount rates, growth rates, occupancy rates, terminal values and revenue per available room.

How our audit addressed the matter

Our audit procedures in this area, performed, where applicable, with the assistance from our own valuation specialists, included, among others:

- Evaluating design and implementation of key relevant internal controls such as those pertaining to identification of impairment triggers, validation of the impairment model and accuracy of underlying assumptions;
- Evaluating the quality of the Company's forecasting by comparing historical projections with actual outcomes, and also tracing the forecasted cash flows in the impairment model to Management Board-approved forecasts;
- Challenging the key assumptions and judgements applied in the valuation models. This involved, but was not limited to:
 - Challenging occupancy rates, revenue per available room and market growth assumptions by reference to external hotel industry reports, and publicly available data for the peer entities in surrounding areas operating similar hotels;
 - Challenging the capitalisation and discount rates used by reference to rates prevailing in the hotel industry in Croatia and Slovenia;
 - Where applicable, independently assessing the prices realised from the observable market transaction for similar assets by reference to comparable hotel transactions in Croatia;



Independent Auditors' Report to the shareholders of FTB Turizam d.d. (continued)

Report on the Audit of the Separate and Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the matter
Due to the above factors, accounting for impairment and useful lives of tourism properties were determined to be a key audit matter.	<ul style="list-style-type: none">• Considering the sensitivity of the impairment model to changes in key assumptions, such as the forecast growth, discount and occupancy rates;• Assessing impairment-related disclosures in the financial statements against the requirements of the financial reporting standards, where applicable.

Other Information

Management is responsible for the other information. The other information comprises the Management Report and the Corporate Governance Statement included in the Annual Report of the Company and the Group, 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 and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 the Corporate Governance Statement, we also performed procedures required by the Accounting Act in Croatia ("Accounting Act"). Those procedures include considering whether:

- the Management Report has been prepared in accordance with the requirements of Articles 21 and 24 of the Accounting Act,
- the Corporate Governance Statement includes the information specified in Article 22 of the Accounting Act.



Independent Auditors' Report to the shareholders of FTB Turizam d.d. (continued)

Report on the Audit of the Separate and Consolidated Financial Statements *(continued)*

Other Information (continued)

Based solely on the work required to be undertaken in the course of the audit of the separate and consolidated financial statements and procedures above, in our opinion:

- the information given in the Management Report and the relevant sections of 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 and the relevant sections of the Corporate Governance Statement have been prepared, in all material respects, in accordance with the requirements of Articles 21 and 24 of the Accounting Act, respectively;
- 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 entity and its environment obtained in the course of the audit, we are also required to report if we have identified material misstatements in the Management Report and the Corporate Governance Statement. We have nothing to report in this respect.

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

Management is responsible for the preparation of the separate and consolidated financial statements that give a true and fair view in accordance with EU IFRS, and for such internal control as management determines is necessary to enable the preparation of the 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 the 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/or 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.



Independent Auditors' Report to the shareholders of FTB Turizam d.d. (continued)

Report on the Audit of the Separate and Consolidated Financial Statements (continued)

Auditors' 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 auditors' 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 International Standards on Auditing 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 International Standards on Auditing, we exercise professional judgment and maintain professional skepticism 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 controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal controls.
- 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/or the 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company and/or 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 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 financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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Independent Auditors' Report to the shareholders of FTB Turizam d.d. (continued)

Report on the Audit of the Separate and Consolidated Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Separate and Consolidated Financial Statements (continued)

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 controls 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we 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 auditors' 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

We were appointed by those charged with governance on 31 August 2020 to audit the separate and consolidated financial statements of the Company and the Group for the year ended 31 December 2020. Our total uninterrupted period of engagement is five years, covering the periods ending 31 December 2016 to 31 December 2020.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company dated 30 April 2021;
- for the period to which our statutory audit relates, we have not provided any non-audit services (NASs), hence we have not provided any prohibited non-audit services referred to in Article 44 of the Audit Act. We also remained independent of the audited entity in conducting the audit;

The engagement partner on the audit resulting in this independent auditors' report is Domagoj Hrkać.

KPMG Croatia d.o.o.

KPMG Croatia d.o.o. za reviziju

30 April 2021

Croatian Certified Auditors
Eurotower, 17th floor
Ivana Lučića 2a
10000 Zagreb
Croatia

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CONSOLIDATED AND UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

<i>(in thousands of HRK)</i>	Note	2020 Group	2019 Group	2020 Company	2019 Company
Revenue	6	3,071	184,199	-	-
Other income		3,843	1,715	-	-
		6,914	185,914	-	-
Cost of materials and services	7	(6,738)	(47,157)	(129)	(119)
Staff costs	8	(10,717)	(38,003)	-	-
Depreciation and amortisation		(39,490)	(41,667)	-	-
Impairment loss on trade receivables		(955)	(2,740)	-	-
Other operating expenses	9	(14,187)	(23,386)	(149)	(131)
		(72,087)	(152,953)	(278)	(250)
Operating profit/(loss)		(65,173)	32,961	(278)	(250)
Finance income		150	678	-	39
Finance costs		(3,595)	(3,177)	-	(41)
Net finance income / (costs)	10	(3,445)	(2,499)	-	(2)
Profit/(loss) before tax		(68,618)	30,462	(278)	(252)
Income tax expense	11	9,374	(5,455)	-	-
Profit/(loss) for the year		(59,244)	25,007	(278)	(252)
Other comprehensive income		-	-	-	-
Items that may be reclassified to profit or loss		-	-	-	-
Foreign operations-foreign currency translation difference		2,363	1,601	-	-
Other comprehensive income for the period		2,363	1,601	-	-
Total comprehensive income/(loss) for the period		(56,881)	26,608	(278)	(252)
Profit/(loss) attributable to:		-	-	-	-
Owners of the parent		(59,260)	24,892	(278)	(252)
Non-controlling interests		16	115	-	-
		(59,244)	25,007	(278)	(252)
Total comprehensive income/(loss) attributable to:		-	-	-	-
Owners of the parent		(56,897)	26,493	(278)	(252)
Non-controlling interests		16	115	-	-
		(56,881)	26,608	(278)	(252)
Earnings per share basic and diluted (in HRK)		(195.81)	82.25	-	-

**CONSOLIDATED AND UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2020**

<i>(in thousands of HRK)</i>	Note	31 December 2020 Group	31 December 2019 Group	31 December 2020 Company	31 December 2019 Company
ASSETS					
Non-current assets					
Intangible assets	14	6,336	6,722	-	-
Property, plant and equipment and investment property	13.1	341,338	365,031	-	-
Right of use assets	13.2	2,375	2,968	-	-
Investments in subsidiary	15	-	-	202,962	202,962
Deferred tax assets	11	9,144	786	-	-
Other assets		20	142	-	-
		359,213	375,649	202,962	202,962
Current assets					
Inventories		989	1,723	-	-
Income tax receivable		5,357	-	3	3
Trade and other receivables	16	2,210	16,458	-	-
Cash and cash equivalents	17	21,826	45,965	40	320
		30,382	64,146	43	323
Total assets		389,595	439,795	203,005	203,285
EQUITY					
Share capital	18	202,769	202,769	202,769	202,769
Legal reserves		489	489	489	489
Treasury shares		(8,963)	(8,963)	(8,963)	(8,963)
Reserve for own shares		8,963	8,963	8,963	8,963
Other reserves	18	39,245	36,882	-	-
Retained earnings/(accumulated loss)		(32,822)	26,438	(342)	(64)
Non-controlling interests	18	911	895	-	-
		210,592	267,473	202,916	203,194
Non-current liabilities					
Borrowings	19	113,303	97,544	-	-
Lease liabilities	13.2	1,825	2,208	-	-
Deferred tax liabilities	11	9,187	10,203	-	-
Government grants	22	10,179	10,764	-	-
Provisions	20	702	775	-	-
		135,197	121,494	-	-
Current liabilities					
Borrowings	19	35,523	24,664	-	-
Lease liabilities	13.2	504	601	-	-
Income tax liabilities		-	331	-	-
Trade and other payables	21	7,779	25,232	89	91
Total liabilities and equity		43,806	50,828	89	91
		389,595	439,795	203,005	203,285

Accompanying notes form an integral part of these financial statements.

**CONSOLIDATED AND UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

GROUP

(in thousands of HRK)

		Share capital	Legal reserves	Treasury shares	Reserves for treasury shares	Other reserves	Retained earnings / (accumulated loss)	Non-controlling interest	Total equity
Balance at 1 January 2019	18	202,769	7	(8,963)	8,963	33,892	3,417	780	240,865
Profit for the year		-	-	-	-	-	24,892	115	25,007
<i>Other comprehensive income</i>									
Foreign operations-foreign currency translation difference		-	-	-	-	1,601	-	-	1,601
Total comprehensive income		-	-	-	-	1,601	24,892	115	26,608
Transactions with owners directly in equity									
Transfer to reserves		-	482	-	-	1,389	(1,871)	-	-
Total transactions with owners directly in equity		-	482	-	-	1,389	(1,871)	-	-
Balance at 31 December 2019	18	202,769	489	(8,963)	8,963	36,882	26,438	895	267,473
Loss for the year		-	-	-	-	-	(59,260)	16	(59,244)
<i>Other comprehensive income</i>									
Foreign operations-foreign currency translation difference		-	-	-	-	2,363	-	-	2,363
Total comprehensive income		-	-	-	-	2,363	(59,260)	16	(56,881)
Transactions with owners directly in equity									
Transfer to reserves		-	-	-	-	-	-	-	-
Total transactions with owners directly in equity		-	-	-	-	-	-	-	-
Balance at 31 December 2020	18	202,769	489	(8,963)	8,963	39,245	(32,822)	911	210,592

Accompanying notes form an integral part of these financial statements.

FTB TURIZAM d.d.

**CONSOLIDATED AND UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

COMPANY

(in thousands of HRK)

	Note	Share capital	Legal reserves	Treasury shares	Reserves for treasury shares	Retained earnings	Total equity
Balance at 1 January 2019		202,769	7	(8,963)	8,963	670	203,446
Loss for the year		-	-	-	-	(252)	(252)
Transfer from retained earnings		-	482	-	-	(482)	-
Balance at 31 December 2019		202,769	489	(8,963)	8,963	(64)	203,194
Loss for the year		-	-	-	-	(278)	(278)
Total other comprehensive income		-	-	-	-	(278)	(278)
Transfer to reserves		-	-	-	-	-	-
Total transactions with owners directly in equity		-	-	-	-	-	-
Balance at 31 December 2020	18	202,769	489	(8,963)	8,963	(342)	202,916

Accompanying notes form an integral part of these financial statements.

CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2020

<i>(in thousands of HRK)</i>	Note	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
		Group	Group	Company	Company
Cash flow from operating activities					
Cash generated from operations	23	(28,677)	78,856	(280)	(171)
Income tax paid		(5,688)	(9,151)	-	-
Interest paid		(465)	(3,053)	-	(41)
Net cash flow from operating activities		(34,830)	66,652	(280)	(212)
Cash flow from investing activities					
Purchase of property, plant and equipment		(14,123)	(13,893)	-	-
Purchase of intangible assets		-	(117)	-	-
Proceeds from disposal of property, plant and equipment		-	-	-	-
Dividends		-	-	-	-
Investment in subsidiaries		-	-	-	-
Treasury shares purchase		-	-	-	-
Loans granted		-	-	-	-
Loans collected		-	33,000	-	5,000
Interest received		1	391	-	39
Net cash from/(used) in investing activities		(14,122)	19,381	-	5,039
Cash flow from financing activities					
Proceeds from borrowings		29,117	12,000	-	-
Repayments of borrowings		(3,916)	(61,988)	-	(5,000)
Net cash from/(used) in financing activities		24,813	(49,988)	-	(5,000)
Net increase/(decrease) in cash and cash equivalents		(24,139)	36,045	(280)	(173)
Cash and cash equivalents at beginning of year		45,965	9,920	320	493
Cash and cash equivalents at end of year	17	<u>21,826</u>	<u>45,965</u>	<u>40</u>	<u>320</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

NOTE 1 – GENERAL INFORMATION

FTB Turizam Group consists of FTB Tourism d.d. (parent company) and subsidiaries. The headquarters of subsidiaries, the shares of the parent company in ownership and businesses are as follows:

Name	Share	Headquarters	Business
Hoteli Cavtat d.d.	100%	Cavtat, Croatia	hotels and hospitality
Hoteli Metropol d.o.o.	100%	Portorož, Slovenia	hotels and hospitality
Remisens d.o.o.	67%	Zagreb, Croatia	business consulting and management

Management Board and Supervisory Board of FTB Turizam d.d.

Management Board

Jasnica Juroš

Director (since 22 September 2018)

The President of the Management Board represent the Company solely and independently.

Supervisory Board

Tin Dolički, President of the Supervisory Board

Darko Ostoja, Vice president

Joško Marić, Member

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

Financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“EU IFRS”).

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS adopted by the EU requires the use of certain critical accounting estimates. It also requires the Management Board to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

These financial statements represent the unconsolidated and consolidated financial position and results of the Company or the Group. Where the information in the financial statements is relevant and applicable both for the Group and the Company we refer to the Group. If the information for Group and the Company are different, then both information for Group and the Company are separately presented.

2.1.1 Going concern

The Group operates in the tourism sector, which was significantly affected by the outbreak of the COVID-19 pandemic. Based on publicly available information at the date of approval of these financial statements, management considered the potential development of the pandemic of COVID-19 and the expected impact on the Company and the economic environment in which it operates, including measures already taken by the government.

At the reporting date the Group had net current liabilities of HRK 13,424 thousand, net assets of HRK 210,592 thousand and for 2020 it realised a loss of HRK 59,244 thousand. In 2021, short-term loan liabilities in the amount of HRK 35,523 thousand will be repaid. The Group has initiated negotiations with banks to obtain a moratorium on credit commitments maturing in 2021. Furthermore, the Group is in the process of obtaining a new commercial bank loan to ensure the Group's short-term liquidity. In the event of unsuccessful loan restructuring and realization of new credit facilities, the Group and the Company will have the financial support of the major owners.

There is a risk that in the adverse but possible scenario of unsuccessful loan restructuring and realization of additional credit facilities or inability of major owner to support the Group, management plans may be insufficient to mitigate operational risk and liquidity risk. Management believes in the successful restructuring of the existing loans and expects cash inflows from the new liquidity loan and the intention of major owners to support the Group, which will ensure the liquidity of the Group in the coming year.

Despite the current limitations in business caused by the COVID-19 pandemic, which generally indicate that there is significant uncertainty that casts doubt on the Group's ability to continue operating, the Management Board, based on a letter of support from the majority owner, SNH GAMA d.d., Zagreb, confirms that the Group will have a sufficient amount of funds needed to settle obligations due in the foreseeable future, i.e. that the Group will continue to operate on a going concern basis.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group 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 Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

In the consolidated financial statements inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

The purchase method is used to report the acquisition of subsidiaries. Acquired recognizable assets, liabilities and contingent liabilities in the business combination are initially measured at fair value at the date of acquisition, irrespective of the non-controlling interest. The Group recognizes non-controlling interest in the acquired company by proportional share of the non-controlling interest in the net assets of the acquired company.

The transferred benefit for the acquired company is measured at the fair value of the transferred assets, issued equity instruments and liabilities incurred or assumed, including the fair value of the assets or liabilities from potential benefits, but excludes acquisition costs such as advisory, legal services, valuation and similar professional services. Transaction costs related to the acquisition and incurred for issuance of equity securities are deducted from equity; transaction costs incurred for the issue of debt as part of a business combination are deducted from the carrying amount of the debt and all other transaction costs related to the acquisition are recognized as an expense.

b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the Group's entities operate ("the functional currency"). The financial statements are presented in Croatian kuna (HRK), which is the Company's functional and Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income within "Finance income/costs".

Foreign exchange gains and losses relating to borrowings and cash and cash equivalents are recorded in the statement of comprehensive income within "Net finance costs". All other foreign exchange losses and gains are recorded in the statement of comprehensive income within "Finance income/costs".

(c) Member of the Group

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

- (i) assets and liabilities for each balance sheet are translated at the closing exchange rate at the balance sheet date;
- (ii) the income and expenses for each profit and loss account are translated at annual average rates; and
- (iii) all foreign exchange gains arising are recognized at a separate position within the equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Property, plant and equipment and investment property

Property, plant and equipment is included in the balance sheet at historical cost less accumulated depreciation and provision for impairment, where required. Historical cost includes the cost that is directly attributable to the acquisition of assets.

Investment property include property that is held for long-term rental yields or appreciation or for both purposes. Built-in equipment is considered an integral part of investment property. The cost of the purchase includes all costs directly attributable to the acquisition of that property.

Buildings that are an integral part of investment property are valued at cost less accumulated depreciation and impairment. Land that form an integral part of the investment property is valued at cost less impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred. The cost of replacement of larger items of property, plant and equipment is capitalised, and the carrying amount of the replaced part is derecognised.

Land, artwork and assets under construction are not depreciated. Depreciation of other items of property, plant and equipment is calculated using the straight-line method to allocate their cost over their estimated useful lives, as follows:

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

* Average estimated useful lives are determined on the basis of the estimated useful lives of individual building components.

Depreciation is calculated for each asset until the asset is fully depreciated or to its residual values if significant. The assets' useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.4.1. Investment property

Investment property, principally comprising business premises, is held for long-term rental yields or appreciation and is not occupied by the Group. Investment property is treated as a long-term investment unless it is intended to be sold in the next year and a buyer has been identified in which case it is classified within current assets.

Investment property is carried at historical cost less accumulated depreciation and provision for impairment, where required. Investments in progress are not depreciated. Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives.

Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with it will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Intangible assets

(a) Goodwill

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

(b) Other intangible assets

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

2.6 Investments in subsidiaries - Company

Impairment of investments in subsidiaries

The net carrying amount of investments in subsidiaries and associates is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in the statement of comprehensive income.

2.7 Financial assets

2.7.1 Non-derivative financial instruments

a) recognition and initial measurement

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

A financial asset (unless it is a trade receivable without a significant financial component) or a liability is initially measured at fair value increased, for an item not stated at fair value through income statement, for transaction costs that can be directly attributed to acquisition or issuance. Trade receivables without a significant financing component are initially measured at transaction cost.

b) qualification and subsequent measurement

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)**

2.7 Financial assets (continued)

2.7.1 Non-derivative financial instruments (continued)

Financial assets are measured at amortized cost if they meet both of the following conditions and are not classified as an asset at fair value through the income statement:

- it is kept within a business model whose goal is to hold assets for the purpose of collecting contract money streams; and
- on the basis of the agreed conditions, on certain dates, it realizes the cash inflows that represent exclusive payment of the principal and interest on the unpaid principal amount.

All financial assets that are not classified as financial assets measured at amortized cost as described above, it is measured at fair value through the income statement.

Financial assets at fair value through the income statement are subsequently measured at fair value. Net gains and losses, including all income from interest or dividends, are recognized in the income statement. Financial assets stated at amortized cost are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is reduced by impairment losses values. Interest income, as well as material differences and impairments, are recognized in the income statement.

Financial liabilities - classification, subsequent measurement and gains and losses

Financial liabilities are classified as financial liabilities measured at amortized cost or at fair value through the profit and loss account. The financial liability is classified at fair value through the account profit and loss if it is intended for trading, if it represents a derivative or if it is classified as such during ethnic recognition. Financial liabilities measured at fair value through the income statement and losses are measured at fair value, and net gains and losses, including all interest expenses, are recognized in profit and loss account. Other financial liabilities are subsequently measured at amortized cost by application effective interest rate methods. Interest expenses and gains and losses from interest differences are recognized in the account profit and loss. Profit or loss upon derecognition is also recognized in the income statement.

c) Cessation of recognition

Financial assets

The Group ceases to recognize financial assets when contractual rights to cash flows expire from financial assets or if the Group transfers the rights to receive contractual cash flows to a transaction in which all the key risks and benefits of ownership of financial assets are transferred or in to which the Group neither transfers nor retains all risks and benefits associated with ownership and does not retain control over financial assets.

The Group enters into transactions in which it transfers assets recognized in the statement of financial position, but retains all or almost all the risks and benefits of the transferred property. In these cases, the property is transferred does not stop admitting.

Financial obligations

The Group ceases to recognize a financial obligation when its contractual obligations are fulfilled or cancelled or have expired. The Group also ceases to recognize a financial obligation when its conditions are met changed and when the cash flows of the changed obligations are significantly different, in which the new financial ones occur the liability based on the changed conditions is recognized at fair value. Upon termination of recognition financial obligations, the difference between the book value and the fees paid (including all transferred non-monetary assets or assumed liabilities) is recognized in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

2.7 Financial assets (continued)

2.7.1 Non-derivative financial instruments (continued)

d) Netting

Financial assets and financial liabilities are netted and the net amount is shown in the financial report position when, and only when, the Group currently has a legally enforceable right to offset the amount and intends to settle them on a net basis or to realize the assets and settle the liability at the same time.

Effective interest method

The effective interest method is a method used to calculate the amortized cost of a financial asset and income of the interest spread during the relevant period. The effective interest rate is the rate at which estimated future cash inflows, including all fees paid or received as a percentage points that are an integral part of the effective interest rate, then transaction costs and other premiums and discounts, they are discounted during the expected life of the financial asset or a shorter period if it is applicable.

Income from debt instruments, except for financial assets designated for reporting at fair value through profit and loss account, are recognized on the basis of effective interest.

2.7.2 Impairment

Non-derivative financial assets

Financial instruments and contractual assets

The Group recognizes provisions for impairment on the basis of estimated credit losses related to financial assets measured at amortized cost.

Provisions for impairment are measured in one of the following ways:

- according to 12-month expected credit losses: these are expected credit losses resulting from the possibility of failure to fulfil the obligation within 12 months from the date of reporting;
- according to the expected credit losses in the entire economic life of the asset; those are about equivalent credit losses resulting from the possibility of non-fulfilment of obligations within the entire economic life of the property.

Impairment provision for financial assets that are always carried at amortized cost is measured in the amount of the total expected credit loss in the total economic life of the above property.

When assessing if the credit risk of financial assets has significantly increased since the initial recognition and when assessing expected credit losses, the Group considers reasonable and corroborating information that is relevant and available without additional costs or effort. This includes quantitative and qualitative information and analysis, based on the historical experience of the Group and informed assessment of creditworthiness, including information related to the future.

The Group considers that the credit risk of financial assets has increased significantly if more than 90 days from the date of its maturity.

The Group believes that financial assets are not recoverable if it is unlikely that the debtor will pay its obligations towards the Group in full without the Group needing to initiate actions such as utilization of insurance funds (if any). The maximum period taken into account when estimate of expected credit loss is the maximum contracted period during which the Group is exposed to credit risk.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

2.7 Financial assets (continued)

2.7.2 Impairment (continued)

Measurement of expected credit losses

Estimated credit losses are an estimate of the weighted probability of credit losses. Credit losses measure as the present value of all cash deficits (ie the difference between the cash flows to which the Group is entitled, in accordance with the contract, to cash flows that the Group expects to actually to receive). Estimated credit losses are discounted at the effective interest rate of the relevant financial institution assets.

Impaired financial assets

On each reporting date, the Group assesses whether the financial assets measured by amortized cost of reduced value. Financial assets are impaired when they arise one or more events that have a negative impact on estimated future cash flows from that financial assets.

Evidence that a reduction in financial assets is required includes the following:

- the probability that the debtor will enter bankruptcy or another form of financial reorganization or restructuring;

or

- significant financial flows of the debtor.

Presentation of provisions for impairment on the basis of estimated credit losses in the report on financial position

Provisions for impairment of financial assets measured at amortized cost are subtracted from the gross book value of the assets.

2.8 Inventories

Inventories of food, beverages and trade goods are stated 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 applicable variable selling expenses.

2.9 Trade receivables

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

2.10 Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

i. As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Leases (continued)

i. As a lessee (continued)

— the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

ii. As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

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

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

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Leases (continued)

ii. As a lessor (continued)

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of ‘other revenue’.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

2.12 Share capital

Ordinary shares are classified as equity. Gains directly attributable to the issue of new shares are shown in equity as a deduction, net of transactions costs and income tax, from the proceeds.

2.13 Trade payables

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

2.14 Borrowings

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Current and deferred income tax

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

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

Deferred tax assets and liabilities are determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.16 Employee benefits

(a) Pension obligations and post-employment benefits

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

(b) Termination benefits

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

(c) Short-term employee benefits

The Group recognises a provision for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation. In addition, the Group recognises liabilities for accumulated compensated absences based on unused vacation days at the reporting date, as well as labour hours realised from the reorganisation of working hours not utilised up to the balance sheet date.

(d) Long-term employee benefits

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Provisions

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

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.18 Government grants

Government grants are recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received. Consequently, the Group does not recognise government grants until there is reasonable assurance that the Group will comply either the conditions attaching to them, and the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods necessary to match them with the related costs. A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs shall be recognised in profit or loss of the period in which it becomes receivable. Grants related to tangible assets are recognised in profit or loss over the periods and in the proportions in which depreciation on those assets is recognised. In the statement of financial position, government grant is recognised as deferred income that is recognised in profit or loss on a systematic basis over the useful life of the assets.

2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in hotels and apartments, campsites and restaurants of the Group. Revenue is shown net of value-added tax.

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

Sales of services

The Group sells hotel and tourism services. These services are provided based on fixed-price contracts. Revenues from hotel and tourism services are recognised over time when the services are provided. The Group offers to its customers food and beverages in hotel rooms as well as in hotel restaurants. Revenues are recognized when services are provided at the point of time. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Earnings per share

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

2.21 Value added tax

Is recognised and disclosed in the balance sheet on a net basis. Where receivables have been impaired for the purpose of adjustment, impairment loss is recorded for the gross amount of the debtor, including VAT.

2.22 Operating segment reporting

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

2.23 Standards issued but not yet effective

There are several accounting standards that are not significant for the reporting period ending December 31, 2020 and that the Group has not implied before, therefore, significant effects on Financial statements are not expected.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)**

NOTE 3 – FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Company does not have a written risk management programme, but overall risk management in respect of these risks is carried out by the Group's Management Board.

The accounting policies for financial instruments have been applied to the line items below:

<i>(in thousands HRK)</i>	31 December 2020 Group	31 December 2019 Group	31 December 2020 Company	31 December 2019 Company
Assets at the balance sheet date - at amortised cost				
<i>Loans and receivables</i>				
Trade and other receivables	2,210	16,458	-	-
Loans given to related parties	-	-	-	-
Cash and cash equivalents	21,826	45,965	40	320
	24,036	62,423	40	320
Other long-term assets	20	142	-	-
	24,056	62,565	40	320
Liabilities at the balance sheet date - at amortised cost				
Trade and other payables	7,779	25,232	89	91
Lease liabilities	2,329	2,809	-	-
Borrowings	148,826	122,208	-	-
	158,934	150,249	89	91

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)**

NOTE 3 – FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors (continued)

(a) Market risk

(i) Foreign exchange risk

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

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

Group <i>(in thousands of HRK)</i>	31 December 2020			31 December 2019		
	EUR	HRK	Total	EUR	HRK	Total
Financial assets						
Trade and other receivables	809	1,401	2,210	10,523	5,935	16,458
Cash and cash equivalents	15,687	6,139	21,826	8,836	37,129	45,965
Other assets	-	20	20	-	142	142
Financial liabilities						
Trade and other payables	2,484	5,294	7,779	701	24,531	25,232
Lease liabilities	-	2,329	2,329	-	2,809	2,809
Borrowings	58,383	90,443	148,826	89,725	32,483	122,208
Net exposure	(44,371)	(90,506)	(134,878)	(71,067)	(16,617)	(87,684)
Company <i>(in thousands of HRK)</i>						
Financial assets						
Trade and other receivables	-	-	-	-	-	-
Loans given to related parties	-	-	-	-	-	-
Cash and cash equivalents	-	40	40	-	320	320
Financial liabilities						
Trade and other payables	-	89	89	-	91	91
Borrowings	-	-	-	-	-	-
Net exposure	-	(49)	(49)	-	229	229

As at 31 December 2020, if the euro had weakened/strengthened by 1% (2019: 1%), with all other variables held constant, the Group's net profit for the year would have been HRK 444 thousand higher/lower (2019: HRK 711 thousand higher/lower), mainly as a result of foreign exchange gains /losses on translation of EURO-denominated borrowings and foreign cash funds. EUR foreign exchange rate as at 31 December 2020 was HRK 7.536898 per 1 EURO (2019: 7.442580).

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)**

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Interest rate risk

The Group has interest-bearing short-term cash deposits which are contracted at variable rates and expose the Group to risk of changes in interest rates. This risk is not significant given the low interest rates. The interest rate for time deposits for the Group was set at 0.06%. (2019: 0.01%-0.6%).

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. As at 31 December 2020, the borrowings contracted at variable interest rates amount to HRK 146,792 thousand (2019: 123,988 thousand). The interest rates on borrowings from the banks are 6M EURIBOR plus 2.15%, TZMF 91d + 1.65% and TZMF 182d + 2.45%.

As at 31 December 2020, if interest rates on borrowings with variable interest rates had been 0.5 % lower/higher (2019: 0.5% lower/higher), with all other variables held constant, the Group's net profit for the year would have been HRK 734 thousand higher/lower (2019: HRK 620 thousand).

(iii) Price risk

As at 31 December 2020, the Group did not had investment in equity securities and was not exposed to price risk. The Group is not significantly exposed to commodity price risk.

(b) Credit risk

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

<i>As at 31 December 2020 (in thousands HRK)</i>	Net carrying amount	Contractual cash flows	Up to 1 year	1-2 years	2-5 years	Over 5 years
Assets non-interest bearing						
Other receivables	1,987	1,987	1,987	-	-	-
Trade receivables	223	223	223	-	-	-
	2,110	2,110	2,110	-	-	-
Assets bearing interest						
Cash and cash equivalents	21,826	21,826	21,826	-	-	-
	21,826	21,826	21,826	-	-	-
	24,037	24,036	24,037	-	-	-

<i>As at 31 December 2019 (in thousands HRK)</i>	Net carrying amount	Contractual cash flows	Up to 1 year	1-2 years	2-5 years	Over 5 years
Assets non-interest bearing						
Other receivables	3,353	3,353	3,353	-	-	-
Trade receivables	13,105	13,105	13,105	-	-	-
	16,458	16,458	16,458	-	-	-
Assets bearing interest						
Cash and cash equivalents	45,965	45,965	45,965	-	-	-
	45,965	45,965	45,965	-	-	-
	62,423	62,423	62,423	-	-	-

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)**

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

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

<i>(in thousands of HRK)</i>	Group			Company		
	Trade receivables	Cash and cash equivalents	Total	Trade receivables	Cash and cash equivalents	Total
2020						
Neither past due nor impaired	-	21,826	21,826	-	40	40
Past due but not impaired	223	-	223	-	-	-
Past due and impaired	4,092	-	4,092	-	-	-
Impairment	(4,092)	-	(4,092)	-	-	-
	223	21,826	22,049	-	40	40

<i>(in thousands of HRK)</i>	Group			Company		
	Trade receivables	Cash and cash equivalents	Total	Trade receivables	Cash and cash equivalents	Total
2019						
Neither past due nor impaired	1,621	45,965	47,586	-	320	320
Past due but not impaired	11,484	-	11,484	-	-	-
Past due and impaired	3,851	-	3,851	-	-	-
Impairment	(3,851)	-	(3,851)	-	-	-
	13,105	45,965	59,070	-	320	320

The Group deposits its cash at banks with the following credit ratings by Standard & Poor's:

<i>(in thousands HRK)</i>	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	Group	Group	Company	Company
Cash at bank				
BBB+	21,780	45,871	40	320
Other or without rating	46	94	-	-
	-	-	-	-
	21,826	45,965	40	320

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)**

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

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

<i>(in thousands HRK)</i>	31 December 2020 Group	31 December 2019 Group	31 December 2020 Company	31 December 2019 Company
One month due	-	1,134	-	-
One to two months	-	513	-	-
Two to three months	-	2,477	-	-
More than three months	223	7,360	-	-
	223	11,484	-	-

(c) Liquidity risk

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

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

<i>As at 31 December 2020 (in thousands HRK)</i>	Net carrying amount	Contractual cash flows	Up to 1 year	1-2 years	2-5 years	Over 5 years
<i>Liabilities non-interest bearing</i>						
Other liabilities	4.791	4.791	4.791	-	-	-
Trade payables	2.989	2.989	2.989	-	-	-
	7.780	7.780	7.780	-	-	-
<i>Liabilities bearing interest</i>						
Lease liabilities	2.329	2.449	645	1.044	760	-
Borrowings	148.826	149.530	33.924	33.835	76.573	5.199
	151.155	151.979	34.569	34.879	77.333	5.199
	158.934	159.758	42.348	34.879	77.333	5.199

<i>As at 31 December 2019 (in thousands HRK)</i>	Net carrying amount	Contractual cash flows	Up to 1 year	1-2 years	2-5 years	Over 5 years
<i>Liabilities non-interest bearing</i>						
Other liabilities	20.630	20.630	20.630	-	-	-
Trade payables	4.602	4.602	4.602	-	-	-
	25.232	25.232	25.232	-	-	-
<i>Liabilities bearing interest</i>						
Lease liabilities	2.809	3.094	645	645	1.044	760
Borrowings	122.208	126.056	26.211	25.787	68.858	5.199
	125.017	129.150	26.856	26.432	69.902	5.959
	150.249	154.382	52.088	26.432	69.902	5.959

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)**

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital risk management

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

NOTE 4 – USE OF JUDGEMENTS AND ESTIMATES

4.1 Fair value estimation

The Group applies a number of accounting policies and disclosures that require fair value measurement for financial and non-financial assets and liabilities. The group has an established system of controls within the framework of fair value measurement, which includes the overall responsibility of the Management Board and the finance function related to the supervision of all significant fair value measurements, consulting with external experts and, in the context of the above, reporting on the same to the bodies in charge of corporate governance.

Fair values are measured in relation to information collected from third parties, in which case Management and the finance function assess whether the evidence collected from third parties ensures that the stated fair value estimates meet the requirements of IFRS adopted by the EU, including the level of the fair value hierarchy in how those estimates should be classified.

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

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Input variables that do not represent quoted prices included in level 1, which are input variables for assets or liabilities that were observable either directly (e.g. as prices) or indirectly (e.g. derived from prices)
- Level 3 - Input variables for assets or liabilities that are not based on observable market data (unobservable input variables)

The fair value of financial instruments traded in active markets is based on quoted market prices on the date of the statement of financial position. A market is considered active if quoted prices are known based on a stock exchange, broker activity, industry group or regulatory agency, and these prices represent actual and regular market transactions under normal trading conditions.

The fair value of financial instruments traded on an active market (eg OTC derivatives) is determined using valuation techniques. These valuation techniques require maximum use of observable market data where possible, and rely as little as possible on subject-specific valuations. If all significant input variables required for fair valuation are visible, fair value assessment is categorized as level 2. If one or more significant input variables are not based on observable market data, the fair value estimate is categorized as level 3.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)**

NOTE 5 – SEGMENT INFORMATION

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

The Group records its operating revenue and costs by the type of services rendered in two basic segments: Croatia and Slovenia.

The segment information for the year ended 31 December 2020 is as follows:

2020

(in thousands of HRK)

	<u>Croatia</u>	<u>Slovenia</u>	<u>Total</u>
Total sales	1,811	1,260	3,071
Inter-segment revenue	-	-	-
Revenue from external customers	1,811	1,260	3,071
Gross operating profit ("GOP")	(12,685)	(10,727)	(23,412)
Depreciation and amortisation	21,489	18,001	39,490
Income tax	6,528	2,846	9,374
Total assets	<u>175,636</u>	<u>182,989</u>	<u>358,625</u>
Total liabilities	<u>127,112</u>	<u>42,002</u>	<u>169,114</u>

2019

(in thousands of HRK)

	<u>Croatia</u>	<u>Slovenia</u>	<u>Total</u>
Total sales	109,077	75,122	184,199
Inter-segment revenue	-	-	-
Revenue from external customers	109,077	75,122	184,199
Gross operating profit ("GOP")	52,513	25,651	78,164
Depreciation and amortisation	25,198	16,469	41,667
Income tax	3,762	1,693	5,455
Total assets	<u>204,153</u>	<u>188,891</u>	<u>393,044</u>
Total liabilities	<u>119,011</u>	<u>42,002</u>	<u>161,013</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)**

NOTE 5 – SEGMENT INFORMATION (continued)

Reconciliation of segment assets and liabilities:

<i>(in thousands of HRK)</i>	31 December 2020		31 December 2019	
	Assets	Liabilities	Assets	Liabilities
Segment assets/liabilities	358,625	169,114	393,044	161,013
Unallocated:	30,970	9,889	46,751	11,309
- cash and cash equivalents	21,826	-	45,965	-
- income tax receivable	-	-	-	-
- deferred tax assets	9,144	-	786	-
- income tax liabilities	-	-	-	331
- deferred tax liabilities	-	9,187	-	10,203
- provisions	-	702	-	775
Total	389,595	179,003	439,795	172,322

NOTE 6 – REVENUE

Revenue streams

The Company generates revenue primarily from the accommodation services, food and beverages sales and provision of ancillary hotel services to its customers. Revenue is classified as:

<i>(in thousands of HRK)</i>	2020	2019
<i>Revenue from hotel services</i>		
Individual guests	-	43,550
Groups	-	18,260
Allotment	-	102,665
MICE	-	1,815
	-	166,290
<i>Revenue from ancillary services</i>		
Food and beverages - other than hotel guests	-	6,283
Revenue from services rendered to hotel guests	-	3,561
Other revenue	3,071	8,065
	3,071	17,909
Total sales revenue	3,071	184,199

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

<i>(in thousands of HRK)</i>	2020	2019
Revenue from domestic sales	1,811	16,317
Revenue from foreign sales	1,260	167,882
	3,071	184,199

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)**

NOTE 6 – REVENUE (continued)

Foreign sales	2020	%	2019	%	2018	%
Germany		0	14,975	9	12,975	8
Austria		0	15,689	9	21,142	13
Italy		0	14,710	9	15,068	9
United Kingdom		0	38,630	23	36,385	22
Russia		0	2,126	1	1,925	1
France		0	28,465	17	21,701	13
Other EU members*	1,260	100	35,184	21	30,156	19
Other*		0	18,103	11	23,465	15
	1,260	100	167,882	100	162,817	100

*None of the individual customers' share in sales exceeds 10%.

Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer. Details on revenue recognition are disclosed in Note 2.19.

NOTE 6a – OTHER REVENUE

<i>(In thousands of HRK)</i>	2020 Group	2019 Group	2020 Company	2019 Company
Government subsidy - COVID 19	3,447	-	-	-
Other income	396	1,715	-	-
	3,843	1,715	-	-

The group received state grants related to the preservation of jobs

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)**

NOTE 7 – COST OF MATERIALS AND SERVICES

<i>(in thousands of HRK)</i>	2020	2019	2020	2019
	Group	Group	Company	Company
Food, beverages and other supplies	831	22,597	-	-
Energy and water used	1,542	8,868	-	-
	<u>2,373</u>	<u>31,465</u>	<u>-</u>	<u>-</u>
Maintenance costs	869	1,312	11	1
Advertising and promotion	193	889	-	-
Laundry services	45	4,091	-	-
Utility services	273	3,044	-	-
Rental expenses	209	394	3	3
Other expenses	2,776	5,962	115	115
	<u>4,365</u>	<u>15,692</u>	<u>129</u>	<u>119</u>
	<u>6,738</u>	<u>47,157</u>	<u>129</u>	<u>119</u>

NOTE 8 – STAFF COSTS

<i>(in thousands of HRK)</i>	2020	2019	2020	2019
	Group	Group	Company	Company
Net salaries and wages	6,568	24,828	-	-
Tax expense and contributions from salaries	2,601	8,162	-	-
Contributions on salaries	1,548	5,013	-	-
	<u>10,717</u>	<u>38,003</u>	<u>-</u>	<u>-</u>
Number of employees	<u>89</u>	<u>341</u>	<u>-</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)**

NOTE 9 – OTHER OPERATING EXPENSES

<i>(in thousands of HRK)</i>	2020	2019	2020	2019
	Group	Group	Company	Company
Bank charges and membership fees	756	406	4	2
Utility and similar fees	3,023	3,906	13	2
Other staff costs /i/	6,239	7,109	-	-
Insurance premiums	897	851	-	-
Professional services	1,079	2,214	130	127
Write-off of property, plant and equipment	1,580	214	-	-
Agency services	62	4,315	-	-
Other expenses	386	3,453	2	-
Other	165	918	-	-
	14,187	23,386	149	131

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

NOTE 10 – NET FINANCE INCOME/ (COSTS)

<i>(in thousands of HRK)</i>	2020	2019	2020	2019
	Group	Group	Company	Company
Finance income				
Interest income	1	287	-	39
Net foreign exchange gains	149	391	-	-
	150	678	-	39
Finance costs				
Interest expense	2,344	2,688	-	41
Net foreign exchange losses	1,251	489	-	-
	3,595	3,177	-	41
Net finance income / (costs)	(3,445)	(2,499)	-	(2)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)**

NOTE 11 – INCOME TAX

<i>(in thousands of HRK)</i>	2020 Group	2019 Group	2020 Company	2019 Company
Current tax expense	-	(6,471)	-	-
Deferred tax income				
Reversal of temporary differences	9,374	1,016	-	-
Tax expense	<u>9,374</u>	<u>(5,455)</u>	<u>-</u>	<u>-</u>

Deferred tax assets and liability is shown below:

<i>(in thousands of HRK)</i>	Assets		Liabilities		Net	
	December 31, 2020	December 31, 2020	December 31, 2020	December 31, 2019	December 31, 2019	December 31, 2019
Property, plant and equipment	-	-	(9,187)	(10,203)	(9,187)	(10,203)
Other	9,144	786	-	-	9,144	786
	<u>9,144</u>	<u>786</u>	<u>(9,187)</u>	<u>(10,203)</u>	<u>(43)</u>	<u>(9,417)</u>

The other relates to temporary differences arising from the impairment of equity securities and other assets.

<i>(in thousands of HRK)</i>	31 December 2019	Recognized in profit or loss	31 December 2020
Tax losses	-	9,144	9,144
Property, plant and equipment	(10,203)	1,016	(9,187)
Other	786	(786)	-
Total	<u>(9,417)</u>	<u>9,374</u>	<u>(43)</u>

The tax on the Group's and Company's profit before tax differs from the theoretical amount that would arise using the tax rate of 12% (2019: 18%) because the company did not earn enough revenue and has fallen down to the lower tax bracket. The reconciliation of the tax expense per the statement of comprehensive income and taxation at the statutory rate is detailed in the table below:

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)**

NOTE 11 – INCOME TAX (continued)

<i>(in thousands of HRK)</i>	2020	2019	2020	2019
	Group	Group	Company	Company
Profit/(loss) before tax	(68,618)	30,462	(278)	(252)
Tax rate of 12% (2019: 18%)	(8,234)	5,483	(33)	(30)
Non-deductible expenses	10	25	-	-
Tax exempt income	(199)	(56)	-	-
Effect of tax rate change	(4,458)	90	-	-
Abolition of temporary differences	787	-	-	-
Tax losses not recognised as deferred tax asset	2,719	30	33	30
Tax relief	-	(117)	-	-
Income tax	(9,374)	5,455	-	-
<i>Effective tax rate</i>	13.7%	17.9%	0.0%	0.0%

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

Unused tax losses

<i>(in thousands of HRK)</i>	2020	2019	2020	2019
	Group	Group	Company	Company
2018 tax loss - expires 2023	5,551	5,551	5,551	5,551
2019 tax loss - expires 2024	30	30	30	30
2020 tax loss - expires 2025	33	-	-	-
2020 tax loss - doesn't expire	2,686	-	-	-
	8,300	5,581	5,581	5,581

Unused tax loss of HRK 2,686 thousand relates to Hotel Metropol and doesn't have expiry date.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)**

NOTE 12 – EARNINGS PER SHARE (basic and diluted)

Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares. Share capital of the Company as at 31 December 2020 comprises 302,641 ordinary shares (31 December 2019: 302,641).

Diluted

Diluted earnings per share is equal to basic earnings per share, since the Group did not have any convertible instruments nor share options outstanding.

	2020	2019
	Group	Group
Profit/ (Loss) for year (in thousands of HRK)	(59,260)	24,892
Weighted average number of shares (basic and diluted)	302,641	302,641
Earnings per share (basic and diluted) (in HRK)	(195.81)	82.25

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)**

NOTE 13.1 – PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

Group

<i>(in thousands of HRK)</i>	Land	Buildings	Equipment	Assets under construction	Investment property	Artwork	Total
As at 31 December 2018							
Cost	99,139	769,183	131,707	6,172	17,945	82	1,024,228
Accumulated depreciation	-	(532,049)	(87,624)	-	(13,053)	-	(632,726)
Net carrying amount	99,139	237,134	44,083	6,172	4,892	82	391,502
For the year ended 31 December 2019							
Opening net carrying amount	99,139	237,134	44,083	6,172	4,892	82	391,502
Additions	-	1,014	4,323	8,556	-	-	13,893
Disposals and write offs	-	-	(177)	-	-	-	(177)
Transfer	-	-	3,071	(3,071)	-	-	-
Depreciation	-	(22,731)	(17,785)	-	(313)	-	(40,829)
Foreign exchange differences	49	440	98	40	15	-	642
Closing net carrying amount	99,188	215,857	33,613	11,697	4,594	82	365,031
As at 31 December 2019							
Cost	99,188	770,637	139,022	11,697	17,960	82	1,038,586
Accumulated depreciation	-	(554,780)	(105,409)	-	(13,366)	-	(673,555)
Net carrying amount	99,188	215,857	33,613	11,697	4,594	82	365,031
For the year ended 31 December 2020							
Opening net carrying amount	99,188	215,857	33,613	11,697	4,594	82	365,031
Additions	-	6,557	4,779	2,865	-	-	14,201
Disposals and write offs	-	-	(114)	(1,424)	-	-	(1,538)
Transfer	-	-	89	(89)	-	-	-
Depreciation	-	(20,590)	(17,645)	-	(290)	-	(38,525)
Foreign exchange differences	184	1,647	166	142	30	1	2,169
Closing net carrying amount	99,372	203,471	20,888	13,191	4,334	83	341,338
As at 31 December 2020							
Cost	99,372	778,841	143,942	13,191	17,990	83	1,053,418
Accumulated depreciation	-	(575,370)	(123,054)	-	(13,656)	-	(712,080)
Net carrying amount	99,372	203,471	20,888	13,191	4,334	83	341,338

As at 31 December 2020, land and buildings in the amount of HRK 194,534 thousand (2019: HRK 197,114 thousand) have been pledged as collateral for the repayment of borrowings (Note 19).

The land surface included in the Group's records as at 31 December 2020 comprised 188,837 m² (2019: 188,837 m²) and together with the respective buildings has a net carrying value of HRK 307,173 thousand (2019: HRK 315,045 thousand).

Of the total land surface, a surface of 16,722 m² (2019: 16,722 m²) are not legally owned by the Group (according to land registry data), while 172,115 m² (2019: 172,115 m²) is legally owned by the Group.

Asset under construction refers to investment in project documentation for Hotel Metropol and Beach Club in Slovenia, and project documentation and preparatory works for Hotel Albatros.

As at 31 December 2020, investment property is without pledge. The Group has estimated the value of investment property and considers that the carrying amounts are equal to their fair value.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)**

**NOTE 13.1 – PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY
(continued)**

The operating lease relates to the lease of hospitality facilities and stores. During 2020, the Group realised rental income in the amount of HRK 504 thousand (2019: HRK 1,111 thousand).

The aggregate lease payments receivable from operating leases is as follows:

<i>(in thousands of HRK)</i>	<u>2020</u>	<u>2019</u>
Up to 1 year	297	599
Between 2 and 5 years	437	1,092
Over 5 years	<u>220</u>	<u>877</u>
	954	2,568

In 2020, there were no contingent rents recognised as income in the statement of comprehensive income. Lease agreements have been concluded for a period from 1 to 3 years (mainly 3 years) and are renewable at the end of the lease period at market prices, i.e. the best bidder is selected after publishing the invitation to tender.

NOTE 13.2 - RIGHT OF USE OF ASSETS

Below is an overview of lease-related information where the Group is a lessee.

The statement of financial position shows the amounts for leases as follows:

<i>(in thousands of HRK)</i>	Concessions	Vehicles	Total
Year ended 31 December 2020			
Opening net carrying amount	2,247	721	2,968
Additions	-	210	210
Disposals and write-offs	(202)	(51)	(253)
Depreciation	(325)	(225)	(550)
Closing net carrying amount	1,720	655	2,375

(in thousands of HRK)

Lease liabilities

Current portion	504
Non-current portion	<u>1,825</u>
	2,329

**31 December
2020**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)**

NOTE 13.2- RIGHT OF USE OF ASSETS (continued)

The statement of comprehensive income presents the amounts for leases as follows:

<i>(in thousands of HRK)</i>	<u>2020</u>
Depreciation of assets with right of use	
Concessions of maritime domain	325
Vehicles	<u>225</u>
	<u>550</u>
Interest expense (included in financial expenses)	98

NOTE 14 – INTANGIBLE ASSETS

<i>(in thousands of HRK)</i>	<u>Goodwill</u>	<u>Other intangible assets</u>	<u>Total</u>
For the year ended 31 December 2019			
Opening net carrying amount	4,708	2,409	7,117
Additions	-	117	117
Disposal	-	(20)	(20)
Depreciation	-	(492)	(492)
Closing net carrying amount	4,708	2,014	6,722
As at 31 December 2019			
Cost	5,136	3,616	8,752
Accumulated depreciation and impairment	(428)	(1,602)	(2,030)
Net carrying amount	4,708	2,014	6,722
For the year ended 31 December 2020			
Opening net carrying amount	4,708	2,014	6,722
Depreciation	-	(414)	(414)
Foreign exchange differences	-	28	28
Closing net carrying amount	4,708	1,628	6,336
As at 31 December 2020			
Cost	5,136	3,644	8,780
Accumulated depreciation and impairment	(428)	(2,016)	(2,444)
Net carrying amount	4,708	1,628	6,336

Goodwill refers to investment in Hoteli Metropol d.o.o. The Group annually tests the goodwill for impairment by using the discounted cash flow method of a related entity that generates cash flows. These calculations use cash flow projections based on financial projections. The pre-tax discount rate of 8.45% (2019:8.54%) was used and growth rate of 1% (2019:1%) which reflect specific risks relating to the relevant segment (hotels) as a result of impairment test performed, the Group did not incur goodwill impairment.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)**

NOTE 15 - INVESTMENTS IN SUBSIDIARIES

<i>(in thousands of HRK)</i>	31 December 2020 Company	31 December 2019 Company
Investment in Hoteli Cavtat d.d.	<u>202,962</u>	<u>202,962</u>

Hoteli Cavtat has 100% ownership in Hoteli Metropol d.o.o. and 33% in Remisens Hotel Group d.o.o.

Hoteli Metropol d.o.o. has 33,3% share in Remisens Hotel Group d.o.o. The Group has effective interest of 66,7% in Remisens Hotel Group d.o.o.

NOTE 16 – TRADE AND OTHER RECEIVABLES

<i>(in thousands of HRK)</i>	31 December 2020 Group	31 December 2019 Group	31 December 2020 Company	31 December 2019 Company
Trade receivables	4,316	16,956	-	-
Impairment of trade receivables	<u>(4,092)</u>	<u>(3,851)</u>	-	-
Trade receivables - net	224	13,105	-	-
Receivables from employees and members of the Company	124	298	-	-
State and other receivables	1,268	2,802	-	-
Other receivables	<u>594</u>	<u>253</u>	-	-
	2,210	16,458	-	-

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

<i>(in thousands of HRK)</i>	2020 Group	2019 Group	2020 Company	2019 Company
As at 1 January	3,851	1,663	-	-
Increase	688	2,484	-	-
Write off	<u>(447)</u>	<u>(296)</u>	-	-
As at 31 December	4,092	3,851	-	-

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)**

NOTE 17 – CASH AND CASH EQUIVALENTS

<i>(in thousands of HRK)</i>	31 December 2020 Group	31 December 2019 Group	31 December 2020 Company	31 December 2019 Company
Deposits up to 90 days	1,854	1,802	-	-
Foreign currency accounts	621	8,769	-	-
Cash in hand	5	69	-	-
Giro-accounts	19,346	35,325	40	320
	21,826	45,965	40	320

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

NOTE 18 – SHARE CAPITAL AND RESERVES (basic/diluted)

Share capital

As at 31 December 2020, the Company's share capital amounted to HRK 202,769 thousand (2019: HRK 202,769 thousand) and comprises 302,641 ordinary shares with a nominal value of HRK 670 per share (2019: HRK 670 per share). Ordinary shares have equal voting rights and rights to receive dividend.

The ownership structure as at 31 December 2020 was as follows:

	<u>Number of shares</u>	<u>HRK</u>	<u>%</u>
SNH Gama d.d.	260,442	174,496,140	86.06%
CERP Republika Hrvatska	8,589	5,754,630	2.84%
FTB Turizam d.d.	4,485	3,004,950	1.48%
Others	29,125	19,513,750	9.62%
	<u>302,641</u>	<u>202,769,470</u>	<u>100%</u>

The ownership structure as at 31 December 2019 was as follows:

	<u>Number of shares</u>	<u>HRK</u>	<u>%</u>
SNH Gama d.d.	184,782	123,803,940	61,06%
SN Pectinatus d.d.	75,660	50,692,200	25,00%
CERP Republika Hrvatska	11,289	7,563,630	3.73%
Others	30,910	20,709,700	10.21%
	<u>302,641</u>	<u>202,769,470</u>	<u>100%</u>

Legal reserves

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

Other reserves

Other reserves relate mainly to the reserves from the de-merger of the Liburnia Riviera Hoteli d.d. and FTB Turizam d.d. and transfers from retained earnings. The remainder refers to foreign exchange differences arising from the consolidation of a foreign subsidiary and amounts to HRK 1,743 thousand at 31 December 2020 (31 December 2019: HRK 4,106 thousand).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)**

NOTE 18 – SHARE CAPITAL AND RESERVES (basic/diluted) (continued)

Treasury shares

As at 31 December 2020, the Company had 4,485 of own shares carried at cost in the amount of HRK 8,963 thousand (2019: HRK 8,963 thousand). The Company created reserve for treasury shares from retained earnings in the same amount.

Non-controlling interest

The following table summarizes the information relating to the members of the Group's subsidiary that has non-controlling interests.

Remisens Hotel Group d.o.o.

<i>(in thousands of HRK)</i>	31 December 2020	31 December 2019
% of non-controlling interest (%)	33.3%	33.3%
Current assets	1,729	1,729
Non-current assets	990	991
Current liabilities	(8)	(15)
Net assets	2,710	2,705
Net assets attributable to non-controlling interest	903	902
Profit for the year	66	349
Profit attributable to non-controlling interest	21	115
Cash flows from operating activities	69	288
Cash flows from investment activities	-	-
Cash flows from financing activities	-	-
Net increase in cash and cash equivalents	69	288

NOTE 19 – BORROWINGS

(in thousands of HRK)

	31 December 2020 Group	31 December 2019 Group	31 December 2020 Company	31 December 2019 Company
<i>Non-current liabilities</i>				
Secured bank loans	113,303	97,544	-	-
	113,303	97,544	-	-
<i>Current liabilities</i>				
Secured bank loans	35,523	24,664	-	-
Related party loans	-	-	-	-
	35,523	24,664	-	-

Loans are payable as follows:

<i>(in thousands of HRK)</i>	31 December 2020 Group	31 December 2019 Group	31 December 2020 Company	31 December 2019 Company
Up to 1 year	35,523	24,664	-	-
Between 1 and 2 years	33,480	41,725	-	-
Between 2 and 5 years	76,431	35,724	-	-
Over 5 years	3,392	20,095	-	-
Total	148,826	122,208	-	-

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)**

NOTE 19 – BORROWINGS (continued)

Bank loans are denominated in EUR with effective interest rates at the reporting date are: 1.5% +6m Euribor -1.65%+ treasury note MF 91d + 2,45% + trez. Zap MF 182d (2019:1.5% + 6m Euribor – 1,65% + trez. Zap MF 91d). Bank loans are secured by a mortgage over land and a building (Note 13.1).

Reconciliation of movement in borrowings to cash flow from financing activities:

<i>(in thousands of HRK)</i>	2020	2019	2020	2019
	Group	Group	Company	Company
<i>Borrowings</i>				
<i>As at 1 January</i>	122,208	172,151	-	5,000
Proceeds from borrowings	29,117	12,000	-	-
Repayments of borrowings	(3,916)	(61,626)	-	(5,000)
Foreign exchange differences	1,417	(317)	-	-
As at 31 December	148,826	122,208	-	-

NOTE 20 – PROVISIONS

Group	Termination benefits and jubilee awards
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(in thousands of HRK)

As at 1 January 2020	775
Unused amounts reversed	(73)
As at 31 December 2020	702

NOTE 21 – TRADE AND OTHER PAYABLES

<i>(in thousands of HRK)</i>	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	Group	Group	Company	Company
Domestic trade payables	1,634	3,901	89	91
Foreign trade payables	1,355	701	-	-
Total trade payables	2,989	4,602	89	91
Due to employees	686	1,812	-	-
Taxes and contributions payable	16	809	-	-
Advances payable	3,650	16,198	-	-
Other liabilities	438	1,811	-	-
	4,790	20,630	-	-
Total trade and other payables	7,779	25,232	89	91

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)**

NOTE 22 – GOVERNMENT GRANTS

Grants relate to the financial resources which Hoteli Metropol d.d. acquired from Hotel Lucia in 2008. The grant is released annually in proportion to the amount of depreciation charged. Release of the entire grant is expected by the end of 2034.

Annual use of provisions in the statement of comprehensive income is recorded through the position of other operating income and in 2020 amounts to HRK 716 thousand (2019: HRK 704 thousand).

NOTE 23 – CASH GENERATED FROM OPERATIONS

Reconciliation of profit and cash generated from operations:

<i>(in thousands of HRK)</i>	Note	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
		Group	Group	Company	Company
Profit/(loss) before tax		(59,244)	25,007	(278)	(252)
Adjustments for:					
Depreciation and amortisation		39,490	41,667	-	-
Write-off of disposed property, plant and equipment					
Gains on sale of property, plant and equipment		-	197	-	-
Provision for impairment of trade receivables – net (note 16)		241	2,188	-	-
Net finance income/(costs) (note 10)		3,445	2,499	-	2
Changes in provisions - net		(73)	(357)	-	-
Unrealized foreign exchange differences		1,583	959	-	-
Write-off of other assets		122	-	-	-
Write-off of other longterm assets		1,792	-	-	-
Income tax		(9,374)	5,455	-	-
<i>Changes in working capital:</i>					
- trade and other receivables		14,007	(10,851)	-	70
- inventories		734	148	-	-
- deferred income		(585)	(1,008)	-	-
- trade and other payables		(20,815)	12,952	(2)	9
Cash generated from operations		<u>(28,677)</u>	<u>78,856</u>	<u>(280)</u>	<u>(171)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)**

NOTE 24 – CONTINGENCIES AND COMMITMENTS

Legal disputes

The Group is involved in a number of legal disputes, both as defendant and as plaintiff, arising from the ordinary course of business. The Group considers that disputes will not result in financial losses for the Group.

Land ownership

Cadastral plot no. 1902 k.o. Obod with area of 3.937 m² and no. 1903 k.o. Obod, with area of 14,639 m², was incorporated into the Company's share capital of Hoteli Cavtat d.d., by decision of CFP no. 93-247/1 on 15 April 1996. The aforementioned land was taken away from large number of individuals in 1986 by the decision of the then Municipality of Dubrovnik and allocated for the right to use and dispose of or to build a tourist resort to the predecessor HTP Dubrovnik. During 1994, the Office for Property and Legal Affairs of the County Dubrovačko-neretvanska brought many decisions for returning confiscated properties to individuals. Likewise, a land registry procedure was conducted at the ordinary court for the registration of ownership rights and a decision was made to register ownership rights in favour of individuals, on the basis of which decision entry of the ownership rights is executed in favour of several individuals. Hoteli Cavtat d.d. initiated litigation in 2015 and filed 26 lawsuits to establish ownership rights in favour of Hoteli Cavtat d.d. against registered owners in land registers on the respective properties and on 1 March 2021 out of nineteen disputes, sixteen have been finalised in favour of the Group and are legally binding and three are in favour of the Group but still not legally binding, and one is in favour of private person.

Capital commitments

As at 31 December 2020, there were no capital commitments of the Group with respect to investments in tourist facilities (*31 December 2019: zero*).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)**

NOTE 25 – RELATED PARTY TRANSACTIONS

Parties are considered to be related if one of the parties has the power to exercise control over the other party or under common control or if it has significant influence over the other party in making financial or operational decisions. As of 31 December 2020, the Company is controlled by SNH Gama d.d., which is an ultimate parent and controlling company.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)**

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

<i>(in thousands HRK)</i>	Group		Company	
	2020	2019	2020	2019
Revenues:				
Related companies	164	441	-	39
Other operating expenses:				
Related companies	7	278	-	16
Bogdanović&Dolički&Partneri	213	90	5	-
	220	368	5	16
Trade and other payables:				
Related companies	1	32	-	1
Bogdanović&Dolički&Partneri	5	-	5	-
	6	32	5	1
Trade and other receivables:				
Related companies	22	113	-	-

In 2020, the Group has a total of 7 members of administrative, management and supervisory bodies (2019: 7 members). Fees for administrative, management and supervisory bodies in 2020 amount to HRK 976 thousand (2019: HRK 1,026 thousand) and relate to the gross salary, benefits and bonuses.