FTB TURIZAM d.d.

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Security code: LRHC (LRHC-R-A)
ISIN: HRLRHCRA0008
Lei: 74780000L0DH9RUW0I04
Regulated market: Zagrebačka burza d.d.
Regulated market segment: Regular market
Parent Member State: Republic of Croatia

Annual financial report with auditors report statement for FTB Turizam d.d. and FTB Group for period January 1 to December 31 2021.

FTB TURIZAM d.d.

ANNUAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2021

Contents

Independent Auditor's Report

To the Shareholders of FTB Turizam d.d.

Report on the audit of the consolidated and separate financial statements

Our qualified opinion

In our opinion, except for the effects of the matter described in the "Basis for qualified opinion" section of our report, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of FTB Turizam d.d. (the "Company") and its subsidiaries (together - the "Group") as at 31 December 2021, and the Group's and the Company's consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee dated 27 April 2022.

What we have audited

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

- the consolidated and separate statements of comprehensive income for the year ended 31 December 2021;
- the consolidated and separate statements of financial position as at 31 December 2021;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the consolidated and separate financial statements, which include significant accounting policies and other explanatory information.

Basis for qualified opinion

As at 31 December 2021 the Group presented non-current borrowings in the amount of HRK 79,668 thousand and the current borrowings in the amount of HRK 33,936 thousand. Borrowings relate to several bank loans. As disclosed in Note 19 to the consolidated and separate financial statements, HRK 54,124 thousand of non-current borrowings and HRK 18,041 thousand of current borrowings relate to a loan agreement under which as at 31 December 2021 the Group does not fulfill the contractual obligation related to maintaining the financial repayment ratio (net financial debt / EBITDA) at the agreed level. According to the loan agreement, in case of non-fulfillment of this obligation, the bank has the right to terminate the loan agreement and demand immediate repayment of the entire amount of debt. The Group obtained a waiver from the bank waiving its rights to demand payment due to the breach of loan covenants, however, the waiver was obtained after the 31 December 2021. Taking that into consideration, as at 31 December 2021 the Group did not have the unconditional right to defer payments of loan and these liabilities should not have been presented as non-current liabilities.

As a result, as at 31 December 2021 non-current liabilities are overstated and current liabilities are understated by HRK 54,124 thousand.

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

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

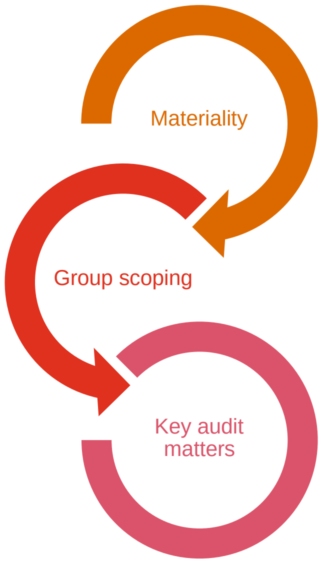
Independence

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

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014, and furthermore, we have not provided any non-audit services to the Group and the Company in the period from 1 January 2021 to 31 December 2021.

Our audit approach

Overview



- Overall Group materiality: HRK 2,039 thousand, which represents 2.5% of average revenue for the last three years.
- Overall Company materiality: HRK 2,030 thousand, which represents 1% of total asset.

- We conducted audit work at the Company and 4 components including the foreign component.
- Our audit scope addressed almost 100% of the Group's revenues and almost 100% of the Group's absolute value of underlying loss before tax.

- The Group - Estimated useful life of property, plant and equipment and impairment indicators

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

Materiality

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

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

Overall Group and Company materiality	The Group: HRK 2,039 thousand The Company: HRK 2,030 thousand
How we determined it	The Group: 2.5 % of average revenue for the last three years The Company: 1% of total asset
Rationale for the materiality benchmark applied	For the Group, we chose revenue as the benchmark because we believe it is the key benchmark and an appropriate measure against which the Group's business performance is measured. Due to the impact of the COVID-19 pandemic on the Group's operating results, we used the average of the selected benchmark over the past three business years. We chose 2.5% which is consistent with the quantitative materiality thresholds used for the companies in the same sector. For the Company, we chose total assets as the benchmark because we believe that it is a key performance indicator for the management company, as the Company does not carry out operating activity and therefore. revenue or profit are not representative benchmarks. We chose 1% which is consistent with the quantitative materiality thresholds used for the companies in the same sector.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the 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 matter described in the Basis for qualified opinion of our report, we have determined the matter described below to be the key audit matter to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
The Group – Estimated useful life of property, plant and equipment and impairment indicators *See Note 2.4 and 2.5 (Significant accounting policies), Note 4 (Critical accounting estimates) and Note 13.1 (Property, plant and equipment).* As at 31 December 2021, the Group recorded property, plant and equipment with a carrying amount of HRK 304,700 thousand (31 December 2020: HRK 337,005 thousand). Property, plant and equipment mainly consist of hotel facilities and related asset which are included in the consolidated financial statements at historical cost less accumulated depreciation and impairment, if any. Management assesses annually whether there are any circumstances due to which the estimated useful lives of property, plant and equipment should be changed and whether there are any indications of impairment of assets. In the current period management has not revised useful lives of property, plant and equipment. Furthermore, management determined that there are no new impairment indicators in addition to those that were identified in 2020 and which were accomodated in the impairment test carrried out in 2020. There fore the managament concluded that there is no new impairment test needed. We have focused on this area because of: • significance of the property, plant and equipment for the Group's operations • possible significant effects on the financial statements if the circumstances affecting the estimated useful lives and / or impairment indicators are not identified in a timely manner.	We obtained and gained understanding of the Group's accounting policies regarding the measurement of property, plant and equipment, impairment testing and the related assessment of the useful life of property, plant and equipment. We discussed with the Management the frequency of asset adaptations and reconstructions to confirm that it is in line with the estimated useful life. We compared the useful lives of individual groups of property, plant and equipment with the range of useful lives specific to the tourism industry. With respect of management's conculusion that there are no new impairment indicators we assessed whetther current conditions differ significantly from assumptions made when 2020 impairment tests were carried out. In particular, we evaluated the Group's internal reports, which provide an overview of the financial results achieved by the components. For each component, we compared operating revenues generated in 2021 with the budget and operated revenues generated in 2019 (since the Group did not generate operating revenues in 2020, we considered 2019 as a reference period). We found that the profit before tax, interest and depreciation (EBITDA) realized in 2021 is positive and we compared it with the plan and EBITDA realized in 2019. We compared the EBITDA margin achieved in 2021 with the budget and 2019.

How we tailored our Group audit scope

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

Reporting on other information including the Management Report

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

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

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

With respect to the Management Report and Corporate Governance Statement, we also performed procedures required by the Accounting Act in Croatia. Those procedures include considering whether the Management Report is prepared in accordance with the requirements of Article 21 and 24 of the Accounting Act and whether the Corporate Governance Statement includes the information specified in Article 22 of the Accounting Act.

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

- the information given in the Management Report and the Corporate Governance Statement for the financial year for which the consolidated and separate financial statements are prepared is consistent, in all material respects, with the consolidated and separate financial statements;
- the Management Report has been prepared in accordance with the requirements of Article 21 and 24 of the Accounting Act; and
- the Corporate Governance Statement includes the information specified in Article 22 of the Accounting Act.

In addition, in light of the knowledge and understanding of the Group and the Company and their environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management Report and Corporate Governance Statement and other information that we obtained prior to the date of this auditor's report.

As described in the section "Basis for qualified opinion", current liabilities are understated and non-curret liabilities are overstated in the amount of HRK 54,124 thousand due to the fact that as at 31 December 2021 the Group did not fulfil the contractual loan obligation related to maintaining the financial repayment ratio (net financial debt / EBITDA) at the agreed level. We have concluded that other information is materially misstated in this respect.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

Appointment

We were first appointed as auditors of the Group and the Company on 12 October 2021 which represents a total period of uninterrupted engagement appointment of 1 year.

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

We have been engaged based on our agreement by the management of the Company to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the presentation of the consolidated and separate financial statements included in the attached electronic file "ftbturizamdd-2021-12-31-hr.zip", (hereinafter: the financial statements) of the Group and the Company for the year ended 31 December 2021 (the "Presentation of the Financial Statements").

Description of a subject matter and applicable criteria

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

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

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

Responsibility of the management and those charged with governance

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

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

Our responsibility

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

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

Procedures performed

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

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

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

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

Conclusion

In our opinion, based on the procedures performed and evidence obtained, the Presentation of the Financial Statements for the year ended 31 December 2021 included in the above stated attached electronic file complies, in all material respects, with the ESEF Regulation and the Capital Market Act.

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

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

PricewaterhouseCoopers d.o.o.
Heinzelova 70, Zagreb
29 April 2022

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

The Annual Report of the Management Board was prepared based on the requirement of Article 250a of the Companies Act and Articles 21 and 24 of the Accounting Act.

The Report relates to the FTB Turizam Group, which consists of Hoteli Cavtat d.d. Cavtat, Hoteli Metropol d.o.o. Portorož, Remisens Hotel Group d.o.o. Zagreb and FTB Turizam d.d. Zagreb (parent company), and aims to present the most important achievements in business operations in 2021 and a future outlook.

Overview of 2021 operations with an emphasis on the most significant financial performance indicators

The consolidated business results of the FTB TURIZAM Group show that the Group companies (Hoteli Cavtat d.d., Hoteli Metropol d.o.o., Remisens Hotel Group d.o.o. and FTB TURIZAM d.d.) recorded 106,488 overnight stays in 2021. Revenues and other operating income amounted to around HRK 67.02 million, which is HRK 60.1 million higher than last year's results. The 2020 results were affected by the global COVID-19 pandemic and the fact that the Group hotels were not operational.

Material costs, staff costs, depreciation and amortisation, impairment of receivables and other operating expenses in 2021 totalled about HRK 70.8 million, exceeding the last year's results by HRK 1.3 million.

The financial operations' results were negative, amounting to about HRK 2.4 million, approximately HRK 1.0 million less negative than the previous year's results (the last year's negative results amounted to approximately HRK 3.4 million).

In 2021, the Group recorded a pre-tax loss of HRK 6.1 million, while in 2020 it recorded a loss of HRK 68.6 million. When compared to 2021, the above 2020 result was caused by the global COVID-19 pandemic.

Expected future development of the Group

Aiming to improve business operations in the new circumstances resulting from the pandemic in 2020, in 2021 the Group initiated the restructuring of its Group companies HC and HM, while taking into consideration cost management. In addition to the above, the aim of the restructuring of HM was to align its operations in the years to come (management of all costs up to GOP) with the operations of HC. Therefore, the operations of HM and HC were subject to the same parameters used in the USALI report for the following year.

The estimated period of operation of Group hotels for the coming years is the period from May to September.

Regarding the newly arisen situation in 2021 and the years to come, all investment plans are subject to change due to unknown circumstances related to the Covid-19-induced crisis.

Information on the purchase of treasury shares

In 2021, FTB TURIZAM sold 32 of its treasury shares, and at 31 December 2021 holds a total of 4,453 treasury shares, which accounts for a total of 1.4714% of the Company's share capital. Other Group companies do not hold treasury shares.

Financial instruments

The Group companies' policy for managing financial instruments defines the basic principles that ensure short-term and long-term liquidity and investment security while achieving the maximum possible return with minimal risk.
The Group companies' financial assets consist of cash balances, receivables for short-term inter-company loans, trade receivables and other receivables. In 2020, other receivables at the Group level included an income tax prepayment receivable in the amount of HRK 5.4 million, and considering the Group's negative 2020 result, these amounts were refunded to the Group in 2021. In 2021, liquidity was ensured through cash funds and intercompany loans.
Financial liabilities consist of long-term borrowings, trade payables and other liabilities, which the Group companies settle as they fall due.

As at 31 December 2021, compared to 31 December 2020, Group companies reduced their debt by HRK 35.2 million, i.e. they settled their due credit obligations, while as at 31 December 2021, compared to 31 December 2020, Group companies reduced their total debt by HRK 40.2 million, i.e. settled its due obligations.

The financial instruments management policy defines the Group's exposure to risks and the hedges against these risks.

Group's exposure to risks

The Group companies' operations expose the Group to a variety of financial risks, primarily to market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk.

Currency risk

The Group is exposed to currency risk since credit obligations, trade payables and receivables of the Companies within the Group are denominated in euros.

Interest rate risk

The Group is exposed to interest rate risk because the borrowings and deposits are contracted with a variable interest rate.

Credit risk

The Group is exposed to this risk due to short-term intercompany loans.

Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves, bank balances and borrowings, continuously monitoring forecast and actual cash flows and comparing maturity profiles of financial assets and liabilities.

Liquidity risk (continued)

The impact of the Covid-19 pandemic on global tourism changed the Group's risk exposure. Liquidity risk increased due to the overall situation on the market, and based on the above, the Group reacted by adjusting operations, decisions and business activities, as explained below. However, the course of the crisis is still unpredictable, and it is currently impossible to make a comprehensive risk assessment.

Research and development activities

Within the scope of activities that the Group and its companies engage in, opportunities for significant investments in research and development of new products or technologies are opening up.

Significant business events after the end of the financial year

On 1 March 2022, the Group concluded 3 new borrowing agreements with a commercial bank: a short-term liquidity borrowing agreement for the amount of HRK 8.6 million, a long-term borrowing agreement for investments for the amount of HRK 8 million and a long-term borrowing agreement for reprogramming an existing borrowing for the amount of HRK 6 million.

In February 2022, Russia invaded Ukraine, which marked the beginning of the Russian-Ukrainian war. Currently, the Group and the Company are not significantly exposed to the Ukrainian and Russian markets. Guests from these markets accounted for 1.6% of total overnight stays in 2021. On analysis, the Management Board concluded that the Russian-Ukrainian crisis has no impact on the amounts disclosed in these financial statements and that it has no significant effect on bookings and the 2022 pre-season.

The annual Management Report was prepared based on the requirements of Article 250a of the Companies Act and Article 21. of the Accounting Act.

The Report relates to FTB TURIZAM d.d. Zagreb, Miramarska 24, which was founded as a holding joint-stock company that operates exclusively as a shareholder of other commercial hotel and tourism companies operating on the market. This Report aims to present the most important 2021 business achievements and provide a future outlook.

FTB TURIZAM d.d., as a holding company, is the controlling (parent) company of FTB Group, comprising the following subsidiaries: Hoteli Cavtat d.d. Cavtat, Hoteli Metropol d.o.o. Portorož and Remisens Hotel Group d.o.o. Zagreb.

Overview of 2021 operations with an emphasis on the most significant financial performance indicators

In 2021, FTB TURIZAM d.d. recorded a loss after taxation in the amount of HRK 236 thousand, while in 2020 it recorded a loss in the amount of HRK 278 thousand.

Significant business events after the end of the financial year

The Company had no significant events after the date of the report, which would have affected the past business year.

Research and development activities

The Company's activities do not open up opportunities for significant investments in research and development of new products or technologies.

Expected future development of the Company

The future development of the Company will be consistent with the operations of Group companies HC and HM.

Information on the purchase of treasury shares

In the period from June to September 2018, on the basis of the Decision of the Company's General Assembly, the Company purchased its treasury shares. As at 31 December 2021, the Company has a total of 4,453 own shares, which makes up a total of 1.4714% of the Company's share capital.

Financial instruments

The Company's policy on financial instruments management defines basic principles that ensure short-term and long-term liquidity and investment security while achieving the maximum possible return with minimal risk.

Financial instruments (continued)

The Company's financial assets consist of bank balances, receivables for a short-term loan from a related party, trade and other receivables. Of the total financial assets, the majority relates to short-term loans granted to related parties. The Company has ensured both short-term and long-term liquidity.

The Company’s financial liabilities comprise trade payables, liabilities for short-term loans to related companies and the state, which are settled within the due dates.

The policy on financial instruments management determines the Company's exposure to risks and the hedges against these risks.

Company’s exposure to risks

The Company’s activities expose it to a variety of financial risks, primarily to market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk.

Currency risk

The Company is not significantly exposed to exchange rate risk since it has no credit obligations, and therefore no obligations expressed in euros or any other foreign currency.

Interest rate risk

The Company is not exposed to interest rate risk because it has no loans agreed at a variable interest rate.

Credit risk

In 2021, the Company was not exposed to any credit risk.

Liquidity risk

The Company manages liquidity risk by maintaining adequate reserves, bank balances and borrowings credit reserves, continuously monitoring forecast and actual cash flows and comparing maturity profiles of financial assets and liabilities.

FTB TURIZAM d.d.
Zagreb 2

Jasnica Juroš, Director
FTB Turizam d.d.
Miramarska cesta 24, Zagreb
29 April 2022

Pursuant to Article 272 p of the Companies Act (Official Gazette No. 111/93, 34/99, 52/00, 118/03, 107/07 and 148/08) and Article 22 of the Accounting Act (Official Gazette No. 120/16), the Management Board of **FTB TURIZAM d.d.** Zagreb, Miramarska 24 (hereinafter referred to as the Company), on 26 February 2021, hereby adopts the following

Corporate Governance Statement

1. The Company voluntarily applies the Corporate Governance Code issued by the Croatian Financial Services Supervisory Agency (HANFA) and the Zagreb Stock Exchange.

2. In 2021, the Company observed and applied the recommendations laid down in the Code, disclosing all information the disclosure of which is provided for by applicable laws, as well as the information of interest to the Company's shareholders. The Company's practices do not deviate from the Corporate Governance Code.

3. In accordance with the requirements of the Code, and in accordance with the provisions of the Companies Act, the Supervisory Board carries out internal control of the Company through regular controls of submitted reports. 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 meetings of the Supervisory Board, all issues within the competence of that body prescribed by the Companies Act and the Company's Articles of Association are discussed and decided. The Supervisory Board's report on the supervision of business management is part of the Company's Annual Report submitted to the General Assembly. The Management Board is required to ensure that the Company maintains business and other records and business documentation, prepares accounting documents, realistically assesses assets and liabilities, prepares financial and other reports in accordance with accounting regulations and standards and applicable laws and regulations.

   The Company does not have a formal diversity policy in place with regard to gender, age, education or profession of members in executive, management and supervisory bodies. The Company implements its appointment policy in executive bodies in accordance with the needs of specific business activities, which require certain knowledge, professional training and competences of potential candidates, without taking into account diversity in terms of gender or age. The Company also requires certain knowledge, qualifications and competences from potential members of its management and supervisory bodies, in accordance with the criteria and decisions of the Company's Supervisory Board and the General Assembly.

4. The ten largest shareholders as at 31 December 2021 are as follows:

No.	Account	Number of shares	Ownership share (%)
1.	SNH GAMA D.D. (1/1)	260,442	86.06
2.	CERP (0/1) / REPUBLIC OF CROATIA (1/1)	8,589	2.84
3.	FTB TURIZAM d.d. (1/1)	4,453	1.47
4.	HPB D.D./ HMID PLUS AIF (1/1)	2,300	0.76
5.	CROATIA BANKA D.D./CRBA0033	1,558	0.51
6.	SAUKA GORAN (1/1)	1,350	0.45
7.	HPB D.D. KAPITALNI FOND D.D. (1/1)	1,295	0.43
8.	HPB D.D./SUMMARY ACCOUNT FOR BANK CLIENTS	1,289	0.43
9.	ERSTE BANKA	1,114	0.37
10.	HPB D.D./HPBS-6	912	0.30

In accordance with the Company's Articles of Association, shareholders' right to vote is not limited to a certain percentage or number of votes, nor are there time limits for exercising voting rights. Each ordinary share entitles the holder to one vote at the General Assembly.

The Company's rights and obligations arising from the acquisition of its treasury shares are exercised in accordance with the provisions of the Companies Act.

5. The Company's Management is composed of one member:
   - Jasnica Juroš, Director

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

The Company's Management Board is appointed and dismissed by the Supervisory Board in accordance with the Company's Articles of Association and the Companies Act, which was composed of the following members in 2021:

- Tin Dolički, President of the Supervisory Board until 29 September 2021
- Joško Marić, President of the Supervisory Board from 25 November 2021
- Darko Ostoja, Deputy President of the Supervisory Board
- Božena Mesec, Member of the Supervisory Board from 22 November 2021
- Edita Matić, Member of the Supervisory Board from 22 November 2021

Pursuant to the provisions of Art. 250.a paragraph 4 and Art. 272.p of the Companies Act, this Statement is a separate section and an integral part of the Company's Annual Report for 2021.

Jasnica Juroš, Director
FTB Turizam d.d.
Miramarska cesta 24, Zagreb
29 April 2022

FTB TURIZAM d.d.
Zagreb 2

STATEMENT OF THE MANAGEMENT BOARD'S RESPONSIBILITY

Pursuant to the Croatian Accounting Act in force, the Management Board is responsible for ensuring that separate and consolidated financial statements are prepared for each financial year in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union (EU), which give a true and fair view of the financial position and performance of FTB Turizam d.d. and its subsidiaries (the "Group") for that period.

The Management Board has a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the separate and consolidated financial statements.

In preparing separate and consolidated financial statements, the responsibilities of the Management Board include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgements and estimates are reasonable and prudent;
- applicable accounting standards are followed; and
- the consolidated and separate financial statements are prepared on a going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

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

In accordance with Commission Delegated Regulation (EU) 2018/815 of 17 December 2018 amending Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format ("ESEF Regulation"), the Group's and the Company's Management Board is obliged to prepare and issue a separate and consolidated Annual Report in XHTML format and use descriptive markups to tag the annual financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union in XHTML format using XBRL tags and tag the notes to the annual financial statements as a text block to meet the requirements of Article 462 of the Capital Market Act.

The Annual Report was authorised for issue by the Management Board on 29 April 2022.

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Jasnica Juroš, Director
FTB Turizam d.d.
Miramarska cesta 24, Zagreb
29 April 2022

FTB TURIZAM d.d.
Zagreb 2

CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

(in thousands of HRK)	Note	2021 Group	2020 Group	2021 Company	2020 Company
Sales revenue	6	58,991	1,555	-	-
Other operating income	6a	8,027	5,359	1	-
		67,018	**6,914**	**1**	**-**
Material costs	7	(15,486)	(6,738)	(126)	(129)
Staff costs	8	(9,813)	(10,717)	-	-
Depreciation and amortisation		(33,682)	(39,490)	-	-
Impairment of receivables		(1)	(955)	-	-
Other operating expenses	9	(11,804)	(14,187)	(109)	(149)
		(70,786)	**(72,087)**	**(235)**	**(278)**
Operating loss		**(3,768)**	**(65,173)**	**(234)**	**(278)**
Finance income		357	150	-	-
Finance costs		(2,733)	(3,595)	(2)	-
Finance (costs) – net	10	**(2,376)**	**(3,445)**	**(2)**	**-**
Loss before tax		(6,144)	(68,618)	(236)	(278)
Income tax	11	3,795	9,374	-	-
Loss for the year		**(2,349)**	**(59,244)**	**(236)**	**(278)**
Other comprehensive (loss)/profit					
Items that may be subsequently reclassified to profit or loss:					
Foreign operations - foreign exchange differences		(265)	2,363	-	-
Other comprehensive (loss)/income for the year		**(265)**	**2,363**	**-**	**-**
Total comprehensive loss for the year		**(2,614)**	**(56,881)**	**(236)**	**(278)**
(Loss)/income for the year attributable to:					
Company shareholders		(2,340)	(59,260)	(236)	(278)
Non-controlling interest		(9)	16	-	-
		(2,349)	**(59,244)**	**(236)**	**(278)**
Total comprehensive (loss)/income for the year attributable to:					
Company shareholders		(2,605)	(56,897)	(236)	(278)
Non-controlling interest		(9)	- 16		
		(2,614)	**(56,881)**	**(236)**	**(278)**
Earnings per share (basic and diluted) ***(in HRK)***		(7.73)	(195.81)	-	-

CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

(in thousands of HRK)	**Note**	**31 December 2021 Group**	**31 December 2020 Group**	**31 December 2021 Company**	**31 December 2020 Company**
ASSETS					
Non-current assets					
Intangible assets	14	6,010	6,336	-	-
Property, plant and equipment	13.1	304,700	337,005	-	-
Right-of-use assets	13.2	1,909	2,375	-	-
Investment property	13.3	4,006	4,333		
Investments in subsidiaries	15	-	-	202,962	202,962
Deferred tax assets	11	12,629	9,144	-	-
Other assets		20	20	-	-
		329,274	**359,213**	**202,962**	**202,962**
Current assets					
Inventories		718	989	-	-
Income tax receivable		-	5,357	-	3
Trade and other receivables	16	2,011	2,210	-	-
Cash and cash equivalents	17	14,805	21,826	44	40
		17,534	**30,382**	**44**	**43**
		346,808	**389,595**	**203,006**	**203,005**
CAPITAL AND RESERVES					
Share capital	18	202,769	202,769	202,769	202,769
Legal reserves		489	489	489	489
Treasury shares		(8,900)	(8,963)	(8,900)	(8,963)
Reserves for treasury shares		8,900	8,963	8,900	8,963
Other reserves	18	38,980	39,245	-	-
Accumulated loss		(35,125)	(32,823)	(540)	(342)
Non-controlling interests	18	902	911	-	-
		208,015	**210,591**	**202,718**	**202,916**
Non-current liabilities					
Borrowings	19	79,668	113,303	-	-
Lease liabilities	13.2	1,412	1,825	-	-
Deferred tax liability	11	8,171	9,187	-	-
Government grants	22	9,452	10,179	-	-
Provisions	20	775	702	-	-
		99,478	**135,196**	**-**	**-**
Current liabilities					
Borrowings	19	33,936	35,523	207	-
Lease liabilities	13.2	444	504	-	-
Income tax payable		686	-	-	-
Trade and other payables	21	4,249	7,781	81	89
		39,315	**43,808**	**288**	**89**
		346,808	**389,595**	**203,006**	**203,005**

CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

GROUP

(in thousands of HRK)	**Note**	**Share capital**	**Legal reserves**	**Treasury shares**	**Reserves for treasury shares**	**Other reserves**	**Retained earnings/(accumulated loss)**	**Non-controlling interests**	**Total**
Balance at 1 January 2020	**18**	**202,769**	**489**	**(8,963)**	**8,963**	**36,882**	**26,437**	**895**	**267,472**
Profit/(loss) for the year		-	-	-	-	-	(59,260)	16	(59,244)
Other comprehensive income/(loss)									
Foreign operations - foreign exchange differences		-	-	-		2,363	-	-	2,363
Total comprehensive income/(loss)		**-**	**-**	**-**		**2,363**	**(59,260)**	**16**	**(56,881)**
Balance at 31 December 2020	**18**	**202,769**	**489**	**(8,963)**	**8,963**	**39,245**	**(32,823)**	**911**	**210,591**
Loss for the year		-	-	-	-	-	(2,340)	(9)	(2,349)
Other comprehensive income/(loss)									
Foreign operations - currency translation differences		-	-	-	-	(265)	-	-	(265)
Total comprehensive income/(loss)		**-**	**-**	**-**	**-**	**(265)**	**(2,340)**	**(9)**	**(2,614)**
Transactions with owners, recognised directly in equity									
Sale of treasury shares		-	-	63	(63)		38	-	38
Total transactions with owners, recognised in equity		**-**	**-**	**63**	**(63)**		**38**	**-**	**38**
Balance at 31 December 2021	**18**	**202,769**	**489**	**(8,900)**	**8,900**	**38,980**	**(35,125)**	**902**	**208,015**

CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

COMPANY

(in thousands of HRK)	**Note**	**Share capital**	**Legal reserves**	**Treasury shares**	**Reserves for treasury shares**	**Retained earnings**	**Total**
Balance at 1 January 2020		**202,769**	**489**	**(8,963)**	**8,963**	**(64)**	**203,194**
Loss for the year						(278)	(278)
Total comprehensive loss						(278)	(278)
Balance at 31 December 2020	18	**202,769**	**489**	**(8,963)**	**8,963**	**(342)**	**202,916**
Loss for the year		-	-	-	-	(236)	(236)
Total comprehensive loss		**-**	**-**	**-**	**-**	**(236)**	**(236)**
Sale of treasury shares		-		63	(63)	38	38
Total transactions with owners, recognised in equity		**-**	**-**	**63**	**(63)**	**38**	**38**
Balance at 31 December 2021	18	**202,769**	**489**	**(8,900)**	**8,900**	**(540)**	**202,718**

CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

(in thousands of HRK)		**2021**	**2020**	**2021**	**2020**
		Group	**Group**	**Company**	**Company**
Cash flow from operating activities					
Cash generated from operations	23	24,755	(28,677)	(243)	(280)
Refund of income tax paid / (income tax paid)		5,357	(5,688)	3	-
Interest paid		(2,523)	(465)	(2)	-
Net cash from /(used in) from operating activities		**27,589**	**(34,830)**	**(242)**	**(280)**
Cash flows from investing activities					
Purchase of property, plant and equipment		(768)	(14,123)	-	-
Purchase of intangible assets		(26)	-	-	-
Sale of treasury shares		39	-	39	-
Interest received		1	1	-	
Net cash from/(used in) investing activities		**(756)**	**(14,122)**	**39**	**-**
Cash flows from financing activities					
Proceeds from borrowings		-	29,117	207	-
Lease repayment		(444)	(388)		
Repayment of borrowings		(33,412)	(3,916)	-	-
Net cash inflow/(outflow) from financing activities		**(33,856)**	**24,813**	**207**	**-**
Net increase/(decrease) in cash and cash equivalents		**(7,021)**	**(24,139)**	**4**	**(280)**
Cash and cash equivalents at beginning of year		21,826	45,965	40	320
Cash and cash equivalents at end of year	17	**14,805**	**21,826**	**44**	**40**

NOTE 1 – GENERAL INFORMATION

The FTB Turizam Group comprises FTB Turizam d.d. (parent company) and its subsidiaries.
The registered offices of the subsidiaries, ownership shares of the parent company and activities are shown below:

Company name	Share	Registered office	Activity
Hoteli Cavtat d.d.	100%	Cavtat, Croatia	hotel and hospitality services
Hoteli Metropol d.o.o.	100%	Portorož, Slovenia	hotel and hospitality services
Remisens Hotel Group d.o.o.	67%	Zagreb, Croatia	business consulting and management

Management and Supervisory Board of FTB Turizam d.d.

Management Board

- Jasnica Juroš – Director from 22 September 2018, represents the Group and the Company solely and independently

Supervisory Board in 2021

- Tin Dolički, President of the Supervisory Board until 29 September 2021
- Joško Marić, President of the Supervisory Board from 25 November 2021
- Darko Ostoja, Deputy President of the Supervisory Board
- Božena Mesec, Member of the Supervisory Board from 22 November 2022
- Edita Matić, Member of the Supervisory Board from 22 November 2021

NOTE 2 – 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 years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

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

The preparation of financial statements in conformity with IFRS as adopted by the European Union 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 separate and consolidated financial position and results of the Company and the Group. If the information disclosed in the financial statements is relevant for both the Group and the Company, a reference is made to the Group. If the information differs for the Group and the Company, the information for the Group and the Company is disclosed separately.

2.1.1 New and amended standards adopted by the Group and the Company

The following amended standards became effective from 1 January 2021, but did not have a material impact on the Group and the Company:

COVID-19-Related Rent Concessions Amendment to IFRS 16 issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020. The amendment provides lessees with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; any reduction in lease payments affects only payments due on or before 30 June 2021; and there is no substantive change to other terms and conditions of the lease.

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

- *Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform:* For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 New and amended standards adopted by the Group and the Company (continued)

This practical expedient applies only to such a change and only to the extent it is necessary as a direct consequence of IBOR reform, and the new basis is economically equivalent to the previous basis. Insurers applying the temporary exemption from IFRS 9 are also required to apply the same practical expedient. IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of IBOR reform.

• *End date for Phase 1 relief for non contractually specified risk components in hedging relationships:* The Phase 2 amendments require an entity to prospectively cease to apply the Phase 1 reliefs to a non-contractually specified risk component at the earlier of when changes are made to the non-contractually specified risk component, or when the hedging relationship is discontinued. No end date was provided in the Phase 1 amendments for risk components.

- *Additional temporary exceptions from applying specific hedge accounting requirements:* The Phase 2 amendments provide some additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.

- *Additional IFRS 7 disclosures related to IBOR reform:* The amendments require disclosure of: (i) how the entity is managing the transition to alternative benchmark rates, its progress and the risks arising from the transition; (ii) quantitative information about derivatives and non-derivatives that have yet to transition, disaggregated by significant interest rate benchmark; and (iii) a description of any changes to the risk management strategy as a result of IBOR reform.

2.1.2 New accounting standards and interpretations not yet adopted

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2022 or later, and which the Group and the Company have not early adopted.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB yet). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The Group and the Company do not expect the amendment to have an impact on the consolidated and separate financial statements.

Classification of liabilities as current or non-current - Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022). These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.2 New accounting standards and interpretations not yet adopted (continued)

A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument. The Group and the Company are currently assessing the impact of the amendments on their consolidated and separate financial statements.

Classification of liabilities as current or non-current, deferral of effective date - Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance. The Group and the Company are currently assessing the impact of the amendments on their consolidated and separate financial statements.

Proceeds before Intended Use, Onerous Contracts - cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022). The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset.

The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.2 New accounting standards and interpretations not yet adopted(continued)

Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.

Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.

IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis. The Group and the Company are currently assessing the impact of the amendments on their consolidated and separate financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The Group and the Company are currently assessing the impact of the amendments on its consolidated and separate financial statements.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.2 New accounting standards and interpretations not yet adopted (continued)

Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates. The Group and the Company are currently assessing the impact of the amendments on their consolidated and separate financial statements.

COVID-19-Related Rent Concessions Amendment to IFRS 16 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021). In May 2020 an amendment to IFRS 16 was issued that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19, resulting in a reduction in lease payments due on or before 30 June 2021, was a lease modification. An amendment issued on 31 March 2021 extended the date of the practical expedient from 30 June 2021 to 30 June 2022. The Group and the Company are currently assessing the impact of the amendments on their consolidated and separate financial statements.

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023). The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The Group and the Company are currently assessing the impact of the amendments on their consolidated and separate financial statements.

The new standards and interpretations are not expected to affect significantly the Company's and the Group’s consolidated and separate financial statements.

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 deconsolidated from the date that control ceases.

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

The purchase method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The Group recognises any non-controlling interest in the acquiree at the non-controlling interest’s proportionate share in the acquiree’s net assets.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition and incurred for issuing equity securities are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

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

The Group applies a policy according to which transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with majority owners of the Group. For purchases from non-controlling interests, the difference between 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.

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 entity operates (the functional currency). The financial statements are presented in thousands of Croatian kuna (HRK), which is the Company's functional currency and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation 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 presented in the income statement within Finance income and costs. All other foreign exchange losses and gains are recorded in the statement of comprehensive income within 'Finance income/costs'.

(c) Group companies

The results and financial position of all the Group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average annual exchange rates; and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

2.4 Property, plant and equipment

Tangible assets comprise property, plant and equipment carried at historical cost less accumulated depreciation and impairment, where required. Historical cost includes the cost that is directly attributable to the acquisition of assets.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Property, plant and equipment (continued)

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 Group 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 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 assets is calculated using the straight-line method to allocate their cost over their estimate useful lives as follows:

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

*The average remaining useful life is determined based on the remaining useful life of individual building components.

Depreciation is calculated for each asset until the asset is fully depreciated or to its residual value if material. Useful lives of assets 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.

2.5 Impairment of non-financial assets

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

2.6 Investment property

Investment properties, principally comprising buildings, are held for long-term rental yields or appreciation. 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. Depreciation for buildings is calculated using the straight-line method to allocate cost over their estimated useful life.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Investment property (continued)

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 charged to the income statement when incurred. If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

Lease income from leases where the Group is a lessor is recognised in the statement of comprehensive income on a straight-line basis over the lease term. The Group and the Company did not need to make any adjustments to assets held as lessor as a result of adopting IFRS 16.

2.7 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 the acquisition of a subsidiary is included in intangible assets. Separately recognised goodwill is tested annually for impairment and is 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

Other 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.

2.8 Contingent assets and liabilities

2.8.1 Non-derivative financial instruments

a) Recognition and initial measurement

Trade receivables and issued debt securities are initially recognised when they arise. All other financial assets and financial liabilities are recognised when the Group (Company) becomes a party to the contractual provisions of the underlying instrument.

Financial assets (unless they relate to trade receivables without a significant financing component) or liabilities are initially measured at fair value plus, in the case of an item not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the item. Trade receivables without a significant financing component are initially measured at transaction cost.

b) Classification and subsequent measurement

Upon initial recognition, financial assets are stated at: amortised cost; fair value through other comprehensive income - debt investment; fair value through other comprehensive income - equity investment; or fair value through profit or loss. 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 following the change in business model.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial assets and financial liabilities (continued)

2.8.1 Non-derivative financial instruments (continued)

Financial assets are measured at amortised cost if they meet both of the following conditions and are not classified as assets at fair value through profit or loss:

- held within a business model whose goal is to hold assets to collect contractual cash flows; and
- the contractual terms of a financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets that are not classified as financial assets measured at amortised cost as described above are measured at fair value through profit and loss.

Financial assets at fair value through profit or loss are subsequently measured at fair value. Net gains and losses including any interest or dividend income are recognised in profit or loss. Financial assets stated at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is decreased by impairment losses. Interest income, exchange differences and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities are classified as financial liabilities measured at amortised cost or at fair value through profit or loss. Financial liabilities are classified at fair value through profit or loss if they are held for trading, if they are derivatives or if they are classified as such on initial recognition. Financial liabilities at fair value through profit or loss are stated at fair value, and net gains and losses, including all interest expenses, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expenses and foreign exchange gains and losses are recognised in profit or loss. The gain or loss on derecognition is also recognised in profit or loss.

c) Derecognition

Financial assets

The Group (Company) derecognises financial assets when the contractual rights to receive cash flows from the financial assets have expired or if the Group (Company) has transferred the rights to receive cash flows in a transaction substantially transferring all the risks and rewards of ownership of financial assets or in which the Group (Company) neither transfers nor retains all risks and benefits associated with ownership and does not retain control over financial assets.

The Group (Company) enters into transactions in which it transfers assets recognised in the statement of financial position, but retains all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group (Company) derecognises a financial liability when its contractual obligations have been discharged, cancelled or have expired. The Group (Company) also derecognises a financial liability when its terms have been modified and when the cash flows of the modified liability are substantially different, in which case the new financial liability based on the modified terms is recognised at fair value. When a financial liability is derecognised, any difference arising between the carrying amount and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial assets (continued)

2.8.1. Non-derivative financial instruments (continued)

d) Offsetting

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Company has a legally enforceable right to set off the recognised amounts and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

Effective interest method

The effective interest method is the method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts, including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts, through the expected life of the financial asset, or, where appropriate, a shorter period.

Income from debt instruments is recognised on an effective interest basis for debt instruments other than those financial assets designated at FVTPL.

2.8.2 Impairment

Non-derivative financial assets

Financial instruments and contract assets

The Group (Company) recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost.

Loss allowances are measured using one of the following methods:

- according to 12-month expected credit losses: these are expected credit losses resulting from the probability of default occurring within 12 months from the reporting date;
- according to the lifetime expected credit losses; these are the expected credit losses resulting from the probability of default over the entire useful life of the asset.

Loss allowance for financial assets that are carried at amortised cost is always measured in the amount of the total expected credit loss over the total useful life of the underlying asset.

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition and in estimating expected credit losses, the Group (Company) considers both reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analyses, based on the Group's (Company's) historical experience and informed estimate of creditworthiness, including forward-looking information.

The Group (Company) considers that the credit risk of a financial asset has increased significantly if it is more than 90 days past due.

The Group (Company) considers that financial assets are not recoverable if it is unlikely that the debtor will pay its obligations to the Group (Company) in full without the Group (Company) being forced to initiate actions such as the use of collateral (if any). The maximum period taken into account when assessing the expected credit loss is the maximum contractual period over which the Group (Company) is exposed to credit risk.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial assets (continued)

2. 8 Impairment (continued)

Measurement of expected credit losses

Expected credit loss is the probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows that are due to the Group (Company) in accordance with the contract and the cash flows that the Group (Company) expects to receive). Expected credit losses are discounted at the effective interest rate of the underlying financial asset.

Impairment of financial assets

At each reporting date, the Group (Company) assesses whether financial assets measured at amortised cost have been impaired. A financial asset is impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following:

- probability that the debtor will enter bankruptcy or other financial reorganisation or restructuring; or
- significant financial difficulty of the debtor,

Presentation of loss allowances for expected credit losses in the statement of financial position

The loss allowance for financial assets measured at amortised cost is deducted from the gross carrying amount of the asset.

2.9 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 method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.10 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 provision for impairment.

2.11 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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Leases

At inception of a contract, the Group assesses whether the 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 in exchange for a consideration. In order to assess whether the contract contains the transfer of rights to control the use of the underlying assets, the Group uses the definitions of leases from IFRS 16.

2.12.1 The Group and the Company as the lessee

When entering into or modifying a contract that contains lease components, the Group allocates the consideration in the contract to each component based on its relative stand-alone prices.

The Group recognises right-of-use assets and lease liabilities on the lease commencement date. Right-of-use assets are initially measured at cost comprising the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date, increased by any initial direct costs incurred and an estimate of costs to be incurred in dismantling and removing the underlying asset or restoring the site on which the asset is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, net of any rent concessions received.

Right-of-use assets are subsequently depreciated using the straight-line method from the lease commencement date to the end of the lease term, unless ownership of the underlying asset is transferred to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise the purchase option. In this case, the right-of-use assets will be depreciated from the lease commencement date to the end of its useful life, which is determined on the same basis as for similar property or equipment. In addition, right-of-use assets are regularly reviewed for impairment losses, if any, or adjusted due to certain subsequent measurements of lease liabilities.

The lease liability is initially measured at the present value of lease payments that have not been paid by that date, discounted using the interest rate derived from the lease or, if that rate can be directly determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

To determine the incremental borrowing rate, the Group uses the interest rate of third-party financing sources and makes certain adjustments reflecting the lease terms and the classes of assets under lease.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees; and
- the expected exercise price of a purchase option if the Group is reasonably certain to exercise that option, lease payments for lease extension option if the Group is reasonably certain to extend the lease and payments of penalties for early lease termination, unless the Group is reasonably certain not to terminate the lease early.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Leases (continued)

2.12.1 The Group and the Company as the lessee (continued)

Lease liabilities are measured at amortised cost using the effective interest method. They are remeasured when there are changes in future lease payments due to index or rate changes, if there is a change in the estimate of the expected payment amount based on residual value guarantees, if the Group changes its estimates of whether to exercise the purchase, extension or termination option, or if there are changes in lease payments that are in-substance fixed.

When the lease liability is remeasured in the above manner, corresponding changes are also made to the carrying amount of the right-of-use asset, or are recognised in profit or loss if the carrying amount of the right-of-use asset is reduced to zero.

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

Short-term leases and leases of low-value assets

The Group has decided not to apply this policy to leases of low-value assets and short-term leases, including IT equipment. For the underlying leases, the Group recognises the expense on a straight-line basis over the lease term.

2.12.2 The Group and the Company as the lessor

When entering into or modifying contracts that contain lease components, the Group allocates the considerations under the contract to each lease component based on its relative stand-alone price.

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

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

When the Group is an intermediate lessor, it accounts for its interests in the head lease and in the sublease separately. It assesses the sublease classification on the basis of the right-of-use assets arising from the head lease, not on the basis of the underlying asset. If the head lease is a short-term lease for which the Group applies the previously described exemptions, then the Group classifies the sublease as an operating lease.

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Leases (continued)

2.12.2 The Group and the Company as the lessor (continued)

The Group applies the derecognition and impairment requirements under IFRS 9 to net investments in the lease. In addition, the Group regularly reviews estimated unguaranteed residual values used in computing the gross investment in the lease.

The Group recognises lease payments received as income from operating leases on a straight-line basis over the lease term within 'other income'.

As a lessor, the Group generally applies accounting policies in the comparative period in line with IFRS 16 except for the calculation of subleases entered into during the reporting period as a result of the finance lease classification.

2.13 Share capital

Share capital comprises ordinary shares. Transaction costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Trade payables

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

2.15 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 that 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 prepayment for liquidity services and amortised over the period of the facility to which it relates. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 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 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 income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, 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 measured using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income 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.

2.17 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 reporting 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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 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 can be 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 their 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 discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Provisions are increased in each period to reflect the passage of time. This increase is recognised as interest expense.

2.19 Government grants

A government grant is recognised only when there is reasonable assurance that the Group will comply with any conditions attached to the grant and the grant will be received. Consequently, the Group does not recognise government grants until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received. A government grant is recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

Grants related to depreciable fixed assets are recognised in profit or loss over the periods and in the proportions in which depreciation on those assets is charged. In the statement of financial position, a government grant is recognised as deferred income that is recognised in profit or loss over the useful life of the asset.

A government grant receivable as compensation for costs or losses already incurred or for immediate financial support, with no future related costs, is recognised as income in the period in which it is receivable, within “Other income”.

2.20 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 commissions to agencies and value added tax. The Group 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. Revenue from hotel and tourist services is recognised in the period when the services are provided (over time). The Company offers its guests food and beverages in hotel rooms as well as in hotel restaurants. Revenues are recognised at the moment when the services are performed (point in time). Judgement is applied in determining whether control is transferred at a point in time or over time (a period of time).

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 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.

2.22 Value added tax

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

2.23 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 is in charge of managing hotel and tourist facilities and contents.

NOTE 3 – FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's day-to-day operating activities expose it to a variety of financial risks, particularly: market risk (including foreign exchange 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 is carried out by the Group's Management Board.

The accounting policies for financial instruments have been applied as follows:

(in thousands of HRK)	**31 December 2021 Group**	**31 December 2020 Group**	**31 December 2021 Company**	**31 December 2020 Company**
Assets at the balance sheet date at amortised cost				
Loans and receivables				
Trade and other receivables	2,011	2,210	-	-
Cash and cash equivalents	14,805	21,826	44	40
	16,816	**24,036**	**44**	**40**
Other non-current assets	20	20	-	-
	16,836	**24,056**	**44**	**40**
Liabilities at the balance sheet date at amortised cost				
Trade and other payables	4,249	7,781	81	89
Lease liabilities	1,856	2,329	-	-
Borrowings	113,604	148,826	207	-
	119,709	**158,936**	**288**	**89**

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the euro. 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	**31 December 2021**			**31 December 2020**		
(in thousands of HRK)	**EUR**	**HRK**	**Total**	**EUR**	**HRK**	**Total**
Financial assets						
Trade and other receivables	718	1,293	2,011	809	1,401	2,210
Cash and cash equivalents	12,356	2,449	14,805	15,687	6,139	21,826
Other assets	-	20	20	-	20	20
Financial liabilities						
Trade and other payables	2,199	2,050	4,249	2,484	5,297	7,781
Lease liabilities	-	1,856	1,856	-	2,329	2,329
Borrowings	89,488	24,115	113,604	58,383	90,443	148,826
Net exposure	**(78,613)**	**(24,259)**	**(102,873)**	**(44,371)**	**(90,509)**	**(134,880)**

Company	**31 December 2021**			**31 December 2020**		
(in thousands of HRK)	**EUR**	**HRK**	**Total**	**EUR**	**HRK**	**Total**
Financial assets						
Cash and cash equivalents	-	44	44	-	40	40
Financial liabilities						
Trade and other payables	-	81	81	-	89	89
Borrowings	-	207	207	-	-	-
Net exposure	**-**	**(244)**	**(244)**	**-**	**(49)**	**(49)**

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

As at 31 December 2021, if the euro had weakened/strengthened by 1% (2020: 1%) against the HRK, with all other variables held constant, the Group's profit before tax for the year would have been HRK 786 thousand higher/lower (2020: HRK 444 thousand higher/lower), mainly as a result of foreign exchange gains/losses on translation of EUR-denominated borrowings and foreign cash funds. As at 31 December 2021, the EUR exchange rate was HRK 7.517174 (2020: 7.536898).

(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 material given the low interest rates. The interest rate for the Group's term deposits is set at 0.01%. (2020: 0.01%).

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 2021, borrowings contracted at variable interest rates amount to HRK 113,604 thousand (2020: HRK 148,826 thousand). Interest rates on bank borrowings are set at six-month EURIBOR plus 2.15%, six-month EURIBOR plus 1.5%, TZMF 91d + 1.65% and TZMF 182d + 2.45%.

As at 31 December 2021, if interest rates on borrowings with variable interest rates had been 0.5 % lower/higher (2020: 0.5 % lower/higher), with all other variables held constant, the Group's profit before tax for the year would have been HRK 656 thousand higher/lower (2020: HRK 734 thousand).

(iii) Price risk

As at 31 December 2021, the Group did not own equity securities and was not exposed to price risk. The Group is not exposed significantly to commodity price risk.

(b) Credit risk

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

as at 31 December 2021 (in thousands of HRK)	**Net book amount**	**Contractual cash flows**	**Up to 1 year**	**1-2 years**	**2-5 years**	**Over 5 years**
Non-interest-bearing assets						
Other receivables	1,727	1,727	1,727	-	-	-
Trade receivables	284	284	284	-	-	-
	2,011	2,011	2,011	-	-	-
Interest bearing assets						
Cash and cash equivalents	14,805	14,805	14,805	-	-	-
	14,805	14,805	14,805	-	-	-
	16,816	**16,816**	**16,816**	**-**	**-**	**-**

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

as at 31 December 2020 *(in thousands of HRK)*	**Net book amount**	**Contractual cash flows**	**Up to 1 year**	**1-2 years**	**2-5 years**	**Over 5 years**
Non-interest-bearing assets						
Other receivables	1,986	1,986	1,986	-	-	-
Trade receivables	224	224	224	-	-	-
	2,210	2,210	2,210	-	-	-
Interest-bearing assets						
Cash and cash equivalents	21,826	21,826	21,826	-	-	-
	21,826	21,826	21,826	-	-	-
	24,036	**24,036**	**24,036**	**-**	**-**	**-**

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

	Group			**Company**		
(in thousands of HRK)	**Trade receivables**	**Cash and cash equivalents**	**Total**	**Trade receivables**	**Cash and cash equivalents**	**Total**
2021						
Neither past due nor impaired	-	14,805	**14,805**	-	44	**44**
Past due but not impaired	284	-	**284**	-	-	**-**
Past due and impaired	4,034	-	**4,034**	-	-	**-**
Impaired	(4,034)	-	**(4,034)**	-	-	**-**
	284	14,805	**15,089**	-	44	**44**

	Group			**Company**		
(in thousands of HRK)	**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	224	-	**224**	-	-	**-**
Past due and impaired	4,092	-	**4,092**	-	-	**-**
Impaired	(4,092)	-	**(4,092)**	-	-	**-**
	224	21,826	**22,050**	-	40	**40**

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

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

(in thousands of HRK)	**31 December 2021 Group**	31 December 2020 Group	**31 December 2021 Company**	31 December 2020 Company
Cash at bank				
BBB	14,759	21,781	-	-
A+/A	44	40	44	40
Other or without rating	2	5	-	-
	14,805	**21,826**	**44**	**40**

The Group has policies that limit the amount of credit risk 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. A provision for impairment of trade receivables is established 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 written down to their recoverable amount. Impaired trade receivables are subject to legal proceedings. Both the outcome of the proceedings related to the disputed receivables or the extent to which they will be collected cannot be anticipated with certainty.

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

(in thousands of HRK)	**31 December 2021**	**31 December 2020**	**31 December 2021**	**31 December 2020**
	Group	**Group**	**Company**	**Company**
Up to two months	111	-	-	-
2 to 3 months	67	-	-	-
Over 3 months	106	224	-	-
	284	**224**	-	-

(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 tables below analyse the Group's financial liabilities according to contractual maturities. The amounts stated below represent undiscounted cash flows.

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

as at 31 December 2021 (in thousands of HRK)	**Net book amount**	**Contractual cash flows**	**Up to 1 year**	**1-2 years**	**2-5 years**	**Over 5 years**
Non-interest-bearing liabilities						
Other liabilities	2,724	2,724	2,724	-	-	-
Trade payables	1,525	1,525	1,525	-	-	-
	4,249	4,249	4,249	-	-	-
Interest-bearing liabilities						
Lease liabilities	1,856	1,856	444	842	570	-
Borrowings	113,604	113,604	33,936	47,452	32,216	-
	115,460	113,604	34,380	48,294	32,786	-
	119,709	**119,709**	**38,629**	**48,294**	**32,786**	**-**

as at 31 December 2020 (in thousands of HRK)	**Net book amount**	**Contractual cash flows**	**Up to 1 year**	**1-2 years**	**2-5 years**	**Over 5 years**
Non-interest-bearing liabilities						
Other liabilities	4,792	4,792	4,792	-	-	-
Trade payables	2,989	2,989	2,989	-	-	-
	7,781	7,781	7,781	-	-	-
Interest-bearing liabilities	**-**	**-**	**-**	**-**	**-**	**-**
Lease liabilities	2,329	2,449	645	1,044	760	-
Borrowings	148,826	149,531	33,924	33,835	76,573	5,199
	151,155	151,980	34,569	34,879	77,333	5,199
	158,936	**159,761**	**42,350**	**34,879**	**77,333**	**5,199**

3.2 Capital risk management

The Group’s and the Company’s objectives when managing capital are to safeguard the Group’s and the 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 liability companies.

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES

4.1 Useful lives of property, plant and equipment

By using a certain asset, the Group uses the economic benefits contained in this asset, which diminish more intensely with economic and technological ageing. Consequently, in the process of determining the useful life of an asset, in addition to assessing the expected physical utilisation, it is necessary to consider the changes in demand on the tourist market, which will cause a faster economic obsolescence as well as a more intense development of new technologies. Current business operations in the hotel industry impose the need for more frequent investments, and this circumstance contributes to the fact that the useful life of an asset is decreasing. According to the technical department, the useful life of buildings of 10 to 50 years was assessed to be appropriate for undisturbed operations. The useful lives of equipment and other assets have also been reassessed as disclosed in Note 2.4. The useful lives will periodically be revised to reflect any changes in circumstances since the previous assessment. Changes in estimate, if any, will be reflected prospectively in a revised depreciation charge over the remaining, revised useful life.

4.2 Impairment of non-current assets

An impairment test requires assessing the value in use of cash-generating units, if the carrying value is lower than net sales. The impairment is based on many factors such as change in market conditions, expected industry growth, increase in capital expense, changes in future funding possibilities, amounts paid in comparable transactions and other changes in circumstances indicating the existence of impairment. The recoverable amount is the higher of the value in use and the net realisable value.

Determining indicators of impairment, as well as estimating future cash flows and determining the fair value of assets (or group of assets) requires management to make significant estimates in identifying and evaluating the impairment indicators, expected cash flows, applicable discount rates, useful lives and residual values.

The Group operates in the tourism sector, which was significantly affected by the outbreak of the COVID-19 pandemic. Considering previous year’s challenging business environment, during 2020 the Group identified indicators of asset impairment and prepared impairment tests. The performed tests did not indicate the need for an impairment of assets. During 2021, the Group conducted new analyses and concluded that the Group's 2021 business results are in line with previous year's plans, i.e. they exceeded the plans used in the previous year to prepare the impairment tests.

The analyses were carried out based on the financial results of individual components in 2021. The Group considered the realised operating income of individual components in 2021 compared to the plans for 2021 and the 2019 operating income. In addition, the Group analysed the realised profit before taxes, interest and depreciation and amortisation (EBITDA) as well as the EBITDA margin by individual components compared to the plans for 2021 and the realised EBITDA and EBITDA margin in 2019.

Based on the conducted analyses, as at 31 December 2021 the Group did not identify the existence of asset impairment indicators.

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES (continued)

4.3 Fair value estimation

The Group applies a number of accounting policies and disclosures that require fair value to be measured for financial and non-financial assets and liabilities. The Company has an established control framework with respect to fair value measurement which assumes the overall responsibility of the Management Board and the Finance Department in relation to monitoring all significant fair value measurements, consultation with external experts and the responsibility to report, with respect to the above, to those charged with corporate governance.

Fair values are measured using information collected from third parties in which case the Management Board and the Finance Department assess whether the evidence collected from third parties supports the conclusion that such fair valuations meet the requirements of IFRS as adopted by the EU, including the level in the fair value hierarchy where such valuations should be classified.

Fair values are categorised into different levels in the fair value hierarchy based on the inputs used in valuation techniques as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the fair value estimate is included in level 3.

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 Board, the chief operating decision-maker, and are responsible for allocating resources to the reportable segments and assessing their performance.

The Group reports on its operations by service type and distinguishes 2 basic segments: Croatia and Slovenia.

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

2021
(in thousands of HRK)

	Croatia	**Slovenia**	**Total**
Total revenue	19,344	39,647	58,991
Inter-segment revenue	-	-	-
Revenue from external customers	19,344	39,647	58,991
Gross operating profit	8,693	25,000	33,693
Depreciation and amortisation	(17,513)	(16,169)	(33,682)
Income tax	2,345	1,450	3,795
Total assets	144,721	174,653	319,374
Total liabilities	114,238	14,923	129,161

2020
(in thousands of HRK)

	Croatia	**Slovenia**	**Total**
Total revenue	1,811	1,260	3,071
Inter-segment revenue	-	-	-
Revenue from external customers	1,811	1,260	3,071
Gross operating profit	(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	175,636	182,989	358,625
Total liabilities	127,112	42,002	169,114

NOTE 5 – SEGMENT INFORMATION (continued)

Reconciliation of assets and liabilities by segments:

	31 December 2021		31 December 2020	
(in thousands of HRK)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Segment assets/liabilities	319,374	129,161	358,625	169,114
Unallocated:	27,434	9,632	30,970	9,889
- cash and cash equivalents	14,805	-	21,826	-
- income tax receivable	-	-	5,357	-
- deferred tax assets	12,629	-	9,144	-
- income tax payable	-	686	-	-
- deferred tax liability	-	8,171	-	9,187
- provisions	-	775	-	702
Total	**346,808**	**138,793**	**389,595**	**179,003**

NOTE 6 – REVENUE

Sources of revenue

The Group generates revenue primarily from accommodation services, food and beverage sales and the provision of ancillary hotel services to its guests.
The Group's revenue is classified by sales channel and type of service:

(in thousands of HRK)	**2021**	**2020**
Revenue from hotel operations		
Individual guests	31,782	
Groups	1,153	-
Allotments	23,273	-
	56,208	**-**
Revenue from other activities		
Food and beverages	815	-
Revenue from services to guests	1,191	-
Other income	778	1,555
	2,783	**1,555**
Total revenue	**58,991**	**1,555**

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

NOTE 6 – REVENUE (continued)

Revenue by emitting market	2021	%	2020	%
Slovenia	17,111	29	-	-
France	9,100	15	-	-
Austria	6,946	12	-	-
Germany	4,194	7	-	-
United Kingdom	3,047	5	-	-
Italy	2,228	4	-	-
Russia	391	1	-	-
Other*	15,974	27	1,555	100
	58,991	**100**	**1,555**	**100**

Performance obligation and revenue recognition policies

Revenue is measured based on the consideration determined in the contract with a customer. The Group recognises revenue when control over products or services is transferred to the customer. Details on revenue recognition are presented in Note 2.19.

NOTE 6a – OTHER OPERATING INCOME

(in thousands of HRK)	**2021 Group**	**2020 Group**	**2021 Company**	**2020 Company**
				-
Government grants - COVID 19	5,922	3,447	-	-
Income from other grants	821	716	-	-
Rental income	395	504	1	-
Write-off of liabilities	288	256	-	-
Sales of assets	11	89	-	-
Collected receivables written off	67	89	-	-
Reimbursement from insurance company	-	110	-	-
Other income	523	148	-	-
	8,027	**5,359**	**1**	**-**

The Group received government grants for the purpose of job retention.

NOTE 7 – MATERIAL COSTS

(in thousands of HRK)	**2021 Group**	**2020 Group**	**2021 Company**	**2020 Company**
Food, beverages and other supplies	3,788	831	-	-
Energy and water consumed	2,427	1,542	-	-
	6,215	**2,373**	**-**	**-**
Utility services	2,661	273	-	-
Intellectual services	1,687	1,311	74	66
Outsourcing of employees	1,626	2	-	-
Maintenance costs	835	869	1	11
Laundry services	816	45	-	-
Security costs	809	951	47	49
Advertising and promotion	257	193	-	-
Telephone costs	260	267	-	-
Rental expenses	62	209	3	3
Other material costs	258	245	1	-
	9,271	**4,365**	**126**	**129**
	15,486	**6,738**	**126**	**129**

NOTE 8 – STAFF COSTS

(in thousands of HRK)	**2021 Group**	**2020 Group**	**2021 Company**	**2020 Company**
Net salaries	6,245	6,568	-	-
Taxes and contributions from salaries /i/	2,224	2,601	-	-
Contributions on salaries	1,344	1,548	-	-
	9,813	**10,717**	**-**	**-**
Average number of employees	70	89	-	-

/i/ Contributions for the Group’s pension insurance amounted to HRK 1,693 thousand (2020: HRK 2,499 thousand). The Company has no employees.

NOTE 9 – OTHER OPERATING EXPENSES

(in thousands of HRK)	**2021 Group**	**2020 Group**	**2021 Company**	**2020 Company**
Agency commission	3,098	62	-	-
Utility and similar fees	2,192	3,023	2	13
Other staff costs /i/	2,544	6,239	-	-
Other expenses	1,516	386	-	2
Professional services	1,301	1,079	104	130
Insurance premiums	806	897	-	-
Bank charges and membership fees	168	756	3	4
Write-off of property, plant and equipment	84	1,580	-	-
Other	95	165	-	-
	11,804	**14,187**	**109**	**149**

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

NOTE 10 – FINANCE INCOME/(COSTS) - NET

(in thousands of HRK)	**2021 Group**	**2020 Group**	**2021 Company**	**2020 Company**
Finance income				
Interest income	14	1	-	-
Foreign exchange gains	343	149	-	-
	357	**150**	**-**	**-**
Finance costs				
Interest expense	2,633	2,344	2	-
Foreign exchange losses	100	1,251	-	-
	2,733	**3,595**	**2**	**-**
Net finance (costs)/income	**(2,376)**	**(3,445)**	**(2)**	**-**

NOTE 11 – INCOME TAX

(in thousands of HRK)	2021 Group	2020 Group	2021 Company	2020 Company
Current tax expense	(706)	-	-	-
Deferred tax income	4,501	9,374	-	-
Income tax expense	**3,795**	**9,374**	-	-

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 18% (2020: 12%). In 2020, the Company did not generate income and moved to a lower tax bracket. The reconciliation of the tax expense for the Group and the Company per the statement of comprehensive income and taxation at the statutory rate is detailed in the table below:

(in thousands of HRK)	2021 Group	2020 Group	2021 Company	2020 Company
Loss before tax	(6,144)	(68,618)	(236)	(278)
Tax calculated at a rate of 18%	(1,106)	(8,234)	(42)	(33)
Effect of non-taxable income	(1,131)	(199)	-	-
Effect of non-deductible expenses	143	10	-	-
Effect of utilised tax losses carried forward from previous years	938	-	-	-
Effect of recognising previously unrecognised deferred tax assets on tax losses	(2,686)	-	-	-
Tax losses not recognised as deferred tax assets	47	2,719	42	33
Release of temporary differences	-	787	-	-
Effect of different tax rates	-	(4,458)	-	-
Income tax expense	**3,795**	**9,374**	-	-

Movements in deferred tax assets and liabilities were as follows:

(in thousands of HRK)	Assets			Liabilities			Net		
	31 December 2021	**Recognised in profit or loss**	**31 December 2020**	**31 December 2021**	**Recognised in profit or loss**	**31 December 2020**	**31 December 2021**	**Recognised in profit or loss**	**31 December 2020**
Tax losses carried forward	12,629	3,485	9,144	-	-	-	12,629	3,485	9,144
Property, plant and equipment	-		-	(8,171)	1,016	(9,187)	(8,171)	1,016	(9,187)
	12,469	3,485	**9,144**	**(8,171)**	1,016	**(9,187)**	**4,458**	4,501	**(43)**

NOTE 11 – INCOME TAX (continued)

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 liabilities 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

(in thousands of HRK)	**2021 Group**	**2020 Group**	**2021 Company**	**2020 Company**
Tax loss from 2018 - expires in 2023	5,551	5,551	5,551	5,551
Tax loss from 2019 - expires in 2024	30	30	30	30
Tax loss from 2020 - expires in 2025	35,909	35,909	33	33
Tax loss from 2020 - does not expire	2,686	2,686	-	-
Tax loss from 2021 - expires in 2026	8,805	-	42	-
	52,981	**44,176**	**5,656**	**5,614**

The unused tax loss in the amount of HRK 2,686 thousand refers to Hotel Metropol d.o.o. and has no expiration date.

NOTE 12 – EARNINGS PER SHARE (basic and diluted)

Basic

Basic earnings/loss per share are 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. As at 31 December 2021, the Company's share capital comprised 302,641 shares (*31 December 2020: 302,641*).

Diluted

Diluted earnings/(loss) per share is the same as basic as the Group had no convertible instruments or share options.

	2021 Group	**2020 Group**
Profit/(loss) for the year (in thousands of HRK)	(2,340)	(59,260)
Weighted average number of shares (basic and diluted)	302,641	302,641
Earnings/(loss) per share (basic and diluted) (in HRK)	(7.73)	(195.81)

NOTE 13.1 – PROPERTY, PLANT AND EQUIPMENT

Group

(in thousands of HRK)	Land	Buildings	Equipment and furniture	Assets under construction	Artwork	Total
Year ended 31 December 2020						
Opening net book amount	99,188	215,857	33,613	11,697	82	360,437
Additions	-	6,557	4,779	2,865	-	14,201
Disposals and write-offs	-	-	(114)	(1,424)	-	(1,538)
Transfer	-	-	89	(89)	-	-
Depreciation charge	-	(20,590)	(17,645)	-	-	(38,235)
Foreign exchange difference	184	1,647	166	142	1	2,140
Closing net book amount	**99,372**	**203,471**	**20,888**	**13,191**	**83**	**337,005**
At 31 December 2020						
Cost	99,372	778,841	143,942	13,191	83	1,035,429
Accumulated depreciation	-	(575,370)	(123,054)	-	-	(698,424)
Net book amount	**99,372**	**203,471**	**20,888**	**13,191**	**83**	**337,005**
Year ended 31 December 2021						
Opening net book amount	99,372	203,471	20,888	13,191	83	337,005
Additions	-	185	51	508	-	744
Disposals and write-offs	-	(39)	(53)	-	-	(92)
Transfer	-	-	-	-	-	-
Depreciation charge	-	(19,662)	(12,872)	-	-	(32,534)
Foreign exchange difference	(39)	(302)	(108)	25	1	(423)
Closing net book amount	**99,333**	**183,653**	**7,906**	**13,724**	**84**	**304,700**
At 31 December 2021						
Cost	99,333	778,686	143,832	13,724	84	1,035,659
Accumulated depreciation	-	(595,033)	(135,926)	-	-	(730,959)
Net book amount	**99,333**	**183,653**	**7,906**	**13,724**	**84**	**304,700**

As at 31 December 2021, land and buildings in the amount of HRK 194,025 thousand (2020: HRK 194,534 thousand) have been pledged as collateral for the repayment of borrowings *(Note 19).*

The land surface area included in the Group's records as at 31 December 2021 comprised 188,837 m^2 (*2020: 188,837 m^2*) and together with the stated buildings has a net carrying value of HRK 282,986 thousand (2020: *HRK 307,173 thousand*).

Of the total land surface area, an area of 16,722 m^2 (*2020: 16,722 m^2*) is not legally owned by the Group (according to the land register data), while 172,115 m^2 (2020: *172,115 m^2*) is legally owned.

NOTE 13.1 – PROPERTY, PLANT AND EQUIPMENT (continued)

Assets under construction comprise the investment in project documentation and the reconstruction of Hotel Metropol and Beach Club in Slovenia, as well as project documentation related to Hotel Albatros II.

NOTE 13.2 – RIGHT-OF-USE ASSETS

Information related to leases where the Group is the lessee is presented below.

Lease amounts are presented in the statement of financial position as follows:

(in thousands of HRK)	**Concessions**	**Vehicles**	**Total**
Year ended 31 December 2020			
Opening net book amount	2,247	721	2,968
Additions	-	210	210
Disposals and write-offs	(202)	(51)	(254)
Depreciation charge	(325)	(225)	(550)
Closing net book amount	**1,720**	**655**	**2,375**
Year ended 31 December 2021			
Opening net book amount	1,720	655	2,375
Additions	-	3	3
Depreciation charge	(233)	(236)	(469)
Closing net book amount	**1,487**	**422**	**1,909**

(in thousands of HRK)	**31 December 2021**	**31 December 2020**
Lease liabilities		
Current portion	444	504
Non-current portion	1,412	1,825
	1,856	**2,329**

Lease amounts are presented in the statement of comprehensive income as follows:

(in thousands of HRK)	**2021**	**2020**
Depreciation of right-of-use assets:		
Maritime domain concession	233	325
Vehicles	236	225
	469	**550**
Interest expense (included in finance costs)	41	98

NOTE 13.3 – INVESTMENT PROPERTY

Group

(in thousands of HRK)	**Investment property**	**Total**
Year ended 31 December 2020		
Opening net book amount	4,594	4,594
Depreciation	(290)	(290)
Foreign exchange difference	29	29
Closing net book amount	**4,333**	**4,333**
At 31 December 2020		
Cost	17,990	17,990
Accumulated depreciation	(13,657)	(13,657)
Net book amount	**4,333**	**4,333**
Year ended 31 December 2021		
Opening net book amount	4,334	4,334
Depreciation	(317)	(317)
Foreign exchange difference	(10)	(10)
Closing net book amount	**4,006**	**4,006**
At 31 December 2021		
Cost	17,979	17,979
Accumulated depreciation	(13,973)	(13,973)
Net book amount	**4,006**	**4,006**

As at 31 December 2021, investment property is unencumbered. The Group has assessed the value of investment property and believes that the book amounts approximate fair value.

The operating lease relates to the lease of hospitality facilities and stores. During 2021, the Group realised rental income in the amount of HRK 395 thousand (2020: HRK 504 thousand).

NOTE 14 – INTANGIBLE ASSETS

(in thousands of HRK)	**Goodwill**	**Other intangible assets**	**Total**
Year ended 31 December 2020			
Opening net book amount	4,708	2,014	6,722
Additions	-	-	-
Disposals		-	-
Amortisation charge	-	(414)	(414)
Foreign exchange difference	-	28	28
Closing net book amount	**4,708**	**1,628**	**6,336**
At 31 December 2020			
Cost	5,136	3,644	8,780
Accumulated amortisation and impairment	(428)	(2,016)	(2,444)
Net book amount	**4,708**	**1,628**	**6,336**
Year ended 31 December 2021			
Opening net book amount	4,708	1,628	6,336
Additions	-	26	26
Disposals		(19)	(19)
Amortisation charge	-	(349)	(349)
Decrease in amortisation	-	19	19
Foreign exchange difference	-	(3)	(3)
Closing net book amount	**4,708**	**1,302**	**6,010**
At 31 December 2021			
Cost	5,136	3,648	8,784
Accumulated amortisation and impairment	(428)	(2,346)	(2,774)
Net book amount	**4,708**	**1,302**	**6,010**

NOTE 15 – INVESTMENTS IN SUBSIDIRIES

(in thousands of HRK)	**31 December 2021 Company**	**31 December 2020 Company**
Investment in Hoteli Cavtat d.d.	202,962	202,962

Hoteli Cavtat holds a 100% ownership share in Hoteli Metropol d.o.o. and a 33.3% ownership share in Remisens Hotel Group d.o.o.

Hoteli Metropol d.o.o. holds a 33.3% ownership share in Remisens Hotel Group d.o.o., that is, the Group has an effective share of 66.7% in Remisens Hotel Group d.o.o.

NOTE 16 – TRADE AND OTHER RECEIVABLES

(in thousands of HRK)	**31 December 2021 Group**	**31 December 2020 Group**	**31 December 2021 Company**	**31 December 2020 Company**
Trade receivables	4,318	4,316	-	-
Impairment of trade receivables	(4,034)	(4,092)	-	-
Trade receivables – net	284	224	-	- -
Receivables from employees and owners	32	124	-	-
Receivables from state and other institutions	295	1,268	-	-
Other receivables	1,400	594	-	-
	2,011	**2,210**	**-**	**-**

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

(in thousands of HRK)	**2021 Group**	**2020 Group**	**2021 Company**	**2020 Company**
At 1 January	4,092	3,851	-	-
Additional provisions	-	688	-	-
Released amounts	(58)	(447)	-	-
At 31 December	**4,034**	**4,092**	**-**	**-**

NOTE 17 – CASH AND CASH EQUIVALENTS

(in thousands of HRK)	**31 December 2021 Group**	**31 December 2020 Group**	**31 December 2021 Company**	**31 December 2020 Company**
Deposits up to 90 days	286	1,854	-	-
Foreign currency accounts	1,560	622	-	-
Cash in hand	2	5	-	-
Giro accounts	12,957	19,345	44	40
	14,805	**21,826**	**44**	**40**

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

NOTE 18 – CAPITAL AND RESERVES

Share capital

As at 31 December 2021, the Company's share capital amounted to HRK 202,769 thousand (2020: HRK 202,769 thousand) and comprises 302,641 ordinary shares with a nominal value of HRK 670 per share (2020: HRK 670 per share). Ordinary shares have equal voting rights and rights to receive dividend.

If a dividend were to be paid in the period from 29 May 2020 to 31 December 2021, the Group and the Company would have to repay the received grants.

The ownership structure as at 31 December 2021 was as follows:

	Number of shares	HRK	%
SNH Gama d.d.	260,442	174,496,140	86.06%
CERP, Republic of Croatia	8,589	5,754,630	2.84%
FTB Turizam d.d.	4,453	2,983,510	1.47%
Other	29,157	19,535,190	9.63%
	302,641	202,769,470	100%

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

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

NOTE 18 – CAPITAL AND RESERVES (continued)

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 Company's share capital. Legal reserves are not distributable.

Other reserves

Other reserves mostly refer to reserves from the division of the companies Liburnia Riviera Hoteli d.d. and FTB Turizam d.d. and to transfers from retained earnings. The remainder refers to exchange rate differences resulting from the consolidation of a foreign subsidiary and as at 31 December 2021 amounts to HRK 2,135 thousand (31 December 2020: HRK 1,743 thousand).

Treasury shares

As at 31 December 2021, the Company had 4,453 treasury shares recorded at cost in the amount of HRK 8,900 thousand (2020: HRK 8,963 thousand). The Company created a reserve for treasury shares from retained earnings in the same amount.

Non-controlling interest

The following table presents information regarding Group companies in which there are non-controlling interests.

Remisens Hotel Group d.o.o.

in thousands of HRK	**31 December 2021**	**31 December 2020**
% of non-controlling interest (%)	33.3%	33.3%
Current assets	1,738	1,770
Non-current assets	990	990
Current liabilities	(1)	(6)
Net assets	**2,727**	**2,754**
Net assets attributable to non-controlling interest	908	917
Profit for the period	(27)	49
Profit attributable to non-controlling interest	(9)	16
Cash flow from operating activities	8	69
Cash flow from investing activities	-	-
Cash flow from financing activities	-	-
Net increase in cash and cash equivalents	**8**	**69**

NOTE 19 – BORROWINGS

(in thousands of HRK)	**31 December 2021**	**31 December 2020**	**31 December 2021**	**31 December 2020**
	Group	**Group**	**Company**	**Company**
Long-term borrowings				
Secured bank borrowings	79,668	113,303	-	-
	79,668	**113,303**	**-**	**-**
Short-term borrowings				
Secured bank borrowings	33,936	35,523	-	-
Borrowings from related parties	-	-	207	-
	33,936	**35,523**	**207**	**-**

Borrowings mature as follows:

	31 December 2021	**31 December 2020**	**31 December 2021**	**31 December 2020**
(in thousands of HRK)	**Group**	**Group**	**Company**	**Company**
Up to 1 year	33,936	35,523	207	-
From 1 to 2 years	33,383	33,480	-	-
From 2 to 5 years	46,285	76,431	-	-
Over 5 years		3,392	-	-
Total	113,604	148,826	207	-

The carrying amounts of borrowings are denominated in EUR with the following effective interest rates on the reporting date: six-month EURIBOR plus 2.15%, six-month EURIBOR plus 1.5%, TZMF 91d + 1.65% and TZMF 182d + 2.45%. Bank borrowings are secured by mortgages on land and buildings (Note 13.1).

The reconciliation of movements in borrowings with cash flow from financing activities is as follows:

	2021	**2020**	**2021**	**2020**
(in thousands of HRK)	**Group**	**Group**	**Company**	**Company**
Borrowings				
At 1 January	148,826	122,208	-	-
Proceeds from borrowings	-	29,117	207	-
Repayment of borrowings	(37,575)	(3,916)	-	-
Foreign exchange differences	2,353	1,417	-	-
At 31 December	**113,604**	**148,826**	**207**	**-**

As at 31 December 2021, a Hoteli Cavtat d.d. Group company recorded non-current liabilities under the foreign currency borrowing agreement with Privredna Banka Zagreb for the amount of HRK 54,124 thousand, and current liabilities under the same borrowing in the amount of HRK 18,041 thousand, based on which it is obliged to maintain the net financial debt/EBITDA ratio up to a maximum amount of 5.50. Pursuant to the same agreement, in the event that the specified ratio is not met, the bank may terminate the borrowing agreement whereby the entire borrowing receivable would become due.

NOTE 19 – BORROWINGS (continued)

In accordance with the borrowing agreement, the ratio is calculated based on the Company's audited separate financial statements starting from 31 December 2017. Since the Bank bases its calculation on the audited annual report, the Group was not able to obtain the Bank's statement confirming that it agrees that the repayment ratio in the period of 12 months from the date of the statement deviates from the value stated in the agreement until 31 December 2021. The aforementioned Bank statement was received on 28 April 2022, which, according to International Accounting Standard 1 - Presentation of Financial Statements, does not release the Company from the obligation to classify its financial liabilities under the mentioned borrowing as current.

Based on the statement received from the Bank in April 2022, the Group determined that it will continue to repay its liabilities according to the regular agreed repayment plan and decided to record the liabilities under the stated borrowing. The liabilities are due within a period longer than a year and are recorded as non-current liabilities.

Due to the fact that the Bank could not issue a statement up to 31 December 2021, the auditor of the company Hoteli Cavtat d.d. noted that they will have to issue a qualified opinion on this decision as required by the International Accounting Standards (although the bank had issued a statement, which was submitted for review by the auditor, before issuing the auditor's report).

NOTE 20 – PROVISIONS

Group *(in thousands of HRK)*	Provisions for jubilee awards, termination benefits etc.
At 1 January 2021	702
Additional provisions	73
At 31 December 2021	**775**

NOTE 21 – TRADE AND OTHER PAYABLES

	31 December 2021	31 December 2020	31 December 2021	31 December 2020
(in thousands of HRK)	**Group**	**Group**	**Company**	**Company**
Domestic trade payables	953	1,634	15	89
Foreign trade payables	572	1,355	-	-
Total trade payables	1,525	2,989	15	89
Liabilities to employees	351	688	-	-
Taxes and contributions payable	202	16	-	-
Liabilities for advances received	959	3,649	-	-
Other liabilities	1,212	439	66	-
	2,724	**4,792**	**66**	**-**
Total trade and other payables	**4,249**	**7,781**	**81**	**89**

NOTE 22 – GOVERNMENT GRANTS

Government grants relate to the funding that Hoteli Metropol d.d. received for Hotel Lucija in 2008. The grant is released annually in proportion to the amount of accrued depreciation. The entire grant is expected to be released by the end of 2034.

The annual release of the provision in the statement of comprehensive income is recorded under other operating income and in 2021 it amounted to HRK 715 thousand (2020: HRK 716 thousand).

NOTE 23 – CASH GENERATED FROM OPERATIONS

Reconciliation of profit and cash generated from operations:

(in thousands of HRK)	**Note**	**2021 Group**	**2020 Group**	**2021 Company**	**2020 Company**
Profit/(loss) for the year		(2,349)	(59,244)	(236)	(278)
Adjustments for:					
Depreciation and amortisation		33,682	39,490	-	-
Impairment of receivables	16	(58)	241	-	-
Finance income/(costs) – net	10	2,376	3,445	2	-
Increase/(decrease) in provisions - net	20	73	(73)	-	-
Unrealised foreign exchange differences		37	1,583	-	-
Write-off of other assets		91	122	-	-
Write off of non-current assets		-	1,792	-	-
Income tax	11	(3,795)	(9,374)	-	-
Changes in working capital				-	-
- trade and other receivables		199	14,007	-	-
- inventories		271	734	-	-
- deferred income		(727)	(585)	-	-
- trade and other payables		(5,045)	(20,815)	(9)	(2)
Cash generated from operations		**24,755**	**(28,677)**	**(243)**	**(280)**

NOTE 24 – CONTINGENCIES AND COMMITMENTS

Legal disputes

The Group is defendant and plaintiff in several legal disputes arising from regular operations, the amounts disputed are not material for the financial statements. The Group believes that the disputes will not result in financial losses for the Group.

Land ownership

Cadastral parcels no. 1902 cadastral municipality Obod with a surface area of 3,937 m2 and no. 1903 cadastral municipality Obod with a surface area of 14,639 m2 were included the share capital of the company Hoteli Cavtat d.d., by resolution HFP no. 93-247/1 dated 15 April 1996. The aforementioned land was confiscated from a number of natural persons in 1986 by the decision of the then Municipality of Dubrovnik and the right of use and disposal was given to the predecessor company HTP Dubrovnik for the construction of a tourist resort. During 1994, the Office for Property and Legal Affairs of the Dubrovnik-Neretva County passed several decisions by which the confiscated property is returned to the natural persons. In addition, the land registry procedure for the registration of ownership rights was conducted at the regular court and a decision was made to register ownership rights in favour of the natural persons, based on which the registration of ownership rights was carried out in favour of several natural persons. During 2015, HC initiated legal proceedings and filed 26 lawsuits to establish ownership rights in favour of HC against the property owners as registered in the land registers. As of 1 March 2022, a total of twenty-three judgements were passed, of which eighteen are final and binding and four are non-final in favour of the Company, and two in favour of the defendant (a natural person).

Contractual obligations for investments

As at 31 December 2021, the Group had no contractual future obligations for investments in tourist facilities (*31 December 2020: zero*).

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 at 31 December 2021, the Company's ultimate parent entity and controlling party is SNH Gama d.d.

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

	Group		Company	
(in thousands of HRK)	**2021**	**2020**	**2021**	**2020**
Revenue:				
Related parties	-	164	-	-
Expenses:				
Related parties	19	7	17	-
Bogdanović&Dolički&Partneri	79	213	16	5
	97	**220**	**33**	**5**
Trade and other payables:				
Related parties	1	1	211	-
Bogdanović&Dolički&Partneri	5	5	5	5
	6	**6**	**216**	**5**
Trade and other receivables:				
Related parties	-	22	-	-

In 2021, the Group's administrative, management and supervisory bodies had 6 members (2020: 7 members). The compensations of the members of administrative, management and supervisory bodies for 2021 amounted to HRK 753 thousand (2020: HRK 976 thousand) and include gross salaries and contributions.

NOTE 26 – EVENTS AFTER THE BALANCE SHEET DATE

On 1 March 2022, the Group concluded 3 new borrowing agreements with a commercial bank: a short-term liquidity borrowing in the amount of HRK 8.6 million, a long-term borrowing for investments in the amount of HRK 8 million and a long-term borrowing for reprogramming an existing borrowing in the amount of HRK 6 million.

In February 2022, Russia invaded Ukraine, which marked the beginning of the Russian-Ukrainian war. Currently, the Group and the Company are not significantly exposed to the Ukrainian and Russian markets. Guests from these markets accounted for 1.6% of total overnight stays in 2021. On analysis, the Management Board concluded that the Russian-Ukrainian crisis has no impact on the amounts disclosed in these financial statements and that it has no significant effect on bookings and the 2022 pre-season.