

**Stanovi Jadran d.d., Split and its subsidiaries**

Annual report for the year ended  
31 December 2020

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

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### I. COMMENTS ON BUSINESS FOR THE YEAR ENDED 31 DECEMBER 2020

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#### **STANOVI JADRAN D.D.**

Due to COVID-19 pandemic, Stanovi Jadran d.d. (the Company) recorded HRK 5,317 thousand of total revenue in year 2020, which is 14% less than in previous year.

Other operating gains/losses consist of net loss from financial instruments at fair value through profit or loss in the amount of HRK 3,159 thousand, share in profit of subsidiaries in the amount of HRK 5,378 thousand and net profit from sale of subsidiary Winter in the amount of HRK 9,098 thousand (Note 9). Financial income this year amounts to HRK 1,171 thousand, and the increase of HRK 1,113 thousand relates to the dividend received from investments in shares (HRK 210 thousand), interest income (HRK 612 thousand) and exchange rate differences (HRK 349 thousand).

Of the total sales revenue, 100% of the revenue is generated on the domestic market, while sales revenue is not currently generated on the foreign market.

Material costs amount to HRK 1,096 thousand and are 6.5% higher compared to the same period last year and relate mostly to maintenance costs. Given that operating expenses recorded a higher percentage growth, the share of material costs in operating expenses decreased by 3.71% when compared to the same period last year and this year is recorded in share of 26.68%.

Stanovi Jadran d.d. (The "Company"), despite the difficulties in carrying out its activities caused by the COVID-19 pandemic, continued with a very good results with the ultimate goal of paying dividends to shareholders. The main reason for the profit is the sale of shares in Winter Ltd in the first quarter and the sale of penthouse S3 in Šibenik in the second quarter, apartment S2 in the last quarter and the reversal of the previous impairment of real estate investments.

The COVID-19 pandemic has led to a slowdown in regular and agreed business activities on the investment in Šibenik, so the financial institution has agreed to postpone the payment of the due loan instalment in the amount of HRK 4 million, with repayment in the first half of 2021. During the initial phase of the COVID-19 pandemic and the gradual opening of market activities, activities on the construction site in Šibenik intensified and the company in the meantime realized the sale of shares in the company Winter Ltd and the sale of an apartment in Šibenik. The Armerun Hotel is expected to open in April 2021.

After the first half of 2020, market activities and customer interests were further strengthened and the Company Stanovi Jadran d.d. received several inquiries for the sale of real estate or shares in real estate companies. This primarily refers to land and projects outside the city centre for which an increase in interest has occurred when compared to previous years. Also, during 2020, the Company completed the necessary documentation and received certificates from public bodies for amendments to the projects of Villa Orašac and Nova Nekretnine. The engagement of an independent appraiser determined a higher fair value of the real estate in question than their book value. As the real estate investments were value adjusted in previous periods, the Group carried out the reversal of impairment from previous periods to their recoverable amount, which led to an increase in the value of real estate investments in the amount of HRK 5,801 thousand. This resulted also in increase of Company's share in profit in the amount of HRK 5,378 thousand (Note 9).

I. COMMENTS ON BUSINESS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

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**STANOVI JADRAN D.D. (CONTINUED)**

The company continues to monitor the situation with the COVID-19 pandemic and will take the necessary steps to maintain liquidity and stable operations if the need arises.

Employee costs decreased by 24.41% compared to the same period last year. Given that during the year there was a decrease in the number of employees and two employees are on longer sick leave. The share of employee costs in total operating expenses is 17.94%, while in the same period last year it was 28.80%. Compared to the same period last year, financial expenses increased by HRK 373 thousand and mostly relate to interest expenses on a part of activated investment in progress.

Gross profit (profit before tax) amounts to HRK 12,982 thousand, while in the same period last year the Company realized gross profit in the amount of HRK 4,528 thousand. The profit was realized mainly due to the sale of the subsidiary Winter Ltd and the reversal of impairment of investment property from prior periods based on newly determined fair value and their recoverable amount as a result of an increase in the aforementioned marketability.

Total assets are 19% higher compared to the beginning of the year and amount to HRK 107,360 thousand. Fixed assets are lower by HRK 11,298 thousand, which is 13.5% lower, compared to the beginning of the year. This change is a consequence of a decrease in the share in subsidiaries by HRK 17,737 thousand and an increase in investments in real estate (IAS 40) by HRK 6,385 thousand and equipment (IAS 16) by HRK 1,788 thousand.

Long-term financial assets amount to HRK 6,983 thousand and are HRK 3,717 thousand higher compared to the beginning of the year. Namely, investments in shares on the foreign market were made during the year. Please see note 16 for details.

Current assets amount to HRK 35,015 thousand and are higher by HRK 28,198 thousand compared to the beginning of the year. In the structure of current assets, receivables are higher compared to the beginning of the year due to receivables for the sale of an apartment in Šibenik at the end of 2020, which as of 31 December 2020 is still outstanding.

Short-term financial assets amount to HRK 27,197 thousand, which refers to short-term loans granted mainly to affiliated companies. Compared to 31 December 2019, financial assets increased by HRK 23,483 thousand. Apart from the results for the current period, there were no major changes within capital and reserves compared to the beginning of the year.

Long-term liabilities amount to HRK 15,236 thousand and relate to liabilities under loans to financial institutions. Short-term liabilities amount to HRK 10,786 thousand, of which the largest part in the amount of HRK 5,352 thousand relates to liabilities on loans received from financial institutions and HRK 3,522 to repo liabilities. Liabilities to suppliers decreased by HRK 498 thousand compared to the beginning of the year. The Company's total indebtedness on loans amounts to HRK 20,588 thousand, which is an increase compared to the beginning of the year by HRK 1,550 thousand.

I. COMMENTS ON BUSINESS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

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**STANOVI JADRAN D.D. AND ITS SUBSIDIARIES**

Stanovi Jadran d.d. and subsidiaries ("Group") in 2020 generated HRK 5,429 thousand of total operating revenues, which is lower by 13.68% compared to the same period last year. Sales revenues amount to HRK 5,300 thousand and are lower compared to the same period last year by 14% as a result of the COVID-19 pandemic.

Other operating gains/losses consist of a net loss on financial instruments at fair value through profit or loss in the amount of HRK 3,159 thousand, net profit/loss from value adjustment of tangible fixed assets in the amount of HRK 5,801 thousand and net profit from sale of Winter ltd (discontinued operations) in the amount of HRK 8,078 thousand (Note 9). Financial income this year amounts to HRK 1,163 thousand, and the increase of HRK 1,103 thousand relates to the dividend received from investments in shares (HRK 210 thousand), interest income (HRK 604 thousand) and exchange rate differences (HRK 349 thousand).

Of the total sales revenue, 100% of revenues are generated on the domestic market, while no revenues were generated on the foreign market in 2020.

Material costs amount to HRK 1,119 thousand and are 8.3% higher compared to the same period last year, and the increase is mostly related to maintenance costs. Given that operating expenses recorded a percentage increase, the share of material costs in operating expenses is 27%. Employee costs decreased by 24.41% compared to the same period last year. Their share in total operating expenses is 17.78%, while in the same period last year it was 28.66%.

Compared to the same period last year, financial expenses increased by HRK 370 thousand and mostly relate to interest expenses on part of the activated investment in progress.

Gross profit (profit before tax) amounts to HRK 12,325 thousand, while in the same period last year the gross profit amounted to HRK 3,625 thousand, which is an increase of HRK 8,700 thousand. The profit was realized mainly due to the sale of the subsidiary Winter ltd and the reversal of impairment of investment property from prior periods based on newly determined fair value and their recoverable amount as a result of an increase in the aforementioned marketability.

Total assets are 12% higher compared to the beginning of the year and amount to HRK 108,395 thousand. Fixed assets are higher by HRK 12,352 thousand, or 15% when compared to the beginning of the year as a result of new investments in 2020.

Long-term financial assets amount to HRK 6,983 thousand and are HRK 3,717 thousand higher than at the beginning of the year. Investments in shares on the foreign market were made during the year. Please see note 17 for details.

I. COMMENTS ON BUSINESS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

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**STANOVI JADRAN D.D. AND ITS SUBSIDIARIES (CONTINUED)**

Current assets amount to HRK 34,621 thousand and are lower by 4% compared to the beginning of the year. In the structure of current assets, there was a decrease after the sale of discontinued operations, but also an increase in loans to related companies. Total short-term receivables amount to HRK 7,612 thousand and record an increase compared to the beginning of the year of HRK 4,638 thousand, given that at the end of 2020 an apartment in Šibenik was sold.

Short-term financial assets amount to HRK 26,946 thousand, which refers to short-term loans. In relation to the end of the previous year financial assets increased by HRK 23,232 thousand.

Cash and cash equivalents amount to HRK 63 thousand and is higher by HRK 54 thousand compared to the beginning of the year.

Long-term liabilities amount to HRK 15,236 thousand and relate to liabilities under loans to financial institutions. Short-term liabilities amount to HRK 11,017 thousand, of which the largest part in the amount of HRK 5,352 thousand relates to liabilities for loans received from financial institutions. Total debt of Stanovi Jadran d.d. on loans amounts to HRK 20,588 thousand, which is an increase compared to the beginning of the year by HRK 2,398 thousand.

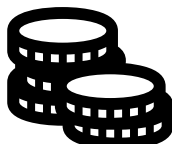
I. COMMENTS ON BUSINESS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

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Stanovi Jadran d.d. (The "Company") realized the sale of 89% of the shares of the subsidiary Winter d.o.o. and due to tax regulations, the Company paid withholding tax in Bosnia and Herzegovina when selling shares in Winter Ltd which affected liquidity. The same tax is recognized in the Republic of Croatia on the basis of the Agreement on Avoidance of Double Taxation concluded with Bosnia and Herzegovina. Material costs and staff costs are reduced by the process of optimization.



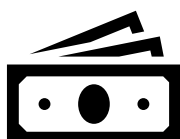
**Revenue**  
HRK 21,093 thousand



**Material expenses**  
HRK 1,096 thousand



**Personnel expenses**  
HRK 737 thousand



**Profit for the year**  
HRK 11,822 thousand



**Assets**  
HRK 107,360 thousand

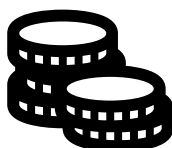


**Liabilities**  
HRK 26,021 thousand

Stanovi Jadran d.d (Group) after the sale of Winter d.o.o. includes the company Vile Orašac d.o.o. which is owned by the Company 100.00%, and the company Nova Nekretnine d.o.o. which is owned by the Company 85.40%. The same subsidiaries are developing projects in Dubrovnik that have been licensed or are about to be licensed.



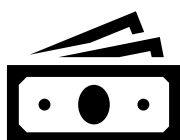
**Revenue**  
HRK 20,471 thousand



**Material expenses**  
HRK 1,119 thousand



**Personnel expenses**  
HRK 737 thousand



**Profit for the year**  
HRK 11,050 thousand



**Assets**  
HRK 108,395 thousand



**Liabilities**  
HRK 26,253 thousand

### II. IMPORTANT BUSINESS EVENTS

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Stanovi Jadran d.d. concluded the sale of shares in the subsidiary "Winter Ltd" and realized the purchase and sale of securities in Bosnia and Herzegovina. The company also continued to invest in the Hotel "Armerun" in Šibenik and the hotel is expected to open in April/May 2021, which largely depends on the COVID-19 pandemic. Additionally, the Group/Company sold penthouse S3 and apartment S2 in Šibenik and a garage of 113 m2 in Zagreb. Also, the Group/Company sold almost all financial assets in Bosnia and Herzegovina in the reporting period. Due to the COVID-19 pandemic, the income from the daily rent of the Vinci penthouse in the centre of Ploka was reduced, as well income from long-term rent, which is calculated as a percentage of tenant income, which affected business revenues this quarter. The company "Nova Nekretnine Ltd" started pre-designing due to new problems it had during the homogenization of cadastral plans in Dubrovnik, and obtained certificates from public bodies by the end of 2020. The management of the Company expects a building permit soon.

### III. EXPECTED BUSINESS DEVELOPEMENT

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In April/May 2021, the Armerun Hotel in Šibenik is expected to open, which should strengthen the revenues of the Group/Company. In February 2021, the preparatory actions for the merger of Global Rent Ltd have been published which should also stabilize revenues. In the future, the Group/Company would act as a REIT company that would develop projects and manage its own high-return properties. Future contingent liabilities of the Company and its subsidiaries relate mainly to investments in already started construction projects for which funds have been provided. In the second quarter of 2020, the subsidiary VILE ORAŠAC Ltd requested an amendment to the confirmation of the main project so that construction could finally begin. Due to the reduced demand for daily rent and the financial crisis, the Company's Management believes it will be easier to invest in hotels in the historic centres of the city at more affordable prices and is actively looking for a location for another hotel Armerun. The goal of the Group/Company is to diversify the portfolio, so that the Group/Company has a stable income due to problems in one of the industries.

### IV. RESEARCH AND DEVELOPEMENT ACTIVITIES

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As the COVID-19 pandemic has severely affected tourism as one of the strategic directions of the Group/Company, the Management Board is actively working on portfolio diversification in order to reduce dependence on one industry.

### V. TREASURY SHARES INFORMATION

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Stanovi Jadran d.d. and subsidiaries do not own their own shares, and the existing ownership structure is subject to more frequent changes by listing on the Official Stock Market. There is currently no share repurchase program.



## Management Report (continued)

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### VI. BRANCH OFFICES

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Subsidiaries Stanova Jadran d.d. are Villas Orašac and Nova Nekretnine and have no other branches.

### VII. FINANCIAL INSTRUMENTS USED BY THE COMPANY

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From the financial instruments that the Group/Company has in its portfolio, the following can be singled out:  
- securities of companies listed on the Regulated Market in the Republic of Croatia, of which it currently owns shares of Varteks d.d. and shares of Proprius d.d. closed-end AIF with a public offer for investment in real estate, FMPS in the percentage of 10.57% of the share capital, - securities of Energonova d.d. and Prof Plus d.d. listed on the Sarajevo Stock Exchange. Given the above, it is important to assess the financial position and performance of this Company as the Issuer and the Parent in relation to its subsidiaries, it can be concluded that the business shares held by this Company in its subsidiaries form a significant part of the basis for assessing financial position and business performance of this Company as an Issuer.

### VIII COMPANY AIMS AND POLICIES RELATED TO THE MANAGEMENT OF FINANCIAL RISKS AND POLICY PROTECTION OF PROJECTED TRANSACTIONS

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The Group/Company is exposed to key business risks, of which financial risks are listed together with other business risks of the Group/Company in Note 27 to this report. All employees of the Company, including the Management Board and the Supervisory Board, as well as the Audit Committee, participate in the implementation of the internal control and risk management system. The company manages risks, especially financial, monitoring and compliance with significant regulations and through internal control, which is performed by monitoring operations in all organizational units through the company's activities and especially the control of ancillary services.

For and on behalf of the Management Board,



Toni Jeličić Purko,  
President of management board  
STANOVI JADRAN d.d., Split

**STANOVI JADRAN**  
d.d. SPLIT



Maja Bradić,  
member,  
STANOVI JADRAN d.d., Split

25 February 2021

## Responsibility for the financial statements

Management Board is responsible for ensuring that financial statements are prepared for each financial year in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, which give a true and fair view of the state of affairs and results of Stanovi Jadran d.d. ("the Company") and Stanovi Jadran d.d. and its subsidiaries ("the Group") for that period.


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

In preparing those 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, subject to any material departures disclosed and explained in the financial statements; and
- the financial statements are prepared on the going concern basis unless it is inappropriate to presume that 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 Company and the Group and must also ensure that the financial statements comply with the Croatian Accounting Law and International Standards of Financial Reporting adopted by European Union. The Management Board of the Company and the Group is responsible for the completeness and accuracy of the management report in accordance with Article 21 of the Accounting Act and for the preparation and compilation of a statement on the application of the corporate governance code. The Management Board is also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

For and on behalf of the Management Board,

  
Toni Jeličić Purko,  
President of the Management Board,  
STANOVI JADRAN d.d., Split

**STANOVI JADRAN**  
d.d. SPLIT

  
Maja Bradić,  
Board Member,  
STANOVI JADRAN d.d., Split

25 February 2021

## Statement of application of the corporate governance code

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Pursuant to Article 272p, in conjunction with Article 250a, paragraph 4 of the Companies Act (Official Gazette 111/93, 34/99, 52/00, 118/03, 107/07, 146 / 08, 137/09, 125/11, 152/11, 111/12, 68/13, 110/15 and 40/19, hereinafter: CA) and Article 22 of the Accounting Act (Official Gazette), No. 78/15, 134/15, 120/16 and 116/18, 42/20 I 47/20), Management Board of Stanovi Jadran d.d., Split, Ulica Kralja Zvonimira 14 / IX, OIB: 88680117715 (hereinafter: the Company), as at 25 February 2021 year, gives the following

### CONSOLIDATED STATEMENT on the application of the Corporate Governance Code

1. The Company voluntarily applies the Corporate Governance Code jointly developed by the Croatian Financial Services Supervisory Agency (HANFA) and the Zagreb Stock Exchange d.d. (hereinafter: the Code), and that code is publicly available on the official website of the Zagreb Stock Exchange d.d. ([www.zse.hr](http://www.zse.hr)).

2. In the previous year, the Company essentially applied the recommendations set out in the Code, publishing all information which disclosure is provided by positive regulations and the disclosure of all information that are primarily in the interest of the Company's shareholders. The Supervisory Board of the Company has not established a Nomination Committee, Remuneration Committee and Audit Committee, and due to the fact that the Supervisory Board of the Company due to a sufficient number of its members performs tasks within the competence of these committees, and at the same time, according to the Audit Act, the Supervisory board of the Company acts as Audit Committee.

Detailed explanations related to minor deviations from individual recommendations of the Code are provided by the Company in the Annual Questionnaire of the Corporate Governance Code, which is published on the Company's official website ([www.stanovijadran.hr](http://www.stanovijadran.hr)) and submitted to the Zagreb Stock Exchange d.d.

During 2021, the Company plans to continue to make its operations and business results transparent and accessible to the public.

3. Supervision over the conduct of the Company's operations is carried out by the Supervisory Board in accordance with the regulations of the Companies Act. The role of the Supervisory Board is also regulated by the Company's Articles of Association. Members of the Supervisory Board regularly receive detailed information on the management and work of the Company in order to be able to effectively fulfill their supervisory role. The report of the Supervisory Board on the performed supervision of business management is submitted to the General Assembly.

The Company's Audit Committee acts as an independent committee. The Audit Committee provides support to the Supervisory Board and the Management Board of the Company in the effective execution of corporate governance, financial reporting and control obligations of the Company.

The Audit Committee as at 31 December 2020 consists of 4 members:

1. Miroslav Jeličić-Purko, President of the Supervisory Board
2. Tvrtko Brajković, member of the Supervisory Board
3. Katija Barić, member of the Supervisory Board
4. Mladen Maleš, independent member of the Audit Committee

The Company applies the Rules on the Application of Accounting Policy, which rules regulate the application of procedures and techniques in the presentation of assets, liabilities, principal, income, expenses and financial results of the Company in the basic financial statements.

A description of the basic features of risk management in relation to financial reporting is contained in the notes to the annual financial statements entitled "Risk exposure and risk management", all of which are published in accordance with positive regulations.

Statement of application of the corporate governance code (continued)

4. The largest shareholders, as at 31 December 2020, are:

Order No.	Shareholder	Percentage of shares (%)
1.	Jadran kapital d.d.	60,21
2.	Addiko Bank d.d. / PBZ CO OMF – category B – Custody account	26,23
3.	HPB d.d. / Real estate decommissioning Financing Fund – Custody account	13,12
4.	Addiko Bank d.d. / PBZ CO OMF – category A – Custody account	0,45

The voting right of the Company's shareholders is not limited to a certain percentage or number of votes, nor are there time limits for exercising the voting right. Each ordinary share entitles to one vote at the General Assembly. The Company is authorized to issue ordinary registered shares as well as to issue other types and genera of shares in accordance with the positive regulations of the Republic of Croatia and the Company's Articles of Association. The decision to issue shares, in accordance with Article 172 of the Companies Act, is made by the General Assembly, in accordance with the Company's Articles of Association. The rights and obligations of the Company arising from the acquisition of treasury shares are exercised in accordance with the provisions of the Companies Act and, accordingly, the Company may acquire treasury shares on the basis of the authorization of the General Assembly to acquire them. Amendments to the Company's Articles of Association are adopted in the manner determined by the CA.

The General Assembly of the Company operates and has the authority, and the shareholders exercise their rights, in accordance with the provisions of the Companies Act and other relevant regulations.

5. The Management Board of the Company is composed of two members. The function of the President of the Management Board of the Company is performed by Mr. Toni Jeličić-Purko, and the function of a member of the Management Board of the Company is performed by Ms. Maja Bradić. Members of the Management Board manage the Company's affairs independently and on their own responsibility and individually represent the Company, and individual affairs, determined by Article 28 of the Company's Articles of Association (acquisition, alienation or encumbrance of real estate, establishment of new companies, alienation and acquisition of shares and stakes in other companies) and in other cases, when prescribed by law, the Company's Articles of Association or a decision of the Supervisory Board, they are authorized to undertake only with the prior consent of the Supervisory Board. The Management Board is appointed and removed by the Supervisory Board for a term of five years.

The Supervisory Board is composed of three members and consists of:

1. Miroslav Jelcic-Purko, President
2. Tvrtko Brajković, member
3. Katija Baric, member


The Management Board of the Company elects and dismisses all three members of the Supervisory Board. The Supervisory Board acts as a collegial body at meetings held at least once a quarter, at which it discusses and decides on all issues within its competence prescribed by the CA and the Company's Articles of Association. Decisions of the Supervisory Board are made by a majority of votes cast, except in cases where the Company's Articles of Association provide otherwise.

6. In accordance with the provisions of Article 250a, paragraph 4 and Article 272p of the Companies Act, this Statement is a separate section and an integral part of the Annual Report on the Company for 2020.

For and on behalf of the Management Board,

Toni Jeličić Purko,  
President of the Management Board,  
STANOVI JADRAN d.d., Split

**STANOVI JADRAN**  
d.d. SPLIT

  
Maja Bradić,  
Board Member,  
STANOVI JADRAN d.d., Split

25 February 2021

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Stanovi Jadran d.d. and subsidiaries.

### Opinion

We have audited the consolidated and unconsolidated financial statements of the Company Stanovi Jadran d.d. ("the Company") and its subsidiaries ("the Group"), which comprise statement of financial position as at 31 December 2020 for the Company and the Group, statement of profit or loss and other comprehensive income for the Company and the Group, the statement of changes in equity for the Company and the Group and the consolidated and statement of cash flows for the year then ended for the Company and the Group, including also notes to the those financial statements, including a summary of significant accounting policies (together "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2020, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs).

### Basis for Opinion

We conducted our audit in accordance with the Audit Act and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

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

The company was registered at Zagreb Commercial Court: MBS 030022053; paid-in initial capital: Kn 44,900.00; Company Directors: Marina Tonžetić, Dražen Nimčević and Domagoj Vuković; Bank: Privredna banka Zagreb d.d., Radnička cesta 50, 10 000 Zagreb, bank account no. 2340009-1110098294; SWIFT Code: PBZGHR2X IBAN: HR3823400091110098294.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see [www.deloitte.com/en/about](http://www.deloitte.com/en/about) to learn more.

<b>Impairment of investment property</b>	<b>How our audit addressed the key audit matter</b>
<p><i>We draw attention to Note 3 Significant accounting policies-Investment property. Additional information related to key audit matter are presented in Note 15 to the financial statements.</i></p>	
<p>In accordance with the International accounting Standard 40 "Investment Property", investment property is asset intended to held earn rentals or for capital appreciation. Considering that economic conditions in the market significantly affect the movement of the value of such assets, the Management Board is required to continually conduct a review of the recoverability, in accordance with the International accounting Standard 36 "Impairment of Assets".</p> <p>International accounting Standard 36 "Impairment of Assets", sets out requirements which a reporting entity needs to meet in order to ensure that the carrying amount of an asset does not exceed its recoverable amount. The carrying amount of an asset is above its recoverable amount if it exceeds the recoverable amount, which can be gained through the use or sale of the asset. If the carrying amount exceeds the recoverable amount, the asset is described as impaired and the entity must reduce the carrying amount of the asset to its recoverable amount, and recognise an impairment loss.</p> <p>Due to the fact that assessment and determination of the recoverable amount of an asset requires the application of an appropriate valuation methodology and model and is, in terms of the assumptions used, dependent on the judgements of management and independent appraisers, the process itself may be subject to potential bias. These facts have led us to conclude that impairment of investment property should be a key audit matter during our audit of the financial statements for the year ended 31 December 2020.</p>	<p>In order to address the impairment of investment property, identified as a key audit matter, we have designed audit procedures that have enabled us to obtain sufficient audit evidence for our conclusion on the matter.</p> <p>We have performed following audit procedures with respect to this area:</p> <ul style="list-style-type: none"> <li>• Discussion with the Management in order to gain an understanding of the process of examining the recoverability of assets;</li> <li>• Checking the accuracy and completeness of the data included in the Company's and the Group's subledgers and reconciling the data with the with the General Ledger;</li> <li>• Obtaining and reviewing real estate valuations, to assess whether they support the Management's judgments on assumptions used, and also;</li> <li>• Checking the adequacy of the applied valuation methodology by an internal expert and comparing the estimated values with carrying amount of assets classified as investment property.</li> </ul>

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## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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, which are included in the Annual Report, we have also performed the procedures prescribed by the Accounting Act. These procedures include examination of whether the Management Report and Corporate Governance Statement include required disclosures as set out in the Articles 21, 22 and 24 of the Accounting Act and whether the Corporate Governance Statement includes the information specified in the Articles 22 and 24 of the Accounting Act.

Based on the procedures performed during our audit, to the extent we are able to assess it, we report that:

- 1) Information included in the other information is, in all material respects, consistent with the attached financial statements.
- 2) Management Report has been prepared, in all material respects, in accordance with the Articles 21 and 24 of the Accounting Act.
- 3) Corporate Governance Statement has been prepared, in all material aspects, in accordance with the Article 22, paragraph 1, items 3 and 4 of the Accounting Act, and includes also the information from the Article 22, paragraph 1, point 2, 5, 6 and 7 and the Article 24, paragraph 2.

Based on the knowledge and understanding of the Company and the Group and their environment, which we gained during our audit of the financial statements, we have not identified material misstatements in the other information.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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



## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### Other reporting obligations as required by Regulation (EU) No. 537/2014 of the European Parliament and the Council and the Audit Act

We were appointed as the statutory auditor of the Company and the Group on 31 August 2020 to perform audit of accompanying financial statements. Our total uninterrupted engagement has lasted 7 years from which, uninterrupted engagement as a statutory auditor covers period from 1 January 2018 to 31 December 2020.

We confirm that:

- our audit opinion on the accompanying financial statements is consistent with the additional report issued to the Audit Committee of the Company and the Group on 25 February 2021 in accordance with the Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council;
- no prohibited non-audit services referred to in the Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided.

There are no services, in addition to the statutory audit, which we provided to the Company and the Group and its controlled undertakings, and which have not been disclosed in the Annual Report.

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

**Marina Tonžetić**  
Director

For signatures, please refer to the original Croatian auditor's report, which prevails.

**Goran Končar**  
Certified auditor

Deloitte d.o.o.  
25 February 2021  
Radnička cesta 80,  
10 000 Zagreb,  
Croatia

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## Statement of comprehensive income

For the year ended 31 December 2020

(All amounts are expressed in kunas)

	Note	Stanovi Jadran d.d. and its subsidiaries		Stanovi Jadran d.d.	
		2020	2019	2020	2019
		'000HRK	'000HRK	'000HRK	'000HRK
Sales income	5	5,300	6,180	5,317	6,203
Other operating income		129	110	129	110
<b>Total operating income</b>		<b>5,429</b>	<b>6,290</b>	<b>5,446</b>	<b>6,313</b>
Material expenses	6	(1,119)	(1,033)	(1,096)	(1,029)
Personnel expenses	7	(737)	(975)	(737)	(975)
Amortisation and depreciation expense	14,15	(1,367)	(368)	(1,367)	(368)
Other expenses	8	(923)	(1,026)	(908)	(1,014)
<b>Total operating expenses</b>		<b>(4,146)</b>	<b>(3,402)</b>	<b>(4,108)</b>	<b>(3,386)</b>
<b>Other profit/loss</b>	9				
Net profit/(loss) from financial instruments at fair value through profit or loss account		(3,159)	1,147	(3,159)	1,305
Net profit/loss from value adjustment		5,801	-	-	-
Share in subsidiary profit		-	-	5,378	790
Net profit from sale of subsidiary/disposal group		8,078	-	9,098	-
<b>Operating profit</b>		<b>12,003</b>	<b>4,035</b>	<b>12,655</b>	<b>4,941</b>
Finance income	10	1,163	61	1,171	58
Finance expense	11	(841)	(471)	(844)	(471)
<b>Profit from financial activities</b>		<b>322</b>	<b>(410)</b>	<b>327</b>	<b>(413)</b>
<b>Profit / (Loss) before tax</b>		<b>12,325</b>	<b>3,625</b>	<b>12,982</b>	<b>4,528</b>
Income tax expense	13	(1,275)	-	(1,160)	-
<b>Profit / (Loss) for the year</b>		<b>11,050</b>	<b>3,625</b>	<b>11,822</b>	<b>4,528</b>
Disposal group profit		-	798	-	-
<b>Total profit / (loss) for the year</b>		<b>11,050</b>	<b>4,423</b>	<b>11,822</b>	<b>4,528</b>
To the owners of the company		10,750	4,473	11,822	4,528
To minority shareholders		300	(50)	-	-
<b>Items that can later be included in profit or loss:</b>					
<b>Other comprehensive income / (loss)</b>		<b>11,050</b>	<b>4,423</b>	<b>11,822</b>	<b>4,528</b>
Earnings per share (basic and diluted)	12	28,20	11,73		

Accounting policies and other notes form part of these financial statements.

Consolidated statement of financial position

As at 31 December 2020

*(All amounts are expressed in kunas)*

Stanovi Jadran d.d. and its subsidiaries

	Note	31/12/2020	31/12/2019
		'000HRK	'000HRK
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	14	21	25
Property, plant and equipment	14	4,951	3,590
Investment property	15	59,873	54,385
Financial assets measured through profit or loss	17	6,983	3,266
Given loans	20	1,795	-
Deposits		151	156
		<b>73,774</b>	<b>61,422</b>
<b>Current assets</b>			
Receivables	18	7,205	2,603
Other receivables	19	407	371
Given loans	20	26,946	3,714
Cash and cash equivalents	21	63	9
Disposal group assets	22	-	29,514
		<b>34,621</b>	<b>36,211</b>
<b>TOTAL ASSETS</b>		<b>108,395</b>	<b>97,633</b>

Accounting policies and other notes form part of these financial statements.

Consolidated statement of financial position (continued)

As at 31 December 2020

(All amounts are expressed in kunas)

<b>Stanovi Jadran d.d. and its subsidiaries</b>			
	Note	31/12/2020	31/12/2019
		'000HRK	'000HRK
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share Capital	23	76,248	76,248
Capital reserves		3,358	3,358
Translation reserve		-	(456)
Transferred loss		(9,018)	(12,673)
Profit for the year		10,750	4,473
		<b>81,338</b>	<b>70,950</b>
Non-controlling interest		804	3,530
		<b>82,142</b>	<b>74,480</b>
<b>Non-current liabilities</b>			
Borrowings	25	15,236	15,169
		<b>15,236</b>	<b>15,169</b>
<b>Current liabilities</b>			
Trade payables	24	1,334	1,922
Borrowings	25	5,352	3,021
Other short-term liabilities	26	4,331	188
Disposal group liabilities	22	-	2,853
		<b>11,017</b>	<b>7,984</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>108,395</b>	<b>97,633</b>

Accounting policies and other notes form part of these financial statements.

Statement of financial position (continued)

As at 31 December 2020

*(All amounts are expressed in kunas)*

		<b>Stanovi Jadran d.d.</b>	
	Note	31/12/2020	31/12/2019
		'000HRK	'000HRK
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	14	21	25
Property, plant, and equipment	14	4,951	3,590
Investment property	15	45,840	46,265
Financial assets measured through profit or loss	17	6,983	3,266
Given loans	20	1,795	-
Deposits		151	156
Shares in subsidiaries	16	12,604	30,341
		<b>72,345</b>	<b>83,643</b>
<b>Current assets</b>			
Receivables	18	7,492	2,869
Other receivables	19	264	226
Given loans	20	27,197	3,714
Cash and cash equivalents	21	62	8
		<b>35,015</b>	<b>6,817</b>
<b>TOTAL ASSETS</b>		<b>107,360</b>	<b>90,460</b>

Accounting policies and other notes form part of these financial statements.

Statement of financial position (continued)

As at 31 December 2020

(All amounts are expressed in kunas)

		Stanovi Jadran d.d.	
	Note	31/12/2020	31/12/2019
		‘000HRK	‘000HRK
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share Capital	23	76,248	76,248
Capital reserves		3,358	3,358
Transferred loss		(10,089)	(14,617)
Profit for the year		11,822	4,528
		<b>81,339</b>	<b>69,517</b>
<b>Non-current liabilities</b>			
Borrowings	25	15,236	15,169
		<b>15,236</b>	<b>15,169</b>
<b>Current liabilities</b>			
Trade payables	24	1,218	1,717
Borrowings	25	5,352	3,869
Other short-term liabilities	26	4,215	188
		<b>10,785</b>	<b>5,774</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>107,360</b>	<b>90,460</b>

Accounting policies and other notes form part of these financial statements.

Consolidated statement of changes in  
owner's equity

For the year ended 31 December 2020

*(All amounts are expressed in kunas)*

Stanovi Jadran d.d. and its subsidiaries	Share Capital	Capital reserves	Transferred loss	Translation reserve	Non-controlling interest	Total
	'000HRK	'000HRK	'000HRK	'000HRK	'000HRK	'000HRK
<b>At 31 December 2018</b>	<b>76,248</b>	<b>3,358</b>	<b>(12,673)</b>	<b>(508)</b>	<b>3,580</b>	<b>70,005</b>
Net profit for the year	-	-	4,473	-	(50)	4,423
Sale of disposal group	-	-	-	52	-	52
<b>At 31 December 2019</b>	<b>76,248</b>	<b>3,358</b>	<b>(8,200)</b>	<b>(456)</b>	<b>3,530</b>	<b>74,480</b>
Net profit for the year	-	-	10,750	-	300	11,050
Sale of disposal group	-	-	(818)	456	(3,026)	(3,388)
<b>At 31 December 2020</b>	<b>76,248</b>	<b>3,358</b>	<b>1,732</b>	<b>-</b>	<b>804</b>	<b>82,142</b>

Accounting policies and other notes form part of these financial statements.

Statement of changes in owner's equity

For the year ended 31 December 2020

*(All amounts are expressed in kunas)*

Stanovi Jadran d.d.	Share Capital	Capital reserves	Transferred loss	Total
	'000HRK	'000HRK	'000HRK	'000HRK
<b>At 31 December 2018 (restated)</b>	76,248	3,358	(14,617)	64,989
Net profit for the year	-	-	4,528	4,528
<b>At 31 December 2019</b>	76,248	3,358	(10,089)	69,517
Net profit for the year	-	-	11,822	11,822
<b>At 31 December 2020</b>	76,248	3,358	1,733	81,339

Accounting policies and other notes form part of these financial statements.



## Statement of cash flows

For the year ended 31 December 2020

(All amounts are expressed in kunas)

	Stanovi Jadran d.d. and its subsidiaries		Stanovi Jadran d.d.	
	2020	2019	2020	2019
	'000HRK	'000HRK	'000HRK	'000HRK
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax	12,325	3,625	12,982	4,528
Disposal group profit	-	798	-	-
<b>Adjustments:</b>				
Amortization and depreciation	1,367	368	1,367	368
Net loss/(gain) from sale of investments in shares and investment funds	(4,891)	(11)	(5,852)	4
Gains from sale of property, plant and equipment	(3,912)	(1,017)	(3,912)	(1,017)
Loss from sale of property, plant and equipment	-	461	-	461
Net profit from value adjustments	(5,801)	-	-	-
Share in subsidiary profit	-	-	(5,387)	-
Net profit/(loss) from financial instruments at fair value through	(81)	(1,005)	(81)	(1,010)
Dividend income	(210)	-	(210)	(121)
Income from shareholdings in subsidiaries	-	-	-	(709)
Interest expense	563	439	563	468
Interest income	(604)	(38)	(611)	(38)
Exchange rate differences, net	(73)	(17)	(87)	(20)
Other adjustments	-	50	-	-
<b>Cash from operating activities before changes in working capital</b>	<b>(1,317)</b>	<b>3,653</b>	<b>(1,219)</b>	<b>2,914</b>
Increase in short-term receivables	(1,191)	(160)	(1,282)	(359)
Increase of other receivables	-	464	-	637
Decrease in trade payables and other liabilities	(104)	(3,174)	(19)	(2,780)
Tax paid	(1,213)	-	(1,213)	-
Interest paid	(754)	(375)	(754)	(404)
<b>Net increase in cash flow from operating activities</b>	<b>(4,579)</b>	<b>408</b>	<b>(4,487)</b>	<b>8</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>				
Purchase of tangible and intangible assets	(1,787)	(3,611)	(1,787)	(3,611)
Investment property purchase	(6,142)	(5,139)	(6,030)	(4,645)
Given loans, net	(24,546)	(209)	(24,779)	(122)
Deposits given, net change	6	(7)	6	(7)
Outflows from sale of financial assets measured at fair value	(26,115)	-	(26,115)	-
Proceeds from sale of investment property	6,228	-	6,228	-
Proceeds from sale of financial assets measured at fair value	50,994	11	51,855	11
Proceeds from investments in financial assets available for sale	-	1,017	-	1,017
Other cash outflows from investing activities	-	-	-	(136)
Interest received	-	38	-	38
Dividends	210	-	210	121
<b>Net decrease in cash flow from investing</b>	<b>(1,153)</b>	<b>(7,900)</b>	<b>(412)</b>	<b>(7,334)</b>

Statement of cash flows (continued)

For the year ended 31 December 2020

(All amounts are expressed in kunas)

	Stanovi Jadran d.d. and its subsidiaries		Stanovi Jadran d.d.	
	2020	2019	2020	2019
	'000HRK	'000HRK	'000HRK	'000HRK
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>				
Cash receipts from loan principal, debentures, loans and other borrowings	7,235	18,482	7,235	19,182
Cash receipts from repurchasing agreements	3,508	-	3,508	-
Repayment of received loans	(4,957)	(11,366)	(5,790)	(11,927)
<b>Net increase in cash flow from financial activities</b>	<b>5,786</b>	<b>7,116</b>	<b>4,953</b>	<b>7,255</b>
Cash and cash equivalents at the beginning of the period	9	385	8	79
Net increase / (decrease) in cash and cash equivalents	54	(376)	54	(71)
<b>Cash and cash equivalents at the end of the period</b>	<b>63</b>	<b>9</b>	<b>62</b>	<b>8</b>

Accounting policies and other notes form part of these financial statements.

## Notes to the financial statements

For the year ended 31 December 2020

*(All amounts are expressed in kunas)*

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### 1. GENERAL INFORMATION

STANOVI JADRAN d.d., a real estate operations company, is based at the address: Kralja Zvonimira 14/IX, 21000 Split. The Company registration number is 2182190, and its statistical economic activity code according to the State Bureau of Statistics is 6810 – Buying and selling of own real estate. The Personal Identification Number (PIN) of the Company is 88680117715.

At 8 February 2007 the Company was entered into the court register of the Commercial Court in Split under the registration number 060227551 (Registration decision number: Tt-07/245-2) based on the Memorandum of Association of 26 January 2007.

The Company's share capital amounts to HRK 16,262,100 and is fully paid in. The sole owner of the Company is Jadran Kapital d.d., Split.

Pursuant to the Ruling of the Commercial Court in Split, Ruling no Tt-13/3414-7, dated 14 October 2013, a merger of Zelena vala projekt ltd, Peškarija ltd and Ličko selo ltd to Stanovi Jadran d.d. was registered. As a result, the total share capital amounts to HRK 29,046,600.

Pursuant to the Ruling of the Commercial Court in Split, Ruling no Tt-14/5434-5, dated 21 April 2015, the merger of Jadran solar ltd was entered into the court register, resulting in additional HRK 1,000,000 being added to the share capital, as a result of which the total share capital of the Company amounts to HRK 30,046,600. As per decision of the members of the Company on 30 June 2016 the share capital was increased by HRK 15,861,400 based on a decision of the Company's' shareholders to convert a portion of receivables to share capital, resulting in a share capital in the amount of HRK 45,908,000.

By decision of the Commercial Court in Split, no. Tt-17 / 3110-5 of 13 April.2017, published on 14 April 2017 Commercial court in Split, according to the judge, Edi Maleš, in the registration case of registration in the court register of the decision to increase the share capital, according to the proposal of the proponent STANOVI JADRAN d.d. for the real estate business, Split, Kraljevo Zvonimira 14 / IX, on April 13, 2017, a decision was made on the increase of the share capital in the subject of registration filed under the company STANOVI JADRAN d.d. for real estate business, based in Split, Kralja Zvonimira 14 / IX, in a register with MBS: 060227551, OIB: 88680117715, in the amount of HRK 45,908,000.00, by the amount of HRK 30,340,000.00 paid in cash, issuing 151,700 new ordinary shares in the non-materialized form, amounting to HRK 76,248,000.00.

The share capital of HRK 76,248,000.00 is divided into 381,240 new ordinary shares in the non-materialized form, which are denominated in the name, each in the nominal amount of HRK 200.00.

Authorized representative:

- 1) Maja Bradić, Board Member, represents the company individually and independently since 10 September 2012.
- 2) Toni Jeličić Purko, President of the Management Board, represents the company individually and independently since 21 October 2016.

The Supervisory Board was appointed on August 18, 2017, members are:

1. Miroslav Jelčić-Purko, president
2. Tvrtko Brajković, member
3. Katija Barić, Member

## Notes to the financial statements (continued)

For the year ended 31 December 2020

*(All amounts are expressed in kunas)*

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### 1. GENERAL INFORMATION (CONTINUED)

The subject-matter of the Company according to the court register:

- Catering - preparation of food and provision of food services, preparation and serving of drinks and beverages and provision of accommodation services; preparation of food for consumption at other locations (on means of transport, at events and similar), with or without serving;
- Buying and selling of owned real estate;
- Rental and management of owned real estate;
- Real estate management and maintenance operations;
- Real estate dealings;
- Business and management consultancy;
- Accounting and bookkeeping
- Design and construction of buildings and professional construction supervision
- Professional spatial planning tasks
- Spatial planning and construction activities
- Activity of design and / or professional supervision of construction
- Construction project management activity
- Technical testing and analysis activities
- Energy certification, energy audit of the building and regular inspection of the heating and cooling or air conditioning systems in the building
- Rental of machinery and equipment in construction
- Construction and reconstruction of public roads
- Transport of passengers and goods by inland waterways
- Public transport in regular coastal maritime transport
- International liner shipping
- Occasional transport of passengers in coastal maritime transport
- Rental services of land transport vehicles with driver and without driver
- Performing the activity of renting yachts or boats with or without crew (charter)
- Boat rental
- Rental of air transport
- Rental of agricultural machinery and equipment
- Rental of office machinery and equipment, including computers
- Renting items for personal and household use
- Passenger transport in domestic road transport
- Passenger transport in international road transport
- Freight transport in domestic road transport
- Freight transport in international road transport

## Notes to the financial statements (continued)

For the year ended 31 December 2020

(All amounts are expressed in kunas)

### 1. GENERAL INFORMATION (CONTINUED)

The subject-matter of the Company according to the court register:

- Transport of persons and cargo for own needs
- Agency activities in road transport
- Buying and selling goods
- Provision of services in trade
- Performing trade mediation on the domestic and foreign markets
- Representation of foreign companies
- Occasional transport of passengers in coastal maritime transport
- Mooring and unmooring of ships, yachts, fishing, sports and other boats and floating objects
- Loading, unloading, transshipment, transfer and storage of goods and other materials
- Receiving and directing vehicles for the purpose of boarding or disembarking vehicles from regulated port areas
- Boarding and disembarking passengers using port transshipment equipment
- Tourist services in nautical, health and congress tourism and active and adventure tourism
- Tourist services on the farm, aquaculture farm, hunting ground and in the forest of forest owners and fishing tourism
- Car rental services, tourist diving services
- Services of renting equipment for sports and recreation to tourists and obligations of the service provider
- Information society services
- Publicity (advertising and propaganda)
- Organization of courses, fun games, events, fashion shows, conferences, seminars, exhibitions, concerts, festivals, fairs
- Marina activity
- Cleaning of all types of facilities
- Computer and related activities
- Web design and maintenance, web design

The Group includes, in addition to the Company as the "Parent", the following subsidiary/associated companies:

Subsidiary/Associate	31/12/2020	31/12/2019	Principal activity
	% equity share	% equity share	
Nova nekretnine ltd, Trsteno	85.40%	85.40%	Buying and selling of owned real estate
Vile Orašac ltd, Trsteno	100%	100%	Buying and selling of owned real estate
Winter ltd, Travnik, Bosna i Hercegovina	-	89%	Accommodation, food and drink services

## Notes to the financial statements (continued)

For the year ended 31 December 2020

*(All amounts are expressed in kunas)*

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### 2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS

#### ***Initial application of new amendments to the existing standards effective for the current reporting period***

The following amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”** - Definition of Material - adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IFRS 3 “Business Combinations”** - Definition of a Business - adopted by the EU on 21 April 2020 (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period),
- **Amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement” and IFRS 7 “Financial Instruments: Disclosures”** - Interest Rate Benchmark Reform - adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IFRS 16 “Leases”** - Covid-19-Related Rent Concessions (adopted by the EU on 9 October 2020 and effective at the latest, as from 1 June 2020 for financial years starting on or after 1 January 2020),\*
- **Amendments to References to the Conceptual Framework in IFRS Standards** adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020).

The adoption of amendments to the existing standards has not led to any material changes in the Company's and Group's financial statements.

## Notes to the financial statements (continued)

For the year ended 31 December 2020

*(All amounts are expressed in kunas)*

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### 2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

#### Standards and amendments to existing standards published by the IASB and adopted in the European Union, but not yet in force

- **Amendments to IFRS 4 Insurance Contracts “Extension of the Temporary Exemption from Applying IFRS 9”** adopted by the EU on 16 December 2020 (the expiry date for the temporary exemption from IFRS 9 was extended from 1 January 2021 to annual periods beginning on or after 1 January 2023),
- **Amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement”, IFRS 7 “Financial Instruments: Disclosures”, IFRS 4 “Insurance Contracts” and IFRS 16 “Leases” - Interest Rate Benchmark Reform — Phase 2** adopted by the EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021).

#### New standards and amendments to existing standards published by the IASB but not yet adopted in the European Union

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at 25 February 2021 (the effective dates stated below is for IFRS as issued by IASB):

- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **IFRS 17 “Insurance Contracts”** including amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 1 “Presentation of Financial Statements”** - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 16 “Property, Plant and Equipment”** - Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”** - Onerous Contracts — Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022);
- **Amendments to IFRS 3 “Business Combinations”** - Reference to the Conceptual Framework with amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),

## Notes to the financial statements (continued)

For the year ended 31 December 2020

*(All amounts are expressed in kunas)*

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### 2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

#### New standards and amendments to existing standards published by the IASB but not yet adopted in the European Union (continued)

- **Amendments to various standards due to “Improvements to IFRSs (cycle 2018 -2020)”** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.).

The Company and Group anticipate that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Company and Group in the period of initial application.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated.

According to the Company's and Group's estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to **IAS 39: “Financial Instruments: Recognition and Measurement”** would not significantly impact the financial statements, if applied as at the balance sheet date.



## Notes to the financial statements (continued)

For the year ended 31 December 2020

*(All amounts are expressed in kunas)*

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### 3. SIGNIFICANT ACCOUNTING POLICIES

#### Basis of preparation

The Company and the Group are required to prepare financial statements in line with the International Financial Reporting Standards (IFRSs) adopted by the European Union.

The financial statements of the Company and the Group are prepared in line with the Accounting Act of the Republic of Croatia and IFRSs. The consolidated and unconsolidated financial statements are prepared on an accrual basis of accounting, whereby the effects of transactions and other events are recognised when they occur and they are reported in the financial statements of the period to which they relate.

The financial statements of the Company and the Group are presented in HRK, which is also the functional currency of the Company and the Group, as it is the currency most of the business events of the Company and the Group are reported in.

<b>Currency</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
EUR 1	7.53690	7.44258

The financial statements are prepared based on the going concern principle.

## Notes to the financial statements (continued)

For the year ended 31 December 2020

*(All amounts are expressed in kunas)*

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### 3. SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of consolidation**

The accompanying consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- *has power over the investee;*
- *is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.*

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- *the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;*
- *potential voting rights held by the Company, other vote holders or other parties;*
- *rights arising from other contractual arrangements; and*
- *any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.*

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

## Notes to the financial statements (continued)

For the year ended 31 December 2020

*(All amounts are expressed in kunas)*

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### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Revenue recognition

Revenue is an increase in economic benefits in an accounting period in the form of inflows or increases of assets or reduction of liabilities which results in an increase of equity other than from amounts contributed by the owners. Revenue includes gains, as well as proceeds from ordinary activities such as those from the sale of assets or interest. Revenue is measured at the fair value of the consideration or receivable.

The Company operates in one business segment (rental of real estate) and reports in separate financial statements accordingly.

In accordance with IFRS 15 - Contract Revenue, the basic principle is developed through a five-step model:

- identify the contract (s) with the customer
- identify the performance obligation in the contract
- determine the transaction price
- allocate the transaction price to the contractual performance obligations in the contract
- recognize revenue when, or as, the entity satisfies a performance obligation.

Revenue is recognized by transferring control, either over time or at a specified time. Asset control is defined as the ability to manage the use and acquisition of almost all remaining benefits from assets, which includes the ability to prevent others from managing the use and obtaining benefits from assets.

Financial income consists of interest, foreign exchange gains, dividends and other income from related parties, interest, foreign exchange gains, dividends and other income from third parties and other entities, part of the income from associates and joint ventures, unrealized gains (revenues) and other income. Interest income is recognized in the income statement when incurred, using the effective interest method. Dividend income is recognised when the right to receive payment has been established.

#### Business segments

The business segment is a component of the Company or the Group that deals with business activities from which they can generate income and in connection with which they bear costs, whose business results are regularly reviewed by the main decision maker (Company and Group) to make decisions on resources to be allocated to the segment and evaluate its business results, and for which separate financial information is available. The Company and the Group operate in one business segment (sale and rental of real estate) and do not report on business segments in separate and consolidated financial statements.

## Notes to the financial statements (continued)

For the year ended 31 December 2020

*(All amounts are expressed in kunas)*

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### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Expense recognition**

Expenses are reductions in economic benefits over an accounting period in the form of outflows or reductions of assets or increases in liabilities which lead to a decrease in equity, other than as a result of the profit distributed to the equity holders.

Expenses are recognized by matching them directly with the related revenue from one and the same transaction or other event.

Operating expenses comprise material costs, staff costs, depreciation, amortisation, impairment of non-current and current assets as well as other operating expenses.

Financial expenses include interest expense, foreign exchange losses and other costs from relationships with related and third parties, unrealized losses from financial assets and other financial expenses. Interest expense on borrowings is recognized using the effective interest method.

#### **Financial assets**

Regular sale or purchase of financial assets is recognized and derecognized based on trade date. Regular sales and purchases are sales and purchases of financial assets that requires asset delivery in a timeframe regulatory defined or based on market practice.

All recognized financial assets are subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss, depending on the business model and cash flow characteristics.

## Notes to the financial statements (continued)

For the year ended 31 December 2020

*(All amounts are expressed in kunas)*

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### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Financial assets (continued)

##### *Classification of financial assets*

Debt instruments that meet the following conditions are subsequently measured at amortized cost:

- Financial assets are held within the business model for the purpose of holding financial assets for the purpose of collecting contractual cash flows,
- Contractual terms of financial assets arise from certain dates for cash flows that are solely principal payments and interest on the outstanding principal amount.

Verification of whether the contractual terms of financial assets contain cash flows which are solely payments of principal and interest on the outstanding principal on defined dates shall be made only on the initial recognition of the financial asset. If the contractual terms of financial assets change significantly or there is a partial or complete write-off of the agreed cash flows, the financial asset is derecognized, a new financial asset is recognized, again subject to the test. The significance of the change in contractual terms is calculated by applying the original effective interest rate to cash flows as a result of the change in contractual terms. The difference arising from the original contracted cash flows and thus calculated shall be recorded in the Statement of comprehensive income if it is insignificant, while in case of being significant, derecognition criteria is met and new recognition is carried out as mentioned above. The Company defines the significance of the modification in contractual terms at a qualitative and quantitative level whenever the terms of each contract are changed.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (FVOSD):

- Financial assets are held within the business model for the purpose of holding financial assets for the purpose of collecting or selling contractual cash flows.
- Contractual terms of financial assets arise from certain dates for cash flows that are solely principal payments and interest on the outstanding principal amount

All other financial assets are measured at fair value through profit or loss according to defined parameters.

## Notes to the financial statements (continued)

For the year ended 31 December 2020

(All amounts are expressed in kunas)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Financial assets (continued)

##### *Amortized cost and the effective interest method*

The effective interest rate method is the method of calculating the amortized cost of the debt instrument and allocating interest income during the relevant period. For financial assets other than purchased or originated credit impaired financial assets (i.e. assets that were credit impaired at initial recognition), the effective interest rate is the rate that accurately discounts the estimated future cash receipts (including any fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life time of the debt instrument, or, where appropriate, a shorter period, on the gross carrying amount of the debt instrument at initial recognition. For purchased or originated credit impaired financial assets, the adjusted effective interest rate shall be calculated by discounting the estimated future cash flows, including expected credit losses, at the amortized cost of the debt instrument at the initial recognition. Amortized cost is the amount at which the financial asset is measured at initial recognition decreased for the principal repayments, increased for the amount of the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance. Gross carrying amount of the financial assets is the amortized cost before any loss allowance.

##### *Financial assets at fair value through profit or loss*

All financial assets other than financial assets measured at amortized cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. In further detail:

- Investments in equity instruments are classified as financial assets at fair value through profit or loss, except if the Company either measures them at the fair value through other comprehensive income option at initial recognition or does not hold the equity instrument for trading;
- Debt instruments that do not meet the criteria for amortized cost or FVOSD (see (i) and (ii) above) are classified as financial assets at fair value through profit or loss. In addition, debt instruments that meet either the amortized cost or FVOSD measurement criteria may be measured at fair value through profit or loss after initial recognition, if such determination eliminates or significantly reduces the inconsistency of measurement or recognition (so-called accounting mismatch) that would arising from the measurement of assets or liabilities or the recognition of gains and losses on them on various bases. The Company has not designated any debt instruments at fair value through profit or loss.

Financial assets measured at fair value through profit or loss is measured at fair value at the end of each reporting period, whereby all gains and losses from fair value are recognized in the Statement of comprehensive income.

## Notes to the financial statements (continued)

For the year ended 31 December 2020

*(All amounts are expressed in kunas)*

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### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, short-term bank deposits with contractual maturities of up to 3 months and cash with banks. Cash with banks and on hand is recognised at nominal amount and expressed in Croatian kunas. Foreign-currency denominated balances with banks and on hand are translated using the middle exchange rate of the Croatian National Bank rate at the end of each reporting period.

#### **Foreign currencies**

Transactions denominated in foreign currencies are translated into the Group's functional currency using the exchange rate effective at the dates of the transactions. Monetary assets denominated in a foreign currency are retranslated into functional currency at the end of each reporting period. Non-monetary assets in a foreign currency carried at fair value are translated using the exchange rate effective at the fair-value measurement date. Non-monetary assets in a foreign currency carried at historical cost are not retranslated. Foreign currency differences arisen on the settlement and subsequent retranslation of monetary assets are recognised in the statement of profit or loss for the period. Foreign currency differences on subsequent measurement of non-monetary assets carried at fair value form a part of the fair value of these assets.

#### **Taxation**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit for the period reported in the statement of profit or loss because it excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Current tax is recognized as an expense in the statement of profit or loss, except where it relates to equity items, in which case it is also recognised in equity. In that case, the tax is also recognized in equity, or if the taxes arise from the first presentation of the business combination. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not recognized if it arises from the initial recognition of assets or liabilities in a transaction that is not a business combination and that at the time of the transaction does not affect accounting profit or taxable profit (tax loss).

#### **Property, plant and equipment**

Property, plant and equipment are recognised at cost, i.e. at cost less accumulated depreciation and accumulated losses from impairment of asset. The initial cost of property, plant and equipment comprises the purchase price, which includes import duties and non-refundable sales taxes as well as costs directly attributable to bringing an asset to its working condition and location for its intended use. Expenditure incurred after bringing items of property, plant and equipment to their intended use, such as repairs and maintenance costs, is recognized as an expense in the statement of profit or loss in the period in which it is incurred. Expenditures resulting in an obvious increase of the expected future economic benefits to be derived from the use of an item of property, plant and equipment are capitalised. Costs of periodic, planned significant overhauls necessary for further use of assets are also capitalized.

## Notes to the financial statements (continued)

For the year ended 31 December 2020

*(All amounts are expressed in kunas)*

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### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Property, plant and equipment (continued)**

Subsequent expenditures are included in the asset's carrying amount, or if appropriate, are recognized as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the asset can be reliably measured. The carrying amount of the replaced part is written off. All other investment and current maintenance costs charge the income statement in the financial period in which they are incurred.

Property, plant and equipment are no longer recognised in the financial statements when they are sold or when the Group no longer expects to receive any economic benefits from their use or disposal. Any gain or loss from sale property, plant and equipment is included in the statement of profit or loss. The net book value of sold property, plant and equipment is included in expenses and offset against the selling price to arrive at the gain or loss from the sale. Items of property, plant and equipment which are disposed of are derecognised from the statement of profit or loss, together with their respective accumulated depreciation.



## Notes to the financial statements (continued)

For the year ended 31 December 2020

*(All amounts are expressed in kunas)*

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### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Shares in subsidiaries

Subsidiaries are companies in which the Mother Company has control, i.e. the power to manage financial and business policies involving the decision on financial and business policies in subsidiary.

Control was achieved if:

- Company has the predominance i.e. power of disposal in the subject
- The company is exposed or has rights over the variable return on the basis of its participation in that Entity and
- It is capable of relying on its predominance, i.e. the power to dispose of its contribution to its yield.

The Company re-evaluates whether it has control over the facts and circumstances that indicate that one or more of the above-mentioned control elements have occurred.

Investments in subsidiaries are reported in the statement of financial position at cost of investments adjusted for all changes in the Company's share of the net assets of the subsidiary after the acquisition, as well as for any impairment of the value of individual investments.

#### Investment property

Investments in land and buildings which are held for the purposes of capital appreciation or earning rentals are classified as investment properties.

Investments in properties are stated at cost less accumulated depreciation and impairment losses. Investments in properties include investments of the Company and the Group in property with the intention of earning rent or increasing market value, but not those investments intended for sale as part of regular operations or for administrative purposes. All real estate investments, except assets under construction, are depreciated on a straight-line basis at the prescribed rates that write off the cost of acquisition over the estimated useful lives of the assets.

The useful lives of assets and residual values are reviewed and adjusted at each reporting date. Transfers are made from and to properties investments, when there is a change in use, which is manifested by the cessation or beginning of use by the owner. Investment property is derecognised when the asset has been removed or permanently withdrawn from use or no future economic benefits are expected from its use. Gains and losses from withdrawals or disposals are recognized in profit or loss in the year of disposal. Land and assets under construction are not depreciated

## Notes to the financial statements (continued)

For the year ended 31 December 2020

*(All amounts are expressed in kunas)*

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### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Impairment of property, plant and equipment and investment property**

Assets with an indefinite useful life are not depreciated and are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Assets that are not depreciated are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets not yet available for use are reviewed for impairment at each reporting date.

Impairment losses are recognised whenever the carrying amount of an asset exceeds the asset's recoverable amount. Impairment losses are recognised in the statement of profit or loss.

The recoverable amount of property, plant and equipment and of investment properties is the higher of their fair value less costs to sell and value in use.

A reversal of an impairment loss for an asset, other than goodwill, is recognized immediately in profit or loss, except when the asset is carried at revalued amount in accordance with another IFRS (eg IAS 16). Any reversal of an impairment loss on a revalued asset is treated as a revaluation increase.

#### **Earnings per share**

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS are calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS are determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

## Notes to the financial statements (continued)

For the year ended 31 December 2020

*(All amounts are expressed in kunas)*

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### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Share capital**

External costs that are directly attributable to the issue of new shares, other than those arising from business combinations, are deducted from equity less any related taxes. Dividends on ordinary shares are recognized in equity in the period in which they are declared.

When the Group or its subsidiaries purchase share capital or acquire the right to purchase share capital, the consideration paid, including all transaction costs less taxes, is shown as a deduction from total equity. Gains and losses on the sale of own shares are charged or credited to the premium / discount account on the issued shares, within the equity.

#### **Events after the balance sheet date**

Events after the balance sheet date that provide additional information about the Company's and Group's position at the balance sheet date (adjusting events) are reflected in the financial statements. Events after the balance sheet date that are not adjusting events are disclosed in the notes when material.

## Notes to the financial statements (continued)

For the year ended 31 December 2020

*(All amounts are expressed in kunas)*

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### **4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

Estimates are continually evaluated and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions related to the future. The resulting accounting estimates are, by definition, in some cases equated with actual results. The estimates and assumptions that could cause a significant risk of an adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

#### *Impairment of non-financial assets*

Determining the impairment of an asset involves the use of estimates that include, but are not limited to, the causes, timing and amount of impairment. Impairment is based on many factors such as changes in market conditions, increases in the cost of capital, changes in future financing options, technological obsolescence, replacement costs, amounts paid in comparable transactions and other changes in circumstances that indicate an impairment. The recoverable amount and fair value are usually determined using the discounted cash flow method, which contains reasonable market assumptions. Determining impairment indicators, as well as estimating future cash flows and determining the fair value of assets (or groups of assets) requires management to make significant estimates in identifying and evaluating impairment indicators, expected cash flows, applicable discount rates, useful lives and residual values. Please see notes 14 and 15.

#### *Useful life of property, plant and equipment*

Determining the useful life of an asset is based on historical experience with similar assets, as well as projected technological developments and changes in broader economic and industrial factors. The adequacy of the estimated useful lives is reviewed annually, or whenever there is an indication of significant changes in assumptions. We believe that this is an important accounting estimate, as it involves assumptions about technological developments and is significantly dependent on the Company's investment plans. Please see notes 14 and 15.

#### *Impairment allowance on shares in subsidiaries*

Once a year, the company conducts a test for impairment of investments in subsidiaries. The recoverable amounts of cash-generating units are determined based on fair value less costs to sell. These calculations require the use of estimates. Please see note 16.

## Notes to the financial statements (continued)

For the year ended 31 December 2020

*(All amounts are expressed in kunas)*

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### **4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)**

#### Expected credit loss model

The estimation of future expected credit losses, i.e. impairment of financial instruments, is performed based on the average write-off rate in previous years and its application to unadjusted financial assets measured at amortized cost at the reporting date. The Company uses a simplified approach to the allocation of receivables in Level 2 and Level 3 according to the requirements of IFRS 9. Receivables overdue for more than 365 days are allocated to Level 3. For loans granted, the Company uses the general approach.

After a lawsuit and the existence of objective evidence of impairment based on the event or more that the Management Board indicates that the contracted cash flows will not be collected, the value of these financial assets is adjusted in an amount that reflects these parameters. The decision on impairment is made by the Management Board of the Company. Please see notes 18, 19 and 20.

#### Income tax

Taxes are calculated based on interpretations of the current tax legislation. Tax calculations that result in a tax refund are subject to review and recognition by the local tax authorities.

## Notes to the financial statements (continued)

For the year ended 31 December 2020

(All amounts are expressed in kunas)

### 5. SALES INCOME

	Stanovi Jadran d.d. and its subsidiaries		Stanovi Jadran d.d.	
	2020 '000HRK	2019 '000HRK	2020 '000HRK	2019 '000HRK
<b>Revenue recognized at point in time</b>				
Profit from sale of tangible asset	3,912	4,694	3,912	4,694
Re-invoicing revenue	78	18	78	41
	<b>3,990</b>	<b>4,712</b>	<b>3,990</b>	<b>4,735</b>
<b>Revenue recognised over time</b>				
Rent revenue	1,239	1,311	1,239	1,311
Revenue from services	71	157	88	157
	<b>1,310</b>	<b>1,468</b>	<b>1,327</b>	<b>1,468</b>
	<b>5,300</b>	<b>6,180</b>	<b>5,317</b>	<b>6,203</b>

The Company reports revenues by individual segments, which include the sale of real estate, rental of real estate and accommodation services.

### 6. MATERIAL EXPENSES

	Stanovi Jadran d.d. and its subsidiaries		Stanovi Jadran d.d.	
	2020 '000HRK	2019 '000HRK	2020 '000HRK	2019 '000HRK
Service costs	774	625	751	621
Cost of raw material and supplies	345	408	345	408
	<b>1,119</b>	<b>1,033</b>	<b>1,096</b>	<b>1,029</b>

Service costs relate to services from ordinary activities, such as leases, banking and professional services. Lease costs in the amount of HRK 215 thousand (2019: HRK 125 thousand) relate to low-value leases and / or leases shorter than 12 months for which an exemption from the recognition of the right to use the property has been used in accordance with IFRS 16.

The costs of raw materials and supplies relate to the maintenance and costs of telephones, fuel and parts.

## Notes to the financial statements (continued)

For the year ended 31 December 2020

(All amounts are expressed in kunas)

### 7. PERSONNEL EXPENSES

	Stanovi Jadran d.d. and its subsidiaries		Stanovi Jadran d.d.	
	2020	2019	2020	2019
	'000HRK	'000HRK	'000HRK	'000HRK
Net salaries	452	601	452	601
Contributions on salaries	148	201	148	201
Contributions and taxes from salaries	137	173	137	173
	<b>737</b>	<b>975</b>	<b>737</b>	<b>975</b>

As at 31 December 2020, the Group had 9 employees and the Company had 9 employees (31 December 2019: 50 employees had Group and 10 employees Company).

### 8. OTHER EXPENSES

	Stanovi Jadran d.d. and subsidiaries		Stanovi Jadran d.d.	
	2020	2019	2020	2019
	'000HRK	'000HRK	'000HRK	'000HRK
Bank costs	606	66	606	66
Business travel, professional education and other non-taxable payment to employees	178	220	178	220
Taxes independent of the result	53	58	53	58
Insurance premiums	26	37	26	37
Representation costs	21	73	21	73
Administrative and court costs and duties	10	23	1	15
Membership fees	2	25	1	24
Donations	-	20	-	20
Loss from sale of tangible assets	-	461	-	461
Other costs	27	43	22	40
	<b>923</b>	<b>1,026</b>	<b>908</b>	<b>1,014</b>

Notes to the financial statements (continued)

For the year ended 31 December 2020

(All amounts are expressed in kunas)

**9. OTHER PROFIT/LOSS**

	Stanovi Jadran d.d. and subsidiaries		Stanovi Jadran d.d.	
	2020	2019	2020	2019
	'000kn	'000kn	'000kn	'000kn
Net profit/(loss) from financial instruments as fair value through profit or loss account:				
- Realised profit/(loss)	(3,114)	32	(3,114)	32
- Unrealised profit/(loss)	(45)	1,115	(45)	1,273
Net profit/loss from value adjustment	5,801	-	-	-
Share in subsidiary profit	-	-	5,378	709
Net profit from sale of subsidiary/disposal group	8,078	-	9,098	-
	<b>10,720</b>	<b>1,147</b>	<b>11,317</b>	<b>2,014</b>

During the year, the company realized a net loss from the purchase and sale of securities of BH Telecom d.d., JP Elektroprivreda d.d., Telekom Srpske AS, in the total amount of HRK 3,114 thousand. The unrealized net loss arising from fair value at the balance sheet date and the exchange rate amounts to HRK 45 thousand.

During 2020, the Group completed the necessary documentation and received certificates from public bodies for amendments to the Villa Orašac and Nova Nekretnine projects. In addition, the Group has identified increased demand for these projects during the year and is negotiating with interested customers. Based on the above, the Group hired an independent appraiser to determine the new fair value of the real estate in question. As the previous investments in real estate were value adjusted, the Group, based on a new assessment, carried out the reversal of impairment from previous periods to their recoverable amount and realized a profit from value adjustment in the total amount of HRK 5,801 thousand.

Summary of reversal of impairment by real estate::

Company	Real estate	Amount
Vile Orašac ltd	Orašac	3,680
Nova Nekretnine ltd	Donje Obuljeno	747
Nova Nekretnine ltd	Gornje Obuljeno	1,374
		<b>5,801</b>

By adjusting the value of real estate investments, the Company realized HRK 5,378 thousand share in the profit of subsidiaries.

At the beginning of 2020, the shares of the subsidiary Winter were sold (Note 16) and net profit was realized in the amount of HRK 8,078 thousand at the Group level, or HRK 9,098 thousand at the Company level. The company sold, was reported as a disposal group in the previous year at the Group level.



Notes to the financial statements (continued)

For the year ended 31 December 2020

(All amounts are expressed in kunas)

**10. FINANCIAL INCOME**

	Stanovi Jadran d.d. and subsidiaries		Stanovi Jadran d.d.	
	2020	2019	2020	2019
	'000HRK	'000HRK	'000HRK	'000HRK
Dividend income	210	-	210	-
Interest income and foreign exchange gains	953	61	961	58
	<b>1,163</b>	<b>61</b>	<b>1,171</b>	<b>58</b>

**11. FINANCIAL EXPENSES**

	Stanovi Jadran d.d. and subsidiaries		Stanovi Jadran d.d.	
	2020	2019	2020	2019
	'000HRK	'000HRK	'000HRK	'000HRK
Interest expense and foreign exchange losses	841	471	844	471
	<b>841</b>	<b>471</b>	<b>844</b>	<b>471</b>

**12. BASIC AND DILUTED EARNINGS PER SHARE**

For the purposes of calculating earnings per share, earnings are calculated as profit after tax intended for owners. The number of ordinary shares is the weighted average number of ordinary shares outstanding during the year after deducting the number of ordinary shares. The weighted average number of ordinary shares used in the calculation of basic earnings per share was 381,240.

	Stanovi Jadran d.d. and subsidiaries	
	2020	2019
Profit after tax	10,750	4,473
Average weighted number of ordinary shares issued	381,240	381,240
Basic and diluted earnings per share (in HRK per share)	<b>28,20</b>	<b>11,73</b>

## Notes to the financial statements (continued)

For the year ended 31 December 2020

(All amounts are expressed in kunas)

### 13. INCOME TAX

Income tax is calculated in accordance with Croatian regulations.

	Stanovi Jadran d.d. and its subsidiaries		Stanovi Jadran d.d.	
	2020	2019	2020	2019
	'000HRK	'000HRK	'000HRK	'000HRK
Accounting profit/(loss)	16,355	4,512	12,376	4,528
Tax rate 18%/12%	2,870	812	2,346	815
Tax base increase	89	7	89	28
Tax base decrease	(1,026)	(4)	(1,026)	(22)
The impact of different tax jurisdictions	-	6	-	-
Used tax losses	(658)	(821)	(249)	(821)
<b>Income tax</b>	<b>1,275</b>	<b>-</b>	<b>1,160</b>	<b>-</b>

In accordance with the tax regulations, the Tax Administration may at any time review the books and records of the Company and the Group for a period of three years after the expiration of the year in which the tax liability is reported and may impose additional tax liabilities and penalties. The Management Board of the Company and the Group is not aware of any circumstances that could lead to potential significant obligations under supervised supervision.

The Company and the Group have not calculated deferred tax assets on tax losses as it cannot be estimated that the stated difference will be realized, i.e. that they will realize sufficient taxable profits in the following periods necessary for the realization of tax losses.

	Stanovi Jadran d.d. and its subsidiaries		Stanovi Jadran d.d.	
	2020	2019	2020	2019
	'000kn	'000kn	'000kn	'000kn
Tax loss 2015 – expires 2020	-	19	-	-
Tax loss 2016 – expires 2021	-	3,297	-	-
Tax loss 2017 – expires 2022	-	19	-	-
Tax loss 2018 – expires 2023	-	1,416	-	1,380
Tax loss 2019 – expires 2024	-	35	-	-
Tax loss 2020 – expires 2025	-	-	-	-
<b>Total</b>	<b>-</b>	<b>4,786</b>	<b>-</b>	<b>1,380</b>

Notes to the financial statements (continued)

For the year ended 31 December 2020

(All amounts are expressed in kunas)

**14. PROPERTY, PLANT AND EQUIPMENT, AND INTANGIBLE ASSETS**

<b>Stanovi Jadran d.d. and its subsidiaries</b>	<b>Concessions, licence, software '000HRK</b>	<b>Total intangible assets '000HRK</b>	<b>Land '000HRK</b>	<b>Buildings '000HRK</b>	<b>Equipment '000HRK</b>	<b>Furniture '000HRK</b>	<b>Total property, plant and equipment '000HRK</b>
<b>COST</b>							
Balance at 31 December 2018	189	189	2,025	28,536	1,640	86	32,287
Additions / (Disposals)	6	6	-	-	3,605	-	3,605
Derecognition of assets for disposal	(167)	(167)	(2,025)	(28,536)	(1,564)	(86)	(32,211)
<b>Balance at 31 December 2019</b>	<b>28</b>	<b>28</b>	<b>-</b>	<b>-</b>	<b>3,681</b>	<b>-</b>	<b>3,681</b>
Additions / (Disposals)	-	-	-	-	1,788	-	1,788
Transfer from investment property	-	-	-	-	520	-	520
Disposals	-	-	-	-	(14)	-	(14)
<b>Balance at 31 December 2020</b>	<b>28</b>	<b>28</b>	<b>-</b>	<b>-</b>	<b>5,975</b>	<b>-</b>	<b>5,975</b>
<b>VALUE ADJUSTMENT</b>							
Balance at 31 December 2018	(108)	(108)	-	(3,356)	(1,155)	(86)	(4,597)
Amortization/Depreciation for the year	(3)	(3)	-	-	(41)	-	(41)
Derecognition of assets for disposal	108	108	-	3,356	1,105	86	4,547
<b>Balance at 31 December 2019</b>	<b>(3)</b>	<b>(3)</b>	<b>-</b>	<b>-</b>	<b>(91)</b>	<b>-</b>	<b>(91)</b>
Amortization/Depreciation for the year	(4)	(4)	-	-	(837)	-	(837)
Transfer from investment property	-	-	-	-	(96)	-	(96)
<b>Balance at 31 December 2020</b>	<b>(7)</b>	<b>(7)</b>	<b>-</b>	<b>-</b>	<b>(1,024)</b>	<b>-</b>	<b>(1,204)</b>
<b>NET BOOK VALUE</b>							
<b>Balance at 31 December 2019</b>	<b>25</b>	<b>25</b>	<b>-</b>	<b>-</b>	<b>3,590</b>	<b>-</b>	<b>3,590</b>
<b>Balance at 31 December 2020</b>	<b>21</b>	<b>21</b>	<b>-</b>	<b>-</b>	<b>4,951</b>	<b>-</b>	<b>4,951</b>

As at 31 December 2020, the Company has no liens on real estate.

Notes to the financial statements (continued)

For the year ended 31 December 2020

(All amounts are expressed in kunas)

**14. PROPERTY, PLANT AND EQUIPMENT, AND INTANGIBLE ASSETS (CONTINUED)**

Stanovi Jadran d.d.	Concessions, licence, software	Total intangible assets	Equipment	Total property, plant and equipment
<b>COST</b>	<b>‘000HRK</b>	<b>‘000HRK</b>	<b>‘000HRK</b>	<b>‘000HRK</b>
Balance at 31 December 2018	22	22	76	76
Additions	6	6	3,605	3,605
<b>Balance at 31 December 2019</b>	<b>28</b>	<b>28</b>	<b>3,681</b>	<b>3,681</b>
Additions	-	-	1,788	1,788
Transfer from investment property	-	-	520	520
Disposals	-	-	(14)	(14)
<b>Balance at 31 December 2020</b>	<b>28</b>	<b>28</b>	<b>5,975</b>	<b>5,975</b>
<b>VALUE ADJUSTMENT</b>				
Balance at 31 December 2018	-	-	(50)	(50)
Amortization/Depreciation for the year	(3)	(3)	(41)	(41)
<b>Balance at 31 December 2019</b>	<b>(3)</b>	<b>(3)</b>	<b>(91)</b>	<b>(91)</b>
Amortization/Depreciation for the year	(4)	(4)	(837)	(837)
Transfer from investment property	-	-	(96)	(96)
<b>Balance at 31 December 2020</b>	<b>(7)</b>	<b>(7)</b>	<b>(1,024)</b>	<b>(1,024)</b>
<b>NET BOOK VALUE</b>				
<b>Balance at 31 December 2019</b>	<b>25</b>	<b>25</b>	<b>3,590</b>	<b>3,590</b>
<b>Balance at 31 December 2020</b>	<b>21</b>	<b>21</b>	<b>4,951</b>	<b>4,951</b>

## Notes to the financial statements (continued)

For the year ended 31 December 2020

(All amounts are expressed in kunas)

### 14. PROPERTY, PLANT AND EQUIPMENT, AND INTANGIBLE ASSETS (CONTINUED)

As collateral for the repayment of the lending obligations of the Company and the Group, real estate worth HRK 41,988 thousand (2019: HRK 41,762 thousand) was pledged. The Group does not own the property under financial lease.

### 15. INVESTMENT PROPERTY

	Stanovi Jadran d.d. and its subsidiaries	Stanovi Jadran d.d.
	'000HRK	'000HRK
<b>COST</b>		
Balance at 31 December 2018	57,110	44,837
Additions	5,139	4,645
Disposal	(441)	(441)
<b>Balance at 31 December 2019</b>	<b>61,808</b>	<b>49,041</b>
Additions	6,497	6,385
Transfer to property plant and equipment	(520)	(520)
Impairment reversal	1,374	-
Disposal	(5,902)	(5,902)
<b>Balance at 31 December 2020</b>	<b>63,257</b>	<b>49,004</b>
<b>VALUE ADJUSTMENT</b>		
Balance at 31 December 2018	(7,099)	(2,452)
Depreciation for the year	(324)	(324)
<b>Balance at 31 December 2019</b>	<b>(7,423)</b>	<b>(2,776)</b>
Depreciation for the year	(526)	(526)
Transfer	96	96
Impairment reversal	4,427	-
Disposal	42	42
<b>Balance at 31 December 2020</b>	<b>(3,384)</b>	<b>(3,164)</b>
<b>NET BOOK VALUE</b>		
<b>Balance at 31 December 2019</b>	<b>54,385</b>	<b>46,265</b>
<b>Balance at 31 December 2020</b>	<b>59,873</b>	<b>45,840</b>

## Notes to the financial statements (continued)

For the year ended 31 December 2020

*(All amounts are expressed in kunas)*

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### **15. INVESTMENT PROPERTY (CONTINUED)**

During 2020, the Group completed the necessary documentation and received certificates from public bodies for amendments to the Villa Orašac and Nova Nekretnine projects. In addition, the Group identified increased demand for these projects during the year and is actively negotiating with interested customers. Based on the above, the Group hired an independent appraiser who determined the new fair value of the real estate in question by a comparative procedure on 31 December 2020. The comparative procedure is generally applied when determining the market value of real estate that is similar to each other, from the same or comparable price block. The assessment determined the new fair value of real estate and made a profit from the reversal of part of the impairment from previous periods to their recoverable amount, i.e. in the total amount of 5,801 thousand. Net book value of real estate investments in question as at 31 December 2020 amounts to HRK 14,033 thousand, and the estimated fair value is HRK 14,916 thousand.

The estimated value of investments in real estate with a net book value of HRK 45,840 thousand amounts to HRK 58,075 thousand. Of the stated amount of other investments in real estate, a total of HRK 18,617 thousand relates to investments in progress.

## Notes to the financial statements (continued)

For the year ended 31 December 2020

(All amounts are expressed in kunas)

### 16. SHARES IN SUBSIDIARIES

	Stanovi Jadran d.d.			
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	Equity share	Equity share		
Vile Orašac Ltd	100%	100%	7,902	4,332
Winter Ltd	-	89%	-	23,114
Nova Nekretnine Ltd	85.4%	85.4%	4,702	2,894
			<b>12,604</b>	<b>30,341</b>

The company disposed off all its shares in Winter Ltd during the year, which performed the hotel accommodation service and made a net profit from the sale shown in Note 9. Demand for real estate owned by the Company increased further during 2020 and the Company continuously receives inquiries from potential buyers. One of the consequences of the COVID pandemic is an increase in demand for villas and land and similar real estate set aside from the city centre. Considering the indicators of demand growth, the Company hired an independent appraiser in 2020, whereby a higher fair value of real estate was determined than the book value owned by Vila Orašac and Nova Nekretnine. As a consequence of the newly determined fair value, the Company reversed the impairment losses carried out in previous periods, which led to an increase in the value of real estate investments in the amount of HRK 5,801 thousand at the Group level.

### 17. LONG-TERM FINANCIAL ASSETS MEASURED THOROUGH PROFIT AND LOSS

	Stanovi Jadran d.d. and its		Stanovi Jadran d.d.	
	subsidiaries			
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	'000HRK	'000HRK	'000HRK	'000kHRK
Shares listed on the Zagreb Stock Exchange	3,180	3,133	3,180	3,133
Shares measured at fair value	3,792	122	3,792	122
Share in Hvar Hills Ltd	11	11	11	11
	<b>6,983</b>	<b>3,266</b>	<b>6,983</b>	<b>3,266</b>

Notes to the financial statements (continued)

For the year ended 31 December 2020

(All amounts are expressed in kunas)

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**17. LONG-TERM FINANCIAL ASSETS MEASURED THOROUGH PROFIT AND LOSS**

***Analysis by type of investment at 31/12/2020:***

	<b>31/12/2020</b>	<b>31/12/2019</b>
	<b>'000HRK</b>	<b>'000HRK</b>
Shares EGNSR - Energonova d.d. Sarajevo	3,246	-
Shares FMPS-R-A/Fima proprius	2,939	2,939
Shares PRPFRK2-ZIF PROF-PLUS d.d. Sarajevo	507	-
Shares INFS-R-A/Infosistem	47	47
Shares VART-R-1/Varteks d.d.	47	47
Shares SEM-R-A/Linijska nacionalna plovidba	42	42
Value adjustment FMPS	194	194
Value adjustment INFS-R-A	(16)	(16)
Value adjustment VART-R-1	(25)	2
Value adjustment EGNSR	86	-
Value adjustment PRPFRK2	(95)	-
Share in Hvar Hills ltd	11	11
	<b>6,983</b>	<b>3,266</b>



Notes to the financial statements (continued)

For the year ended 31 December 2020

(All amounts are expressed in kunas)

**18. RECEIVABLES**

*Ageing structure of receivables for which no impairment was found:*

	Stanovi Jadran d.d. and its subsidiaries		Stanovi Jadran d.d.	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	'000HRK	'000HRK	'000HRK	'000HRK
Up to 30 days	6,875	2,603	6,879	2,869
Up to 90 days	25	-	29	-
Up to 180 days	57	-	62	-
Up to 360 days	235	-	246	-
Over 360 days	13	-	276	-
	<b>7,205</b>	<b>2,603</b>	<b>7,492</b>	<b>2,869</b>

Receivables due in period over 360 days are receivables from related parties.

**19. OTHER RECEIVABLES**

	Stanovi Jadran d.d. and its subsidiaries		Stanovi Jadran d.d.	
	2020	2019	2020	2019
	'000HRK	'000HRK	'000HRK	'000HRK
Receivables from the authorities	197	167	54	22
Other receivables	50	40	50	40
Prepaid expenses and accrued income	160	164	160	164
	<b>407</b>	<b>371</b>	<b>264</b>	<b>226</b>

Notes to the financial statements (continued)

For the year ended 31 December 2020

(All amounts are expressed in kunas)

**20. GIVEN LOANS**

	Stanovi Jadran d.d. and its subsidiaries		Stanovi Jadran d.d.	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	'000kn	'000kn	'000kn	'000kn
Long-term loans	1,795	-	1,795	-
	<b>1,795</b>	<b>-</b>	<b>1,795</b>	<b>-</b>
Short-term loans	26,314	3,646	26,558	3,646
Interest receivables	632	68	639	68
	<b>26,946</b>	<b>3,714</b>	<b>27,197</b>	<b>3,714</b>

Loans are given to related and unrelated companies. Interest rates range from 0% - 6% (2019: 0% - 5%) and mature within one year (or on request). Non-current given loans are due within two years.

**21. CASH AND CASH EQUIVALENTS**

	Stanovi Jadran d.d. and its subsidiaries		Stanovi Jadran d.d.	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	'000HRK	'000HRK	'000HRK	'000HRK
Cash at bank	59	8	58	7
Cash at hand	4	1	4	1
	<b>63</b>	<b>9</b>	<b>62</b>	<b>8</b>

## Notes to the financial statements (continued)

For the year ended 31 December 2020

(All amounts are expressed in kunas)

### 22. DISPOSAL GROUP ASSETS

This note contains an overview of the financial results and financial position of Winter Ltd in 2019 which was sold in 2020. Accordingly, in the consolidated financial statements it is classified as IFRS 5 - "Non-current assets held for sale and discontinued operations"):

#### **Profit and loss statement for 2019**

	<b>2019</b>
Sales revenue	8,265
<b>Revenue</b>	<b>8,265</b>
Material costs	(3,670)
Personnel costs	(2,072)
Amortization and depreciation	(825)
Other costs	(809)
<b>Total costs</b>	<b>(7,376)</b>
<b>Operating profit</b>	<b>889</b>
Financial income	47
Financial expenses	(49)
<b>Profit before taxes</b>	<b>887</b>
Tax (10%)	(89)
<b>Net profit</b>	<b>798</b>

#### **Balance sheet as at 31/12/2019**

<b>ASSETS</b>	<b>31/12/2019</b>
Non-current assets	27,785
Current assets	1,729
<b>Total assets</b>	<b>29,514</b>
<b>EQUITY AND LIABILITIES</b>	<b>31/12/2019</b>
Equity and reserves	-
Non-current liabilities	1,058
Current liabilities	1,795
<b>Total equity and liabilities</b>	<b>2,853</b>

## Notes to the financial statements (continued)

For the year ended 31 December 2020

(All amounts are expressed in kunas)

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### 23. SHARE CAPITAL

As at 31 December 2020 share capital amounted HRK 76,248,000 (as at 31 December 2019: HRK 76,248,000).

*The ownership structure at the reporting date was as follows:*

	31/12/2020		31/12/2019	
	Equity share '000HRK	%	Equity share '000HRK	%
<b>Shareholders</b>				
Jadran kapital d.d., Split	45,908	60,21	45,908	60,21
ADDIKO BANK d.d./PBZ CO OMF - B	20,000	26,23	20,000	26,23
Agram life osiguranje d.d.	-	-	5,000	6,56
HPB d.d./Fond NEK	10,000	13,12	5,000	6,56
ADDIKO BANK d.d./PBZ CO OMF - A	340	0,44	340	0,44
	<b>76,248</b>	<b>100</b>	<b>76,248</b>	<b>100</b>

Notes to the financial statements (continued)

For the year ended 31 December 2020

(All amounts are expressed in kunas)

**24. TRADE PAYABLES**

	Stanovi Jadran d.d. and its subsidiaries		Stanovi Jadran d.d	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	'000HRK	'000HRK	'000HRK	'000HRK
Liabilities towards domestic and foreign payables	1,334	1,922	1,218	1,717
	<b>1,334</b>	<b>1,922</b>	<b>1,218</b>	<b>1,717</b>

**25. BORROWINGS**

Creditor	Stanovi Jadran d.d. and its subsidiaries		Stanovi Jadran d.d	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	'000HRK	'000HRK	'000HRK	'000HRK
<b>Non-current loans</b>				
Non-current bank loans	15,236	15,169	15,236	15,169
	<b>15,236</b>	<b>15,169</b>	<b>15,236</b>	<b>15,169</b>
<b>Current loans</b>				
Current bank loans	4,737	-	4,737	-
Other current loans	418	2,905	418	3,753
Interest liabilities	197	116	197	116
Total liabilities	<b>5,352</b>	<b>3,021</b>	<b>5,352</b>	<b>3,869</b>

Received loans mature between 2021 and 2035 at an interest rate of 0% - 5% (2019: 0% - 6%).

## Notes to the financial statements (continued)

For the year ended 31 December 2020

(All amounts are expressed in kunas)

### 26. OTHER LIABILITIES

	Stanovi Jadran d.d. and its subsidiaries		Stanovi Jadran d.d	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Advances received	-	59	-	59
Employee liabilities	67	44	67	44
Income tax liabilities	115	-	-	-
Liabilities for taxes, contributions and similar benefits	626	76	626	76
Other current liabilities	3,523	9	3,522	9
	<b>4,331</b>	<b>188</b>	<b>4,215</b>	<b>188</b>

### 27. RELATED-PARTY TRANSACTIONS

In the course of operations, the Group entered into the following transactions with parties to which it is related on the basis of common owner. The transactions were recognised at the standard terms and conditions.

	Revenue		Expenses	
	2020	2019	2020	2019
	'000HRK	'000HRK	'000HRK	'000HRK
Jadran kapital d.d.	552	44	10	-
Global Rent d.o.o.	112	-	156	-
Hvar Hills d.o.o.	94	48	13	-
Malojan d.o.o.	9	8	-	-
Samoborske vile d.o.o.	8	8	-	-
Capturis d.o.o.	5	14	171	25
Denis Štambuk	1	2	-	-
	<b>781</b>	<b>124</b>	<b>350</b>	<b>25</b>

## Notes to the financial statements (continued)

For the year ended 31 December 2020

(All amounts are expressed in kunas)

### 27. RELATED-PARTY TRANSACTIONS (CONTINUED)

Receivables from and liabilities to related parties are presented below:

	Receivables		Payables	
	2020	2019	2020	2019
	'000HRK	'000HRK	'000HRK	'000HRK
Jadran kapital d.o.o.	24,420	4,716	13	-
Global Rent d.o.o.	3,011	-	114	1,527
Hvar Hills d.o.o.	2,558	564	17	-
Malojan d.o.o.	53	33	-	-
Denis Štambuk	30	62	-	-
Capturis d.o.o.	-	2	359	592
Samoborske vile d.o.o.	-	33	97	158
Miroslav Jeličić Purko	-	-	-	655
	<b>30,072</b>	<b>5,410</b>	<b>600</b>	<b>2,932</b>

## Notes to the financial statements (continued)

For the year ended 31 December 2020

(All amounts are expressed in kunas)

### 27. RELATED-PARTY TRANSACTIONS (CONTINUED)

In the course of operations, the Company entered into the following transactions with parties to which it is related on the basis of common owner. The transactions were recognised at the standard terms and conditions.

	Revenue		Expenses	
	2020	2019	2020	2019
	'000HRK	'000HRK	'000HRK	'000HRK
Jadran kapital d.d.	552	44	10	-
Global Rent d.o.o.	112	-	156	-
Hvar Hills d.o.o.	94	48	13	-
Vile Orašac d.o.o.	15	-	-	-
Malojan d.o.o.	9	8	-	-
Nova Nekretnine d.o.o.	9	-	-	-
Samoborske vile d.o.o.	8	8	-	-
Capturis d.o.o.	5	14	171	25
Denis Štambuk	1	2	-	-
	<b>805</b>	<b>124</b>	<b>350</b>	<b>25</b>

Receivables from and liabilities to related parties are presented below:

	Receivables		Payables	
	2020	2019	2020	2019
	'000HRK	'000HRK	'000HRK	'000HRK
Jadran kapital d.d.	24,420	4,716	13	-
Global Rent d.o.o.	3,011	-	114	1,527
Hvar Hills d.o.o.	2,558	564	17	-
Vile Orašac d.o.o.	272	44	-	-
Nova Nekretnine d.o.o.	266	232	-	-
Malojan d.o.o.	53	33	-	-
Denis Štambuk d.o.o.	30	62	-	-
Capturis d.o.o.	-	2	359	592
Samoborske vile d.o.o.	-	33	97	158
Miroslav Jeličić Purko	-	-	-	655
	<b>30,610</b>	<b>5,686</b>	<b>600</b>	<b>2,932</b>

Remuneration paid to Management and Supervisory Board annually with correspondent taxes and contributions amounted in total HRK 483 thousand (2019: HRK 456 thousand).



## Notes to the financial statements (continued)

For the year ended 31 December 2020

*(All amounts are expressed in kunas)*

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### 28. RISK MANAGEMENT

#### Industry risk

The issuer operates in the markets related to the design, construction and rental of residential and commercial real estate, as well as the development of investment projects related to real estate. Also, the Issuer performs the activity of accommodation services and catering services of food and beverage preparation (services related to tourist consumption). Long-term plan of the Management Board of the company Stanovi Jadran d.d. is that the Company puts all real estate into operation and generates rental income. Based on the above plan, the company Stanovi Jadran d.d. would transfer the business of catering and hotel content to companies that are tenants of these properties, while the Company would generate income from fixed and variable leases.

In order to effectively manage market risk, the issuer's responsible persons will pay special attention to:

- risk analysis,
- risk monitoring,
- reporting to the Management Board and other responsible persons of the Issuer on risks,
- participation in the development, application and supervision of the functioning of risk management methods and models

Risk management can take place in several different ways such as avoiding, reducing, taking over, pooling and shifting risk. The issuer will try to avoid all types of risks in its regular operations, and if they materialise, it will try to reduce them. The real estate market in the Republic of Croatia has been recovering in the last five years in terms of the growth in the number of issued building permits and the movement of residential and commercial real estate prices, especially in coastal regions, cities and places that generate tourist consumption. Since the date of Croatia's accession to the European Union, there has been a noticeable increase in demand for residential and commercial real estate and the development of real estate projects, especially by foreign nationals from the EU, but also from other parts of the world. In recent years, foreign nationals have been looking for exclusive real estate along the coast, such as those that the Issuer intends to offer to the market for sale, ie short-term and long-term lease. The Issuer believes that there is a shortage of such real estate on the market (high price range and well equipped), which justifies the focus and intention of the Issuer to focus on this market segment of business. The responsible persons of the Issuer, based on previous experience and knowledge, believe that the current economic recovery and growth of tourist consumption, act favourably on the development of real estate projects as planned or currently built by the Issuer. Also, given that operations in the real estate market are usually marked by long-term trends that are reflected mostly in long cycles of real estate prices without significant corrections, the issuer's responsible persons believe that the Republic of Croatia is only in the early phase of a positive cycle of long-term real estate prices and no special actions are needed to mitigate market risks because the current level and assessment of real estate price movements in the areas where the Issuer builds, or plans to build, supports profitable operations and earnings. In the event of certain market disturbances, the Issuer will, through intensified marketing and sales activities, reduce the proportion of real estate built in the property and at the same time increase the company's liquidity.

## Notes to the financial statements (continued)

For the year ended 31 December 2020

*(All amounts are expressed in kunas)*

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### **28. RISK MANAGEMENT (CONTINUED)**

#### **Industry risk (continued)**

Since March 19, 2020, when the Civil Protection Headquarters of the Republic of Croatia introduced measures related to preventing the spread of the COVID-19 virus, the completion of construction works has been slowed down, and the issuance of construction permits is expected to slow down. Since joining the European Union, the price on the real estate market has been formed mainly due to the lack of supply of real estate for daily rent on the market and the excess demand from economically more powerful western countries. Precisely due to the lack of real estate for daily rent and increasing prices, a large number of real estate was converted from residential to commercial, which reduced the supply of residential real estate and increased prices. Due to restrictions on movement and business activities due to COVID-19 and, it is likely that there will be some correction in real estate prices due to reduced demand. The issuer estimates that the most important risk related to tourism, i.e. the generation of tourist consumption, is seasonality. The Issuer will strive to reduce the market risk of tourism related to the seasonality of tourist consumption through balancing and time delimitation of tourist consumption during the calendar year.

Tourism in the Republic of Croatia is one of the most important economic branches with an estimated share of about 20% of GDP, which has been growing compared to regional competitors in the Mediterranean for many years by increasing tourist consumption. The main generators of the growth of tourist consumption in the long run are the provision of accommodation services and catering services. The Issuer believes that such a trend will continue in the future, although possible with lower growth rates with the still present problem of seasonality of tourist spending. Since the accession of the Republic of Croatia to the EU, the Republic of Croatia has become one of the most sought-after tourist regions in the northern Mediterranean. The Issuer believes that tourism, as very specific industry that connects several other industries by generating tourism consumption, currently has a medium risk rating, given the level reached, but also the expected dynamics of tourism consumption in the next few years.

The COVID-19 virus pandemic represents the greatest risk of the tourism industry in the short term, given the large negative impact on the global tourism business and the business of the Issuer in the current year, and potentially in the years to come. Measures taken to combat the spread of the virus, such as the closure of borders, the ban on the operation of catering facilities, mandatory self-isolation measures, can greatly affect the financial position of the Issuer and the investment cycle that follows. Given the above, one of the main strategic directions of the Issuer is to diversify the portfolio in order to reduce dependence on one industry.

#### **Credit risk**

Credit risk is the risk of non-settlement of the debtor's obligations to the Issuer, i.e. the possibility that the given funds will not be repaid on time or in full or returned as planned. The issuer does not normally lend to subcontractors who perform its works. During the construction, all payments are made according to the calculated accounting situations for the performed works in the previous month, and all concluded contracts for the execution of works are secured by bank guarantees or promissory notes of the Contractor. Also, the Issuer does not lend to lessees, and all leases are secured by additional collateral.

## Notes to the financial statements (continued)

For the year ended 31 December 2020

*(All amounts are expressed in kunas)*

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### **28. RISK MANAGEMENT (CONTINUED)**

#### **Credit risk (continued)**

The issuer seeks to do business exclusively with creditworthy parties and seeks to obtain appropriate collateral to mitigate the risk of financial loss due to default. The issuer, on the basis of all publicly available and through special services available information, regularly assesses the creditworthiness of all its customers and business partners on a continuous basis. The Issuer continuously monitors its exposure to all contracting parties with which it does business, as well as their creditworthiness. Credit exposure is also managed by conducting periodic tests and analyses to identify risks in doing business with customers and suppliers in a timely manner. The Issuer intends to grant loans to affiliated companies in the ordinary course of business, with the aim of developing real estate projects, but the issuer's responsible persons will be guided by the principle of good business or care for the interests of shareholders, especially those related to all relevant information. Shareholders will be informed about all transactions in the regular financial statements, i.e. in accordance with the prescribed legislative and regulatory regime.

#### **Risk for planned investments**

The issuer's long-term strategy is the acquisition of commercially viable real estate and companies with growth potential with the aim of expanding operations and creating an adequate basis for the future profitable operations of the Issuer. The implementation of such a strategy will depend on the emergence of business opportunities and market financing conditions. The Issuer currently manages sufficient financial and operational resources to integrate an individual acquisition into its business as soon as possible and to successfully manage or develop it until its commercial exploitation. Considering the financial position of the Issuer, it is possible to expect larger acquisitions in the Issuer's project / real estate portfolio, which may increase the cost burden in the short term until the optimal financing ratio of an individual project or its greater economic efficiency is established. Prior to any investment, the Issuer will endeavour to assess all potential risks, in order to minimize all types of risks, and to carry out the acquisition in accordance with the plan and available financing opportunities.

It should be emphasized that despite comprehensive planning and preparation for the acquisition or takeover of the project, from the plan, through construction, to property management, there is a risk of failure to obtain building permits, approval of technical conditions, implementation of occupational safety and health regulations. As well as other risks, which can directly affect the success of the investment in the planned or set deadlines.

#### **Financial risk management**

The Company and the Group are exposed to the international market and are partly financed through loans denominated in foreign currency. The most important risks include market risks (changes in exchange rates and interest rates), credit risk and liquidity risk.

The Company and the Group did not use derivative instruments for risk management.

## Notes to the financial statements (continued)

For the year ended 31 December 2020

(All amounts are expressed in kunas)

### 28. RISK MANAGEMENT (CONTINUED)

#### Credit risk management

Credit risk refers to the risk that the other party will fail to meet its contractual obligations, which would result in a financial loss to the Company or the Group. The Company and the Group have adopted a business policy of obtaining sufficient collateral to mitigate the risk of financial loss due to non-payment. Based on the available information, the Company and the Group assess the creditworthiness of all its customers. The Company and the Group continuously monitor their exposure to the parties with which it does business and their creditworthiness. Credit exposure is managed on a regular basis to identify risks in doing business with individual clients in a timely manner.

	Stanovi Jadran d.d. and its subsidiaries		Stanovi Jadran d.d.	
	31/12/2020 '000kn	31/12/2019 '000kn	31/12/2020. '000kn	31/12/2019 '000kn
Receivables due in 30 days	6,875	2,603	6,879	2,869
Receivables due in 90 days	25	-	29	-
Receivables due in 180 days	57	-	62	-
Receivables due in 360 days	235	-	246	-
Receivables due in period over 360 days	13	-	276	-
Loan and interest receivable	26,946	3,714	27,197	3,174
Impairment of receivables	-	-	-	-
<b>Net receivables</b>	<b>34,151</b>	<b>6,317</b>	<b>34,689</b>	<b>6,043</b>

The Company believes that as of 31 December 2020, there are no uncollectible receivables. All receivables over 360 days relate to receivables from related companies.

## Notes to the financial statements (continued)

For the year ended 31 December 2020

(All amounts are expressed in kunas)

### 28. RISK MANAGEMENT (CONTINUED)

#### Equity risk management

##### Net debt-to-equity ratio

The Group and Company's gearing ratio is defined as the ratio of net debt to equity. Debt has been defined as non-current and current borrowings. Equity includes all capital and reserves.

	Stanovi Jadran d.d. and its subsidiaries		Stanovi Jadran d.d.	
	31/12/2020 '000HRK	31/12/2019 '000HRK	31/12/2020 '000HRK	31/12/2019 '000HRK
Debt (non-current and current borrowings)	20,588	18,190	20,588	19,038
Cash and cash equivalents	(63)	(9)	(62)	(8)
<b>Net debt</b>	<b>20,525</b>	<b>18,181</b>	<b>20,526</b>	<b>19,030</b>
Equity	82,142	74,480	81,339	69,517
Net debt-to-equity ratio	24.99%	24.41%	25.24%	23.40%

Notes to the financial statements (continued)

For the year ended 31 December 2020

(All amounts are expressed in kunas)

**28. RISK MANAGEMENT (CONTINUED)**

**Categories of financial instruments**

	<b>Stanovi Jadran d.d. and its subsidiaries</b>		<b>Stanovi Jadran d.d.</b>	
	<b>31/12/2020</b>	<b>31/12/2019</b>	<b>31/12/2020</b>	<b>31/12/2019</b>
	<b>'000HRK</b>	<b>'000HRK</b>	<b>'000HRK</b>	<b>'000HRK</b>
<b>Financial assets</b>				
Cash and cash equivalents	63	9	62	8
Given loans	28,741	3,714	28,992	3,714
Securities	6,983	3,266	6,983	3,266
Trade receivables	7,205	2,603	7,492	2,869
Other receivables	407	371	264	226
	<b>43,399</b>	<b>9,963</b>	<b>43,793</b>	<b>10,083</b>
<b>Financial liabilities</b>				
Borrowings	20,588	18,190	20,588	19,038
Trade payables	1,334	1,922	1,218	1,717
Other liabilities	4,331	188	4,215	188
	<b>26,253</b>	<b>20,300</b>	<b>26,021</b>	<b>20,943</b>

## Notes to the financial statements (continued)

For the year ended 31 December 2020

(All amounts are expressed in kunas)

### 28. RISK MANAGEMENT (continued)

#### Currency risk

The official currency of the Company is Kuna, and the Group is partly Kuna, and partly ("BAM"), but certain transactions carried out in foreign currencies are retranslated at the exchange rate applicable at the end of the reporting period. The official currency of the Company is Kuna. The resulting exchange differences are charged or credited to the income statement, but do not affect the cash flow.

The following table presents the carrying amounts of monetary assets and monetary liabilities of the Group denominated in foreign currencies at the reporting date.

	Assets		Liabilities	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	'000HRK	'000HRK	'000HRK	'000HRK
HRK	24,998	6,581	20,240	12,345
EUR	74	-	6,013	6,564
BAM	11,495	272	-	1,391
<b>HRK</b>	<b>36,567</b>	<b>6,853</b>	<b>26,253</b>	<b>20,300</b>

Through acquisition of company shares based in Bosnia and Herzegovina, the Group became partly exposed to changes in BAM / HRK rate. .

The following table presents the carrying amounts of monetary assets and monetary liabilities of the Company denominated in foreign currencies at the reporting date.

	Assets		Liabilities	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	'000HRK	'000HRK	'000HRK	'000HRK
HRK	25,392	6,973	20,008	13,531
EUR	74	-	6,013	6,564
BAM	11,495	-	-	848
<b>HRK</b>	<b>36,961</b>	<b>6,973</b>	<b>26,021</b>	<b>20,943</b>

The following table shows the effect of the sensitivity of balance sheet items to possible changes in the euro exchange rate on the Company's pre-tax profit, assuming that all other variables are constant.

		Group		Company	
		EUR	BAM	EUR	BAM
		'000 HRK	'000 HRK	'000 HRK	'000 HRK
<b>2020.</b>	1.00%	(59)	115	(59)	115
	-1.00%	59	(115)	59	(115)
<b>2019.</b>	1.00%	(66)	3	(66)	(8)
	-1.00%	66	0	66	8

## Notes to the financial statements (continued)

For the year ended 31 December 2020

(All amounts are expressed in kunas)

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### 28. RISK MANAGEMENT (continued)

#### Interest rate risk

Interest rate risk is the risk that the value of financial instruments will change due to changes in market interest rates relative to the interest rates applicable to financial instruments. The risk of interest rate for cash flow is the risk that the interest cost of an instrument will fluctuate over time.

Interest rate risk for the Group derives from long-term loans. Long-term loans are received from banks in the Republic of Croatia.

The following table shows the Company's sensitivity to changes in interest rates, assuming that all other variables are constant.

	Increase / Decrease in variable interest rate (%)	Effect on profit change before tax ('000)
<b>2020</b>		
HRK	1.00%	78
HRK	-1.00%	(78)
<b>2019</b>		
HRK	1.00%	147,153
HRK	-1.00%	(147,153)

#### Liquidity risk management

Management of the Group pays considerable attention to liquidity risk management, in order to manage short-term and long-term funding and liquidity. Liquidity risk management requires certain reserves and credit lines, continuously monitoring forecast and actual cash flows, and matching the maturity of receivables and liabilities.



## Notes to the financial statements (continued)

For the year ended 31 December 2020

(All amounts are expressed in kunas)

### 28. RISK MANAGEMENT (continued)

#### Liquidity risk management (continued)

##### *Liquidity risk analysis*

The table presents the maturity of contractual obligations and receivables in the statement of financial position of the Group at the end of the reporting period. The analysis was made on the basis of discounted cash flows from financial liabilities i.e. discounted cash flows from financial assets on maturity.

The tables show the principal cash flows.

<b>Stanovi Jadran d.d. and its subsidiaries</b>	<b>Weighted average effective interest rate</b>	<b>Up to 1 month</b>	<b>1 month to 12 months</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
		<b>'000HRK</b>	<b>'000HRK</b>	<b>'000HRK</b>	<b>'000HRK</b>	<b>'000HRK</b>
<b>31 December 2020</b>						
Trade payables (non-interest bearing)		1,334	-	-	-	1,334
Other liabilities (non-interest bearing)		808	-	3,523	-	4,331
Borrowings	4.14%	919	4,433	5,575	9,661	20,588
		<b>3,061</b>	<b>4,433</b>	<b>9,098</b>	<b>9,661</b>	<b>26,253</b>

Notes to the financial statements (continued)

For the year ended 31 December 2020

(All amounts are expressed in kunas)

**28. RISK MANAGEMENT (continued)**

**Liquidity risk management (continued)**

Stanovi Jadran d.d. and its subsidiaries	Weighted average effective interest rate	Up to 1 month ‘000HRK	1 month to 12 months ‘000HRK	1 to 5 years ‘000HRK	Over 5 years ‘000HRK	Total ‘000HRK
<b>31 December 2019</b>						
Trade payables (non-interest bearing)		1,922	-	-	-	1,922
Other liabilities (non-interest bearing)		188	-	-	-	188
Borrowings	4,14%	226	2,795	5,251	9,918	18,190
		<b>2,336</b>	<b>2,795</b>	<b>5,251</b>	<b>9,918</b>	<b>20,300</b>

The table presents the maturity of contractual obligations and receivables in the statement of financial position of the Company at the end of the reporting period. The analysis was made on the basis of discounted cash flows from financial liabilities i.e. discounted cash flows from financial assets on maturity.

The tables show the principal cash flows.

Stanovi Jadran d.d.	Weighted average effective interest rate	Up to 1 month ‘000HRK	1 month to 12 months ‘000HRK	1 to 5 years ‘000HRK	Over 5 years ‘000HRK	Total ‘000HRK
<b>31 December 2020</b>						
Trade payables (non-interest bearing)		1,334	-	-	-	1,334
Other liabilities (non-interest bearing)		693	-	3,524	-	4,217
Borrowings		919	4,433	5,575	9,661	20,588
		<b>2,946</b>	<b>4,433</b>	<b>9,097</b>	<b>9,661</b>	<b>26,139</b>

Notes to the financial statements (continued)

For the year ended 31 December 2020

(All amounts are expressed in kunas)

**28. RISK MANAGEMENT (continued)**

**Liquidity risk management (continued)**

Stanovi Jadran d.d.	Weighted average effective interest rate	Up to 1 month	1 month to 12 months	1 to 5 years	Over 5 years	Total
		'000HRK	'000HRK	'000HRK	'000HRK	'000HRK
<b>31 December 2019</b>						
Trade payables (non-interest bearing)		1,717	-	-	-	1,717
Other liabilities (non-interest bearing)		188	-	-	-	188
Borrowings	4,14%	226	3,643	5,251	9,918	19,038
		<b>2,131</b>	<b>3,643</b>	<b>5,251</b>	<b>9,918</b>	<b>20,943</b>

Stanovi Jadran d.d. and its subsidiaries	Weighted average effective interest rate	Up to 1 month	1 month to 12 months	1 to 5 years	Over 5 years	Total
		'000HRK	'000HRK	'000HRK	'000HRK	'000HRK
<b>31 December 2020</b>						
Trade receivables (non-interest bearing)		7,205	-	-	-	7,205
Other receivables (non-interest bearing)		407	-	-	-	407
Given loans (non-interest bearing)		-	632	-	-	632
Given loans	3,48%	-	26,314	1,795	-	28,109
Securities		6,983	-	-	-	6,983
Cash and cash equivalents		63	-	-	-	63
		<b>14,658</b>	<b>26,946</b>	<b>1,795</b>	<b>-</b>	<b>43,399</b>

Notes to the financial statements (continued)

For the year ended 31 December 2020

(All amounts are expressed in kunas)

**28. RISK MANAGEMENT (continued)**

**Liquidity risk management (continued)**

Stanovi Jadran d.d. and its subsidiaries	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Total
		'000HRK	'000HRK	'000HRK	'000HRK	'000HRK
<b>31 December 2019</b>						
Trade receivables (non-interest bearing)		2,603	-	-	-	2,603
Other receivables (non-interest bearing)		371	-	-	-	371
Given loans (non- interest bearing)		-	2,423	-	-	2,423
Given loans	4.00%	-	1,292	-	-	1,292
Securities		3,266	-	-	-	3,266
Cash and cash equivalents		9	-	-	-	9
		<b>6,249</b>	<b>3,715</b>	<b>-</b>	<b>-</b>	<b>9,964</b>

Notes to the financial statements (continued)

For the year ended 31 December 2020

(All amounts are expressed in kunas)

**28. RISK MANAGEMENT (continued)**

**Liquidity risk management (continued)**

<b>Stanovi Jadran d.d.</b>	<b>Weighted average effective interest rate</b>	<b>Up to 1 month</b>	<b>1 month to 12 months</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
		<b>'000HRK</b>	<b>'000HRK</b>	<b>'000HRK</b>	<b>'000HRK</b>	<b>'000HRK</b>
<b>31 December 2020</b>						
Trade receivables (non-interest bearing)		7,492	-	-	-	7,492
Other receivables (non-interest bearing)		264	-	-	-	264
Given loans (non-interest bearing)		-	639	-	-	639
Given loans	3.48%	-	26,558	1,795	-	28,353
Securities		6,983	-	-	-	6,983
Cash and cash equivalents		62	-	-	-	62
		<b>14,801</b>	<b>27,197</b>	<b>1,795</b>	<b>-</b>	<b>43,793</b>

<b>Stanovi Jadran d.d.</b>	<b>Weighted average effective interest rate</b>	<b>Up to 1 month</b>	<b>1 month to 12 months</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
		<b>'000HRK</b>	<b>'000HRK</b>	<b>'000HRK</b>	<b>'000HRK</b>	<b>'000HRK</b>
<b>31 December 2019</b>						
Trade receivables (non-interest bearing)		2,869	-	-	-	2,869
Other receivables (non-interest bearing)		226	-	-	-	226
Given loans (non-interest bearing)		-	2,423	-	-	2,423
Given loans	4.00%	-	1,292	-	-	1,292
Securities		3,266	-	-	-	3,266
Cash and cash equivalents		8	-	-	-	8
		<b>6,369</b>	<b>3,715</b>	<b>-</b>	<b>-</b>	<b>10,084</b>

## Notes to the financial statements (continued)

For the year ended 31 December 2020

*(All amounts are expressed in kunas)*

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### **28. RISK MANAGEMENT (CONTINUED)**

#### **Fair value of financial instruments**

Financial instruments held to maturity in the normal course of business are carried at cost or net amount less repaid portion.

Fair value is defined as the amount for which a financial instrument could be exchanged between willing parties at an arm's length basis, except in the case of a forced sale or liquidation. The fair value of financial instrument is the one quoted on the securities market or obtained through using the discounted cash flow. On 31 December 2020 and 31 December 2019, the carrying amounts of cash, short-term deposits, receivables, short-term liabilities, accrued expenses, and current borrowings approximate their fair values due to the short-term nature of these assets and liabilities.

#### **Fair value measurements recognized in the statement of financial position**

The table on the next page analyses financial instruments after initial recognition at fair value, classified into three groups based on the degree of availability of observable indicators of fair value:

- Level 1 observable indicators - indicators of fair value derived from (unadjusted) quoted prices in active markets for identical assets or liabilities;
- Level 2 observable indicators - indicators of fair value derived from other data, rather than quoted prices included in Level 1, that refer to direct observation of assets or liabilities, i.e. their prices, or indicators derived from prices; and
- Level 3 - indicators derived from valuation techniques that include inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

Notes to the financial statements (continued)

For the year ended 31 December 2020

(All amounts are expressed in kunas)

**28. RISK MANAGEMENT (continued)**

**Fair value of financial instruments (continued)**

				<b>2020</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>'000kn</b>	<b>'000kn</b>	<b>'000kn</b>	<b>'000kn</b>
<b>Stanovi Jadran d.d. and its subsidiaries</b>				
Financial assets	3,765	3,206	-	<b>6,971</b>
				<b>2019</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>'000kn</b>	<b>'000kn</b>	<b>'000kn</b>	<b>'000kn</b>
Financial assets	227	3,028	-	<b>3,255</b>
				<b>2020</b>
<b>Stanovi Jadran d.d.</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>'000kn</b>	<b>'000kn</b>	<b>'000kn</b>	<b>'000kn</b>
Financial assets	3,765	3,206	-	<b>6,971</b>
				<b>2019</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>'000kn</b>	<b>'000kn</b>	<b>'000kn</b>	<b>'000kn</b>
Financial assets	227	3,028	-	<b>3,255</b>

Notes to the financial statements (continued)

For the year ended 31 December 2020

(All amounts are expressed in kunas)

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**29. EVENTS AFTER THE BALANCE SHEET DATE**

On February 8, 2021, the Management Board of the Company initiated the merger procedure of Global rent ltd. The merger procedure is regulated by the provisions of the Companies Act and the Company will, within the deadlines set by the applicable regulations, report on the course of the procedure.

Uncertainty continued in 2021 over the prevention measures taken to halt the spread and suppression of the COVID-19 pandemic. It is not possible to estimate the future duration of the pandemic, but the Group and the Company are actively monitoring the situation and will take all necessary measures to minimize potential negative impacts in the event of a worsening situation.

There were no other significant events after the balance sheet date.

**30. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements on the pages were approved by the Management Board and authorized for issue on 25 February 2021.

**Signed on the behalf of the Management Board:**



Toni Jeličić Purko,  
President of the Management Board,  
STANOVI JADRAN d.d., Split

**STANOVI JADRAN**  
d.d. SPLIT



Maja Brađić,  
Member of the Management Board,  
STANOVI JADRAN d.d., Split

25 February 2021