Stanovi Jadran d.d., Split and its subsidiaries

Annual report

for the year ended 31 December 2019

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.

Content

I COMMENTS ON BUSINESS DOING FOR THE PERIOD FROM 01/01/2019 TO 31/12/2019

Stanovi Jadran d.d. (the Company) had 6,313 thousand HRK total revenues for year ended 2019 what is 512% more than the year before for the same time period. Sales revenue in 2019 were 6,203 thousand HRK, what is an increase of 501 % from year prior.

Revenue streams from the main activities are holding 98% of total revenues, which were 100% year before. Other income consist of net gains of financial instruments measured at fair value trough profit and loss statement in amount of HRK 1,288 thousand and shares in profit of subsidiaries in amount of HRK 709 thousand. Financial income in this year amounts HRK 90 thousand.

Out of the total sales revenue, 100% of revenues streams are from local market , while 0% are from foreign market. This structure in 2019 remained like it was in 2018.

Material expenses in 2019 were 1,029 thousand HRK, what is a decrease of 1,34 % from year before. Given that operating expenses recorded a lower percentage growth, the share of material expense in operating expenses was by 11.79% lower than the same period of the previous year and was 30.39%.
Salaries went up for 23.57% and are weighting 28.8% in total expenses what was 31.9% year before. There was no cost of impairment of trade receivables in the observed period or in the same period last year.

Financial costs increased by HRK 184 thousand compared to previous period. Their share in total expenses is 13%. In the structure of financial expenses, 472 thousand HRK relates to negative exchange rate differences and interest expenses for loans received for the Plok and Peškarija projects, which is an increase of 184 thousand HRK compared to the previous year.

Gross profit (profit before taxation) is 4,528 thousand HRK, while in the same period last year gross loss amounted 1,427 thousand HRK. The gross profit was realized due to the increase of rental income from the realization of the Ploka building project and the sale income from the realization of the Peškarija project.

Total assets increased for 11% to 90,460 thousand HRK compared to the beginning of the year. Fixed assets increased for 9,035 thousand HRK or 12% compared to the beginning of the year. Long-term intangible assets increased by 3 thousand HRK. Material assets increased for 7,444 HRK due to property purchase and investment in Šibenik.

I COMMENTS ON BUSINESS DOING FOR THE PERIOD FROM 01/01/2019 TO 31/12/2019 (CONTINUED)

Long-term financial assets mainly relate to shares in subsidiary companies and to shares of non-listed companies. It amounts 33,731 thousand HRK and is 1,705 thousand HRK higher compared to the beginning of the year, primarily due to the sale of the company Mediteran gradnja d.o.o. and merger of shares and projects with Nova nekretnine d.o.o. Current assets are 6,817 thousand HRK compared to the HRK 6,785 thousand at the beginning of the year. In the structure of current assets, receivables are lower compared to the beginning of the year, cash level and current financial assets also recorded a decline. Total short-term receivables amounted to 3,094 thousand HRK and decreased compared to beginning of the year in amount of 223 thousand HRK, or 7%. Total account receivables amounted to 2,869 thousand HRK recording an increase of 14% compared to the beginning of the year.

Short-term financial assets amount to 3,715 thousand HRK what is mostly short-term given loans. Compared to year before, financial assets increased by 326 thousand HRK. Cash in the bank and cash registers amounts to 8 thousand HRK and is lower by 71 thousand HRK compared to the beginning of the year. There was no change in capital and reserves compared to the beginning of the year.

Long-term liabilities amount to 15,169 thousand HRK what are credit lines at Karlovačka Bank and Agram bank Zagreb. Short-term liabilities amount to 5,774 thousand HRK, of which the largest portion of HRK 3,020 thousand relates to liabilities on loans received from Agram bank. Account payables increased from the beginning of the year for 819 thousand HRK. Total loans of the company amounted to HRK 18,189 thousand which is an increase from the beginning of the year for 7,319 thousand HRK.

Stanovi Jadran d.d. and subsidiaries (Group) achieved total revenues of 6,290 thousand HRK for year ended 2019, what is 20% lower than in the same period of the previous year. Sales revenues amount to 6,180 thousand HRK and were lower by 21% compared to the same period last year. One of the reasons for the decrease in revenue is because the Winter subsidiary is shown in the Income Statement and other comprehensive income within one line: “Result of the disposal group”.

Other operating income consist of net gains of financial instruments measured at fair value trough profit and loss statement in amount of HRK 1,288 thousand and financial income of HRK 93 thousand.
Out of total sales revenue, 100% of revenues are generated on the domestic market, no revenues were generated on the foreign market in 2019.

Material costs amount to HRK 1,033 thousand, which is by 74% lower than the same period of the previous year. Given that business expenses are recorded as a percentage increase, the share of material expense in operating expenses is 30.36%. Personnel expenses decreased by 62%. Their share in total operating expenses is 28.66%, compared to 28.63% in the same period last year. One of the reasons for the decrease in expenses is because the Winter subsidiary is shown in the Income Statement and other comprehensive income within one line: “Result of the disposal group”.

I COMMENTS ON BUSINESS DOING FOR THE PERIOD FROM 01/01/2019 TO 31/12/2019 (CONTINUED)

Financial revenues were lower by 91 thousand HRK or 49% compared to the same period of the previous year. Financial expenses increased by 195 thousand HRK or 67% compared to the same period last year.

The gross profit (profit before taxation) amounts to 3,625 thousand HRK, while in the same period of the previous year it was 1,828 thousand HRK, which is an increase of 5,453 thousand HRK or 298%. Higher gross profit was due to the completion of the project in Šibenik and due to the realization of the sale of apartments within the residential building Peškarija.

Total assets were 9% higher compared to the beginning of the year and amounts to 97,634 thousand HRK. Fixed assets were lower by 18,770 thousand HRK or 23%, compared to the beginning of the year. Tangible assets were lower by 19,727 thousand HRK compared to the beginning of the year.

Long-term financial assets mostly refer to the shares of non-listed companies, except for FMPS-R-A and VART -R-1. It amounts to 3,266 thousand HRK and was 1,005 thousand HRK higher than at the beginning of the year, primarily due to the value adjustment quoted on the Zagreb Stock Exchange.

Current assets amount to 36,212 thousand HRK what is 298% higher than the beginning of the year. In the structure of current assets, inventories, account receivables and cash are lower compared to the beginning of the year while short-term financial assets increased. Total short-term receivables amounted to 2,974 thousand HRK, record a decrease of 1,584 thousand HRK or 35% compared to the beginning of the year.

Short-term financial assets amount to 3,715 thousand HRK relating to short-term given loans. Short-term financial assets increased by 128 thousand HRK from year before. Money in the bank and the treasury amounts to 9 thousand HRK and is lower by 376 thousand HRK compared to the beginning of the year

Long-term liabilities amount to 15,169 thousand HRK what are credit lines at Karlovačka Bank and Agram Bank. Short-term liabilities amount to 7,985 HRK of which the largest portion of 2,956 thousand HRK were liabilities for down payments. Total debt to credit institutions of the Group Stanovi Jadran d.d. amounted to 18,125 thousand HRK which is an increase from the beginning of the year in amount of 5,580 thousand HRK.

I COMMENTS ON BUSINESS DOING FOR THE PERIOD FROM 01/01/2019 TO 31/12/2019 (CONTINUED)

Stanovi Jadran d.d. (The Company) realized the purchase and sale of three apartments in the residential - business complex "Peškarija", which most significantly affected the increase in operating income and profit in the third quarter of 2019. In addition, the increase in total operating income was influenced by the income from the daily rent of a business apartment and the lease of other business premises in "Centar Ploka" in Split. At the same time, material costs increased due to the cost of goods sold, while staff costs are higher than in the same period last year due to an increase in the number of workers to speed up the completion of works, and preparation for the next project. The Company still has liabilities for received advances related to the concluded pre-sale agreements, the realization of which is expected soon.

Revenue
HRK 6,313 thousand

Material expenses
HRK 1,029 thousand

Personnel expenses
HRK 975 thousand

Profit for the year
HRK 4,528 thousand

Assets
HRK 90,460 thousand

Liabilities
HRK 20,943 thousand

II IMPORTANT BUSINESS EVENTS

Company Stanovi Jadran d.d. (The "Company") as at 31 December 2019 and 31 December 2018 owned the following subsidiaries:

	31.12.2019. Equity share	**31.12.2018.** Equity share
Vile Orašac d.o.o.	100%	100%
Mediteran Gradnja d.o.o.	-	93%
Winter d.o.o.	89%	89%
Nova Nekretnine d.o.o.	85.4%	78%

In 2019, the company Mediteran gradnja d.o.o. was a participant in the status change of separation by acquisition, whereby the company Nova Nekretnine d.o.o. took over part of the property, liabilities and legal relations from the company Mediteran gradnja d.o.o. This led to a redistribution of shares that the Company had in Mediteran gradnja d.o.o. until the date of separation.

During 2019, the company continued to invest in the following projects:

- Hotel Armerun, Sibenik
- Ilica Project, Zagreb
- Project Svačićev Trg, Zagreb
- Project Lovinac, Lovinac

During 2019, the Company invested in residential and business facility in Šibenik, obtained use permits, carried out condominiums, successfully implemented sales contracts with several buyers and further realization of sales contracts is expected.

The Company continued with the investment in the Hotel "Armerun" and by the day of writing the report, all reinforced concrete works and part of the installation works had been done. The management of the Company expects the opening of the hotel during the summer season of 2021.

Real estate that is fully or majority owned by the Company has been put up for sale and the Management Board of the Company has held several meetings with potential buyers.

The company "Mediteran gradnja d.o.o." was separated and sold to a third party, while the company "Nova Nekretnine d.o.o." as the acquiring company took over part of the property, obligations and legal relations. "Nova Nekretnine d.o.o." bought one land parcel from the Company in order to obtain a building permit and the realization of the investment.

After the reporting period, the Company sold 89% of the shares of "Winter d.o.o." for BAM 8,455 thousand (equivalent in HRK is HRK 32,213 thousand) and made a profit of HRK 11,791 thousand.

III EXPECTED BUSINESS DEVELOPEMENT

Future contingent liabilities of the Company and its Subsidiaries relate mainly to investments in already started construction projects

The Company's Management Board is looking for locations where it would continue with the strategy presented in the Prospectus, while actively finding a solution for currently non-operating assets.

IV RESEARCH AND DEVELOPEMENT ACTIVITIES

Improving business in the real estate market requires regular market monitoring, which is mainly conducted through own research and through conversation with agents who meet on a daily basis with property and real estate demand.

V TREASURY SHARES INFORMATION

Stanovi Jadran d.d. does not have any treasury shares while current ownership structure depends on trading streams at Zagreb Stock Exchange.

VI BRANCH OFFICES

As stated in Note 16, the Company had the following subsidiaries as at 31 December 2019:

- Vile Orašac d.o.o.
- Winter d.o.o.
- Nova Nekretnine d.o.o.

VII. FINANCIAL INSTRUMENTS USED BY THE COMPANY

From the financial instruments that Company has in its portfolio, the following can be singled out:

- business shares in subsidiaries
- shares of companies listed on the Regulated Market in the Republic of Croatia, of which 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, denominated by FMPS in the percentage of 10.57% of the share capital of FMPS, whose shareholder Jadran Kapital d.d., also the largest individual shareholder of the Company. Proprius d.d. closed AIF with a public offer for investment in real estate is the Assembly decision on 29 April.2019 in liquidation when the liquidators were appointed

Additional details regarding the financial instruments and the risks associated with them can be found in Note 26.

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

The Company is exposed to the basic business risks of which the financial risks are stated together with other business risks of this Company in Chapter IX. of this Report.
All employees of the Company, including the Management Board and the Supervisory Board, are involved in the implementation of the internal control and risk management system.

The company manages risks, particularly financial, monitoring and compliance with significant regulations and internal control exercised through monitoring of operations in all organizational units through the activities of the company and especially the control of auxiliary services.

The objectives and policies of risk management are described in detail in Note 26 to the accompanying financial statements. The Company is exposed to the following risks:

Real estate market risk

The real estate market in the Republic of Croatia is recording a recovery in terms of the growth of the number of issued building permits and the movement of prices of residential and commercial real estate, especially in coastal regions, cities and places that generate tourist consumption. From the date the Republic of Croatia entered the European Union, there has been a noticeable increase in demand for residential and commercial real estate and the development of real estate projects. In recent years, foreign nationals have been looking for exclusive properties along the coast, such as those that the Company intends to offer to the market for sale, ie short-term and long-term leases. There is a shortage of high and high-end real estates on the market, which justifies the focus and intention of the Company to focus on this market segment of its business.

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

Tourism market risk

Tourism as a very specific industry connects several other industries by generating tourism consumption, currently has a medium-higher risk rating, and having in mind the level reached, but also the expected dynamics of tourism consumption in the next few years. The company believes that currently the most important risk related to tourism, ie the generation of tourist consumption, is seasonality and the realization of overnight stays in competitive markets. In addition, the threat to tourism is posed by the global health crisis as well as weaker economic power in the world

Construction industry related risk

By finding the appropriate, staffing and mechanization of a well-equipped and teamed partner, the Company has reduced the risk due to a shortage of construction companies that can simultaneously work on multiple locations as well as contracted works as partners for future projects. In addition, the Management believes that prices are at their peak due to labor shortages and that they could fall in 2020.

Personnel risk

The company, together with its subsidiary companies has 46 employees at the date of creating financial statements. This risk is low since the EU allows labor force movement what increase possibility of finding qualified employees.

Currency exchange risk

Existing currency exchange differences has been noted as expenses in P&L statement but do not affect money flow. The Company is currently exposed to currency risk due to changes in the exchange rate of the convertible mark against the euro (BAM / EUR), and indirectly against the Croatian kuna (HRK).

Exposure risk

The company employs engineer who is reducing risk by setting up control mechanism which controls cost and individual material prices and planned or performed work. The management tries to reduce the cost exposure by hiring companies at the projects that has at least 50 for additional protection as larger companies reduce the risk of exposure and procurement.

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

Financing risk

The management believes financing risk is at the lowest possible level since the finance market offers affordable arrangements.

Liquidity risk

The management is trying to put all company assets in use in a shorter possible period in order to increase revenue streams and create stabile cash flow to service short-term and outstanding liabilities. All receivables has been secured with financial instruments in order to reduce liquidity risk. After the sale of financial assets, the Management Board plans to reduce liabilities and continue with investment activities.

Interest rate risk

Loans received by credit arrangements are mainly contracted at a changeable interest rate based on the reference interest rate (EURIBOR), therefore, there is an interest risk. The Company does not currently use financial instruments to hedge against adverse or unexpected interest rate movements. Due to global trends, the Management Board considers it necessary to reduce this risk by repaying part of the liabilities.

Credit risk

The management of the company does not allow partner crediting, and all credits are secured by additional insurance instruments. The Company is exposed to credit risk. It is servicing on time two credit lines to commercial banks and plans to sell real estate (currently in construction) to further reduce its exposure to loans to credit institution. Due to global trends, the Management Board considers it necessary to reduce this risk by repaying part of the liabilities. For more details related to trends and COVID 19, please refer to Note 27.

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

16 July 2020

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

16 July 2020

Statement of application of the corporate governance code

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), Management Board of Stanovi Jadran d.d., Split, Ulica Kralja Zvonimira 14 / IX, OIB: 88680117715 (hereinafter: the Company), on 16 July 2020 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).

2. In the past 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) and submitted to the Zagreb Stock Exchange d.d.

During 2020, 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 2019 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.

4. The largest shareholders, as at 31 December 2019, 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 – kategorija 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). dr.) 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 (until August 9, 2019 - 5 members), and consists of:

1. Miroslav Jelicic-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 2019.

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

16 July 2020

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Stanovi Jadran d.d.

Opinion

We have audited the financial statements of Stanovi Jadran d.o.o. ("the Company") and its subsidiaries ("the Group"), which comprise the statement of financial position of the Company and the Group as at 31 December 2019, the statement profit and loss and other comprehensive income, the Company's and the Group's statement of changes in owner's equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its 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.

Emphasis of matter

We draw attention to Note 3. Significant accounting policies - "Comparative data and changes in opening balance", which discloses the nature and extent of correction from previous periods on the accompanying financial statements. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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.

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

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INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matters (continued)

Impairment of investment property	How our audit addressed the key audit matter
For Significant accounting policies refer to Note 3. For the additional information regarding identified key audit matter, refer to Note 15 to the financial statements.	
In accordance with International accounting Standard 40 – „Investment property", investment property is held to earn rentals or for capital appreciation. Given that economic conditions in the market influence price movements of such asset, Management Board is required to continually challenge the recoverability of the aforementioned asset in accordance with International accounting Standard 36 – „Impairment of Assets". International accounting Standard 36 – „Impairment of Assets" seeks to ensure that an entity's assets are not carried at more than their recoverable amount. The carrying amount of an asset is higher than its recoverable amount if it exceeds the amount of fair value less costs of disposal or value in use. In that case, if recoverable amount is below carrying amount, an impairment loss should be recognised. Considering the fact that assessment and determination of recoverable amount requires use of complex models and significant judgement from external appraisers as well as from the Management, this process could be exposed to potential bias. Those facts led us to conclude that impairment of investment property should be key audit matter in our audit of financial statements for the year ended 31 December 2019.	In order to address the risks associated with impairment of investment property, identified as key audit matter, we have designed audit procedures that allowed us to obtain sufficient appropriate audit evidence for our conclusion. We performed the following audit procedures with respect to the respective area: • discussion with the Management to obtain understanding on the examination of recoverable amount; • checking the accuracy and completeness of the data from the Company's and the Group's sub ledgers and reconciling it with the general ledger; • obtaining and reviewing property appraisals in order to evaluate whether the appraisals underpin the Management's judgement on assumptions used, including; and • assessing the adequacy of the applied appraisal methodology and comparison of the appraised values with the carrying amount of the asset classified as Investment property.

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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 for 2019 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 respects, in accordance with Article 22, paragraph 1, items 3 and 4 of the Accounting Act and includes also the information from the Article 22, paragraph 1, items 2, 5, 6 and 7 and Article 24, paragraph 2.

Based on the knowledge and understanding of the Company and 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 skepticism 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.

Deloitte.

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 8 June 2019 to perform audit of accompanying financial statements. Our total uninterrupted engagement has lasted 6 years and covers period 1 January 2014 to 31 December 2019.

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 16 July 2020 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.

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

Marina Tonžetić

Director and Certified auditor

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

Deloitte d.o.o.
Zagreb, 16 July 2020

Radnička cesta 80,

10 000 Zagreb, Croatia

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

Statement of comprehensive income

For the year ended 31 December 2019

(All amounts are expressed in kunas)

	Note	Stanovi Jadran d.d. and its subsidiaries		Stanovi Jadran d.d.	
		2019	**2018**	**2019**	**2018**
			(restated)		**(restated)**
		'000kn	**'000kn**	**'000kn**	**'000kn**
Sales income	5	6,180	7,857	6,203	1,032
Other operating income		110		110	
Total operating income		**6,290**	**7,857**	**6,313**	**1,032**
Material expenses	6	(1,033)	(3,974)	(1,029)	(1,043)
Personnel expenses	7	(975)	(2,584)	(975)	(789)
Amortisation and depreciation expense	14,15	(368)	(1,217)	(368)	(193)
Other expenses	8	(565)	(1,252)	(553)	(448)
Loss on sale of fixed assets		(461)		(461)	
Total operating expenses		**(3,402)**	**(9,027)**	**(3,386)**	**(2,473)**
Net profit from financial instruments at fair value through profit or loss account		1,130	(550)	1.288	(782)
		-	-	709	243
Operating profit / loss		**4,018**	**(1,720)**	**4,924**	**(1,980)**
Finance income	9	93	184	90	855
Finance expense	10	(486)	(291)	(486)	(302)
Profit from financial activities		**(393)**	**(108)**	**(396)**	**553**
Profit / (Loss) before tax		**3,625**	**(1,828)**	**4,528**	**(1,427)**
Income tax expense	12	-	(31)	-	-
Profit / (Loss) for the year		**3,625**	**(1,859)**	**4,528**	**(1,427)**
Disposal group	13	798	-	-	-
Total profit / (loss) for the year		**4,423**	**(1,859)**	**4.528**	**(1.427)**
To the owners of the company		4,473	(1,885)	4.528	(1.427)
To minority shareholders		(50)	26	-	-
Items that can later be included in profit or loss:					
Net profit / (loss) on financial assets available for sale		-	-	-	-
Other comprehensive income / (loss)		**4,423**	**(1,859)**	**4,528**	**(1,427)**
Earnings per share (basic and diluted)	11	11,73	(4,94)	11,8	(3,74)

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

Stanovi Jadran d.d. and its subsidiaries

	Note	31/12/2019	31/12/2018	1/1/2018 (restated)
		'000kn	'000kn	'000kn
ASSETS				
Non-current assets				
Intangible assets	14	25	81	135
Property, plant and equipment	14	3,590	27,690	28,352
Investment property	15	54,385	50,011	28,054
Financial assets measured through profit or loss	17	3,266	2,261	2,809
Given loans		156	149	-
		61,422	**80,192**	**59,350**
Current assets				
Inventories			574	337
Receivables	18	2,603	3,219	2,963
Other receivables	19	371	1,339	960
Given loans	20	3,715	3,587	14.274
Assets of the alienation group	13	29,514	-	-
Cash and cash equivalents	21	9	385	1,566
		36,212	**9,104**	**20,100**
TOTAL ASSETS		**97,634**	**89,296**	**79,450**

Statement of financial position

For the year ended 31 December 2019

(All amounts are expressed in kunas)

Stanovi Jadran d.d. and its subsidiaries

	Note	31/12/2019	31/12/2018	1/1/2018 (restated)
		'000kn	'000kn	'000kn
EQUITY AND LIABILITIES				
Capital and reserves				
Share Capital	22	76,248	76,248	76,248
Capital reserves		3,358	3,358	3,358
Translation reserve		(456)	(508)	110
Transferred loss		(12,673)	(10,788)	(10,194)
Profit / (Loss) for the year		4,473	(1,885)	(594)
		70,950	**66,425**	**68,928**
Non-controlling interest		3,530	3,580	3,554
		74,480	**70,005**	**72,482**
Non-current liabilities				
Borrowings	24	15,169	10,791	3,857
		15,169	**10,791**	**3,857**
Current liabilities				
Trade payables	23	1,922	1,483	871
Borrowings	24	2,956	1,754	1,479
Liabilities for advances received		59	4,600	166
Liabilities to employees		44	163	120
Liabilities for taxes, contributions and similar allowances		76	430	403
Other short-term liabilities		74	5	72
Share based liabilities		-	65	-
Liabilities of disposal assets	13	2,853	-	-
		7,985	**8,500**	**3,111**
TOTAL EQUITY AND LIABILITIES ZE		**97,634**	**89,296**	**79,450**

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

Statement of financial position

For the year ended 31 December 2019

(All amounts are expressed in kunas)

	Note	Stanovi Jadran d.d. 31.12.2019. '000kn	31.12.2018. '000kn	01.01.2018 restated '000kn
ASSETS				
Non current assets				
Intagiblen assets	14	25	22	20
Property; plant; and equipment	14	3,590	26	24
Investment property	15	46,265	42,385	20,448
Financial assets measured through profit or loss	17	3,266	2,256	2,804
Given loans		156	149	-
Shares in subsidiaries	16	30,341	29,770	27,531
		83,643	**74,608**	**50,827**
Current assets				
Receivables	18	2,869	2,510	2,589
Other receivables	19	226	807	458
Loans to related parties	20	11	99	1,711
Short-term financial assets	20	3,704	3,290	14,175
Cash and cash equivalents	21	8	79	585
		6,817	**6,785**	**19,518**
TOTAL ASSETS		**90,460**	**81,392**	**70,346**

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

Statement of financial position

For the year ended 31 December 2019

(All amounts are expressed in kunas)

	Note	31.12.2019.	31.12.2018.	01.01.2018 restated
		Stanovi Jadran d.d.		
		'000kn	**'000kn**	**'000kn**
EQUITY AND LIABILITIES				
Capital and reserves				
Share Capital	22	76,248	76,248	76,248
Capital reserves		3,358	3,358	3,358
Transferred loss		(14,617)	(13,190)	(11,629)
Profit / (Loss) for the year		4,528	(1,427)	(1,562)
		69,517	**64,987**	**66,416**
Non current liabilities				
Borrowings	24	15,169	9,654	2,998
		15,169	**9,654**	**2,998**
Current liabilities				
Trade payables	23	1.717	898	527
Borowings	24	3,020	1,216	206
Liabilities to related parties	24	849	104	122
Liabilities for advences received		59	4,474	-
Liabilities to employees		44	59	40
Liabilities for taxes, contributions and similar allowances		76	-	24
Other short-term liabilities		9	-	13
		5,774	**6,751**	**932**
TOTAL EQUITY AND LIABILITIES		**90,460**	**81,392**	**70,346**

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

Consolidated statement of changes in owner's equity

For the year ended 31 December 2019

(All amounts are expressed in kunas)

Stanovi Jadran d.d. and its subsidiaries	Share Capital	Capital reserves	Revaluation reserves	Transferred loss	Translation reserve	Non-controlling interest	Total
	'000kn	'000kn	'000kn	'000kn	'000kn	'000kn	'000kn
At 1 January 2018	**76,248**	**3,358**	**(431)**	**(10,359)**	**110**	**3,554**	**72,482**
Correction of errors from previous periods	-	-	431	(431)	-	-	-
At 1 January 2018 (restated)	**76,248**	**3,358**	**-**	**(10,788)**	**110**	**3,554**	**72,482**
Loss for the year	-	-	-	(1,885)	-	26	(1,859)
Translation reserve	-	-		-	(618)	-	(618)
At 31 December 2018 (restated)	**76,248**	**3,358**	**-**	**(12,673)**	**(508)**	**3,580**	**70,005**
Net loss for the year	-	-	-	4,473	-	(50)	4,423
Translation reserve	-	-	-	-	52	-	52
At 31 December 2019	**76,248**	**3,358**	**-**	**(8,200)**	**(456)**	**3,530**	**74,480**

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

Statement of changes in owner's equity
For the year ended 31 December 2019

(All amounts are expressed in kunas)

Stanovi Jadran d.d.	Share Capital	Capital reserves	Revaluation reserves	Transferred loss	Total
	'000kn	'000kn	'000kn	'000kn	'000kn
At 1 January 2018	**76,248**	**3,358**	**3.834**	**(14,544)**	**68,896**
Correction of errors from previous periods	-	-	(3.834)	(1,354)	(2,480)
At 1 January 2018 (restated)	**76,248**	**3,358**	-	**(13,190)**	**66,416**
Net loss for the year	-	-	-	(1,427)	(1,427)
At 31 December 2018 (restated)	**76,248**	**3,358**	-	**(14,617)**	**64,987**
Net profit for the year	-	-	-	4,528	4,528
At 31 December 2019	**76,248**	**3,358**	-	**(10,089)**	**69,517**

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

Statement of cash flows

For the year ended 31 December 2019

(All amounts are expressed in kunas)

	Stanovi Jadran d.d. and its subsidiaries		**Stanovi Jadran d.d.**	
	2019	**2018**	**2019**	**2018**
		(restated)		**(restated)**
	'000kn	**'000kn**	**'000kn**	**'000kn**
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit / (Loss) before tax	4,473	(1,885)	4,528	(1,427)
Amortisation	368	1.217	368	193
Net loss/(gain) from sale of investments in shares and investment funds	(11)	-	4	782
Gains from sale of property, plant and equipment	(1,017)	-	(1,017)	-
Losses from disposal of tangible fixed assets	461	-	461	-
Unrealized losses / gains on securities	(1,005)	548	(1,010)	(1,447)
Dividend income	-	-	(121)	-
Income from shareholdings in subsidiaries			(709)	(243)
Interest expense	439	291	468	257
Interest income	(38)	(181)	(38)	(164)
Exchange rate differences, nett	(17)	(591)	(20)	-
Paid income taxes	-	61	-	-
Cash from operating activities before changes in working capital	**3,653**	**(540)**	**2,914**	**(2,049)**
Increase / (decrease) in short-term receivables	(160)	(256)	(359)	(703)
Decrease / (increase) inventory	-	(237)	-	-
Decrease of other receivables	464	(379)	637	(349)
Increase / (decrease) in trade payables and other liabilities	(3,174)	678	(2,780)	518
Tax paid	-	(61)	-	-
Interest paid	(375)	(291)	(404)	(257)
Net increase in cash flow from operating activities	**408**	**(1,086)**	**8**	**(2,840)**
CASH FLOW FROM INVESTMENT ACTIVITIES				
Purchase of tangible and intangible assets	(3,611)	(353)	(3,611)	(13)
Investment property purchase	(5,139)	(22,106)	(4,645)	(22,086)
Given loand, nett	(209)	10,681	(122)	12,316
Deposits given, net change	(7)	(149)	(7)	(149)
Deposits received, net change	-	4,434	-	4,474
Proceeds from sale of financial assets measured at fair value	11	-	11	-
Proceeds from investments in financial assets available for sale	1,017	-	1,017	-
Other cash outflows from investing activities	-	-	(136)	-
Interest received	38	181	38	164
Dividends	-	-	121	-
Net decrease in cash flow from investing	**(7,900)**	**(7,312)**	**(7,334)**	**(5,294)**

Statement of cash flows (continued)

For the year ended 31 December 2019

(All amounts are expressed in kunas)

	Stanovi Jadran d.d. and its subsidiaries		Stanovi Jadran d.d.	
	2019	**2018**	**2019**	**2018**
	'000kn	**'000kn**	**'000kn**	**'000kn**
CASH FLOW FROM FINANCIAL ACTIVITIES				
Cash receipts from loan principal, debentures, loans and other borrowings	18,482	8,435	19,182	8,111
Repayment of Received Loans	(11,366)	(1,218)	(11,927)	(483)
Net increase in cash flow from financial activities	**7,116**	**7,217**	**7,255**	**7,628**
Cash and cash equivalents at the beginning of the period	385	1,565	79	585
Net increase / (decrease) in cash and cash equivalents	(376)	(1,180)	(71)	(506)
Cash and cash equivalents at the end of the period	**9**	**385**	**8**	**79**

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

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 (OIB) 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 d.o.o., Peškarija d.o.o. and Ličko selo d.o.o. 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 d.o.o. 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, for the amount of HRK 30,340,000.00, by cash payment , 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

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

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, transhipment, 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 transhipment 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
- Wweb design and maintenance, web design

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

Subsidiary/Associate	**31/12/2019** **% equity share**	**31/12/2018** **% equity share**	**Principal activity**
Nova nekretnine d.o.o., Trsteno	85,40%	78%	Buying and selling of owned real estate
Mediteran gradnja d.o.o., Mokošica	-%	93%	Buying and selling of owned real estate
Vile Orašac d.o.o., Trsteno	100%	100%	Buying and selling of owned real estate
Winter d.o.o., Travnik, Bosna i Hercegovina	89%	89%	Accommodation, food and drink services

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 existing standards and new interpretations, as published by the International Accounting Standards Board ("IAS") and adopted by the European Union, are effective in the current reporting period:

• **IFRS 16 "Leases",** adopted in the European Union on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019),

• **Amendments to IFRS 9 "Financial Instruments"** - Advances with Negative Compensation Features - Adopted in the European Union on March 22, 2018 (effective for annual periods beginning on or after January 1, 2019).

• **Amendments to IAS 19 Employee Benefits** - Amendments, Reductions, or Disbursements from Remuneration Plans adopted in the European Union on March 13, 2019 (effective for annual periods beginning on or after January 1, 2019))

• **Amendments to IAS 28 "Interests in Associates and Joint Ventures"** - "Long-term Investments in Associates and Joint Ventures" - adopted in the European Union on February 8, 2019 (effective for annual periods beginning on or after 1 January 2009). January 2019)

• **Amendments to various standards due to "IFRS Finances from the 2015-2017 Cycle"** arising from the IFRS Annual Finalization Project (IFRS 3, IFRS 11, IAS 12 and IAS 23), primarily to eliminate inconsistencies and clarify text - adopted in the European Union on 14 March 2019 (effective for annual periods beginning on or after 1 January 2019),

• **IFRIC 23 "Uncertainty about the Application of Corporate Income Tax Rules"** - Adopted in the European Union on 23 October 2018 (effective for annual periods beginning on or after 1 January 2019).

Adopting these amendments to existing standards and interpretations did not lead to significant changes in the financial statements.

From 1.1.2019. new standard - International Financial Reporting Standard 16 - Leases (hereinafter: the Standard or IFRS 16) came into force. IFRS 16 requires that, under a lease recognition model, a lease should identified at the level of the contract, and lessees must recognize in their financial statements a financial liability and an asset that represents a right of use over the lease term. After the initial recognition of assets and financial liabilities, lessees also recognize depreciation on those assets, as well as the financial cost of the remaining financial liability.

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

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

By using the option of practical expedient in the transition, the Group and the Company applied IFRS 16 with 1 January 2019 without restating prior periods and without restating the equity for the effects of application. The Group and the Company shall take into account only the remaining expenditures under the lease agreement, which are discounted using the incremental rate and shall record the right to manage the assets in the same amount. The right-of-use asset is included in the same paragraph in which the corresponding underlying assets would be shown to be owned and lease liabilities are expressed in the framework of long-term and short-term liabilities to suppliers. The change in the definition of lease mainly refers to the concept of control. IFRS 16 determines whether the lease contract contains the basis for the client to have the right to control the use of the identified property for a specified period in exchange for compensation. This differs from the focus on the "risks and benefits" characterized by IAS 17 and IFRIC 4.

When identifying leases, practical expedients in transition are used: all business premises lease agreements, regardless of when they are concluded and which expire until 31 December 2019 they are not recognized as lease, and if the contract has a clause that it can be terminated without giving a reason for termination, and without an agreed penalty or significant cost, they are not recognized as rent. The Group and the Company shall apply the rental definition and related guidelines contained in IFRS 16 to all lease agreements concluded or amended on 1 January 2014 Brussels, 11 January 2019 or after that date (whether it is a lessor or lessee).

Each of the contracts is evaluated on an individual basis and any future modification of the contract may have a material impact on the recognition or non-recognition of the contract as leases in accordance with the requirement of IFRS 16. IFRS 16 will change the way the Group and the Company account for leases previously classified as operating leases under IAS 17, and which were off-balance sheet items. When applying IFRS 16, the Group and the Company for all leases (except for the leases listed below):

- shall account for right-of-use assets and lease liabilities in the statement of financial position, which are measured for the first time at the present value of future lease payments, with right-of-use assets adjusted for the amount of prepaid or deferred lease payments
- depreciation of right-of-use assets and interest on lease liabilities in the profit and loss statement;
- separate the total amount of money paid into the share of the principal (shown in the financing activities) and the interest (shown in business activities) in the cash flow report.

Incentives for rent (e.g. periods for which the lessor exempted the lessor from paying the rent) were expressed as part of the measurement of right-of-use assets and lease liabilities, while under IAS 17, lease incentives were presented, re-depreciated as a reduction in the cost of lease. In accordance with IFRS 16, right-of-use assets shall be tested for the impairment in accordance with IAS 36.
As regards short-term leases (rental period of 12 months or less) and leases of low-value assets (such as tablets and personal computers and office furniture and telephones), the Group and the Company decided to linearly disclose their lease expense, as permitted by IFRS on 16 October 2013. The specified cost is reported as "Other expenses" in the Statement of comprehensive income. No contractual obligation relating to the lease is eligible for the recording of assets and liabilities under IFRS 16.

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

Amendments to the existing standards published by the OMRS and adopted in the European Union but not yet in force

At the date of approval of these financial statements, there are no new standards, amendments to existing standards or interpretations issued by the IASB and adopted by the European Union that are not yet effective.

New standards and amendments to existing standards published by the IASB, 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, amendments to the existing standards and new interpretation, which were not endorsed for use in EU (the effective dates stated below is for IFRS in full):

- **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"** (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to IAS 3 "Business Combinations"** - Business Definition (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period commencing on or after 1 January 2020 and on the acquisition of or after the beginning of that period),
- **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),
- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Misstatements"** - Significance Definition (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to the Conceptual Framework Guidelines in IFRSs (effective for annual periods beginning on or after 1 January 2020).**

According to the estimates of the Company and the Group, the application of the new standards and the amendment of existing standards would not have a material material impact on the financial statements.
Accounting for hedges in a portfolio of financial assets and liabilities whose policies have not been adopted in the EU remains unregulated.

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.

Currency	**31 December 2019**	**31 December 2018**
EUR 1	7.44258	7.4176
BAM 1	3.80533	3.7925

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

3. SIGNIFICANT ACCOUNTING POLICIES

Comparative data and changes in opening balance

COMPARATIVE DATA AND CHANGES IN OPENING BALANCE

During 2019, certain adjustments were made in the separate and consolidated financial statements of the Company and the Group for 2018 and previous periods. The reasons for the revisions and the individual items that have been revised are set out below.

1. Correction of previous period errors related to investment held in Winter d.o.o.

In previous periods, re-measurement of investment held by the Company in subsidiary Winter d.o.o. accounted for under equiry method, was recognized in the position of revaluation reserves, which is not in accordance with the requirements of IFRS. In 2019 the correction of this error was performed retroactively in accordance with the requirements of IAS 8. The correction of the error was performed in the manner required by IAS 8: Accounting policy, changes in accounting estimates and errors, according to which the reporting entity is obliged to adjust the opening balance of each component of capital on which the correction has an effect for the first presented previous period, and other comparative amounts published for each presented previous period.

Following all the above, the correction of the described error of previous periods affected, in the separate financial statements of the Company, the adjustment of the opening and closing balance of items (i) Shares in subsidiaries, (ii) Revaluation reserves and (iii) Loss carried forward for the year ended 31 December 2018. An overview of the performed ajdustments to the opening balances of the comparative period (1 January 2018) and the closing balances of the comparative period (31 Decemeber 2018), due to the described correction of the prior period, is presented in Table 1.

2. Correction of prior period error related to the measurement of financial assets held for trading

In 2019, the Company corrected incorrect classification of financial assets held for trading in separate and consolidated financial statements. Until 2019, the Company recognized adjustments to the value of such assets through other comprehensive income. With the adoption of IFRS 9: Financial Instruments, as of 1 January 2018, the Company was required to recognize the adjustment of the value of such financial assets through the income statement. Adjustments to the Company's separate and consolidated financial statements have been made retrospectively, in accordance with the requirements of IAS 8 (described previously under item 1). The correction of the described error of previous periods affected, in the separate and consolidated financial statements of the Company, opening and closing balance of following items: (i) Non-current financial assets, (ii) Revaluation reserves and (iii) Loss carried forward for the year ended 31 December 2018. and (iv) Profit for the year ended 31 Decemeber 2018. An overview of these adjustments is presented in Table 2.

TABLE 1 – effects of the adjustments to separate financial statements of the Company

Separate statement of financial position of the Company – opening balances of comparative period (1 January 2018)

	1 January 2018 (As previously reported)	Correction	1 January 2018 (restated)
Investment in subsidiaries	30,011	(2,480)	27,531
TOTAL ASSETS	**72,825**	**(2,480)**	**70,346**
Revaluation reserve	3,834	(3,834)	-
Accumulated losses	(14,544)	1,354	(13,190)
TOTAL EQUITY AND LIABILITY	**72,825**	**(2,480)**	**70,346**

Separate statement of financial position of the Company – closing balances of comparative period (31 December 2018)

	31 December 2018 (As previously reported)	Correction	31 December 2018 (restated)
Investment in subsidiaries	32,002	(2,232)	29,770
TOTAL ASSETS	**83,625**	**(2,232)**	**81,392**
Revaluation reserve	3,047	(3,047)	-
Accumulated losses	(15,432)	815	(14,617)
TOTAL EQUITY AND LIABILITY	**83,625**	**(2,232)**	**81,392**

Separate statement of comprehensive income of the Company – year ended 31 December 2018

	2018 (As previously reported)	Correction	2018 (restated)
Share of profit in associate	-	243	243
Gains / (Losses) on FVTPL	-	(782)	(782)
PROFIT/(LOSS) BEFORE TAX	**(888)**	**(539)**	**(1,427)**
Other comprehensive income	**(539)**	**539**	**-**
TOTAL COMPREHENSIVE INCOME	**(1,427)**	**-**	**(1,427)**

TABLE 2 – effects of the adjustments to consolidated financial statements of the Company

Consolidated statement of financial position of the Company – opening balances of comparative period (1 January 2018)

	1 January 2018 (issued)	**Correction**	**1 January 2018 (restated)**
TOTAL ASSETS	**79,450**	**-**	**79,450**
Revaluation reserve	(431)	431	-
Accumulated losses	(10,359)	(431)	(10,788)
TOTAL EQUITY AND LIABILITY	**79,450**	**-**	**79,450**

Consolidated statement of financial position of the Company – closing balances of comparative period (31 December 2018)

	31 December 2018 (issued)	**Correction**	**31 December 2018 (restated)**
TOTAL ASSETS	**89,295**	**-**	**89,295**
Revaluation reserve	(980)	980	-
Accumulated losses	(11,693)	(980)	(12,673)
TOTAL EQUITY AND LIABILITY	**89,295**	**-**	**89,295**

Consoldiated statement of comprehensive income of the Company – year ended 31 December 2018

	2018 (issued)	**Correction**	**2018 (restated)**
Gains / (Losses) on FVTPL	-	(550)	(550)
PROFIT/(LOSS) BEFORE TAX	**(1,335)**	**(550)**	**(1,885)**
Fair value gain/(loss) on FVOCI	(550)	550	-
Other comprehensive income	**(550)**	**550**	**-**
TOTAL COMPREHENSIVE INCOME	**(1,885)**	**-**	**(1,885)**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Classficication of financial assets

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

- 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.

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;
- Dužnički instrumenti koji ne zadovoljavaju kriterije mjerenja po amortiziranom trošku ili po FVOSD (vidi (i) i (ii) gore) klasificiraju se kao financijska imovina po fer vrijednosti kroz dobit ili gubitak. Osim toga, dužnički instrumenti koji ispunjavaju ili kriterij mjerenja po amortiziranom trošku ili mjerenja po FVOSD mogu se mjeriti po fer vrijednosti kroz dobit ili gubitak nakon početnog priznavanja, ako takvo određivanje eliminira ili značajno smanjuje nekonzistentnost mjerenja ili priznavanja (tzv. računovodstvena neusklađenost) koja bi nastala mjerenjem imovine ili obveza ili priznavanje dobitaka i gubitaka na njima na različitim osnovama. Društvo nije odredilo niti jedan dužnički instrument po fer vrijednosti kroz dobit ili gubitak.

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.

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. Where taxes arise from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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 brining an asset to its working condition and location for its intended use.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)

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.

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.

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 propertis 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

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.

Earnings per share

The Comapny 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.

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.

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.

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 harmonization 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.

5. SALES INCOME

	Stanovi Jadran d.d. and its subsidiaries		Stanovi Jadran d.d.	
	2019, '000kn	**2018, '000kn**	**2019, '000kn**	**2018, '000kn**
Income from sale of assets	4,694	203	4,694	203
Rental income	1,311	611	1,311	611
Revenue from services	157	6,745	157	36
Income from recharged items	18	23	41	23
Income from debt write-off and credit notes	-	5	-	-
Other income	-	270	-	159
	6,180	**7,857**	**6,203**	**1,032**

The Company and the Group operate in three different segments - real estate rental, real estate sales and hotel management. The Company reports revenues by individual segments, which include the sale of real estate, rental of real estate and accommodation services. Revenues from the provision of accommodation services relate to the subsidiary Winter d.o.o., Travnik, Bosnia and Herzegovina, and are disclosed separately in Note 13 to these financial statements - this also represents a separate geographical area of revenue since other subsidiaries operate in Croatia.

6. MATERIAL EXPENSES

	Stanovi Jadran d.d. and its subsidiaries		Stanovi Jadran d.d.	
	2019 '000kn	**2018 '000kn**	**2019 '000kn**	**2018 '000kn**
Service costs	625	2,076	621	934
Cost of raw material and supplies	408	1,898	408	109
	1,033	**3,974**	**1,029**	**1,043**

Service costs relate to regular business services, such as leases, banking and professional services.

7. PERSONNEL EXPENSES

	Stanovi Jadran d.d. and its subsidiaries		Stanovi Jadran d.d.	
	2019	**2018**	**2019**	**2018**
	'000kn	**'000kn**	**'000kn**	**'000kn**
Net salaries	601	1,549	601	504
Contributions on salaries	201	284	201	113
Contributions and taxes from salaries	174	751	174	173
	975	**2,584**	**975**	**789**

As at 31 December 2019, the Group had 50 employees and the Company had 10 employees (31 December 2018: 46 employees had Group and 9 employees Company.

8. OTHER EXPENSES

	Stanovi Jadran d.d. and subsidiaries		Stanovi Jadran d.d.	
	2019	**2018**	**2019**	**2018**
	'000kn	**'000kn**	**'000kn**	**'000kn**
Business travel, professional education and other non-taxable payments to employees	220	415	220	158
Representation costs	73	41	73	22
Costs of banks and other financial institutions	66	-	66	-
Taxes independent of the result	58	40	58	95
Insurance premiums	37	67	37	-
Membership fees	25	15	24	39
Administrative and court costs and duties	23	6	15	20
Donations	20	19	20	1
Second income costs	-	362	-	98
Other costs	42	287	39	15
	565	**1,252**	**553**	**448**

9. FINANCIAL INCOME

	Stanovi Jadran d.d. and subsidiaries		Stanovi Jadran d.d.	
	2019	**2018**	**2019**	**2018**
	'000HRK	**'000HRK**	**'000HRK**	**'000HRK**
Dividend income	-	3	-	693
Interest income and foreign exchange gains	61	181	61	162
Realised gains on sale of shares	32	-	30	-
	93	**184**	**90**	**855**

10. FINANCIAL EXPENSES

	Stanovi Jadran d.d. and subsidiaries		Stanovi Jadran d.d.	
	2019	**2018**	**2019**	**2018**
	'000HRK	**'000HRK**	**'000HRK**	**'000HRK**
Interest expense and foreign exchange losses	472	291	472	257
Losses on sale of shares	15	-	15	45
	486	**291**	**486**	**302**

11. 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.

'000HRK

	Stanovi Jadran d.d. and subsidiaries		Stanovi Jadran d.d.	
	2019.	**2018.**	**2019.**	**2018.**
Profit after tax	4,473	(1,885)	4,528	(1,427)
Average weighted number of ordinary shares issued	381,240	381,240	381,240	381,240
Basic and diluted earnings per share (in HRK per share)	**11,73**	**(4,94)**	**11,8**	**(3,74)**

12. INCOME TAX

Income tax is calculated in accordance with Croatian regulations. The tax rate on taxable profit is 18%. Corporate income of Winter d.o.o., Travnik is assessed according to the laws and regulations of the Federation BiH. The tax rate aplied to taxable profit in BiH is 10%.

	Stanovi Jadran d.d. and its subsidiaries		**Stanovi Jadran d.d.**	
	2019	**2018**	**2019**	**2018**
	'000kn	**'000kn**	**'000kn**	**'000kn**
Accounting profit / (loss)	4,512	(1,885)	4,528	(1,427)
Tax rate 18% / 20%	812	(329)	815	(257)
Tax base increase	7	26	28	24
Tax base decrease	(4)	(125)	(22)	(125)
The impact of different tax jurisdictions	6	31	-	-
Used tax losses	(821)	-	(821)	-
Income tax	**-**	**31**	**-**	**-**

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, ie that they will realize sufficient taxable profits in the following periods necessary for the realization of tax losses.

13. DISPOSAL GROUP

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

Income statement for the year 2019

	2019
Sales revenue	8,265
Operating income	**8,265**
Cost of material	(3,670)
Staff	(2,072)
Amortization	(825)
Other costs	(809)
Operating expense	**(7,376)**
Operating profit	**889**
Financial income	47
Financial expense	(49)
Profit for the year before tax	**887**
Income tax (10%)	**(89)**
Profit for the year	**798**

Balance sheet as at 31 December.2019. years

ASSET	**31/12/2019**
Non-current assets	**27,785**
Current assets	**1,729**
Total assets	**29,514**

EQUITY AND LIABILITY	**31/12/2019**
Equity and reserves	-
Non-current liabilities	**1,058**
Current liabilities	**1,795**
Total equiyt and liabilities	**2,853**

14. PROPERTY, PLANT AND EQUIPMENT, AND INTANGIBLE ASSETS

Stanovi Jadran d.d. and its subsidiaries	Concessions, licence, softwer	Total intangible assets	Land	Buildings	Equipment	Furniture	Total property, plant and equipment
	'000kn	'000kn	'000kn	'000kn	'000kn	'000kn	'000kn
COST							
Balance at 1 January 2018	**187**	**187**	**2,051**	**28,366**	**1,420**	**86**	**31,924**
Additions / (Disposals)	2	2	(26)	169	220	-	**363**
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)**
Balance at 31 December 2019	**28**	**28**	-	-	**3,681**	-	**3,681**
VALUE ADJUSTMENT							
Balance at 1 January 2018	(53)	(53)	-	**(2,613)**	**(885)**	**(86)**	**(3,583)**
Amortization for the year	(55)	(55)	-	(743)	(270)	-	**(1,013)**
Balance at 31 December 2018	**(108)**	**(108)**	-	**(3,356)**	**(1,155)**	**(86)**	**(4,597)**
Amortization for the year	(3)	(3)	-	-	(41)	-	**(41)**
Derecognition of assets for disposal	108	108	-	3,356	1,105	86	**4,547**
Balance at 31 December 2019	**(3)**	**(3)**	-	-	**(91)**	-	**(91)**
NET BOOK VALUE							
Balance at 31 December 2018	**81**	**81**	**2,025**	**25,180**	**485**	-	**27,690**
Balance at 31 December 2019	**25**	**25**	-	-	**3,590**	-	**3,590**

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

Stanovi Jadran d.d.	**Concessions, licence, softwer**	**Total intangible assets**	**Equipment**	**Total property, plant and equipment**
COST	**'000kn**	**'000kn**	**'000kn**	**'000kn**
Balance at 1 January 2018	**20**	**20**	**65**	**65**
Additions	2	2	11	11
Balance at 31 December 2018	**22**	**22**	**76**	**76**
Additions	6	6	3,605	3,605
Balance at 31 December 2019	**28**	**28**	**3,681**	**3,681**
VALUE ADJUSTMENT				
Balance at 1 January 2018	-	-	(42)	(42)
Transfer	-	-	35	35
Amortization for the year	-	-	(43)	(43)
Balance at 31 December 2018	-	-	**(50)**	**(50)**
Amortization for the year	(3)	(3)	(41)	(41)
Balance at 31 December 2019	**(3)**	**(3)**	**(91)**	**(91)**
NET BOOK VALUE				
Balance at 31 December 2018	**22**	**22**	**26**	**26**
Balance at 31 December 2019	**25**	**25**	**3,590**	**3,590**

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 41,762 (2018: 5,080,000 HRK) 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.**
	'000kn	**'000kn**
COST		
Balance at 31 December 2017	35,907	25,603
Additions	22,106	22,086
Balance at 31 December 2018	**58,013**	**47,689**
Additions	5,139	4,645
Disposal	(441)	(441)
Balance at 31 December 2019	**62,711**	**51,893**
VALUE ADJUSTMENT		
Balance at 31 December 2017	(7,853)	(5,155)
Value adjustment	(149)	(149)
Balance at 31 December 2018	**(8,002)**	**(5,304)**
Value adjustment	(324)	(324)
Balance at 31 December 2019	**(8,326)**	**(5,628)**
NET BOOK VALUE		
Balance at 31 December 2018	50,011	42,385
Balance at 31 December 2019	54,385	46,265

The estimated fair value of real estate investments in 2019 amounts to HRK 77,388 thousand.

16. SHARES IN SUBSIDIARIES

	31/12/2019 Equity share	31/12/2018 Equity share	Stanovi Jadran d.d. 31/12/2019	Stanovi Jadran d.d. 31/12/2018
Vile Orašac d.o.o.	100%	100%	4,332	4,347
Mediteran Gradnja d.o.o.	-	93%	-	1,432
Winter d.o.o.	89%	89%	23,114	22,529
Nova Nekretnine d.o.o.	85,4%	78%	2,894	1,462
			30,341	**29,770**

17. LONG-TERM FINANCIAL ASSETS AVAILABLE FOR SALE

	Stanovi Jadran d.d. and its subsidiaries		Stanovi Jadran d.d.	
	31/12/2019	**31/12/2018**	**31/12/2019**	**31/12/2018**
	'000kn	**'000kn**	**'000kn**	**'000kn**
Shares listed on the Zagreb Stock Exchange	3,133	2,071	3,133	2,071
Investment funds	-	5	-	-
Shares carried at cost	122	174	122	174
Share in Hvar Hills d.o.o.	11	11	11	11
	3,266	**2,261**	**3,266**	**2,256**

Analysis by type of investment at 31/12/2019

	31/12/2019	**31/12/2018**
	'000kn	**'000kn**
Shares FMPS-R-A/Fima proprius	2,939	2,939
Shares INFS-R-A/ Infosistem	47	47
Shares MMTZ-R-A / Montmontaža	-	91
Shares SEM-R-A; Linijska nacionalna plovidba d.d.	42	42
Shares VART-R-1	47	121
Value adjustment FMPS	194	(959)
Value adjustment of INFS-R-A shares	(16)	(16)
Value adjustment of MMTZ shares	-	9
Value adjustment VART-R-1	2	(30)
Share in the company Hvar Hills d.o.o.	11	11
	3,266	**2,256**

18. RECEIVABLES

Ageing structure of receivables for which no impairment was found:

	Stanovi Jadran d.d. and its subsidiaries		Stanovi Jadran d.d.	
	31/12/2019	**31/12/2018**	**31/12/2019**	**31/12/2018**
	'000kn	**'000kn**	**'000kn**	**'000kn**
Up to 30 days	2,603	3,219	2,869	2,510
Up to 90 days	-	-	-	-
Up to 180 days	-	-	-	-
Up to 360 days	-	-	-	-
Over 360 days	-	-	-	-
	2,603	**3,219**	**2,869**	**2,510**

19. OTHER RECEIVABLES

	Stanovi Jadran d.d. and its subsidiaries		Stanovi Jadran d.d.	
	2019	**2018**	**2019**	**2018**
	'000kn	**'000kn**	**'000kn**	**'000kn**
State receivables	144	398	-	216
Other receivables	63	741	62	415
Prepaid expenses and accrued income	164	200	164	176
	371	**1,339**	**226**	**807**

20. GIVEN LOANS

	Stanovi Jadran d.d. and its subsidiaries		Stanovi Jadran d.d.	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	'000kn	'000kn	'000kn	'000kn
Given loans	3,715	3,587	3,715	3,389
	3,715	**3,587**	**3,715**	**3,389**

Loans are given to affiliated / subsidiary companies. Interest rates are between 0% and 5% (2018: 0% -5%), and mature within one year (or upon request).

21. CASH AND CASH EQUIVALENTS

	Stanovi Jadran d.d. and its subsidiaries		Stanovi Jadran d.d	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	'000kn	'000kn	'000kn	'000kn
Giro account balance	9	245	8	78
Cash in hand	-	140	-	1
	9	**385**	**8**	**79**

22. SHARE CAPITAL

As at 31 December 2019 share capital amounted 76,248,000 HRK (as at 31 December 2018: 76,248,000 HRK).

The ownership structure at the reporting date was as follows:

	31/12/2019		31/12/2018	
	Equity share '000kn	%	Equity share '000kn	%
Shareholders				
Jadran kapital d.d., Split	45,909	60,21	45,909	60,21
ADDIKO BANK d.d./PBZ CO OMF - B	20,000	26,23	20,000	26,23
Agram life osiguranje d.d.	5,002	6,56	5,002	6,56
HPB d.d./Fond NEK	5,002	6,56	5,002	6,56
ADDIKO BANK d.d./PBZ CO OMF - A	335	0,44	335	0,44
	76,248	**100**	**76,248**	**100**

23. TRADE PAYABLES

	Stanovi Jadran d.d. and its subsidiaries		Stanovi Jadran d.d	
	31/12/2019	**31/12/2018**	**31/12/2019**	**31/12/2018**
	'000kn	**'000kn**	**'000kn**	**'000kn**
Liabilities towards domestic and foreign suppliers	1,922	1,483	1,717	898
	1,922	**1,483**	**1,717**	**898**

24. BORROWINGS

	Stanovi Jadran d.d. and its subsidiaries		Stanovi Jadran d.d	
Creditor	**31/12/2019**	**31/12/2018**	**31/12/2019**	**31/12/2018**
	'000kn	**'000kn**	**'000kn**	**'000kn**
Long-term loans				
Agram banka d.d.	6,538	7,075	6,538	7,075
Agram banka d.d. (revolving)	4,557	-	4,557	-
Agram banka d.d.	4,074	-	4,074	-
Karlovačka banka d.d.	-	2,579	-	2,579
Unicredit d.d. (long-term)	-	1,137	-	-
	15,169	**10,791**	**15,169**	**9,654**
Short term loans				
Unicredit d.d. (short term)	-	415	-	-
Capturis d.o.o.	592	1,036	592	1,036
Samoborske vile d.o.o.	158	160	158	160
Nova nekretnine d.o.o.	-	-	-	104
Global rent d.o.o.	1,500	-	1,500	-
Winter d.o.o.	-	-	819	-
Miroslav Jeličić Purko	655	-	655	-
Ostali		143	-	-
Interest liabilities		-	146	20
	2,956	**1,754**	**3,870**	**1,320**
Total liabilities	**18,125**	**12,545**	**19,039**	**10,974**

Received loans mature between 2019 and 2029 at an interest rate of 0% - 6% (2018: 0 % - 5 %).

25. 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	
	2019	**2018**	**2019**	**2018**
	'000kn	**'000kn**	**'000kn**	**'000kn**
Jadran kapital d.d.	44	36	-	-
Malojan d.o.o.	8	8	-	-
Samoborske vile d.o.o.	8	8	-	-
Capturis d.o.o.	14	114	25	-
Hvar Hills d.o.o. (ex. Plančić d.o.o.)	48	45	-	-
Denis Štambuk	2	2	-	-
	124	**213**	**25**	**-**

Receivables from and liabilities to related parties are presented below:

	Receivables		Payables	
	2019	**2018**	**2019**	**2018**
	'000kn	**'000kn**	**'000kn**	**'000kn**
Jadran kapital d.d.	4,716	4,879	-	-
Malojan d.o.o.	33	23	-	-
Samoborske vile d.o.o.	33	23	158	160
Capturis d.o.o.	2	1	592	-
Hvar Hills d.o.o. (ex. Plančić d.o.o.)	564	512	-	-
Denis Štambuk	62	62	-	-
Meho Poljarević	-	156	-	-
Global Rent d.o.o.	-	-	1,527	-
Mario Adžaip	-	6		-
AM-PEK	-	96		-
Miroslav Jeličić Purko	-	-	655	-
	5,410	**5,758**	**2,932**	**160**

25. 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	
	2019	**2018**	**2019**	**2018**
	'000kn	**'000kn**	**'000kn**	**'000kn**
Jadran kapital d.d.	44	36	-	-
Malojan d.o.o.	8	8	-	-
Samoborske vile d.o.o.	8	8	-	-
Mediteran gradnja d.o.o.	8	8	-	-
Nova nekretnine d.o.o.	8	8	-	-
Vile Orašac d.o.o.	8	8	-	-
Capturis d.o.o.	14	117	25	117
Hvar Hills d.o.o. (ex. Plančić d.o.o.)	48	45	-	-
Winter d.o.o.	-	-	29	3
Denis Štambuk	2	2	-	-
	148	**240**	**54**	**120**

Receivables from and liabilities to related parties are presented below:

	Receivables		Payables	
	2019	**2018**	**2019**	**2018**
	'000kn	**'000kn**	**'000kn**	**'000kn**
Jadran kapital d.d.	4,716	4,879	-	-
Malojan d.o.o.	33	23	-	-
Samoborske vile d.o.o.	33	23	158	160
Capturis d.o.o.	2	1	592	-
Hvar Hills d.o.o. (ex. Plančić d.o.o.)	564	512	-	-
Denis Štambuk	62	62	-	-
Mediteran gradnja d.o.o.	116	105	-	-
Nova nekretnine d.o.o.	232	23	-	104
Vile Orašac d.o.o.	44	39	-	-
Winter d.o.o.	-	-	848	-
Global rent d.o.o.	-	-	1,527	-
Miroslav Jeličić Purko	-	-	655	-
	5,802	**5,667**	**3,780**	**264**

Remuneration paid to Management and Supervisory Bord annually wih correspodent taxes and contributions amounted in total HRK 304 thousand (2018: HRK 281 thousand).

26. RISK MANAGEMENT

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.**	
	31/12/2019	**31/12/2018**	**31/12/2019**	**31/12/2018**
	'000kn	**'000kn**	**'000kn**	**'000kn**
Debt (non-current and current borrowings)	18,125	12,545	19,039	10,975
Cash and cash equivalents	(9)	(385)	(8)	(79)
Net debt	**18,116**	**12,160**	**19,031**	**10,894**
Equity	74,480	70,005	70,847	67,188
Net debt-to-equity ratio	23,32%	17,37%	26,86%	16,21%

Categories of financial instruments

	Stanovi Jadran d.d. and its subsidiaries		**Stanovi Jadran d.d.**	
	31/12/2019	**31/12/2018**	**31/12/2019**	**31/12/2018**
	'000kn	**'000kn**	**'000kn**	**'000kn**
Financial assets				
Cash and cash equivalents	9	385	8	79
Given loans	3,715	3,587	3,715	3,537
Securities	3,266	2,261	3,266	2,256
Trade receivables	2,603	3,219	2,868	2,511
Other receivables	371	1,139	226	631
	9,964	**10,591**	**10,083**	**9,014**
Financial liabilities				
Borrowings	18,125	12,545	19,039	10,973
Trade payables	1,922	1,483	1,717	898
Other liabilities	253	5,262	189	4,534
	20,300	**19,290**	**20,945**	**16,405**

26. RISK MANAGEMENT (continued)

Financial risk management

The Group and the Company are exposed to the international market and is partly financed using foreign-currency denominated loans. The most significant risks include market risk (foreign exchange risk, interest rate risk), credit risk and liquidity risk.

The Group and the Company did not use any derivative instruments to minimise the effects of these risks.

Credit risk management

The Group and the Company are exposed to the risk of default of a portion of its trade receivables, which would lead to financial losses for the Group and the Company. The Group and the Company transacts generally with creditworthy customers and it seeks to minimise its credit risk exposure by monitoring the financial position of its customers, applying strict collection measures and obtaining various instruments of collateral. The Group and the Company evaluates creditworthiness of its customers on the basis of available information. The Group and the Company continuously monitors its exposure to the parties with which it operates, as well as their creditworthiness, and the total value of transactions concluded allocated to accepted clients. Credit exposure is managed by regular analyses in order to timely identify the risks in dealing with individual customers.

26. 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	
	31/12/2019	**31/12/2018**	**31/12/2019**	**31/12/2018**
	'000kn	**'000kn**	**'000kn**	**'000kn**
HRK	7,388	5,859	8,669	1,248
EUR	-	-	6,564	11,926
BAM	272	325	1,391	-
HRK	**7,660**	**6,184**	**16,624**	**13,174**

Through acquisition of Winter d.o.o. based in Bosnia and Herzegovina, the Group became partly exposed to changes in BAM / EUR rate, as aforementioned company has contracted loans in BAM with a clause which states that in the case of a change of attitude in BAM / EUR the Bank may require from the debtor settling of due liabilities in EUR .

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	
	31/12/2019	**31/12/2018**	**31/12/2019**	**31/12/2018**
	'000kn	**'000kn**	**'000kn**	**'000kn**
HRK	3,691	3,468	19,038	10,973
HRK	**3,691**	**3,468**	**19,038**	**10,973**

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.

	Exchange rate changes EUR/HRK (%)	Effect on profit change before tax ('000)
2019.		
EUR	+2,5	(183,941)
EUR	-2,5	183,941
2018.		
EUR	+2,5	(239,241)
EUR	-2,5	239,241

26. 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 and Bosnia and Herzegovina.

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)
2019.		
HRK	+2	147,153
HRK	-2	(147,153)
2018.		
HRK	+2	191,393
HRK	-2	(191,393)

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.

26. 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.

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**
		'000kn	**'000kn**	**'000kn**	**'000kn**	**'000kn**
31 December 2019						
Trade payables (non-interest bearing)		1,922	-	-	-	1,922
Other liabilities (non-interest bearing)		253	-	-	-	256
Borrowings		161	4,605	7,640	5,719	18,125
		2,336	**4,605**	**7,640**	**5,719**	**20,300**

26. 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**
		'000kn	**'000kn**	**'000kn**	**'000kn**	**'000kn**
31 December 2018						
Trade payables (non-interest bearing)		1,483	-	-	-	1,483
Other liabilities (non-interest bearing)		664	4,599	-	-	5,263
Borrowings	4%	162	1,205	1,458	9,720	12,545
		2,309	**5,804**	**1,458**	**9,720**	**19,290**

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**	**1 month to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**Total**
		'000kn	**'000kn**	**'000kn**	**'000kn**	**'000kn**
31 December 2019						
Trade payables (non-interest bearing)		1,717	-	-	-	1,717
Other liabilities (non-interest bearing)		189	-	-	-	189
Borrowings		110	4,751	7,640	6,538	19,039
		2,016	**4,751**	**7,640**	**6,538**	**20,945**

26. RISK MANAGEMENT (continued)

Liquidity risk management (continued)

Stanovi Jadran d.d.	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
		'000kn	'000kn	'000kn	'000kn	'000kn
31 December 2018						
Trade payables (non-interest bearing)		897	-	-	-	897
Other liabilities (non-interest bearing)		92	-	-	-	92
Borrowings		124	371	1,116	5,952	7,563
		1,113	**371**	**1,116**	**5,952**	**8,552**

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
31 December 2019		'000kn	'000kn	'000kn	'000kn	'000kn
Trade receivables (non-interest bearing)		2,603	-	-	-	2,603
Other receivables (non-interest bearing)		317	-	-	-	317
Given loans (non-interest bearing)		-	-	-	-	-
Given loans		3,810	-	-	-	3,810
Securities		3,255	-	-	-	3,255
Cash and cash equivalents		9	-	-	-	9
		9,994	-	-	-	**9,994**

26. 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
		'000kn	'000kn	'000kn	'000kn	'000kn
31 December 2018						
Trade receivables (non-interest bearing)		3,219	-	-	-	3,219
Other receivables (non-interest bearing)		1,139	-	-	-	1,139
Given loans (non-interest bearing)		-	-	-	-	-
Given loans		3,587	-	-	-	3,587
Securities		2,244	-	-	-	2,244
Cash and cash equivalents		384	-	-	-	384
		10,573	-	-	-	**10,573**

26. RISK MANAGEMENT (continued)

Liquidity risk management (continued)

Stanovi Jadran d.d.	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
31 December 2019		'000kn	'000kn	'000kn	'000kn	'000kn
Trade receivables (non-interest bearing)		2,868	-	-	-	2,868
Other receivables (non-interest bearing)		226	-	-	-	226
Given loans (non-interest bearing)		2,422	-	-	-	2,422
Given loans		1,292	-	-	-	1,292
Securities		3,266	-	-	-	3,266
Cash and cash equivalents		8	-	-	-	8
		10,082	**-**	**-**	**-**	**10,082**

Stanovi Jadran d.d	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
		'000kn	'000kn	'000kn	'000kn	'000kn
31 December 2018						
Trade receivables (non-interest bearing)	-	2,511	-	-	-	2,511
Other receivables (non-interest bearing)	-	631	-	-	-	631
Given loans (non-interest bearing)	-	3,325	-	-	-	3,325
Given loans	-	212	-	-	-	212
Securities	-	2,256	-	-	-	2,256
Cash and cash equivalents	-	78	-	-	-	78
		9,013	-	-	-	**9,013**

26. 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 2019 and 31 December 2018, 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).

26. RISK MANAGEMENT (continued)

Fair value of financial instruments (continued)

				2019
Stanovi Jadran d.d. and its subsidiaries	**Level 1**	**Level 2**	**Level 3**	**Total**
	'000kn	**'000kn**	**'000kn**	**'000kn**
Financial assets	-	3,255	-	3,255

				2018,
	Level 1	**Level 2**	**Level 3**	**Total**
	'000kn	**'000kn**	**'000kn**	**'000kn**
Financial assets	-	2,250	-	2,250

				2019
Stanovi Jadran d.d.	**Level 1**	**Level 2**	**Level 3**	**Total**
	'000kn	**'000kn**	**'000kn**	**'000kn**
Financial assets	-	3,255	-	3,255

				2018,
	Level 1	**Level 2**	**Level 3**	**Total**
	'000kn	**'000kn**	**'000kn**	**'000kn**
Financial assets	-	2,245	-	2,245

27. EVENTS AFTER THE BALANCE SHEET DATE

The rapid development of the Covid-19 virus and its social and economic impact in the Republic of Croatia and globally may result in assumptions and estimates that require audits, may lead to significant adjustments in the carrying amounts of assets and liabilities in the next financial year. At this time, the Company's Management Board is not able to reliably assess the impact on the Company's financial statements given the daily development of these events.

The appearance and spread of coronavirus in the Republic of Croatia and the measures taken to stop the spread and control of the virus will certainly have negative effects on the entire Croatian economy. In order to mitigate these effects, the Government of the Republic of Croatia presented a number of measures to support the economy.

However, given the recent nature of these developments, the uncertainty of how long prevention measures will be in place, and the fact that the development of measures to support the economy is still ongoing, it is currently not possible to reliably assess their effects.

In 2020, the Company sold its shares in Winter d.o.o., Travnik, which ceased to be the majority owner.

There were no other significant events after the balance sheet date

28. APPROVAL OF FINANCIAL STATEMENTS

The financial statements on the pages were approved by the Management Board and authorized for issue on 16 July 2020.

Signed on the behalf of the Management Board:

STANOVI JADRAN
d.d. SPLIT

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

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

16 July 2020