JADRAN d.d.
Bana Jelačića 16, Crikvenica

CONSOLIDATED ANNUAL REPORT OF THE GROUP
FOR 2020

Contents

Independent Auditor's Report

To the Shareholders of Jadran d.d.

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Jadran d.d. and its subsidiaries (together - the "Group") as at 31 December 2020, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee dated 28 April 2021.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of comprehensive income for the year ended 31 December 2020;
- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of changes in equity for the year ended 31 December 2020;
- the consolidated statement of cash flows for the year ended 31 December 2020; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

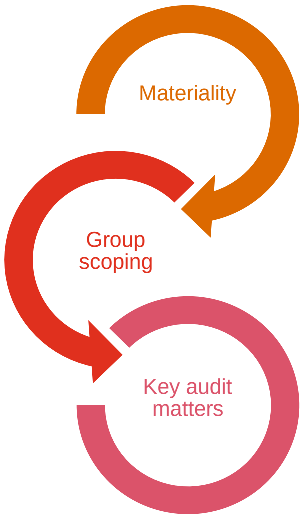
Independence

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

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014, and furthermore, we have not provided any non-audit services to the Group in the period from 1 January 2020 to 31 December 2020.

Our audit approach

Overview



- Overall Group materiality: HRK 2,271 thousand, which represents 2.5% of average revenues over the past three years.

- We conducted audit work at two reporting units in Croatia.
- Our audit scope addressed 100% of the Group's revenues and 100% of the Group's absolute value of underlying loss before tax.

- Recoverable amount of property, plant and equipment, investment property and right-of-use assets

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

Materiality

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

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

Overall Group materiality	HRK 2,271 thousand
How we determined it	2.5% of average revenues over the last three years
Rationale for the materiality benchmark applied	We chose revenue as the benchmark because the Group is in a restructuring phase with emphasis on growth and the Group's performance is measured on the basis of this benchmark, in terms of both their market share and customer base. In addition, net result for previous years was not positive while revenues are a more consistent measure of performance. Due to one-off effects of Covid-19 pandemic on Group's operating results, we have used and average of the chosen benchmark for the last three business years.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Recoverable amount of property, plant and equipment, investment property and right-of-use assets *See Notes 2.5, 2.7, 2.8 and 2.20 (Significant accounting policies), Note 3 (Critical accounting estimates), Note 17 (Property, plant and equipment), Note 19 (Investment property) and Note 37 (Lease liabilities and Right-of-use assets).* As at 31 December 2020, the Group has stated property, plant and equipment with the carrying value of HRK 876,675 thousand and investment property with the carrying of HRK 32,824 thousand which is carried at historical cost less accumulated depreciation and impairment, where required. Also, the carrying amount of right-of-use assets in relation to leased touristic objects amounts to HRK 162,919 thousand at the balance sheet date. In 2020, the COVID-19 pandemic negatively impacted the operating results of the Group and the overall economic market conditions. As a result, management calculated for each tourist object (hotel, campsite or other site) the recoverable amount using discounted cash flows (DSF) based on value-in-use or based on fair value less cost to sell. As a result of such calculations, the Group recognised an impairment loss amounting to HRK 61,187 thousand in total in 2020. We focused on this area because of the significant effects of COVID-19, the related uncertainty, and due to the fact that the impairment analysis carried out by management is a complex process which involves use of multiple estimates as described in Note 3.	We obtained the value-in-use calculations used by management in determining the recoverable amounts of property, plant and equipment, investment property or right-of-use assets for certain tourist object (hotel, campsite or other site) as at 31 December 2020. We tested the mathematical accuracy of the value-in-use calculations, compared input data to financial information and business plan for the next year. For two key assumptions used in the value-in use calculations, we engaged our valuation experts to assist us in assessing the reasonableness of the discount rates used by comparison to entities with similar risk profiles and market information, and in assessing the terminal value growth rates by comparison to economic growth forecasts. For the remaining key assumptions used in the value-in-use calculations (revenue growth rates and EBITDA margin), we compared the consistency of those assumptions between the tourist objects, taking into consideration significant capital investments made in last three years and expected return of the business to pre-Covid 19 pandemic level. The value-in-use calculations yielded different levels of headroom between the value-in-use amounts and carrying values of tourist objects. Taking into account the difference between determined value-in-use amounts and the carrying value of touristic objects, we selected several touristic objects to for more detailed assessment of the inputs (daily rates, capacity levels, etc.). For the touristic objects where recoverable amount was based on fair value less cost to sell, we engaged our valuation experts to review the methodology used in comparison to market practice, and to assist us in assessing the reasonableness of assumptions used and the determined fair values. We reviewed relevant disclosures in the consolidated financial statements.

How we tailored our Group audit scope

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

Reporting on other information including the Management Report

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

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

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

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

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

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

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management Report and Corporate Governance Statement that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

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

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

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

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

Auditor’s responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 independent auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

Appointment

We were first appointed as auditors of the Group on 28 September 2018. Our appointment has been renewed annually by shareholder resolution with the most recent reappointment on 31 August 2020, representing a total period of uninterrupted engagement appointment of 3 years.

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

PricewaterhouseCoopers d.o.o.
Heinzelova 70, Zagreb
30 April 2021

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

JADRAN d.d.

Statement of the Management Board's responsibilities

Pursuant to the Croatian Accounting Act in force, the Management Board is responsible for ensuring that consolidated financial statements are prepared for each financial year in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union, in order to give a true and fair view of the financial position and operating results of Jadran d.d. and its subsidiaries (hereinafter jointly: the Group). After making enquiries, the Management Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Management Board of the Group has prepared the consolidated financial statements under the going concern assumption.

In preparing the annual consolidated financial statements the responsibilities of the Group's Management Board include ensuring that:

- suitable accounting policies are selected and then applied consistently, in accordance with applicable finial reporting standards;
- judgements and estimates are reasonable and prudent;
- applicable accounting standards are followed; subject to any material departures disclosed and explained in the consolidated financial statements; and
    - the annual consolidated financial statements are prepared on a going concern basis unless this assumption is inappropriate.

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

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

The Management Board authorised the following financial statements for issue on 30 April 2021.

________________________	________________________
Chairman of the Management Board	Member of the Management Board
Goran Fabris	Ivan Safundžić
Jadran d.d.	Jadran d.d.
Bana Jelačića 16, Crikvenica	Bana Jelačića 16, Crikvenica

JADRAN joint stock company for hotel management and tourism Crikvenica

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR 2020

	Note	2019	2020
Revenue	6	117,301,269	68,784,751
Other income	7	22,997,027	14,881,183
Total operating income		**140,298,296**	**83,665,934**
Cost of goods sold		(187,438)	(125,547)
Cost of materials and supplies	8	(24,624,613)	(15,658,353)
Cost of services	9	(28,158,675)	(21,005,326)
Staff costs	10	(45,060,479)	(35,970,658)
Depreciation and amortisation	17,18, 19, 37	(19,481,192)	(42,203,003)
Impairment of non-current non-financial assets	11	(921,713)	(61,186,538)
Net losses on impairment of financial assets	12	(2,643,730)	433,415
Other operating expenses	13	(14,826,701)	(9,032,128)
Total operating expenses		**(135,904,541)**	**(184,748,138)**
Operating profit/(loss)		**4,393,755**	**(101,082,204)**
Finance income	14	607,410	352,812
Finance costs	14	(3,890,099)	(11,894,298)
Net loss from financing activities		**(3,282,689)**	**(11,541,486)**
Profit/(loss) before tax		**1,111,066**	**(112,623,690)**
Income tax	15	(3,198,974)	-
Net loss		**(2,087,908)**	**(112,623,690)**
Other comprehensive income		-	-
Total comprehensive loss for the year		**(2,087,908)**	**(112,623,690)**
Loss per share	16	(0.07)	(4.03)

**The accompanying notes are an integral part of these financial statements.*

These financial statements have been authorised and signed by the Management Board.

	Note	1 January 2019 restated	31 December 2019 restated	31 December 2020
ASSETS				
Non-current assets				
Goodwill	40	-	1,316,765	1,316,765
Property, plant and equipment	17	683,385,507	798,969,296	786,675,164
Intangible assets	18	126,959	255,333	743,198
Investment property	19	34,764,418	33,803,303	32,824,106
Financial assets	20	-	-	-
Other non-current assets		9,530	9,530	9,530
Right-of-use assets	37	59,082	16,059,093	162,919,009
Deferred tax assets	15	334,471	-	-
Total non-current assets		**718,679,967**	**850,413,320**	**984,487,772**
Current assets				
Inventories	21	3,541,992	542,543	620,904
Trade receivables	22	1,616,792	4,426,268	1,720,177
Receivables from the government	23	90,355	353,642	4,364,775
Income tax receivable		289,550	624,020	2,490,089
Other receivables	24	3,836,155	69,295,195	2,199,354
Cash and cash equivalents	25	133,743,250	23,256,989	27,640,451
Total current assets		**143,118,094**	**98,498,657**	**39,035,750**
TOTAL ASSETS		**861,798,061**	**948,911,977**	**1,023,523,522**

**The accompanying notes are an integral part of these financial statements.*

These financial statements have been authorised and signed by the Management Board.

	Note	1 January 2019 restated	31 December 2019 restated	31 December 2020
EQUITY AND LIABILITIES				
Equity and reserves				
Share capital		482,507,730	482,507,730	482,507,730
Capital reserves		234,210,922	234,210,922	234,210,922
Accumulated loss		(54,115,871)	(56,474,901)	(169,098,591)
Total equity	26	**662,602,781**	**660,243,751**	**547,620,061**
Non-current liabilities				
Provisions	27	482,414	489,419	484,001
Liabilities to financial institutions	28	74,809,676	171,956,525	143,201,974
Other non-current liabilities	29	271,454	61,720	61,720
Lease liabilities	37	65,987	16,209,899	171,617,694
Total non-current liabilities		**75,629,531**	**188,717,563**	**315,365,389**
Current liabilities				
Trade payables	30	20,536,272	25,394,438	9,809,491
Liabilities for advances, deposits and guarantees	31	4,081,983	6,257,275	5,903,974
Liabilities to employees	32	27,206,336	4,672,347	4,195,396
Liabilities to the government	33	6,194,242	3,436,291	556,842
Liabilities to banks and other financial institutions	28	41,358,130	44,955,627	120,832,624
Derivative financial instruments		10,000,000	-	-
Other current liabilities	34	14,178,213	10,901,549	892,228
Lease liabilities	37	10,573	1,134,163	17,822,844
Income tax payable		-	3,198,973	524,673
Total current liabilities		**123,565,749**	**99,950,663**	**160,538,072**
Total liabilities		**199,195,280**	**288,668,226**	**475,903,461**
TOTAL EQUITY AND LIABILITIES		**861,798,061**	**948,911,977**	**1,023,523,522**

**The accompanying notes are an integral part of these financial statements.*

These financial statements have been authorised and signed by the Management Board.

	Note	Share (registered) capital	Capital reserves	Accumulated loss	Total
Balance at 1 January 2019		**482,507,730**	**234,210,922**	**(54,115,871)**	**662,602,781**
Loss for the year		-	-	(2,087,908)	(2,087,908)
Total comprehensive loss for the year		-	-	*(2,087,908)*	*(2,087,908)*
Other		-	-	(271,122)	(271,122)
Balance at 31 December 2019		**482,507,730**	**234,210,922**	**(56,474,901)**	**660,243,751**
Loss for the year	**26**	-	-	(112,623,690)	(112,623,690)
Total comprehensive loss for the year	**26**	-	-	*(112,623,690)*	*(112,623,690)*
Balance at 31 December 2020		**482,507,730**	**234,210,922**	**(169,098,591)**	**547,620,061**

	Note	2019	2020
Cash flow from operating activities			
Profit/(loss) before tax		1,111,066	(112,623,690)
Depreciation and amortisation	17.18, 19, 37	19,481,192	42,203,003
Write-offs and disposals of non-current tangible assets and small inventories		2,008,683	-
Impairment of non-current non-financial assets	11	921,713	61,186,538
Net loss on disposal of non-current assets		3,434,323	306,840
Changes in non-current provisions		7,006	(5,418)
Interest income	14	(12,407)	(19,935)
Interest paid	14	2,943,854	9,640,989
Net foreign exchange differences	14	351,249	1,839,418
Net impairment of receivables and other financial assets	12	2,643,730	(433,415)
Proceeds from write-off of liabilities	7	(10,278,409)	-
Other net gains/losses		174,390	-
Changes in trade and other receivables		(63,681,190)	64,359,100
Changes in inventories		816,375	(78,361)
Decrease in trade and other payables		(33,510,348)	(31,428,959)
Cash flows from operating activities		**(73,588,773)**	**34,946,110**
Interest paid	39	(2,641,631)	(9,150,266)
A. Net cash from operating activities		**(76,230,404)**	**25,795,844**
Cash flow from investing activities			
Payments for purchases of non-current tangible and intangible assets		(136,318,724)	(66,248,764)
Proceeds from sale of non-current tangible and intangible assets		145,469	157,500
Cash acquired by acquisition of Stolist - net of acquisition consideration		(875,487)	-
Interest received		12,397	19,935
B. Net cash from investing activities		**(137,036,345)**	**(66,071,329)**
Cash flow from financing activities			
Proceeds from borrowings	39	120,266,262	75,665,552
Repayment of borrowings	39	(17,183,706)	(30,320,706)
Repayment of lease liabilities	39	(302,068)	(685,899)
C. Net cash from financing activities		**102,780,488**	**44,658,947**
Net increase/(decrease) in cash		(110,486,261)	4,383,462
Cash and cash equivalents at beginning of period		133,743,250	23,256,989
Cash and cash equivalents at end of period	25	23,256,989	27,640,451

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

1. PRINCIPAL ACTIVITY AND GENERAL INFORMATION ABOUT THE COMPANY

JADRAN Joint Stock Company for hotel management and tourism, Bana Jelačića 16, Crikvenica (the "Company") is registered with the Commercial Court in Rijeka under Reg. No. (MBS): 040000817. The subscribed share capital of the Company amounts to HRK 482,507,730. The Company's authorised representatives are Goran Fabris, Chairman of the Management Board, appointed on 22 May 2018 and Ivan Safundžić, Member of the Management Board, appointed on 1 December 2020. The Company is represented by the Management Board in such a manner that each Member of the Management Board represents the Company jointly with another member of the Management Board.
The Company's principal activity is the provision of accommodation services in hotels, resorts and campsites, preparation of food and provision of food services, and preparation and serving of drinks and beverages.

In 2020, the average number of employees was 227 (2019: 323 employees).

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

The Company's Supervisory Board comprises the following persons:

- Tomislav Kitonić, Chairman of the Supervisory Board
- Karlo Došen, Deputy Chairman of the Supervisory Board
- Ivan Blažević, Member of the Supervisory Board
- Dragan Magaš, Member of the Supervisory Board
- Mirko Herceg, Member of the Supervisory Board

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The most significant accounting policies consistently applied in the current year and previous years are set out below:

2.1. Statement of compliance and basis of presentation

The Group's financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted in the EU. The financial statements also comply with the Croatian Accounting Act which refers to the IFRSs as adopted by the EU.

The accounting policies adopted are consistent with those of the previous year unless otherwise stated and disclosed below. On 1 January 2020, the Company decided to amend the accounting policies in the following area: according to the concession agreements on the maritime domain for economic use of beaches, there are obligations to develop, enhance, repair and rehabilitate the concession area, all according to the Economic Feasibility Study.
If investments are made that are expected to last less than one accounting period, then that expense is recognised as expense for the period, and if investments made in the concession area are expected to last longer than one accounting period, they will be capitalised. Investments in the concession area have a limited useful life and are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method to allocate the cost of investments over their estimated useful lives, which is consistent with the remaining life of the concession agreement.

2.1. Statement of compliance and basis of presentation (continued)

The Group's financial statements have been prepared under the accrual basis according to which the transaction effects are recognised when incurred and included in the financial statements for the period to which they relate, and by applying the basic accounting assumption of going concern.

The financial statements have been presented in the Croatian currency, Croatian kuna ("HRK"), which is the Company's functional currency.

2.2. Critical accounting judgements and key sources of estimation uncertainty

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

Future events and their effects cannot be anticipated with certainty, and therefore actual results may differ from these estimates. The estimates used in the preparation of the financial statements are subject to change as new events occur, as more experience is gained, additional information is obtained and due to the changing environment in which the Group operates.

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

2.3. Going concern and the impact of the Covid-19 pandemic on the Group's operations

In the period from 2010 to 2014, bankruptcy proceedings were initiated against the Company. In the course of the bankruptcy proceedings, the Company performed its business activities, and continued to perform them even after the proceedings were completed. The Commercial Court in Rijeka in the case ref. no. 14 St-52/2010 issued a Decision ordering supervision over the implementation of the bankruptcy plan, and in February 2017 issued a Decision terminating the supervision over the fulfilment of obligations of the bankruptcy administrator's, the Creditors Committee's and the Bankruptcy Judge's duties in relation to the bankruptcy plan, thus ensuring the Company's ability to continue as a going concern. All court proceedings initiated to challenge the bankruptcy plan have been completed.

During 2017 and 2018, the Group entered into out-of-court settlements on amicable settlement of disputes with all former employees who undertook to withdraw their claims and release the mortgages after their claims are settled, which the Group undertook to do in 12 equal instalments. The last of these instalments became due and payable in September 2019. By concluding these settlements, the Group ensured its ability to continue as a going concern.

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

After the balance sheet date, the Group realised the planned divestment in the company CLUB ADRIATIC, thus creating the preconditions for the repayment of loan granted to a related company, but also provided funds for a continuous investment cycle, although restricted due to the pandemic.

2.3. Going concern and the impact of the Covid-19 pandemic on the Group's operations (continued)

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

Similar to many economic entities around the world, the Group's operations in 2020 were marked by the COVID-19 pandemic. By the middle of the second quarter, the Group operated under as normal circumstances as possible, expecting the situation to return to normal and the development cycle that began in 2019 to continue. At the end of the first quarter of 2020, the pandemic completely stopped operations, which resulted in shutting down all of the Group's facilities in the period from 19 March to 11 May 2020, with a complete rationalisation of operations.

The rationalisation of operations, all with the aim of protecting business continuity and preserving the liquidity of the Group, included the rationalisation of costs, capital expenditures and cash outflow primarily by means of the following measures:

- Rationalisation of staff costs - use of vacation days and days off, working from home and in agreement with social partners, reduction of salaries for workers who do not work ("waiting").
- Later employment of seasonal workers, and a smaller number of employees in the end (seasonal workers account for nearly half of the workforce).
- Suspending investments to the extent that does not jeopardise the operation of facilities and settling obligations to business partners.
- Rationalisation of operating costs – deciding not to purchase small inventory, minimising the cost of current maintenance to a "sustainable" minimum, assuming that the safety of facilities and guests and employees is not compromised.
- Lease agreements signed by the Company and the Group with lessors have been adjusted in a way to safeguard liquidity, but also to ensure the financial viability of these leases, while ensuring the sustainability of cooperation and the business continuity of partners with whom leases have been concluded.
- During June 2020, the Company entered into a moratorium with the Croatian Bank for Reconstruction and Development and a moratorium on loans with Privredna banka Zagreb.

With the relaxation of measures, after 11 May 2020, the Group began operating under "new" normal conditions, adapting to the new situation, strictly adhering to all prescribed epidemiological measures with continuous education of workers, thus protecting the health of its workers and guests.
After the main tourist season, the pandemic flared up again, which meant partial or complete shutdown of economic entities in our nearest emitting markets and as of 26 November 2020, the Decision on Necessary Epidemiological Measures Restricting Gatherings and Introducing Other Necessary Epidemiological Measures resulted in a renewed partial lockdown in the Republic of Croatia.

The Group's Management Board assessed that regardless of the "coronavirus crisis", the continuation of the investment cycle with reduced intensity is necessary to ensure the conditions for further growth and development and ensure the competitiveness of the Group in the coming years. During 2020, the total value of investments amounted to HRK 59 million, with special attention being paid to preserving the Group's liquidity. Of the realised investments, special emphasis should be placed on the final completion of the investment in the pool complex and new plots and 13 new mobile homes in the Selce campsite and the investment in Slaven hotel annexes, which were reclassified from the existing "2-star room for rent" category to a 3-star hotel category.

2.3. Going concern and the impact of the Covid-19 pandemic on the Group's operations (continued)

The Group's cumulative losses as at 31 December 2020 amount to HRK 169,099 thousand, and current liabilities exceed current assets by HRK 121,502 thousand.
Current liabilities exceeded the amount of current assets due to the transfer of a non-current liability to the creditor Erste&Steiermärkische bank d.d. to a current liability in the amount of HRK 101,303,446. The liability was reclassified because until the balance sheet date of 31 December 2020 the Group had not received a waiver from the Bank that the breach of the covenant from the contract will not be treated as a breach of contract. The said waiver was submitted to the Company on 28 April 2021 and as such represents a "Significant event after the balance sheet date", as a result of which the stated liability of the Group will be reclassified as a non-current liability.

The Group has sufficient funds in the account and due to agreed credit facilities is able to ensure the liquidity of the Group. Accordingly, the consolidated financial statements are prepared on the going concern principle.

2.4. Changes in accounting policies and disclosures

2.4.1 New and amended standards adopted by the Group

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

The following amended standards became effective from 1 January 2020, but did not have a material impact on the Group:

- Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).
- Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).
- Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).
- Interest rate benchmark reform - Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020).

2.4. Changes in accounting policies and disclosures (continued)

2.4.2 Standards and interpretations not yet adopted:

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group.

- **Classification of liabilities as current or non-current - Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 01 January 2023).** These narrow-scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The guidance no longer requires that such rights are unconditional. Management's expectations whether the entity will exercise the right to defer settlement do not affect the classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions at the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. Conversely, a loan is classified as non-current if a covenant is breached after the reporting date. Furthermore, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other economic resources or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument. The amendment has not yet been endorsed by the EU. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

- **Classification of liabilities as Current or Non-current - Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023, not endorsed by European Union yet).** The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

- **Proceeds before Intended Use, Onerous Contracts - Cost of Fulfilling a Contract, Reference to the Conceptual Framework - narrow-scope amendments to IAS 16, IAS 37 and IFRS 3 and Annual Improvements to IFRS Standards 2018-2020 cycle - amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).**

    - The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

    - The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling.

2.4. Changes in accounting policies and disclosures (continued)

2.4.2 Standards and interpretations not yet adopted: (continued)

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

  Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.
- The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.
- Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.
- IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.
- The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis. The amendment has not yet been endorsed by the EU. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

- **Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021).** The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The amendments cover the following areas:
  - *Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform:* For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised. This practical expedient applies only to such a change and only to the extent it is necessary as a direct consequence of IBOR reform, and the new basis is economically equivalent to the previous

2.4.2 Standards and interpretations not yet adopted: (continued)

basis. Insurers applying the temporary exemption from IFRS 9 are also required to apply the same practical expedient. IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of IBOR reform.

- *End date for Phase 1 relief for non contractually specified risk components in hedging relationships*: The Phase 2 amendments require an entity to prospectively cease to apply the Phase 1 reliefs to a non-contractually specified risk component at the earlier of when changes are made to the non-contractually specified risk component, or when the hedging relationship is discontinued. No end date was provided in the Phase 1 amendments for risk components.
- *Additional temporary exceptions from applying specific hedge accounting requirements*: The Phase 2 amendments provide some additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.
- *Additional IFRS 7 disclosures related to IBOR reform*: The amendments require disclosure of: (i) how the entity is managing the transition to alternative benchmark rates, its progress and the risks arising from the transition; (ii) quantitative information about derivatives and non-derivatives that have yet to transition, disaggregated by significant interest rate benchmark; and (iii) a description of any changes to the risk management strategy as a result of IBOR reform.

The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's consolidated financial statements.

2.5. Property, plant and equipment

Property, plant and equipment are presented in the statement of financial position (balance sheet) at historical cost less accumulated depreciation and accumulated impairment losses. Cost includes the purchase price and all costs directly attributable to bringing the asset to working condition for its intended use. The cost of current maintenance and repairs, replacements and minor investment maintenance are recognised as expense when incurred. The costs of major overhauls and replacements are capitalised.
Gains and losses on the retirement or disposal of property, plant and equipment are presented in profit or loss in the period when incurred.
Property under construction is recognised at cost less any impairment losses. Depreciation commences when the assets are ready for their intended use. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Buildings - buildings made of concrete, metal, stone and brick	20-59 years
Buildings - buildings made of wood and other materials	20-59 years
Campsite infrastructure	20-59 years
Furniture and technological equipment	2-10 years
Transportation vehicles	7 years
Passenger cars	10 years
Office equipment	4-10 years
Caravan equipment	10 years
ICT equipment	5-10 years
Other equipment	2-10 years
Landscaping	10 years

2.6. Intangible assets

Non-current intangible assets include licenses and are measured at historical cost less accumulated amortisation and any accumulated impairment losses. Subsequent costs are capitalised only if they enhance future economic benefits associated with the asset. All other costs are recognised in profit or loss as incurred.
The amortisation charge is recognised in profit and loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use.
Intangible assets are amortised using the straight-line method over a period of 5 years.

2.7. Investment property

Investment property mainly relates to buildings and other business premises within the hotels and campsites and is held to earn long-term rentals or capital appreciation and is not owner-occupied. Investment property is treated as a long-term investment unless it is intended to be sold in the next year and a buyer has been identified in which case it is classified within current assets.

Investment property is carried at historical cost less accumulated depreciation. The depreciation of buildings is calculated using the straight-line method to allocate cost over their estimated useful life.

Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with it will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.
Income from leases with the Group as lessor is recognised in income for the period over the lease term.

2.8. Impairment of non-financial assets

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

2.9. Financial assets

The business model reflects how the Group manages its assets in order to generate cash flows - regardless whether the Group's objective is: (i) solely to collect contractual cash flows from the assets ("hold to collect contractual cash flows") or (ii) to collect both the contractual cash flows and cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) are applicable, the financial assets are classified as part of "other" business model and is measured at fair value through profit or loss.

As at the reporting date, the Group's financial assets comprise receivables.

Impairment of financial instruments

The measurement of the expected credit loss (ECL) is based on reasonable and supportable information available without undue costs or effort, including information about past events current and foreseeable future conditions and circumstances. Assessments of expected credit losses are normally based on historical probability of the inability to collect debts, supplemented by future parameters relevant to credit risk.

For trade receivables, a simplified approach to expected credit loss measurement is applied i.e. measurement on a collective basis, depending on the type of customer, and are monitored according to their ageing structure. For example, ageing groups may be defined as follows: not past due, due in 0-90 days, due in 90-180 days, etc. The ageing groups are determined according to the stages of the collection process.

2.10. Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business, less costs to sell.

2.11. Cash and cash equivalents

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

2.12. Borrowings

Borrowings are initially recognised at fair value less transaction costs and subsequently at amortised cost using the effective interest rate method. Interest is recognised as expense, except in the case of construction of a qualifying asset, when it is capitalised as part of the asset's cost.

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

Borrowings are classified based on the agreed maturity as current liabilities, or non-current liabilities if they mature in more than 12 months. If the Group has an unconditional right to defer the settlement of a liability for at least 12 months after the reporting date, such liabilities are classified as non-current liabilities.

The Group derecognises financial liabilities when, and only when, they have been discharged, cancelled or have expired.

2.13. Trade payables

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

2.14. Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.
The current tax liability is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years or non-taxable, i.e. not recognised as expense for income tax purposes. The Group's current tax liability is calculated using tax rates that have been enacted by the reporting date.
Deferred tax is the amount expected to result in a liability or refund based on the difference between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and tax losses can be utilised.
The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the tax asset to be recovered.
Deferred tax is recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity.

2.15. Employee benefits

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

Termination benefits
The Group pays one-time termination benefits to its employees at retirement. The liability and costs of such benefits are determined using the projected unit credit method and discounted to their present value based on calculations made at the end of each reporting period, which take into account the assumptions of the number of employees estimated to become entitled to termination benefits at regular retirement, the estimated cost of such termination benefits, and the discount rate defined as the average anticipated rate of return on investment in government bonds. Actuarial gains and losses resulting from experience adjustments and changes in actuarial assumptions are recognised immediately in profit or loss.

2.15. Employee benefits (continued)

Long-term employee benefits

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

2.16. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

2.17. Share capital

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

2.18. Revenue recognition

Revenue is income arising in the course of the Group's ordinary activities. A five-step model used for recognition of revenue from contracts with customers is presented below:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Revenue is recognised for each separate performance obligation in the contract in the amount of the transaction price. The transaction price is the amount of the consideration in the contract to which the Group expects to be entitled in exchange for transferring control over the promised goods or services to a customer.

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

Service income
Income from hotel and tourism services is recognised in the period the services are provided.

Lease income
Lease income is generally recognised in the period the services are provided, using a straight-line method over the contract terms with lessors.

Interest income
Interest income is recognised on a time-proportion basis using the effective interest method.

2.19. Government grants

Government grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group and the Company will comply with all attached conditions. A grant receivable as compensation for costs or losses already incurred or for immediate financial support, with no future related costs, are recognised as income in the period in which it is receivable within other operating income - Note 7.

2.20. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor
Rental income from operating leases is recognised on the straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee
Assets held under finance leases are initially recognised as assets of the Group at their fair value at the commencement date of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance costs and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. All other borrowing costs are recognised in gain or loss in the period in which they arise.

The Group as the lessee

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

The Group determines the lease term as the non-cancellable period of a lease, together with both periods covered by the option to extend the lease if the lessee is reasonably certain to exercise that option; and the periods covered by the option to terminate the lease if the lessee is reasonably certain not to exercise that option, with the obligation to reassess the above if significant facts or a significant change in circumstances arises.

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

The right-of-use assets are measured at cost that comprises: the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date, less any lease incentives received; any initial direct costs incurred.

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

Lease liabilities at the present value of the lease payments that are not paid by that date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the incremental borrowing rate is used.

The measurement of lease liabilities includes: fixed payments less any lease incentives receivable; variable lease payments that are based on an index or a rate; amounts expected to be payable by the Group under residual value guarantees; the exercise price of a purchase option if the Group is reasonably certain to exercise that option; payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

After the commencement date, the lease liability is measured considering any changes in the interest rate, lease payments made and any reassessment or lease modifications.

2.20. Leases (continued)

Short-term leases and leases of low-value assets

The Group has decided to apply the short-term lease exemption recognition (for leases up to 12 months that do not include the purchase option) and leases for which the underlying asset is of low value (up to HRK 30,000). Payments for leases for which the underlying asset is of low value are recognised on a straight-line basis as an expense over the lease term. The Group will consider a short-term lease to be a new lease if there is a lease modification and/or a change to the lease term. These leases mainly relate to photocopier machines and fire extinguishers.

The Group as the lessor

Leases where the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Lease income is recognised on a straight-line basis over the lease term and included in the statement of comprehensive income due to its operating nature.

2.21. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings over the period of their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.
All other borrowing costs are recognised in the period in which they are incurred.

2.22. Foreign currencies

Transactions in currencies other than Croatian kuna are recorded at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the reporting date using the exchange rate prevailing at that date. Gains and losses arising on translation are charged to profit or loss in the period when incurred.

2.23. Earnings (loss) per share

Earnings per share are determined by dividing the profit or loss attributable to shareholders of the Group by the weighted average number of ordinary shares during the year.

2.24. Business combinations

Subsidiaries are all entities controlled by the Group. The Group controls the entity when the Group is exposed or is entitle to variable returns from its association with the entity and has the ability to influence those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.
The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised

2.24. Business combinations (continued)

amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.
If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through comprehensive income.
Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either as income or expense or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.
Goodwill is initially measured as the difference between the consideration transferred and the amount of non-controlling interest in the acquiree in relation to the fair value of identified net assets acquired. If this consideration is lower than the fair value of the net assets acquired, the difference is recognized in the statement of comprehensive income. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

2.25. Consolidation

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

2.26. Segment reporting

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

2.27. Events after the end of the reporting year

Events after the end of the reporting year providing additional information about the position of the Group as at the date of the financial statements (adjusting events) are reflected in the financial statements. Events that are not adjusting events are disclosed in the notes to financial statements, if material.

2.28. Correction of errors in prior-period financial statements

During 2020, for the purpose of more accurate presentation and correction of misstatements of financial information for previous periods, the Group made the following reclassification and correction:

a) Assets not used for operations but held for lease and/or appreciation were reclassified from Property, plant and equipment to Investment property in previous periods in the statement of financial position.

The above identified errors have been corrected by restating amounts from prior periods in the statement of financial position. The effect of restatements is presented in the table below.

Statement of financial position		**Effect of restatements**		
At 1 January 2019		**Previously disclosed**	**Restatement**	**Restated**
(in thousands of HRK)				
Property, plant and equipment	(a)	718,209,007	(34,764,418)	683,444,589
Investment property	(a)	-	34,764,418	32,764,418
Total assets	(a)	**718,209,007**	**-**	**718,209,007**

Statement of financial position		**Effect of restatements**		
At 31 December 2019		**Previously disclosed**	**Restatement**	**Restated**
(in thousands of HRK)				
Property, plant and equipment	(a)	832,772,599	(33,803,303)	789,969,296
Investment property	(a)	-	33,803,303	33,803,303
Total assets	(a)	**832,772,599**	**-**	**832,772,599**

These restatements of the line items in the statement of financial position did not affect the line items of the statement of comprehensive income or the line items in the statement of cash flows.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

In applying the accounting policies described in Note 2, management has made certain judgements that had a significant impact on the amounts reported in the financial statements (independent of those presented below). These judgements are detailed in the relevant notes and the most significant ones among them relate to the following:

Estimated useful life of property, plant and equipment

As set out in Note 2.8, the Group, with the assistance of an expert, analysed the useful lives of buildings and their individual components. Based on the performed analysis, the Group retrospectively changed the useful life of the buildings and revised the financial statements for the year 2018. The new estimated useful life of buildings and the corresponding depreciation rates were applied in 2019 as well. When a significant investment in tourism properties (buildings) occurs, the useful life of buildings or their components is reassessed/reviewed. The useful lives should be periodically revised to reflect any changes in circumstances since the previous assessment. Changes in estimate, if any, will be reflected prospectively in a revised depreciation charge over the remaining, revised useful life.

Analysis of sensitivity to changes in useful lives:

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

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

The useful lives should be periodically revised to reflect any changes in circumstances since the previous assessment. Changes in estimate, if any, will be reflected prospectively in a revised depreciation charge over the remaining, revised useful life.

During 2019, the Group maintained the existing useful life of construction assets, as well as equipment and other assets, with a tendency to perform analyses and adjustments to the useful life in the next observed period, all in accordance with trends in the hotel industry.

If the useful lives of property, plant and equipment had been 10% longer/shorter, with all other variables held constant, the net profit for the year would have been HRK 2,018 thousand higher/lower (2019: HRK 1,464 thousand), and the net carrying amount of property, plant and equipment would be higher/lower by HRK 2,461 thousand (2019: HRK 1,786 thousand.

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

1) Property, plant and equipment and investment property

In accordance with the adopted accounting policy, the Group reviews the carrying amounts of non-financial assets (including property, plant and equipment, investment property and right-of-use assets) at least once a year to determine whether there is any indication of impairment.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

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

If any such indication exists, the asset's recoverable amount is estimated. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The cash-generating unit in the hotel industry/tourism is the accommodation facility. The accounting policy is presented in Note 2.8.

Given the significant impact of the COVID-19 pandemic on the Group's operations in 2020 and the absence of operating profit or overall operations in individual cash-generating units, it has been assessed that there are indicators of impairment of certain categories of non-current non-financial assets and in accordance with IAS 36 made an impairment test of all its cash-generating units i.e. accommodation facilities (own as well as rental facilities). Although the Group has identified COVID-19 as an event that requires special attention in identifying impairment of assets, the Management Board considers it to be a one-off event and expects recovery by 2023/2024 depending on the location of the hotel and the type of service provided at each location.

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining the recoverable amount, management considers key indicators such as revenue growth based on occupancy of facilities, revenue per unit and expected market growth in the hotel industry, etc. The valuations are based on five-year cash flow projections prepared by the Group's management, with the budget for 2021 also approved by the Supervisory Board. For the period after the end of the five-year period, the assumed long-term sustainable growth rate (sustainable growth rate) was applied. Taking into account the significant capital investments in the Company's accommodation units just before the outbreak of the Covid-19 pandemic, the sustainable growth rates used in the valuation represent the maximum value of the projected inflation rates in the Republic of Croatia.
An overview of the assumptions used in the in-use value calculation model is as follows:

Tourism	2023 - 2025
EBITDA margin	30% - 52% (higher profitability rates are assumed for campsites and apartments)
Growth rate	5% - 11% (depending on the type of accommodation and capital investment)
Discount rate (before tax)	10.1% - 10.3% (depending on the type of the CGU)
Sustainable long-term growth rate	2.1%

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

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

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

The calculation of fair value less costs to sell is based primarily on the revenue method, and in 2 cases on the comparative (for land) and cost method. According to the income method, real estate is worth as much as the cash it is able to generate over its lifetime. After determining all income and expenses related to an individual accommodation unit, the net income of all future periods is calculated and discounted at an adequate discount rate in order to obtain the present value of future cash flows. The assumptions used in the income method are the average board price per accommodation unit, the average occupancy rate, the estimated total cost defined as % of GOP and the capitalisation factor.

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

Tourism	2020
Average board price (HRK)	43 - 646
Average occupancy rate	18% - 66%
Estimated total cost	(% of GOP) 60%
Capitalisation factor	7%

Note: The key assumptions listed in the table above depend on the individual facility of different characteristics.

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

Based on the prepared impairment tests, in 2020 the Group recognised an impairment loss on property, plant and equipment in the amount of HRK 52,994 thousand and an impairment loss on investment property in the amount of HRK 550 thousand (Note 11). An impairment loss on a non-financial asset is presented as a separate item in the income statement due to its materiality.

The Group considered the impact of reasonable changes in key assumptions and identified the following:

- if the EBITDA margin rate were to decrease by 100 bps within the projected five-year period, the Group should recognise an additional impairment in the amount of HRK 4.7 million in its records.
- if the revenue growth rate were to decrease by 100 bps within the five-year period, the Group should recognise an additional impairment in the amount of HRK 1.4 million in its records.
- if the discount rate were to increase by 50bps the Group should recognise an additional impairment of HRK 14.9 million in its records
- if the terminal growth rate were to decrease by 50bps, the Group would recognise less impairment in the amount of HRK 9.7 million in its records.

2) Right-of-use assets

In 2020, the Group conducted an impairment test for right-of-use assets with respect to the indicators of impairment due to the COVID-19 pandemic. A leased accommodation facility was identified as a cash-generating

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

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

unit. The recoverable amount of leased accommodation is determined on the basis of the value in use based on financial projections in the contracted lease term at a discount rate. As a result of this analysis, an impairment loss of HRK 7,642 thousand was identified for two leased properties (Note 11).
For tourism facilities for which recoverable amount is determined at fair value less costs to assess, the Group has classified them in Level 3 of the fair value hierarchy. The applied valuation methods for these facilities are described above.

Fair value hierarchy

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

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

Leases
As the interest rate implicit in the lease cannot be readily determined, the Group uses its own incremental borrowing rate of 2.7% (2019: 3%) when calculating the lease liability for cash flow discounting purposes.

The Group defines a lease term as a non-cancellable period, together with periods under the lease extension and/or termination option if it is reasonably certain that such option will be exercised (extension) or not exercised (termination).
The Group does not expect to exercise either the lease termination or the extension option, and no potential effects were calculated in relation to these options.

Provisions for court disputes
The Group is a party to a number of court disputes arising from the ordinary course of business (Note 35). A provision is made if there is a present obligation resulting from a past event (taking into account all available evidence, including the opinions of legal experts) when it is probable than an outflow of resources will be required to settle the obligation, and the amount of the obligation can be measured reliably. As at 31 December 2020, provisions for court disputes amounted to HRK 0 thousand (31 December 2019: HRK 0, see Note 25).

Fair value estimation

The carrying value of trade receivables less provision for impairment and trade payables are assumed to approximate their fair values. Quoted market prices for similar instruments are used for long-term debt.

4. FINANCIAL INSTRUMENTS

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's capital structure consists of share capital, statutory reserves, retained earnings and profit for the year.

Classes of financial instruments

	31 December 2019	31 December 2020
Financial assets		
Trade receivables	4,426,268	1,720,177
Non-current financial assets	-	-
Cash and cash equivalents	23,256,989	27,640,451
Total	**27,683,257**	**29,360,628**
Financial liabilities		
Liabilities to financial institutions	216,912,152	264,034,598
Trade payables	25,394,438	9,809,491
Lease liabilities	17,344,062	189,440,538
Total	**259,650,652**	**463,284,627**

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group does not have a formal risk management programme in place, and the overall risk management in respect of these risks is carried out by the Group's Management Board and management.

Market risk

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

4. FINANCIAL INSTRUMENTS (continued)

Currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities as at the reporting date are as follows:

	Assets		Liabilities	
	31 December 2019	**31 December 2020**	**31 December 2019**	**31 December 2020**
EUR	13,360,774	19,283,686	235,095,214	454,075,447

Analysis of foreign currency sensitivity

The Group is primarily exposed to foreign currency risk in the event of a change in the euro (EUR) exchange rate. The following table presents an analysis of the effects of changes in the HRK exchange rate compared to the increase or decrease in HRK value by 10% in relation to EUR. 10% is the rate used for internal reporting to the Management Board on foreign currency risk and represents the Management Board's assessment of the reasonably possible change in foreign exchange rates. An analysis is performed only for receivables and liabilities denominated in foreign currencies and represents the adjustment of their value at the period end for a change in the exchange rate of 10%. The sensitivity analysis includes third-party loans where the loan is denominated in the currency different from the lender's or the borrower's currency. The positive/negative amount recorded below indicates a net decrease/increase in profit or other equity when HRK compared to the relevant currency strengthens by 10%: If HRK weakens by 10% in relation to another relevant currency, the effect would be the same, only negative.

	2019	**2020**
EUR exchange rate fluctuation by +10%		
Gain or loss	18,182,224	47,335,913
EUR exchange rate fluctuation by -10%		
Gain or loss	(18,182,224)	(47,335,913)

Interest rate risk management

The Group is exposed to interest rate risk as it enters into loan agreements with variable interest rates. The Group's exposure to interest rates based on financial assets and liabilities is detailed under Liquidity risk management. The Group manages this risk by maintaining an appropriate ratio of loans with fixed and variable interest rates in its loan portfolio.

4. FINANCIAL INSTRUMENTS (continued)

Interest rate sensitivity analysis

Cash flow interest rate risk is the risk that the cost of interest for the instrument will fluctuate over time.
Most financial liabilities are contracted at fixed interest rates and the sensitivity analysis of interest rate changes to financial liabilities contracted at a variable interest rate is shown in the following table:

	2019	2020
Interest rate change by +100 bp		
Decrease in profit/increase in loss	700,243	1,013,034
Interest rate change by -100 bp		
Increase in profit/decrease in loss	(700,243)	(1,013,034)

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss for the Group. The Group constantly monitors its exposure to the parties it conducts business with and their credit ratings and allocates the total value of transactions among acceptable customers.
The carrying amount of financial assets recorded in the financial statements, net of impairment losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Liquidity risk management

The ultimate responsibility for liquidity risk management rests with the Group's Management Board which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, bank borrowings and other sources of financing, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below details the remaining contractual maturities for the Group for non-derivative financial liabilities. The table has been prepared on the basis of undiscounted cash flows of financial liabilities based on the earliest date on which the Group may be required to settle the liabilities.

4. FINANCIAL INSTRUMENTS (continued)

Maturities of non-derivative financial liabilities

	Weighted average interest method	Past due	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
2019								
Interest-free		-	18,987,068	13,948,220	-	-	-	32,935,288
Lease liabilities		-	816,412	16,043	816,412	11,043,874	7,347,709	20,040,450
Fixed interest rate	11.81%	-	554,979	32,741,298	15,787,185	72,831,211	38,555,120	160,469,793
Variable interest rate	2%	-	-	367,627	1,127,391	24,708,692	54,815,790	81,019,500
Total		**-**	**20,358,459**	**47,073,188**	**17,730,988**	**108,583,777**	**100,718,619**	**294,465,031**
2020								
Interest-free		-	10,559,918	18,762	-	-	-	10,578,680
Lease liabilities		-	1,660,653	87,624	21,085,802	88,133,410	108,508,808	219,476,297
Fixed interest rate	2.7%		264,828	504,044	20,934,064	91,754,804	65,110,598	178,568,338
Variable interest rate	2.1%	-	-	531,843	1,625,076	45,200,732	67,689,654	115,047,305
Total		**-**	**12,485,399**	**1,142,273**	**43,644,942**	**225,088,946**	**241,309,060**	**523,670,620**

5. SEGMENT INFORMATION

Operating segments are reported in accordance with the internal procedure of reporting to the Group's Management Board, the chief operating decision-maker, which is responsible for allocating resources to the reportable segments and assessing its performance.

Management defined Hotels & Apartments, Campsites and operating units Inter café bar, Rokan, Katarina swimming pools and Kačjak beach as its reportable segments.

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

	Income by segment	Expenses by segment	Income by segment
Operating segment	HRK	HRK	HRK
Hotels & Apartments	61,028,118	(151,481,742)	(90,453,624)
Campsites	10,519,060	(6,836,617)	3,682,443
Other	4,259,133	(4,731,752)	(472,619)
TOTAL	**75,806,311**	**(163,050,111)**	**(87,243,800)**
Other operating segments	7,859,623	(21,698,027)	(13,838,404)
Total segments	**83,665,934**	**(184,748,138)**	**(101,082,204)**

The segment information for the reportable segments for the year ended 31 December 2019 is as follows:

	Income by segment	Expenses by segment	Income by segment
Operating segment	HRK	HRK	HRK
Hotels & Apartments	106,279,530	(89,378,685)	16,900,845
Campsites	15,609,094	(6,661,652)	8,947,442
Other	5,887,253	(5,217,988)	669,265
	127,775,877	**(101,258,325)**	**26,517,552**

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

5. SEGMENT INFORMATION (continued)

A reconciliation of operating profit before tax to net profit is provided as follows:

Item	31 December 2019 HRK	31 December 2020 HRK
Operating income before taxes by segment	26,517,552	(87,243,800)
Unallocated operating income	12,522,419	7,859,623
Unallocated finance income	607,410	352,802
Unallocated operating costs:	(34,646,216)	(21,698,017)
Cost of goods sold	-	*47,255*
Cost of materials and supplies	*(1,615,369)*	*(357,266)*
Cost of services	*(8,341,225)*	*(4,797,885)*
Staff costs	*(14,773,200)*	*(11,297,994)*
Depreciation and amortisation	*(2,082,640)*	*(3,981,071)*
Impairment	*(4,050,788)*	*762,216*
Other operating expenses	*(3,782,994)*	*(2,073,272)*
Unallocated finance costs	(3,890,099)	(11,894,298)
Income tax	(3,198,974)	-
Loss for the year	**(2,087,908)**	**(112,623,690)**

The Group does not monitor assets and liabilities by segments and therefore, this information has not been disclosed. The Group does not monitor income and expenses or assets and liabilities of the subsidiary Stolist d.o.o. by segments.

The hotels, apartments and campsites (operating assets) are located in the Republic of Croatia.

The Group provides its hotel/hospitality services and sales activities in Croatia to domestic and foreign customers.

6. REVENUE

	2019	2020
Accommodation	75,627,699	46,316,294
Food and beverages	38,955,271	20,962,604
Other hotel services	2,575,342	1,267,192
Trade goods	142,957	238,661
TOTAL	**117,301,269**	**68,784,751**

The Group provides its hotel/hospitality services and sales activities in Croatia to domestic and foreign customers. The Group's sales revenues can be classified according to the customers' origin.

	2019	2020
Sales - domestic customers	22,378,358	17,784,516
Sales - foreign customers	82,022,366	43,080,344
Other /i/	12,900,545	7,919,891
Total	**117,301,269**	**68,784,751**

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

7. OTHER INCOME

	2019	2020
Covid-19-related grants	-	8,624,301
Rental income	4,594,296	3,233,296
Recharged costs of lessees	769,400	582,656
Income from marketing and other services	5,045,474	365,404
Direct aid	153,013	346,126
Collection of amounts due as per judgement and out-of-court settlement	-	95,428
Insurance reimbursements	251,213	71,644
Disposal of non-current assets	204,794	131,504
Income from write-off of liabilities (Note 39)	10,278,409	-
Other operating income	1,700,428	1,430,824
TOTAL	**22,997,027**	**14,881,183**

8. COST OF RAW MATERIAL AND SUPPLIES

	2019	2020
Groceries consumed	10,661,760	5,878,803
Electricity	4,919,332	3,437,323
Water used	1,597,525	1,265,629
Consumables and cleaning supplies	1,477,915	1,339,010
Write-off of small inventory	2,842,135	991,141
Overheads - leased properties	-	789,925
Heating oil and gas	1,099,841	686,995
Alcoholic and soft drinks consumed	1,092,454	571,648
Fuel for passenger and freight vehicles	272,670	219,283
Packaging	167,748	123,347
Office supplies	111,903	72,814
Other costs	381,330	282,435
TOTAL	**24,624,613**	**15,658,353**

9. COST OF SERVICES

	2019	2020
Commissions and banking services	6,402,850	6,356,800
Contractor services	6,111,319	3,601,354
Utility services	2,116,993	2,341,058
Intellectual services /i/	4,088,437	2,272,292
Investment and current maintenance	3,766,697	2,203,672
Student employment agency services	473,512	1,012,010
Telephone, Internet and mail	1,134,457	843,342
Gross temporary service contract cost	556,645	542,136
Advertising services	661,104	349,813
Rentals	934,300	555,340
Music and ZAMP fees	203,145	148,797
Transport services (road and maritime transport)	76,299	20,765
Other services	1,632,917	757,947
TOTAL	**28,158,675**	**21,005,326**

10. STAFF COSTS

	2019	2020
Net salaries	23,318,284	19,568,037
Contributions from salaries	6,430,138	5,776,808
Contributions on salaries	5,504,568	4,468,322
Taxes and surtaxes	2,730,307	2,336,551
Performance bonus and holiday pay	2,474,762	6,417
Transportation to and from work	1,310,215	1,000,825
Unused hours off - redistribution	307,455	127,840
Provisions for unused vacation days /i/	1,190,874	500,068
Non-current provisions for termination benefits and jubilee awards /i/	66,137	23,200
Termination benefits	572,668	993,015
Children's gifts, Christmas bonus, non-taxable voucher	501,746	594,200
Meal	354,289	417,913
Other	299,036	157,462
TOTAL	**45,060,479**	**35,970,658**

Remuneration for the Management Board and Supervisory Board members of the Group:

	2019	2020
Management Board	1,657,111	1,657,111
of which receipts in kind	221,935	221,935
Supervisory Board	307,428	103,914
TOTAL	**1,964,539**	**1,761,025**

11. IMPAIRMENT OF NON-CURRENT NON-FINANCIAL ASSETS

	2019	2020
Impairment of property, plant and equipment (Note 17)	921,713	52,994,245
Impairment of investment property (Note 19)	-	549,799
Impairment of right-of-use assets (Note 37)	-	7,642,494
TOTAL	**921,713**	**61,186,538**

12. LOSSES ON IMPAIRMENT OF FINANCIAL ASSETS

	2019	2020
Impairment of trade receivables	(2,630,401)	(361,202)
Impairment of trade receivables-IFRS 9	-	794,617
Trade receivables written off	(13,329)	-
TOTAL	**(2,643,730)**	**433,415**

13. OTHER OPERATING EXPENSES

	2019	2020
Municipal charges and concessions	2,866,506	2,472,994
Hrvatske vode charges	1,822,447	2,397,136
Subsequently identified costs from earlier years	166,533	-
Reimbursement to students in practice and scholarships	325,124	209,143
Insurance premiums	831,716	828,441
Entertainment	189,720	239,394
Travel expenses, per diems, accommodation and field bonus	245,927	168,437
Aid to employees	118,000	92,500
Taxes and contributions irrespective of business result	508,859	251,671
Professional training of employees	145,057	61,058
Employee accommodation	692,366	220,955
Animation and entertainment	26,000	108,365
Subscriptions and memberships	225,063	273,304
Disability benefits	67,500	98,719
Net book amount of disposed assets	3,430,672	281,358
Other operating expenses	3,165,211	1,328,653
TOTAL	**14,826,701**	**9,032,128**

14. FINANCE INCOME AND COSTS

	2019	2020
Finance income		
Regular and penalty interest income	12,418	19,935
Foreign exchange gains	594,992	332,877
	607,410	**352,812**
Finance costs		
Regular and penalty interest expense	(2,418,434)	(4,820,018)
Foreign exchange losses	(946,240)	(2,253,309)
Interest expense on lease	(525,425)	(4,820,971)
	(3,890,099)	**(11,894,298)**
NET FINANCE (EXPENSES) / INCOME	**(3,282,689)**	**(11,541,486)**

15. INCOME TAX

The Group is liable for income tax under the laws and regulations of the Republic of Croatia. The tax base is determined as the difference between income and expenses for the period plus and net of income and expenses having a different tax treatment according to the tax regulations concerning the taxation of income. The income tax rate was 18% in all presented periods.

	2019	2020
Accounting profit/(loss) before taxation	**1,111,066**	**(112,623,690)**
Income tax calculated at the rate of 18%	199,992	(20,272,264)
Effect of expenses not recognised for tax purposes	9,775,090	14,827,158
Effects of income not recognised for tax purposes	(20,066)	(1,649,166)
Utilisation of tax losses from previous years	(6,921,658)	(10,729,673)
Effects of unrecognised deferred tax assets	165,616	17,823,945
Income tax	3,198,974	-

15. INCOME TAX (continued)

In recent years, the Tax Authority has not conducted an audit of tax on the Group's income tax returns. According to the relevant tax regulations, the Tax Administration may inspect Group’s books and records at any time within three years of the end of the year in which the relevant tax liability is presented and may impose additional tax liabilities and penalties. The Group's Management is not aware of any circumstances, which may give rise to a potential material liability in this respect.

As at 31 December 2020, temporary tax differences for which deferred tax assets were not recognised, and which relate to property, plant and equipment, amount to HRK 29,576 thousand, and for those that relate to financial assets they amount to HRK 724 thousand. Deferred tax assets were not recognised given that their utilisation is uncertain. In the following periods, the Group will consider the recognition of deferred tax assets in accordance with the requirements of IAS 12.

Adjustments of the deferred tax assets are as follows:

	2019	2020
At 1 January	**334,471**	**-**
Increase in deferred tax assets	-	-
At 31 December	**334,471**	**-**

Tax losses available for carry forward are presented below:

Year incurred	Amount	Year of expiry
2017	(6,359,699)	2022
2018	(3,449,889)	2023
2019	(920,085)	2024
2020	(44,228,217)	2025
	(54,957,890)	

16. EARNINGS/(LOSS) PER SHARE

	2019	2020
Profit / (Loss) attributable to shareholders of the Group	**(2,087,908)**	**(112,623,690)**
Average weighted number of ordinary shares used in the calculation of basic / diluted earnings per share	27,971,463	27,971,463
Basic and diluted earnings/loss per share	**(0.07)**	**(4.03)**

17. PROPERTY, PLANT AND EQUIPMENT

Item description	Land	Buildings	Plant and equipment	Other Assets	Tangible assets under construction	Total
COST						
At 1 January 2019 (restated)	**447,701,921**	**661,801,611**	**63,174,396**	**394,687**	**5,101,866**	**1,178,174,481**
Acquisition - Stolist	-	-	197,221			**197,221**
Additions	-	52,945,528	53,593,362	648,739	30,753,550	**137,941,179**
Disposals	-	(20,471,818)	(4,410,237)	-	-	**(24,882,055)**
At 31 December 2019 (restated)	**447,701,921**	**694,275,321**	**112,554,742**	**1,043,426**	**35,855,416**	**1,291,430,826**
Additions	-	58,786,083	39,684,049	326,171	(33,188,961)	**65,607,342**
Disposals	(9,196)	-	(3,691,824)	-	-	**(3,701,020)**
At 31 December 2020	**447,692,725**	**753,061,404**	**148,546,967**	**1,369,597**	**2,666,455**	**1,353,337,148**

Item description	Land	Buildings	Plant and equipment	Other Assets	Tangible assets under construction	Total
ACCUMULATED DEPRECIATION						
At 1 January 2019 (restated)	**-**	**463,324,441**	**31,213,273**	**251,260**	**-**	**494,788,974**
Acquisition - Stolist	-	-	76,982	-	-	**76,982**
Depreciation charge	-	9,053,196	8,248,508	61,154	-	**17,362,858**
Impairment of non-current assets	-	-	921,713	-	-	**921,713**
Disposals	-	(17,867,595)	(2,821,402)	-	-	**(20,688,997)**
At 31 December 2019 (restated)	**-**	**454,510,042**	**37,639,074**	**312,414**	**-**	**492,461,530**
Depreciation charge	-	9,398,201	15,100,609	105,976	-	**24,604,786**
Disposals	-	-	(3,398,577)	-	-	**(3,398,577)**
Impairment of non-current assets	27,988,579	25,005,666	-	-	-	**52,994,245**
At 31 December 2020	**27,988,579**	**488,913,909**	**49,341,106**	**418,390**	**-**	**566,661,984**

At 1 January 2019 restated	**447,701,921**	**198,477,170**	**31,961,123**	**143,427**	**5,101,866**	**683,385,507**
At 31 December 2019 restated	**447,701,921**	**239,765,279**	**74,915,668**	**731,012**	**35,855,416**	**798,969,296**
At 31 December 2020	**419,704,146**	**264,147,495**	**99,205,861**	**951,207**	**2,666,455**	**786,675,164**

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Increase in tangible assets in 2020: buildings in the amount of HRK 58,786,083 relate to investment in hotel facilities (upgrading the classification of hotels, developing campsites and other construction works), equipment in the amount of HRK 39,684,049 relates to the purchase of necessary equipment for operations in hotels and campsites, other assets in the amount of HRK 326,171 and the decrease in tangible assets under construction in the amount of HRK 33,188,961, and which relates to investments in hotel facilities and campsite development, which were not put into use during 2019 but rather during 2020.

Increase in tangible assets in 2019: buildings in the amount of HRK 52,945,528 relates to investment in hotel facilities (upgrading the classification of hotels, developing campsites and other construction works), equipment in the amount of HRK 52,593,362 relates to the purchase of equipment necessary for operations in hotels and campsites, other assets in the amount of HRK 648,739 and tangible assets under construction in the amount of HRK 30,753,550 relates to investments in hotel facilities and campsite development, which were not put into use during 2019.

In 2020, the interest expense under loan no. 5110228722 from Privredna banka d.d. in the amount of HRK 663,929 was capitalised. The value of the item buildings increased by the stated amount.

As at 31 December 2020, the carrying amount of mortgaged properties (hotels Omorika, Ad Turres, Esplanade, Katarina, International, Slaven resort, pavilions, swimming pool and central restaurant within the Ad Turres resort) amounts to a total of HRK 165,115,398 (31 December 2019: HRK 166,564,244).
The total value of tangible assets that are fully depreciated, and which are still in use as at 31 December 2020 amounts to HRK 102,812,819 (31 December 2019: HRK 28,320,179).

18. INTANGIBLE ASSETS

Description	Licences, software and other rights	Total
COST		
At 31 December 2018	**4,208,880**	**4,208,880**
Direct asset additions	218,559	218,559
Retirement and disposal	(62,190)	(62,190)
At 31 December 2019	**4,365,249**	**4,365,249**
Direct asset additions	641,421	641,421
Retirement and disposal	(373,136)	(373,136)
At 31 December 2020	**4,633,534**	**4,633,534**
ACCUMULATED AMORTISATION		
At 31 December 2018	**4,081,921**	**4,081,921**
Amortisation charge	86,503	86,503
Retirement and disposal	(58,508)	(58,508)
At 31 December 2019	**4,109,916**	**4,109,916**
Amortisation charge	149,161	149,161
Retirement and disposal	(368,741)	(368,741)
At 31 December 2020	**3,890,336**	**3,890,336**
NET BOOK AMOUNT		
31 December 2018	**126,959**	**126,959**
31 December 2019	**255,333**	**255,333**
At 31 December 2020	**743,198**	**743,198**

19. INVESTMENT PROPERTY

Item description	Land and buildings	Total
COST		
At 1 January 2019 (restated)	53,252,326	53,252,326
Disposals	(2,202,593)	(2,202,593)
At 31 December 2019 (restated)	51,049,733	51,049,733
At 31 December 2020	51,049,733	51,049,733
ACCUMULATED DEPRECIATION		
At 1 January 2019 (restated)	18,487,908	18,487,908
Depreciation charge	429,397	429,397
Disposals	(1,670,874)	(1,670,874)
At 31 December 2019 (restated)	17,246,431	17,246,431
Depreciation charge	429,397	429,397
Impairment	549,799	549,799
At 31 December 2020	18,225,627	18,225,627
NET BOOK AMOUNT		
At 1 January 2019 (restated)	34,764,418	34,764,418
At 31 December 2019 (restated)	33,803,303	33,803,303
At 31 December 2020	32,824,106	32,824,106

Investment property relates to land and buildings that are leased or held for future realisation through renting or selling.

The fair value of investment property based on an external appraisal by independent appraisers or an internal appraisal amounts to HRK 47,444 thousand.

Estimates of the fair value of investment property are categorised as Level 3 in the fair value hierarchy.

20. NON-CURRENT FINANCIAL ASSETS

	31 December 2019	31 December 2020
Hoteli Novi d.d. in bankruptcy	4,384,800	4,384,800
Impairment of shares	(4,384,800)	(4,384,800)
Loans granted	2,495,015	2,495,015
Loans granted - impairment	(2,495,015)	(2,495,015)
TOTAL	-	-

21. INVENTORIES

	31 December 2019	31 December 2020
Cost - low value items, tyres in use	16,229,694	13,768,709
Raw materials and supplies on stock	343,728	512,473
Inventories - packaging	33,203	20,798
Trade goods	91,690	13,710
Impairment of small inventory and tyres	(16,155,772)	(13,694,786)
TOTAL	**542,543**	**620,904**

22. TRADE RECEIVABLES

	31 December 2019	31 December 2020
Domestic trade receivables	9,219,342	5,344,007
Foreign trade receivables /i/	1,852,292	2,521,403
Domestic trade receivables - impairment	-	(3,347,574)
Impairment of trade receivables - individual adjustments	(6,705,618)	(1,094,362)
Impairment of receivables - IFRS 9	-	(1,703,297)
Other trade receivables	60,252	-
TOTAL	**4,426,268**	**1,720,177**

/i/ The carrying amount of foreign trade receivables is translated from euro (EUR).

31 December 2020	**Not past due**	**Past due up to 30 days**	**Past due from 31–90 days**	**Past due from 91–180 days**	**Past due from 181 to 270 days**	**Past due beyond 270 days**	**TOTAL**
Expected loss rate	1.71%	8.10%	25.09%	83.61%	56.60%	98.77%	78.13%
Gross book amount - trade receivables	307,016	438,427	395,350	480,933	1,336,692	4,906,992	7,865,410
Loss allowance	(5,265)	(35,508)	(99,206)	(402,126)	(756,534)	(4,846,594)	(6,145,233)
Trade receivables – net of impairment	**301,751**	**402,919**	**296,144**	**78,807**	**580,158**	**60,398**	**1,720,177**
31 December 2019	**Not past due**	**Past due up to 30 days**	**Past due from 31–90 days**	**Past due from 91–180 days**	**Past due from 181 to 270 days**	**Past due beyond 270 days**	**TOTAL**
Expected loss rate	3.1%	12.6%	31.7%	46.9%	72.6%	99.9%	44.5%
Gross book amount - trade receivables	1,439,549	674,515	1,548,302	2,322,702	551,103	4,595,716	11,131,887
Loss allowance	(44,476)	(84,695)	(491,445)	(1,089,297)	(400,212)	(4,595,494)	(6,705,619)
Trade receivables – net of impairment	**1,395,073**	**589,820**	**1,056,857**	**1,233,405**	**150,891**	**222**	**4,426,268**

22. TRADE RECEIVABLES (CONTINUED)

Based on the above calculation, the closing loss allowance for trade receivables is adjusted to the opening loss allowance as follows:

	2019	2020
Loss allowance as at 1 January	**(4,274,946)**	**(6,705,618)**
Increase in loss allowance recognised in profit or loss in the period	(2,643,401)	(361,202)
Write-off of previously impaired receivables	237,044	1,280
Acquired - acquisition of Stolist d.o.o.	(3,132)	-
IFRS 9	-	794,617
Other movements	(21,183)	125,690
At 31 December	**(6,705,618)**	**(6,145,233)**

23. RECEIVABLES FROM THE GOVERNMENT

	31 December 2019	31 December 2020
Grants receivable	-	2,371,324
Prepaid VAT receivable	348,093	1,818,658
Other receivables from the government	5,549	174,793
TOTAL	**353,642**	**4,364,775**

24. OTHER RECEIVABLES

	31 December 2019	31 December 2020
Receivables for advances given /i/	67,488,250	1,021,963
Recognised leasehold improvements /ii/	341,864	87,450
Banking charges for loans	341,402	281,312
Prepayments - heating oil	306,131	-
Prepayments - consulting	150,000	-
Prepayments - other costs	102,623	-
Suspense accounts for services accounted for	(109,315)	674,535
Other receivables	674,240	134,094
TOTAL	**69,295,195**	**2,199,354**

/i/ Receivables arising from given advances relate to the advance which was used via Prosperus for the share increase of Club Adriatic in the amount of HRK 57,104,500, to the advance payment to the company RR Concept d.o.o. in the amount of HRK 8,513,831 (contractor on the facilities of Ad Turres and Omorika resorts) and to other advances given to suppliers).

/ii/ Leasehold improvement of the lessee Fit for Life HRK 85,539 and the leasehold improvement of the lessee Panis HRK 1,911. These leasehold improvements are released on an annual basis in proportion to the number of years of the lease term.

25. CASH AND CASH EQUIVALENTS

	31 December 2019	31 December 2020
Bank balances - domestic currency	15,237,371	10,344,099
Bank balances - foreign currencies /i/	8,014,761	17,291,304
Cash on hand	4,857	5,048
TOTAL	**23,256,989**	**27,640,451**

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

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

Cash at bank and deposits:	31 December 2019	31 December 2020
A) 2019: A)	3,619,717	2,605,193
BBB	19,614,563	25,008,647
No credit rating	17,852	21,563
TOTAL	**23,252,132**	**27,635,403**

26. CAPITAL AND RESERVES

The Group's share capital amounts to HRK 482,507,730 and is divided among 27,971,463 ordinary shares without a nominal value with the ticker symbol JDRN-R-B. The Group's ID No. (OIB) is 56994999963, while its Reg. No. (MBS) is 040000817. The share capital represents the Group's own sources of assets for its operating purposes.

The Company's share capital amounts to HRK 482,507,730 and is divided among 27,971,463 ordinary shares without a nominal value with the ticker symbol JDRN-R-B. The Company's ID No. (OIB) is 56994999963, while its Reg. No. (MBS) is 040000817. The share capital represents the Company's own sources of assets for its operating purposes.

In 2018, new majority shareholders of the Company increased the share capital. The share capital was first decreased by HRK 208,809,600 to HRK 282,507,090, which created reserves. The Company's share capital was then increased by HRK 200,000,640, whereby the share capital was increased to HRK 482,507,730.

On 24 August 2018, the General Meeting of Jadran d.d. passed the Resolution on ordinary decrease of share capital and the Resolution on ordinary increase of share capital by cash contributions.

26. CAPITAL AND RESERVES (continued)

The Company's share capital was decreased from HRK 491,316,690 by HRK 208,809,600 to HRK 282,507,090 as a result of transferring the proceeds of the capital decrease to the Company's reserves. After such share capital decrease, the value of one share was less than the minimum allowable amount defined in Article 163(2) of the Companies Act, after which the three common shares were combined into a single one in accordance with Article 342(4) of the Companies Act. After such ordinary share capital decrease by share combination, the new share capital is HRK 282,507,090, divided into 16,377,223 ordinary dematerialized shares with no nominal value. The Company's share capital decrease was registered in the Court Registry of the Commercial Court in Rijeka on 30 August 2018.

Pursuant to the Share Capital Increase Resolution, the share capital was increased by a cash contribution. The Issuer's General Meeting determined the price of the New Shares to be HRK 17.25 per New Share. According to the General Meeting's Share Capital Increase Resolution, up to 16,390,360 New Shares were issued at a price of HRK 17.25, whereby the Issuer's share capital was increased from HRK 282,507,090 by up to HRK 282,733,710 to no more than HRK 565,240,800. As required, the share capital increase in share capital based on the commitment made was registered in the Court Registry of the Commercial Court in Rijeka on 3 October 2018.

Individual major shareholders are PBZ CO OMF – CATEGORY B which holds 57.19% of shares and ERSTE PLAVI OMF CATEGORY B which holds 30.56% of Company's shares.

Table 1: The structure of shareholders as at 31 December 2020 and 31 December 2019 was as follows:

	31 December 2019		31 December 2020	
Investor	**Balance**	**%**	**Balance**	**%**
ADDIKO BANK D.D./PBZ CO OMF - CATEGORY B (1/1) - Custodial account	16,121,391	57.64	16,228,666	58.02
OTP BANKA D.D. /ERSTE PLAVI OMF CATEGORY B - Custodial account	8,547,346	30.56	8,547,346	30.56
RESTRUCTURING AND SALE CENTER - CERP (0/1) REPUBLIC OF CROATIA (1/1) ZS	673,666	2.41	673,666	2.41
HRVATSKE VODE, WATER MANAGEMENT CORPORATION (1/1)	208,292	0.74	208,292	0.74
TOWN OF CRIKVENICA (1/1)	184,056	0.66	184,056	0.66
OTP BANKA D.D./ERSTE PLAVI EXPERT - VOLUNTARY PENSION FUND (1/1) - Custodial account	174,249	0.62	174,249	0.62
OTHER SHAREHOLDERS	2,062,463	7.37	1,955,188	6.99
TOTAL	**27,971,463**	**100**	**27,971,463**	**100**

27. PROVISIONS

	31 December 2019	**31 December 2020**
Provisions for termination benefits	151,448	174,648
Provisions for jubilee awards	337,971	309,353
TOTAL	**489,419**	**484,001**

Movements in provisions over the years are as follows:

	Termination benefits	Jubilee awards	Total
At 31 December 2018	**199,080**	**283,334**	**482,414**
Additional provisions based on estimate	-	54,637	54,637
Release of provisions	(47,632)	.	(47,632)
At 31 December 2019	**151,448**	**337,971**	**489,419**
Additional provisions based on estimate	23,200	-	23,200
Release of provisions	-	(28,618)	(28,618)
At 31 December 2020	**174,648**	**309,353**	**484,001**

28. LIABILITIES TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2019	31 December 2020
Interest in currency	1,498,170	1,377,861
Long-term loans-HBOR - DT-6/15 /i/	2,041,807	1,718,321
Long-term loans-HBOR - DT-1/16 /ii/	13,780,150	13,382,934
Long-term loans-HBOR - DT-10/16 /iii/	8,029,819	7,798,357
Long-term loans-PBZ - 2016 -5110217867-5110217867 /iv/	45,547,674	46,124,889
Long-term loans-PBZ - 2019 -5110228722-5110228722 /v/	46,933,551	92,327,001
Long-term loans-ERSTE-2019-5117407680/15 /vi/	70,024,274	101,303,446
Short-term loan-Erste 1 /vii/	17,020,300	-
Short-term loan-Erste 2 /vii/	8,248,299	-
Short-term loan Erste 3 /vii/	3,788,108	-
Other liabilities to financial institutions	-	1,789
TOTAL LIABILITIES	**216,912,152**	**264,034,598**
Short-term loan Erste 1 /vii/	(17,020,300)	-
Short-term loan Erste 2 /vii/	(8,248,299)	-
Short-term loan Erste 3 /vii/	(3,788,108)	-
Other liabilities to financial institutions	-	(1,789)
Current maturities of long-term loans in the current year	(14,400,293)	(119,452,974)
Interest in currency	(1,498,627)	(1,377,861)
Liabilities to a secured creditor - Croatia osiguranje	-	-
CURRENT LIABILITIES	**(44,955,627)**	**(120,832,624)**
NON-CURRENT LIABILITIES	**171,956,525**	**143,201,974**

28. LIABILITIES TO BANKS AND OTHER FINANCIAL INSTITUTIONS (CONTINUED)

A summary of long-term loans denominated in foreign currencies is presented below:

	31 December 2019	31 December 2020
EUR	215,413,982	262,654,948

/i/ In 2015, the Group entered with the Croatian Bank for Reconstruction and Development into a long-term loan agreement for HRK 7 million, repayable over 5 years, 1-year grace period, 3% interest rate, for the renovation of facilities and upgrading the classification of Hotel Omorika and Selce Auto-Camp.

/ii/ In 2016, the Group entered with Croatian Bank for Reconstruction and Development into a long-term loan agreement for HRK 17,400,000, repayable over 8 years, 1-year and 10 months grace period, 3% interest rate, for the renovation of facilities and upgrading of Hotel Omorika and hotel Varaždin (Katarina).

/Iii/ In 2016, the Group entered with Croatian Bank for Reconstruction and Development into a long-term loan agreement for HRK 10 million, repayable over 8 years, 1-year and 3 months grace period, 3% interest rate, for the renovation of facilities and upgrading of Hotel Varaždin (Katarina).

/iv/ In 2016, the Group entered with Privredna banka Zagreb d.d. into a long-term loan agreement for EUR 7,400,000, repayable over 6 years, 1-year and 6 months grace period, 2.6% interest rate, for the renovation of facilities and upgrading of Hotel Varaždin (Katarina) and Hotel Esplanade and to purchase the receivables from Veneto banka d.d. This Agreement was entered into in December of 2016. The amount of EUR 7,343,852 was drown under the loan, and the loan commencement date was 20 July 2019.

/v/ In 2019, the Group entered with Privredna banka Zagreb d.d. into a long-term loan agreement for EUR 12,250,000, repayable over 12 years, 2.05% interest rate, for the renovation of facilities and reclassification to a higher class - Ad Turres resort, Selce Campsite - swimming pool and allotment, hotel Katarina, hotel Omorika, Kačjak resort, Slaven pavilions and hotel Esplanade.

/iv/ The loan with Erste&Steiermärkische d.d. is secured by a mortgage registered on land reg. folio no. 2485, cadastral parcel no. 2988/69, i.e. Forest Baško Polje Resort with the total surface area of 283,143 sqm, registered in c.m. Bast-Baška Voda. On 10 October 2014, a pre-bankruptcy settlement procedure was initiated against Club Adriatic d.o.o., and accordingly, long-term liabilities to banks were due and reclassified as non-current liabilities. All liabilities to Erste&Steiermärkische d.d. bank were settled by payment under the pre-bankruptcy settlement, on 5 March 2020.

/viii/ The loans from Slatinska banka d.d. were settled by purchasing the creditor's claim by the company Jadran d.d., whereby Jadran became a new creditor in the pre-bankruptcy settlement and was settled by payment under the pre-bankruptcy settlement, on 5 March 2020.

29. OTHER NON-CURRENT LIABILITIES

	31 December 2019	31 December 2020
Bankruptcy Plan /i/	61,720	61,720
TOTAL	**61,720**	**61,720**

/i/ The liabilities under the Bankruptcy Plan of HRK 61,720 relate to liabilities to secured creditors of the 2nd rank = HRK 31,224 and liabilities intended to be included in the share capital of HRK 30,496. The Bankruptcy Plan does not infringe on secured creditors' right to be paid from items subject to separate satisfaction.

30. TRADE PAYABLES

	31 December 2019	31 December 2020
Domestic trade payables	25,082,361	9,677,924
Foreign trade payables (prepayment)	312,077	131,567
TOTAL	**25,394,438**	**9,809,491**

31. LIABILITIES FOR ADVANCES, DEPOSITS AND GUARANTEES

	31 December 2019	31 December 2020
Advances received /i/	5,680,814	5,310,355
Security and other deposits	576,461	593,619
TOTAL	**6,257,275**	**5,903,974**

/i/ The liabilities for advances received in 2020 mainly relate to Adriatik kampovi d.o.o. in the amount of HRK 2,358,051, Katarina line d.o.o., Opatija in the amount of HRK 1,118,398 (equivalent of EUR 148,390), individual advances in the amount of HRK 464,864 (equivalent of EUR 61,678) and Globtour group a.s. in the amount of HRK 136,712 (equivalent of EUR 18,139).

32. LIABILITIES TO EMPLOYEES

	31 December 2019	31 December 2020
Net salaries payable	1,480,822	1,442,577
Unused vacation days	1,190,874	500,068
Liabilities to employees - bonuses	1,393,817	1,393,817
Liabilities to employees – redistribution of working hours	307,454	127,840
Other liabilities to employees /i/	299,380	731,094
TOTAL	**4,672,347**	**4,195,396**

/i/ Other Group's liabilities to employees consist of liabilities for transportation of employees to work in the amount of HRK 28,614, liabilities for unpaid salaries in previous years in the amount of HRK 17,441, liabilities for termination benefits in the amount of HRK 654,858 and other liabilities in the amount of HRK 30,181.

33. LIABILITIES TO THE GOVERNMENT

	31 December 2019	31 December 2020
Contributions from and on salaries	1,325,604	700,315
Taxes and surtaxes payable	171,007	139,266
Other liabilities to the government	1,939,680	(282,739)
TOTAL	**3,436,291**	**556,842**

34. OTHER CURRENT LIABILITIES

	31 December 2019	31 December 2020
Short-term loans	1,469,969	-
Accrual of received capital aid /i/	862,087	799,999
Deferred income	710,243	25,000
Other liabilities - investment in Selce campsite to be settled	209,734	-
Other liabilities - bank fees	44,711	-
Scholarships	35,200	25,200
Fees based on temporary service agreements	18,186	35,334
Other liabilities - unpaid to bankruptcy creditors	6,695	6,695
Other	3,871	-
Liabilities - HOC Bjelolasica /ii/	7,540,853	-
TOTAL	**10,901,549**	**892,228**

/i/ The government grants of HRK 799,999 remitted by the Energy Efficiency and Environmental Protection Fund relate to the reconstruction of the heating system at Hotel Katarina in 2016 and are prorated to revenue on an annual basis.

/ii/ Other non-current liabilities in 2019 related to liabilities arising from the Management and Profit Transfer Agreement concluded on 18 November 2011 between the subsidiary Club Adriatic d.o.o. and HOC Bjelolasica d.o.o. Pursuant to the Decision of the Assembly of the subsidiary Club Adriatic d.o.o. of 26 June 2014, the Management and Profit Transfer Agreement dated 18 November 2011 concluded between the subsidiary Club Adriatic d.o.o., as the controlling company and HOC BJELOLASICA d.o.o. as a subsidiary, was terminated on 26 June 2014, because on 29 April 2014, pursuant to the decision of the Commercial Court in Zagreb number: 40.St-231/04 bankruptcy proceedings were initiated against the company HOC BJELOLASICA d.o.o.

35. CONTINGENT LIABILITIES

After the bankruptcy proceedings were completed in 2014, the Group continued to conduct all court disputes initiated at the time of bankruptcy, as well as those the Group did not manage to resolve during the bankruptcy period. Most legal actions related to claims brought by employees for failure to pay wages owed since before the year 2000. Pursuant to the settlement agreements signed the Group made relevant payments to its former employees and the relevant registered mortgages/pledges and annotations were removed from the land registry. The Group took legal action against a former employee with whom no settlement agreement was reached.

The process of the parent company's transformation and the Property Statement Resolution issued by the Croatian Privatisation Fund resulted in unresolved proprietary matters. For the purpose of resolving such proprietary matters regarding its properties, the Group initiated individual corrective processes to align the land registry status with the actual status of the properties, as well as processes to establish title.

Modular structures owned by third parties were illegally mounted on part of the assets owned by the Group, namely on Selce campsite and Kačjak campground. As the owners of these modular structures refuse to remove them and surrender the plots, the Group took legal action for the purpose of repossessing the land/plots.

The Group is conducting three court proceedings related to the determination of ownership rights for two restaurants that were owned by the Group until 2006, when the Group gave them under lease. Based on the Decisions of the Primorje-Gorski Kotar County, these facilities were given to third parties, without the Group receiving any compensation, and since these are facilities that the Group built and maintained until the moment of leasing. The proceedings in question are being conducted against the Town of Crikvenica and the Republic of Croatia.

35. CONTINGENT LIABILITIES (continued)

Also, the Group has several disputes with the City of Crikvenica regarding property issues.
The return of the plots in the Selce camp and the Kačjak campground to the possession of the Group is a precondition for the Group to continue the investment cycle in these two very attractive locations. For the further continuation of the investment cycle, it is important to resolve the issue of the status of the restaurant as well as disputes with the Town of Crikvenica.

As regards other court proceedings, the Group is a party to proceedings for the restitution of and compensation for property seized and enforcement proceedings to collect debt owed to it by third parties.

36. RELATED PARTY TRANSACTIONS

On 6 April 2018, the Sale and Transfer Agreement was signed for 70.74% of the shares of JADRAN d.d. Crikvenica. The Agreement was signed by the Restructuring and Sale Center (CERP) as the seller and PBZ CROATIA OSIGURANJE pension funds and ERSTE d.o.o. pension funds as the acquirers.

37. LEASE LIABILITIES AND RIGHT-OF-USE ASSETS

In the course of 2019, the Group signed two lease agreements for the lease of business premises, from 1 February 2019 for three pavilions within Ad Turres resort and from 1 March 2019 for the lease of the Delfin Hotel in Omišalj, both for a period of 10 years.

In 2020, the Group signed new lease agreements for the lease of business premises, as follows:
- Skoko Jozo-rental of a restaurant, pavilion and three bungalows with a parking lot near the hotel Omorika, from 1 January 2020 for a period of 5 years,
- Hotel Lišanj in Novi Vinodolski, from 18 February 2020 for a period of 3 years,
- Resort Umag, in Umag from 1 April 2020 for a period of 10 years.
- Hotel Noemia in Baška Voda, from 17 June 2020 for a period of 15 years.

As of 1 January 2020, the Group began presenting liabilities arising from the lease for the concession on the beach Kačjak in Dramalj for a period of 10 years, liabilities arising from the lease for the concession on the beach Kaštel in Crikvenica for a period of 7 years and the rental of personal vehicles for the rental of vehicles exceeding a period of one year within non-current assets.

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

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

LEASE LIABILITIES

	31 December 2019	31 December 2020
Non-current lease liabilities	16,209,899	171,617,694
Current lease liabilities	1,134,163	17,822,844
TOTAL	**17,344,062**	**189,440,538**

RIGHT-OF-USE ASSETS

	Vehicles	Real estate	Beach concession	Total
Net book amount at 1 January 2019	**91,957**	**-**	**-**	**91,957**
Additions	-	17,569,570	-	17,569,570
Depreciation for the year	(32,875)	(1,569,559)	-	(1,602,434)
Net book amount at 31 December 2019	**59,082**	**16,000,011**	**-**	**16,059,093**
Additions	886,228	169,751,888	883,953	171,522,069
Depreciation for the year	(439,063)	(16,464,532)	(116,064)	(17,019,659)
Impairment	-	(7,642,494)	-	(7,642,494)
Net book amount at 31 December 2020	**506,247**	**161,644,873**	**767,889**	**162,919,009**

As stated in Note 2.20, the Group uses the exemption expedient for short-term leases and low-value leases. In 2020, short-term leases and low-value leases amounted to HRK 555,340 (Note 9).

38. EVENTS AFTER THE BALANCE SHEET DATE

On 2 December 2020, the High Commercial Court of the Republic of Croatia issued Judgment No. 61 Pž-2766 / 2019-2 of the plaintiff CLUB ADRIATIC d.o.o. against the defendant Municipality of Podgora. This judgment confirms that the Municipality of Podgora is required to pay the Club HRK 1.0 million with the associated interest, accruing as of 2 August 2014. The Municipality of Podgora is also required to pay CLUB ADRIATIC d.o.o. the amount of HRK 135,800.00 with legal default interest accruing as of 2 August 2014 arising from guaranteed profit. The Municipality of Podgora was urged to reimburse CLUB ADRIATIC d.o.o. for further costs of the proceedings in the amount of HRK 29,997.02 with statutory default interest accruing as of 2 December 2020.

On 30 March 2021, a Real Estate Purchase Agreement was concluded between CLUB ADRIATIC d.o.o. and Adria Podbiokovlje d.o.o. in the amount of EUR 392,948.40 in HRK equivalent at the date of the sale.

On 30 March 2021, the Real Estate Purchase Agreement was concluded between CLUB ADRIATIC d.o.o. and Adria Baško polje d.o.o. in the amount of EUR 4,745,143.00 in HRK equivalent at the date of the sale.

Current liabilities exceeded the amount of current assets due to the transfer of a non-current liability to the creditor Erste&Steiermärkische bank d.d. to a current liability in the amount of HRK 101,303,446. The liability was reclassified because until the balance sheet date of 31 December 2020 the Company had not received a waiver from the Bank that the breach of the covenant from the contract will not be treated as a breach of contract. The said waiver was submitted to the Company on 28 April 2021 and as such represents a “Significant event after the balance sheet date”, as a result of which the stated liability of the Company will be reclassified as a non-current liability.

39. NET DEBT

Changes in net debt are presented in the table below:

	Cash	**Liabilities to financial institutions and loans**	**Lease liabilities**	**Total**
Net debt at 1 January 2019	**133,743,250**	**(116,244,366)**	**(91,957)**	**17,406,927**
Cash flow	(110,486,261)	(103,082,556)	(302,068)	(213,870,885)
Increase due to new leases	-	-	(17,569,570)	(17,569,570)
Interest expense	-	*(2,116,206)*	*(525,425)*	(2,641,631)
Interest paid	-	*2,116,206*	*525,425*	2,641,631
Foreign exchange differences and other non-cash movements	-	2,414,770	619,533	3,034,303
Net debt at 31 December 2019	**23,256,989**	**(216,912,152)**	**(17,344,062)**	**(210,999,225)**
Cash flow	4,383,462	(45,344,846)	685,899	(40,275,485)
Increase due to new leases	-	-	(171,522,069)	(171,522,069)
Interest expense	-	*(4,820,018)*	*(4,820,971)*	(9,640,989)
Interest paid	-	*4,820,018*	*4,330,248*	9,150,266
Foreign exchange differences and other non-cash movements	-	*(1,777,600)*	*(769,583)*	(2,547,183)
Net debt at 31 December 2020	**27,640,451**	**(264,034,598)**	**(189,440,538)**	**(425,834,685)**

40. BUSINESS COMBINATIONS

A) CLUB ADRIATIC D.O.O.

On 19 December 2018, the Company acquired 100% of shares in Club Adriatic d.o.o. The effects of the acquisition and consolidation were recognised as at 31 December 2018. A detailed overview of the acquisition effects is shown in the tables below:

Consideration transferred	
- paid to CERP in cash	50,500,000
- deferred consideration (Prosperus)	10,000,000
	60,500,000

The deferred consideration relates to a payment obligation to Prosperus Invest d.o.o. For the transfer of rights and obligations in connection with the pre-bankruptcy settlement proceeding of club Adriatic d.o.o. The consideration is planned to be paid in 2019, which is why the deferred consideration is presented in the financial statements in its undiscounted amount.

Fair values of assets and liabilities recognised as a result of the acquisition:	
Property, plant and equipment	200,382,540
Cash and cash equivalents	8,241,086
Trade receivables	229,474
Inventories	3,089,522
Deferred tax assets	-
Other assets	928,992
Borrowings and loans	(48,271,066)
Trade payables	(13,789,551)
Liabilities for advances, deposits and guarantees	(448,819)
Liabilities to employees	(23,859,638)
Liabilities to the government	(4,761,683)
Other current liabilities	(10,274,157)
Fair value of net assets acquired:	111,466,700
Effect of acquisition - bargain purchase	**(50,966,700)**

Gain on bargain purchase is due to the difference between the consideration transferred for the acquisition of Club Adriatic d.o.o. and the fair value of the net assets at the acquisition date. The acquisition resulted in a gain on bargain purchase due to the expected positive impact of the completion of the pre-bankruptcy settlement over Club Adriatic d.o.o. during 2019. Gain on bargain purchase is not stated in separate reports of the Company, but at the consolidated level.

During 2019, the Company identified certain differences between the expected values of acquired liabilities in relation to liabilities recognised as at 1 January 2019. In accordance with the criteria of IFRS 3, since the differences were identified after the measurement period, the Company recognised a decrease in these liabilities through profit or loss in the amount of HRK 10,278 thousand (Note 7).

B) STOLIST D.O.O.

On 19 June 2020, the Company acquired a 100% share in Stolist d.o.o.

Consideration transferred	976,685
Fair value of net assets acquired	(340,080)
Effect of acquisition - Goodwill	**1,316,765**

CONSOLIDATED MANAGEMENT REPORT

1. KEY OPERATING INFORMATION

Key operating indicators for the Group

	2019	2020	2020/2019
Number of accommodations (capacity)	2,812	3,155	12.2%
Number of bed-places	6,890	7,675	11.4%
Full occupancy days	81	68	-16.0%
Annual occupancy rate	22%	9%	-59.1%
Number of accommodations sold	228,375	104,135	-54.4%
Number of overnights	556,037	271,302	-51.2%
ADR (in HRK)	455	449	-1.3%
RevPar (in HRK)	36,926	19,455	-47.3%

*In 2019, the key operating indicators include the figures for Delfin Boarding House and 3 pavilions in Ad Turres, and in 2020 they relate to Hotel
Lišanj, Garden Resort Bella Natura Umag and hotel Noemia.

Key financial indicators for the Group

	2019	2020	2020/2019
TOTAL REVENUE	**140,905,706**	**84,018,746**	**-40%**
SALES REVENUE	117,301,269	68,784,751	**-41%**
OTHER OPERATING INCOME	22,997,027	14,881,183	**-35%**
TOTAL EXPENSES	**139,794,640**	**196,642,436**	**41%**
OPERATING EXPENSES	135,904,541	184,748,138	**36%**
MATERIAL COSTS	52,970,726	36,789,226	**-31%**
STAFF COSTS	45,060,479	35,970,658	**-20%**
DEPRECIATION AND AMORTISATION	19,481,192	42,203,003	**117%**
IMPAIRMENT OF NON-CURRENT NON-FINANCIAL ASSETS	921,713	61,186,538	**6538%**
IMPAIRMENT	2,643,730	-433,415	**-116%**
OTHER NET GAINS	664,330	0	**n/a**
OTHER COSTS	14,162,371	9,032,128	**-39%**
FINANCE INCOME	607,410	352,812	**-42%**
FINANCE COSTS	3,890,099	11,894,298	**206%**
EBITDA	**23,874,946**	**-58,879,201**	**-347%**
EBITDA MARGIN	17%	-70%	**-514%**
NORMALISED EBITDA[1]	**36,131,299**	**1,873,922**	**-95%**
NORMALISED EBITDA MARGIN	26%	2%	**-92%**
EBIT	**4,393,754**	**-101,082,204**	**-2401%**
NORMALISED EBIT[2]	16,650,107	-40,329,081	**-342%**
EBT	**1,111,065**	**-112,623,690**	**-10237%**

[1] EBITDA was normalised for one-time costs
[2] EBIT was normalised for one-time costs

2. GENERAL GROUP INFORMATION

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

- CLUB ADRIATIC d.o.o. in which JADRAN has 100% business shares.
- Stolist d.o.o. in which JADRAN has 100% business shares.

JADRAN, dioničko društvo za hotelijerstvo i turizam, from Crikvenica, Bana Jelačića 16, is registered at the Commercial Court in Rijeka under registration number 040000817, Company ID no. 5699499963. In 2019, the Company was governed by the Management Board and Supervisory Board.

In 2020, the Supervisory Board of JADRAN d.d. comprised the following members:

- Tomislav Kitonić, Chairman of the Supervisory Board
- Karlo Došen, Deputy Chairman of the Supervisory Board
- Dragan Magaš, Member of the Supervisory Board
- Mirko Herceg, Member of the Supervisory Board
- Ivan Blažević, Member of the Supervisory Board

In 2020, the Management Board of JADRAN d.d. comprised the following members:

- from 1 January 2020 to 22 May 2020:
  - Goran Fabris, Chairman of the Management Board
  - Karlo Čulo, Member of the Management Board

On 22 May 2020, the term of office of Karlo Čulo, a member of the Management Board, expired.

- from 23 May 2020 to 30 November 2020:
  - Goran Fabris, Chairman of the Management Board

The members of the Management Board are authorised to represent the Company solely and independently.

- from 1 December 2020 to 31 December 2020:
  - Goran Fabris, Chairman of the Management Board
  - Ivan Safundžić, Member of the Management Board

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

CLUB ADRIATIC d.o.o. za turizam i usluge, from Baška Voda, Petra Krešimira IV 11, is registered at the Commercial Court in Zagreb under registration number 080391811, Company ID no. 44661735229, EUID: HRSR.080391811.

The sole owner of the Company is JADRAN d.d. as of 19 December 2018, and on 12 February 2019 an entry was made in the court register. The share capital amounts to HRK 120,947,400 thousand.
On 13 January 2004, the Company's share capital was increased from the amount of HRK 20,000.00 in cash, by the amount of HRK 107,988,500.00 in kind, to the amount of HRK 108,008,500.00 in cash and in kind based on the Decision amending the Company's Statement.

The Company's share capital was increased from the amount of HRK 108,008,500.00 in cash and in kind, by the amount of HRK 12,938,900.00, to the amount of HRK 120,947,400.00, by entering the right of claim into the share capital of the company based on the Decision of the General Assembly on the share capital increase by investing rights dated 21 December 2012.
Based on the decision of the General Assembly of the company dated 16 December 2019, the share capital of the company was reduced from the amount of HRK 120,947,400.00 by the amount of HRK 60,947,400.00 to the amount of HRK 60,000,000.00 to cover the accumulated losses, by reducing the nominal amount of each business share. Based on the decision of the General Assembly dated 16 December 2019, the share capital of the company was increased from the amount of HRK 60,000,000.00 by the amount of HRK 57,104,500.00 to the amount of HRK 117,104,500.00, by paying a new cash contribution, i.e. by creating a new business share with a nominal amount of HRK 57,104 .500.00 kuna taken over by a new company owner.
In 2020, the Company was governed by the Management Board and Supervisory Board.

The Supervisory Board comprised the following members:

I. from 1 January 2020 to 7 February 2020
- Dragan Magaš, Chairman of the Supervisory Board
- Mirko Herceg, Deputy Chairman of the Supervisory Board
- Darko Lendić, Member of the Supervisory Board

II. from 7 February 2020 to 29 June 2020:
- Dragan Magaš, Chairman of the Supervisory Board
- Ivana Hatvalić Poljak, Member of the Supervisory Board
- Darko Lendić, Member of the Supervisory Board

III. from 29 June 2020 to 31 December 2020
- Dragan Magaš, Chairman of the Supervisory Board
- Darko Lendić, Deputy Chairman of the Supervisory Board
- Mirko Herceg, Member of the Supervisory Board

In 2020, the Company was governed by the Management Board comprising the following members:

I. from 1 January 2020 to 7 February 2020
- Goran Fabris, director

II. from 7 February 2020 to 29 June 2020
- Goran Fabris, Chairman of the Management Board
- Tomislav Tičić, Member of the Management Board

III. from 29 June 2020 to 31 December 2020
- Goran Fabris, director

Stolist d.o.o. za usluge i trgovinu, a tourist agency from Crikvenica, Frankopanska 22, is registered at the Commercial Court in Rijeka under registration number 040270363, Company ID no. 20400393476, EUID: HRSR.040270363.

The sole owner of the Company is JADRAN d.d. as of 18 June 2020, and on 28 June 2019 an entry was made in the court register. The share capital amounts to HRK 20,000 thousand.

In 2020, the company Stolist was managed by the Management Board:

- Natali Travaglia, director from 1 January 2020 to 30 June 2020
- Sandra Marcel Tomašić, director from 1 July 2020

The Group is mainly engaged in the provision of accommodation and catering services, whereof it generates most of its revenue.

The Group performs its financial operations through giro accounts opened at:

- Privredna banka d.d. HR4323400091110722690
- Zagrebačka banka d.d. HR3923600001102150140
- Erste & Steiermärkische bank d.d. HR3924020061100620496
- Erste & Steiermarkische bank d.d. HR8624020061100094686
- Privredna banka d.d. Zagreb HR3623400091110076505
- Zagrebačka banka d.d. HR1023600001102807740

In 2020, the Group has

- used available resources as follows:
  - material – existing property is protected by the due care of a prudent manager wherever possible,
  - financial – all liabilities are settled,
  - personnel – rational organisational approach.
- maintained and confirmed the current market position,
- the business process ran smoothly.

As at 31 December 2020, the share capital of the Group amounted to HRK 482,507,730.

The list of the Company's shareholders with a 5% share or more in the share capital of JADRAN d.d. (balance at 31 December 2020) is as follows:

- ADDIKO BANK D.D./PBZ CO OMF - KATEGORIJA B holds16,228,666 shares, representing a 58.02% share in the Company's share capital;
- OTP BANKA D.D./ERSTE PLAVI OMF KATEGORIJE B holds8,547,346 shares, representing a 30.56% share in the Company's share capital.

As at 31 December 2020, the ownership structure of CLUB ADRIATIC d.o.o. is as follows:

- JADRAN d.d. is the sole owner of CLUB ADRIATIC d.o.o.

As at 31 December 2020, the ownership structure of Stolist d.o.o. is as follows:

- JADRAN d.d. is the sole owner of Stolist d.o.o.

Major events for the Group in 2020

In 2020, the Group signed new lease agreements for the lease of business premises, as follows:

- Skoko Jozo - a lease was agreed on a restaurant, pavilion and three bungalows with parking near the hotel Omorika, from 1 January 2020 for a period of 5 years (the agreement was signed at the end of 2019),
- Hotel Lišanj in Novi Vinodolski, from 18 February 2020 for a period of 3 years,

  - Resort Umag, in Umag from 1 April 2020 for a period of 10 years.
  - Hotel Noemia in Baška Voda, from 1 July 2020 for a period of 15 years.
- As of 1 January 2020, the Group started disclosing the 10-year concession on the beach Kačjak in Dramalj, lease liabilities for the 7-year concession on the beach Kaštel in Crikvenica in front of the hotel Kaštel as well as car rentals for the rental periods longer than one year as part of non-current assets and lease liabilities.
- On 2 December 2020, the High Commercial Court of the Republic of Croatia issued Judgement No. 61 Pž-2766/2019-2 in the case of the plaintiff CLUB ADRIATIC d.o.o. against the defendant Municipality of Podgora. This judgement confirms that the Municipality of Podgora is required to pay CLUB ADRIATIC d.o.o. the amount of HRK 1.0 million including the associated interest accruing as of 2 August 2014. The Municipality of Podgora is also required to pay CLUB ADRIATIC d.o.o. the amount of HRK 135,800.00 including the legal default interest accruing as of 2 August 2014 arising from guaranteed profit. The Municipality of Podgora was urged to reimburse CLUB ADRIATIC d.o.o. for further costs of the proceedings in the amount of HRK 29,997.02 with statutory default interest accruing as of 2 December 2020. The said judgement becomes final on the date of its issue and enforceable. In accordance with the above, the Company decided to record the said judgement on the day when the notice was received, i.e. on 1 March 2021.

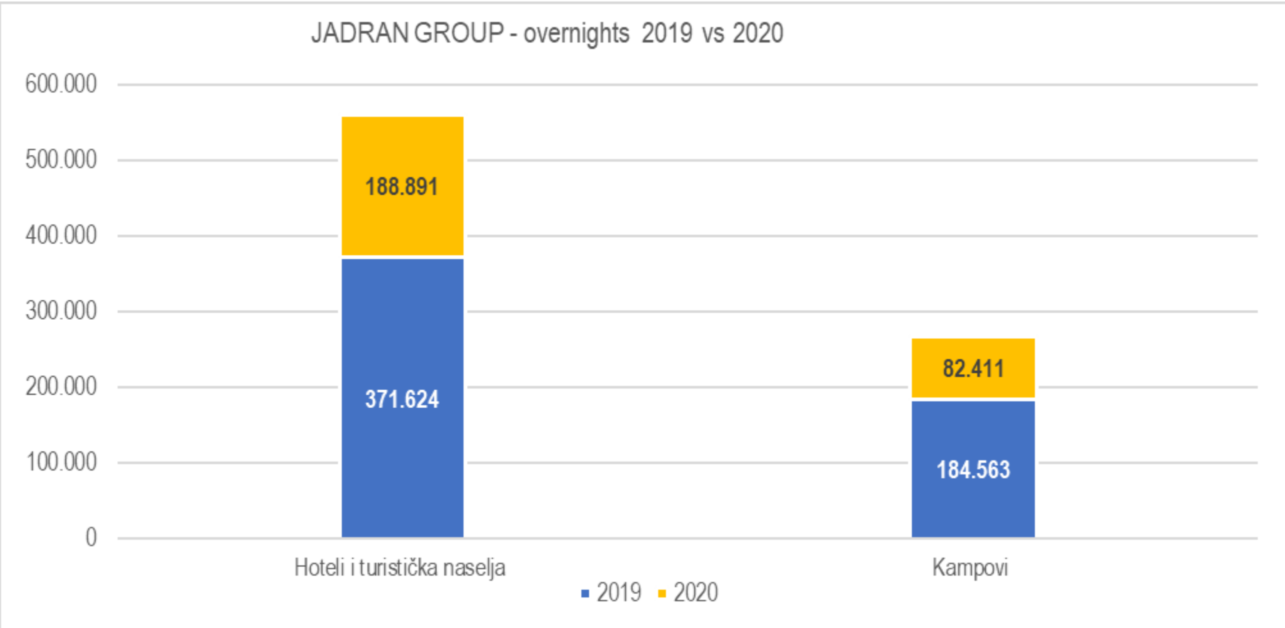
3. REALISED OVERNIGHTS

At the JADRAN Group level, 2020 was without a doubt the most challenging year since the start of business, during which the tourism sector had to face inevitable challenges on a global scale. With the support of government aid instruments and the flexibility of all employees, we believe that we have successfully responded to objective circumstances beyond our control by introducing a number of new transformative forms of collaboration and management from which we will benefit greatly in future years of development should external circumstances be more stable.

In 2020, campsites have been recognised as a product of the future as they provide all the comfort and infrastructure of hotel accommodation, but offer additional isolation, privacy, freedom of movement and proximity to nature, which has proven to be a benefit in the present specific epidemiological circumstances. We believe that further investment planning in campsite infrastructure will significantly contribute to better future results.

In 2020, due to the epidemiological situation in the country and the surrounding area, the JADRAN Group ended the business year with -49% of overnights in hotels and tourist resorts compared to the previous year. In 2020, campsites also recorded a decline of 55% in overnights compared to 2019, primarily due to closed borders and the inability of people to travel from our most important emitting markets with agreed lump sum leases in campsites.

Chart 1 Overnights recorded by the JADRAN group in 2019 and 2020



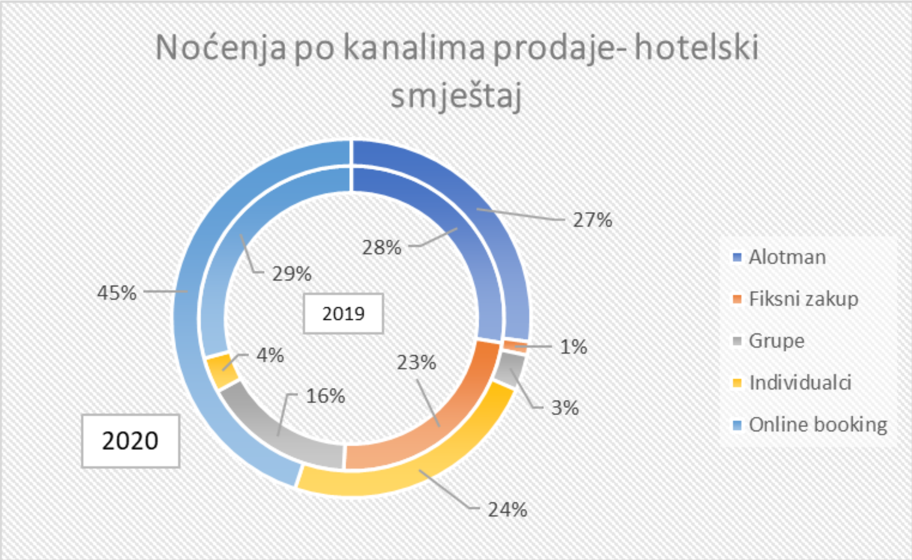
Source: JADRAN d.d.

The flexibility of cancellation policies, the restrictive regime of entering the country and limitation of hotel capacities in order to ensure the safest possible stay for guests, has resulted in a change in the distribution of sales channels in realised overnights in 2020.

In the context of the decline in the number of overnights of -49% in hotel accommodation compared to 2019, the share of individual channels increased from a 4% share in 2019 to a 24% share in 2020. Developing an individual channel in 2020 by establishing a booking call centre represents the strategic focus of business operations and investments in the future period. Online booking grew from a 29% share in 2019 to a 45% share in overnights in 2020.

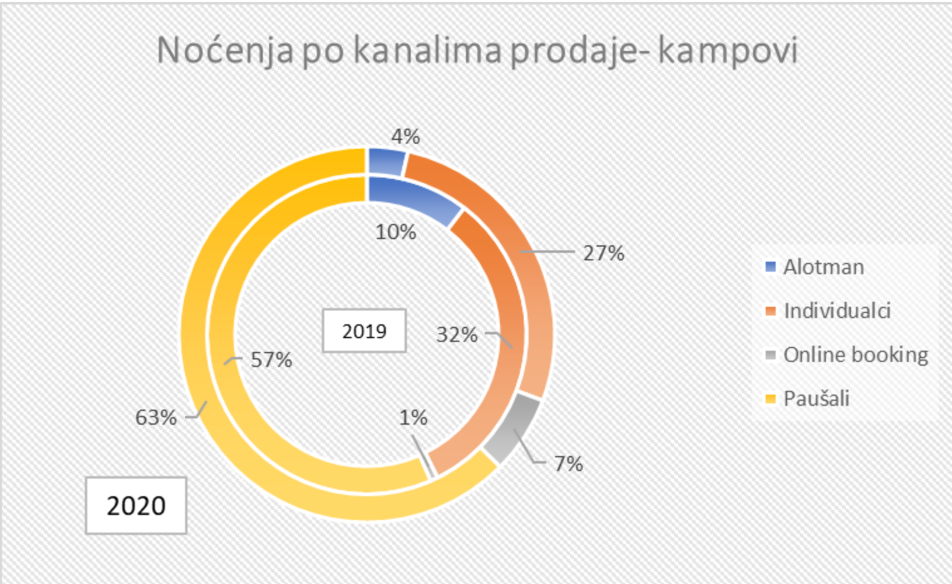
The -55% drop in overnights in campsites was caused by their late opening and earlier closing due to the COVID-19 crisis and the closing of the borders of our most important emitting markets for this type of accommodation, especially in the lump sum segment.

Chart 3a Overnights by sales channels for the JADRAN group in 2019 and 2020 for hotel accommodation



Source: JADRAN d.d.

Chart 3a Overnights by sales channels for the JADRAN group in 2019 and 2020 for campsites



Source: JADRAN d.d.

In 2020, foreign guests accounted for 79% of the Group's overnights and domestic guests accounted for 21%. In 2020, foreign guests mainly arrived from Germany, Slovenia, the Czech Republic, Hungary and Austria, with a significant increase in the number of guests from Poland.

4. GROUP BUSINESS PERFORMANCE

Similar to many economic entities around the world, the Group's operations in 2020 were marked by the COVID-19 pandemic. By the middle of the second quarter, the Group operated under as normal circumstances as possible, expecting the situation to return to normal and the development cycle that began in 2019 to continue. Due to such expectations, the Group opted to complete all started investments for which it estimated that stopping them, in the long run, could cause additional damage and result in defaulting on the obligations to partners. At the end of the first quarter of 2020, the pandemic completely stopped operations, which resulted in shutting down all of the Group's facilities in the period from 19 March to 11 May 2020, with a complete rationalisation of operations.

The rationalisation of operations, all with the aim of protecting business continuity and preserving the liquidity of the Company, included the rationalisation of costs, capital expenditures and cash outflow primarily by means of the following measures:

- Rationalisation of staff costs – use of vacation days and days off, working from home and in agreement with social partners, reduction of salaries for workers who do not work ("waiting").
- Later employment of seasonal workers and a smaller number of overall employees (seasonal workers account for nearly half of the workforce).
- Suspending investments to the extent that does not jeopardise the operation of facilities and settling obligations to business partners.
- Rationalisation of operating expenses – deciding not to purchase small inventory, minimising the cost of current maintenance to a "sustainable" minimum, assuming that the safety of facilities and guests and employees is not compromised.
- Lease agreements signed by the Group with lessors have been adjusted in a way to safeguard liquidity, but also to ensure the financial viability of these leases, while ensuring the sustainability of cooperation and the business continuity of partners with whom leases have been concluded.
- During June 2020, the Group entered into a moratorium with the Croatian Bank for Reconstruction and Development and a moratorium on loans with Privredna banka Zagreb.

With the relaxation of measures, after 11 May 2020, the Group began operating under "new" normal conditions, adapting to the new situation, strictly adhering to all prescribed epidemiological measures with continuous education of workers, thus protecting the health of its workers and guests.
After the main tourist season, the pandemic flared up again, which meant partial or complete shutdown of economic entities in our nearest emitting markets and as of 26 November 2020, the Decision on Necessary Epidemiological Measures Restricting Gatherings and Introducing Other Necessary Epidemiological Measures resulted in a renewed partial lockdown in the Republic of Croatia.

The Group's Management Board assessed that regardless of the "coronavirus crisis", the continuation of the investment cycle with reduced intensity is necessary to ensure the conditions for further growth and development and ensure the competitiveness of the Group in the coming years. During 2020, the total value of investments amounted to HRK 60 million, with special attention being paid to preserving the Group's liquidity. Of the realised investments, special emphasis should be placed on the final completion of the investment in the pool complex, new plots and 13 new mobile homes in the Selce campsite, the investment in Slaven hotel annexes, which were reclassified from the existing "2* room for rent" category to a 3* hotel and the investment in the Alem hotel, thereby meeting the conditions for maintaining the existing 2* classification, but also preparing for the potential future reclassification to 3*.

In the period from January to December 2020, the Group generated total revenues of HRK 84,018,746, which is 40% less than the total revenues generated in the same period in 2019. Total expenses amounted to HRK 196,642,436 and are 41% higher than expenses incurred in the same period in 2019. The Group realised a loss of HRK 112,623,690, which is by HRK 113,734,755 higher than the loss realised in 2019. In 2020, EBITDA amounted to HRK -58,879,201, which is by HRK 82,754,147 lower than the EBITDA realised in 2019.

In order to better understand the results, it is necessary to further explain the structure of expenses, given the extremely high impact of “impairment” which is by HRK 56,523,350 higher than last year when it amounted to HRK 4,229,773, and this year it amounted to HRK 60,753,123 as presented below.

- Impairment of assets in the amount of HRK 61,186,538,
- Impairment of trade receivables in the amount of HRK -433,415.

The *impairment of assets* is the result of business disruptions caused by the COVID-19 pandemic, which led to the fact that the Group's investments realised in the period from 2018 to 2019 did not bring the expected business results. Due to the high indebtedness of the Group and the need to preserve liquidity and a high degree of uncertainty, in 2020 it was necessary to stop the planned investment cycle, which aimed to raise value and make better use of some properties that have been neglected during the past two decades.
This primarily refers to the tourist complex Kačjak which is considered to be a genuine “pearl”, whose potential is in itself unquestionable, but the expected value cannot be generated without making more serious investments.
The situation is similar with Hotel Katarina, in which the Group has invested almost HRK 20 million in the last two years, but due to the COVID-19 pandemic, the entire project has not been completed and its final realisation, including the reconstruction of the remaining rooms and introducing a famous medical brand, is expected in 2023.
Hotel Esplanade is considered to be the “flagship” of the Group, but also of the Crikvenica Riviera as a whole. The first part of the investment cycle was completed in the second half of 2018, but the final positioning of this facility as a year-round 'gourmet' hotel including the generation of expected results, can only be realised through additional investments in an indoor pool and additional facilities.
The Management Board believes that already in the period from 2023-2024, the impairment of assets from 2020 will be adjusted with regard to the expected recovery of the market after the pandemic and the realisation of previously planned investments that will ensure significantly better financial results of business facilities in the long run.
The impairment of leased assets is also the result of a somewhat poorer business performance of the said assets due to significant market disturbances caused by the COVID-19 pandemic.
The 2020 business results show that the Group, despite the negative effects of the pandemic generated a positive “cash flow” by way of the leased facilities. However, the final performance at the end of the lease term will depend primarily on how quickly the market will recover. In order to present the asset position as realistically as possible, it was decided to record impairment on leased buildings, noting that in case of further negative market trends, together with business partners, it would consider redefining the lease conditions similar to the ones agreed in 2020.
In this case as well, the Management Board believes that in the next three years, as operations return to normal, the conditions will be met to eliminate “impairment”.

As a result of the above, after excluding the “impairment” effects during 2020, the Group realised EBITDA in the amount of HRK 1,873,922.

Total revenues in 2020 amounted to HRK 84,018,746, of which operating income amounted to HRK 83,665,934, and finance income to HRK 352.812. The Group requested and received grants for job preservation for March, April, May, June, July, August, October, November and December in the amount of HRK 8,624,301. If grants are excluded from total revenues, then total revenues amount to HRK 75,394,445 or 46% less than the total revenues generated in 2019. If grants are deducted from operating income, the total operating income amounts to HRK 75,041,633, so the real decline in revenues, compared to the same period in 2019, is 47%.

To better understand the business results, it is necessary to emphasise that for the Group the year 2020 started with new capacities (Hotel Lišanj with a total of 168 accommodation units, Garden Palace Resort Umag with a total of 109 accommodation units, Hotel Ad Turres with refurbished 40 accommodation units which were not operational in 2019 and Hotel Noemia with a total of 63 accommodation units), which represents a physical growth of 14%.

The Group's total expenses in the period from January to December 2020 amounted to HRK 196,642,436, which is 41% more than the expenses generated in the same period in 2019. The highest increase in total expenses refers to the increase in depreciation, which in the period from January to December 2020 amounted to HRK 42,203,003, i.e. it was 117% higher than the depreciation realised in the same period in 2019. It should be emphasised that the main reason for such increased depreciation in this period lies in the depreciation costs of leased facilities, in accordance with IFRS 16, the new method of calculating depreciation for facilities owned by the Group and the start of calculating depreciation for new investments completed in 2020. Thus, the total depreciation for facilities owned by the Group as at 31 December 2020 amounted to HRK 25,183,344, which is 41% or HRK 7,304,586 higher than the depreciation realized in 2019. The depreciation of leased facilities, all in accordance with IFRS 16, as at 31 December 2020 totalled HRK 17,019,659, which is HRK 15,417,225 higher than the depreciation of leased facilities in 2019.
By far the highest increase in total expenses was due to the impairment charge of the Group's non-current intangible assets in the amount of up to HRK 61,186,538, of which HRK 53.44 million relates to facilities owned by the Group and HRK 7.64 million to leased facilities.

In the period from January to December 2020, operating expenses amounted to HRK 184,748,138, which is 36% more than the operating expenses generated in the same period in 2019. In 2020, material costs amounted to HRK 36,789,226 or 31% lower than the costs incurred in 2019. Staff costs in 2020 amounted to HRK 35,970,658 or 20% lower than in the same period in 2019.
In 2020, other expenses amounted to HRK 9,032,128 and were by 36% lower than the expenses incurred in the same period in 2019. "Impairment" amounted to HRK 60,753,123 and has been explained earlier in the text.

Finance costs amounted to HRK 11,894,298, which was by 206% or HRK 8,004,199 higher than the costs incurred in the same period in 2019.

It should be emphasised once more that in 2020 the lease agreement for new business capacities was "activated", which in accordance with IFRS 16 resulted in an increase in the value of intangible assets and, accordingly, an increase in lease liabilities by HRK 172.1 million. In accordance with the signed agreements and corrections of lease amounts for 2020, considering the adjustment to the new situation caused by the COVID-19 pandemic, these leases additionally contributed to the Group's cash flow being more stable this year.

In the period from January to December 2020, the JADRAN Group realised a loss in the amount of HRK 112,623,690, while in the same period in 2019 it realised a profit before tax in the amount of HRK 1,111,065. In 2020, EBITDA amounted to HRK -58,879,201, which is by HRK 82,754,147 lower than the EBITDA realised in the same period in 2019. EBITDA is normalised for one-time costs and amounts to HRK 1,873,922.

5. ASSET MANAGEMENT

5.1. Management of Group assets

JADRAN d.d. manages owned immovable properties, namely eight hotels, a campsite, a campground and two resorts.

Table 3 The Company's accommodation capacities

FACILITY	Classification:	Capacity of accommodation units	Capacity of bed-places
KAČJAK	2* rooms	185	435
OMORIKA	4*/3*	169	350
AD TURRES TN	TN 3*	351	663
AD TURRES HOTEL	3*	40	80
ESPLANADE	4*	38	76
ZAGREB	2*	39	62
INTERNATIONAL	2*	52	82
KAŠTEL	3*	74	178
KATARINA	4*	152	352
SLAVEN HOTEL	3*	50	85
SLAVEN PAVILIONS	3*	161	322
SELCE CAMPSITE	3*	500	1,500
KAČJAK CAMPGROUND	campground	30	90
DELFIN	boarding house	48	123
LIŠANJ	4*	168	376
GARDEN PALACE RESORT UMAG	4*	112	293
ALEM	2*	306	630
NOEMIA	4*	63	117
BAŠKO POLJE CAMPSITE	3*	617	1,861
TOTAL IMMOVABLE FACILITIES		**2,008**	**4,224**
TOTAL OTHER		**1,147**	**3,451**
TOTAL		**3,155**	**7,675**

Source: JADRAN d.d.

In 2019 and 2020, the Group concluded lease agreements for the lease of the boarding house Delfin on the island of Krk, 3 pavilions as part of TN Ad Turres, hotel Lišanj in Novi Vinodolski, hotel Noemia in Baška Voda and Garden Palace Resort in Umag.

Based on the concluded lease agreements, the Group increased the number of accommodation units by 343 units or 785 bed-places.
With the new facilities the Group manages a total of 3,155 accommodation units and 7,675 bed-places.

5.2. The Group's disputes

On completion of the bankruptcy proceeding in 2014, the Group continued to conduct all legal proceedings brought during the bankruptcy of JADRAN d.d., as well as those that the stated company did not manage to resolve in the course of the bankruptcy proceeding. Most of these proceedings were claims submitted by employees for the failure to pay salaries in the period before the year 2000. Pursuant to the settlement agreements reached, JADRAN d.d. made the relevant payment to its former employees and the relevant mortgages/pledges and annotations were removed from the land registry. JADRAN d.d. took legal action against a former employee with whom no settlement agreement was reached.

The process of JADRAN d.d.'s transformation and the Property Statement Resolution issued by the Croatian Privatisation Fund resulted in unresolved proprietary matters. For the purpose of resolving such proprietary matters regarding the stated company's properties, JADRAN d.d. initiated individual corrective proceedings to align the land registry status with the actual status of the properties, as well as processes to establish title.

Modular structures owned by third parties were illegally mounted on a part of assets owned by JADRAN d.d., namely at the Selce campsite and the Kačjak campground. As the owners of such modular structures refuse to remove them and surrender the plots, JADRAN d.d. took legal action for the purpose of repossessing the land/plots.
JADRAN d.d. is involved in three legal proceedings concerning the establishment of title regarding two restaurants that had been in the stated company's possession until 2006 and which JADRAN d.d. then leased out. Pursuant to the Decision of the Primorje-Gorski Kotar County, these properties were made available to third parties and JADRAN d.d. received no indemnification, considering that the stated company built and maintained these properties until they were leased. These proceedings are conducted against the City of Crikvenica and the Republic of Croatia.
JADRAN d.d. is also involved in several disputes with the City of Crikvenica regarding proprietary matters.
JADRAN d.d. needs to repossess the plots at Selce campsite and Kačjak campground to be able to continue the investment cycle at these two highly attractive locations and the further development of the investment cycle is contingent upon the resolution of the restaurants' status and disputes with the City of Crikvenica.

As regards other legal proceedings, JADRAN d.d. is a party to proceedings for the restitution of and compensation for property seized and enforcement proceedings to collect receivables from third parties.

On 19 December 2019, the Commercial Court in Zagreb issued Decision No. Stpn-217/2015 authorising the pre-bankruptcy settlement agreement between CLUB ADRIATIC d.o.o. as the debtor and its creditors. The Decision was not appealed, so on 15 January 2020 the Commercial Court in Zagreb rendered its Resolution No. Stpn-217/2015-30 establishing that the Decision Confirming the Pre-Bankruptcy Settlement Agreement became effective on 8 January 2020.
As of 10 October 2014, CLUB ADRIATIC d.o.o. has been subject to the pre-bankruptcy settlement process, and all disputes that are being conducted for the collection of receivables at the Commercial Court are pending, until the final conclusion of the pre-bankruptcy settlement. Since the pre-bankruptcy settlement was completed in December 2019, the disputes were continued in 2020.
CLUB ADRIATIC d.o.o. conducts enforcement and litigation proceedings against third parties and one labour dispute for the purpose of annulling an extraordinary dismissal. The stated company has no proprietary legal disputes with respect to the real estate Baško Polje.

6. GROUP RISK EXPOSURE

The most significant risks faced by the Group are as follows:

Competition risk
Competition risk in the tourism market is very high because other similar tourism destinations have invested substantial funds to further improve and develop their capacities, as well as in other marketing activities focusing on the arrival of tourists. Among other things, competition is based on the prices, quality and substance of tourism offers on the Crikvenica and Makarska Riviera and other domestic and foreign tourism destinations. To increase its market competitiveness, the Group launched a new investment cycle in 2018, which continued in 2019 and 2020 including not only investments in accommodation for the purpose of increasing the number of units and improve accommodation quality, but also investments in the destinations through active involvement in all events and designing new attractions on the Crikvenica and Makarska Riviera. Regardless of the “coronavirus crisis”, the Group's Management Board has assessed that, without jeopardising its liquidity, the Group can continue with a part of its investments planned for the 2020 season, which were concluded during the year. In addition to all the existing challenges related to competitiveness, the events related to the COVID-19 pandemic require that it should be considered how the Group and the local community manage the events related to this new challenge. The way in which the local communities at the destinations where the Group operates will respond to the challenges will be extremely important for the Group’s future business, and therefore the Group is trying to engage in solving this problem in a structural manner.

Currency risk
The official currency of the Group is HRK, but certain transactions denominated in foreign currencies are translated into HRK at the prevailing exchange rate at the balance sheet date. The resulting exchange differences are charged to operating expenses or credited to the income statement, but do not affect operating cash flows.

Interest rate risk
The Group is exposed to interest rate risk because it enters into loan agreements with banks at variable interest rates, which exposes the Group to higher risk.

Settlement risk
Settlement risk is present in all bilateral transactions. Given that settling financial obligations to issuers is one of the key elements necessary for smooth business operations, the Group considers this risk to be highly important. The Group has established stringent procedures to minimise collection risks. During the pandemic, certain partners may be further exposed to liquidity risk, which may result in higher settlement risk. In addition, settlement risk arising from executed contracts may be significantly increased if there is an option of terminating them on grounds of force majeure or in case the free movement of people and goods is disrupted during the pandemic.

Inflation risk
Inflation risk is present in contractual relationships where the price of a service or product is indexed and tied to the Croatian National Bank’s strong HRK policy. As this is an external risk, the ability to eliminate it is minimal. For the purpose of minimising inflation risk, the Group insists on negotiating fixed terms of supply with all suppliers where possible. Suppliers of energy are an exception - their prices are subject to stock exchange variations.

Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves, bank borrowings and other sources of financing, by continuously monitoring planned and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group is particularly focused on this risk due to increased uncertainty regarding revenues as a result of the pandemic's adverse impact on the free movement of guests, guests' spending power and performance of contractual obligations by business partners.

Liquidity risk management involves maintaining a sufficient amount of cash and working capital.

The current high level of indebtedness of the Group does not jeopardise current liquidity, and the Management Board assesses that even in the event of a continued "crisis", the Group can provide the necessary liquidity and smooth operations from its own reserves. It should be noted that several parties have expressed their interest for the purchase of a part of the Group's property that is currently not in operation or its business performance is significantly below its current market value.

After the balance sheet date, the Group realised the planned divestment in the company CLUB ADRIATIC, thus creating the preconditions for the repayment of borrowings from a related company, but also providing funds for a continuous investment cycle, although restricted due to the pandemic.

Risk of changes in tax and concession regulations

The risk of changes in tax and concession regulations is the likelihood that legislative authorities will amend tax regulations in a way that they adversely impact the Group's profitability. This risk is reflected in potential changes in tax rates and taxables assets, as well as changes in regulations concerning concessions and concessional authorisations. The right to use maritime domain is one of the significant conditions for the Group's further operations, and the Group has actively endeavoured to establish new bases for cooperation with the local community in this segment. During the pandemic, the Group is hoping that the legislator, the relevant executive authorities and the local community will, in addition to the measures absolutely necessary to protect people's health, offer various financial and operational reliefs for entities adversely affected by the pandemic.

Tourism industry risk

Tourism trends are largely affected by the COVID-19 pandemic and the global political situation. As an industry, tourism is highly sensitive to the epidemiological situation at the destination and its surroundings. By launching the aforementioned investment cycle and the advantages of the geographical position compared to the most important emitting markets (car destination), the Group will endeavour to minimise the impact of adverse market trends and the resulting risks. The global financial crisis may significantly reduce the spending power of individuals inclined to travelling, whereas a pandemic may also significantly reduce or completely eliminate the effects of tourist arrivals at the Group's destination as a result of the inability to travel outside one's own country or fear for one's own health and future.

Environmental risk

Environmental risk may significantly affect the Group's performance, notably through the quality of the sea and coast where guests stay. Climate changes may directly affect the length of stay in the Company's accommodation facilities. This risk also includes various other natural disasters.

7. EMPLOYEES

As at 31 December 2020, JADRAN d.d. had a total of 172 employees.

As at 31 December 2020, CLUB ADRIATIC d.o.o. had a total of 55 employees.

As at 31 December 2020, Stolist d.o.o. had no employees.

At 31 December 2020, the Group had 227 employees.

8. RESEARCH AND DEVELOPMENT ACTIVITIES

The Group constantly monitors developments in its environment and invests in market research, identification of new business opportunities and new acquisitions. The Group directs and supports the activities of its related parties.

9. OWN SHARE REDEMPTION

As at 31 December 2020, the share capital of JADRAN d.d. amounted to HRK 482,507,730.00, divided into 27,971,463 regular dematerialised shares with no nominal value and the stated company held 631 own shares, which accounted for 0,0023% of the Company's share capital.
As at 31 December 2020, the share capital of CLUB ADRIATIC d.o.o. amounted to HRK 117,104,500.00.
As at 31 December 2020, the share capital of Stolist d.o.o. amounted to HRK 20,000.

10. SIGNIFICANT EVENTS AFTER THE YEAR END

On 2 December 2020, the High Commercial Court of the Republic of Croatia issued Judgement No. 61 Pž-2766/2019-2 in the case of the plaintiff CLUB ADRIATIC d.o.o. against the defendant Municipality of Podgora. This judgement confirms that the Municipality of Podgora is required to pay CLUB ADRIATIC d.o.o. the amount of HRK 1.0 million including the associated interest accruing as of 2 August 2014. The Municipality of Podgora is also required to pay CLUB ADRIATIC d.o.o. the amount of HRK 135,800.00 including the legal default interest accruing as of 2 August 2014 arising from guaranteed profit. The Municipality of Podgora was urged to reimburse CLUB ADRIATIC d.o.o. for further costs of the proceedings in the amount of HRK 29,997.02 with statutory default interest accruing as of 2 December 2020.

On 30 March 2021, a Real Estate Purchase Agreement was concluded between CLUB ADRIATIC d.o.o. and Adria Podbiokovlje d.o.o. in the amount of EUR 392,948.40 in HRK equivalent on the date of the sale.

On 30 March 2021, a Real Estate Purchase Agreement was concluded between CLUB ADRIATIC d.o.o. and Adria Baško polje d.o.o. in the amount of EUR 4,745,143.00 in HRK equivalent on the date of the sale.

Based on an analysis of the balance sheet of JADRAN d.d., current liabilities exceeded current assets due to the transfer of a non-current liability to the creditor Erste&Steiermärkische bank d.d. to a current liability in the amount of HRK 101,303,446. The liability was reclassified because until the balance sheet date as at 31 December 2020 the stated company had not received a waiver from the Bank that the breach of the covenant from the contract will not be treated as a breach of contract. The said waiver was submitted to the stated company on 28 April 2021 and as such represents a “Significant event after the balance sheet date”, as a result of which the stated liability of the Company will be reclassified as a non-current liability. The said judgement becomes final on the date of its issue and enforceable. In accordance with the above, the Company decided to record the said judgement on the day when the notice was received, i.e. on 1 March 2021.

Corporate Governance Statement

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

In 2020, JADRAN d.d., whose shares are listed on the ZSE Official Market, applied the Code of Corporate Governance adopted by the Croatian Financial Services Supervisory Agency (HANFA) and the Zagreb Stock Exchange, Inc. Zagreb. This Code has been in force since 1 January 2020, and has been published on the website of the Stock Exchange (www.zse.hr) and on the website of the Croatian Financial Services Supervisory Agency (www.hanfa.hr). The Company's application of the Zagreb Stock Exchange's Code is reflected in an annual questionnaire which is publicly disclosed in accordance with the applicable regulations. The answers in the questionnaire clearly show which provisions of the Code are complied with by the Company and which are not, and the Questionnaire is publicly available on the official website of the Zagreb Stock Exchange (www.zse.hr).

The Company's shares were listed on the official market of the Zagreb Stock Exchange in January 2018, and the shareholding report is an integral part of the Annual Report. As of the date its shares were first quoted on the stock exchange, the Company has not recorded profits and no dividend has thus been distributed.
The Company's share capital is HRK 482,507,730.00, divided and contained in 27,971,463 registered common dematerialised shares without nominal value, each entitling its holder to one vote. There are no holders of securities in the Company that entail special control rights or voting limitations to a specific percentage or number of votes. As at 31 December 2020, the Company held 631 treasury shares.

Information about significant shareholders is available on a daily basis on the official website of the Central Depositary and Clearing Company (www.skdd.hr).

The Company applied the principle of equal treatment of all shareholders. The shareholders exercised their primary control rights by deciding on matters within their scope of responsibility via the General Meeting. The operation of the General Meeting, its powers, the rights of shareholders and the manner of their realisation are prescribed by the Company's Articles of Association, which are publicly available on the Company's website (www.jadran-crikvenica.hr). The General Meeting is responsible for deciding on the following matters: election and removal of Supervisory Board members, allocation of profits, granting discharge to Management Board members, appointment of auditors, amendments to the Articles of Association, increasing and decreasing of share capital and any other matters placed under its responsibility under the law. The shareholders exercise their rights via the General Meeting.

In 2020, the General Meeting in was convened and held in accordance with the provisions of the Companies Act and the Company's Articles of Association. The General Meeting notice, the motions made to, and resolutions passed by the General Meeting are publicly disclosed in accordance with the Companies Act, the Capital Market Act, the Zagreb Stock Exchange Rules and the Company's Articles of Association. Registrations for the General Meeting are limited insomuch as each shareholder is required to notify his/her their participation in accordance with the Companies Act. At the session held on 31 August 2020, decisions on granting discharge to the members of the Company's Management Board and the Supervisory Board were adopted, a decision on loss coverage was rendered, and a decision was rendered on amendments to the Company's Articles of Association and an auditor was appointed to audit the financial statements for 2020.

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

In accordance with the Corporate Governance Code of the Zagreb Stock Exchange and HANFA in force since 1 January 2020, the Supervisory Board is mainly composed of independent members who do not have business, family or other relations with the Company, the majority shareholder or a group of majority shareholders or members of the Management Board or the Supervisory Board of the Company or the majority shareholder. The Supervisory Board has five members, four of whom are elected and relieved of duty by the General Meeting, and one representative is elected by the employees in accordance with the provisions of the Labour Act. In accordance with the amendment of the Articles of Association adopted at the General Meeting on 31 August 2020, the term of office of the Supervisory Board members is 2 years.

The rules for appointing and removing members of the Management Board and the Supervisory Board are defined by the Articles of Association and the Companies Act.

No restrictions as regards gender, age, education, profession or other similar restrictions apply in any executive, managing or supervisory bodies or at any other level.

Pursuant to the Companies Act and the Company's Articles of Association, the Supervisory Board renders decisions at its meetings. In 2020, the Supervisory Board supervised the management of the Company's affairs in accordance with the Companies Act, the Articles of Association and other internal corporate documents. The Supervisory Board held a total of 10 meetings, which is consistent with good corporate practices. The Supervisory Board of the Company operated three committees which support the Supervisory Board by preparing decisions to be taken by the Supervisory Board and supervising their implementation. These committees are as follows: the Audit and Remuneration Committee, the Appointment Committee and the Corporate Governance Committee.

As at 31 December 2020, the Supervisory Board comprised the following persons:
- Tomislav Kitonić, Chairman of the Supervisory Board
- Karlo Došen, Deputy Chairman of the Supervisory Board
- Dragan Magaš, Supervisory Board Member
- Mirko Herceg, Supervisory Board Member
- Ivan Blažević, Supervisory Board Member (employee representative) – until 19 April 2021
- Adrian Čajić - Supervisory Board Member (employee representative) – as of 19 April 2021

On 23 April 2021, the Company received a notification from the Workers' Council on the change of employee representatives in the Company's Supervisory Board. The Workers' Council informed the Company that on 19 April 2021 a session of the Workers' Council was held at which the new employee representative in the Supervisory Board was appointed - Mr. Adrian Čajić, and with this new appointment, the term of office of Mr. Ivan Blažević ended.

In 2020, the Management Board managed the Company's affairs in accordance with the Companies Act, the Articles of Association and other internal corporate documents, and fully complied with the provisions of the Code.

In 2020, the Company's Management Board comprised the following persons:
- from 1 January 2020 to 22 May 2020:
    - Goran Fabris, Chairman of the Management Board
    - Karlo Čulo, Member of the Management Board

On 22 May 2020, Karlo Čulo's term of office as Management Board Member expired.

- from 23 May 2020 to 30 November 2020:
    - Goran Fabris, Chairman of the Management Board

The Members of the Company's Management Board are authorised to represent the Company solely and independently.

- from 1 December 2020 to 31 December 2020:

- Goran Fabris, Chairman of the Management Board
- Ivan Safundžić, Member of the Management Board.

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

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

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

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

- The Company will not provide a proxy holder for shareholders who are unable to vote personally at the General Meeting for any reason. The Company has not received such requests from its shareholders to date but does provide its shareholders with a proxy form to help them empower a person of their choice;
- The Company does not maintain a long-term succession plan within the meaning of the Code but has a general plan for the replacement of key function holders through ongoing training programs;
- The remuneration paid to the Supervisory Board Members was not determined based on their contribution to the Company's performance but equals a fixed amount in line with the decision of the General Meeting. In order to maintain the independence and objectivity of the Supervisory Board members, the remuneration of the members of the Supervisory Board does not depend on the results of the Company and does not contain a variable part of the remuneration. In addition, it is not possible to evaluate each Supervisory Board Member's contribution to the Company's performance, especially since the Supervisory Board Members are not actively involved in the management of Company's business;
- The Audit and Remuneration Committee is not mostly comprised of independent Supervisory Board Members. It was decided to implement an alternative solution offered by Article 65 of the Audit Act, so the Supervisory Board appointed all three Members of the Audit Committee from among Supervisory Board Members. Of these three Audit and Remuneration Committee members, one is an independent Supervisory Board member and his membership in this Committee reflects the relevant proportion of independent members in the Supervisory Board. All three Audit Committee members are financial experts;
- The Supervisory Board did not prepare an evaluation of its activities in the past period, except for the review contained in the 2020 Supervision Report and the results of examining reports relevant to the closing of the fiscal year 2020;
- No transactions were conducted that involved any Supervisory Board Members or their related parties and the Company or its related parties, which is why they were not specified in the Company's reports. This also pertains to transactions involving Management Board members or Executive Directors or their related parties and the Company or its related parties;
- No contracts or agreements were entered in 2020 between Supervisory Board Members or Management Board Members and the Company;
- The Audit and Remuneration Committee assessed that there was no need to draft rules specifying which services an external audit company may not provide to the Company;

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

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