JADRAN d.d.

Bana Jelačića 16, Crikvenica

CONSOLIDATED ANNUAL REPORT OF THE GROUP
FOR 2021

Contents

This Annual Report format is not an official ESEF publication of the Annual Report.

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 2021, 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 27 April 2022.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of comprehensive income for the year ended 31 December 2021;
- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of changes in equity for the year ended 31 December 2021;
- the consolidated statement of cash flows for the year ended 31 December 2021; 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.

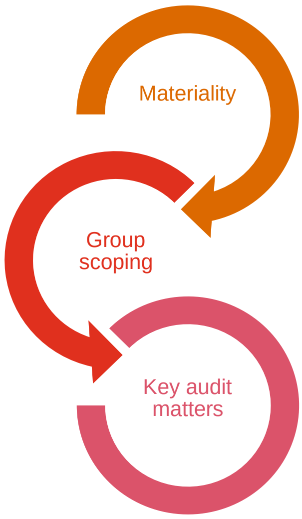
Independence

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 2021 to 31 December 2021.

Our audit approach

Overview



- Overall Group materiality: HRK 3,890 thousand, which represents approximately 2.5% of total revenues

- We conducted audit work at two reporting units in Croatia.
- Our audit scope addressed 100% of the Group's revenues and almost 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 3,890 thousand
How we determined it	2.5% of revenues
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, in our view, 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. The percentage used is consistent with quantitative materiality thresholds used for the companies in this sector.

Key audit matters

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

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 36 (Lease liabilities and Right-of-use assets).* As at 31 December 2021, the Group has stated property, plant and equipment with the carrying value of HRK 760,833 thousand and investment property with the carrying value of HRK 30,973 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 152,719 thousand at the balance sheet date. Despite the negative impact of COVID-19 pandemic on the operating results of the Group resulting in significant loss in 2020, in 2021 the Group realised partial recovery and positive level of EBITDA. Regardless of the significantly better results of the Group in the current year and taking into consideration the different dynamics of recovery of individual tourist objects and the inherent uncertainties, management calculated the recoverable amount of these assets using discounted cash flows (DCF) based on value-in-use or based on fair value less cost to sell as of 31 December 2021. As a result of such calculations, the need for the recognition of additional impairment loss or the reversal of previously recognised impairment loss has not been identified. We focused on this matter due to the fact that the impairment analysis carried out by the Group 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 of 31 December 2021 and carried out the following detailed procedures: • we tested the mathematical accuracy of the value-in-use calculations, compared input data to financial information and business plan for the next year as well as the consistency of methodology used in comparison to the previous year; • we compared the budgeted and actual EBITDA level for 2021 in order to identify significant deviations, if any and whether these deviations have been appropriately considered in the value-in-use calculations; • for the key assumption (discount rate) used in the value-in use calculations, we engaged our valuation experts to assist us in assessing its reasonableness. For the second key assumption (terminal value growth rate) we have determined the appropriateness of the assumption by comparison to economic growth forecasts (inflation); • taking into consideration 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 one significant touristic object 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 value at the balance sheet date. 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 included in the Annual report, 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 30 July 2021, representing a total period of uninterrupted engagement appointment of 4 years.

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

We have been engaged based on our agreement by the management of the Company to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the presentation of the consolidated financial statements included in the attached electronic file "jadrancrikvenicadd-2021-12-31-en.zip", of the Group for the year ended 31 December 2021 (the "financial statements in ESEF format").

Description of a subject matter and applicable criteria

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

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

The requirements described above determine the basis for application in the preparation of the financial statements in ESEF format and, in our view, constitute appropriate criteria to form a reasonable assurance conclusion.

Responsibility of the management and those charged with governance

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

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

Our responsibility

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

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

Procedures performed

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

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

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

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

Conclusion

In our opinion, based on the procedures performed and evidence obtained, the financial statements in ESEF format for the year ended 31 December 2021 included in the above stated attached electronic file comply, in all material respects, with the ESEF Regulation and the Capital Market Act.

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

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

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

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

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 by 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 annual 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 financial 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.

Furthermore, in accordance with Commission Delegated Regulation (EU) 2018/815 of 17 December 2018 supplementing Directive 2004/109/ EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of the single electronic reporting format ("ESEF Regulation"), the Management Board is obliged to prepare and publish the consolidated Annual Report in XHTML format and to tag the annual financial statements prepared in accordance with IFRS in XHTML format using XBRL tags and tag the notes to the annual financial statements as a text block to meet the requirements of Article 462 of the Capital Market Act.

The Annual Report was authorised for issue by the Management Board on 28 April 2022.

President of the Management Board	Member of the Management Board	Member of the Management Board
Goran Fabris	Miroslav Pelko	Ivan Safundžić
Jadran d.d.	Jadran d.d.	Jadran d.d.
Bana Jelačića 16, Crikvenica	Bana Jelačića 16, Crikvenica	Bana Jelačića 16, Crikvenica

JADRAN joint stock company for hotel management and tourism Crikvenica

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR 2021

	Note	2020	2021
Revenue	6	68,784,751	155,867,039
Other income	7	14,881,183	19,434,362
Total operating income		**83,665,934**	**175,301,401**
Cost of goods sold		(125,547)	(230,502)
Cost of raw materials and supplies	8	(15,658,353)	(26,881,240)
Cost of services	9	(21,005,326)	(33,677,879)
Staff costs	10	(35,970,658)	(47,351,992)
Depreciation and amortisation	17, 18, 19, 36	(42,203,003)	(53,461,752)
Impairment of non-current non-financial assets	11	(61,186,538)	-
Net gains/(losses) on value adjustment of financial assets	12	433,415	14,377
Other operating expenses	13	(9,032,128)	(10,349,639)
Total operating expenses		**(184,748,138)**	**(171,938,627)**
Operating (loss)/profit		**(101,082,204)**	**3,362,774**
Finance income	14	352,812	2,772,696
Finance costs	14	(11,894,298)	(12,937,571)
Net loss from financing activities		**(11,541,486)**	**(10,164,875)**
Loss before tax		**(112,623,690)**	**(6,802,101)**
Income tax	15	-	-
Net loss		**(112,623,690)**	**(6,802,101)**
Other comprehensive income		-	-
Total comprehensive loss for the year		**(112,623,690)**	**(6,802,101)**
Loss per share	16	(4.03)	(0.24)

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

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

	Note	31 December 2020	31 December 2021
ASSETS			
Non-current assets			
Goodwill		1,316,765	1,316,765
Property, plant and equipment	17	786,675,164	760,832,893
Intangible assets	18	743,198	1,965,576
Investment property	19	32,824,106	30,973,238
Financial assets	20	-	1,353,918
Other non-current assets		9,530	9,530
Right-of-use assets	36	162,919,009	152,718,706
Total non-current assets		**984,487,772**	**949,170,626**
Current assets			
Inventories	21	620,904	895,796
Trade receivables	22	1,720,177	16,358,165
Receivables from the government	23	4,364,775	4,170,685
Income tax receivable		2,490,089	1,197,308
Other receivables	24	2,199,354	4,785,970
Cash and cash equivalents	25	27,640,451	23,256,173
Total current assets		**39,035,750**	**50,664,097**
TOTAL ASSETS		**1,023,523,522**	**999,834,723**

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

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

	Note	31 December 2020	31 December 2021
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		482,507,730	482,507,730
Capital reserves		234,210,922	234,210,922
Accumulated loss		(169,098,591)	(175,900,692)
Total capital and reserves	26	**547,620,061**	**540,817,960**
Non-current liabilities			
Provisions	27	484,001	706,347
Liabilities to financial institutions	28	143,201,974	215,083,930
Other non-current liabilities	29	61,720	61,720
Lease liabilities	36	171,617,694	156,689,888
Total non-current liabilities		**315,365,389**	**372,541,885**
Current liabilities			
Trade payables	30	9,809,491	15,476,049
Liabilities for advances, deposits and guarantees	31	5,903,974	4,026,409
Liabilities to employees	32	4,195,396	7,668,069
Liabilities to the government	33	556,842	1,787,889
Liabilities to banks and other financial institutions	28	120,832,624	29,720,111
Other current liabilities	34	892,228	847,927
Lease liabilities	36	17,822,844	26,948,424
Income tax payable		524,673	-
Total current liabilities		**160,538,072**	**86,474,878**
Total liabilities		**475,903,461**	**459,016,763**
TOTAL EQUITY AND LIABILITIES		**1,023,523,522**	**999,834,723**

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

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

	Note	Share (registered) capital	Capital reserves	Accumulated loss	Total
Balance at 1 January 2020		**482,507,730**	**234,210,922**	**(56,474,901)**	**660,243,751**
Comprehensive loss for the year		-	-	*(112,623,690)*	*(112,623,690)*
Balance at 31 December 2020		**482,507,730**	**234,210,922**	**(169,098,591)**	**547,620,061**
Comprehensive loss for the year	26	-	-	*(6,802,101)*	*(6,802,101)*
Balance at 31 December 2021		**482,507,730**	**234,210,922**	**(175,900,692)**	**540,817,960**

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

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

	Note	2020	2021
Cash flow from operating activities			
Loss before tax		(112,623,690)	(6,802,101)
Depreciation and amortisation	17, 18, 19, 36	42,203,003	53,461,752
Impairment of non-current non-financial assets	11	61,186,538	-
Gains from value adjustment of non-current financial assets		-	(1,000,000)
Net loss/(gain) on sale and disposal of non-current assets		306,840	(445,419)
Changes in non-current provisions		(5,418)	222,346
Interest income	14	(19,935)	(1,278)
Interest expense	14	9,640,989	10,839,083
Net foreign exchange differences		1,839,418	(612,051)
Net gains/(losses) on impairment of current financial assets	12	(433,415)	(14,377)
Changes in trade and other receivables		64,359,100	(3,422,312)
Changes in inventories		(78,361)	(274,892)
Decrease in trade and other payables		(31,428,959)	7,832,378
Cash flows from operating activities		**34,946,110**	**59,783,129**
Interest paid	37	(9,150,266)	(11,352,164)
A. Net cash from operating activities		**25,795,844**	**48,430,965**
Cash flow from investing activities			
Payments for purchases of non-current tangible and intangible assets		(66,248,764)	(43,101,961)
Proceeds from sale of non-current tangible and intangible assets		157,500	27,973,446
Interest received		19,935	1,278
Loans granted		-	(353,918)
B. Net cash from investing activities		**(66,071,329)**	**(15,481,155)**
Cash flow from financing activities			
Proceeds from borrowings	37	75,665,552	-
Repayment of borrowings	37	(30,320,706)	(17,973,734)
Repayment of lease liabilities	37	(685,899)	(19,360,354)
C. Net cash from financing activities		**44,658,947**	**(37,334,088)**
Net increase/(decrease) in cash		4,383,462	(4,384,278)
Cash and cash equivalents at beginning of period		23,256,989	27,640,451
Cash and cash equivalents at end of period	25	27,640,451	23,256,173

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

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

1. PRINCIPAL ACTIVITY AND GENERAL INFORMATION ABOUT THE COMPANY AND THE GROUP

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 Company's subscribed share capital amounts to HRK 482,507,730. The Company's authorised representatives are Goran Fabris, Chairman of the Management Board, appointed on 22 May 2018, Ivan Safundžić, Member of the Management Board, appointed on 1 December 2020 and Miroslav Pelko, Member of the Management Board, appointed on 1 September 2021. 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 2021, the average number of the Group's employees was 320 (2020: 227 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:

- Goran Hanžek, Chairman of the Supervisory Board
- Karlo Došen, Deputy Chairman of the Supervisory Board
- Adrian Čajić, Member of the Supervisory Board
- Dragan Magaš, Member of the Supervisory Board
- Mirko Herceg, Member of the Supervisory Board

2. 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 by the EU. The financial statements also comply with the Croatian Accounting Act which refers to the IFRSs as adopted by the EU.

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 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

At the beginning of 2021, the operations of the JADRAN group were marked by the COVID-19 pandemic to the same extent and in the same way as during almost the entire year 2020. Various forms of restrictions regarding both travels and events have led to most accommodation capacities remaining closed. Other than the café of International Hotel in Crikvenica, which operated in accordance with existing measures and restrictions, the Garden Palace Resort in Umag was opened on 1 February, and on 1 March, the Esplanade Hotel in Crikvenica reopened after having been closed in early January.
It is important to note that based on the decision of the Management Board of JADRAN d.d. dated 31 December 2020, the Group accommodated residents living in the earthquake-affected areas of Banovina and Glina in the International Hotel, thus helping thirty families until mid-March 2021.

In the second quarter of 2021, the Group still operated under the strong impact of the COVID-19 pandemic. However, given the many efforts made both at the global and local levels to bring the pandemic under control, the Group recorded a better business result in that period compared to the same period last year.

Although being faced with all the challenges posed to the Group by the COVID-19 pandemic, business continued in the third quarter with maximum adherence to all epidemiological measures, all for the purpose of protecting the Group's guests and employees.
In the third quarter of 2021, there was a boost in tourism turnover compared to the same period last year, primarily due to more favourable trends in the expansion of COVID-19 in the Republic of Croatia and the fact that our most important European tourism competitors were in the so-called red zone for most of the third quarter (especially during peak season), which resulted in more tourists travelling to Croatia.

It can be concluded that 2021 was uncertain, challenging and unpredictable for the Group's operations.
In order to protect business continuity and preserve liquidity, the Group has maximally streamlined operating expenses, capital expenditures and control of cash outflows, similar to the previous year:

- As agreed with the social partners, it rationalised staff costs by reducing salaries for those employees who do not work and enabling, where possible, employees to work from home one to two days a week.
- Capital expenditures were limited to completing the investments started in recent years, completing the range of amenities in some facilities, investments in the beach management segment and continuing the investment cycle to ensure the further growth of the Group.
- Other operating expenses are limited to those necessary to maintain business continuity.

- Properties were sold in accordance with the previous disinvestment plan in CLUB ADRIATIC d.o.o., which in no way decreased the business potential, i.e. the accommodation capacities of the said company for 2021 were not reduced.

Despite the fact that the Group's operations were extremely challenging in the first half of the year and the future was uncertain and unpredictable at the time, the Group decided to continue the investment cycle. Capital expenditures were limited to completing the investments started in recent years, completing the range of amenities in some facilities, investments in the beach management segment, with liabilities arising from the signed concession agreements, and continuing the investment cycle to ensure the further growth of the Group as well as its future competitiveness.

Of the realised investments, special emphasis should be placed on the final completion of the investment in furnishing the annex buildings of Hotel Slaven with the aim of upgrading the classification from 2 to 3 stars, the purchase of 12 new mobile homes, the development and furnishing of plots and a supermarket at the Selce campsite, the beginning of investment in the swimming pool complex at Hotel Omorika as well as the development and furnishing of the Hotel Alem annex buildings.
All other operating expenses are limited to those necessary to maintain business continuity.

The Group's cumulative losses as at 31 December 2021 amounted to HRK 175,901 thousand (2020: HRK 169,099 thousand) and current liabilities exceeded total assets by the amount of HRK 35,811 thousand (2020: HRK 121,502 thousand).

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

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2021:

- COVID-19-Related Rent Concessions – Amendments to IFRS 16 issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020.

2.4.1 New and amended standards adopted by Group (continued)

- Effect of Interest rate benchmark 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 above amendments did not have a significant impact on the Group's current period.

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 2021 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 1 January 2022).** These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument. The amendment has not yet been endorsed by the European Union. The Group is currently assessing the impact of the amendments on its consolidated financial statements.
- **Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023, not yet endorsed by the European Union).** 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).**

2.4.2 Standards and interpretations not yet adopted: (continued)

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

- The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.
- IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. 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.

2.4.2 Standards and interpretations not yet adopted: (continued)

- 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 interpretation has not yet been endorsed by the European Union. The Group is currently assessing the impact of the amendments on its consolidated financial statements.
- **Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021).** In May 2020 an amendment to IFRS 16 was issued that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19, resulting in a reduction in lease payments due on or before 30 June 2021, was a lease modification. An amendment issued on 31 March 2021 extended the date of the practical expedient from 30 June 2021 to 30 June 2022. The Group 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 costs 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 presented 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
Equipment - mobile homes	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 software and are measured at historical cost less accumulated amortisation and any accumulated impairment losses. Subsequent costs are capitalised only if they increase future economic benefits arising from 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 a lease with the Group as the 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 their 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, financial assets are classified as part of "other" business model and are 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 an expense, except in the case of the 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 income 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 recognised on differences 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 contractual performance obligation 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.

Revenue from provision of services
Revenue from hotel & 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 lease term.

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 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 the 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 the 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.

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 or 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 the 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 events or a significant change in circumstances arise.

2.20. Leases (continued)

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 the 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 lessee's 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.

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.

2.20. Leases (continued)

Concession arrangements

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.

2.21. 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 equity holders of the Group by the weighted average number of participating shares outstanding 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 entitled 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 recognises 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 amounts of the 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. The 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 recognised 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 the financial statements, if material.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

In applying the accounting policies described in Note 2, Group 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

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.

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 2,413 thousand higher/lower in 2021 (2020: HRK 2,018 thousand), and the net carrying amount of property, plant and equipment would have been HRK 2,942 thousand higher/lower in 2021 (2020: HRK 2,461 thousand).

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

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. 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 prolonged impact of the COVID-19 pandemic on the Group's operations in 2021 and the absence of operating profit or overall operations in individual cash-generating units, the Group has 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 leased facilities).

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).

The investment cycle started by the Group in 2019 and continued through 2020 and 2021 resulted in an increase in revenue in the facilities covered by new investments. Consequently, the historical approach to allocating administrative costs by revenue of an individual facility in relation to total revenues did not adequately reflect the Group's new asset structure. In order to optimally allocate the administrative costs of central services, a new method of allocating these costs has been applied, which is based on the number of accommodation units per each facility. By applying the new method of allocating administrative costs of central services, the Group's total operating result remained unchanged.

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 2022 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 Group'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.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

An overview of the assumptions used in the in-use value calculation model is as follows:

Tourism	2023 – 2026
EBITDA margin	17% - 53% (higher profitability rates are assumed for campsites and apartments)
Revenue growth	6% - 13% (depending on the type of accommodation and capital investment)
Discount rate (before tax)	9.4% - 9.6% (depending on the type of the CGU)
Sustainable long-term growth rate	2%

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 or onwards) and depend on the individual facility of different characteristics.

The calculation of fair value less costs to sell is based primarily on the revenue method, and in two 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	2022
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.

Prepared impairment tests suggest that the recoverable amount of each facility exceeds the net carrying amount of each facility as at 31 December 2021 and, accordingly, there are no indications of impairment.

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 impairment in the amount of HRK 2.7 million in its records.
- if the growth rate were to decrease by 100 bps within the projected five-year period, the Group should recognise an impairment in the amount of HRK 5.7 million in its records.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

- if the discount rate were to increase by 50bps, the Group should recognise an impairment in the amount of HRK 16.3 million in its records and
- if the terminal growth rate were to decrease by 50bps, the Group should recognise an impairment in the amount of HRK 13.1 million in its records.

2) Right-of-use assets

In 2021, the Group conducted an impairment test for right-of-use assets with respect to the indicators of impairment due to the prolonged effects of the COVID-19 pandemic. A leased accommodation facility was identified as a cash-generating unit.
The recoverable amount of leased accommodation facilities has been determined on the basis of the value in use based on financial projections in the contracted lease term at a discount rate.

For tourism facilities for which the recoverable amount is determined at fair value less costs to assess, based on the assessment of an independent appraiser, the Group has classified them in Level 3 of the fair value hierarchy. The applied valuation methods for these facilities are described above.

The results of this analysis suggest that the recoverable amount of each leased facility exceeds the reported net carrying amount of each facility as at 31 December 2021 and, accordingly, there are no indications of impairment.

Leases
As the interest rate implicit in the lease cannot be readily determined, the Group uses its own incremental borrowing rate of 2.7% (2020: 2.70%) 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 legal disputes
The Group is a party to a number of legal 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 2021, provisions for legal disputes amounted to HRK 181,000 thousand (31 December 2020: HRK 0, see Note 25).

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 2020	31 December 2021
Financial assets		
Trade receivables	1,720,177	16,358,165
Non-current financial assets	-	1,353,918
Cash and cash equivalents	27,640,451	23,256,173
Total	**29,360,628**	**40,968,256**
Financial liabilities		
Liabilities to financial institutions	264,034,598	244,804,041
Trade payables	9,809,491	15,476,049
Lease liabilities	189,440,538	183,638,312
Total	**463,284,627**	**443,918,402**

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 2020	31 December 2021	31 December 2020	31 December 2021
EUR	19,283,686	17,560,362	(454,075,447)	(421,260,716)

Analysis of foreign currency sensitivity

The Group is 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 the HRK would weaken by 10% in relation to another relevant currency, the effect would be the same, only negative.

	2020	2021
EUR exchange rate fluctuation by +10%		
Increase in loss	(43,479,176)	(40,370,035)
EUR exchange rate fluctuation by -10%		
Decrease in loss	43,479,176	40,370,035

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:

	2020	2021
Interest rate change by +100 bp		
Decrease in profit/increase in loss	1,013,034	1,010,383
Interest rate change by -100 bp		
Increase in profit/(decrease) in loss	(1,013,034)	(1,010,383)

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
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**
2021								
Interest-free		-	15,118,532	357,517	-	-	-	15,476,049
Lease liabilities		-	2,093,707	4,501,340	25,205,742	81,168,531	96,927,806	209,897,126
Fixed interest rate	2.7%		1,018,649	2,005,306	21,986,601	79,260,819	53,126,358	157,397,733
Variable interest rate	2.1%	-	-	524,557	9,163,335	46,760,857	56,146,204	112,594,953
Total		**-**	**18,230,888**	**7,388,720**	**56,355,678**	**207,190,207**	**206,200,368**	**495,365,861**

5. SEGMENT INFORMATION

Operating segments are reported in accordance with the internal reporting procedure 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 2021 is as follows:

	Income by segment	Expenses by segment	Result by segment
Operating segment	HRK	HRK	HRK
Hotels & Apartments	129,530,510	(128,945,634)	584,876
Campsites	28,367,801	(12,892,423)	15,475,378
Other	6,530,095	(6,413,774)	116,321
Total reportable segments	**164,428,406**	**(148,251,831)**	**16,176,575**
Other operating segments	10,872,995	(23,686,796)	(12,813,801)
TOTAL	**175,301,401**	**(171,938,627)**	**3,362,774**

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

	Income by segment	Expenses by segment	Result 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 reportable segments	**75,806,311**	**(163,050,111)**	**(87,243,800)**
Other operating segments	7,859,623	(21,698,027)	(13,838,404)
TOTAL	**83,665,934**	**(184,748,138)**	**(101,082,204)**

The result 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 the result of reportable segments and net loss for the current period is provided as follows:

	31 December 2020	31 December 2021
Item	HRK	HRK
Result by reportable segment	(87,243,800)	16,176,575
Unallocated operating income	7,859,623	10,872,995
Unallocated finance income	352,802	2,772,696
Unallocated operating costs:	(21,698,027)	(23,686,796)
Cost of goods sold	*47,255*	*(8,198)*
Cost of raw materials and supplies	*(357,266)*	*(333,666)*
Cost of services	*(4,797,885)*	*(5,786,959)*
Staff costs	*(11,297,994)*	*(13,817,968)*
Depreciation and amortisation	*(3,981,071)*	*(1,699,490)*
Impairment	*762,216*	*450,542*
Other operating expenses	*(2,073,282)*	*(2,491,057)*
Unallocated finance costs	*(11,894,288)*	*(12,937,571)*
Income tax	-	-
Loss for the year	**(112,623,690)**	**(6,802,101)**

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

	2020	2021
Accommodation	46,316,294	108,073,251
Food and beverages	20,962,604	44,517,164
Other hotel services	1,267,192	2,864,350
Trade goods	238,661	412,274
TOTAL	**68,784,751**	**155,867,039**

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

	2020	2021
Sales - domestic customers	17,784,516	44,836,490
Sales - foreign customers	43,080,344	96,681,670
Other /i/	7,919,891	14,348,879
Total	**68,784,751**	**155,867,039**

/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

	2020	2021
Covid-19-related grants	8,624,301	5,985,903
Rental income	3,233,296	4,918,407
Disposal of non-current assets	131,504	1,904,358
Income from marketing and other services	365,404	1,062,539
Collection of amounts due as per judgement and out-of-court settlement	95,428	941,048
Recharged costs of lessees	582,656	633,068
Direct aid	346,126	361,761
Insurance reimbursements	71,644	610
Other operating income	1,430,824	3,626,668
TOTAL	**14,881,183**	**19,434,362**

8. COST OF RAW MATERIALS AND SUPPLIES

	2020	2021
Groceries consumed	5,878,803	11,691,607
Electricity	3,437,323	6,192,680
Water used	1,265,629	2,838,238
Consumables and cleaning supplies	1,339,010	1,855,670
Heating oil and gas	686,995	1,295,047
Alcoholic and soft drinks consumed	571,648	1,054,139
Write-off of small inventory	991,141	743,205
Fuel for passenger and freight vehicles	219,283	425,852
Overheads - leased properties	789,925	300,641
Packaging	123,347	131,766
Office supplies	72,814	91,921
Other costs	282,435	260,474
TOTAL	**15,658,353**	**26,881,240**

9. COST OF SERVICES

	2020	2021
Commissions and banking services	6,356,800	11,635,646
Contractor services	3,601,354	7,277,675
Utility services	2,341,058	3,236,330
Intellectual services	2,272,292	2,532,346
Investment and current maintenance	2,203,672	3,178,240
Student employment agency services	1,012,010	1,711,299
Gross temporary service contract cost	542,136	911,802
Advertising services	349,813	673,956
Telephone, Internet and mail	843,342	673,516
Rentals	555,340	563,895
Music and ZAMP fees	148,797	179,436
Transport services (road and maritime transport)	20,765	76,413
Other services	757,947	1,027,325
TOTAL	**21,005,326**	**33,677,879**

10. STAFF COSTS

	2020	2021
Net salaries	19,568,037	23,417,809
Contributions from salaries	5,776,808	6,695,576
Contributions on salaries	4,468,322	5,387,873
Taxes and surtaxes	2,336,551	2,370,371
Performance bonus and holiday pay	6,417	3,105,914
Accrual for unused vacation days	500,068	1,528,906
Children's gifts, Christmas bonus, non-taxable voucher	594,200	1,174,176
Transportation to and from work	1,000,825	1,370,540
Meal	417,913	1,042,046
Unused hours off - redistribution	127,840	556,034
Termination benefits	993,015	339,572
Non-current provisions for termination benefits and jubilee awards	23,200	63,332
Other	157,462	299,843
TOTAL	**35,970,658**	**47,351,992**

Remuneration for the members of the key management personnel and Supervisory Board:

	2020	2021
Key management	1,657,111	1,814,838
of which receipts in kind	221,935	146,601
Supervisory Board	103,914	672,723
TOTAL	**1,761,025**	**2,487,561**

11. IMPAIRMENT OF NON-CURRENT NON-FINANCIAL ASSETS

	2020	2021
Impairment of property, plant and equipment (Note 17)	52,994,245	-
Impairment of investment property (Note 19)	549,799	-
Impairment of right-of-use assets (Note 37)	7,642,494	-
TOTAL	**61,186,538**	**-**

12. NET GAINS/(LOSSES) ON VALUE ADJUSTMENTS OF FINANCIAL ASSETS

	2020	2021
Impairment of trade receivables	(361,202)	(515,069)
Impairment of trade receivables-IFRS 9	794,617	529,446
TOTAL	**433,415**	**14,377**

13. OTHER OPERATING EXPENSES

	2020	2021
Utility charges and concessions	2,472,994	1,979,126
Charges to Hrvatske vode	2,397,136	1,750,004
Insurance premiums	828,441	1,020,763
Animation and entertainment	108,365	664,606
Entertainment	239,394	487,628
Net book amount of disposed assets	281,358	474,498
Taxes and contributions irrespective of business result	251,671	421,752
Employee accommodation	220,955	388,009
Subscriptions and memberships	273,304	376,231
Reimbursement to students in practice and scholarships	209,143	375,616
Aid to employees	92,500	308,444
Travel expenses, per diems, accommodation and field bonus	168,437	105,313
Disability benefits	98,719	91,800
Professional training of employees	61,058	43,604
Other operating expenses	1,328,653	1,862,245
TOTAL	**9,032,128**	**10,349,639**

14. FINANCE INCOME AND COSTS

	2020	2021
Finance income		
Regular and penalty interest income	19,935	1,278
Foreign exchange gains	332,877	2,771,418
	352,812	**2,772,696**
Finance costs		
Regular and penalty interest expense	(4,820,018)	(5,506,426)
Foreign exchange losses	(2,253,309)	(2,098,488)
Interest expense on lease	(4,820,971)	(5,332,657)
	(11,894,298)	**(12,937,571)**
NET FINANCE (COSTS) / INCOME	**(11,541,486)**	**(10,164,875)**

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.

	2020	2021
Accounting loss before tax	**(112,623,690)**	**(6,802,101)**
Income tax calculated at the rate of 18%	(20,272,264)	(1,224,378)
Effects of expenses not recognised for tax purposes	14,827,158	1,177,918
Effects of income not recognised for tax purposes	(1,649,166)	(1,083,344)
Effects of utilised tax losses from previous years	(10,729,673)	(834,473)
Effects of unrecognised deferred tax assets	17,823,945	1,964,277
Income tax	-	-

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 the 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 2021, temporary tax differences for which deferred tax assets were not recognised, and which relate to property, plant and equipment, amount to HRK 20,293 thousand. Also, the Group has tax losses available for utilisation in the amount of HRK 13,456 thousand for which deferred tax assets are not recognised as presented in the table below 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.

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
2021	(19,799,229)	2026
	(74,757,119)	

16. LOSS PER SHARE

	2020	2021
Loss attributable to shareholders of the Group	**(112,623,690)**	**(6,802,101)**
Weighted average number of ordinary shares used to calculate basic/diluted earnings per share	27,971,463	27,971,463
Basic and diluted loss per share	**(4.03)**	**(0.24)**

17. PROPERTY, PLANT AND EQUIPMENT

Item description	Land	Buildings	Plant and equipment	Other assets	Tangible assets under construction	Total
COST						
At 1 January 2020	**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**
Additions	-	10,291,295	25,773,100	518,488	4,298,357	**40,881,240**
Transfer from investment property	-	7,252,171	-	-	-	**7,252,171**
Disposals	(36,733,282)	(3,560,369)	(4,007,032)	-	-	**(44,300,683)**
Transfer to investment property	-	(483,649)	-	-	-	**(483,649)**
At 31 December 2021	**410,959,443**	**766,560,852**	**170,313,035**	**1,888,085**	**6,964,812**	**1,356,686,227**
ACCUMULATED DEPRECIATION						
At 1 January 2020	**-**	**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**
Depreciation charge	-	9,569,894	18,706,880	161,717	-	**28,438,491**
Transfer from investment property	-	6,613,602	-	-	-	**6,613,602**
Disposals	-	(2,806,242)	(2,789,722)	-	-	**(5,595,964)**
Transfer to investment property	-	(264,779)	-	-	-	**(264,779)**
At 31 December 2021	**27,988,579**	**502,026,384**	**65,258,264**	**580,107**	**-**	**595,853,334**
NET BOOK AMOUNT						
At 31 December 2020	**419,704,146**	**264,147,495**	**99,205,861**	**951,207**	**2,666,455**	**786,675,164**
At 31 December 2021	**382,970,864**	**264,534,468**	**105,054,771**	**1,307,978**	**6,964,812**	**760,832,893**

17. PROPERTY, PLANT AND EQUIPMENT (continued)

Additions to tangible assets in 2021: buildings in the amount of HRK 10,955,805 relate to investments in hotel facilities (upgrading the classification of hotels, developing campsites and other construction works) (2020: HRK 58,786,083), equipment in the amount of HRK 25,773,100 relates to the purchase of equipment necessary for operations in hotels and campsites (2020: HRK 39,684,049), other assets in the amount of HRK 518,488 (2020: HRK 326,171) and the additions to tangible assets under construction in the amount of HRK 4,298,357 relate to investments in hotel facilities and campsite development, which were not put into use during 2021 (2020: disposals of HRK 33,188,961).

As at 31 December 2021, the carrying amount of mortgaged properties (hotels Omorika, hotel Ad Turres, Esplanade, Katarina, International, Slaven resort, pavilions, swimming pool and central restaurant within the Ad Turres, Kačjak and Kaštel resorts) amounts to a total of HRK 298,653,837 (31 December 2020: HRK 165,115,398).
The total value of tangible assets that are fully depreciated, and which are still in use as at 31 December 2021 amounts to HRK 107,649,750 (31 December 2020: HRK 102,812,819).

Proceeds from sale of property, plant and equipment in 2021 amounted to HRK 27,943,446 and the unsettled amount of HRK 12,191,132 is stated within trade receivables at the balance sheet date.

18. INTANGIBLE ASSETS

Item description	Licences, software and other rights	Total
COST		
At 1 January 2020	**4,365,249**	**4,365,249**
Additions	641,421	641,421
Disposals	(373,136)	(373,136)
At 31 December 2020	**4,633,534**	**4,633,534**
Additions	1,556,211	1,556,211
Disposals	(1,877,979)	(1,877,979)
At 31 December 2021	**4,311,766**	**4,311,766**
ACCUMULATED AMORTISATION		
At 1 January 2020	**4,109,916**	**4,109,916**
Amortisation charge	149,161	149,161
Disposals	(368,741)	(368,741)
At 31 December 2020	**3,890,336**	**3,890,336**
Amortisation charge	333,514	333,514
Disposals	(1,877,660)	(1,877,660)
At 31 December 2021	**2,346,190**	**2,346,190**
NET BOOK AMOUNT		
At 31 December 2020	**743,198**	**743,198**
At 31 December 2021	**1,965,576**	**1,965,576**

19. INVESTMENT PROPERTY

Item description	Land and buildings	Total
COST		
At 1 January 2020	**51,049,733**	**51,049,733**
At 31 December 2020	**51,049,733**	**51,049,733**
Transfer from property, plant and equipment	483,649	483,649
Other additions	664,510	664,510
Disposals	(6,044,043)	(6,044,043)
Transfer to property, plant and equipment	(7,252,171)	(7,252,171)
At 31 December 2021	**38,901,678**	**38,901,678**
ACCUMULATED DEPRECIATION		
At 31 December 2019	**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**
Depreciation charge	637,058	637,058
Transfer from property, plant and equipment	264,779	264,779
Disposals	(4,585,422)	(4,585,422)
Transfer to property, plant and equipment	(6,613,602)	(6,613,602)
At 31 December 2021	**7,928,440**	**7,928,440**
NET BOOK AMOUNT		
At 31 December 2020	**32,824,106**	**32,824,106**
At 31 December 2021	**30,973,238**	**30,973,238**

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 30,973 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 2020	31 December 2021
Hoteli Novi d.d. in bankruptcy	4,384,800	4,384,800
Impairment of shares	(4,384,800)	(4,384,800)
Loan repayment agreement - Municipality of Podgora	-	1,353,918
Loans granted	2,495,015	1,495,015
Loans granted - impairment	(2,495,015)	(1,495,015)
TOTAL	**-**	**1,353,918**

21. INVENTORIES

	31 December 2020	31 December 2021
Cost - low value items, tyres in use	13,768,709	13,037,420
Raw materials and supplies on stock	512,473	803,257
Inventories - packaging	20,798	57,292
Trade goods	13,710	35,247
Impairment of small inventory and tyres	(13,694,786)	(13,037,420)
TOTAL	**620,904**	**895,796**

22. TRADE RECEIVABLES

	31 December 2020	31 December 2021
Domestic trade receivables	5,344,007	20,507,747
Foreign trade receivables /i/	2,521,403	1,513,451
Domestic trade receivables - impairment	(3,347,574)	(3,600,582)
Impairment of trade receivables - individual adjustments	(1,094,362)	(888,602)
Impairment of receivables - IFRS 9	(1,703,297)	(1,173,849)
TOTAL	**1,720,177**	**16,358,165**

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

22. TRADE RECEIVABLES (continued)

31 December 2021	Not past due	Past due up to 30 days	Past due from 31–90 days	Past due from 91–180 days	Past due from 181–270 days	Past due beyond 270 days	TOTAL
Expected loss rate	4.27%	21.31%	31.16%	67.12%	1.76%	98.86%	26.02%
Gross book amount - trade receivables	2,399,794	287,829	1,497,456	770,930	12,724,043	4,341,146	22,021,198
Loss allowance	(102,381)	(61,327)	(466,570)	(517,469)	(224,507)	(4,290,779)	(5,663,033)
Trade receivables – net of impairment	**2,297,413**	**226,502**	**1,030,886**	**253,461**	**12,499,536**	**50,366**	**16,358,165**

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 181–270 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**

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

	2020	**2021**
Loss allowance as at 1 January	**(6,705,618)**	**(6,145,233)**
Increase in bad debt allowance recognised in profit or loss over the period	(361,202)	(515,069)
Write-off of previously impaired receivables	1,280	318,758
IFRS 9 effects	794,617	529,446
Other movements	125,690	149,065
At 31 December	**(6,145,233)**	**(5,663,033)**

23. RECEIVABLES FROM THE GOVERNMENT

	31 December 2020	**31 December 2021**
Grants receivable	2,371,324	74,723
Prepaid VAT receivable	1,818,658	2,849,930
Other receivables from the government	174,793	1,246,032
TOTAL	**4,364,775**	**4,170,685**

24. OTHER RECEIVABLES

	31 December 2020	31 December 2021
Receivables for advances given /i/	1,021,963	3,535,793
Recognised leasehold improvements	87,450	42,769
Banking charges for loans	281,312	221,223
Suspense accounts for services accounted for	674,535	837,546
Other receivables	134,094	148,639
TOTAL	**2,199,354**	**4,785,970**

/i/ Receivables arising from advances given relate to advances paid to HEP in the amount of HRK 560,199, to Cossetto in the amount of HRK 464,230 and other advances given to suppliers.

25. CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2021
Bank balances - domestic currency	10,344,099	6,499,282
Bank balances - foreign currency /i/	17,291,304	16,751,772
Cash on hand	5,048	5,119
TOTAL	**27,640,451**	**23,256,173**

/i/ The carrying amount of cash at 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 2020	31 December 2021
A	2,605,193	12,151,076
BBB	25,008,647	11,062,953
No credit rating	21,563	37,025
TOTAL	**27,635,403**	**23,251,054**

26. CAPITAL AND RESERVES

The parent 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.

Capital reserves as of 31 December 2021 as well as of 31 December 2020 amount to HRK 234,210,922 and are not available for distribution to the shareholders.

Individual major shareholders are PBZ CO OMF – CATEGORY B which holds 58.02% of shares and ERSTE PLAVI OMF CATEGORY B which holds 30.56% of the Company's shares.

Table 1: Structure of shareholders as at 31 December 2021 and 31 December 2020

	31 December 2021		31 December 2020	
Investor	**Balance**	**%**	**Balance**	**%**
ADDIKO BANK D.D./PBZ CO OMF - CATEGORY B (1/1) - Custodial account	16,250,954	58.10	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	1,932,900	6.91	1,955,188	6.99
TOTAL	**27,971,463**	**100**	**27,971,463**	**100**

27. PROVISIONS

	31 December 2020	**31 December 2021**
Provisions for termination benefits	174,648	237,980
Provisions for jubilee awards	309,353	287,367
Provisions for legal disputes	-	181,000
TOTAL	**484,001**	**706,347**

Movements in provisions over the years are as follows:

	Legal disputes	Termination benefits	Jubilee awards	Total
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
Additional provisions based on estimate	181,000	63,332	-	244,332
Release of provisions	-	-	(21,986)	(21,986)
At 31 December 2021	181,000	237,980	287,367	706,347

28. LIABILITIES TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2020	31 December 2021
Interest in currency	1,377,861	859,068
Long-term loans-HBOR - DT-6/15 /i/	1,718,321	1,071,140
Long-term loans-HBOR - DT-1/16 /ii/	13,382,934	12,294,129
Long-term loans-HBOR - DT-10/16 /iii/	7,798,357	7,163,900
Long-term loans-PBZ - 2016 -5110217867-5110217867 /iv/	46,124,889	36,803,344
Long-term loans-PBZ - 2019 -5110228722-5110228722 /v/	92,327,001	85,572,377
Long-term loans-ERSTE-2019-5117407680/15 /vi/	101,303,446	101,038,336
Other liabilities to financial institutions	1,789	1,747
TOTAL LIABILITIES	**264,034,598**	**244,804,041**
Other liabilities to financial institutions	(1,789)	(1,747)
Current maturities of long-term loans in the current year	(119,452,974)	(28,859,295)
Interest in currency	(1,377,861)	(859,069)
CURRENT LIABILITIES	**(120,832,624)**	**(29,720,111)**
NON-CURRENT LIABILITIES	**143,201,974**	**215,083,930**

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

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

	31 December 2020	31 December 2021
EUR	262,654,948	243,943,226

/i/ In 2015, the Group entered into a long-term loan agreement with the Croatian Bank for Reconstruction and Development for a loan of HRK 7 million, repayable over 5 years, with a 1-year grace period and 3% interest rate, for the renovation of facilities and upgrading the classification of Hotel Omorika and Selce Autocamp. The loan matures in 2022 due to moratorium granted in Covid period.

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

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

/iv/ In 2016, the Group entered into a long-term loan agreement with Privredna banka Zagreb d.d. for a loan of EUR 7,400,000, repayable over 6 years, with a 1-year and 6 months grace period and 2.6% interest rate, for the renovation of facilities and upgrading the classification 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 drawn under the loan, and the loan commencement date was 20 July 2019.

/v/ In 2019, the Group entered into a long-term loan agreement with Privredna banka Zagreb d.d. for a loan of EUR 12,250,000, repayable over 12 years, with a 2.05% interest rate, for the renovation of facilities and upgrading the classification of the Ad Turres resort, Selce Campsite - swimming pool and allotment, Hotel Katarina, Hotel Omorika, Kačjak resort, Slaven pavilions and Hotel Esplanade (up to 31 December 2019, the unused part of the loan amounted to HRK 44,238,054).

/vi/ In 2019, the Group entered into a long-term loan agreement with Erste&Steiermärkische Bank d.d. for a loan of EUR 13,441,000.00, repayable over 10 years, with a 2.1% interest rate, to be used for investments - purchasing and other costs of acquiring Club Adriatic d.o.o. Zagreb.

29. OTHER NON-CURRENT LIABILITIES

	31 December 2020	31 December 2021
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 the secured creditors' right to be paid from items subject to separate satisfaction.

30. TRADE PAYABLES

	31 December 2020	31 December 2021
Domestic trade payables	9,677,924	15,397,421
Foreign trade payables	131,567	78,628
TOTAL	**9,809,491**	**15,476,049**

31. LIABILITIES FOR ADVANCES, DEPOSITS AND GUARANTEES

	31 December 2020	31 December 2021
Advances received /i/	5,310,355	3,474,266
Security and other deposits	593,619	552,143
TOTAL	**5,903,974**	**4,026,409**

/i/ In 2021, liabilities for advances received mainly relate to individual advances from domestic customers in the amount of HRK 215,192, individual advances from foreign customers in the amount of HRK 211,613 (equivalent of EUR 28,151) and Katarina line d.o.o., Opatija in the amount of HRK 185,674 (equivalent of EUR 24,700).

32. LIABILITIES TO EMPLOYEES

	31 December 2020	31 December 2021
Net salaries payable	1,442,577	1,913,269
Unused vacation days	500,068	1,803,294
Liabilities to employees - bonuses	1,393,817	2,908,982
Liabilities to employees - redistribution of working hours	127,840	683,874
Other liabilities to employees	731,094	358,650
TOTAL	**4,195,396**	**7,668,069**

33. LIABILITIES TO THE GOVERNMENT

	31 December 2020	31 December 2021
Contributions from and on salaries	700,315	1,052,839
Taxes and surtaxes payable	139,266	207,590
Other liabilities to the government	(282,739)	527,460
TOTAL	**556,842**	**1,787,889**

34. OTHER CURRENT LIABILITIES

	31 December 2020	31 December 2021
Accrual of received capital aid /i/	799,999	737,911
Deferred income	25,000	-
Scholarships	25,200	23,024
Fees based on temporary service agreements	35,334	80,296
Other liabilities - unpaid to bankruptcy creditors	6,695	6,696
TOTAL	**892,228**	**847,927**

/i/ The capital aid of HRK 737,911 remitted by the Energy Efficiency and Environmental Protection Fund relates to the reconstruction of the heating system at Hotel Katarina in 2016 and is prorated to revenue on an annual basis.

35. LEGAL PROCEEDINGS INITIATED AGAINST THIRD PARTIES

After the bankruptcy proceedings were completed in 2014, the Group continued to conduct all legal disputes initiated at the time of bankruptcy of JADRAN d.d., as well as those that the stated company 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, JADRAN d.d. made the relevant payments 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 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 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 owned by the stated company until 2006, when JADRAN d.d. leased them out. Based on the Decisions of the Primorje-Gorski Kotar County, these facilities were given to be managed by third parties, without JADRAN d.d. receiving any compensation, considering that the stated company built and maintained these properties until they were leased. The proceedings in question are being conducted against the Town of Crikvenica and the Republic of Croatia.
Also, JADRAN d.d. has several disputes with the Town of Crikvenica, related to property issues.
Returning the plots at the Selce campsite and the Kačjak campground to the possession of JADRAN d.d. is a precondition for the stated company 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 legal proceedings, JADRAN d.d. 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.

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.
In 2021, STOLIST d.o.o. was not involved in any proprietary or other legal disputes.

36. LEASE LIABILITIES AND RIGHT-OF-USE ASSETS

The interest expense 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 2020	31 December 2021
Non-current lease liabilities	171,617,694	156,689,888
Current lease liabilities	17,822,844	26,948,424
TOTAL	**189,440,538**	**183,638,312**

RIGHT-OF-USE ASSETS

	Vehicles	Real estate	Beach concession	Total
Net book amount at 1 January 2020	**59,082**	**16,000,011**	**-**	**16,059,093**
Initial recognition as per new contracts	886,228	164,030,159	883,953	165,800,340
Modifications to existing contracts	-	5,721,729	-	5,721,729
Depreciation charge 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**
Net book amount at 1 January 2021	**506,247**	**161,644,873**	**767,889**	**162,919,009**
Initial recognition as per new contracts	54,390	6,999,000	-	7,053,390
Modifications to existing contracts	1,112,795	5,740,839	-	6,853,634
Depreciation charge for the year	(763,810)	(23,172,815)	(116,064)	(24,052,689)
Disposals	(54,638)	-	-	(54,638)
Net book amount at 31 December 2021	**854,984**	**151,211,897**	**651,825**	**152,718,706**

As stated in Note 2.20, the Group uses the exemption expedient for short-term leases and low-value leases. In 2021, short-term leases and low-value leases amounted to HRK 563,895 (Note 9).

37. 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 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 arising from new lease agreements and modifications	-	-	(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)**
Cash flow	(4,384,278)	17,973,734	19,360,354	32,949,810
Increase arising from new lease agreements and modifications	-		*(13,907,024)*	(13,907,024)
Interest expense	-	*(5,506,426)*	*(5,332,657)*	(10,839,083)
Interest paid	-	*5,506,426*	*5,845,738*	11,352,164
Foreign exchange differences and other non-cash movements	-	*1,256,823*	*(164,185)*	1,092,638
Net debt at 31 December 2021	**23,256,173**	**(244,804,041)**	**(183,638,312)**	**(405,186,180)**

38. EVENTS AFTER THE BALANCE SHEET DATE

On 23 March 2022, the Lease Agreement for the View Hotel located in Postira on the island of Brač was signed for the period from 1 June 2022 to 31 December 2022. The rent was agreed in the amount of EUR 225,000.00 payable in HRK at the middle exchange rate of the CNB on the date of the invoice issued by the Lessor over the entire lease term.

The situation in Ukraine is alarming, but due to its unpredictability it is not possible to assess its impact on the overall tourist season. Given the structure of our guests and the fact that in our facilities we have not had a significant share of guests from Ukraine, Russia and guests from remote markets such as South Korea or the United States, at this time we still believe in a very successful season in the Kvarner and Istria region. Compared to the same period last year, the dynamics of accommodation bookings has slowed down, with an increasing tendency. In our Dalmatian destinations, activities have been launched aimed at adapting to the possible decline in the number of air travellers.

CONSOLIDATED MANAGEMENT REPORT FOR 2021

1. KEY OPERATING INFORMATION

Key operating indicators for the Group

	2020	2021	2021/2020
Number of accommodation units (capacity)	3,155	3,440	9.0%
Number of bed-places	7,675	8,380	9.2%
Full occupancy days	68	63	-7.4%
Annual occupancy rate	9%	17%	88.9%
Number of accommodations sold	104,135	217,191	108.6%
Number of overnights	271,302	559,391	106.2%
ADR (in HRK)	449	652	45.1%
RevPar (in HRK)	19,455	50,861	161.4%

Key financial indicators for the Group

	2020	2021	2021/2020
TOTAL REVENUE	**84,018,746**	**178,074,097**	**111.9%**
SALES REVENUE	68,784,751	155,867,039	126.6%
OTHER OPERATING INCOME	14,881,183	19,434,362	30.6%
TOTAL COSTS	**196,642,436**	**184,876,198**	**-6.0%**
OPERATING EXPENSES	184,748,138	171,938,627	-6.9%
MATERIAL COSTS	36,789,226	60,789,621	65.2%
STAFF COSTS	35,970,658	47,351,992	31.6%
DEPRECIATION AND AMORTISATION	42,203,003	53,461,752	26.7%
IMPAIRMENT OF NON-CURRENT NON-FINANCIAL ASSETS	61,186,538	0	n/a
VALUE ADJUSTMENTS	-433,415	-14,377	-96.7%
OTHER COSTS	9,032,128	10,349,639	14.6%
FINANCE INCOME	352,812	2,772,696	685.9%
FINANCE COSTS	11,894,298	12,937,571	8.8%
EBITDA	**-58,879,201**	**56,824,526**	**-196.5%**
EBITDA MARGIN	-70%	32%	-145.5%
NORMALISED EBITDA[1]	**1,873,922**	**56,810,149**	**2931.6%**
NORMALISED EBITDA MARGIN	2%	32%	1500%
EBIT	**-101,082,204**	**3,362,774**	**-103.3%**
NORMALISED EBIT[2]	-40,329,081	3,348,397	-108.3%
EBT	**-112,623,690**	**-6,802,101**	**-94.0%**

[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 2021, the Company was governed by the Management Board and Supervisory Board.

In 2021, the **Supervisory Board** comprised the following members:

- Goran Hanžek, Chairman of the Supervisory Board as of 30 July 2021
- Tomislav Kitonić, Chairman of the Supervisory Board until 30 July 2021
- Karlo Došen, Deputy Chairman of the Supervisory Board
- Adrian Čajić, Member of the Supervisory Board as of 23 April 2021
- Ivan Blažević, Member of the Supervisory Board until 23 April 2021
- Dragan Magaš, Member of the Supervisory Board
- Mirko Herceg, Member of the Supervisory Board

In 2021, the **Management Board** comprised the following members:

- from 1 January 2021 to 1 September 2021:
    - Goran Fabris, Chairman of the Management Board
    - Ivan Safundžić, Member of the Management Board

- from 1 September 2021 to 31 December 2021:
    - Goran Fabris, Chairman of the Management Board
    - Ivan Safundžić, Member of the Management Board
    - Miroslav Pelko, Member of the Management Board

The 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 to 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 2021, the Company was governed by the Management Board and Supervisory Board.

The Supervisory Board comprised the following members:

- Dragan Magaš - Chairman of the Supervisory Board
- Darko Lendić - Deputy Chairman of the Supervisory Board
- Mirko Herceg - Member of the Supervisory Board

In 2021, the Company was governed by the Management Board comprising the following members:

- 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 2021, the company Stolist was managed by the Management Board:

- Sandra Marcel Tomašić – Member of the Management Board

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 2021, 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 2021, the Group's share capital 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 2021) is as follows:

- ADDIKO BANK D.D./PBZ CO OMF - KATEGORIJA B holds16,250,954 shares, representing a 58.10% share in the Company's share capital;
- OTP BANKA D.D./ERSTE PLAVI OMF KATEGORIJE B holds 8,547,346 shares, representing a 30.56% share in the Company's share capital;

As at 31 December 2021, 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 2021, 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 2021:

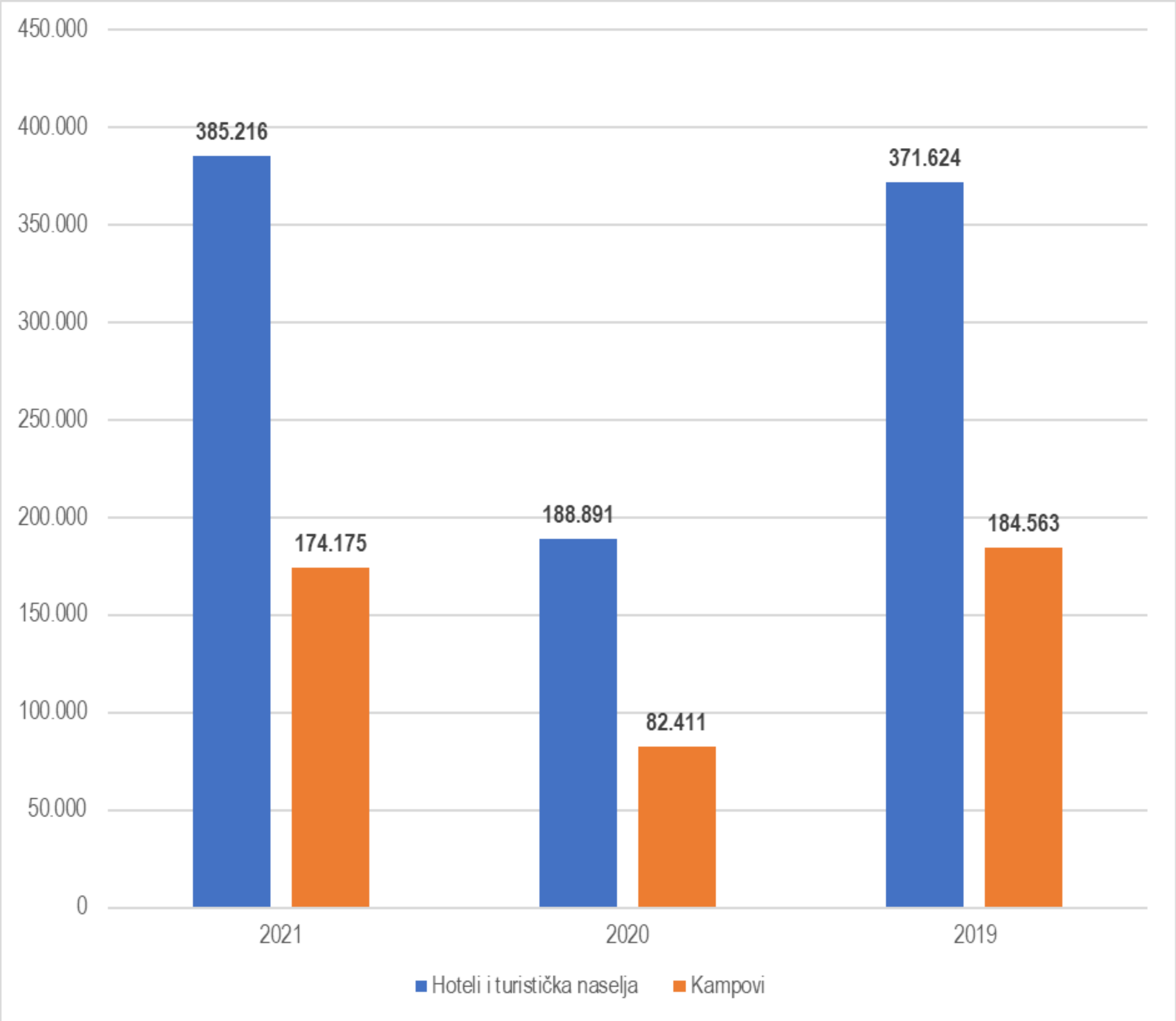
- On 6 May 2021, the Group entered into a lease agreement for the Uvala Slana campsite including the Club Vala apartments with the Republic of Croatia, the Ministry of Physical Planning, Construction and State Assets, for a fixed period of 3 years. By entering into this Agreement, the Company's capacities were expanded by 204 accommodation units.
- In 2020, the Company signed an annex to the lease agreement for the Delfin Hotel, in which the rental amount was modified for 2020. In 2021, annex no. 2 was signed comprising the necessary structural investment in the leased facility, which is why in tourist season 2021 the leased facility could not be used for commercial purposes. Therefore, the agreement was declared dormant and its term was extended by one year. The contracting parties stipulate that the investment in the leased facility will be financed by the lessor, after which the final investment amount will be included in the rent until the end of the lease term.
- The situation in Ukraine is alarming, but due to its unpredictability it is not possible to assess its impact on the overall tourist season. Given the structure of our guests and the fact that in our facilities we have not had a significant share of guests from Ukraine, Russia or guests from remote markets such as South Korea or the United States, at this time we still believe in a very successful season in the Kvarner and Istria region. Compared to the same period last year, the dynamics of accommodation bookings has slowed down, with an increasing tendency. In our Dalmatian destinations, activities have been launched aimed at adapting to the possible decline in the number of air travellers.
- On 1 July 2021, the Group additionally leased the Lišanj Hotel annex, which increased the Company's capacity by 60 accommodation units.

3. REALISED OVERNIGHTS

In 2021, the challenging trend of doing business in pandemic circumstances, which began in 2020, continued. Based on the previous season's business performance, further partial support through government instruments of job preservation measures, the advantage of independence from air transport due to the geographical proximity of emitting markets and epidemiological measures aimed at successful preparation and realisation of the tourist season, business results have reached record numbers compared to 2020 and record 2019.

In 2021, campsites have been recognised as a very interesting product as they provide all the comfort and infrastructure of hotel accommodation, but offer additional privacy, proximity to nature and freedom of movement, 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.

Chart 1 Number of overnights recorded in hotels and campsites from 2019 to 2021

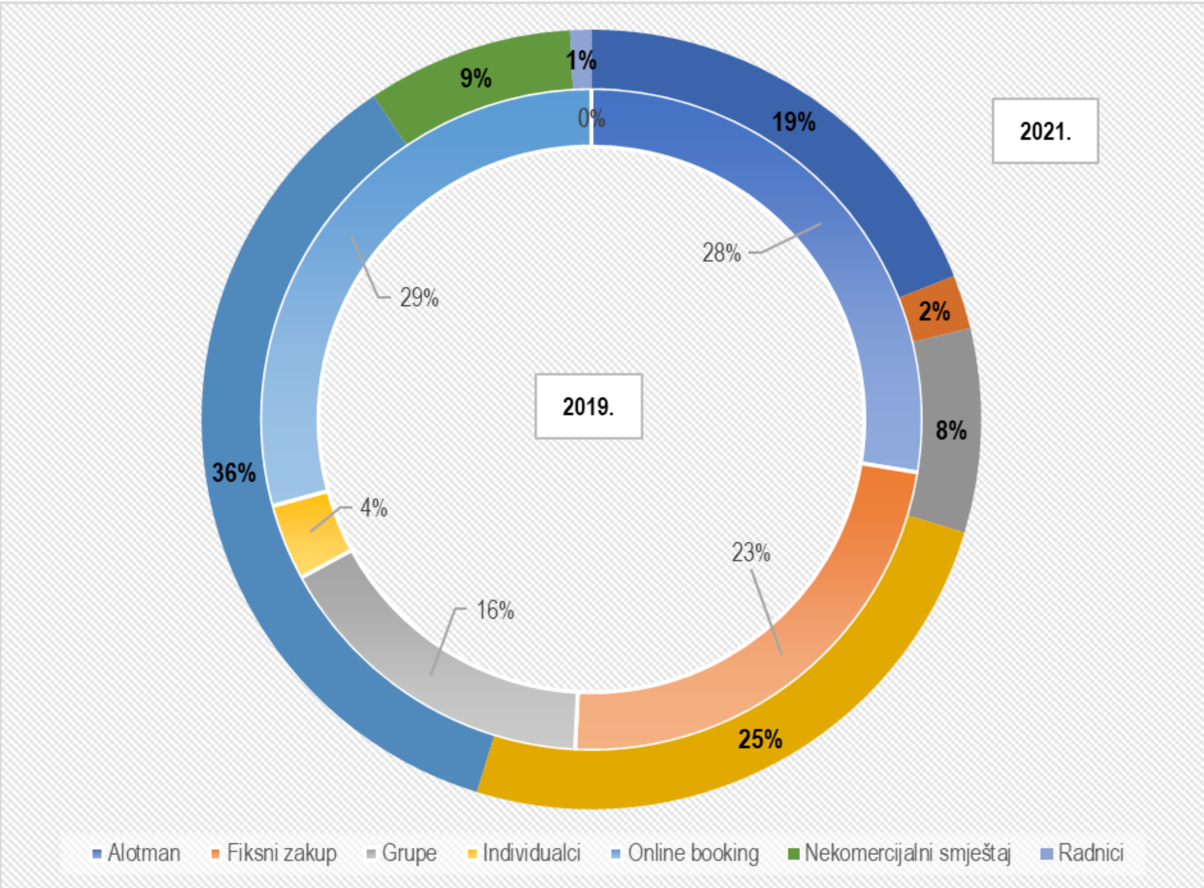


Source: JADRAN d.d.

The continuation of the investment cycle and new facilities in the company's portfolio resulted in an increase in overnight stays in 2021 compared to the successful 2019. In hotel accommodation, we recorded a growth of 104% compared to 2020, and 4% compared to 2019. In 2021, the capacity of the Club Adriatic annexes was reduced, resulting in 99 refurbished accommodation units compared to 198 in 2019.
At the Group level, campsites recorded an increase of 111% compared to 2020, or a decrease of 6% compared to 2019, primarily due to planned, but unrealised overnight stays. For the most part, this applies to Club Adriatic for June and mid-July, as a result of the later start of bookings due to the pandemic, which was particularly reflected in destinations in the south of the country. It should be noted here that the growth in 2021 was also achieved due to the new facility, the Uvala Slana campsite, which the Group leased for a period of 3 years.

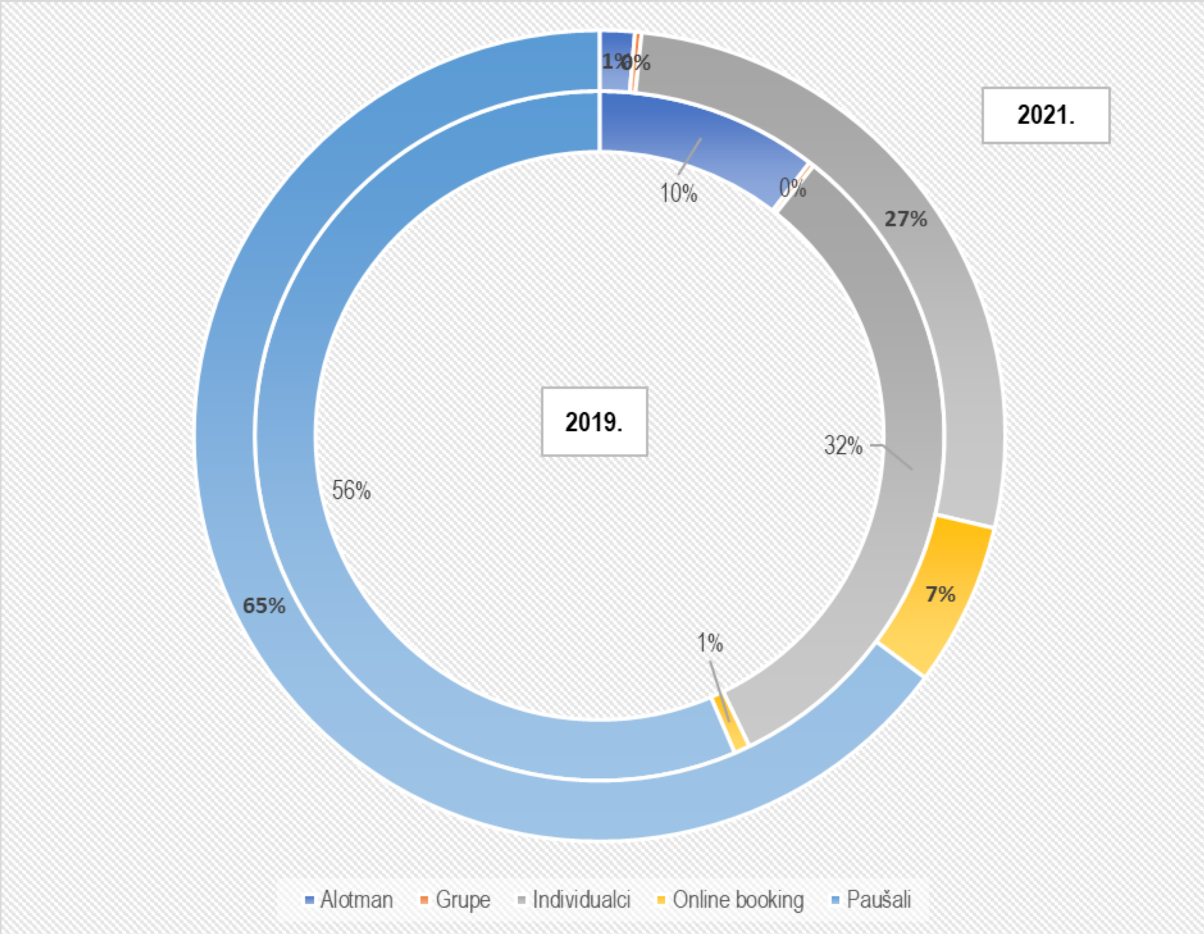
The flexibility of cancellation policies, last-minute bookings and travel uncertainty have resulted in changes to sales channels distribution. The share of individual channels increased by 129% compared to 2020, and 597% compared to 2019, indicating a positive result of continued investment in the booking call centre and the beginning of targeted advertising using Google Adwords, which brings guests to the Group's website. Online bookings increased by 72% compared to 2020 and 27% compared to 2019.

Chart 2 Overnights by the Group’s sales channels in 2019 and 2021 for hotel accommodation



Source: JADRAN d.d.

Chart 3 Overnights by the Group's sales channels in 2019 and 2021 for campsites



Source: JADRAN d.d.

The majority of guests in campsites arrive from Slovenia, followed by guests from Germany, Poland, Croatia and the Czech Republic.

4. GROUP BUSINESS PERFORMANCE

4.1. Impact of COVID-19 on the Group's operations

At the beginning of 2021, the Jadran Group's operations were marked by the COVID-19 pandemic to the same extent and in the same way as during almost the entire year 2020. Various forms of restrictions regarding both travels and events have led to most accommodation capacities remaining closed. Other than the café of International Hotel in Crikvenica, which operated in accordance with existing measures and restrictions, the Garden Palace Resort in Umag was opened on 1 February, and on 1 March, the Esplanade Hotel in Crikvenica reopened after having been closed in early January.
It is important to note that based on the decision of the Management Board of JADRAN d.d. dated 31 December 2020, the Group accommodated residents living in the earthquake-affected areas of Banovina and Glina in the International Hotel, thus helping thirty families until mid-March 2021.

In the second quarter of 2021, the Group still operated under the strong impact of the COVID-19 pandemic. However, given the many efforts made both at the global and local levels to bring the pandemic under control, the Group recorded a better business result in that period compared to the same period last year.

Although being faced with all the challenges posed to the Group by the COVID-19 pandemic, business continued in the third quarter with maximum adherence to all epidemiological measures, all for the purpose of protecting the Group's guests and employees.
In the third quarter of 2021, there was a boost in tourism turnover compared to the same period last year, primarily due to more favourable trends in the expansion of COVID-19 in the Republic of Croatia and the fact that our most important European tourism competitors were in the so-called red zone for most of the third quarter (especially during peak season), which resulted in more tourists travelling to Croatia.

It can be concluded that 2021 was uncertain, challenging and unpredictable for the Group's operations. In order to protect business continuity and preserve liquidity, the Group has maximally streamlined operating expenses, capital expenditures and control of cash outflows, similar to the previous year:

- As agreed with the social partners, it rationalised staff costs by reducing salaries for those employees who do not work and enabling, where possible, employees to work from home one to two days a week.
- Capital expenditures were limited to completing the investments started in recent years, completing the range of amenities in some facilities, investments in the beach management segment and continuing the investment cycle to ensure the further growth of the Group.
- Other operating expenses are limited to those necessary to maintain business continuity.
- Properties were sold in accordance with the previous disinvestment plan in CLUB ADRIATIC d.o.o., which in no way decreased the business potential, i.e. the accommodation capacities of the said company for 2021 were not reduced.

Despite the fact that the Group's operations were extremely challenging in the first half of the year and the future was uncertain and unpredictable at the time, the Group decided to continue the investment cycle. Capital expenditures were limited to completing the investments started in recent years, completing the range of amenities in some facilities, investments in the beach management segment, with liabilities arising from the signed concession agreements, and continuing the investment cycle to ensure the further growth of the Group as well as its future competitiveness.

Of the realised investments, special emphasis should be placed on the final completion of the investment in furnishing the annex buildings of Hotel Slaven with the aim of upgrading the classification from 2 to 3 stars, the purchase of 12 new mobile homes, the development and furnishing of plots and a supermarket at the Selce campsite, the beginning of investment in the swimming pool complex at Hotel Omorika and the development of the Hotel Alem annex buildings.
All other operating expenses are limited to those necessary to maintain business continuity.

4.2. Overview of the Group's operations in 2021

In the period from January to December 2021, the JADRAN Group generated total revenues of HRK 178,074,096, which is HRK 94,055,351 or 112% higher than the total revenues generated in the same period in 2020. Total expenses amounted to HRK of 184,876,198, which was HRK 11,766,239 or 6% less than the costs incurred in the same period in 2020.
The Group realised a loss of HRK 6,802,101, which is by HRK 105,821,589 lower than the loss realised in 2020.
In 2021, EBITDA amounted to HRK 56,824,526, which is by HRK 115,703,727 higher than the EBITDA realised in 2020.

The analysis of total revenues, which in 2021 amounted to HRK 178,074,097, shows that operating revenues amounted to HRK 175,301,400, which is HRK 91,635,467 or 109% higher than revenues generated in the same period in 2020. To better understand the generated revenues, it should be noted that in the period from January to December 2021, the Group requested and received job preservation grants for the period from January to June in the amount of HRK 5,985,903, while in 2020 the Group received grants for the period from March to August and October to December in the amount of HRK 8,624,301. If we were to compare the total revenues generated from January to December 2021 and 2020 without the aforementioned grants, then in 2021 a total of HRK 172,088,193 or HRK 96,693,747 more revenue was generated than the revenue generated in 2020.

In 2021, the Group’s total expenses amounted to HRK 184,876,198, which is HRK 11,766,238 or 6% lower than the expenses incurred in the same period in 2020. Operating expenses amounted to HRK 171,938,626 and were HRK 12,809,511 or 7% lower than operating expenses in 2020. In 2020, material costs amounted to HRK 60,789,621, which is HRK 24,000,395 or 65% higher than the costs incurred in 2020. Staff costs amounted to HRK 47,351,992 and exceed the costs incurred in 2020 by HRK 11,381,334 or 32%. In 2021, amortisation and depreciation amounted to HRK 53,461,752, which is HRK 11,258,749 or 27% higher than the amortisation and depreciation realised in 2020. Other operating expenses amounted to HRK 10,349,639 and were HRK 1,317,511 or 15% higher than the expenses incurred in 2020. In 2021, net impairment losses on non-current non-financial assets amounted to HRK 0.00, while in 2020 they amounted to HRK 61,186,538. In 2021, the value adjustments of financial assets amounted to HRK 14,377, while in 2020 it amounted to HRK 433,415.

In the period from January to December 2021, the Group realised a loss in the amount of HRK 6,802,101, while in the same period in 2020 it realised a loss in the amount of HRK 112,623,690. In 2021, EBITDA amounted to HRK 56,824,525, which is by HRK 115,703,726 lower than the EBITDA realised in the same period in 2020.

5. ASSET MANAGEMENT

5.1. Management of Group assets

The Group manages owned properties and properties for which it has entered into lease agreements for a period longer than 1 year.

Table 3 The Group'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*	40	62
INTERNATIONAL	2*	52	82
KAŠTEL	3*	74	178
KATARINA	4*	176	352
SLAVEN HOTEL	3*	50	85
SLAVEN PAVILIONS	3*	157	314
SELCE CAMPSITE	3*	500	1,500
UVALA SLANA CAMPSITE	3*/4*	204	567
KAČJAK CAMPGROUND	campground	30	90
DELFIN	boarding house	48	123
LIŠANJ	4*	228	522
GARDEN PALACE RESORT UMAG	4*	112	293
ALEM	2*	306	630
BAŠKO POLJE CAMPSITE	3*	617	1861
NOEMIA	4*	63	117
TOTAL IMMOVABLE FACILITIES		**2,089**	**4,362**
TOTAL OTHER		**1,351**	**4,018**
TOTAL		**3,440**	**8,380**

Source: JADRAN d.d.

On 6 May 2021, the Group entered into a lease agreement for the Uvala Slana campsite including the Club Vala apartments with the Republic of Croatia, the Ministry of Physical Planning, Construction and State Assets, for a fixed period of 3 years. By entering into this Agreement, the Company's capacities were expanded by 204 accommodation units.

On 1 July 2021, the Group additionally leased the annex to the Lišanj Hotel, which further expanded the Group's capacity by 60 accommodation units.

5.2. The Group's disputes

After the bankruptcy proceedings were completed in 2014, the Group continued to conduct all legal disputes initiated at the time of bankruptcy of JADRAN d.d., as well as those that the stated company 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, 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 owned by the stated company until 2006, when JADRAN d.d. leased them out. Based on the Decisions of the Primorje-Gorski Kotar County, these facilities were given to be managed by third parties, without JADRAN d.d. receiving any compensation, considering that the stated company built and maintained these properties until they were leased. The proceedings in question are being conducted against the Town of Crikvenica and the Republic of Croatia.
Also, JADRAN d.d. has several disputes with the Town of Crikvenica, related to property issues.
Returning the plots at the Selce campsite and the Kačjak campground to the possession of JADRAN d.d. is a precondition for the stated company 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 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.

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.

In 2021, STOLIST d.o.o. was not involved in any proprietary or other legal disputes.

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 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 2021 including not only investments in accommodation for the purpose of increasing the number of units and improve accommodation quality, but also investments in the destination through active involvement in all events and designing new attractions on the Crikvenica-Vinodol and Makarska Riviera. Regardless of the “coronavirus crisis”, the Company's and 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 2021 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. The inflation rate trends and the levels of interest rates on foreign and domestic financial markets are actively monitored, enabling the Group to react in a timely manner in the event of expected changes in interest rates on the domestic money market.

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. The Group notes trends of increasing inflation rates primarily measured through the consumer price index, as a result of extremely expansive monetary policies of central banks and 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 market 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.

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 current high level of indebtedness of the Group does not jeopardise current liquidity, and the Company's and the Group's 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.

In 2021, the Group realised the planned divestment in CLUB ADRIATIC, thus creating the preconditions for the repayment of loans by a related company, but also provided 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 taxable 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 2021, JADRAN d.d. had a total of 271 employees.
As at 31 December 2021, CLUB ADRIATIC d.o.o. had a total of 49 employees.
As at 31 December 2020, Stolist d.o.o. had no employees.
As at 31 December 2021, the Group had 320 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 2021, 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 Company held 631 own shares, which accounted for 0,0023% of the Company's share capital.
As at 31 December 2021, the share capital of CLUB ADRIATIC d.o.o. amounted to HRK 117,104,500.00.
As at 31 December 2021, the share capital of Stolist d.o.o. amounted to HRK 20,000.

10. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 23 March 2022, the Lease Agreement for the View Hotel located in Postira on the island of Brač was signed for the period from 1 June 2022 to 31 December 2022. The rent was agreed in the amount of EUR 225,000.00 payable in HRK at the middle exchange rate of the CNB on the date of the invoice issued by the Lessor over the entire lease term.

The situation in Ukraine is alarming, but due to its unpredictability it is not possible to assess its impact on the overall tourist season. Given the structure of our guests and the fact that in our facilities we have not had a significant share of guests from Ukraine, Russia and guests from remote markets such as South Korea or the United States, at this time we still believe in a very successful season in the Kvarner and Istria region. Compared to the same period last year, the dynamics of accommodation bookings has slowed down, with an increasing tendency. In our Dalmatian destinations, activities have been launched aimed at adapting to the possible decline in the number of air travellers.

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, 40/19 and 34/22), hereby issues this Corporate Governance Statement.

In 2021, 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 2021, 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 2021, 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 30 July 2021, 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 approval of the Remuneration Policy and acceptance of the Report on Remuneration of Members of the Management Board and the Supervisory Board of the Company in 2020and an auditor was appointed to audit the financial statements for 2021.
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 2021, 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.
During 2021, two members of the Supervisory Board were changed. That's how it was on April 23, 2021. The Company received a notification from the Workers' Council on the change of employee representatives on the Supervisory Board, and Mr. Adrian Čajić was appointed as the new employee representative. With the election of a new employee representative on the Supervisory Board, the term of office of the current member of the Supervisory Board ended.
29 July 2021 The President of the Supervisory Board, Mr. Tomislav Kitonić, resigned from his membership in the Supervisory Board. The General Assembly, at its session held on July 30, 2021. appointed Mr. Goran Hanžek a member of the Supervisory Board, and the Supervisory Board at a meeting held on 30 July 2021 make a Decision appointing Mr. Hanžek President of the Supervisory Board.

As at 31 December 2021, the Supervisory Board comprised the following persons:

- Goran Hanžek, Chairman of the Supervisory Board
- Karlo Došen, Deputy Chairman of the Supervisory Board
- Dragan Magaš, Supervisory Board Member
- Mirko Herceg, Supervisory Board Member
- Adrian Čajić - Supervisory Board Member (employee representative)

In 2021, 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 2021, the Company's Management Board comprised the following persons:

- from 1 January 2021 to 1 September 2021:
    - Goran Fabris, Chairman of the Management Board
    - Ivan Safundžić, Member of the Management Bord
- from 1 January 2021 to 31 December 2021:
    - Goran Fabris, Chairman of the Management Board
    - Ivan Safundžić, Member of the Management Bord
    - Miroslav Pelko, Member of the Management Bord.

30 July 2021 the Supervisory Board made a Decision appointing Mr. Miroslav Pelko a 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.
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 2021 Supervision Report and the results of examining reports relevant to the closing of the fiscal year 2021;
- 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 2021 between Supervisory Board Members or Management Board Members and the Company;

In 2021, in accordance with the provisions of the Corporate Governance Code, the Company adopted the Code of Conduct, the Policy on Reporting Irregularities and the Conflict of Interest Management Policy, which acts are also published on the Company's official website.
During 2021, the Audit and Receipts Committee adopted the Policy on Unauthorized Audit Services.
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.

Jadran
Crikvenica
Hoteli
i kampovi

Jadran d.d. za hotelijerstvo i turizam
Bana Jelačića 16, HR-51260 Crikvenica
T. +385 51 241 222
E: uprava@jadran-crikvenica.hr
www.jadran-crikvenica.hr
OIB: 56994999963

SUPERVISORY BOARD

Crikvenica, April 28, 2022

Pursuant to Article 300.d, subject to the provision of Article 300.c of the Companies Act (Official Gazette No. 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11, 152/11, 111/12, 68/13, 110/15, 40/19, 34/22), and Article 34 of the Articles of Association of JADRAN d.d., the Supervisory Board of JADRAN d.d., having its registered office in Crikvenica, Bana Jelačića 16, adopted at its 46th meeting held on April 28, 2022 the following

Resolution on the Validation of Annual Financial Statements

I

The 2021 Annual Financial Statements for the Company are hereby approved, including as follows:

- Balance Sheet with assets equal to the liabilities in the amount of HRK 872,089,012
- Profit and Loss Statement with an operating loss in the amount of -HRK 7,575,778
- Cash Flow Statement – Indirect Method showing a reduction in cash and cash equivalents in the amount of -HRK 10.939.580 in 2021
- Statement of Changes in Capital and Reserves amounting as at December 31, 2021 to a total of HRK 482,237,268
- Notes to the Annual Financial Statements
- Management Board's Annual Financial Condition Report

The 2021 Consolidated Annual Financial Statements for the Group are hereby approved.

The Auditor's Report for the Company and the Group prepared by PricewaterhouseCoopers d.o.o., Heinzelova 70, 10000 Zagreb, PIN: 81744835353, is hereby also approved.

II

In accordance with the provision of Article 300.d of the Companies Act, based on the approval referred to in Section I of this Resolution, the 2021 Annual Financial Statements for Jadran d.d are hereby validated by the Management Board and the Supervisory Board.

Goran Hanžek
Chairman of the Supervisory Board

Jadran
Crikvenica
Hoteli
i kampovi

Jadran d.d. za hotelijerstvo i turizam
Bana Jelačića 16, HR-51260 Crikvenica
T. +385 51 241 222
E: uprava@jadran-crikvenica.hr
www.jadran-crikvenica.hr
OIB: 56994999963

SUPERVISORY BOARD

Crikvenica, April 28, 2022

Pursuant to Article 300.d, subject to the provision of Article 300.c of the Companies Act (Official Gazette No. 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11, 152/11, 111/12, 68/13, 110/15, 40/19, 34/22), and Article 34 of the Articles of Association of JADRAN d.d., the Supervisory Board of JADRAN d.d., having its registered office in Crikvenica, Bana Jelačića 16, adopted at its 46th meeting held on April 28, 2022 the following

DRAFT RESOLUTION ON LOSS COVERAGE FOR 2021

I

It is hereby established that in the business year that ended on December 31, 2021 JADRAN d.d. recorded an operating loss in the amount of -HRK 7,575,778. It is hereby also proposed that the said loss be covered using the expected future profits.

II

It is hereby further proposed that the General Meeting accept the joint proposal of the Management Board and the Supervisory Board, as determined in Section I of this Resolution.

Goran Hanžek
Chairman of the Supervisory Board