bluesun
Hotels&Resorts

2023 Annual Report

SUNCE HOTELI d.d. and SUNCE HOTELI d.d. GROUP

This report has been approved and released on 15 April 2024.

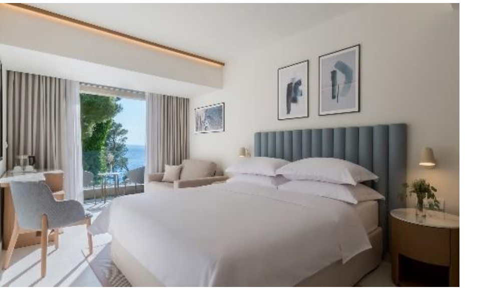
Sunce hoteli d.d. Group

- Founded in 2004, today one of the largest tourist groups in Croatia.
- In April 2021, Eagle Hills Zagreb Real Estate d.o.o., with its registered office in the United Arab Emirates, became the majority shareholder of Sunce hoteli d.d. with institutional investors as significant minority shareholders.
- During 2022 and 2023, approximately 64 million euros were invested in hotel renovations across all destinations.
- In December 2023, Eagle Hills Zagreb Real Estate d.o.o. entered into transaction of purchasing shares from minority shareholders (3.20%), thereby directly and indirectly becoming the owner of 100% of the shares in the company Sunce hoteli d.d.

>900.000 guests per year

- **12 fully owned hotels, 1 camping resort, 1 hotel under management**
- **Prime beachfront** locations in middle Adriatic
- Long hospitality tradition on its destinations
- **Own Airport** on Island of Brač
- The first hotel chain in Croatia which started the **internal academy** for the education of employees and scholarships
- **"Bluesun"** a trusted name on the local labour market
- The first hostel for **employees** in Croatia

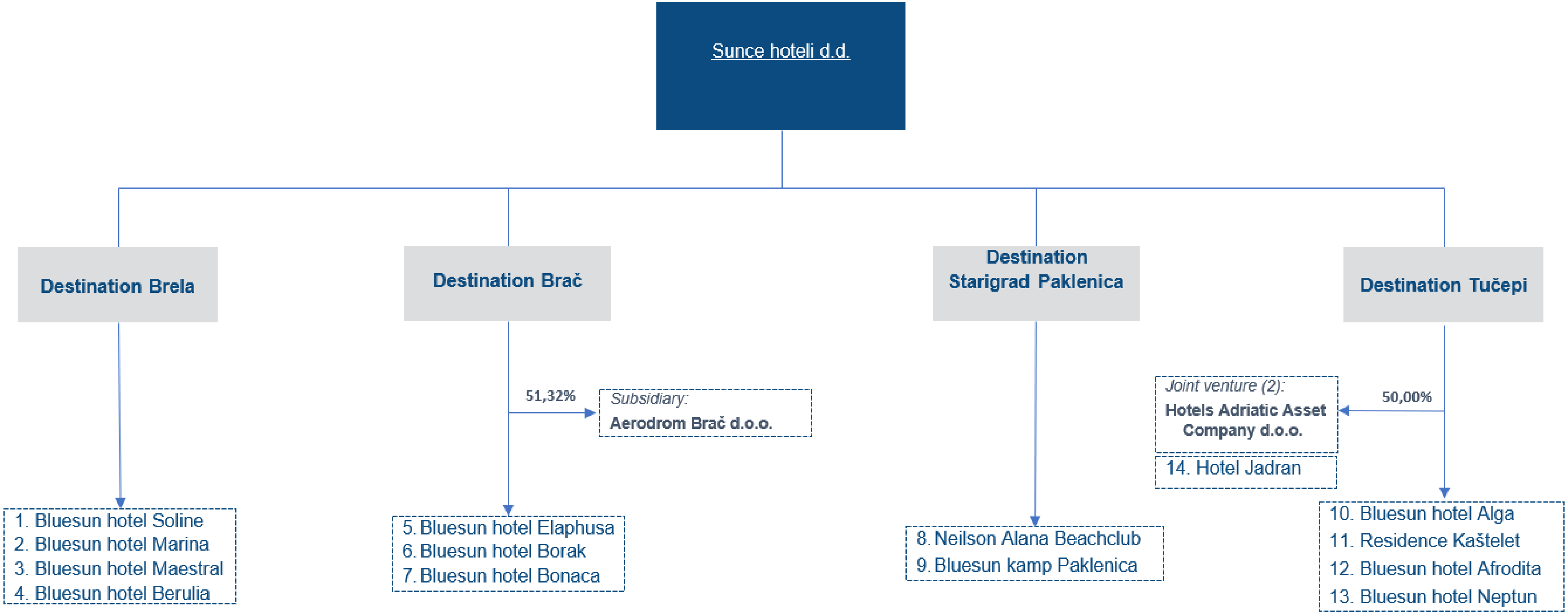
> 1.000 employees



≈ 3.000 rooms

[(1)] As of Reporting date (31.12.2023.)

Organizational structure of Sunce hoteli d.d. Group (1)



(1) Data as of 31.12.2023; Sunce hoteli d.d. as a Group has additional member companies, but they are immaterial for the Group's performance.
(2) Joint Venture Company with Symphony Global l.l.c. (United Arab Emirates).

Content

Introduction

General

This Annual Report ("the Report") present the results of operations, financial position, and cash flows of Sunce hoteli d.d. and its subsidiaries (collectively referred to in this Report as "we," "us,", "Sunce", "Group" or "the Company") for the fiscal year ended 31 December 2023 ("Reported period" or "Reporting date").

Depending on the context and the potential regulatory requirements, the above terms ("we", "us", "Sunce" or "Company") may also refer to Sunce hoteli d.d. as the parent company of the Group.

The Report contains, amongst else, (i) Audited Consolidated Financial Statements, (ii) Management's Discussion and Analysis ("MD&A"), (iii) Statement of Management's Responsibilities for the preparation of the Report and (iv) the Independent Auditor's Report. Additionally, pursuant to the Croatian Accounting Law, the Report contains the Confirmation of responsibility for the Consolidated Financial Statements by the Management.

In order to make this report easier to read, we also refer throughout to our Consolidated Audited Financial Statements as our "Financial Statements".

This Report has been approved and released on 15 April 2024 and the Company and the Group have made disclosures about significant events that happened after the Reporting date.

Caution Regarding Forward-Looking Statements

We make forward-looking statements in Management report and elsewhere in this Report based on the beliefs and assumptions of our management and on information currently available to us. Forward-looking statements include information about our possible or assumed future results of operations, preceded by, followed by, or that include the words "believes," "expects," "anticipates," "intends," "plans," "estimates," or similar expressions.

The forward-looking statements in this report speak only as of the date of this Report, and we undertake no obligation to update or revise any forward-looking statement, whether due to new information, future developments, or otherwise. Any number of risks and uncertainties could cause actual results to differ materially from those we express in our forward-looking statements, including the risks and uncertainties we describe below and other factors we describe from time to time.

Group key information

The following overview presents a short analysis of the key facts about the Group and should be read in conjunction with our Financial Statements and related notes.

Description of the Group

Sunce Hoteli d.d. is the parent company of the Group, founded in 2004 which holds, operates and develops hotels and resorts on exceptional tourist destinations in Croatia (Brela, Tučepi, Brač and Starigrad Paklenica).

Also, Sunce hoteli d.d. has a Joint Venture entity (50%) with company Symphony Global l.l.c. (United Arab Emirates), which owns a luxury hotel property Jadran in Tučepi and land for development project on the island of Brač.

Bluesun Hotels & Resorts

Bluesun Hotels & Resorts is the name under which Sunce hoteli d.d. manages its properties.

Company's Shares

As at the reporting date, the Company's share capital consists of 7,826,620 ordinary Registered Shares in the nominal amount of EUR 13 each, all of which have been repaid in full. The shares were issued in dematerialized form and deposited with the Croatian Central Clearing and Depository Company d.d. (SKDD).

In December 2023, the majority owner, company Eagle Hills Zagreb Real Estate d.o.o. purchased shares from the remaining minority shareholders (3.20%), thereby directly and indirectly becoming the owner of 100% of the shares in the company Sunce hoteli d.d.

With described corporate action the shares were delisted from the Official Market of the Zagreb Stock Exchange.

Apart from ordinary shares, the Company has not issued any other equity or debt securities.

There are no options, call options or instruments that are exchangeable for shares or other agreements relating to existing shares of the Company or the issue of additional shares in any member of the Group.

Dividend policy

The Company has not distributed any dividends in the 2023 financial year. The Company has defined its dividend policy in its publicly announced financial guidelines on the basis of the Dividend payout ratio
- DPR in the range between 30% and 70% for the following three-year period. The Company will consider the policy in light of growth potential available to Group members and may revise said policy from time to time.

Company's Shareholder Structure

Sunce hoteli d.d. is a joint stock company operating in the activities of the tourism and hotel sector. Sunce Hoteli d.d. and its subsidiaries are collectively referred to in this Report as “we”, “Sunce”, “Group” or “Company. During 2023, the majority owner, company Eagle Hills Zagreb Real Estate d.o.o. purchased shares from the remaining minority shareholders (3.20%), thereby directly and indirectly becoming the owner of 100% of the shares in the company Sunce hoteli d.d.

Top shareholders of the Company as at 31 December 2023

Shareholder	Number of Shares	Ownership (%)
Eagle Hills Zagreb Real Estate d.o.o.	4,821,948	61.61%
Sunce ulaganja d.o.o.	3,004,672	38.39%

Source: Central Depository and Clearing Company (CDCC)

Investments In Associates And Joint Ventures

Joint ventures

The Group has 50% interest in joint venture company Hotels Adriatic Asset Company d.o.o. with Symphony Global l.l.c. (United Arab Emirates). A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Associates

An associate is an entity over which the Group and the Company have significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Associate entities of the Group as of Reporting date are Praona d.o.o. and Hotels Adriatic Asset Company d.o.o.

The Group's investment in associates and joint venture is accounted for using the equity method and are not subject of consolidation.

Acquisitions And Disposals, Discontinued Operations

Acquisitions

No acquisitions of assets or entities in the Reported period.

Disposals

No disposal of entities in the Reported period.

Derivative Financial Instruments

The Company doesn't have any exposure to derivative financial instruments as of the date of the Financial Statements. But depending on our strategy and market conditions, we might enter into forward contracts to manage foreign exchange risk on the Group level or to hedge certain forecasted transactions. We also may enter into interest rate swap agreements to manage the impact of interest rates on the results of operations, cash flows and the market value of our debt.

Commitments and contingencies

Claims and lawsuits

Company is involved in certain claims and lawsuits arising in the ordinary course of business. While the ultimate results of claims and litigation cannot be predicted with certainty, we expect that the ultimate resolution of all pending or threatened claims and litigation as of date of this report, will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

Significant events after the reporting period

After the date of the financial statements, there have been no events that require adjustments or disclosure in the financial statements.

Significant business events in 2023

Hotel renovations

In accordance with approved investments, during 2023, based on the contracts signed with contractors, during 2023 the Group finalized investments in hotels on the destinations of Brela, Tučepi and Bol on the island of Brač in the approximate amount of EUR 24 million.

The investments in question are confirmation of the intention of the owners regarding the development of the Group's future operations, through strengthening the market position by implementing new and developing existing capacities and services.

Hotel renovation includes those hotels that have not been the subject of capital investments for longer period.

The hotels that are included in the described renovations, per destinations, are:

- Brela: Maestral, Berulia (villa),
- Tučepi: Afrodita, Neptun, Alga,
- Bol: Bonaca.

In 2024, the Group continues with the investment cycle in hotels.

Digitalization

In 2023, the Group continued with the modernization and digitization of the existing organization with the aim of increasing the efficiency of operations through all operational sectors.

For this purpose, the Group concluded contracts with domestic and foreign external IT consultants.

Digitization and improvement projects of the existing organization refer to introduction of operating systems that enable the monitoring of individual business segments through "on screen live data" that are updated on a daily basis, which improves and accelerates the process of making conclusions and decisions that are key to business.

The projects included existing flow processes and the availability of relevant documentation. The introduction of an intelligent documentation management system resulted in immediate availability and quick and easy searching of relevant documentation, which greatly reduced the need for physical documentation.

The described projects are of great importance for the Group, given its location in different destinations.

Squeeze-out

During December 2023, the decision of the General Assembly of the Company from November 2023 on the transfer of shares of minority shareholders of the Company to the main shareholder, company Eagle Hills Zagreb Real Estate d.o.o., was entered in the court register of the Commercial Court in Zagreb, with the payment of an appropriate severance pay in the amount of 21.83 euros for one share of the Company.

With the described corporate action, the Company’s shares were delisted from the Official Market of the Zagreb Stock Exchange.

Group results - Management report

Introduction

The following Management's Discussion and Analysis of Financial Condition and Results of Operation ("MD&A") presents an analysis of the consolidated financial position of Sunce for the Reported period and should be read in conjunction with our consolidated financial statements and related notes.

This MD&A is the responsibility of management.

MD&A refers to certain financial measures that are not determined in accordance with IFRS. Although these measures do not have standardized meanings and may not be comparable to similar measures presented by other companies, these measures are defined herein or can be determined by reference to our financial statements. The Company discusses these measures because it believes that they facilitate the understanding of the results of its operations and financial position.

Our business

With 12 beachfront hotels on the Adriatic coast, 1 camp site and 1 hotel under management compromising 2,951 units, its own airport on the Island of Brač and other tourism assets located in 4 popular touristic destinations in Croatia, Sunce hoteli d.d. Group is one of the leading tourism groups in Croatia. Additionally, its joint venture company has one premium hotel property (Jadran) offering 161 units.

Under our current business model, we typically both own and manage properties. The Company owns all properties.

The Group's properties are covering all market segments, from Economy to Premium. The Group is undergoing through refurbishment cycle with an upgrade of existing mid quality assets. This should increase profitability, while increasing our competitive advantage, as there is stronger competition (supply) in lower quality segment from private accommodation facilities.

Properties are managed and operated under an in-house brand, "Bluesun Hotels and Resorts". A significant part of the Group's units is booked through Allotment contracts with various global tour-operators. They provide guarantees for certain period of occupancy.

Key performance measures used by Management

Occupancy

Occupancy represents the total number of room nights sold divided by the total number of room nights available at a hotel or group of hotels for a given period (based on operating days of the hotel). Occupancy measures the utilization of our hotels' available capacity. Management uses occupancy to gauge demand at a specific hotel or group of hotels in a given period.

Average Daily Rate ("ADR")

ADR represents cumulative hotel room revenue (accommodation and F&B board revenue) divided by total number of room nights sold for a given period. ADR measures average room price attained by a hotel, and ADR trends provide useful information concerning the pricing environment and the nature of the customer base of a hotel or group of hotels. ADR is a commonly used performance measure in the industry, and we use ADR to assess pricing levels that we are able to generate by type of customer.

Revenue per Available Room ("RevPAR")

RevPAR is calculated by dividing hotel room revenue (without F&B revenue) by total number of room nights available to guests for a given period. We consider RevPAR to be a meaningful indicator of our performance as it provides a metric correlated to two primary and key drivers of operations at a hotel or group of hotels: occupancy and ADR. RevPAR is also a useful indicator in measuring performance over comparable periods for comparable hotels.

EBITDA and Adjusted EBITDA

EBITDA reflects the consolidated net profit of the Group prepared in accordance with IFRS before all provisions for taxes, depreciation, amortization, interest, commissions, discounts and other fees arising on any debt and all interest earned on debt. Adjusted EBITDA is calculated as EBITDA, as defined above, and is further adjusted to exclude certain exceptional, one-off, non-recurring or extraordinary items that represent a gain or loss, including those arising from:

a) restructuring the entity's activities and canceling any provisions for restructuring costs;

b) disposal, revaluation, write-off or impairment of fixed assets or any reversal of write-off or impairment; and

c) disposal of assets related to the discontinued operation.

We believe that EBITDA and Adjusted EBITDA provide investors with useful information about us and our financial position and results of operations for the following reasons: (i) these measures are part of the measures used by our management to assess the performance of our business; and (ii) these measures are frequently used by securities analysts and investors as common performance indicators to compare performance or value estimates of companies in our industry. It is important to note that EBITDA and Adjusted EBITDA are not recognized terms under IFRS and have limitations as analytical tools and should not be considered as alternatives, either individually or as a substitute, for net profit (loss), cash flow or other methods of analyzing our IFRS results. Some of these limitations are as follows:

• EBITDA and Adjusted EBITDA do not reflect changes in, or monetary needs for, our working capital needs;

• EBITDA and Adjusted EBITDA do not reflect our interest expense or cash needs to settle interest or principal on our debt;

• EBITDA and Adjusted EBITDA do not reflect the provision for income taxes or the cash need to pay our taxes;

• Although depreciation is a non-monetary item, it will often be the case that depreciated assets need to be replaced in the future, and EBITDA and Adjusted EBITDA do not reflect the monetary needs for such replacements; and other companies in our industry may calculate EBITDA and Adjusted EBITDA differently, thereby limiting their usefulness as a measure of comparability.

Results of operations

In 2023, the Group generated **EUR 72.5 million in operating revenues** (2022: EUR 62 million), which is an **increase by 17%** compared to the same period last year. The Group generated **positive EBITDA in the amount of EUR 21.6 million** (2022: EUR 16.8 million), which is an increase by EUR 4.8 million compared to the same period last year or 28%. **Adjusted EBITDA amounts to EUR 22.7 million**, one-off items refer to the asset write-off, i.e. non-depreciated long-term tangible assets that were subject of replacement due to renovations during the year, project documentation related to projects that Group abandoned, unusable assets determined by internal control and non-collectible receivables write-off.

Staff costs in 2023 increased compared to the previous year due higher volume of operations. The item for 2023 amounts to EUR 21.8 million, compared to 2022 staff costs increased by 14% with the important note that in 2023 more seasonal employees were employed. **Material costs** in the amount of EUR 22.7 million represents the largest share in the Group's operating expenses and represents an increase compared to the previous year by 17% due to the increased volume of activities.

Net financial expenses in 2023 amounted to EUR 3.1 million, which is a significant increase compared to 2022 (EUR 1.6 million). Interest expenses amounted to EUR 3 million, which is increase compared to 2022 (EUR 1.3 million).

The share in the result of joint ventures amounted to EUR 0.4 million, and refers to the share of 50% in the profit of Hotel Adriatic Asset Company d.o.o. and 42% in the profit of Praona d.o.o.

Net profit of the Group amounted to **EUR 4.3 million**, while in the same period last year a profit of EUR 2.8 million was recorded. **Net financial debt amounted to EUR 38.1 million** as at 31 December 2023 which represents an decrease by EUR 9.3 million compared to 2022 (EUR 47.4 million).

The business result for 2023 gives reason for optimism and further growth to the upcoming "2024 season". Operating results from the past year show that the hotels in "Bluesun Hotels & Resorts" are a desirable destination for guests in the region and a desirable destination in the Group's emission markets, as shown by the number of recurring and new guests.

The following tables present key financial and performance indicators of the Group and have been derived from the audited consolidated Financial Statements:

Financial highlights - Sunce hoteli d.d. Group				
in thousands of EUR				
Financial performance	**12M 2023**	**12M 2022**	Δ	**%**
Revenues	72,541	61,991	10,550	17%
Operating expenses	50,973	45,175	5,798	13%
EBITDA	21,568	16,816	4,752	28%
EBITDA margin %	30%	27%		
Adjustments	1,095	735	360	49%
Adjusted EBITDA	22,663	17,551	5,112	29%
Adjusted EBITDA margin %	31%	28%		
EBIT	6,049	5,557	492	9%
Interest & Fees	3,115	1,452	1,663	115%
Net profit	4,332	2,822	1,510	54%
Financial position	**31.12.23**	**31.12.22**	Δ	
Total assets	215,384	203,760	11,624	6%
Fixed assets	174,572	167,307	7,265	4%
Cash and cash equivalents	16,691	14,486	2,205	15%
Equity	153,862	134,298	19,564	15%
Financial debt	54,819	61,885	-7,066	-11%
Net financial debt	38,128	47,399	-9,271	-20%
Total Equity / Total assets	71%	66%		
Loan coverage with collateral assets	318%	196%		
Loan to Value Ratio	0.34	0.33		

Key operating indicators				
	2023	**2022**	Δ	**%**
Number of accommodation units	2,973	2,973		
Overnights	926,940	832,496	94,444	11%
Occupancy rate (operating days)	77%	69%		
“ADR” (EUR)	146	141	5	4%
“RevPAR” (EUR)	112	97	15	15%

(1) The calculation of financial indicators is based on 12-month data prepared in accordance with IFRS.

EU taxonomy

According to the nature of the business of Sunce Hoteli d.d., the activities of the Company cannot be included in economic activities that contribute to climate goals, described in the delegated acts adopted pursuant to Article 10 (3) (Significant contribution to climate change mitigation) and Article 11. paragraph 3. Pursuant to the above, according to Article 10 of Regulation (EU) 2021/2178, Sunce Hoteli d.d. declares that it has no share of exposure to taxonomically acceptable economic activities in its total revenues and capital and operating expenses. Total revenues, investments and costs attributable to taxonomically ineligible activities are presented in the accompanying financial statements.

Information on the impact on the environment and society.

Corporate values and culture, policies and procedures of the company are key indicators of the relationship between the company and its employees. The company pays great attention to the promotion of human rights among employees and strongly supports the right of association of its employees and the work of its unions. A large number of the Company's employees are covered by the company's collective agreement. The Company's employment policy is designed to prevent discrimination based on race, nationality or gender in the employment of new employees, and this policy is implemented throughout the employment of all employees of the Company. The Company recognizes the importance of investing in reducing the negative impact of operations on the environment, and in 2023 the Company's invested approximately EUR 24 million.

Risk Factors

In addition to the other information in this Report, the following risk factors should be considered carefully in evaluating our Company and our Business.

Risks Related to Our Business and Industry

Our business in Croatia is subject to a number of business, financial and operating risks inherent to the hospitality industry, including amongst other:

- significant competition from other hospitality providers primarily in Mediterranean area which serves as a benchmark for pricing our services;
- competition of private accommodation facilities, primary in lower priced segments of our business;
- changes in operating costs, primarily employee compensations. Labor shortages or increased labor costs could impair the Group's ability toexecute its business strategy and growth plans;
- increases in costs due to inflation or other factors that may not be fully offset by price increases in our business;
- changes in taxes and governmental regulationsthat influence or set wages, prices, interest rates or construction and maintenance procedures and costs;
- the costs and administrative burdens associated with complying with applicable laws and regulations;
- the ability of third-party internet and other travel intermediaries to attract and retain customers;
- the availability and cost of capital necessary for us to fund investments, capital expenditures and service debt obligations;
- delays in or cancellations of planned or future development or refurbishment projects;
- the financial condition of developers, tour operators, franchise owners and joint venture partner;
- relationships with tour operators, franchise owners and joint venture partners, including the risk that owners may terminate our allotment, franchise or joint venture contracts.

Any of these factors could increase our costs or limit or reduce the prices we are able to charge for hospitality products and services, or otherwise affect our ability to maintain existing properties or develop new properties.

Macroeconomic and other factors beyond our control

Macroeconomic and other factors beyond our control can reduce demand for hospitality products and services, including demand for rooms at our hotels. These factors include, but are not limited to:

- changes in general economic conditions, including low consumer confidence, unemployment levels resulting from the severity and duration of any downturn on our key markets;
- the financial and general business condition of the airline, automotive and other transportation-related industries and its effect on travel, including decreased airline capacity and routes;
- conditions that negatively shape public perception of travel or result in temporary closures or other disruption at our hotel properties, including travel-related accidents, outbreaks of pandemic or contagious diseases;
- adverse weather conditions during the high season, as the Group's business is highly seasonal.

Risks Relating to Debt Financing

As a result of our outstanding debt obligations, we are subject to: (i) the risk that cash flow from operations willbe insufficient to meet required payments of principal and interest, (ii) restrictive covenants, including covenants relating to certain financial ratios, and (iii) interest rate risk. Although we anticipate that we will beable to repay or refinance our existing indebtedness and any other indebtedness when it matures, there can be no assurance that we will be able to do so or that the terms of such refinancing will be favorable.

Market risk

We are exposed to market risk primarily from changesin interest rates and foreign currency exchange rates, which may affect future income, cash flows and the fair value of the Company, depending on changes to interest rates or foreign exchange rates. In certain situations, we may seek to reduce cash flow volatility associated with changes in interest rates and foreign currency exchange rates by entering into financial arrangements intended to provide a hedge against a portion of the risks associated with such volatility.

Interest Rate Risk

We are exposed to interest rate risk as all our debt is based on variable-rate. We are most vulnerable to changes in three-month EURIBOR, as the interest rate on our variable-rate debt is based on this index.

Currency risk

With the entry of the Republic of Croatia into the Eurozone on 1 January 2023, the majority of the exposure to the currency risk of the Company and the Group disappeared, given that business with other currencies accounts for less than 1% of the total turnover, i.e. it is not materially significant.

Consolidated and Separate Financial Statements for 2023

The accompanying notes to financial statements are an integral part of the above statements.

RESPONSIBILITY FOR THE PREPARATION AND AUTHORIZATION OF ANNUAL CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

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

- suitable accounting policies are selected and then applied consistently;
- judgments and estimates are reasonable;
- applicable accounting standards are followed;
- the financial statements are prepared on the going concern basis.

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

Signed on behalf of the Company and the Group:

Chairman of the Board
Shaikh Mubarak Ali Abdulla Hamad Alkhalifa

15 April 2024
SUNCE HOTELI d.d.
Radnička cesta 43
Zagreb

Building a better working world

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INDEPENDENT AUDITOR'S REPORT

To the owners of Sunce hoteli d.d.

Opinion

We have audited the separate financial statements of Sunce hoteli d.d. (the Company), and consolidated financial statements of Sunce hoteli d.d. and its subsidiaries (together - the Group), which comprise the separate and consolidated statement of financial position as at 31 December 2023, the separate and consolidated statement of comprehensive income, the separate and consolidated statement of changes in equity and the separate and consolidated statement of cash flows for the year then ended, and notes to the separate and consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of the Company and the Group as at 31 December 2023 and of their separate and consolidated financial performance and their separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

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 separate and consolidated financial statements section of our report.

We are independent of the Company and the Group in accordance with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants, including International Independence Standards (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Republic of Croatia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Other information

Management is responsible for the other information. Other information comprises the Management Report included in the Company's and Group's Annual Report, but does not include separate and consolidated financial statements and our auditor's report thereon. Our opinion on the separate and consolidated financial statements does not cover the other information.

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

With respect to the Management Report, we also performed procedures required by the Accounting Act. Those procedures include considering whether the Management Report is prepared in accordance with the requirements of Article 21 and 24 of the Accounting Act.

Based on the procedures undertaken, to the extent we are able to assess it, we report that:

1. the information given in the enclosed Management Report is consistent, in all material respects, with the enclosed separate and consolidated financial statements; and
2. the enclosed Management Report is prepared in accordance with requirements of Article 21 and 24 of the Accounting Act.

In the light of the knowledge and understanding of the Company and Group and its environment obtained in the course of the audit of separate and consolidated financial statements, we are also required to report if we have identified material misstatements in the Management Report. We have nothing to report in this respect.

Responsibilities of management and Supervisory Board for the separate and consolidated financial statements

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

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

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

Our objectives are to obtain reasonable assurance about whether the separate and 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 separate and consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the separate and 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 Company's and Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and 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 auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and 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.

Auditor's responsibilities for the audit of the separate and consolidated financial statements (continued)
We communicate with the Supervisory Board 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.

Zvonimir Madunić
Member of the Management Board and Certified auditor

Ernst & Young d.o.o.
Radnička cesta 50
10000 Zagreb
Republic of Croatia
18 April 2024

CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME

AS AT 31 DECEMBER 2023

		Group		Company	
(in thousands of EUR)	**Note**	**2023**	**2022**	**2023**	**2022**
Revenue	4	71,109	60,361	70,496	59,822
Other income	5	1,432	1,630	1,198	1,469
Operating income		**72,541**	**61,991**	**71,694**	**61,291**
Cost of materials and services	6	(22,668)	(19,301)	(22,457)	(19,121)
Employee costs	7	(21,803)	(19,208)	(21,395)	(18,822)
Depreciation and amortisation	12, 12.1, 13	(15,519)	(11,259)	(15,194)	(10,941)
Other operating expenses	8	(6,502)	(6,666)	(6,416)	(6,590)
Operating expenses		**(66,492)**	**(56,434)**	**(65,462)**	**(55,474)**
Operating profit		**6,049**	**5,557**	**6,232**	**5,817**
Finance expense – net	9	(3,119)	(1,559)	(3,118)	(2,505)
Share in profit of associates and joint ventures	14	418	211	418	211
Reversal of value adjustments of associates and joint ventures	14	2,064	-	2,064	-
Profit before taxes		**5,412**	**4,209**	**5,596**	**3,523**
Income tax	10	(1,080)	(1,387)	(1,108)	(1,087)
Profit for the year		**4,332**	**2,822**	**4,488**	**2,436**
Profit attributable to:					
Owners of the Parent Company		4,424	2,950	4,488	2,436
Non-controlling interest		(92)	(128)	-	-
Other comprehensive income		232	90	232	90
Total comprehensive income		**4,564**	**2,912**	**4,720**	**2,526**
Total comprehensive income attributable to:					
Owners of the Parent Company		4,656	3,040	4,720	2,526
Non-controlling interest		(92)	(128)	-	-

CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME

AS AT 31 DECEMBER 2023

(in thousands of EUR)	Note	Group 31 Dec 2023	Group 31 Dec 2022	Company 31 Dec 2023	Company 31 Dec 2022
ASSETS					
Non-current assets					
Intangible assets	12	751	852	733	824
Right-of-use asset	12.1	265	219	265	219
Property, plant and equipment	13	174,572	167,307	169,749	162,528
Investment in associates and joint venture	14	12,760	10,278	12,760	10,278
Investment in subsidiaries	14.1	-	-	2,147	2,150
Loans	19	-	-	-	-
Deferred tax assets	11	5,680	6,760	6,977	8,085
Other non-current receivables	15	15	17	15	17
		194,043	**185,433**	**192,646**	**184,101**
Current assets					
Inventories	16	304	320	303	310
Trade receivables	17	2,374	1,069	2,369	1,062
Other receivables	18	1,972	2,452	1,955	2,439
Loans	19	-	-	173	138
Cash and cash equivalents	20	16,691	14,486	16,460	14,351
		21,341	**18,327**	**21,260**	**18,300**
Total assets		**215,384**	**203,760**	**213,906**	**202,401**
EQUITY AND LIABILITIES					
Share capital	21	101,746	94,827	101,746	94,827
Share premium		34,291	28,155	34,291	28,155
Other reserves		16,185	14,008	16,185	14,008
Retained earnings		2,698	(1,726)	1,801	(2,687)
		154,920	**135,264**	**154,023**	**134,303**
Non-controlling interest		**(1,058)**	**(966)**	**-**	**-**
Total equity		**153,862**	**134,298**	**154,023**	**134,303**
LIABILITIES					
Non-current liabilities					
Borrowings	22	47,429	54,544	47,429	54,544
Lease liabilities	12.1	168	139	168	139
Provisions	23	93	141	87	139
Deferred tax liabilities	24	169	118	169	118
		47,859	**54,942**	**47,853**	**54,940**
Current liabilities					
Borrowings	22	7,114	7,116	7,114	7,114
Lease liabilities	12.1	108	86	108	86
Provisions	23	28	30	28	25
Trade and other payables	25	1,832	3,296	1,771	3,263
Other liabilities	26	4,581	3,992	3,009	2,670
		13,663	**14,520**	**12,030**	**13,158**
Total liabilities		**61,522**	**69,462**	**59,883**	**68,098**
Total equity and liabilities		**215,384**	**203,760**	**213,906**	**202,401**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

(in thousands of EUR)	**Share capital**	**Share premium**	**Reserves**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total**
For the year ended 31 December 2022							
Balance as at 1 January 2022	**95,046**	**28,220**	**13,950**	**(4,464)**	**132,752**	**(1,196)**	**131,556**
Transactions with owners:							
Share capital increase	-	-	-	-	-	-	-
Capitalization of Aerodrom Brač d.o.o.	-	-	-	(182)	(182)	358	176
Total transactions with owners	-	-	-	***(182)***	***(182)***	***358***	***176***
Profit / (Loss) for the period	-	-	-	2,950	2,950	(128)	2,822
Other comprehensive income:							
Land revaluation	-	-	90	-	90	-	90
Euro conversion exchange rate differences	(219)	(65)	(32)	(30)	(346)	-	(346)
Total comprehensive income	*(219)*	*(65)*	*58*	*2,920*	*2,694*	*(128)*	*2,566*
Balance as at 31 December 2022	**94,827**	**28,155**	**14,008**	**(1,726)**	**135,264**	**(966)**	**134,298**
For the year ended 31 December 2023							
Balance as at 1 January 2023	**94,827**	**28,155**	**14,008**	**(1,726)**	**135,264**	**(966)**	**134,298**
Transactions with owners:							
Share capital increase	8,864	6,136	-	-	15,000	-	15,000
Total transactions with owners	**8,864**	**6,136**	-	-	**15,000**	-	**15,000**
Adjustment of share capital from kuna to euro	(1,945)	-	1,945	-	-	-	-
Profit / (Loss) for the period	-	-	-	4,424	4,424	(92)	**4,332**
Other comprehensive income:							
Land revaluation	-	-	232	-	232	-	**232**
Total comprehensive income	-	-	*232*	*4,424*	*4,656*	(92)	*4,564*
Balance as at 31 December 2023	**101,746**	**34,291**	**16,185**	**2,698**	**154,920**	**(1,058)**	**153,862**

SEPARATE STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

(in thousands of EUR)	**Share capital**	**Share premium**	**Reserves**	**Retained earnings**	**Total**
For the year ended 31 December 2022					
Balance as at 1 January 2022	**95,046**	**28,220**	**13,950**	**(5,135)**	**132,081**
Transactions with owners:					
Share capital increase	-	-	-	-	**-**
Total transactions with owners	**-**	**-**	**-**	**-**	**-**
Other comprehensive income:					
Land revaluation	-	-	90	-	90
Profit for the period	-	-	-	2,436	2,436
Euro conversion exchange rate differences	(219)	(65)	(32)	12	(304)
Total comprehensive income	(219)	(65)	58	2,448	2,222
Balance as at 31 December 2022	**94,827**	**28,155**	**14,008**	**(2,687)**	**134,303**
For the year ended 31 December 2023					
Balance as at 1 January 2023	**94,827**	**28,155**	**14,008**	**(2,687)**	**134,303**
Transactions with owners:					
Share capital increase	8,864	6,136	-	-	15,000
Total transactions with owners	**8,864**	**6,136**	-	-	**15,000**
Adjustment of share capital from kuna to euro	(1,945)	-	1,945	-	**-**
Other comprehensive income:					
Land revaluation	-	-	232	-	232
Profit for the period	-	-	-	4,488	4,488
Total comprehensive income		-	232	4,488	4,720
Balance as at 31 December 2023	**101,746**	**34,291**	**16,185**	**1,801**	**154,023**

CONOSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Group		Company	
	31.12.2023.	**31.12.2022.**	**31.12.2023.**	**31.12.2022.**
	(in thousands of EUR)			
Cash flow from operating activities *(note 27)*	**21,733**	**17,958**	**21,285**	**17,707**
Interest paid	(3,020)	(1,327)	(3,020)	(1,327)
Tax paid	-	-	-	-
Net cash from operating activities	**18,713**	**16,631**	**18,265**	**16,380**
Purchase of property, plant and equipment *(note 13)*	(24,125)	(38,005)	(23,741)	(37,747)
Purchase of intangible assets *(note 12)*	(173)	(756)	(173)	(731)
Loans granted to related parties	-	-	(35)	(64)
Net cash used from investment activities	**(24,298)**	**(38,761)**	**(23,949)**	**(38,542)**
Cash flow from financing activities				
Share capital increase	15,000	-	15,000	-
Receipts from borrowings	-	12,310	-	12,310
Repayments of borrowings	(7,117)	(7,101)	(7,114)	(7,101)
Repayment of principal of lease liabilities	(93)	(809)	(93)	(809)
Repayment of finance leases	-	(2)	-	-
Net cash generated from financing activities	**7,790**	**4,398**	**7,793**	**4,400**
Net increase / (decrease) in cash and cash equivalents	**2,205**	**(17,732)**	**2,109**	**(17,762)**
Cash and cash equivalents				
At beginning of year	14,486	32,218	14,351	32,113
At year end *(note 20)*	16,691	14,486	16,460	14,351
Net increase / (decrease)	**2,205**	**(17,732)**	**2,109**	**(17,762)**

NOTES TO THE CONOSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 1 – GENERAL INFORMATION

The financial statements for the year ended 31 December 2023 include the financial statements of Sunce Hoteli d.d. (The “Company”) and its subsidiaries (the “Group”).

Sunce Hoteli d.d. (“Company”) is a Company which manages hotels and provides a variety of consulting services related to the management and operation of companies including advertising and marketing services, real estate management, procurement, providing services in nautical, rural tourism, health services, congresses, sport activities and other forms of tourism (PIN: 06916431329; RN: 01069647). The Company was established as a private limited liability Company. The General Assembly reached a decision at its meeting held on 4 April 2007 to transform the Company from a limited Company to a public listed Company. Specific details of subsidiaries and the nature of their operations are noted in the table below:

The Group consists of following entities in 2023:

	Nature of Business	**Ownership**
Sunce Hoteli d.d.	Hotels	Parent Company
Aerodrom Brač d.o.o.	Airport	51.32%
*Zlatni rat - Poljoprivreda d.o.o.	Agriculture	80.99%
*Zlatni rat - Servis d.o.o.	Maintenance	80.99%
*Zlatni rat - Tenis centar d.o.o.	Tennis operator	80.99%
Plaža Zlatni rat d.o.o.	Beach operator	80.99%
Eko – promet d.o.o.	Transport	41.39%
**Sunce Vital d.o.o.	Medical services	100%
*Brač 500 Plus d.o.o.	Cable car management	69.44%
*Brela Jakiruša d.o.o.	Serving food and beverages	100%

** The companies were liquidated at the end of 2023.*

*** The company was liquidated at the beginning of 2024.*

The Group consists of following entities in 2022:

	Nature of Business	**Ownership**
Sunce Hoteli d.d.	Hotels	Parent Company
Zlatni rat - Poljoprivreda d.o.o.	Agriculture	80.99%
Zlatni rat - Servis d.o.o.	Maintenance	80.99%
Zlatni rat - Tenis centar d.o.o.	Tennis operator	80.99%
Plaža Zlatni rat d.o.o.	Beach operator	80.99%
Eko – promet d.o.o.	Transport	41.39%
Aerodrom Brač d.o.o.	Airport	51.32%
Sunce Vital d.o.o.	Medical services	100%
Brač 500 Plus d.o.o.	Cable car management	69.44%
Brela Jakiruša d.o.o.	Serving food and beverages	100%

NOTE 1 – GENERAL INFORMATION (continued)

As at 31 December 2023, Sunce Hoteli d.d. is controlled by the company Eagle Hills Zagreb Nekretnine d.o.o. registered in Croatia, Ive Malina 11, Zagreb.

Ownership structure 2023

On 23 March 2021, Eagle Hills Zagreb Real Estate d.o.o. entered into a share purchase agreement with Lucidus d.d. and holders of business shares of Sunce Ulaganja d.o.o. as sellers on the basis of which the Company Eagle Hills Zagreb Real Estate d.o.o. partly directly and indirectly acquired a total of 4,151,092 Ordinary shares of series A of the Company, designations SUKC-R-A with a nominal value of HRK 100 per share, which represent 69.71% of the share capital of the Company.

As at 31 December 2021, Eagle Hills Zagreb Real Estate d.o.o. had 38.56% of direct shares in Sunce Hoteli d.d. which represents 2,755,036 shares while the same Company through its 100% share in Sunce Ulaganja d.o.o. has 42.05% of indirect shares, which represents a total of 80.61% of the total ownership of the Company Sunce Hoteli d.d.

As at 31 December 2022, the company Eagle Hills Zagreb Real Estate d.o.o. had 54.44% direct shares in Sunce Hoteli d.d. which represents 3,889,630 shares, while the same Company through its 100% share in Sunce Ulaganja d.o.o. has 42.05% indirect shares, which represents 96.49% of the total ownership of the Company Sunce Hoteli d.d.

As at 31 December 2023, Eagle Hills Zagreb Real Estate d.o.o. had 61.61% direct shares in the Sunce Hoteli d.d. which represents 4,821,948 shares, while the same company through a 100% share in the company Sunce Ulaganja d.o.o. has 38.39% of indirect shares, which in total represents 100% of the total ownership of the company Sunce Hoteli d.d.

Supervisory Board

Mohamed Ali Rashed Alabbar – Chairman of the Supervisory Board (since 25 June 2021)
Frederick William Howdon Durie – Deputy Chairman of the Supervisory Board (since 25 June 2021)
Rosa Mijailović – Member of the Supervisory Board (since 26 August 2022)

Management Board

Shaikh Mubarak Ali Abdulla Hamad Alkhalifa – President of the Management Board

NOTE 1 – GENERAL INFORMATION (continued)

1.1. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Standards and Interpretations effective in the current period.

The following new standards and amendments to the existing standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee and adopted by the EU are effective for the current period:

- **IFRS 17** *Insurance contracts*, issued on 18 May 2017; including Amendments to IFRS 17 issued on 25 June 2020, (effective date for annual periods beginning on or after 1 January 2023).

- **Amendments to IFRS 17** *Insurance contracts*: Initial Application of IFRS 17 and IFRS 9 – Comparative Information, issued on 9 December 2021 (effective date for annual periods beginning on or after 1 January 2023).

- **Amendments to IAS 12** *Income Taxes*: Deferred Tax related to Assets and Liabilities arising from a Single Transaction, issued on 7 May 2021 (effective date for annual periods beginning on or after 1 January 2023).

- **Amendments to IAS 12** *Income taxes***:** International Tax Reform – Pillar Two Model Rules, issued on 23 May 2023 (effective date for annual periods beginning on or after 1 January 2023).

- **Amendments to IAS 1** *Presentation of Financial Statements* and IFRS Practice Statement 2: Disclosure of Accounting policies, issued on 12 February 2021 (effective date for annual periods beginning on or after 1 January 2023).

- **Amendments to IAS 8** *Accounting policies, Changes in Accounting Estimates and Errors*: Definition of Accounting Estimates, issued on 12 February 2021 (effective date for annual periods beginning on or after 1 January 2023).

The adoption of these Standards and Interpretations had no significant impact on the financial statements of the Company and the Group.

Standards and Interpretations issued by IASB and endorsed by the EU but not yet effective.

- **Amendments to IAS 1** *Presentation of Financial Statements:* Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current – Deferral of Effective Date, issued on 23 January 2020 and 15 July 2020 respectively (effective date for annual periods beginning on or after 1 January 2024).

- **Amendments to IFRS 16** *Leases*: Lease Liability in a Sale and Leaseback, issued on 22 September 2022 (effective date for annual periods beginning on or after 1 January 2024).

NOTE 1 – GENERAL INFORMATION (continued)

1.1. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Standards and Interpretations issued by IASB but not yet adopted by the EU.

At the date of authorization of these financial statements the following standards, revisions and interpretations were in issue by the International Accounting Standards Board but not yet adopted by the EU:

- **Amendments to IAS 21** *The Effects of Changes in Foreign Exchange Rates:* Lack of Exchangeability (issued on 15 August 2023).

- **Amendments to IAS 7** *Statement of Cash Flows and IFRS 7 Financial Instruments**:** Disclosures:* Supplier Finance Arrangements (issued on 25 May 2023).

The Company and the Group does not anticipate that the adoption of these Standards and Interpretations will have a significant impact on the financial statements of the Company and the Group.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented herein, unless otherwise noted.

2.1 Basis of preparation

Statement of compliance

Financial statements for the Company and the Group for the year ended 31 December 2023 have been prepared in accordance with the applicable laws in the Republic of Croatia and International Financial Reporting Standards as adopted by the European Union (IFRS).

Consolidated and separate financial statements have been prepared under the going concern basis, in which the effects of transactions are recognized when they are incurred and disclosed in the financial statements for the period to which they relate, and using the going concern basis.

The accounting policies have been consistently applied, unless otherwise noted. Consolidated and separate financial statements have been prepared using the historical cost method.

These financial statements represent the financial position and results of the Company and the Group.

Euro conversion

The financial statements are presented in euros ("€"), which is the currency of the primary economic environment in which the Company and the Group operate from 1 January 2023, when the euro conversion was implemented ("functional currency") and are rounded to the nearest thousand. Items included in the financial statements of the Company and the Group are expressed in the currency of the primary economic environment in which the Company and the Group operate (functional currency). The financial statements are presented in euros, which represents the functional and reporting currency of the Company and the Group.

Since the Republic of Croatia introduced the euro as the official currency on 1 January 2023, in accordance with the Law on the introduction of the euro as the official currency in the Republic of Croatia, the Company changed the presentation currency for the purposes of preparing financial statements for the year ended 31 December 2023 from kuna to euros, and the financial statements for the year ended 31 December 2023 were the first to be prepared in euros. From 1 January 2023, the euro is also the functional currency of the Company and the Group.

Although the change in the presentation currency in the financial statements represents a change in accounting policy that requires retroactive application, the Company did not publish the third balance sheet in the financial statements for the year ended 31 December 2023 in accordance with International Accounting Standard 8 (IAS) *Accounting Policies, Changes in Accounting Estimates and Errors*, given that it has determined that the change in the presentation currency has no significant impact on the Company's and the Group`s financial statements, due to the stable HRK/EUR exchange rate over the past few years.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation

a) Subsidiaries

The Company 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 and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition by-acquisition basis, the Company recognises any non-controlling interest in the acquiree either at fair value or at the proportionate share of the minority interest in the net assets of the acquired Company.

The excess of the consideration transferred, the amount of any minority interest in the acquiree and the fair value at the acquisition date of any previous equity interest in the acquiree over the fair value of the Company's interest in the identifiable net assets acquired is recorded as goodwill.

In consolidated financial statements, all transactions withing the Group, balances, unrealised gains and losses on transactions between the Group companies are eliminated. Where necessary, accounting policies of subsidiaries have been adjusted to ensure consistency with the policies adopted by the Group.

b) Subsidiaries in separate financial statements

The Company discloses its subsidiaries in the separate financial statements at cost value less impairment.

c) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests that do not result in loss of control as transactions with equity owners of the Group. For purchase from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity. When the Group ceases to have control, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

c) Transactions with non-controlling interests (continued)

If an ownership interest in an associate is reduced but significant influence is retained, only a proportionate portion of the amounts previously recognized in other comprehensive income is reclassified to the statement of comprehensive income or loss when necessary.

d) Joint ventures

The Group's and the Company's interests in jointly controlled ventures are accounted for under the equity method. Under this method, an interest in a jointly controlled entity is initially recorded at cost and adjusted thereafter for the post-acquisition change in the venture's share of net assets of the jointly controlled entity.

2.3 Investments in associates

In the financial statements results, assets and liabilities of the associates are stated on the basis of equity method. Equity method requires investments in associates to be carried at cost adjusted for all changes of the Company and Group's share in net assets of the associates after the acquisition date, as well as for any impairment of individual investments. Losses of an associate in excess of the Company and Group's interest in that associate, which includes any long-term interests that, in substance, form part of the Company and Group's net investment in the associate are recognized only to the extent that the Company and Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Where a Group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Goodwill / Bargain purchase

Goodwill arising on the acquisition or merger of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Company and Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

In the respect of Bargain purchase, any excess of the Company and Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss or against the assets of the acquired subsidiary to reflect the real cost of acquisition.

For the purpose of impairment testing, goodwill is allocated to each of the Company and Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2.5 Merger of entities and transactions with companies under common control

Merger of entities classified as companies under common control are accounted for using book values previously disclosed in separate financial statements. Under this method, the assets and liabilities of the entities under common control are transferred to the predecessor entities' carrying amounts. Related goodwill inherent in the predecessor entity's original acquisitions is also recorded in these financial statements. Any difference between the carrying amount of the net assets and the consideration paid is accounted for in these financial statements as an adjustment to equity (retained earnings).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. Foreign exchange gains and losses are presented in the statement of comprehensive income under ‘Net financial expenses’.

2.7 Revenue from contracts with customers

Revenues consist of the fair value of fees received or receivables for services provided during the regular operations of the Company and the Group. Revenues are shown in amounts less value added tax. The Group's revenues are shown after elimination of intra-Group sales. The Company and the Group recognize revenue when the amount of revenue can be reliably measured, when the Company and the Group will have future economic benefits and when the specific criteria for all the Company's and the Group's activities described below are met.

(a) Hotels in the ownership

Primarily revenues arising from the operation of owned or leased hotels, including room rentals, food and beverage sales and other services, which are managed under the Company and Group's trademark. Revenue is recognized when rooms are used, food and beverages are sold or services are provided.

(b) Rent income

Revenues from rental services are recognized in the period in which the services are provided, using the straight-line method over the period of the contract with the lessors.

Contractual assets and liabilities

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company and Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Company and Group’s right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company and Group have received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company and Group transfers goods or services to the customer, a contract liability (advance payments received) is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company and Group performs under the contract.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Provisions

Provisions are recognised if the Company and the Group have a present legal or constructive obligation as a result of a past event, if an outflow of resources is probable to settle the obligation, and if the amount of the liability can be estimated reliably.

Provisions are reviewed on the balance sheet date and are adjusted with an assessment based on current best knowledge. The amount of provision is increased in each period to reflect the time flow. This increase is presented as interest expense.

2.9 Financial income and expenses

Financial income and expenses comprise of interests on loans granted calculated by using the effective interest rate method, interest receivables from funds invested, income from dividends, foreign exchange gains/losses.

Interest income is recognized in the income statement on an accrual basis using the effective interest rate method. Dividend income is recognised in the statement of comprehensive income at the date the Company and Group’s right to the dividend has been established.

Financial expenses are comprised from the interests calculated on loans and losses from exchange rate differences.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period indispensable for the finalization and preparation of the asset for its intended use or sale. Other borrowing costs are recognized in the statement of comprehensive income using the effective interest rate method.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated and separate statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company and Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each reporting date, the Company and Group reassesses unrecognized deferred tax assets and the appropriateness of the present value of tax assets.

Current and deferred taxes for the period

Current and deferred taxes are recognised as income or expense in the Income tax position other than taxes relating to items reported directly in equity and reserves, in which case the tax is also reported in equity

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Property, plant and equipment

Property, plant and equipment are recognized at cost less subsequent accumulated depreciation and any recognized impairment losses. Property, plant and equipment under construction are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Company and Group's accounting policy. Depreciation of these assets commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost, other properties under construction, over their estimated useful lives, using the straight-line method, at the following rates:

	2023.	2022.
Buildings (hotels, residential buildings)	20 – 66 years	20 – 66 years
Other buildings (playground, parking, news-stand etc.)	20 – 66 years	20 – 66 years
Vehicles	5 years	5 years
Computers	4- 5 years	4- 5 years
Plant and equipment	5 – 30 years	5 – 30 years
Furniture	5 – 20 years	5 – 20 years

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Land owned by the Company and Group where construction objects have not been built are revalued and are not amortized. Any increase in value utilized by revaluation of land is credited to the revaluation reserve for real estate, unless the increase reverses losses previously recognized in the statement of comprehensive income for the same asset, in which case the increase in value is recorded in the statement of comprehensive income up to the amounts previously recognized as losses.

Any revaluation increase arising on the revaluation of such land is credited in equity to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of such land is charged to profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

On the subsequent sale or retirement of a revalued land, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognized.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Intangible assets

Intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period. Useful lives of the applicable intangible assets are five to ten years.

2.13 Impairment of tangible and intangible assets

At each balance sheet date, the Company and Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company and Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. If it is possible to determine reasonable and consistent basis of allocation, the assets of the Company and Group are also allocated to individual cash-generating units or, if not possible, the smallest group of cash generating units for which it is possible to determine reasonable and consistent allocation basis.

Intangible assets with indefinite useful life and intangible assets that are not yet available for use are tested for impairment once a year and whenever there is an indication of possible impairment.

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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Lease

The Company and Group evaluates contracts to determine whether a contract contains a lease or not. That is, a lease is a contract (or part of a contract) that transfers the right to use the property (the subject property), for a certain period of time, in exchange for compensation.

Company and Group as lessee

The Company and Group applies a single recognition and measurement approach to all leases, except for short-term leases and low-value leases. The Company and Group recognizes lease obligations to pay leases and property, plant and equipment that represents the right to use the asset in question. There are two key concepts:

1. Right-of-use asset

The Company and Group recognize an right-of-use asset at the initial lease date (i.e., the amount of the initial measurement of lease liability). Right-of-use assets are measured at cost less accumulated depreciation and impairment losses, modified for any revaluation of lease obligations. The cost of a qualifying asset includes the amount of recognized lease liability, direct costs incurred any lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

If ownership of the leased asset is transferred to the Company and Group at the end of the lease term or the cost reflects the exercise of the purchase option, depreciation is calculated taking into account the estimated useful life of the asset. Right-of-use asset are presented in a separate line of the statement of financial position.
Right-of-use assets are also subject to impairment.

2. Lease liability

On the first date of the lease, the Company and Group recognizes lease obligations, measured at the present value of all lease payments that will arise during the lease term. Lease payments include fixed payments (including substantially fixed payments) less all lease incentive claims, variable lease payments that depend on an index or rate, and amounts expected to fall due under the guaranteed residual value.
Variable lease payments that do not depend on an index or rate are recognized as an expense in the period in which they are incurred or when the conditions that encourage payment are met. In calculating the present value of the lease, the Company and Group uses its own incremental borrowing rate at the inception of the lease because the interest rate included in the lease is not easy to determine. After the commencement date, the amount of the lease liability is increased to reflect the release of interest and is reduced by the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there are changes, changes in lease periods, changes in rent (e.g. changes in future payments resulting from changes in the index or rate used to determine such leases) or changes in the assessment of the option to purchase the asset. Lease liabilities are presented in a separate line of the consolidated and separate statement of financial position.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Lease (continued)

Short-term leases and low-value leases

The Company and Group applies the exemption for the recognition of short-term lease on its short-term leases (ie. leases that last 12 months or less). Leases that contain a purchase option cannot be classified as short-term leases. The Company and Group applies the asset recognition exemption to leases of office equipment that are considered to be of low-value. Rent for short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the term of the lease.

Company and Group as lessor

Leases in which the Company and the Group do not transfer substantially all the risks and rewards incidental to ownership of assets are classified as operating leases. Lease income is calculated on a straight-line basis over its lease terms and is included in income statement in the statement of comprehensive income due to its operational nature.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Inventories

Inventories are carried at cost. Cost includes an appropriate portion of fixed and variable overhead expenses assigned in bringing the inventories to their present location and condition. The Company and Group’s small inventory useful life for 5* hotels is four years while small inventory of hotels with lower categorization is written off over a period of one year.

2.16 Financial asset

Classification

The Company and Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, and financial assets at amortised cost. The classification depends on the purpose for which the financial assets were acquired. The Management determines the classification of financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) Financial assets at fair value through profit or loss

This category includes financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by the Management. Assets in this category are classified as current assets except derivative financial instruments.

(b) Financial assets at fair value through other comprehensive income (OCI)

The Group and Company measures financial assets at fair value through OCI if both of the following conditions are me:

• The financial asset is held within a business model with the objective of holding the financial assets to collect and selling contractual cash flows

• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of the principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for the financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

(c) Financial assets at amortised cost

The Company and Group measures financial assets at amortised cost if both of the following conditions are met:

• The financial asset is held within a business model with the objective of holding financial assets in order to collect contractual cash flows

• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Financial asset (continued)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Financial assets at amortized cost include trade receivables.

Measurement and recognition

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Company and Group committed to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company and Group has transferred substantially all risks and rewards of ownership. Loans and receivables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are presented in the statement of comprehensive income within “other (losses)/gains – net” in the period in which they arise.

The interest on securities calculated using the effective interest method is recognised in the statement of comprehensive income as part of other income. Dividends on equity instruments are recognised in the statement of comprehensive income as part of other income when the right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company and Group establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions and references to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Financial asset (continued)

Impairment of financial assets

The Company and Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company and Group expects to receive.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). For trade receivables and contract assets, the Company and Group applies a simplified approach in calculating ECLs. Therefore, the Company and Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. Financial assets are written off when there is no reasonable expectation of recovery.

2.17 Trade receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less the allowance for expected credit losses (ECLs), as described in Note 2.16.

2.18 Cash and cash equivalents

Cash and cash equivalents are carried at cost in the statement of financial position. For the purposes of the cash flow statement, cash and cash equivalents consist of cash at bank and cash on hand.

2.19 Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

They are subsequently measures at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The Company and Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Key estimates, assumptions and uncertainties used in the preparation of the financial statements

During the preparation of the consolidated and separate financial statements, the management used certain judgements, estimates and assumptions that affect the carrying amount of assets and liabilities of the Company and the Group, disclosures of contingent items at the balance sheet date and income and expenses for that period.

Estimations have been used, but are not limited on: calculation of depreciation and useful lives, residual value of property, plant and equipment and tangible assets, estimation of recoverability of property, plant and equipment and recoverability of investments in subsidiaries, associates and joint ventures, value adjustment for inventories and doubtful receivables, provisions for employee benefits and legal cases.

More details on the accounting policies for these estimations are presented in other parts of notes, as well as other notes to the consolidated and separate financial statements. Future events and their effects cannot be estimated with a certainty. Due to that accounting estimates require judgement, and estimates that are used in the preparation of the financial statements are subject to changes from future events, additional experience, new additional information and changes in environment in which the Group operates. Actual results can differ from estimated results.

2.21 Contingent assets and liabilities

Contingent liabilities are not recognised in the consolidated and separate financial statements, but only disclosed in the notes to the consolidated and separate financial statements.

Contingent assets are not recognized in the consolidated and separate financial statements except when the inflow of economic benefits is virtually certain.

2.22 Government grants

The Company is a recipient of certain government grants. Hence, an accounting policy concerning the presentment of government grants has been adopted in accordance with IAS 20. The Company and the Group has selected to present the grants related to income as a deducted item of reported related costs in the same period.

Also, government grants related to the acquisition of tangible assets are initially recognized as deferred income at fair value when there is reasonable assurance that they will be received and when the Company and the Group comply with all conditions associated with them. They are subsequently recognised in other operating income on a systematic basis, based on the useful life of the fixed asset.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Share capital

Share capital consists of ordinary shares. The consideration paid for treasury shares, including all directly attributable transaction costs, reduces the share capital attributable to shareholders of the Company and the Group until the shares are withdrawn, reissued or sold. When such shares are subsequently sold or reissued, any consideration received, net of any directly attributable transaction costs, is included in equity attributable to shareholders of the Company and the Group.

2.24 Events after the reporting date

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

NOTE 3 – FINANCIAL RISK MANAGEMENT

The Company and Group is exposed in its business mostly to market (interest risk), credit risk and liquidity risk.

The Company and Group does not use derivative financial instruments. The risk management policies relating to current and non-current financial assets, current and non-current receivables, cash management as well as debts and liabilities can be summed up as follows:

3.1 Capital risk management

The Company and Group manages its capital to ensure that it will be able to continue as going concern while maximising the return to shareholders through the optimisation of the debt to equity balance. The Company and Group manages capital and for the purpose of proper capital structure, in accordance with the economic conditions present on the market, is makes appropriate adjustments. The Company and Group can make a decision if the retained earnings should be distributed to shareholders, if the capital needs increase or decrease, if the assets should be sold in order to decrease liabilities and similar.

The management reviews the sources of funding on a monthly basis. The sources of funding the Company and Group's regular business, investments and repayments of long-term debt were mainly own cash funds.

The gearing ratio at the year-end can be presented as follows:

	Group		**Company**	
	31 Dec 2023	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**
	(in thousands of EUR)			
Debt /i/	54,543	61,660	54,543	61,658
Lease liabilities	276	225	276	225
Cash and cash equivalents	(16,691)	(14,486)	(16,460)	(14,351)
Net debt	**38,128**	**47,399**	**38,359**	**47,532**
Equity /ii/	153,862	134,298	154,023	134,303
Net debt-to-equity ratio	**25%**	**35%**	**25%**	**35%**

/i/ Debt consists of long-term and short-term loan liabilities. Short-term loan liabilities refer to the current maturity of long-term loans and short-term loans that fall due within one year after the balance sheet date.

/ii/ Equity includes share capital, reserves, retained earnings and profit for the year.

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.2 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

Accounting policies for financial instruments are applied on the following balance sheet items:

The Group:

2023

	Cash, Loans and receivables	Financial assets	Financial assets through comprehensive income	Total
31 December 2023	EUR'000	EUR'000	EUR'000	EUR'000
Long term receivables	15	-	-	15
Trade and other receivables	4,346	-	-	4,346
Loan receivables	-	-	-	-
Cash and cash equivalents	16,691	-	-	16,691
Total	**21,052**	**-**	**-**	**21,052**

2022

	Cash, Loans and receivables	Financial assets	Financial assets through comprehensive income	Total
31 December 2022	EUR'000	EUR'000	EUR'000	EUR'000
Long term receivables	17	-	-	17
Trade and other receivables	3,521	-	-	3,521
Loan receivables	-	-	-	-
Cash and cash equivalents	14,486	-	-	14,486
Total	**18,024**	**-**	**-**	**18,024**

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.2 Significant accounting policies (continued)

The Company:

2023

	Cash, Loans and receivables	**Financial assets**	**Financial assets through comprehensive income**	**Total**
31 December 2023	EUR'000	EUR'000	EUR'000	EUR'000
Long term receivables	15	-	-	15
Trade and other receivables	4,324	-	-	4,324
Loan receivables	173	-	-	173
Cash and cash equivalents	16,460	-	-	16,460
Total	**20,972**	**-**	**-**	**20,972**

2022

	Cash, Loans and receivables	**Financial assets**	**Financial assets through comprehensive income**	**Total**
31 December 2022	EUR'000	EUR'000	EUR'000	EUR'000
Long term receivables	17	-	-	17
Trade and other receivables	3,501	-	-	3,501
Loan receivables	138	-	-	138
Cash and cash equivalents	14,351	-	-	14,351
Total	**18,007**	**-**	**-**	**18,007**

Historical carrying amount of receivables and payables, including provisions that are in accordance with normal operating conditions, is approximately equal to their fair value.

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.3 Financial risk management

The Company and Group's Management monitors and manages the financial risks relating to the operations of the Company and Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

Market risk

Market risk is the risk that the change in market prices, as change of foreign currencies and interest rates, would influence the Company and Group's result of the value of its financial instruments. Goal of the market risk management is managing and controlling the exposure to this risk within acceptable parameters, thus, optimizing returns.

The Company and Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

There have been no significant changes to the Company and Group's exposure to market risks or the manner in which it manages and measures the risk.

Interest risk

The Company and Group is exposed to interest risk since the loans received is agreed at variable interest rate while the most of assets does not bear interests. The Company and Group does not hedge exposure to interest rate risk.

The following table shows sensitivity of changes of interest rates relating to Company and Group's loans as of 31 December 2023 and 31 December 2022, with the assumptions that all other variables are constant, on income before taxes.

The analysis was made on the assumption that the outstanding amount of long-term loans at variable interest rates at the reporting date was outstanding for the entire year.

The average interest rates that applied in 2023 are increased or decreased by 1 percentage point (p.p.). Amounts are shown in thousands of EUR.

2023	**Increase / decrease in percentage**	**Effect on profit before taxes EUR'000**	
		Group	**Company**
EUR	+1 p.p.	(581)	(581)
EUR	-1 p.p.	581	581

2022	**Increase / decrease in percentage**	**Effect on profit before taxes EUR'000**	
		Group	**Company**
EUR	+1 p.p.	(617)	(617)
EUR	-1 p.p.	617	617

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.3 Financial risk management (continued)

Foreign currency risk

With the entry of the Republic of Croatia into the eurozone from 1 January 2023, the majority of the exposure to the currency risk of the Company and the Group disappeared, given that business with other currencies accounts for less than 1% of the total turnover, i.e. it is not materially significant.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company and Group. The Company and Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss form defaults. The Company and Group only transacts with entities with good credibility. The Company and Group uses other publicly available financial information and its own trading records to rate its major customers.

The Company and Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transaction concluded is spread amongst approved counterparties.

The greatest part of credit risk is based on trade receivables.

Trade and other receivables

The Company and Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company and Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. The Company and Group has established a credit policy under which each new customer is analysed individually for creditworthiness before standard payment and delivery terms and conditions are offered. The Company and Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments.

Liquidity risk

Liquidity risk is the risk that the Company and Group will not be able to meet its financial obligations as they fall due. Risk management is the responsibility of the Management Board, which has built quality frame for the monitoring of current, middle and long-term financing, and all depends related to liquidity risk. The Company and the Group manages this risk by constant monitoring of estimated and actual cash flow with the maturity of financial assets and liabilities.

The following table shows the maturity of financial liabilities of the Company and Group at 31 December 2023 and 2022 according to the contracted non-discounted payments:

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

Group	**Carrying value**	**Contracted cash flows**	**0 – 12 months**	**1 – 2 years**	**2 – 5 years**	**Over 5 years**
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
31 December 2023						
Borrowings	54,543	58,732	8,106	15,807	22,711	12,108
Lease liabilities	276	276	108	108	60	-
Trade and other payables	1,832	1,832	1,832	-	-	-
Other liabilities	4,581	4,581	4,581	-	-	-
	61,232	**65,421**	**14,627**	**15,915**	**22,771**	**12,108**

Group	**Carrying value**	**Contracted cash flows**	**0 – 12 months**	**1 – 2 years**	**2 – 5 years**	**Over 5 years**
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
31 December 2022						
Borrowings	61,660	66,971	8,239	16,076	23,111	19,545
Lease liabilities	225	225	86	139	-	-
Trade and other payables	3,296	3,296	3,296	-	-	-
Other liabilities	3,992	3,992	3,992	-	-	-
	69,173	**74,484**	**15,613**	**16,215**	**23,111**	**19,545**

Company	**Carrying value**	**Contracted cash flows**	**0 – 12 months**	**1 – 2 years**	**2 – 5 years**	**Over 5 years**
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
31 December 2023						
Borrowings	54,543	58,732	8,106	15,807	22,711	12,108
Lease liabilities	276	276	108	108	60	-
Trade and other payables	1,771	1,771	1,771	-	-	-
Other liabilities	3,009	3,009	3,009	-	-	-
	59,599	**63,788**	**12,994**	**15,915**	**22,771**	**12,108**

Company	**Carrying value**	**Contracted cash flows**	**0 – 12 months**	**1 – 2 years**	**2 – 5 years**	**Over 5 years**
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
31 December 2022						
Borrowings	61,658	66,971	8,239	16,076	23,111	19,545
Lease liabilities	225	225	86	139	-	-
Trade and other payables	3,263	3,263	3,263	-	-	-
Other liabilities	2,670	2,670	2,670	-	-	-
	67,816	**73,129**	**14,258**	**16,215**	**23,111**	**19,545**

NOTES TO THE CONOSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 4 – REVENUE

The Company and Group's sales revenues can be classified according to the customers' origin.

	Group		Company	
	2023	**2022**	**2023**	**2022**
	(in thousands of EUR)			
Foreign sales	62,576	54,095	62,036	53,613
Domestic sales	8,533	6,266	8,460	6,209
	71,109	**60,361**	**70,496**	**59,822**

Foreign sales of the Group, according to the number of overnight stays, may be classified as follows:

	2023		**2022**	
	(in thousands of EUR)	%	*(in thousands of EUR)*	%
Germany	10,882	17%	10,874	20%
Great Britain	7,059	11%	7,681	14%
Bosnia and Herzegovina	5,306	8%	3,769	7%
Sweden	3,723	6%	2,405	4%
Slovenia	3,285	5%	3,373	6%
Austria	3,204	5%	3,856	7%
Ukraine	2,647	4%	811	1%
Poland	2,491	4%	3,393	6%
Slovakia	1,990	3%	2,255	4%
Czech Republic	1,740	3%	3,022	6%
Other countries	20,249	34%	12,656	25%
	62,576	**100%**	**54,095**	**100%**

The Group's total assets and capital expenditures are located in the Republic of Croatia.

NOTE 5 – OTHER INCOME

	Group		Company	
	2023	**2022**	**2023**	**2022**
	(in thousands of EUR)			
Rent income	417	387	400	367
Income from grants	166	193	40	102
Tourist agency fee income	102	201	103	201
Penalty income	65	7	65	7
Revenue from supplier approval	17	121	17	121
Revenue from approvals	-	62	-	62
Other income	665	659	573	609
	1,432	**1,630**	**1,198**	**1,469**

The category "Other revenues" in 2023 and 2022 includes revenues from write-offs of liabilities to suppliers, subsequently determined revenues, revenues from recharged costs, revenues from transport services and etc.

NOTES TO THE CONOSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 6 – COST OF MATERIALS AND SERVICE

	Group		Company	
	2023	**2022**	**2023**	**2022**
	(in thousands of EUR)			
Raw materials and supplies				
Raw materials and supplies	(9,352)	(7,835)	(9,337)	(7,820)
Energy and water	(4,003)	(3,237)	(3,954)	(3,200)
Small inventory	(539)	(598)	(534)	(594)
Cost of goods sold	(62)	(67)	(49)	(56)
	(13,956)	**(11,737)**	**(13,874)**	**(11,670)**
External services				
Advertising and promotion	(1,760)	(1,475)	(1,759)	(1,474)
Maintenance	(1,750)	(1,407)	(1,701)	(1,373)
Communal fees	(1,656)	(1,598)	(1,648)	(1,586)
Laundry and cleaning services	(1,099)	(816)	(1,099)	(816)
Intellectual services /i/	(603)	(596)	(602)	(578)
Rent	(531)	(210)	(527)	(208)
Animation and entertainment	(518)	(720)	(518)	(720)
Transportation and telecommunication	(303)	(253)	(274)	(232)
Other services /ii/	(492)	(489)	(455)	(464)
	(8,712)	**(7,564)**	**(8,583)**	**(7,451)**
Total costs of materials and services	**(22,668)**	**(19,301)**	**(22,457)**	**(19,121)**

/i/ Statutory audit service fee to the auditor of the Company's and the Group financial statements amounted to EUR 94 thousand (2022: EUR 88 thousand).

Fees for other audit services required by law, provided by Ernst & Young d.o.o. amount to EUR 6 thousand.

/ii/ Other services for 2023 and 2022 mainly consist of communal and environmental services, occupational safety and environmental services, external staff services and quality control services.

NOTE 7 – EMPLOYEE COSTS

	Group		Company	
	2023	**2022**	**2023**	**2022**
	(in thousands of EUR)			
Net salaries	(10,855)	(10,413)	(10,635)	(10,194)
Contributions, taxes and surtax	(6,380)	(5,911)	(6,244)	(5,779)
Other employee costs /i/	(4,213)	(2,997)	(4,164)	(2,963)
Government support for employees /ii/	125	83	125	83
Accrued overtime and unused vacation	(680)	18	(675)	20
Termination benefits and jubilee awards	200	12	198	11
	(21,803)	**(19,208)**	**(21,395)**	**(18,822)**

Company and Group

/i/ Other employee' costs comprise compensations for transportation costs, grants, Christmas gifts, bonuses and similar benefits.

/ii/ Income from government support for employees relates to state subsidies refer to the "Permanent seasonal employee" measure.

During 2023, the average number of staff employed by the Group was 1,069 (2022.: 1,060 employees).

Contributions paid in mandatory pension funds during 2023 amounted to EUR 2,907 thousand (2022.: EUR 2,751 thousand), to State pension funds amounts to EUR 2,217 thousand (2022.: EUR 2,125 thousand) and private pension fund amounts to EUR 690 thousand (2022.: EUR 626 thousand).

NOTE 8 – OTHER OPERATING EXPENSES

	Group		Company	
	2023	**2022**	**2023**	**2022**
	(in thousands of EUR)			
Commission to travel agencies and credit cards institutions	(3,187)	(3,581)	(3,187)	(3,581)
Municipal and similar charges and contributions	(713)	(663)	(711)	(660)
Disposals of property, plant and equipment /i/	(954)	(627)	(954)	(627)
Bank fees	(298)	(249)	(292)	(244)
Insurance premiums	(290)	(328)	(258)	(294)
Representation cost (hosting)	(220)	(146)	(217)	(144)
Provisions for impairment of trade and other receivables	(186)	(114)	(186)	(87)
Business travel expenses	(123)	(170)	(120)	(169)
Staff education cost and other similar cost	(40)	(21)	(40)	(21)
Legal proceedings costs	(2)	(4)	(2)	(4)
Supervisory Board costs	-	(25)	-	(25)
Other	(489)	(738)	(449)	(734)
	(6,502)	**(6,666)**	**(6,416)**	**(6,590)**

Company and Group

/i/ Company Sunce Hoteli d.d. at the end of 2023, wrote off a part of fixed assets in the amount of EUR 954 thousand. The written-off asset refers to hotels components that were subject to renovation in 2023 and were not fully depreciated, i.e. they were replaced in the renovation process.

NOTE 9 – FINANCIAL EXPENSES – NET

	Group		Company	
	2023	**2022**	**2023**	**2022**
	((in thousands of EUR)			
Financial income				
Interest income	-	-	4	3
Other financial income	-	-	-	-
Net exchange rate differences	-	-	-	-
	-	**-**	**4**	**3**
Financial expenses				
Interest expense	(3,020)	(1,328)	(3,020)	(1,328)
Net exchange rate differences	(4)	(107)	(4)	(106)
Value adjustment of financial assets (Note 14) /i/	-	-	-	(950)
Subsidiary investment write-off	-	-	(3)	-
Fee and other related costs	(88)	(106)	(88)	(106)
Interest expense (IFRS 16)	(7)	(18)	(7)	(18)
	(3,119)	**(1,559)**	**(3,122)**	**(2,508)**
	(3,119)	**(1,559)**	**(3,118)**	**(2,505)**

/i/ Value adjustment of financial assets in 2022 refers to impairment of investments in subsidiary Aerodrom Brač d.o.o., resulting from recoverability test of the investments, performed by company Sunce Hoteli d.d. at the end of 2022 (Note 14).

NOTE 10 – INCOME TAX

Calculation of corporate income tax for the year ended 31 December 2023 is as follow:

	Group		Company	
	2023	2022	2023	2022
	(in thousands of EUR)			
Profit before tax	**5,412**	**4,209**	**5,596**	**3,523**
Non-deductible expenses	3,387	1,634	3,362	1,597
Tax deductible income	(2,800)	(334)	(2,800)	(333)
Taxable profit	**5,999**	**5,509**	**6,158**	**4,787**
Used tax losses carried forward from previous years	(5,999)	(5,509)	(6,158)	(4,787)
Tax basis	**-**	**-**	**-**	**-**
Income tax	**-**	**-**	**-**	**-**
Deferred taxes - *Utilization of tax losses carried forward for current income tax (note 11)*	(1,080)	(991)	(1,108)	(862)
Deferred taxes - *Utilization of tax incentives for additional income tax*	-	(396)	-	(396)
Deferred taxes - *Recognition on the basis of tax losses carried forward (note 11)*	-	-	-	171
Deferred tax	**(1,080)**	**(1,387)**	**(1,108)**	**(1,087)**
Income tax – expense for the period	**(1,080)**	**(1,387)**	**(1,108)**	**(1,087)**
Tax losses to be carried forward	**13,022**	**18,813**	**12,051**	**18,209**
Effective tax rate	**19.96%**	**32.95%**	**19.80%**	**30.85%**

The applicable corporate income tax rate for 2023 is 18% (2022: 18%).

These tax losses can be carried forward for maximum period of 5 years. As at 31 December 2023 tax losses carried forward amount to EUR 13,022 thousand (Group) and EUR 12,051 thousand (Company) and can be used as follows:

	Group		Company	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
	(in thousands of EUR)			
2023	-	-	-	62
2024	-	-	-	493
2025	8,817	14,815	8,638	14,240
2026	3,771	3,771	3,413	3,414
2027	227	227	-	-
2028	207	-	-	-
	13,022	**18,813**	**12,051**	**18,209**

NOTE 10 – INCOME TAX (continued)

Tax administration has not made inspection of Income tax in the Company and Group since 2003. In accordance with the regulations of the Republic of Croatia, the Tax authorities may at any time inspect the Company and Group's books and records within 3 years following the year in which the tax liability was reported, and may impose additional tax assessments and penalties. The Company and Group's management is not aware of any circumstances, which may give rise to a potential material liability in this respect.

NOTE 11 – DEFERRED TAX ASSETS

	Group		Company	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
	(in thousands of EUR)			
Tax incentives for investments	3,887	3,887	3,887	3,887
Tax loss carried forward – Sunce Hoteli d.d.	1,793	2,873	1,894	3,002
Tax loss carried forward - Hotel Alan d.d. (merged Company)	-	-	-	-
Tax loss carried forward – Hoteli Zlatni Rat d.d. (merged Company)	-	-	1,025	1,025
Impairment of investment in subsidiary (Note 14.1)	-	-	171	171
As at 31 December	**5,680**	**6,760**	**6,977**	**8,085**

On June 29, 2020, based on the Certificate of the Ministry of the Economy, Entrepreneurship and Crafts in accordance with the Investment Promotion Act (OG 102/15, 25/18, 114/18, 32/20), the Company and the Group received the status of beneficiaries of tax incentives. CLASS: 404-01/16-01/43). The investment project refers to the reconstruction and renovation of the hotels Berulia (5 *), Soline (4 *), and Alga (4 *) at the locations of Brela and Tučepi.

During 2017, 2018 and 2019, a total of EUR 17 million of eligible costs for incentives was invested in these hotels, on the basis of which a maximum aid intensity of EUR 4.3 million was obtained. The Company and the Group have the right to use the tax relief until the end of 2027.

The Company and the Group recognized deferred tax assets for the determined tax loss in 2020 in the amount of EUR 2,563 thousand and tax loss in 2021 in the amount of EUR 614 thousand.

Deferred tax assets relate to the transfer of the unused tax loss of the subsidiary Hotel Alan d.d. for the year 2018, which represents a temporary difference whose tax effect the Company has recorded in the business accounts. Subsidiary Hotel Alan d.d. in 2018 realized a tax loss in the amount of EUR 4.075 thousand primarily due to the disposal of the non- depreciated part of the old hotel building. At the end of June 2018 an investment was made in the reconstruction of the hotel, where a significant renovation and upgrading of the existing building was done. In accordance with the requirements of IFRS, it was necessary to assess whether there is a need for the write-off of the remaining carrying value of old hotel building, that is, whether the entire net value of the previous old building was used in the new building. In 2022, the Company utilized the entire amount of the related deferred tax assets.

In the process of merger in 2020, the Company acquired the deferred tax assets of the merged Company Hoteli Zlatni rat d.d. in the amount of EUR 1.025 thousand, which relates to non-tax deductible expense from the impairment of a loan to a related Company in the amount of EUR 5.697 thousand, which is a temporary difference whose tax effect was recorded by the Company.

The Company and Group recognized a deferred tax asset when it is probable that it will be taxable profit sufficiently charged that the deferred tax asset can use.

NOTE 12 – INTANGIBLE ASSETS

Group

(in thousands of EUR)	Software	Licenses	Other	Assets under construction	Total
For the year ended 31 December 2022					
As at 1 January 2022					
Cost	1,037	241	309	197	1,784
Accumulated amortisation	(936)	(124)	(309)	-	(1,369)
Carrying amount	**101**	**117**	**-**	**197**	**415**
As at 1 January 2022	**101**	**117**	**-**	**197**	**415**
Additions	735	-	-	20	755
Sale and write-off	(23)	(28)	-	(99)	(150)
Transfers	118	-	-	(118)	-
Amortization	(168)	-	-	-	(168)
Sale and write-off	-	-	-	-	-
As at 31 December 2022	**763**	**89**	**-**	**-**	**852**
As at 31 December 2022					
Cost	1,867	213	309	-	2,389
Accumulated amortisation	(1,104)	(124)	(309)	-	(1,537)
Carrying amount	**763**	**89**	**-**	**-**	**852**

(in thousands of EUR)	Software	Licenses	Other	Assets under construction	Total
For the year ended 31 December 2023					
As at 1 January 2023					
Cost	1,867	213	309	-	2,389
Accumulated amortisation	(1,104)	(124)	(309)	-	(1,537)
Carrying amount	**763**	**89**	**-**	**-**	**852**
As at 1 January 2023	**763**	**89**	**-**	**-**	**852**
Additions	155	-	-	18	173
Sale and write-off	(11)	-	-	-	(11)
Transfers	-	-	-	-	-
Amortization	(260)	-	-	-	(260)
Sale and write-off	(3)	-	-	-	(3)
As at 31 December 2023	**644**	**89**	**-**	**18**	**751**
As at 31 December 2023					
Cost	2,011	213	309	18	2,551
Accumulated amortisation	(1,367)	(124)	(309)	-	(1,800)
Carrying amount	**644**	**89**	**-**	**18**	**751**

NOTE 12 – INTANGIBLE ASSETS (continued)

Company

(in thousands of EUR)	Software	Right of use	Other	Assets under constructi on	Total
For the year ended 31 December 2022					
As at 1 January 2022					
Cost	186	125	-	197	508
Accumulated amortisation	(95)	(7)	-	-	(102)
Carrying amount	**91**	**118**	**-**	**197**	**406**
As at 1 January 2022	**91**	**118**	**-**	**197**	**406**
Additions	735	-	-	-	735
Sale and write-off	(23)	(28)	-	(99)	(150)
Transfers	98	-	-	(98)	-
Amortization	(167)	-	-	-	(167)
Sale and write-off	0	-	-	-	-
As at 31 December 2022	**734**	**90**	**-**	**-**	**824**
As at 31 December 2022					
Cost	996	97	-	-	1,093
Accumulated amortisation	(262)	(7)	-	-	(269)
Carrying amount	**734**	**90**	**-**	**-**	**824**

(in thousands of EUR)	Software	Right of use	Other	Assets under construction	Total
For the year ended 31 December 2023					
As at 1 January 2023					
Cost	996	97	-	-	1,093
Accumulated amortisation	(262)	(7)	-	-	(269)
Carrying amount	**734**	**90**	**-**	**-**	**824**
As at 1 January 2023	**734**	**90**	**-**	**-**	**824**
Additions	155	-	-	18	173
Sale and write-off	(5)	-	-	-	(5)
Transfers	-	-	-	-	-
Amortization	(256)	-	-	-	(256)
Sale and write-off	(3)	-	-	-	(3)
As at 31 December 2023	**625**	**90**	**-**	**18**	**733**
As at 31 December 2023					
Cost	1,146	97	-	18	1,261
Accumulated amortisation	(521)	(7)	-	-	(528)
Carrying amount	**625**	**90**	**-**	**18**	**733**

NOTE 12.1 – RIGHT-OF-USE ASSET

This note contains information on leases where the Company and Group is the lessee:

	Group		Company	
	31 Dec 2023	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**
	(in thousands of EUR)			
Amounts recognized in the statement of financial position				
Right-of-use asset				
Office building	71	57	71	57
Other	194	162	194	162
	265	**219**	**265**	**219**
Lease liabilities				
Long – term	168	139	168	139
Short – term	108	86	108	86
	276	**225**	**276**	**225**
Amounts recognized in the income statement and other comprehensive income for the period				
Depreciation of property, plant and equipment	99	735	99	735
Interest (Note 9)	7	18	7	18
	106	**753**	**106**	**753**

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NOTES TO THE CONOSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 13 – PROPERTY, PLANT AND EQUIPMENT

Group

For the year ended 31 December 2022 *(in thousands of EUR)*	**Land**	**Buildings**	**Vehicles**	**Plant and equipment**	**Assets under construction**	**Total**
As at 1 January 2022						
Cost	15,108	196,988	890	41,062	8,236	262,284
Accumulated depreciation	(3)	(88,896)	(711)	(32,094)	-	(121,704)
Carrying amount	**15,105**	**108,092**	**179**	**8,968**	**8,236**	**140,580**
Additions	2	361	12	692	36,937	38,004
Sales and Disposal	-	(536)	(38)	(2,487)	(206)	(3,267)
Transfers	-	31,727	-	9,796	(41,523)	-
Other transfers	-	(5,258)	-	5,258	-	-
Euro conversion exchange rate differences	(35)	(246)	-	(16)	(19)	(316)
Land revaluation	109	-	-	-	-	109
Depreciation	-	(7,018)	(51)	(3,287)	-	(10,356)
Sales and Disposal	-	299	27	2,227	-	2,553
Other transfers	-	(3,709)	-	3,709	-	-
As at 31 December 2022						
Cost	15,184	223,036	864	54,305	3,425	296,814
Accumulated depreciation	(3)	(99,324)	(735)	(29,445)	-	(129,507)
Carrying amount	**15,181**	**123,712**	**129**	**24,860**	**3,425**	**167,307**

NOTE 13 – PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

For the year ended 31 December 2023 *(in thousands of EUR)*	**Land**	**Buildings**	**Vehicles**	**Plant and equipment**	**Assets under construction**	**Total**
As at 1 January 2023						
Cost	15,184	223,036	864	54,305	3,425	296,814
Accumulated depreciation	(3)	(99,324)	(735)	(29,445)	-	(129,507)
Carrying amount	**15,181**	**123,712**	**129**	**24,860**	**3,425**	**167,307**
Addition	-	169	26	498	23,432	24,125
Sales and Disposal	-	(2,290)	-	(592)	(11)	(2,893)
Transfers	-	17,385	-	5,056	(22,441)	-
Other transfers	-	-	-	8	(1,018)	(1,010)
Land revaluation	283	-	-	-	-	283
Depreciation	-	(9,615)	(44)	(5,501)	-	(15,160)
Sales and Disposal	-	1,652	-	275	-	1,927
Other transfers	-	-	-	(7)	-	(7)
As at 31 December 2023						
Cost	15,467	238,300	890	59,275	3,387	317,319
Accumulated depreciation	(3)	(107,287)	(779)	(34,678)	-	(142,747)
Carrying amount	**15,464**	**131,013**	**111**	**24,597**	**3,387**	**174,572**

NOTE 13 – PROPERTY, PLANT AND EQUIPMENT (continued)

Company

For the year ended 31 December 2022 *(in thousands of EUR)*	**Land**	**Buildings**	**Vehicles**	**Plant and equipment**	**Assets under construction**	**Total**
As at 1 January 2022						
Cost	14,978	189,000	325	40,176	7,816	252,295
Accumulated depreciation	(3)	(84,683)	(277)	(31,602)	-	(116,565)
Carrying amount	**14,975**	**104,317**	**48**	**8,574**	**7,816**	**135,730**
Addition	2	361	12	692	36,679	37,746
Sales and disposal	-	(536)	(30)	(2,464)	(206)	(3,236)
Transfers	-	31,472	-	9,796	(41,268)	-
Other transfers	-	(5,258)	-	5,258	-	-
Euro conversion exchange rate differences	(34)	(238)	-	(19)	(18)	(309)
Land revaluation	109	-	-	-	-	109
Depreciation	-	(6,820)	(25)	(3,194)	-	(10,039)
Sales and Disposal	-	299	20	2,208	-	2,527
Other transfers	-	(3,709)	-	3,709	-	-
As at 31 December 2022						
Cost	15,055	214,801	307	53,439	3,003	286,605
Accumulated depreciation	(3)	(94,913)	(282)	(28,879)	-	(124,077)
Carrying amount	**15,052**	**119,888**	**25**	**24,560**	**3,003**	**162,528**

NOTE 13 – PROPERTY, PLANT AND EQUIPMENT (continued)

Company (continued)

For the year ended 31 December 2023 *(in thousands of EUR)*	**Land**	**Buildings**	**Vehicles**	**Plant and equipment**	**Assets under construction**	**Total**
As at 1 January 2023						
Cost	15,055	214,801	307	53,439	3,003	286,605
Accumulated depreciation	(3)	(94,913)	(282)	(28,879)	-	(124,077)
Carrying amount	**15,052**	**119,888**	**25**	**24,560**	**3,003**	**162,528**
Addition	-	169	26	498	23,048	23,741
Sales and disposal	-	(2,290)	-	(573)	(11)	(2,874)
Transfers	-	17,381	-	5,056	(22,437)	-
Other transfers	-	-	-	8	(1,018)	(1,010)
Land revaluation	283	-	-	-	-	283
Depreciation	-	(9,409)	(17)	(5,413)	-	(14,839)
Sales and Disposal	-	1,652	-	275	-	1,927
Other transfers	-	-	-	(7)	-	(7)
As at 31 December 2023						
Cost	15,338	230,061	333	58,428	2,585	306,745
Accumulated depreciation	(3)	(102,670)	(299)	(34,024)	-	(136,996)
Carrying amount	**15,335**	**127,391**	**34**	**24,404**	**2,585**	**169,749**

NOTE 13 – PROPERTY, PLANT AND EQUIPMENT (continued)

Group

The Group has engaged independent appraisers at the end of 2023 for the purpose of assessing the value of construction facilities and land of the Group. Appraised value of the Group's property amounts to EUR 285,472 thousand as at 31 December 2023 (2022: 256,666 thousand EUR). Appraisal values of real construction facilities and land are not lower than their carrying value. The appraised value of the Groups properties as of 31 December 2023, in addition to hotel facilities, also includes a significant number of properties categorized as "non-operating assets" for which the appraisal was made at the end of 2022.

As at 31 December 2023, the net book value of land and buildings pledged as collateral for the repayment of long-term borrowings (Note 22) amounted to EUR 174,571 thousand (2022: EUR 121,401 thousand).

The gross carrying value of property, plant and equipment which are fully depreciated and still in use as of 31 December 2023 amounts to EUR 23,027 thousand (2022: EUR 17,453 thousand).

The Company and the Group have recognised certain properties over which the ultimate title is still in dispute and are currently in the process of defending various claims of title to these properties. Once the court cases are settled, in the event that the court cases are resolved unfavourably for the Company and Group, there might be a need to recognise a provision for write down of land and buildings.

The Company and Group has recognised in the statement of financial position land designated as maritime asset in the amount of EUR 187 thousand (2022: EUR 187 thousand) and buildings on those assets in amount of EUR 191 thousand (2022: EUR 191 thousand). These buildings were built by the Company and Group on this land before the land was designated maritime demesne. The usage of real estate on maritime demesne is determined based on concession rights. The Company and Group has not signed a concession agreement with the State and therefore it is not clear if the Company and the Group will be able to continue using these buildings without a concession agreement in place. The Company and the Group is not able to currently determine any potential liability for not paying any concession fees in the past for the usage of such land, or whether there is impairment in the value of these buildings.

The Company and Group discloses in its property certain properties on which ownership has not yet been resolved and the Company and Group is in the process of resolving various court disputes based on ownership of those properties. After the resolution of court disputes, if the final outcome is negative for the Company and Group, it may be necessary to recognize the impairment of land and buildings. Based on the Company and Group's best estimate, 1/5 of the mentioned properties are covered by court disputes, which is a common situation in the Republic of Croatia (note 28).

In 2022, the Company initiated the "Componentization of long-term tangible assets" project. As part of the project, the Company, in cooperation with external consultants, reviewed the estimated useful life at the level of individual "categories" in the composition of fixed assets. The project resulted in a change in the useful life of certain "categories" of fixed assets in order to present the fixed assets and the cost of depreciation arising from them as fair as possible.

NOTE 14 – INVESTMENT IN ASSOCIATES AND JOINT VENTURE

Group

	31 Dec 2023		31 Dec 2022	
	(in thousands of EUR)	**Interest held**	*(in thousands of EUR)*	**Interest held**
Praona d.o.o., Makarska	520	42%	336	42%
Hotels Adriatic Asset Company d.o.o.	12,240	50%	9,942	50%
	12,760		**10,278**	

Company

	31 Dec 2023		31 Dec 2022	
	(in thousands of EUR)	**Interest held**	*(in thousands of EUR)*	**Interest held**
Praona d.o.o., Makarska	520	42%	336	42%
Hotels Adriatic Asset Company d.o.o.	12,240	50%	9,942	50%
	12,760		**10,278**	

Movements on the group investments during 2023 and 2022 in associates and joint venture are as follows:

	31 Dec 2023	31 Dec 2022
	(in thousands of EUR)	
January 1	**10,278**	**10,067**
Share in profit of associate (Praona d.o.o.)	184	44
Share in profit of joint venture (Hotels Adriatic Asset Company d.o.o.)	240	167
Adjustment of the share in the profit of the joint venture (Hotels Adriatic Asset Company d.o.o.) according to 2022 audited result	(6)	-
Reversal of value adjustment of joint venture (Hotels Adriatic Asset Company d.o.o.) /i/	2,064	-
December 31	**12,760**	**10,278**

/i/ Company Sunce Hoteli d.d. during 2019 and 2020, carried out a value adjustment of investment in Hotels Adriatic Asset Company d.o.o. in the amount of EUR 1,862 thousand and EUR 769 thousand.

At the end of 2023, Company Sunce Hoteli d.d., carried out an assessment of the recoverability of the aforementioned investment based on data on the actual transaction for the remaining 50% of the share, given that Symphony Global LLC, (United Arab Emirates) purchased 50% shares in Hotels Adriatic Asset Company during September 2023 from the previous owner, TUI (Germany).

The analysis determined that the amount of reversal of previously recognized value adjustments is less than previously recognized losses.

NOTE 14 – INVESTMENT IN ASSOCIATES AND JOINT VENTURE (CONTINUED)

Summarized financial information for the company Praona d.o.o. is shown below.

	2023	**2022**
Financial position		
Current assets	634	728
Non-current assets	1,566	1,447
Short-term liabilities	(517)	(531)
Long-term liabilities	(464)	(862)
Net assets	**1,219**	**782**
Profit and loss account		
Revenues	3,139	2.435
Expenses	(2,702)	(2.330)
Profit	**437**	**106**
Group share	**184**	**44**

NOTE 14 – INVESTMENT IN ASSOCIATES AND JOINT VENTURE (CONTINUED)

Summarized financial information for the company Hotels Adriatic Asset Company d.o.o. is shown below.

	2023 (unaudited)	**2022**
Financial position		
Current assets	1,079	1,618
Non-current assets	32,755	33,752
Short-term liabilities	(1,939)	(2,789)
Long-term liabilities	(7,586)	(8,818)
Net assets	**24,309**	**23,763**
Profit and loss account		
Revenues	6,591	6.404
Expenses	(6,112)	(6.071)
Profit	**479**	**333**
Group share	**240**	**167**

At 31 October 2017 Group has entered into a joint venture agreement in company WOT Hotels Adriatic Asset Company d.o.o. which was set up as a partnership together with TUI AG, Germany.

In September 2023, Symphony Global LLC, (United Arab Emirates) purchased 50% of the shares in Hotels Adriatic Asset Company d.o.o. from the previous owner, TUI (Germany).

The principal place of business of the joint venture is in Tučepi in Croatia.

The joint venture agreement requires the unanimous consent of both parties for all relevant activities. Partners have direct rights to the assets of a joint venture and are collectively and individually responsible for partnership obligations. The company is therefore classified as a joint venture and the Group recognizes the direct right to common assets, liabilities, revenues and expenses as described in Note 2.2.

Name of entity	**Place of business/ country of incorporation**	**% of ownership interest**		**Nature of business**	**Recognition method**	**Carrying amount as of 31 Dec 2023 *(in thousands of EUR)***
		2023	**2022**			
Hotels Adriatic Asset Company d.o.o.	Tučepi, Croatia	50%	50%	Hospitality and tourism	Equity method	12,240

NOTES TO THE CONOSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 14.1 – INVESTMENT IN SUBSIDIARIES

Company

	31 Dec 2023		**31 Dec 2022**	
	(in thousands of EUR)	**Interest held**	*(in thousands of EUR)*	**Interest held**
Aerodrom Brač d.o.o. /ii/	3,094	51%	3,094	51%
Brač 500 Plus d.o.o. /i/	-	69%	-	69%
Brela Jakiruša d.o.o.	-	100%	3	100%
Sunce Vital d.o.o.	3	100%	3	100%
Value adjustment	(950)		(950)	
	2,147		**2,150**	

/i/ The company was liquidated at the end of 2023.

/ii/ Calculation of the recoverable amount of the investment in the subsidiary Aerodrom Brač d.o.o.:

In 2023, the Company conducted a test of the recoverability of investments in the subsidiary Aerodrom Brač d.o.o. The recoverable amount was determined based on their value in use. Value in use is determined by discounting future cash flows.

For the purposes of conducting the impairment test, the cash flow projection period is 13 years, with the last (13th) year used to calculate the residual value.

Projected cash flows are based on the best knowledge and beliefs of the Company and the Group, and in accordance with historical and expected future growth rates.

The performed test did not result in a reduction in the investment in the subsidiary, since determined recoverable amount does not significantly deviate from the book amount of the investment as at 31 December 2023.

Discount rate

Annual pre-tax discount rate used to discount the projected cash flows of Aerodrom Brač d.o.o. amounts to 10.50% (2022: 9.70%) and reflects the market estimate of the weighted average cost of capital of the said Company.

For the purposes of the calculation, an average growth rate of 6.27% (2022: 4.8%) was used in the stated cash flow projection period.

Sensitivity to significant changes in assumptions

Residual value in the impairment test is reported based on the business performance of the Company in question, which in cash flow projections shows business results at levels higher than current and which in the coming years include the previously mentioned growth rates. Residual value has a significant effect on the determination of the recoverable amount and the resulting positive difference between the recoverable amount and the carrying amount of the subsidiary. Possible reasonable changes in significant assumptions, including short-term changes in the expected recovery period and reasonable changes in cash flow of residual value, are unlikely to result in significant effects on established results and thus the need for impairment in the Company's books.

NOTES TO THE CONOSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 14.1 – INVESTMENT IN SUBSIDIARIES (continued)

Liquidation of inactive subsidiaries

During 2023, the Company initiated the process of liquidation of inactive subsidiaries, and during the year the liquidation of the following subsidiaries was finalized: Zlatni Rat Tenis centar d.o.o., Zlatni Rat poljoprivreda d.o.o., Zlatni Rat servis d.o.o., Brač 500 plus d.o.o. and Brela Jakiruša d.o.o.

The Company's investment in all stated subsidiaries except Brela Jakiruša d.o.o. were value adjusted in previous periods. Investment in subsidiary Brela Jakiruša d.o.o. resulted in write-off stated in Note 9.

NOTE 15 – LONG-TERM RECEIVABLES

	Group		Company	
	31 Dec 2023	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**
	(in thousands of EUR)			
Deposits in banks	15	15	15	15
Accrued expenses	-	2	-	2
	15	**17**	**15**	**17**

NOTE 16 – INVENTORIES

	Group		Company	
	31 Dec 2023	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**
	(in thousands of EUR)			
Raw materials and consumables	295	290	295	290
Merchandise	9	22	8	13
Small inventory and spare parts of tangible assets	-	8	-	7
	304	**320**	**303**	**310**

NOTES TO THE CONOSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 17 – TRADE RECEIVABLES

	Group		Company	
	31 Dec 2023	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**
	(in thousands of EUR)			
Trade receivables	6,108	4,787	6,018	4,710
Trade receivables – related companies	376	354	396	360
Less provision for impairment of trade receivables	(4,159)	(4,186)	(4,094)	(4,121)
Trade receivables – net	**2,325**	**955**	**2,320**	**949**
Advances given	49	114	49	113
Trade receivables	**2,374**	**1,069**	**2,369**	**1,062**

The fair value of trade receivables is approximately equal to its carrying amount.

As at 31 December 2023 past due trade receivables but not impaired relates to a number of several individual customers for whom Group and Company had no problems in collecting receivables in previous years.

The maturities of the trade receivables, which are past due, but not impaired are as follows:

	Group		Company	
	31 Dec 2023	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**
	(in thousands of EUR)			
Undue receivables	-	164	-	165
Less than 90 days	109	504	109	504
Between 90 and 180 days	1,380	192	1,380	184
Between 180 and 360 days	494	36	494	36
Later than 360 days	391	173	386	173
	2,374	**1,069**	**2,369**	**1,062**

NOTES TO THE CONOSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 17 – TRADE RECEIVABLES (continued)

Movements in the provisions for impairment of trade receivables:

	Group		Company	
	31 Dec 2023	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**
	(in thousands of EUR)			
At 1 January	**(4,186)**	**(4,075)**	**(4,121)**	**(4,037)**
Charged/credited to the statement of comprehensive income (Note 8):				
Increase of impairment	(25)	(105)	(25)	(78)
Foreign exchange	-	(10)	-	(10)
	(25)	**(115)**	**(25)**	**(88)**
Receivables written-off	-	-	-	-
Collected receivables	52	4	52	4
At 31 December	**(4,159)**	**(4,186)**	**(4,094)**	**(4,121)**

The formation and release of provision for value adjusted receivables have been included in 'Other expenses' in the statement of comprehensive income (Note 8).

NOTE 18 – OTHER RECEIVABLES

	Group		Company	
	31 Dec 2023	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**
	(in thousands of EUR)			
State receivable /i/	1,100	448	1,084	437
Prepaid expenses /ii/	596	980	591	977
Accrued income	155	768	155	768
Interest receivable from related parties (Note 30)	113	137	117	140
Receivables from employees	2	1	2	-
Other receivables	6	118	6	117
	1,972	**2,452**	**1,955**	**2,439**

/i/ State receivable mainly refer to claims for paid VAT and income tax.

/ii/ Prepaid expenses of the Group and the Company refer to calculated provisions for overtime hours of permanent seasonal employees and prepaid operating costs.

NOTES TO THE CONOSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 19 – LOANS

	Group		Company	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
	(in thousands of EUR)			
Long – term				
Loans to related parties (Note 30)	-	-	-	-
Loan loss allowance – IFRS 9 (Note 9)	-	-	-	-
	-	**-**	**-**	**-**
Short – term				
Loans to related parties (note 30)	-	-	5,747	5,712
Loan loss allowance – IFRS 9 (Note 9)	-	-	(5,574)	(5,574)
	-	**-**	**173**	**138**
	-	**-**	**173**	**138**

Company

Short-term loan as at 31 December 2023 in the total amount of EUR 173 thousand relate to a loan given to subsidiary Aerodrom Brač d.o.o., approved with an interest rate of 2.68% maturing in December 2024. Loans are approved in local currency and secured by promissory notes.

During March 2022, the Company additionally recapitalized the subsidiary Aerodrom Brač d.o.o. by converting loan receivables in share capital of the subsidiary in the total amount of EUR 438 thousand.

NOTE 20 – CASH AND CASH EQUIVALENTS

	Group		Company	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
	(in thousands of EUR)			
Domestic currency accounts	16,688	14,486	16,460	14,351
Cash in hand	3	-	-	-
	16,691	**14,486**	**16,460**	**14,351**

NOTE 21 – SHARE CAPITAL

The authorized and registered share capital of the parent Company amounts to EUR 101,746 thousand and comprises 7,826,620 ordinary shares, with a nominal value of EUR 13 per share.

The ownership structure as at 31 December 2023 was as follows:

Shareholder	Number of shares	Nominal value	Share in %
Eagle Hills Zagreb Real Estate d.o.o.	4,821,948	62,685,324	61.61
Sunce Ulaganja d.o.o.	3,004,672	39,060,736	38.39
	7,826,620	**101,746,060**	**100**

The ownership structure as at 31 December 2022 was as follows:

Shareholder	Number of shares	Nominal value	Share in %
Eagle Hills Zagreb Real Estate d.o.o.	3,889,630	51,624,322	54.44
Sunce Ulaganja d.o.o.	3,004,389	39,875,142	42.05
CERP	21,434	284,484	0.30
Splićanka Tours d.o.o.	7,145	94,829	0.10
Other shareholders	222,204	2,949,148	3.11
	7,144,802	**94,827,925**	**100**

At the General Assembly held on 20 December 2021, the Company decided to increase the share capital from the amount of HRK 595,458,500 by HRK 119,021,700 to HRK 714,480,200 by issuing 1,190,217 ordinary shares. On 30 December, the Company received the Decision of the Commercial Court on the subscription of the share capital increase. The increase in share capital was made by cash payment by Eagle Hills Zagreb Real Estate d.o.o.

During 2022, the majority owner purchased 1,134,549 shares from institutional investors (Erste blue mandatory pension fund category A, Erste blue mandatory pension fund category B, Erste blue expert voluntary pension fund, Closed voluntary road pension fund, Erste closed voluntary pension fund , Nestlé Closed Voluntary Pension Fund, Posta Closed Voluntary Pension Fund, Police Closed Voluntary Pension Fund).

During March 2023, Eagle Hills Zagreb Real Estate d.o.o. increased the share capital by issuing 681,818 new shares with an individual nominal amount of 13 euros, which increased the Company's share capital from the amount of 92,882,426 euros by the amount of 8,863,634 euros to the amount of 101,746,060 euros.

During December 2023, the decision of the General Assembly of the Company from November 2023 on the transfer of shares of minority shareholders of the Company to the main shareholder, Eagle Hills Zagreb Real Estate d.o.o., was entered in the court register of the Commercial Court in Zagreb, with the payment of an appropriate severance pay in the amount of 21.83 euros for one share of the Company.

With the described corporate action, the listing of the Company's shares on the official market of the Zagreb Stock Exchange has ceased.

NOTE 22 – BORROWINGS

	Group		Company	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
	(in thousands of EUR)			
Non-current				
Bank borrowings	54,543	61,658	54,543	61,658
Finance lease	-	-	-	-
Less: Current portion of non - current borrowings	(7,114)	(7,114)	(7,114)	(7,114)
	47,429	**54,544**	**47,429**	**54,544**
Current				
Current portion of non - current borrowings	7,114	7,114	7,114	7,114
Finance lease	-	2	-	-
	7,114	**7,116**	**7,114**	**7,114**
	54,543	**61,660**	**54,543**	**61,658**

On November 2, 2021, a contract was signed to refinance the entire financial debt of Sunce Hoteli d.d. with Erste & Steiermärkische Bank d.d. and OTP banka d.d. as leading mandated arrangers and lenders and Erste & Steiermärkische Bank d.d. as an agent. The refinancing in question closed all previous credit obligations of Sunce Hoteli d.d. The total value of the transaction amounted to EUR 56 million, with both banks participating equally in the stated amount. Although the Loan Agreement was signed on November 2, 2021, the transaction was realized on November 15, 2021 after fulfilling all previous conditions under the Loan Agreement. The Group refinanced its entire debt to banks for a period of 10 years, assuming the maintenance of certain financial liabilities ('covenants'), which are common to transactions of this type, with the first calculation on 31 December 2022.

Covenants include the following financial obligations:

a) net debt to EBITDA ratio,
b) debt settlement ratio (DSCR),
c) Loan to value ratio,
d) interest coverage ratio (ICR) and
e) capitalization ratio.

After the calculation at the end of 2023, the Company and the Group are in compliance with the defined contractual obligations, i.e. covenants.

The described refinancing implies two transactions, ie "Tranches" A and B. "Tranche" A refers to the above-described transaction of EUR 56 million, while "Tranche" B refers to the amount of EUR 15 million used for financing capital investments at the beginning of 2022.

NOTE 22 – BORROWINGS (continued)

Regular interest is calculated on the used but unpaid amount of the loan, at a variable annual rate calculated as the sum of the reference rate and margin, provided that the regular interest may in no case be lower than the margin. The margin on the day of concluding the described contract was 1.85 percentage points per year.

The margin will be adjusted downwards under the following conditions:

- if the ratio of net debt to EBITDA is equal to or lower than 3.0x, the margin will be 1.75 percentage points per year; and
- if the ratio of net debt to EBITDA is equal to or lower than 2.0x, the margin will be 1.65 percentage points per year.

The total amount of loans as at 31 December 2023 includes a long-term loan from Erste & Steiermärkische Bank d.d. and OTP banka d.d.

2023.	**Outstanding amount**	**Currency**	**Interest rate**	**Maturity**
		(in thousands of EUR)		
Bank				
Erste & Steiermärkische Bank d.d. and OTP banka d.d. - Tranche A	44,753	EUR	3M EURIBOR + 1.85%	2031
Erste & Steiermärkische Bank d.d. and OTP banka d.d. - Tranche B	9,790	EUR	3M EURIBOR + 1.85%	2031
	54,543			

2022.	**Outstanding amount**	**Currency**	**Interest rate**	**Maturity**
		(in thousands of EUR)		
Bank				
Erste & Steiermärkische Bank d.d. and OTP banka d.d. - Tranche A	50,591	EUR	3M EURIBOR + 1.85%	2031
Erste & Steiermärkische Bank d.d. and OTP banka d.d. - Tranche B	11,067	EUR	3M EURIBOR + 1.85%	2031
	61,658			

Bank borrowings are secured by a mortgage over land and buildings (note 13) with a net book value of EUR 174,571 thousand (2022.: EUR 121,401 thousand).

The average effective interest rate was 5.2% (2022.: 2.4%).

NOTE 22 – BORROWINGS (continued)

Maturity of long-term borrowings is as follows:

	Group		Company	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
	(in thousands of EUR)			
Between 2–5 years	35,572	35,572	35,572	35,572
Over 5 years	11,857	18,972	11,857	18,972
	47,429	**54,544**	**47,429**	**54,544**

The carrying amounts of borrowings approximate their fair value.

Reconciliation in liabilities arising from financial activities

The table below provides details of changes in liabilities arising from financial activities, including both changes arising from cash flows and non-cash changes, which the Company and Group considers to be material. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities.

Group

(in thousands of EUR)	**At 1 January 2023**	Cash flow		Foreign exchange	**At 31 December 2023**
		Increase	*Decrease*		
Borrowings	**61,660**	-	(7,117)	-	**54,543**

(in thousands of EUR)	**At 1 January 2022**	Cash flow		Foreign exchange	**At 31 December 2022**
		Increase	*Decrease*		
Borrowings	**56,440**	12,310	(7,103)	13	**61,660**

Company

(in thousands of EUR)	**At 1 January 2023**	Cash flow		Foreign exchange	**At 31 December 2023**
		Increase	*Decrease*		
Borrowings	**61,658**	-	(7,115)	-	**54,543**

(in thousands of EUR)	**At 1 January 2022**	Cash flow		Foreign exchange	**At 31 December 2022**
		Increase	*Decrease*		
Borrowings	**56,433**	12,310	(7,101)	16	**61,658**

NOTE 23 – PROVISIONS

Group

(in thousands of EUR)	Severance payments /i/	Legal claim /ii/	Jubilee awards /i/	Total
At 1 January 2023	**74**	**-**	**97**	**171**
Additional provisions	8	-	14	22
Used during year	(32)	-	(40)	(72)
At 31 December 2023	**50**	**-**	**71**	**121**
Non-current portion	37	-	56	**93**
Current portion	13	-	15	**28**

Company

(in thousands of EUR)	Severance payments /i/	Legal claim /ii/	Jubilee awards /i/	Total
At 1 January 2023	**72**	**-**	**92**	**164**
Additional provisions	8	-	14	22
Used during year	(31)	-	(40)	(71)
At 31 December 2023	**49**	**-**	**66**	**115**
Non-current portion	36	-	51	**87**
Current portion	13	-	15	**28**

/i/ Provisions for jubilee awards and severance payments represent the present value of future payments of the obligation for jubilee awards and severance payments at the statement of financial position date. Present value is calculated using interest rates on government bonds. Provisions for jubilee awards and severance pay are recognized in the statement of comprehensive income in the period under "Wages and other material rights of workers".

NOTE 24 – DEFERRED TAX LIABILITY

The movement in deferred tax liabilities during the year 2023 and 2022 is as follows:

	Group	Company
	(in thousands of EUR)	
At 31 December 2021	**98**	**98**
Land revaluation during 2022	20	20
At 31 December 2022	**118**	**118**
Land revaluation during 2023	51	51
At 31 December 2023	**169**	**169**

NOTE 25 – TRADE AND OTHER PAYABLES

	Group		Company	
	31 Dec 2023	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**
	(in thousands of EUR)			
Trade payables	1,360	2,798	1,299	2,765
Advances received	449	498	449	498
Trade payables - related parties	23	-	23	-
	1,832	**3,296**	**1,771**	**3,263**

NOTE 26 – OTHER SHORT-TERM LIABILITIES

	Group		Company	
	31 Dec 2023	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**
	(in thousands of EUR)			
Deferred income /i/	1,592	1,286	61	28
Accrued overtime and unused vacations	915	718	900	708
Liabilities to employees	823	837	805	819
Accrued expenses	735	593	735	581
Contributions from salaries	186	210	181	205
Contributions on salaries	162	166	158	162
Other taxes and contributions	68	68	67	66
Tax and surtax on salaries	65	68	63	66
Other liabilities	35	46	39	35
	4,581	**3,992**	**3,009**	**2,670**

/i/ Deferred income of the Group mostly relate to state support received as a result of investment in fixed assets of the subsidiary Aerodrom Brač d.o.o.

NOTES TO THE CONOSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 27 – CASH GENERATED FROM OPERATIONS

Adjustment of profit with cash generated from operations:

	Group		Company	
	31 Dec 2023	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**
	(in thousands of EUR)			
Profit after taxation	**4,332**	**2,822**	**4,488**	**2,436**
Adjustments for:				
Depreciation and amortisation (Notes 12,12.1,13)	15,519	11,259	15,194	10,941
Increase in provisions (Note 23)	(50)	33	(49)	33
Interest income (Note 9)	-	-	(4)	(3)
Interest expense (Note 9)	3,027	1,346	3,027	1,346
Value adjustment of financial assets (Note 14)	-	-	-	950
Write-off of investments in subsidiaries (Note 14)	-	-	3	-
Write-off of tangible fixed assets (Note 13)	966	-	947	-
Income Tax	1,080	1,387	1,108	1,087
Share of (profit)/loss in associate and joint venture (Note 14)	(418)	211	(418)	211
Unrealised foreign exchange losses	-	142	-	145
Reversal of value adjustments of associates and joint ventures (Note 14)	(2,064)	-	(2,064)	-
Other adjustments	1,035	500	1,043	170
Total adjustments	**19,095**	**14,878**	**18,787**	**14,880**
Cash flows from operating activities before working capital changes	**23,427**	**17,700**	**23,275**	**17,316**
Changes in working capital				
- trade receivables	(1,330)	(325)	(1,332)	(318)
- other receivables	484	916	492	903
- inventories	15	131	7	126
- trade and other payables	(863)	(464)	(1,157)	(320)
Cash generated from operations	**21,733**	**17,958**	**21,285**	**17,707**

NOTE 28 – CONTINGENCIES

Legal proceedings

At 31 December 2023 the Company and the Group are involved in certain litigation. In the event of loss of individual disputes, the Company and the Group may have outflows of funds.

Particularly significant legal proceedings are following:
Hoteli Zlatni rat d.d. was sued on 30 December 2008 by natural persons for payment of compensation for the use of tennis courts in their possession, on the basis of lost rent. In parallel, the Company filed a counterclaim for the payment of the investment in the construction of the stadium.

Following the previously conducted proceedings before the first and second instance courts, the Municipal Court in a retrial on 15 July 2016 issued a first instance judgment against the Company ordering the Company to pay the amount of EUR 1,233,357 in the amount of rent, together with default interest on certain monthly amounts, as well as the amount of EUR 177,781 for litigation costs.

The Company filed an appeal and on 10 May 2017 the Split County Court quashed the first-instance verdict and returned the case for retrial and decision-making to the first-instance court. The procedure (conducted under the new business number P-11518/2015) was suspended at the hearing on 20 February 2018 until the end of the procedure of determining ownership based on the Company's lawsuit under the new legal basis, the Associated Labor Act.

Date 03 September 2018 the first-instance verdict rejected the Company's claim in this ownership lawsuit based on the ZUR. The Company, at 12 September 2018 had filed an appeal, which was rejected as unfounded by the decision of the second instance court in the case Gž-600/2018, however the case related to the payment is still pending because in the meantime the suspension was requested again due to the fact that the Company filed a new lawsuit (P- 435/2020).The Municipal Court separated the proceedings initiated on the basis of the aforementioned counterclaim of the Company, which is now conducted under a different business number. A preparatory hearing and a hearing for the main hearing were held in the case on 21 March 2019 at which the court concluded the hearing.

The first-instance verdict of 23 April 2019 the counterclaim was rejected, and the Company filed an appeal against the verdict on 22 May 2019. The second instance court adopted on 18 June 2020 appeal in the case under business number Gž-1222/2019, and the case was returned for retrial and is being conducted under the new business number P-2400/2020. In accordance with the Act on Unappraised Construction Land and recent court practice, the Company filed on 30.07.2020. a new lawsuit based on a completely different conception, which case is registered under business number P-435/20. At the hearing held on 09 March 2021 the court issued a Decision instructing the parties to initiate conciliation proceedings without entering into the merits of the dispute, after which the Company sent a proposal to the competent court to refer the case to conciliation.
On 15 April 2021 the Municipality of Bol filed an appeal against the court's decision to refer the parties to the conciliation procedure, and the case on appeal is before the High Commercial Court of the Republic of Croatia (Pž-2704/2021), and the decision on the appeal has not yet been made. Given the fact of filing a new lawsuit (P-435/2020), the Company on 29 September 2020 requested the termination of this procedure until the final conclusion of the ownership lawsuit, and the court terminated the procedure on 17 March 2021.

NOTE 28 – CONTINGENCIES (continued)

Legal proceedings (continued)

Since the appeal was rejected as inadmissible on 31 March 2022 the conciliation procedure continued, which failed at the hearing on 16 January 2023 so the ownership litigation continued (P-435/2020). So far, two hearings have been held on 01 June 2023 and 03 October 2023. The discussion is not over, because the court ordered the conduct of an investigation, as well as the creation of a financial-accounting, construction and geodetic expert report, which has not yet been implemented.

The Company and Group are the unregistered owner of individual real estate in the following locations:

i. Brela (the Brela tourist zone is made up of 4 functional hospitality-tourist wholes which are interconnected by ownership and infrastructure, being: hotel Marina, a hospitality object named a „beach object“, hotel Maestral and hotel Soline, as well as of accompanying other objects: so-called Brelade, hotel Brela, laundry warehouse and tennis courts, and pizzeria restaurant Centar, hotel Pelegrin and UTC Pelegrin, Villa Primorka),
ii. Bol on the island of Brač (a tennis stadium, a so-called gothic house; a grocery store, a kindergarten; and so-called barracks),

Regarding the real estate, the so-called "Baraka" The Company prepared a geodetic study for the implementation of final judgments by which the Company was previously allocated parts of the real estate in question, but expressed in ideal proportions. In order to implement the final judgments and the mentioned study, the Company on 12 October 2021 submitted to the court a Proposal for initiating and opening an individual correct procedure. After this procedure, the Company will be determined as the book owner of the newly formed real estate, the area of which will correspond to the current ideal co-ownership part. In the meantime, an individual procedures were carried out and Sunce hoteli d.d. by the decision of the court dated 17 May 2023 according to our proposal, determined to be the exclusive owners of the newly formed parcels in accordance with the final judgment, the corresponding expert report and the geodetic study, with appropriate registration in the land register. By decision of the Cadastre Office dated 9 November 2023 the court decision was also entered into the cadastre, so Sunce hoteli d.d. recorded as the sole owner of newly formed particles. Regarding the real estate, the so-called "Samoposluga Vrtić" in agreement with the Municipality of Bol, launched a condominium procedure in 2021, after which the Company will be determined as a co-owner of the land on which the building lies, and whose co-ownership will be associated with ownership of a special part of the property, i.e. the ground floor of the building. The municipality also expressed a formal interest in purchasing this property. Regarding the real estate, the so-called “Gotička kuća “On 10 February 2021 in the procedure of a preliminary peaceful settlement of the dispute, the Company entered into a settlement with the Republic of Croatia represented by the State Attorney's Office. Based on the cited settlement, the Company initiated the registration procedure, which until 31 December 2021 was not completed because the Company's proposal for registration was rejected, as well as the Company's objection to the rejection decision, after which the Company filed an appeal with the court of second instance. In the second-instance case conducted under the number Gž-ZK 1055/2021, the Company's appeal was accepted, the first-instance decision was changed and the registration of ownership in the name of the Company was allowed. On 01 March 2022 a second-level decision was implemented and Sunce hoteli d.d. are registered as the owners of the property in question for the whole.

NOTE 28 – CONTINGENCIES (continued)

In 2023, a leasing relationship was established with the Municipal Library and the Tourist Board, which expired on 31 December 2023. The Tourist Board moved out of the leased premises, while the lease agreement with the Municipal Library was extended until 31 December 2024.

On 25 May 2022 a proposal was submitted for the initiation and opening of an individual correct procedure for 1697, zk.ul. 212, k.o. Bol (off-book property), with the aim of harmonizing the state in the land registers with the real state. This case was filed in court under Z-22965/2022. The court has not yet acted in this case.

iii. Tučepi (land registry plot no. 4221/1 cadastral municipality Tučepi – whereon, in reality, a pool, restaurant and a restaurant terrace have been built as an integral part of hotel Neptun).

The following is a short summary of ownership status of hotel Marina, hotel Maestral and hotel Soline as the most material objects in unregistered ownership. The mentioned status and manner of resolution of legal issues is applicable to other real estate in Brela as well.

In relation to the aforementioned hotels, in most cases, third parties (natural persons) are currently registered as land registry owners. Additionally, land registry status has not been aligned with the as-is condition established by construction of objects. The reason for such incorrect entry is the fact that the land registry has not tracked any actual changes which occurred to date since 1960 (after nationalisation), so the cadastral and land registry status corresponds to the old status from the 1960s.

At the time when seizure of ownership from registered owners was registered with the land registry on the basis of the Act on Nationalisation of Rented Buildings and Construction Land from 1959 (the “Nationalisation Act”), the land upon which the hotels have been built acquired social ownership status. By entry into force of the Nationalisation Act, all land within the boundaries of intended construction became construction land, and thereby, ex lege, social ownership in the constitutive sense, even in cases where the registration of cessation of ownership of registered owners and the concurrent registration of social ownership has not been registered with the land registry to date.

Historic land registry excerpts show that social ownership was registered with respect to the aforementioned real estate in sheet “B”, with the concurrent cessation of ownership of registered owners and registration of those persons in sheet “C” as holders of right to use until possession of said property is seized by the competent body, which indisputably shows that former owners’ ownership in 1960 ceased by introduction of the Nationalisation Act. However, following the registration of nationalisation (cessation of ownership) and registration of social ownership, no facts which occurred in reality from 1960 have been registered with the land registry.

From 1963 to 1975, the competent municipality of Makarska issued resolutions pursuant to regulations on the basis of which it granted social ownership over said land to the social enterprise „HTP Brela“ - the Company’s predecessor, all for the purpose of the social enterprise acquiring ownership for construction of hotels and accompanying tourist objects in the area of the Brela tourist zone. “HTP Brela” had obtained building and other appropriate use permits for individual objects on the basis of such granted social ownership.

NOTE 28 – CONTINGENCIES (continued)

All said objects were appraised in the share capital of the social enterprise, the Company's predecessor, in the transformation process which was concluded for „HTP Brela" on the basis of a Resolution providing consent to transformation performance of 10 June 1994, and the value of these real estate (objects with the accompanying land) had been contributed into the share capital of the Company which was established in the transformation process – Hoteli brela d.d.

However, the Resolution on real estate designated in the transformation process of 07 May 1996 does not indicate the exact appraised surface for certain plots, so the appraised value of certain plots could not have been determined to this day as the Resolution states that only a portion of a certain plot has been appraised, without stating the appraised surface.

The effects of acquisition of ownership to the benefit of Hoteli brela d.d. occurred upon conclusion of the transformation process and on the basis of the Act on Ownership and Other Real Property Rights ("Ownership Act") which entered into force on 01 January 1997.

Pursuant to article 129 in connection with article 390.a of the Ownership Act, all preconditions for acquisition of ownership by the Company's predecessor have been met, given that it is indisputable that on the date of the share capital appraisal in the transformation process real estate which could have been subject to acquisition of ownership were in fact in social ownership with the social enterprise's right of management and that their value was appraised in the Company's share capital.

Following implementation of denationalisation process pursuant to the Ownership Act, Land Registry Act and the Act of Compensation for Assets Seized during the Yugoslavian Communist Government, the land registry court deleted social ownership and right of use from sheet "C", while re-registering natural persons as owners in sheet "B", given that it was neither visible that said land was subject to disposal in favour of the social enterprise - the Company's predecessor, nor visible that the land was brought to purpose by construction of hotels/other tourist objects.

Such registered property for the benefit of natural persons whose ownership ceased with the enactment of the Nationalization Act is a false and invalid registration, and such registered persons cannot oppose the Company which acquired the property in a constitutional manner, based on the law.

Therefore, regardless of whether registration of ownership in favour of the Company has been performed in the land registry, the Company did in fact acquire the right of ownership. Registration of ownership shall be of declaratory nature only and shall serve the principle of veracity and completeness of the land registry, as well as the purpose of proving ownership in legal transactions.

The Company endeavoured to resolve the land registry status in relation to certain real estate by initiating litigation for determination of ownership, but said litigation, although already pending for years, is still in its initial phase as the registered owners are of unknown residence (in most cases, abroad) and/or have unknown successors and/or probate proceedings have not yet been concluded, meaning papers cannot be properly served to respondents which is a procedural impediment for conducting the proceedings. It is to be expected that no final and binding judgments will be passed any time soon by which the Company would register ownership in its favour. The Company has succeeded to register its ownership with the land registry for only a handful of individual land plots.

NOTE 28 – CONTINGENCIES (continued)

Litigation is being conducted before the Commercial Court in Split on the lawsuit of the plaintiff of the Republic of Croatia, the Ministry of the Sea, Transport and Infrastructure against the Company as a defendant, under case no. P-678/2021 for the purpose of handing over to the plaintiff free of charge the facility - restaurant Jakiruša with the land belonging to cadastral plot no. 3858/11 k.o. Brela because it is located on the maritime domain, and which lawsuit was received on 22 December 2021. The Company was sued on 13 January 2022 and filed a response to the lawsuit complaining about the prematureness of the lawsuit and by filing objections of the possessors who stop the request for the transfer of possession, all because the Company was not paid market compensation for real estate required to be handed over. On 9 February 2023, the court ruled in favour of the Republic of Croatia. On 20 April 2022, Sunce hoteli d.d., as the plaintiff, filed a lawsuit against the Republic of Croatia for the payment of EUR 942,332. (increased by the legal default interest that would run from the date of the filing of the lawsuit until payment) in the name of compensation for the market value of the object - restaurant Jakiruša for the purpose of investing in maritime property. The Commercial Court in Split, 3P-291/2022-7, restaurant Jakiruša, at the hearing held on 06 July 2022 concluded the preliminary proceedings and determined that the evidence will be provided by experts from the construction-appraisal profession and the financial profession.

According to the order of the court, Sunce Hoteli paid the amount of EUR 1,062 for the costs of the expertise of experts for construction and real estate evaluation. According to the order of the court, Sunce hoteli d.d. paid the amount of EUR 1,000 for the costs of expert testimony for finance and accounting. The experts have not yet drawn up the expert report and submitted it to the court.

The Municipal Court in Makarska, in case 11 P-524/2019-26, on 8 July 2022, rendered a judgment in favour of Sunce hoteli d.d., which refers to part of the real estate marked as 1144/1, surface area 2079 m2. The intervener, the Municipality of Brela, filed an appeal.

The County Court in Split Gž-928/2022-3 confirmed the verdict of the Municipal Court in Makarska P-244/2021-10 of 15 November 2021, which established that Sunce hoteli d.d. is the owner of part of the real estate marked as 1141/2, surface area 3297 m2.

The County Court in Split Gž-912/2022-3 confirmed the verdict of the Municipal Court in Makarska P-530/2019-63 of 4 April 2022, which established that Sunce hoteli d.d. is the owner of part of the real estate marked as 1160/7, surface area 180 m2.

The Municipal Court in Makarska, Permanent Service in Imotski, in case P-1894/2019-41, on 6 October 2023, rendered a verdict in favour of Sunce hoteli d.d., which refers to part of the real estate marked as freehold land. 7680, surface area 354 m2.

The County Court in Osijek Gž-449/2023-2 rejected the appeal of the defendant - Municipality of Brela - and confirmed the judgment of the Municipal Court in Makarska, P-855/2019-38, which established that Sunce hoteli d.d. is owner of the entire part of the common land marked as 867/19 with surface area of 2,632 m2 and the owner of the entire property marked as 821 with surface area of 342 m2.

NOTE 28 – CONTINGENCIES (continued)

Given that the Act on Unappraised Construction Land entered into force in 2020, the Company has initiated proceedings on the basis of the Act with the purpose of aligning cadastral and land registry status with the actual unregistered ownership status which was established over hotels and accompanying land originating from social ownership. The company prepared geodetic study number 2020-54 from November 2021, which was prepared by GEO-HORVAT d.o.o. Makarska, which refers to Maestral hotel, Marina hotel, beach facility of the Maestral hotel and which was confirmed by the Makarska Regional Real Estate Cadastre Office, Class: 932-06/21-02/782 from 17 December 2021 (as a geodetic elaboration number 81/2021 of Brela) and the CERP, Class: 943-01/20-03/55 from 17 November 2021. Geodetic study number 2020-141, which refers to the Soline hotel, was confirmed by CERP on 20 April 2022, Class: 943-01/20-02/153, and by the Makarska Regional Real Estate Cadastre Office on 20 April 2022. October 2022, Class 932-06/22-02/364. CERP has certified the study for the Brela hotel (CERP certificate dated 6 December 2022, Class: 943-01/21-02/7), which has been sent for certification by the Makarska Regional Real Estate Cadastre Office. CERP certified the report for Brelada (CERP certificate dated 27 July 2023, Class: 943-01/21-02/8), which was sent for certification by the Makarska Regional Real Estate Cadastre Office. CERP certified the study for the Laundry Warehouse / CERP Certificate dated 28 July 2023, Class: 943-01/21-02/9) which was sent for certification by the Regional Office for the Makarska Real Estate Cadastre. CERP certified the development for tennis courts (CERP certificate dated 15 June 2023, Class: 943-01/21-02/21), which was sent for certification by the Makarska Regional Real Estate Cadastre Office.In said proceedings, the Company intends to register ownership in the land registry and cadastre pursuant to the parcelation/geodetic surveys previously confirmed by CERP (Centre for Restructuring and Sale), whose limits would correspond in form and surface in reality to the appraised object and land as described in their entirety or partially in the Resolution on real estate designated in the transformation process for HTP Brela, HTP Tučepi and HTP Bol. The procedure initiated by the Company under the Act on Unappraised Construction Land will significantly speed up the process and improve the Company’s position in the existing litigation for registration of ownership in its favour.

The outcome of any of the above procedures is not expected to have a material impact on the Company and Group's financial position or performance.

NOTE 29 – COMMITMENTS

Capital investment liabilities

In accordance with the announced and approved capital investments for the 2024 season, the Group and the Company entered into agreements with construction contractors whose value is estimated at approximately EUR 10 million.

NOTE 30 – RELATED PARTY TRANSACTIONS

Parties are considered to be related if one of the parties has the power to exercise control over the other party or if it has significant influence over the other party in making financial or business decisions. Affiliated entities and joint ventures are considered related parties.

In the ordinary course of business, the Company and Group entered into several related party transactions. These transactions were performed under usual commercial terms and conditions and at market rates.

At year-end, related party transactions were as follows:

	Group		**Company**	
	31 Dec 2023	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**
	(in thousands of EUR)			
Trade receivables (note 17)				
Hotels Adriatic Asset Company d.o.o.	345	348	345	348
Eagle Hills Zagreb Real Estate d.o.o.	25	-	25	-
Eagle Hills International Properties	3	-	3	-
Sunce ulaganja d.o.o.	2	-	2	-
Emaar Hospitality Group	1	-	1	-
Hotels Adriatic Management d.o.o.	-	5	-	5
Brač 500 Plus d.o.o.	-	-	-	3
Aerodrom Brač d.o.o.	-	-	20	1
Sunce Vital d.o.o.	-	-	-	3
	376	**353**	**396**	**360**

NOTES TO THE CONOSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 30 – RELATED PARTY TRANSACTIONS (continued)

	Group		Company	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
	(in thousands of EUR)			
Interest receivables (note 18)				
Hotels Adriatic Asset Company d.o.o.	113	137	113	137
Aerodrom Brač d.o.o.	-	-	4	2
Sunce Vital d.o.o.	-	-	-	1
	113	**137**	**117**	**140**

	Group		Company	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
	(in thousands of EUR)			
Given loans (note 19)				
Sunce Vital d.o.o.	-	-	-	5
Aerodrom Brač d.o.o.	-	-	173	133
	-	-	**173**	**138**

	Group		Company	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
	(in thousands of EUR)			
Trade payables (note 25)				
Beograd na vodi d.o.o.	11	21	11	21
Praona d.o.o.	12	-	12	-
	23	**21**	**23**	**21**

NOTES TO THE CONOSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 30 – RELATED PARTY TRANSACTIONS (continued)

	Group		Company	
	31 Dec 2023	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**
	(in thousands of EUR)			
Revenue (note 4)				
Hotels Adriatic Asset Company d.o.o.	17	16	17	16
Beograd na vodi d.o.o.	1	1	1	1
Aerodrom Brač d.o.o.	-	-	14	7
	18	**17**	**32**	**24**

	Group		Company	
	31 Dec 2023	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**
	(in thousands of EUR)			
Interest income (note 9)				
Aerodrom Brač d.o.o.	-	-	4	3
	-	**-**	**4**	**3**

	Group		Company	
	31 Dec 2023	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**
	(in thousands of EUR)			
Other income (note 5)				
Sunce ulaganja d.o.o.	2	2	2	2
Hotels Adriatic Asset Company d.o.o.	1	-	1	-
Sunce Vital d.o.o.	-	-	1	1
Brač 500 Plus d.o.o.	-	-	2	2
Aerodrom Brač d.o.o.	-	-	5	5
	3	**2**	**11**	**10**

	Group		Company	
	31 Dec 2023	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**
	(in thousands of EUR)			
Laundry (note 6)				
Praona d.o.o.	940	670	940	670
	940	**670**	**940**	**670**

NOTE 30 – RELATED PARTY TRANSACTIONS (continued)

	Group		Company	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
	(in thousands of EUR)			
Other expenses (note 8)				
Beograd na vodi d.o.o.	83	105	83	105
	83	**105**	**83**	**105**

Key management, Management Board and Supervisory Board

Group:

	2023	2022
	(in thousands of EUR)	
Net salaries	677	802
Contributions	371	440
Tax and surtax	136	213
Bonuses	-	-
Other fees	30	37
Key management /i/	**1,214**	**1,492**
Management Board	**99**	**316**
Supervisory Board /ii/	**-**	**16**
Total	**1,313**	**1,824**

/i/ Key management includes executive directors of hotel companies, hotel managers and parent Company directors.

/ii/ Remuneration of the supervisory board relates to the remuneration for individual members of the supervisory board of the Company, received on the basis of signed contracts of employment.

Company:

	2023	2022
	(in thousands of EUR)	
Net salaries	59	158
Tax and surtax	23	84
Contributions	17	73
Other fees /i/	-	1
Management Board	**99**	**316**
Supervisory Board	-	16
	99	**332**

/i/ Other fees relate to Christmas bonuses and unused vacation pay.

NOTE 31 – EVENTS AFTER THE REPORTING DATE

On 8 February 2024 the Government of the Republic of Croatia adopted Regulations related to the Law on unappraised land: the Regulation on the method of determining the unit of lease for tourist land on which the hotel has been built and the tourist estate, the method of calculation for lease and other fees and mandatory content of the lease agreement and the Regulation on determining the initial amount of the unit price of the lease for the tourist land in camp, the method of calculation of lease and other fees and mandatory content of the lease agreement.

The Group and the Company do not expect a significant impact on operations in view of the adopted regulations of the Law.

After the balance sheet date of 31 December 2023, there were no other events that would have a significant impact on the financial statements as of that date or for the period then ended, or that are of such importance for the Company's operations that it would require publication in the notes to the financial statements.

NOTE 32 – PREPARATION AND APPROVAL OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENS

Consolidation and separate financial statements here presented have been prepared and approved for issuing by the Management Board on 15 April 2024.

Signed on behalf of the Management Board:

President of the Board
Shaikh Mubarak Ali Abdulla Hamad Alkhalifa