JADROPLOV d.d., SPLIT

CONSOLIDATED ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

Contents

Independent Auditor's Report

To the Shareholders of Jadroplov d.d.

Report on the audit of the consolidated financial statements

Our qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion section of our report, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Jadroplov d.d. (the "Company") and its subsidiaries (together - the "Group") as at 31 December 2022, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee dated 30 June 2023.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of comprehensive income for the year ended 31 December 2022;
- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for qualified opinion

As disclosed in Note 10 to the consolidated financial statements the Group's consolidated statement of financial position includes ships with a carrying amount of HRK 607,972 thousand as at 31 December 2022 (31 December 2021: HRK 413,896 thousand). The management prepared impairment tests related to those ships and recognised reversal of previous impairment losses amounting to HRK 22,662 thousand for the year ended 31 December 2022 (31 December 2021: HRK 60,513 thousand). By performing our procedures over impairment tests prepared by the Group for the year ended 31 December 2022, we noted inconsistencies which suggested that there was a material error in impairment tests prepared by the Group as of 31 December 2021. In the absence of other information to assess the recoverability of ships as of 31 December 2021, we were unable to satisfy ourselves as to the timing of reversal of impairment losses recognised for the years ended 31 December 2022 and 31 December 2021 and consequently as to the carrying amount of ships included in the *Property, plant and equipment* financial statements line item as of 31 December 2021.

Therefore, it was impracticable for us to quantify the financial effects of this matter on *Reversal of previous impairment losses relating to ships* and *Depreciation and amortisation* financial statements line items in the consolidated statement of comprehensive income for the years ended 31 December 2022 and 31 December 2021. Consequently, it was impracticable for us to quantify the financial effects of this matter on *Property, plant and equipment* financial statements line item in the consolidated statement of financial position as of 31 December 2021.

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

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

Independence

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

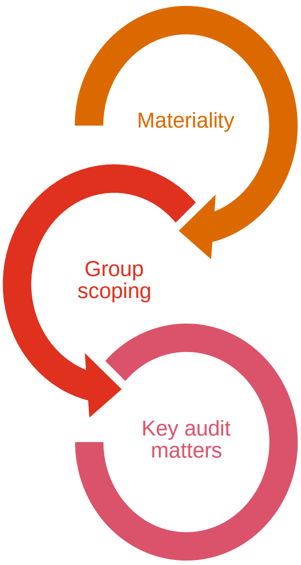
To the best of our knowledge and belief, we declare that the non-audit services that we have provided to the Group are in accordance with the applicable law and regulations in Croatia and that we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014.

Material uncertainty relating to going concern

We draw attention to Note 2.2. *Basis of preparation of consolidated financial statements* to the consolidated financial statements, item c) *Going concern*, which indicates that as of 31 December 2022, the Group's current liabilities exceed its current assets by HRK 96.8 million. This fact, as well as other circumstances set forth in Note 2.2. c), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not further modified in respect of this matter.

Our audit approach

Overview



- Overall Group materiality: HRK 7,036 thousand, which represents 1% of total assets.

- We conducted audit work at 9 reporting units in 4 countries.
- Our audit scope addressed 100% of the Group's revenues and 100% of the Group's absolute value of underlying profit before tax.

- Except for the matter described in the Basis for Qualified Opinion section and matters described in the Material uncertainty relating to going concern section, we have determined that there are no other key audit matters to communicate in our report.

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

Materiality

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

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

Overall Group materiality	HRK 7,036 thousand
How we determined it	1% of total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because it is the benchmark against which the Group's performance is measured, in terms of the recoverable amount of assets. Namely, the most significant part of the Group's total carrying value relates to ships, which are important for realising the Group's revenue in current and future operations. In addition, net profit for previous years was volatile, while total assets are a more consistent measure of performance. We chose 1%, which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

Key audit matters

Except for the matter described in the Basis for Qualified Opinion section and matters described in the Material uncertainty relating to going concern section, we have determined that there are no other key audit matters to communicate in our report.

How we tailored our Group audit scope

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

Reporting on other information including the Consolidated Management Report

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

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

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

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

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

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

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Consolidated Management Report and Corporate Governance Statement and other information that we obtained prior to the date of this auditor's report. As described in the Basis for qualified opinion section above, the Group has performed impairment tests relating to ships. In that respect, we were unable to satisfy ourselves as to the timing of reversal of impairment losses recognised for the year ended 31 December 2022 and 31 December 2021. Therefore, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

Appointment

We were appointed as auditors of the Group on 15 July 2022 by shareholder resolution. The consolidated financial statements of the Group were audited by us for the first time.

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

We have been engaged based on our agreement by the management of the Group to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the presentation of the consolidated financial statements included in the attached electronic file jadroplovdd-2022-12-31-hr.zip, (hereinafter: the financial statements) of the Group for the year ended 31 December 2022 (the "Presentation of the Financial Statements").

Description of a subject matter and applicable criteria

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

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

The requirements described above determine the basis for application of the Presentation of the Financial Statements and, in our view, constitute appropriate criteria to form a reasonable assurance conclusion.

Responsibility of the management and those charged with governance

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

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

Our responsibility

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

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

Procedures performed

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

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

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

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

Conclusion

In our opinion, based on the procedures performed and evidence obtained, the Presentation of the Financial Statements for the year ended 31 December 2022 included in the above stated attached electronic file complies, in all material respects, with the ESEF Regulation and the Capital Market Act.

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

The certified auditor engaged as partner on the audit resulting in this independent auditor's report is Ivan Golub.

PricewaterhouseCoopers d.o.o.
Heinzelova 70, Zagreb
30 June 2023

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

Consolidated Management Report

The Management Board presents its Annual Report for the year ended 31 December 2022.

Principal activity

Jadroplov d.d. (the "Company") was incorporated in Croatia as a joint stock company, registered with the Commercial Court in Split, number 060000041. The Company and its subsidiaries (together: the "Group") own and operate a fleet of vessels which sail under the Croatian flag. The Group's principal activities are chartering, crew management and technical maintenance. The principal activity is primarily carried out outside Croatia, in international waters in the Atlantic, Indian, and Pacific Ocean.

As at 31 December 2022, the Group's fleet consisted of 6 vessels, of which 5 were bulk carriers with a total capacity of 242,727 deadweight tonnage (DWT) and average age of 16.1 years. As of 24 October 2022, the Company owns an LPG vessel with a capacity of 7,500 CBM.

Supervisory Board

Supervisory Board members were as follows: Dražen Ivanušec, Chairman, Tibor Konjevod (Vice-Chairman), Goran Matešić, Jasmina Dužević Đonlagić i Dantea Krnčević Šarac (Members).

Management Board

As of 6 September 2021, the President and only Member of the Management Board is Ivan Pavlović with a term of office until 6 September 2026.

Shareholders' structure of Jadroplov d.d. as at 31 December 2022	**Number of shares**	**Holding in share capital %**
Restructuring and Sale Center (CERP)	1,152,904	70.44%
Domestic natural persons	436,885	26.69%
Financial institutions	33,363	2.04%
Companies	2,438	0.15%
Foreign investors	1,073	0.07%
Treasury shares	10,011	0.61%
Total	**1,636,674**	**100.00%**

As at 31 December 2022, the total number of shareholders was 2,763.

Result

The Group's total result realised in 2022 amounted to HRK 110,883 thousand (USD 15,697 thousand) in gains (2021: HRK 100,702 thousand (USD 15,158 thousand) in gains). If the positive impact of exchange rate differences in the amount of HRK 9,991 thousand (USD 1,342 thousand) and income from value adjustments in the amount of HRK 22,662 thousand (USD 3,208 thousand) are excluded (2021: the negative impact of exchange rate differences in the amount of HRK 2,630 thousand (USD 586 thousand) and income from value adjustments in the amount of HRK 60,513 thousand (USD 9,109 thousand)), the actual operating results balance would amount to HRK 77,229 thousand (USD 11,146 thousand) in gains (2021: HRK 42,819 thousand (USD 6,635 thousand) in gains).

Significant events during 2022

1.) *Trends in the maritime market*

During 2022, a slightly lower growth of the global economy was recorded compared to 2021 due to the impact of the decline of the Chinese economy, the Russia-Ukraine war, and a decreased demand for grain and iron ore.

In 2022, the global GDP growth has been slightly lower (about 3.4%) compared to 2021, when there was a 6.2% growth.

In 2022, India (6.8%) and China (3.0%) recorded the largest GDP increase. The rest of the world also recorded a slightly lower GDP growth compared to 2021. Japan recorded the lowest growth rate of 1.4%.

In the European Union, an annual GDP growth rate was recorded of 3.5%, which is 1.8% lower than in the previous year.

During 2022, a decrease of 0.6% was recorded in maritime trade. The transportation of crude oil increased by approximately 5.5%, container transport fell by 3.4%, and dry bulk transportation fell by 2.7% compared to last year.

During this year, there was a decrease in the demand for vessels accounting for 1.3% tonne-miles, whereas the dry bulk carrier fleet segment increased by 2.8%. We find particular interest in the 40,000 to 70,000 DWT capacity segment, which grew at a rate of 3.1%.

The Company has 5 dry bulk carriers, which is why a brief overview of this particular maritime market segment is presented below.

Dry bulk freight market

Since 5 of our bulk carriers have an individual capacity of about 48,823 DWT, we shall focus on the market of "Supramax" vessels, although their average capacity is slightly higher than the capacity of our vessels.

Over the past years, the BSI (Baltic Supramax Index) experienced significant fluctuations and was as follows:

- 8 June 2017 - 649 points,
- 22 December 2017 - 914 points,
- 13 February 2018 - 817 points,
- 11 October 2018 - 1,207 points,
- 7 February 2019 - 414 points,
- 4 September 2019 - 1,351 points,
- 23 April 2020 - 383 points,
- 6 October 2020 - 985 points,
- 8 February 2021 - 1,149 points,
- 21 October 2021 – 3,624 points
- 2 February 2022 - 1,570 points,
- 18 October 2022 – 1,678 points.

Significant events during 2022 (continued)

1.) *Trends in the maritime market (continued)*

This market segment has been in recession since 2010, and reached its historical minimum on 12 February 2016, when the index value amounted to 243, after which the market bounced back and the index strengthened. On 25 May 2022, BSI reached its maximum value of 2,833 index points or USD 31,168 per day. In 2022, the average earnings of Supramax vessels (Tripcharter) amounted to USD 23,467.

Annual average of hire rates in USD:

	T/C BCI	T/C BPI	T/C BSI	T/C BHSI
2020	13,220	9,945	8,813	8,395
2021	33,220	26,273	27,355	25,748
2022	17,385	20,837	23,467	20,820
% of change compared to 2021	(47.7)	(20.7)	(14.2)	(19.1)

The above table shows that average hire rates decreased from 14.2% to 47.7% compared to 2021 for all types of bulk carriers.

This is primarily due to the decrease in the containerised cargo trade, the decrease in maritime bulk cargo trade and the increase in fleet capacity in the observed period, that grew in the relevant period by 2.8% on an annual basis in 2022. In 2021, the fleet capacity increased by approximately 3.6%, accompanied by a drop in the bulk cargo trade of 3.2%. In 2022, the fleet increased by 2.8%, while maritime bulk cargo trade accounted for 2.7%.

Clarkson predicts a growth in bulk cargo transportation during 2023 of 1.3%, which will largely depend on the pace of recovery of the global economy, especially due to the possible adverse effect of the number of Covid-19 cases in some areas, increased vessel congestion in some of the main world ports as well as the adverse effect on trade of the Russia-Ukraine war.

2.) *Long-term transportation agreement for the vessel Split*

On 21 March 2022, the Company concluded a transportation agreement with a client, the company CE-ZA-R, Centar za reciklažu d.o.o., Zagreb, Republic of Croatia. Based on the aforementioned agreement, Jadroplov d.d. will provide the client with cargo transportation services using the motor vessel Split, the oldest vessel in Jadroplov's fleet, built in 1998, for a period of 5 years on the route from the Croatian ports of Rijeka and Split to the Turkish port of the Mediterranean and the Sea of Marmara. On 1 October 2022, the agreement with the company CE-ZA-R was terminated and the same agreement was concluded with CIOS CARGO d.o.o., Zagreb, Republic of Croatia.

3.) *Purchase of LPG vessel "Marko Marulic"*

Jadroplov started a new business of transporting liquefied petroleum gas (LPG) following the acquisition of a pressure vessel of 7,500 cubic meters in mid-2022. The vessel was built in a first-class Japanese shipyard, it is named Marko Marulić and operates under the Croatian flag.

The vessel Marko Marulić was delivered in October 2022, made several voyages with propylene as cargo, with the aim of preparing the vessel in accordance with the legal certificates. The vessel was subject to time charter

Significant events during 2022 (continued)

(T/C period) as of 1 December 2022.

The vessel was leased out for three years with a daily charter rate of USD 12,500 and an option to extend the lease for another two years. The existing 3-year T/C contract at USD 375,000/month is above market value for the size of this vessel and for the geographic area of operation.

The main propulsion engine of the vessel Marko Marulić may use LPG as a propellant which is unique for this type of vessel, which is necessary for charterers due to the large price difference between LPG and MGO. Consequently, the use of LPG as a fuel significantly reduces harmful emissions into the atmosphere and is presented on the market as 'eco friendly'.

Marko Marulić currently carries out operations in East Africa between Kenya, Tanzania and Mozambique supplying coastal terminals.

Events after the date of the statement of financial position

1.) *Trends in the maritime market*

a) Dry bulk market

At the beginning of 2022, the market was at significantly higher freight rates compared to the beginning of 2021, while mid-year (in July 2022) it experienced a significant decline until the end of the year. The daily charter rate - hire expressed in USD (for a period of 12 months) for the modern “Handymax” and “Supramax” vessels in the first weeks of the months was as follows:

Year/ Month	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
2020	**9,375**	**9,813**	**9,625**	**9,313**	**8,625**	**9,625**	**9,875**	**10,063**	**10,625**	**10,625**	**9,563**	**10,250**
2021	**11,250**	**12,313**	**16,875**	**15,750**	**18,250**	**20,438**	**25,250**	**25,188**	**27,750**	**29,000**	**20,625**	**23,750**
2022	**23,375**	**23,125**	**26,000**	**26,750**	**26,250**	**26,250**	**20,500**	**15,875**	**14,000**	**15,250**	**12,250**	**13,125**
2023	**13,250**	**13,625**	**15,750**	**13,500**	**14,500**	**12,250**						

The above table shows that at the beginning of 2023 daily charter rates were substantially lower than at the beginning of 2022.

b) Expectations for 2023

The Clarkson Dry Bulk Trade Outlook anticipates an increase in demand for shipping space by 2.2% tonne-miles, and a 1.9% growth in the bulk cargo fleet in 2023. The overall maritime bulk cargo trade is forecast to grow by 1.3%, i.e. reaching about 5.4 million tonnes in 2023 (2.2% tonne-miles). Iron ore trade should remain at approximately the same levels as in 2022 due to a drop in China's demand, while coal trade should increase by a moderate 2% (after a 4% increase in 2022).

In line with 2023 projections, grain trade would grow at a 6% rate, and minor bulk trade at about 1%.

Events after the date of the statement of financial position (continued)

The projected 2023 GDP growth would amount to 5.2% for China and 6.1% for India, although it has already been stressed that these projections could be adversely affected by a potential increase in the number of Covid-19 cases in some areas, the extension of the ban on coal exports from some Indonesian ports as well as the adverse effect on trade due to the Russia-Ukraine war.

Bulk cargo trade is expected to increase by about 1.9% in 2023 and by only about 0.4% in 2024, with a larger increase in the number of vessels that will be sold to breaking yards in 2023 highly probable, due to the new environmental rules coming in force.

In 2022, 49 bulk carriers were sold to breaking yards (4.5 million DWT), while around 15.3 million DWT are planned to be recycled in 2023, and as much as 22.0 million DWT in 2024. From the beginning of 2023 until 24 March 2023, 17 bulk carriers or about 1.53 million DWT were recycled.

The growth of bulk cargo shipping space supply looks set to slow in 2023, with the orderbook at a 30-year low of about 7% of the fleet capacity. Bulk carrier deliveries are forecast to grow by 1.9% year-on-year to around 990.7 million DWT in 2023, below recent average levels. Adverse conditions on the cargo shipping market (low hire and freight rates) for such of old vessel types, as well as new environmental regulations entering into force (e.g. EEXI, CII, EU ETS) will drive the surge in the number of old vessels sent to breaking yards.

New environmental rules and regulations could drive further vessel speed reductions (-4% compared to November last year) and increased costs for retrofitting vessels with systems designed to comply with the ETS (EMISSION TRADING SCHEME) regulations.

c) Introduction of EUR as of 1 January 2023

As of 1 January 2023, the euro became the official monetary unit and legal tender in the Republic of Croatia. The fixed conversion rate has been set at HRK 7.53450 for one euro.

The introduction of the euro as the official currency in the Republic of Croatia represents a change in the functional currency that will be calculated prospectively and does not represent a post balance sheet event requiring an adjustment of the amounts in these financial statements.

d) Delivery of the new LPG vessel “Vis”

On 16 March 2023, the LPG vessel "Vis", built in the Japanese shipyard Sasaki Shipbuilding Co. Ltd., was delivered. The vessel financing structure included 40% of own funds and 60% of a borrowing from the Croatian Bank for Reconstruction and Development. The borrowing was granted for a period of 10.5 years with a 6-year grace period. The borrowing is repaid quarterly at the agreed interest SOFR + CAS 3M + 1.66%. The vessel's first commercial voyage began on 17 March 2023.

Events after the date of the statement of financial position (continued)

The vessel's main features are as follows:

- Capacity: 7,500 cbm,
- Vessel length: 116.82 m
- Vessel width: 19.00 m
- Draught: 6.80 m
- Speed: 13 knots (average),
- Bow thruster
- Main engine: HITACHI – MAN B&W; dual fuel LPG/MGO, 5S35ME-C9,7-LGIP

e) <u>Sale & Leaseback arrangement</u>

On 27 March 2023, a sale and leaseback agreement was concluded with Moon Rise Shipping Co., SA, Panama, for the vessels Peristil and Solin. Due to significantly more favourable financial terms, a portion of the obtained funds was used to close a portion of the Macquarie bank borrowing, which was secured by mortgages on the vessels Peristil and Solin, which will favourably affect the Company's financing costs and financial operations.

Business projections for 2023

Compared to the previous year, the beginning of 2023 was marked by lower freight rates. However, in the second half of 2023 freight rates are expected to remain stable, at the level of USD 20 thousand, in particular for 3 newer bulk carriers. The oldest vessel, Split, has been chartered for an uninterrupted voyage from the Croatian ports of Rijeka and Split to the Turkish ports in the Mediterranean and the Sea of Marmara. For the vessel Trogir, negotiations are ongoing for the transport of stone between Split and the Italian ports of Genoa and La Spezia for USD 20,000 for a period of 1 + 1 year. Two LPG carriers are chartered under long-term contracts and stable hire rates, and no changes are expected in this respect. Consequently, in terms of operations, the business results in 2023 should be at the 2022 levels. The Company will invest additional efforts to reduce operating costs and increase profitability, as well as disperse operational risks by employing vessels under a spot charter, time charter and long-term charter. We plan to repay our debt to a foreign creditor by the end of June 2023, which would enable the release of mortgage over a particular vessel.

Based on the Supervisory Board's approval, the Company is preparing to increase the share capital, so as to secure additional funds for fleet renewal.

Group risk exposure

Price risk

The Group operates in the international shipping market, and therefore is exposed to considerable market risk due to cyclical changes in supply and demand in the shipping market, which affects the level of freights.

Interest rate risk

The Group is exposed to interest rate risk as it borrows funds at variable interest rates. A portion of the Group's borrowings were contracted at variable interest rates. The Company does not have instruments to hedge against interest rate risk.

Credit risk

Credit risk is related to trade receivables and refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has no material credit risk because it has adopted a policy of leasing vessels to first-class charterers.

Currency risk

Given that the Group operates on the international market, most transactions are denominated in foreign currencies. Hence, the Group is exposed to foreign exchange risk on that basis. The Group is mainly exposed to the currencies of transactions in USD and EUR.

Liquidity risk

The Company's management process focuses on securing sufficient liquidity facilities to settle liabilities when they mature. An additional liquidity buffer is ensured by leasing vessels under time charter with payment contracted at the beginning of the 15-day period and an increase in daily hire rates.

Environmental protection

The Company's principal activity is international maritime transport, which means that it is exposed to environmental risks. In 2022, there were no environmental incidents. In order to increase environmental protection, great attention is paid to regular maintenance and renewal of the fleet, as well as the professional training of maritime personnel. In line with the relevant regulation, by the end of 2022 a ballast water treatment system was installed in four bulk carriers. On one remaining vessel, the installation process is underway and will be performed in accordance with regulations.

Share buy-back

In 2022, no shares were bought back from the Company nor the Company's Management Board.

Subsidiaries

The company Jadroplov d.d., Split performs its international maritime transport activities using vessels owned by foreign related parties. Since the company Jadroplov d.d. manages the relevant subsidiaries from a single registered office, under a single name and leadership, it prepares business records and consolidated financial statements for all of its business operations in the domestic and foreign market.

Research and development

The Group has no subsidiaries and does not invest in research and development.

For and on behalf of the Management Board:

Ivan Pavlović
Member of the Management Board

27 June 2023

Corporate Governance Statement

General information

The Company adheres to the objectives, guidelines, and principles of the Corporate Governance Code, in line with the legal regulations and regulations of the Republic of Croatia. The goal of such corporate governance is to ensure an effective and transparent distribution of corporate body roles and responsibilities, balanced strategic oversight, management, and control functions, with emphasis on risk management and property protection.

Jadroplov d.d. is a company whose shares are quoted on the official market of the Zagreb Stock Exchange and applies the Corporate Governance Code which was brought by the Croatian Financial Services Supervisory Agency and the Zagreb Stock Exchange. The Code was published on the Zagreb Stock Exchange website.

Corporate governance structure

In line with the Companies Act and Company's Articles of Association, the Company bodies are as follows: General Assembly, Supervisory Board, and Management Board, with relevant acts governing their duties and responsibilities.

General Assembly

The General Assembly decides in the matters specified by the law and the Company's Articles of Association which it also adopts, as well as on the increase and decrease of share capital, election and revocation of the Supervisory Board members, it provides notes of release to the members of the Management and the Supervisory Board, appoints the external auditor and performs other duties in accordance with the law and the Company's Articles of Association.

The regular annual General Assembly was held on 15 July 2022.

Supervisory Board

The Supervisory Board oversees the management of the Company's affairs. To this end, it reviews and examines the Company's business records and documentation. The Supervisory Board submits its report on the supervision over the management of the Company's affairs to the General Assembly. The Supervisory Board of the Company consists of five members. As a rule, regular sessions of the Supervisory Board are convened on a quarterly basis. The Supervisory Board may decide on important and irrelevant matters at sessions held in writing/via telephone.

Supervisory Board members were as follows: Dražen Ivanušec (Chairman), Tibor Konjevod (Vice-Chairman), Goran Matešić, Jasmina Dužević Đonlagić and Dantea Krnčević Šarac (Members).

Management Board

The Management Board manages the Company's affairs, defines business plans and controls their realisation, and coordinates the activities of the Company's individual organisational units. The number of Board members varies from one to five. As of 6 September 2021, Ivan Pavlović acts as the President and only member of the Management Board until 6 September 2026.

Key components of the internal control and risk management system in the area of financial reporting

The overall control systems include:

- An appropriate organisational structure at all levels, with appropriate segregation of duties and defined levels of powers;
- Internal controls integrated into business processes and activities;
- Provision of reasonable and prudent judgements and estimates;
- A comprehensive set of accounting policies and procedures governing the preparation of the Annual Report in accordance with International Financial Reporting Standards as adopted by the European Union.

Ivan Pavlović
Member of the Management Board

27 June 2023

Statement of the Management Board's responsibility

Pursuant to the Accounting Act of the Republic of Croatia, the Management Board is responsible for ensuring that consolidated financial statements are prepared for each financial year in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS), which give a true and fair view at the reporting date of the financial position and operating results of Jadroplov d.d. (the "Company") and its subsidiaries (hereinafter together: the "Group") for each presented period.

After making enquiries and taking into account events after the reporting date, the Management Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Therefore, the Management Board continues to adopt the going concern basis in preparing the consolidated financial statements.

In preparing these consolidated financial statements, the Management Board's responsibilities include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgements and estimates are reasonable and prudent;
- applicable accounting standards are followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- the consolidated financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Management Board is responsible for keeping proper accounting records, which at any time reflect with reasonable accuracy the consolidated financial position of the Group Furthermore, the Management Board is responsible for ensuring that the consolidated financial statements are prepared in line with the Accounting Act of the Republic of Croatia. The Management Board is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Management Board shall ensure the accuracy and completeness of all elements of the Corporate Governance Statement and Management Report in line with articles 21 and 24 of the Accounting Act.

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

The consolidated financial statements and supplementary information set out on the following pages were authorised by the Management Board and are signed below to signify this.

Signed for and on behalf of the Management Board on 27 June 2023.

Ivan Pavlović

Member of the Management Board

Consolidated statement of comprehensive income

For the year ended 31 December 2022

(All amounts are expressed in thousands of HRK)

	Note	2022	2021
			restated
Revenue	3	291,426	206,437
Other operating income	4	17,820	11,804
Total revenue		**309,246**	**218,241**
Vessel operating expenses	5	(156,420)	(108,494)
Depreciation and amortisation expense	10,11	(41,349)	(26,430)
Staff costs	6	(8,229)	(8,125)
Other operating expenses	7	(10,343)	(10,978)
Reversal of previous impairment of vessels	7.1	22,662	60,513
Total operating expenses		**(193,679)**	**(93,514)**
Operating profit		**115,567**	**124,727**
Finance income	8	19,249	6,948
Finance costs	8	(23,931)	(30,971)
Net finance costs		**(4,682)**	**(24,023)**
Profit before tax		**110,885**	**100,704**
Income tax	9	(2)	(2)
Profit for the year		**110,883**	**100,702**
Profit attributable to:			
Owners of the parent company		**110,883**	**100,702**
Non-controlling interests		**-**	**-**
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Foreign exchange differences on translating foreign operations		5,847	15,894
Other comprehensive income attributable to owners		**5,847**	**15,894**
Total comprehensive income attributable to owners		**116,730**	**116,596**
Basic and diluted earnings per share (in HRK)	18	**68,17**	**61,91**

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

Consolidated statement of financial position

As at 31 December 2022

(All amounts are expressed in thousands of HRK)

	Note	31 December 2022	31 December 2021	1 January 2021
ASSETS			*restated*	*restated*
Property, plant and equipment	10	620,548	422,787	374,848
Advances given for property, plant and equipment	10.1	41,500	-	-
Intangible assets	11	40	53	-
Deferred tax assets	9	14	16	18
Term deposits	15	9,406	7,466	13,696
Non-current assets		**671,508**	**430,322**	**388,562**
Inventories	12	8,960	2,145	4,047
Assets measured at amortised cost				
- Trade receivables	13	1,033	2,532	4,180
- Cash and cash equivalents	16	8,923	32,023	1,662
- Loans to employees		36	72	5
Other receivables	14	13,217	8,848	7,454
Current assets		**32,169**	**45,620**	**17,348**
Total assets		**703,677**	**475,942**	**405,910**
EQUITY AND LIABILITIES				
Share capital	17	16,367	16,367	16,367
Treasury shares	17	(2,423)	(2,423)	(2,423)
Reserves for treasury shares	17	2,423	2,423	2,423
Translation and other reserves	17	252,379	246,532	230,638
Retained earnings/(accumulated loss)		1,610	(109,273)	(209,975)
Principal		**270,356**	**153,626**	**37,030**
Borrowings	19	304,191	228,311	275,965
Provisions		144	137	155
Non-current liabilities		**304,335**	**228,448**	**276,120**
Borrowings	19	81,282	46,498	45,730
Trade and other payables	20	44,664	29,468	36,725
Deferred income	20.1	2,603	11,005	4,068
Accrued expenses	20.1	437	6,897	6,237
Current liabilities		**128,986**	**93,868**	**92,760**
Total liabilities		**433,321**	**322,316**	**368,880**
Total equity and liabilities		**703,677**	**475,942**	**405,910**

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

Consolidated statement of changes in equity

For the year ended 31 December 2022

(All amounts are expressed in thousands of HRK)

	Share capital	Treasury shares	Reserves for treasury shares	Translation and other reserves	Accumulated losses and profit for the year	Total
Balance at 1 January 2021	**16,367**	**(2,423)**	**2,423**	**230,638**	**(209,975)**	**37,030**
Profit for the year (Note 18)	-	-	-	-	100,702	**100,702**
Other comprehensive income						
Translation reserves	-	-	-	15,894	-	**15,894**
Total other comprehensive income	-	-	-	15,894	-	**15,894**
Total comprehensive income	**-**	**-**	**-**	**15,894**	**100,702**	**116,596**
Balance at 31 December 2021	**16,367**	**(2,423)**	**2,423**	**246,532**	**(109,273)**	**153,626**
Profit for the year (Note 18)	-	-	-	-	110,883	110,883
Other comprehensive income:						
Foreign exchange differences on translating foreign operations	-	-	-	5,847	-	**5,847**
Total other comprehensive income	-	-	-	5,847	-	**5,847**
Total comprehensive income	**-**	**-**	**-**	**5,847**	**110,883**	**116,730**
Balance at 31 December 2022	**16,367**	**(2,423)**	**2,423**	**252,379**	**1,610**	**270,356**

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

Consolidated statement of cash flows

For the year ended 31 December 2022

(All amounts are expressed in thousands of HRK)

	Note	2022	2021
Operating activities			*restated*
Profit for the year before tax		110,885	100,704
Adjustments for:			
Depreciation and amortisation	10,11	41,349	26,430
Impairment of property, plant and equipment, net	7.1	(22,662)	(60,513)
Expected credit losses - net	7	85	(28)
Change in provisions		7	(18)
Write-off of other liabilities	4	(5)	(759)
Interest and similar expenses	8	14,826	21,397
Interest and similar income	8	(153)	(4)
Effect of change in exchange rates		(6,373)	(9,689)
		137,959	**77,520**
Changes in working capital			
Increase in trade and other receivables		(1,990)	(1,823)
(Increase)/decrease in inventories		(6,815)	1,902
Increase in trade and other payables		343	7,015
Cash generated from operating activities		**129,497**	**84,614**
Interest paid		(16,311)	(17,850)
Net cash generated from operating activities		**113,186**	**66,764**
Investing activities			
Purchase of property, plant and equipment	10	(248,551)	(19,217)
Proceeds on sale of property, plant and equipment	10	-	36,209
Investments in deposits		(6,238)	(6,841)
Proceeds from deposits		4,863	13,675
Loans granted		-	(85)
Proceeds from loans granted		36	18
Interest received		6	24
Net cash (used in)/generated from investing activities		**(249,884)**	**23,783**
Financing activities			
Borrowings	19	169,480	123,828
Repayment of borrowings	19	(56,187)	(184,014)
Net cash generated from/(used in) financing activities		**113,293**	**(60,186)**
Net (decrease)/increase in cash and cash equivalents		**(23,405)**	**30,361**
Effects of change in exchange rate on cash and cash equivalents		**305**	**-**
Cash and cash equivalents at the beginning of the year		**32,023**	**1,662**
Cash and cash equivalents at the end of the year	16	**8,923**	**32,023**

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

1. GENERAL INFORMATION

Jadroplov d.d. (the "Company") is a joint stock company registered at the Commercial Court in Split, Croatia, under the registration number 060000041. The Company and its subsidiaries (together: the "Group") own and operate a fleet of vessels which sail under the Croatian flag. The Group's principal activities are chartering, crew management and technical maintenance.

2. ADOPTION OF NEW AND REVISED STANDARDS AND NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Adoption of New or Revised Standards and Interpretations

The following amended standards became effective from 1 January 2022, they have been endorsed by the EU, but did not have a material impact on the Group:

- Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).

- COVID-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021).

The adoption of amendments to existing standards and interpretations are not material for the Group's operations and do not have a significant impact on the consolidated financial statements.

New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2023 or later, which have been endorsed by the EU and which the Group has not early adopted.

- IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023).
- Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).
- Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023).
- Transition option to insurers applying IFRS 17 – Amendments to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023).

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

2. ADOPTION OF NEW AND REVISED STANDARDS AND NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2023 or later, which have not been endorsed by the EU and which the Group has not early adopted.

- IFRS 14, Regulatory Deferral Accounts (issued on 30 January 2014 and effective for annual periods beginning on or after 1 January 2016).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024).
- Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024).

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

2.1. RESTATEMENT OF OPENING BALANCES

In 2022, certain restatements were made in the Group's financial statements for the year 2021 and prior periods. The reasons for the restatements and specific restated positions are provided below.

/i/ Recognition of capitalised dry-docking costs under IAS 16

In the previous periods, the Company did not capitalise dry-docking costs, but erroneously reported them as costs accrued over the period of 2.5 years for two older ships, i.e. 5 years for 3 newer ships that are up to 15 years old.

As required by IAS 16, in 2022 the Group recognised the dry-docking costs within Property, plant and equipment.

This has resulted in the following restatements in the Group's financial statements:

- As at 1 January 2021, Property, plant and equipment were increased by HRK 15,771 thousand, and Prepaid expenses and advances were decreased by the same amount, of which HRK 8,020 thousand refers to the non-current portion and HRK 7,751 thousand to the current portion of prepaid expenses (Table 1);
- As at 31 December 2021, Property, plant and equipment were increased by HRK 13,756 thousand, and Prepaid expenses and advances were decreased by the same amount, of which HRK 7,154 thousand refers to the non-current portion and HRK 6,602 thousand to the current portion of prepaid expenses (Table 2);
- In 2021, the Vessel operating expenses were decreased by HRK 13,842 thousand of dry-docking costs, and the Depreciation charge was increased by the same amount (Table 3).
- The Purchase of property, plant and equipment within Investing activities in the Statement of cash flows increased by HRK 8,060 thousand and the item Changes in trade and other receivables within Operating activities in the Statement of cash flows was decreased by the same amount of dry-docking costs in 2021 (Table 4).

An overview of the listed restatements of opening balances of the comparative period (1 January 2021) and the closing balances of the comparative period (31 December 2021), resulting from the described correction of the accounting error of the previous periods, is presented in Table 1, Table 2 and Table 3.

Other restatements due to error relate to the reclassification of the following items:

/ii/ As of 1 January 2021, Term deposits in the amount of HRK 13,696 thousand, which were earlier misstated as current assets, were reclassified to non-current assets (Table 1).

/iii/ As at 1 January 2021, Fuel receivables in the amount of HRK 4,015 thousand and Other receivables in the amount of HRK 1,532 thousand, previously reported as financial assets measured at amortised cost, are reported under Prepaid expenses and advances since these receivables do not represent financial assets measured at amortised cost, because this receivable will be compensated with certain amounts of fuel, without payment in cash (Table 1).

/iv/ As at 31 December 2021, Term deposits in the amount of HRK 7,466 thousand, which were earlier misstated as current assets, were reclassified to non-current assets (Table 2).

/v/ As at 31 December 2021, Fuel receivables in the amount of HRK 4,552 thousand and Other receivables in the amount of HRK 1,354 thousand, previously reported as financial assets measured at amortised cost, are reported under Prepaid expenses and advances since these receivables do not represent financial assets measured at amortised cost (Table 2).

/vi/ Income from the reversal of previous impairment in the amount of HRK 60,513 thousand, which was earlier misstated in Other operating income, was transferred and reported within a separate note Reversal of previous impairment of vessels (Table 3).

2.1. RESTATEMENT OF OPENING BALANCES (continued)

/vii/ Collected trade receivables previously impaired in the amount of HRK 28 thousand were separated from the item 'Other operating income' and transferred to 'Other operating expenses' as a decrease of prior year expenses. (Table 3 and 4).

/viii/ Cash inflow in the amount of HRK 36,209 thousand, which relates to the sold vessel Bene, was transferred from operating activities (from the item Net carrying value of assets sold) to investing activities (to the item Proceeds on sale of property, plant and equipment) (Table 4).

/ix/ The effects of changes in exchange rates relating to investing and financing activities were reclassified from the item Changes in trade payables in the amount of HRK 6,902 thousand and from the item Changes in trade and other receivables in the amount of HRK 2,787 thousand to the separate item Effect of change in exchange rates in 2021 (Table 4).

/x/ The correction in item Changes in trade and other receivables results from the reclassification of prepaid expenses in cash flow in the amount of HRK 980 thousand and the changes explained above:

- Item *i* (HRK 8,060,000 for the purchase of property, plant and equipment and HRK 13,842,000 for the dry-docking depreciation charge)
- Item *ix* (HRK 2,787 thousand of exchange rate differences)

(All amounts are expressed in thousands of HRK)

2.1. RESTATEMENT OF OPENING BALANCES (continued)

Table 1 - Restated Consolidated statement of financial position as at 1 January 2021:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 1 January 2021	(in HRK'000)		
	Disclosed	**Restatement due to correction of errors**	**Restated**
NON-CURRENT ASSETS			
Property, plant and equipment /i/	359,077	15,771	374,848
Prepaid expenses and advances /i/	8,020	(8,020)	-
Term deposits /ii/	-	13,696	13,696
CURRENT ASSETS			
Fuel receivables /iii/	4,015	(4,015)	-
Term deposits /ii/	13,696	(13,696)	-
Assets measured at amortised cost - Other receivables /iii/	1,532	(1,532)	-
Prepaid expenses and advances* /i/, /iii/	9,658	(2,204)	7,454

**In this year's financial statements, this item was renamed Other receivables.*

Table 2 - Restated Consolidated statement of financial position as at 31 December 2021:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 December 2021	(in HRK'000)		
	Disclosed	**Restatement due to correction of errors**	**Restated**
NON-CURRENT ASSETS			
Property, plant and equipment /i/	409,031	13,756	422,787
Prepaid expenses and advances /i/	7,154	(7,154)	-
Term deposits /iv/	-	7,466	7,466
CURRENT ASSETS			
Fuel receivables /v/	4,552	(4,552)	-
Term deposits /iv/	7,466	(7,466)	-
Assets measured at amortised cost - Other receivables /v/	1,354	(1,354)	-
Prepaid expenses and advances* /i/, /iv/	9,544	(696)	8,848

**In this year's financial statements, this item was renamed Other receivables.*

(All amounts are expressed in thousands of HRK)

2.1. RESTATEMENT OF OPENING BALANCES (CONTINUED)

Table 3 - Restated Consolidated statement of comprehensive income for 2021:

		(in HRK'000)		
		Disclosed	**Restatement due to correction of errors**	**Restated**
	TOTAL REVENUE			
	Other operating income /vi/, /vii/	72,345	(60,541)	11,804
	TOTAL OPERATING EXPENSES			
	Vessel operating expenses /i/	(122,336)	13,842	(108,494)
	Depreciation and amortisation charge /i/	(12,588)	(13,842)	(26,430)
	Other operating expenses /vii/	(11,006)	28	(10,978)
	Reversal of previous impairment /vi/	-	60,513	60,513

Table 4 - Restated Consolidated statement of cash flows for 2021:

		(in HRK'000)		
		Disclosed	**Restatement due to correction of errors**	**Restated**
	Depreciation and amortisation /i/	12,588	13,842	26,430
	Net book amount of sold assets /viii/	36,209	(36,209)	-
	Prepaid expenses /x/	980	(980)	-
	Effect of change in exchange rates /ix/	-	(9,689)	(9,689)
	Trade and other receivables /i/, /x/	192	(2,015)	(1,823)
	Trade and other payables /ix/	113	6,902	7,015
	NET CASH GENERATED FROM OPERATING ACTIVITIES	94,913	(28,149)	66,764
	Purchase of property, plant and equipment /i/	(11,157)	(8,060)	(19,217)
	Proceeds on sale of property, plant and equipment /viii/		36,209	36,209
	NET CASH USED IN INVESTING ACTIVITIES	(4,366)	28,149	23,783

(All amounts are expressed in thousands of HRK)

2.2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The principal accounting policies adopted are set out below:

a) Basis of presentation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The financial statements have been prepared under the historical cost convention and on the going concern basis. The consolidated financial statements of Jadroplov d.d. include assets and liabilities, i.e., income and expenditures of the following subsidiaries wholly owned by Jadroplov d.d., with reported vessels held in their possession as at 31 December 2022:

	Name of subsidiary	Name of vessel
1.	April Marine Inc., Monrovia, Liberia	Solin
2.	Bene Maritime Inc., Majuro, Marshall Islands	-
3.	Ist Maritime Inc., Majuro, Marshall Islands	-
4.	Peristil Maritime Inc., Majuro, Marshall Islands	Peristil
5.	Radunica Maritime Inc., Majuro, Marshall Islands	Sveti Dujam
6.	Split Maritime Inc., Majuro, Marshall Islands	Split
7.	Trogir Maritime Inc., Majuro, Marshall Islands	Trogir
8.	Vis Maritime Inc., Majuro, Marshall Islands	Marko Marulić

The amounts in these financial statements are presented in Croatian kuna (HRK) and rounded to the nearest thousand. As at 31 December 2022, the exchange rate for USD 1 was HRK 7.06 and for EUR 1 it was HRK 7.53 (31 December 2021: USD 1 = HRK 6.64, EUR 1 = HRK 7.52).

b) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. These estimates are based on the information available at the date of the financial statements and actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

2.2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

c) Going concern

In the year ended 31 December 2022, the Group recorded profit after tax of HRK 110,883 thousand (2021: profit after tax of HRK 100,702 thousand). Furthermore, as at 31 December 2022, the Group's current liabilities exceeded its current assets by HRK 96,817 thousand (2021: HRK 48,248 thousand).

In 2022, a new borrowing of HRK 169,480 thousand was entered into and liabilities under existing borrowings of HRK 56,187 thousand were settled (disclosed in Note 19).

During 2022, significantly reduced interest rates on existing borrowings were negotiated with domestic banks (Note 19: for the borrowing under item 2, the agreed fixed interest rate of 5.18% was reduced to a fixed rate of 3.67%; for the borrowing under item 3, the agreed fixed interest rate of 4% was reduced to a fixed rate of 2.20% and for the borrowing under item 4, the agreed interest rate of 4% + 3 monthly EURIBOR was reduced to a fixed rate of 2.10%). During 2022, the capital market underwent a significant change, and the value of LIBOR changed from a negative or zero value to 5, resulting in a significant increase in the cost of borrowings. Considering the stated conditions, the Group believes that the best possible agreement was reached with domestic banks.

On 31 March 2023, a borrowing from a domestic bank with a one-time maturity of the remaining part of the principal ("balloon") in the amount of HRK 27.5 million (USD 3.9 million), which formed part of the Group's current liabilities as of 31 December 2022, was rescheduled to a period of 3 years, to be repaid in 12 quarterly instalments with a fixed interest rate.

In order to refinance the borrowing from a foreign creditor, whose year-end interest rate was around 9.9%, with 3 vessels being mortgaged, the Group entered into a sale & leaseback transaction (in March 2023) with a Japanese shipowner and banks for 2 fleet vessels. The transaction value is HRK 144.7 million (USD 20.5 million) with a repayment term of 4.5 years and an interest rate of SOFR+2.25%. The transaction includes the option to repurchase the vessels after half of the repayment period has passed i.e., after 2 years and one quarter.

After the S&L transaction was realised, a part of the available funds, amounting to approximately HRK 69.9 million (USD 9.9 million), was used to pay off part of the debt to the foreign bank, which included a part of the "balloon" in the amount of HRK 42.4 million (USD 6.0 million) maturing in 2026. The Group believes this transaction will positively affect the Group's financing costs and financial operations. By paying-off this debt, which bore unfavourable interest rate, the Group removed pledge from two of its vessels.

In October 2022, the LPG vessel Marko Marulić was purchased for a consideration of HRK 177.6 million (USD 25.15 million), while the market price of the vessel, based on the assessment of the official appraiser VesselsValue, was HRK 195.6 million (USD 27.7 million). The vessel has been leased out for 3+2 years with the monthly rent amounting to HRK 2.6 million (USD 375 thousand) plus continuing technical maintenance and staff costs amounting to HRK 35 thousand (5 thousand USD), which is considered to be a secure business. The vessel was financed with a borrowing amounting to HRK 124.3 million (USD 17.6 million), while the remaining amount of HRK 62.1 million (USD 8.8 million) was financed using own funds. This borrowing is being repaid quarterly over a 10-year period. As at 31 December 2022, HRK 11.5 million is presented as part of current liabilities, while the rest is presented as a non-current liability.

In March 2023, a second LPG vessel, Vis, was purchased. The agreed purchase price was HRK 165.9 million (USD 23.5 million), while the estimated market value was HRK 194.9 million (USD 27.6 million). The vessel has been leased out for 1+1 year with a monthly rent of HRK 2.7 million (USD 390 thousand) and HRK 2.8 million (USD 400 thousand) respectively. The amount of HRK 107.3 million (USD 15.2 million) was borrowed to finance the vessel, while the remaining amount was financed with own funds and an S&L arrangement. This borrowing is being repaid quarterly over a 10.5-year period with only one instalment to be paid in 2023.

In the second quarter of 2023, the Group expects to dry dock the vessel Split, which due to its age has limited access to many ports and can load a maximum of 30 thousand tonnes of non-homogeneous cargo. In order to meet regulations, the installation of a ballast water treatment system will be finalised, and the Group plans to invest an additional HRK 7.8 million (USD 1.1 million) in the overhaul of the vessel by the end of 2023, so that it could meet all existing standards. Considering that the vessel is commissioned for transporting scrap iron from Croatian to Turkish ports, achieving excellent financial results, the Group believes that it can be commissioned in the long term. According to VesselsValue, the vessel's current market value is HRK 43.1 million (USD 6.1 million), while the scrap value is around HRK 36 million (USD 5.1 million).

The second oldest vessel, Trogir, 22 years old, will replace the vessel Split for the transport of scrap metal during the dry-docking of the vessel Split. Negotiations are underway with US Steel Košice on the possibility of a longer-term engagement for the transport of scrap metal between Ploče and Rijeka, which is incidental cargo on the return trip from Turkey. It is estimated that up to 500 thousand tonnes could be transported in this way during 2023. Also, there will be 12 trips from Novorossiysk to Rijeka. Negotiations are underway on the possible engagement of the vessel Trogir for the transport of stone from Split to Genoa for a period of at least two years with a rent of HRK 141 thousand (USD 20 thousand).

The Group believes that it is extremely important that the Group has 4 vessels under a long-term lease, two of which are the oldest bulk carriers and the other two are the newest LPG vessels, because this will provide stability to the Group's business, regardless of the state of the global market. The three newer bulk carriers will remain on the spot market, where the Group believes it is competitive regardless of the age of the vessels.

In view of the above, the Group considers it important to note that precisely because of risk dispersion, the Group entered the LPG vessel market, which, unlike the volatility expressed on the bulk carrier market, experiences small oscillations according to historical data, and the Group intends to proceed in this manner. The restructuring plan, approved by the European Commission, envisages the Group's capital increase. Accordingly, following the Supervisory Board's approval, the Group 's management has prepared for implementing the capital increase. The planned capital increase procedure will be carried out by issuing new shares through a public offering with the aim of collecting a minimum of HRK 211.8 million (USD 30 million), which would be used to order two additional bulk carriers and possibly to make a down payment for another one. This will be effected provided that these are dual-fuel vessels, built according to the latest technology, where one of the fuels should be a non-polluting fuel. The Group believes that this is the future of the shipping industry and the players not ready to adapt will not be able to survive in the market.

As for business uncertainty, it only applies to 3 vessels on the spot market. According to the forecast of global brokers, in the second part of 2023, the estimated freight rates are HRK 92-106 thousand (USD 13-15 thousand) per day, and for the next year HRK 85-99 thousand (USD 12-14 thousand) per day, which is still significantly higher than the operating costs and this supports a reasonable expectation that future profitability and positive margins will be achieved in the longer term. Therefore, the Group believes that long-term contracts for 2 bulk carriers would help decreasing revenue volatility in the next several years. Nevertheless, considering that vessels are financed via long-term borrowings which obviously require a long-term repayment period, there is significant uncertainty in relation to liquidity and the ability to settle current liabilities (which include trade payables as well as liabilities for short-term borrowings and the current portion of long-term borrowings).

Due to the above, the Management Board believes that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and that the Group may not be able to realise its assets and settle its liabilities in the ordinary course of business.

2.3. SIGNIFICANT ACCOUNTING POLICIES

a) Consolidation

Subsidiary undertakings are enterprises controlled by the Company. Control is achieved when the investor has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date of acquiring control until the date that control ceases. A listing of subsidiaries is provided in Note 2.2.a.

The results of the subsidiaries acquired or sold during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition up to the date of sale.

Where necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with those used by other Group companies.

All significant intercompany transactions and balances between the Group companies are eliminated on consolidation.

b) Foreign currencies

The Company's functional currency is the Croatian kuna (HRK), and the functional currency of the subsidiaries is the US dollar (USD).

(i) Foreign currency transactions

Transactions in currencies other than the presentation currency (HRK) are initially recorded at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the date of the statement of financial position using the exchange rate prevailing at that date. Gains and losses arising from translation are included in net profit or loss for the period. Non-monetary assets carried at historical cost of a foreign currency are not re-translated.

(ii) Financial statements of foreign operations

Assets and liabilities are translated to HRK at the exchange rate at the date of the statement of financial position, while items of income and expense are translated to HRK at the exchange rate prevailing at the date of the transaction. Resulting exchange differences are recognised in the statement of comprehensive income within reserves (translation reserves), through a cumulative translation adjustment. The statements of financial position of subsidiaries are translated to HRK at year end using the current rate method.

2.3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Property, plant and equipment

Property, plant and equipment are recognised at cost less accumulated depreciation and impairment losses. Property, plant and equipment under construction are carried at cost less any recognised impairment loss. Cost includes all costs directly attributable to bringing the asset to working condition for its intended use, including borrowing costs directly attributable to property, plant and equipment in the course of construction.

If the acquisition of property, plant and equipment was aided through a government grant, the cost or carrying value of property, plant and equipment is decreased by the amount of the government grant.

Depreciation of assets commences when the assets are ready for their intended use. The basis for depreciation is the cost less the amount of government grant and the estimated residual value of the asset.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of items of plant and equipment. Assets under construction are not depreciated.

The depreciation method and useful life, as well as the residual value are revised each year. Impairment is assessed if there is an indication of impairment.

The estimated useful lives of property, plant and equipment are as follows:

Buildings	40 years
Plant and equipment	4 - 10 years
Vessels	25 years

d) Repairs and maintenance

Repair and maintenance costs are charged to the period in which they were incurred, unless such investment extends the useful life, changes the capacity or purpose of the property, plant and equipment, in which case such costs are capitalised.

2.3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Intangible assets

Intangible are stated at cost less accumulated amortisation and impairment losses. Subsequent expenditure on capitalised intangible assets is capitalised only when they increase the future economic benefits embodied in the specific asset to which it relates and if these benefits will flow to the Group. All other expenses are recognised in profit or loss as they are incurred.

Amortisation commences when the assets are ready for their intended use.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of items of intangible assets unless this item has an indefinite useful life.

The estimated useful life is reviewed annually. Impairment is assessed if there is an indication of impairment.

The estimated useful life of intangible assets is as follows:

Software	5	years

f) Impairment of property, plant and equipment and intangible assets

The carrying amounts of the Group's property, plant and equipment and intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated.

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. Impairment losses are charged to profit or loss under other operating expenses.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is determined by discounting expected cash flows using the pre-tax discount rate which reflects the current market estimate of the time value of money and the risks specific for each asset. For assets not generating independent cash receipts, the recoverable amount is determined based on the group of assets to which the asset belongs.

Impairment loss is reversed if there has been a change in the estimates used for determining the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised previously.

2.3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Leases

The Group as the lessee

At contract inception, the Group assesses whether a contract is, or contains, a lease. The Group recognises a right-of-use asset and the underlying lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (such as tablets and personal computers, office furniture and telephones). For such leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that have not been settled at the beginning of the lease term, discounted at the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate. Lease payments included in the measurement of the lease liability entail the following:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group shall remeasure the lease liability (and make a corresponding adjustment to the related right-of-use asset), if:

- there is a change in the lease term or a material event or change in circumstances arises, resulting in a change in the exercise price of purchase option, in which case the lease liability is remeasured by discounting the revised lease payments by using a revised discount rate,

- there is a change in lease payments due to changes in the index or rates, i.e., changes in the amount expected to be paid under the guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments by using a revised discount rate (unless the revised payments reflect the change in variable interest rates, and in that case a revised discount rate is applied).

2.3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Leases (continued)

The Group did not make any lease adjustments during the periods presented. The right-of-use assets entail the initial measurement of the relevant lease liability, lease payments made at or before the commencement date of the lease, less any lease incentive received for concluding the operating lease and all initial direct costs. These are subsequently measured at cost less accumulated depreciation and accumulated impairment losses.

Right-of-use assets are depreciated over the shorter of the lease term and the useful life. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of the lease.
The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the ‘Property and Equipment’ policy.

As a practical expedient, IFRS 16 allows the lessee to elect not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component. The Group has not used this practical expedient. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as the lessor

Leases in which the Group is the lessor are classified as finance or operating leases. A lease is classified as a finance lease whenever all the risks and rewards of ownership of an underlying asset are substantially transferred to the lessee. All other leases are classified as operating leases. Rental income from operating leases is recognised on the straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and contracting the terms of operating leases are credited to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2.3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Inventories

Inventories of are stated at the lower of cost or net realisable value. Cost comprises all direct costs and those costs that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Inventories consist mainly of lubricants, fuels, and spare parts.

i) Financial assets

Financial assets
The Group’s financial assets include bank accounts, cash, term deposits, loans granted to employees and trade receivables.
At initial recognition at fair value, Jadroplov allocates financial assets to business models and thus tests contractual cash flows. Subsequent measurement depends on the allocation and tests of contractual cash flows. The classification depends on the purpose for which the financial assets were acquired. The Management Board classifies financial assets at initial recognition and re-examines this decision at each reporting date. Considering their characteristics and credit risk management, Jadroplov classifies its financial assets in the following business models and, as a result, certain measurement categories:

i. 'Hold to collect' business model – trade receivables, cash and cash equivalents, term deposits and loans granted to employees. Having passed the test of cash flows that are solely payments of principal and interest on the principal outstanding, in this business model financial assets are measured at amortised cost.

(I) Financial assets measured at amortised cost

Jadroplov measures financial assets at amortised cost if both of the following conditions have been met: the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows and contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets at amortised cost are subsequently measured using the effective interest (EIR) 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 amortised cost include trade receivables, cash and cash equivalents, term deposits and loans granted to employees.

Jadroplov recognises impairment for all expected credit losses (ECL) for all debt instruments not measured at fair value through profit or loss. Expected credit losses are based on contractual cash shortfalls that Jadroplov expects to receive. Expected credit losses are calculated using the historical loss rate resulting from uncollected cash flows for each financial instrument. The loss rate is applied to financial assets according to stages as detailed below.

2.3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Financial assets (continued)

(I) Financial assets measured at amortised cost (continued)

In case of credit exposures for which there has not been a significant increase in credit risk since initial recognition, expected credit loss is recognised for credit losses resulting from the probability of default in the following 12 months (12-month ECL). For all credit exposures with significant increase in credit risk since initial recognition, an allowance for lifetime expected credit losses will be recognised (lifetime ECL). For trade receivables and contract assets, Jadroplov applies a simplified approach to calculating expected credit losses and therefore does not monitor changes in credit risk but recognises a lifetime expected credit loss allowance at the end of each reporting period. Financial assets are written off when there is no reasonable expectation of recovery.

j) Receivables

Receivables represent the right to collect determined amounts from customers or other debtors with regard to Jadroplov's operations. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for expected credit losses as set out in Note 2.3.j.

k) Cash

For the purposes of the statement of financial position and statement of cash flows, cash and cash equivalents comprise cash on hand, and balances with banks, and highly liquid instruments that are readily convertible to known amounts of cash with original maturities of three months or less and which are subject to an insignificant risk of change in value. Cash and cash equivalents are measured at amortised cost because: (i) they are held for the collection of contractual cash flows that represent solely payments of principal and interest and (ii) they are not designated at FVTPL.

Restricted balances are excluded from cash and cash equivalents for the purposes of the statement of cash flows. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period are included in other non-current assets.

l) Trade and other current payables

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

2.3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Trade and other current payables (continued)

Other current liabilities are those classified as current, they are due within one year and include tax liabilities (other than income tax), other liabilities to employees, advances received, other current liabilities, accrued expenses and contractual obligations.

m) Provisions

A provision is recognised only if Jadroplov has a present obligation (legal or constructive) as a result of a past event, and it is likely that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligation.

n) Retirement benefits and jubilee awards

The Group has no defined post-retirement benefit plans for its employees or management in Croatia or abroad. Consequently, the Group has no outstanding obligations to its current and former employees arising from post-retirements benefits. The Group makes payments to its employees for retirement benefits and jubilee awards in accordance with the Rules of operation. The retirement benefit is defined as a HRK 8,000 lump sum per employee. Employees earn jubilee awards under the following criteria:

- HRK 1,500 for 10 years of continuous service
- HRK 2,000 for 15 years of continuous service
- HRK 2,500 for 20 years of continuous service
- HRK 3,000 for 25 years of continuous service
- HRK 3,500 for 30 years of continuous service
- HRK 4,000 for 35 years of continuous service
- HRK 4,500 for 40 years of continuous service

o) Revenue from contracts with customers

Revenue from freight charges is generated from time charters and voyage charters.

Voyage charters

In accordance with IFRS 15, an entity shall recognise revenue when (or as) the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. Control of an asset refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset. Control can be transferred over time or at a point in time.

2.3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o) Revenue from contracts with customers (continued)

The variable consideration is estimated at contract inception only to the extent that it is highly probable that a significant reversal in the amount of revenue will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Revenue is measured at the fair value of the consideration received less discounts, rebates and taxes. The Company assesses its revenue according to specific criteria to determine whether it acts as a principal or an agent. The Company concluded that it acts as a principal in all its transactions related to revenue realisation.

Revenues from freight charges generated from operations under voyage charters are recognised over time. Most of the Company's contracts include only one performance obligation.

Time charters

As part of time charter activities the vessel is placed at the customer's disposal for a certain period of time and the customer uses it in exchange for a certain daily freight rate. Revenue is recognised in accordance with IFRS 16 Leases. The performance obligation in a time charter is satisfied over the contract term, starting from the moment the vessel is delivered to the customer until its redelivery to Jadroplov. Time charters are considered operating leases and therefore do not fall within the scope of IFRS 15 because (i) a vessel is an identified asset (ii) Jadroplov has no substitution rights and (iii) the charterer has the right to control the use of the vessel during the contract term and obtains economic benefits from such use (Note 2j).

p) Government grants

Government grants are recognised in profit or loss on a systematic basis over the period in which the Company recognises as expenses the related costs for which the grant is intended to compensate. Grants related to tangible assets are recognised in profit or loss over the periods and in the proportions in which depreciation on those assets is recognised. In the statement of financial position, the government grant is deducted in arriving at the carrying amount of the underlying asset and is recognised in profit or loss over the useful life of depreciable asset by way of a reduced depreciation charge.

q) Net finance (costs)/income

Net finance costs and income consist of interest expenses, interest income on investments and foreign exchange gains or losses. Interest expense on borrowings is recognised in profit or loss in the period when the borrowing is used. Borrowing costs for loans raised to finance items of property, plant and equipment that take a substantial period of time to get ready for their intended use are capitalised. Interest income on receivables is recognised in profit or loss in the period when incurred. Dividend income is recognised in profit or loss when declared.

2.3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r) Tax

The income tax expense represents the sum of the current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustments to tax payable in respect of previous years. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.
Income tax was calculated based on the regulations and acts in currently in force. Jadroplov has been included in the system of tonnage tax for a 10-year period as of 1 January 2014. Companies meeting the requirements stipulated in the Maritime code and choosing the tonnage tax option are required to stay in the system for ten years. The requirement is that the relevant company is a shipping company and income taxpayer in the Republic of Croatia based on all of its belonging profit. Another condition is to manage vessels meeting all stipulated requirements and, most importantly, to engage in strategic and commercial management of vessels in Croatia. Tonnage tax is not covered by IAS 12.

s) Operating segments

Since most of the Group's operations relate to the core business, shipping, and the fleet consists only of bulk carriers, the Management Board believes that the Group has only one operating segment. The Group realises operating lease income globally: in the Atlantic, Indian, and Pacific Ocean.

t) Events after the balance sheet date

Events after the balance sheet date, which provide additional information on the Group’s position at the reporting date (adjusting events), are reflected in the financial statements.

Non-adjusting events after the balance sheet date are disclosed in the notes when material.

2.4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

When applying the Group's accounting policies, which are described in Note 2, the Management Board is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The critical judgements in applying the Group's accounting policies that had the most significant impact on the amounts recognised in the consolidated financial statements were as follows:

Revenue recognition

In accordance with IFRS 15 Jadroplov uses the output method of measuring progress toward complete satisfaction of a performance obligation. Output methods recognise revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract. The Group uses the practical expedient provided by IFRS 15.B16 since it has a right to consideration from a customer in an amount that corresponds directly with the value – it recognises revenue in the amount to which it has a right to invoice. When (or as) a performance obligation is satisfied, Jadroplov shall recognise as revenue the amount of the transaction price (which excludes estimates of variable considerations that are constrained) that is allocated to that performance obligation. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The consideration promised in a contract with a customer may include fixed amounts, variable amounts or both.

Impairment of financial assets

At each reporting date, the Jadroplov assesses whether the credit risk for a financial instrument has increased significantly since initial recognition. When making this assessment, Jadroplov uses the change in the default risk occurring over the expected life of the financial instrument rather than the change in the ECL, except for trade receivables. In order to complete the assessment, Jadroplov compares the default risk of the financial instrument as at the reporting date with the default risk of the financial instrument as at the date of initial recognition and considers reasonable and acceptable data. For trade receivables and contract assets, the Company applies a simplified approach to calculating ECLs. Therefore, the Company does not monitor changes in credit risk, but recognises an impairment loss allowance at an amount equal to expected credit losses over the expected life of the asset at each reporting date.

2.4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Provisions for contingent liabilities

Jadroplov recognises provisions resulting from court proceedings initiated against Jadroplov which will probably lead to an outflow of funds in order to settle receivables from Jadroplov if the amounts can be measured reliably. When assessing provisions, Jadroplov considers professional legal advice.

Vessel depreciation

Useful lives of property, plant and equipment

The determination of the useful lives of assets is based on historical experience with similar assets as well as any anticipated technological development and changes in broad economic or industry factors. The appropriateness of the estimated useful lives is reviewed annually, or whenever there is an indication of significant changes in the underlying assumptions. We believe that this is a critical accounting estimate since it involves assumptions about technological development in an innovative industry and is heavily dependent on the Company's investment plans. Furthermore, due to the significant weight of depreciable assets in the Company’s total assets, the impact of significant changes in these assumptions could be material to the Company's financial position and operating results.

Residual value (scrap value)

Residual value is estimated as the "lightweight" tonnage of each vessel multiplied by the expected scrap value per tonne, which is estimated at USD 530 per tonne as at 31 December 2022. This represents the market price of scrap steel, determined based on data published on the Clarksons Shipping Intelligence Network website (http://www.clarksons.net/sin2010) maintained by Clarkson Research Services Limited, London, England.

Impairment of vessels and dry-docking costs

The fair value of vessels, less costs to sell, is determined based on the assessment of independent appraisers, and value in use is calculated as net current value of future cash flows of the vessel over its useful life. When determining value in use, the following input data and assumptions are taken into account:

- expected daily freight rates, operating days, vessel operating expenses (together: EBITDA)
- capital expenses
- the residual value of vessels based on the average price of steel as a secondary raw material
- discount interest rate.

Due to the crisis in the bulk cargo transportation market and the drop in freight rates in 2019, there was a decrease in the market value of vessels, which is why the Company impaired the carrying value of vessels in the amount of HRK 219,898 thousand. As a result of the recovery of the world economy after the global crisis due to the pandemic caused by COVID-19, the market has recovered in March 2021 and the rents have increased by more than 200% compared to the previous year 2020. Consequently, the value of vessels has increased and the Company reversed the previous impairment of vessels in the amount of HRK 60,513 thousand in 2021. At the beginning of 2022, the freight rates on the market were significantly higher compared to the beginning of 2021, while as of mid-year (July 2022) there was a significant decline until the end of the year. The average daily hire rate for the first quarter of 2022 amounted to USD 24,166, which is a significant increase compared to the average for the first quarter of 2021 in the amount of USD 13,479.

(All amounts are expressed in thousands of HRK)

An overview of the assumptions used in the 2022 value-in-use calculation model is as follows:

Revenue trends in the period from 2023 - 2027	-2.64% (average rate of decline in revenue)
EBITDA margin	35% - 26%
Discount rate	9.34%
Long-term growth rate	2%
Residual value of vessels (scrap)	$530

The prepared impairment tests suggest that the value of one vessel had to be impaired in the amount of HRK 9,199 thousand and that the prior impairment loss on three other vessels had to be reversed in the amount of HRK 31,861 thousand, which resulted in the net reversal of the prior impairment loss in the amount of HRK 22,662 thousand.

Sensitivity analysis

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

- if the projected five-year revenues were to be lower by 1%, the Group would have to record a reversal of the previous impairment of vessels in the amount of HRK 12,561 thousand,
- if the EBITDA margin within the projected period were to decrease by 1%, the Group would have to record a reversal of the previous impairment of vessels in the amount of HRK 17,267 thousand,
- if the discount growth rate were to increase by 0.5 p.p. the Group would have to record a reversal of the previous impairment of vessels in the amount of HRK 10,463 thousand,
- if the terminal growth rate were to decrease by 0.5 p.p. the Group would have to record a reversal of the previous impairment of vessels in the amount of HRK 17,983 thousand,
- if the residual value were to decrease by 5% following the decline in the value of steel, the Group would have to record a reversal of the previous impairment of vessels in the amount of HRK 19,767 thousand.

(All amounts are expressed in thousands of HRK)

3. REVENUE

	2022	2021
Time charter (lease of vessels)	220,553	206,437
Voyage charter (revenue from contracts with customers)	70,873	-
	291,426	**206,437**

4. OTHER OPERATING INCOME

	2022	2021
Fuel income	9,523	3,995
Insurance refunds and damage claims	3,506	2,015
Income from grants for trainee boarding	1,793	1,437
Hold cleaning	1,417	1,506
Business premises rental income	763	700
Income from court proceedings	2	11
Write-off of liabilities	5	759
Other	811	1,381
	17,820	**11,804**

5. VESSEL OPERATING EXPENSES

	2022	2021
Crew costs	42,681	35,122
Materials and spare parts	27,566	23,738
Fuel costs	25,132	2,643
Repairs and maintenance	14,445	8,945
Brokerage, agency costs and commissions	10,850	9,734
Insurance	10,076	7,197
Port costs	9,845	326
Costs resulting from the lessee’s inability to use the vessel	8,547	13,410
Other	7,278	7,379
	156,420	**108,494**

The line item ‘Other’ predominantly refers to speeding fines, communication costs, environmental protection costs and other similar costs.

(All amounts are expressed in thousands of HRK)

6. STAFF COSTS

	2022	2021
Net salaries and wages	4,038	3,877
Taxes and contributions from salaries	1,815	1,678
Contributions on salaries	937	881
Termination benefits	681	944
Other staff costs	758	745
	8,229	**8,125**

At year-end, the number of employees was 33 (2021: 36).

Key management compensation:

	2022	2021
Gross salaries	1,194	1,197
Termination benefits	-	944
Other benefits (benefits in kind)	17	5
	1,211	**2,146**

Key management compensation relates to 4 employees (2021: 5 employees).

Salary costs include an amount of HRK 1,171 thousand (2021: HRK 1,111 thousand) including pension insurance contributions paid to mandatory state pension funds in Croatia.

7. OTHER OPERATING EXPENSES

	2022	2021
Bank charges	1,230	1,010
Damage compensations	1,128	1,397
Intellectual services	1,058	2,624
Legal costs	903	1,359
Taxes and contributions irrespective of operating results	607	630
Business travel expenses	544	177
Consumables (directorate)	349	312
Compensation to Supervisory Board members	285	198
Impairment and write-off of trade receivables	85	(28)
Costs of fixed assets disposal	-	627
Other services	2,375	917
Other	1,779	1,755
	10,343	**10,978**

(All amounts are expressed in thousands of HRK)

7. OTHER OPERATING EXPENSES (CONTINUED)

The largest portion of costs within 'Other services' refers to the costs of preparing project documentation for a vessel in the amount of HRK 980 thousand (2021: HRK 0), maintenance costs in the amount of HRK 267 thousand (2021: HRK 246 thousand), postal services in the amount of HRK 124 thousand (2021: HRK 145 thousand) and utility services in the amount of HRK 116 thousand (2021: HRK 128 thousand). Within 'Other' the largest portion of costs relates to professional literature in the amount of HRK 145 thousand (2021: HRK 50 thousand), costs of personal cars - benefits in kind in the amount of HRK 136 thousand (2021: HRK 44 thousand), costs of membership fees and administrative duties and court fees in the amount of HRK 125 thousand (2021: HRK 413 thousand), insurance costs in the amount of HRK 84 thousand (2021: HRK 166 thousand) and software use expenses in the amount of HRK 61 thousand (2021: HRK 178 thousand).

7.1. REVERSAL OF PREVIOUS IMPAIRMENT OF VESSELS

	2022	2021
Reversal of previous impairment of vessels (Note 10)	22,662	60,513
Total reversal of previous impairment of vessels	**22,662**	**60,513**

8. FINANCE INCOME AND COSTS

	2022	2021
Interest and similar income	153	4
Foreign exchange gains	19,096	6,944
Total finance income	**19,249**	**6,948**
Interest and similar expenses	(14,826)	(21,397)
Foreign exchange losses	(9,105)	(9,574)
Total finance costs	**(23,931)**	**(30,971)**
Net finance costs	**(4,682)**	**(24,023)**

(All amounts are expressed in thousands of HRK)

9. INCOME TAX

The income tax liability is calculated on the tax base at a tax rate of 10% (2021: 10%) in line with the Croatian law.

The reconciliation of income tax is as follows:

	2022	**2021**
Current tax expense	-	-
Deferred tax expense	2	2
Income tax	**2**	**2**

The reconciliation of deferred tax assets is as follows:

	2022	**2021**
At 1 January	16	18
Release of deferred tax assets	(2)	(2)
At 31 December	**14**	**16**

(All amounts are expressed in thousands of HRK)

9. INCOME TAX (CONTINUED)

A deferred tax asset is recognised on tax non-deductible provisions for jubilee awards and regular retirement benefits.

The reconciliation of income tax for the year with the profit recorded in the statement of comprehensive income is as follows:

	2022	2021
Profit before tax	**110,885**	**100,704**
Profit from activities taxed based on net tonnage	(124,716)	(114,250)
Loss from activities subject to income tax	**(13,831)**	**(13,546)**
Income tax at the rate of 10%	(1,383)	(1,626)
Non-deductible expenses	35	23
Losses for which no deferred tax asset was recognised	1,346	1,601
Income tax	**(2)**	**(2)**

Tax losses

Tax losses can be utilised for offsetting against future taxable profits from activities subject to income tax. Tax losses may be carried forward for 5 years subsequent to the year in which the loss was incurred. The Group has not recognised deferred tax assets on tax losses carried forward.

	2022	2021
Tax loss from 2017 - expires on 31 December 2022	-	(12,454)
Tax loss from 2018 - expires on 31 December 2023	(12,066)	(12,066)
Tax loss from 2019 - expires on 31 December 2024	(13,496)	(13,496)
Tax loss from 2020 - expires on 31 December 2025	(15,526)	(15,526)
Tax loss from 2021 - expires on 31 December 2026	(13,360)	(13,360)
Tax loss from 2022 - expires on 31 December 2027	(13,479)	-
	(67,927)	**(66,902)**

Pursuant to Article 429 of the Maritime code, which defines the terms and conditions of shipping companies in the international shipping market, shipping companies may choose to have their shipping activities taxed on the basis of the net tonnage of their fleet rather than income tax which they would otherwise have to pay on profits earned from international shipping. Tonnage tax is a tax that is accounted for and paid instead of income tax as regulated by the Income Tax Act, irrespective of profit or loss generated in the tax period for which the tax liability based on net tonnage is determined. The Income Tax Act is applied to all other business activities. The Group registered six vessels in the system of tonnage tax (2021: five vessels). Tonnage tax for 2022 amounted to HRK 166 thousand (2021: HRK 171 thousand) and is disclosed within other operating expenses (Note 7).
Based on the amendment to the Income Tax Act, the Company is obliged to calculate income tax at a rate of 10%, since taxable income amounted to less than HRK 7.5 million in the tax period.

(All amounts are expressed in thousands of HRK)

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and equipment	Vessels	Assets under construction	Total
Cost					
At 1 January 2021	42,335	11,885	1,146,390	68	1,200,678
Additions	-	4,061	10,786	3,035	17,882
Disposals (sales)	-	(1,249)	(112,276)	-	(113,525)
Foreign exchange differences	-	253	86,420	393	87,066
At 31 December 2021	**42,335**	**14,950**	**1,131,320**	**3,496**	**1,192,101**
At 1 January 2022	42,335	14,950	1,131,320	3,496	1,192,101
Additions	-	9,557	201,332	(3,904)	206,985
Disposals	-	(4,430)	-	-	(4,430)
Foreign exchange differences	-	178	52,378	408	52,964
At 31 December 2022	**42,335**	**20,255**	**1,385,030**	**-**	**1,447,620**
Accumulated depreciation and impairment					
At 1 January 2021	40,880	10,702	774,249	-	825,831
Depreciation charge for the year	447	492	25,492	-	26,431
Reversal of previous impairment (7.1)	-	-	(60,513)	-	(60,513)
Disposals (sales)	-	(836)	(80,551)	-	(81,387)
Foreign exchange differences	-	205	58,747	-	58,952
At 31 December 2021	**41,327**	**10,563**	**717,424**	-	**769,314**
At 1 January 2022	41,327	10,563	717,424	-	769,314
Depreciation charge for the year	135	2,280	38,921	-	41,336
Reversal of previous impairment (7.1)	-	-	(22,662)	-	(22,662)
Disposals	-	(4,420)	-	-	(4,420)
Foreign exchange differences	-	129	43,375	-	43,504
At 31 December 2022	**41,462**	**8,552**	**777,058**	-	**827,072**
Net book amount					
At 31 December 2022	**873**	**11,703**	**607,972**	**-**	**620,548**
At 31 December 2021	**1,008**	**4,387**	**413,896**	**3,496**	**422,787**

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Property, plant and equipment in the amount of HRK 620,078 thousand (2021: HRK 418,720 thousand) was pledged as security for the repayment of borrowings (Note 19).

Disposal of vessels in 2021 in the amount of HRK 112,276 thousand and the decrease in depreciation in 2021 in the amount of HRK 80,551 thousand relates to the gross book value and accumulated depreciation charge of the vessel Bene, sold at the beginning of March 2021.

The addition in the value of assets in 2021 in the total amount of HRK 17,882 thousand includes the following items: investment in a ballast water treatment system in the amount of HRK 7,053 thousand, investment in computer equipment in the amount of HRK 43 thousand, and increase in the value of vessels arising from dry-dockings from previous years and current dry-dockings in 2021 in the amount of HRK 10,786 thousand.

The addition in the value of assets in 2022 in the total amount of HRK 206,985 thousand relates to the following items: the increase in the value of vessels in the total amount of HRK 201,332 thousand, of which HRK 194,619 thousand relates to the purchase of a new vessel and the increase in value due to dry-docking in the amount of HRK 6,713 thousand, as well as investment in a ballast water treatment system in the amount of HRK 5,623 thousand and investment in computer equipment in the amount of HRK 30 thousand.

Fair value of properties

In order to determine the fair value of properties, appraisal studies were prepared by an authorised court expert for construction and property valuation, based on which the estimated fair value of properties at the beginning of March 2023 amounted to HRK 67,381 thousand (or EUR 8,943 thousand).

Fair value is based on the market value of the property and represents the estimated amount for which the property could be exchanged on the date of valuation between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

For the purposes the assessment, documentation obtained on the spot was used, and missing spatial planning data was used from publicly available data and websites: www.geoportal.dgu.hr (cadastre and property layout), https://oss.uredjenazemlja.hr - property, www.split.hr (property planning).

Appraisals were prepared using the comparable transactions method by observing sales of land and buildings of similar purpose (data taken from the Collection of purchase prices), which were adjusted for key parameters such as location and size of the land. In addition, the income capitalisation method was applied by using assets through future rental income.

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Fleet fair value and impairment

In accordance with *IAS 36 Impairment of Assets*, the Group calculated the vessels' value in use by discounting the estimated cash flows using a discount rate of 9.34% (2021: 8%) and risks specific for the Group's assets and activities. Estimated cash flows are based on a five-year business plan, which assumes a 3% average revenue drop rate over the next five years, according to the assessment of the independent broker Clarksons (2021: 15% revenue drop rate). In the period after the fifth year expires and until the end of the useful life of individual vessels, an estimated 2% revenue growth rate was used (2021: 2% growth rate).

Impairment was performed on the single vessel level, since each vessel represents a separately identified cash-generating unit and taking into account the remaining useful life of the vessel and the vessel's estimated residual value at the end of its useful life.

Based on the analysis, it was determined that the book amount of the vessel Solin exceeds the obtained value in use, and the vessel Solin was impaired in the amount of HRK 9,199 thousand. Also, the analysis determined that the book amount of the vessels Peristil, Sveti Dujam and Trogir is lower than the obtained value in use, which is why the previous impairment of the vessels in the total amount of HRK 31,861 thousand was reversed. The net effect of the impairment in the amount of HRK 22,662 thousand is recognised in the statement of comprehensive income and presented in Note 7.1.

(All amounts are expressed in thousands of HRK)

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 31 December 2022, the Group owned and operated a fleet of six vessels (2021: five vessels), whose technical description is presented in the following table:

Technical data of the vessels in the Group's fleet as at 31 December 2022

No.	Vessel	Class	Type	Gross tonnage	Net tonnage	Deadweight tonnage (DWT)	Volume	Engine power - kW	Lifting tonnes	Length (in m)	Width (in m)	Max draught (in m)	Manufactured in	Age (in yrs)	Flag
1	Trogir	CRS, BV	Bulk Carrier	25,600	14,558	44,389	53,648	8,260	4x30	183,00	32,20	11,50	Croatia	21	Croatia
2	Split	CRS, LR	Bulk Carrier	24,533	13,824	42,584	51,125	7,150	4x30	187,63	30,80	10,987	Croatia	24	Croatia
3	Sveti Dujam	CRS, BV	Bulk Carrier	30,092	17,852	52,096	64,985	8,600	4x35	189,90	32,24	12,369	Croatia	12	Croatia
4	Peristil	CRS, BV	Bulk Carrier	30,092	17,852	52,113	64,985	8,600	4x35	189,90	32,24	12,350	Croatia	12	Croatia
5	Solin	CRS, BV	Bulk Carrier	30,092	17,852	51,545	62,330	7,500	4x35	189,90	32,24	12,371	Croatia	10	Croatia
6	Marko Marulic	BV	LPG	6,515	2,200	7,261	7,500	3,000	-	116,82	19	6,8	Japan	0	Croatia
		TOTAL		**146,924**	**84,138**	**249,988**	**304,573**	**43,110**	**-**	**-**	**-**	**-**	**-**	**-**	

(All amounts are expressed in thousands of HRK)

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

In the course of its ordinary business, the Group charters its vessels to various charterers under operating leases. As at 31 December 2022, vessels under operating lease were disclosed in accordance with *IAS 16 Leases*.

	Vessels	Plant and equipment	Total
Cost			
At 1 January 2021	1,146,390	3,572	1,149,962
Additions	10,786	3,711	14,497
Disposals (sales)	(112,276)	(920)	(113,196)
Foreign exchange differences	86,420	253	86,673
At 31 December 2021	**1,131,320**	**6,616**	**1,137,936**
At 1 January 2022	1,131,320	6,616	1,137,936
Additions	201,332	9,527	210,859
Disposals (charter expiry)	(400,743)	(4,113)	(404,856)
Foreign exchange differences	52,378	168	52,546
At 31 December 2022	**984,287**	**12,198**	**996,485**
Accumulated depreciation and impairment			
At 1 January 2021	**774,249**	**2,693**	**776,942**
Depreciation charge for the year	25,492	412	25,904
Reversal of previous impairment	(60,513)	-	(60,513)
Disposal (sale)	(80,551)	(506)	(81,057)
Foreign exchange differences	58,747	205	58,952
At 31 December 2021	**717,424**	**2,804**	**720,228**
At 1 January 2022	717,424	2,804	720,228
Depreciation charge for the year	38,921	1,977	40,898
Reversal of previous impairment (7.1)	(22,662)	-	(22,662)
Disposals (charter expiry)	(238,979)	(1,306)	(240,285)
Foreign exchange differences	43,249	127	43,376
At 31 December 2022	**537,953**	**3,602**	**541,555**
Net book amount			
At 31 December 2022	**446,334**	**8,596**	**454,930**
At 31 December 2021	**413,896**	**3,812**	**417,708**

10. PROPERTY, PLANT AND EQUIPMENT (continued)

As at the reporting date, the net book amount of vessels and equipment does not include two vessels that were not subject to an operating lease in accordance with IFRS 16 *Leases*. The book amount of these vessels is HRK 161,638 thousand (2021: HRK 175,185 thousand), and the book amount of equipment is HRK 2,635 thousand (2021: HRK 13 thousand).

Vessels, plant and equipment with a total net value of HRK 619,205 thousand (2021: HRK 417,708 thousand) were pledged as security for the repayment of borrowings (Note 20).

Four vessels owned by the Group are chartered under operating lease terms (time charter), which vary from contract to contract. Lease terms range from 1 month to 3 years. The average daily charter rate (hire) as at 31 December 2022 amounted to USD 14,625 (2021: USD 26,100).

Total minimum lease payments under non-cancellable operating leases per contracts effective on 31 December were as follows (in thousands of USD):

	2022	**2021**
Up to 1 year	7,674	8,943
1 to 5 years	9,137	-
	16,811	**8,943**

10.1. ADVANCES GIVEN FOR TANGIBLE ASSETS

In 2022, advances were given for the vessel Vis in the total amount of HRK 41,500 thousand. Advances were closed in March 2023, when the vessel Vis was delivered, as set out in the note Events after the balance sheet date.

(All amounts are expressed in thousands of HRK)

11. INTANGIBLE ASSETS

	Software
Cost	
At 1 January 2021	1,373
Additions	53
At 31 December 2021	**1,426**
At 1 January 2022	1,426
Additions	-
At 31 December 2022	**1,426**
Accumulated amortisation	
At 1 January 2021	1,373
Amortisation charge for the year	-
At 31 December 2021	**1,373**
At 1 January 2022	1,373
Amortisation charge for the year	13
At 31 December 2022	**1,386**
Net book amount	
At 31 December 2022	**40**
At 31 December 2021	**53**

(All amounts are expressed in thousands of HRK)

12. INVENTORIES

	31 December 2022	31 December 2021
Lubricants	2,086	2,145
Fuel	6,874	-
	8,960	**2,145**

13. RECEIVABLES

	31 December 2022	31 December 2021
Trade receivables	27,899	28,042
Impairment allowance (expected credit losses) on trade receivables	(26,866)	(25,510)
	1,033	**2,532**

Ageing of net trade receivables after impairment	**2022**	**2021**
Up to 30 days	701	2,301
30 – 90 days	149	43
90 – 180 days	146	148
180 – 365 days	10	25
Over 365 days	27	15
At 31 December	**1,033**	**2,532**

Impairment allowance (expected credit losses) on trade receivables	**2022**	**2021**
At 1 January	25,510	24,708
Increase (Note 7)	85	-
Collected (Note 4)	(293)	(28)
Write-off	-	(1,136)
Foreign exchange differences	1,564	1,966
At 31 December	**26,866**	**25,510**

13. RECEIVABLES (CONTINUED)

Total trade receivables, after impairment, held by the Group as at 31 December 2022 amounted to HRK 1,033 thousand (2021: HRK 2,532 thousand). As at the date of issue of these consolidated financial statements, the Group had collected approximately 80% of trade receivables.

Credit risk arises from cash and cash equivalents, deposits in banks and financial institutions, as well as credit exposures to clients, including outstanding receivables. Credit risk is managed on a group basis. The risk management control process assesses the customers' creditworthiness, considering their financial position, prior experience and other factors. The Group applies the simplified IFRS 9 approach to measuring expected credit losses that uses an expected loss allowance for all trade receivables based on the lifetime expected credit losses at each reporting date. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date a receivable was initially recognised up to the reporting date. The concentration of credit risk is high, as the customer base is formed from a limited number of customers from the international market. Allowances recognised represent the difference between the reported book value of trade receivables and the current value of expected proceeds.

As at 31 December 2022 and 31 December 2021, the rate of expected credit losses for unimpaired trade receivables is close to zero. Impairment in the amount of HRK 26,892 thousand (2021: HRK 25,525 thousand) refers to the individual impairment of trade receivables that have been impaired in the full amount of receivables and no collection is expected.

(All amounts are expressed in thousands of HRK)

14. OTHER RECEIVABLES

	31 December 2022	31 December 2021
Fuel receivables	8,478	4,552
Prepaid expenses	1,463	1,592
Contract assets	1,208	13
Advances given	1,344	1,337
Receivables for court proceedings	-	1
Receivables for damages	185	711
Other receivables	539	642
	13,217	**8,848**

Fuel receivables include fuel on vessels chartered as at the date of the reporting period, which was procured by the Company prior to chartering.

Prepaid expenses relate to deferred insurance costs in the amount of HRK 1,333 thousand (2021: HRK 1,042 thousand) and brokerage fees in the amount of HRK 130 thousand (2021: HRK 550 thousand).

The largest portion of other receivables relates to receivables for vessel calculations amounting to HRK 294 thousand (2021: HRK 347 thousand), VAT receivables amounting to HRK 166 thousand (2021: HRK 193 thousand), business deposit receivables amounting to HRK 64 thousand (2021: HRK 60 thousand) and receivables from employees amounting to HRK 7 thousand (2021: HRK 30 thousand).

15. TERM DEPOSITS

	31 December 2022	31 December 2021
Receivables for term deposits	9,406	7,466

Receivables for term deposits consist of deposits related to loan agreements and guarantee liabilities with an interest rate from 0.01% to 4.31% p.a. (2021: with an interest rate from 0.01% to 0.1% p.a.). Under IFRS 9, they are classified as financial assets. The largest portion of deposits of 58% refers to a bank with a credit rating of A+/Stable by Standard&Poor's, 38% refers to a bank with a BBB+ rating, while the remaining 4% refers to a bank with a BB- rating by Standard&Poor's. The credit loss assessment is negligible, and no provision has been made for these receivables.

16. CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Foreign currency accounts at banks	8,906	32,003
Giro account balance	13	16
Cash on hand	4	4
	8,923	**32,023**

(All amounts are expressed in thousands of HRK)

16. CASH AND CASH EQUIVALENTS (CONTINUED)

Under IFRS 9, they are classified as financial assets. The largest portion of cash of 87% is at a bank with a BBB+ credit rating by Standard&Poor's (2021: at a bank with an A3 credit rating by Moody's). The credit loss assessment is negligible, and no provision has been made.

17. CAPITAL AND RESERVES

Share capital

	Number of shares issued	Total amount	Treasury shares	Total
		HRK'000	HRK'000	HRK'000
At 31 December 2021	1,636,674	16,367	(2,423)	13,944
At 31 December 2022	1,636,674	16,367	(2,423)	13,944

The Company's share capital amounts to HRK 16,367 thousand. The Company has 1,636,674 shares with a nominal value of HRK 10.00.

The Company's ownership structure is as follows:

Shareholders' structure of Jadroplov d.d. as at 31 December	Number of shares	Holding in share capital %	Number of shares	Holding in share capital %
	2022	2022	2021	2021
Restructuring and Sale Center (CERP)	1,152,904	70.44%	1,152,904	70.44%
Domestic natural persons	436,885	26.69%	437,855	26.75%
Financial institutions	33,363	2.04%	31,989	1.96%
Companies	2,438	0.15%	2,624	0.16%
Foreign investors	1,073	0.07%	1,291	0.08%
Treasury shares	10,011	0.61%	10,011	0.61%
Total	**1,636,674**	**100.00%**	**1,636,674**	**100.00%**

The Company's share capital consists of 1,636,674 ordinary shares (2021: 1,636,674), of which 10,011 were treasury shares (2021: 10,011).

Of the equity items, only profit and retained earnings are distributable, while other items are not distributable.

17. CAPITAL AND RESERVES (CONTINUED)

Translation and other reserves

Translation reserves in the amount of HRK 252,298 thousand (2021: HRK 246,453) arose on conversion of the financial statements of foreign subsidiaries.

Other reserves relate to reserves for treasury shares in the amount of HRK 2,423 thousand (2021: HRK 2,423 thousand) and to reserves for investments in the amount of HRK 81 thousand (2021: HRK 81 thousand).

18. BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share are calculated as follows:

	2022	2021
Profit for the year in thousands of HRK	110,883	100,702
Weighted average number of shares in issue	1,626,663	1,626,663
Basic and diluted earnings per share (in HRK and lp)	**68,17**	**61,91**

(All amounts are expressed in thousands of HRK)

19. BORROWINGS

	Principal in foreign currency (on loan origination)	Principal in foreign currency 31 December 2022	31 December 2022	31 December 2021
(a) Long-term borrowings				
(1) Secured loan	USD 4,150,000	USD 2,053,125	14,503	19,702
(2) Secured loan	USD 6,045,000	USD 3,911,471	27,631	35,435
(3) Secured loan	HRK 55,000,000	HRK 51,562,500	51,563	55,000
(4) Secured loan	HRK 48,000,000	HRK 40,069,460	40,069	45,308
(5) Secured loan	USD 19,250,000	USD 14,622,500	103,294	115,565
(6) Secured loan	USD 16,347,000	USD 16,347,000	115,479	-
(7) Secured loan	EUR 3,500,000	EUR 3,500,000	26,371	-
(8) Unsecured loan	USD 1,000,000	USD 789,593	5,578	-
Total long-term borrowings			**384,488**	**271,010**
Current portion of long-term borrowings			(80,297)	(42,699)
Non-current portion of long-term borrowings			**304,191**	**228,311**
Total non-current portion of long-term borrowings			304,191	228,311
Total current portion of long-term borrowings			80,297	42,699
Total interest-bearing borrowings			**384,488**	**271,010**
Accrued interest			985	3,799
Total			**385,473**	**274,809**

Interest-bearing borrowings in the total amount of HRK 378,910 thousand (2021: HRK 271,010 thousand) are secured by the Group’s fleet and properties (Note 10).

Reconciliation of movements in borrowings with cash flow from financing activities

During the year, new borrowings were obtained in the amount of HRK 169,480 thousand (2021: HRK 123,828 thousand), borrowings in the amount of HRK 56,187 thousand were repaid (2021: HRK 184,014 thousand), while the remaining change in financial liabilities in the amount of HRK 185 thousand is the result of a change in the foreign exchange rate (2021: HRK 14,902 thousand).

(All amounts are expressed in thousands of HRK)

19. BORROWINGS (CONTINUED)

	2022	2021
At 1 January	**271,010**	**316,294**
New borrowings	169,480	123,828
Repayment of borrowings	(56,187)	(184,014)
Foreign exchange differences	185	14,902
At 31 December	**384,488**	**271,010**

The repayment schedule of bank borrowings for the next five years, according to the balance as at 31 December 2022, is as follows:

Year	Amount
2023	80,297
2024	49,907
2025	45,072
2026	94,905
2027	26,010
After 2027	88,284
	384,475

(1) A long-term borrowing was approved for working capital in the amount of USD 4,150,000. The borrowing was approved in May 2015 and withdrawn in 2 parts: the first in the amount of USD 2,500,000 on 5 June 2015 and the second in the amount of USD 1,650,000 on 31 July 2015 at interest rate of 3,5% + 6-month LIBOR per annum (variable). The principal was repayable semi-annually, with the first instalment due on 30 November 2016 and the ultimate repayment deadline on 31 May 2020. The interest was repayable on a monthly basis, starting from 30 June 2015. As security, a mortgage on the vessel “Trogir” and property has been registered in favour of the bank. On 14 December 2017, the bank decided on the moratorium period for principal repayment by 31 March 2018 with an unchanged maturity date. On 27 June 2018, the bank decided on the moratorium period for principal repayment by 30 September 2018 with an unchanged maturity date. On 13 February 2019, the bank decided on the moratorium period for principal repayment by 31 March 2019 with an unchanged maturity date of 31 March 2020. On 30 June 2020, the bank decided on the moratorium period for principal repayment by 31 March 2021, reducing the loan principal by the amount of the term deposit in the amount of USD 500,000. The newly formed principal shall be repaid in 48 equal instalments, with the first one maturing on 30 April 2021, and the last one maturing on 31 March 2025. On 30 June 2023, LIBOR ceases to be quoted and should be replaced by SOFR.

(2) A long-term borrowing was approved for working capital in the amount of USD 6,045,000. The borrowing was approved in July 2016 and withdrawn in 5 parts from 3 August 2016 until 12 December 2016, at interest rate of 5.18% per annum. The principal was repayable quarterly, with the first instalment due on 30 September 2018 and the ultimate repayment deadline on 30 September 2022. The interest was repayable quarterly, starting from 31 December 2016. As security, a mortgage on the Company’s properties has been registered in favour of the bank. The Management Board believes that the fair value of fixed interest

19. BORROWINGS (CONTINUED)

borrowings does not significantly differ from their carrying amount. Annex IV to the Borrowing Agreement dated 19 February 2020 defined the additional grace period for principal repayment, with the first instalment due on 30 September 2020 and an unchanged ultimate repayment deadline on 30 September 2022. Due to the impact of the Covid-19 pandemic on the Group's operations, Annex V to the Borrowing Agreement dated 27 April 2020 stipulated a moratorium for liabilities due from 1 April 2020 to 30 June 2020. On 16 July 2020, the bank agreed on an additional moratorium for payment of liabilities due from 1 July 2020 to 31 December 2020 at the latest. Annex VII to the Borrowing Agreement dated 4 May 2021 defined the bank's consent to extend the moratorium on principal repayment for the period from 31 December 2020 to 30 June 2021 in such a way that the principal repayment was due on 30 September 2021 according to maturities corresponding to the previously agreed borrowing repayment dynamics, and principals that fell due during the moratorium will be added to the last instalment due on 31 March 2023. Based on the Company's request, the bank agreed to reduce the regular interest rate from 5.18% per annum to 3.67% per annum with effect from 1 April 2022.

(3) A long-term borrowing was approved for capital assets (settling liabilities towards financial institutions) and working capital in the amount of HRK 55,000,000. The borrowing was approved in February 2020 and withdrawn in 5 individual drawdown requests for use in the period from 28 February to 18 March 2020. The interest rate is set at 4% p.a. (fixed). The principal was repayable semi-annually, with the first instalment due on 30 September 2022 and the ultimate repayment deadline on 30 September 2030. The interest is repayable quarterly, starting from 30 June 2020. As security, a mortgage on the vessels "Split" and "Trogir" and the Company's property with a guarantee of the Republic of Croatia has been registered in favour of the bank. The realisation of the borrowing is envisaged by the restructuring plan. Annex I to the Borrowing Agreement dated 27 April 2020 defined the instalment repayment of interest due on 30 June 2020 in 12 equal monthly instalments as of 31 July 2020. Due to the impact of the Covid-19 pandemic on the Group's operations, on 16 July 2020 the bank agreed on an additional moratorium for the repayment of liabilities due from 1 July 2020 to 31 December 2020 at the latest. Appendix II to the Borrowing Agreement dated 11 September 2020 defined the bank's consent to introduce a moratorium on liabilities due from 1 March to 31 December 2020 due to the COVID-19 virus pandemic. The liabilities due at the end of the period covered by the moratorium will be repaid according to maturities corresponding to the previously agreed borrowing repayment dynamics. Appendix III to the Borrowing Agreement dated 4 May 2021 defined the bank's consent to extend the moratorium for the period from 31 December 2020 to 30 June 2021, with an unchanged first maturity date of the principal on 30 September 2022. Based on the Company's request, the bank agreed to reduce the regular interest rate from 4% per annum (fixed) to 2.20% per annum (fixed) with effect from 1 April 2022.

19. BORROWINGS (CONTINUED)

(4) A long-term borrowing was approved for working capital (settling liabilities to financial institutions and trade payables) in the amount of HRK 48,000,000. The borrowing was approved in August 2020 at an interest rate of 4% + EURIBOR per annum. The principal was repayable quarterly, with the first instalment due on 6 August 2021 and the ultimate repayment deadline 6 August 2030. The interest is repayable quarterly, starting from 6 November 2020. The borrowing is secured by a guarantee of the Republic of Croatia. The realisation of the borrowing is determined by the restructuring plan. In line with Appendix II to the Borrowing Agreement dated 21 December 2021, a fixed interest rate of 2.1% was approved.

(5) A long-term borrowing was approved for capital assets in the amount of USD 19,250,000. The borrowing was approved in June 2021 at an interest rate of 4.75% + LIBOR per annum. The principal was repayable quarterly, with the first instalment due on 30 September 2021 and the ultimate repayment deadline on 31 March 2026. The interest is repayable quarterly, starting from 30 June 2021. The borrowing is secured by mortgages on the vessels Peristil, Sveti Dujam and Solin. A portion of the loan amounting to USD 9,935,000 was refinanced on 27 March 2023, while the rest is planned to be refinanced by the end of June 2023, when LIBOR ceases to be quoted and should be replaced by SOFR.

(6) A long-term borrowing was approved for capital assets in the amount of USD 16,347,500. The borrowing was approved in October 2022 at an interest rate of 4.15% per annum (fixed). The principal was repayable quarterly, with the first instalment due on 31 March 2023 and the ultimate repayment deadline on 31 December 2032. The interest is repayable quarterly, starting from 31 December 2022. The borrowing is secured by a mortgage on the LPG vessel Marko Marulic and a cash deposit in the amount of USD 800,000.

(7) A long-term borrowing was approved for working capital in the amount of EUR 3,500,000. The borrowing was approved in December 2022 at an interest rate of 3.20% p.a. + 6-month EURIBOR. The principal is repayable in 47 equal monthly instalments, the first of which is due on 30 June 2023, and the last on 30 April 2027. The interest was repayable on a monthly basis, starting from 31 December 2022. The borrowing was approved as part of the Programme for Individual Insurance and the Programme for Subsidising the Insurance Premium (Measure to Support the Economy of the Republic of Croatia Following the Russian Aggression Against Ukraine). The borrowing is secured by a HBOR borrowing insurance premium and a senior mortgage on the property.

(8) A short-term borrowing in the amount of USD 1,000,000 was taken for working capital. The borrowing is not secured and no interest has been agreed. The repayment period follows the dynamics of transactions with the customer, and repayment was agreed by netting trade receivables until the end of 2023.

(All amounts are expressed in thousands of HRK)

20. TRADE AND OTHER PAYABLES

	31 December 2022	31 December 2021
Trade payables	40,503	23,288
Liabilities to employees	3,586	5,021
Other liabilities	575	1,159
	44,664	**29,468**

20.1. ACCRUED EXPENSES AND DEFERRED INCOME

	31 December 2022	31 December 2021
		restated
Deferred income	2,603	11,005
Accrued expenses	437	6,897
	3,040	**17,902**

Accrued expenses mainly include provisions for unused vacation days in the amount of HRK 353 thousand (2021: HRK 334 thousand) and interest expenses based on the legal dispute with Split Ship Management, which were subsequently calculated and paid in 2023 in the amount of HRK 176 thousand (2021: HRK 6,178 thousand). Deferred income refers to deferred rents paid before the reporting date which relate to the period after the reporting date and amount to HRK 2,603 thousand (2021: HRK 11,005 thousand).

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Capital risk management

The Group monitors its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy has remained unchanged since 2007.

The capital structure of the Group consists of debt, which includes borrowings and loans, cash and cash equivalents, and equity attributable to equity holders of the parent company comprising share capital, reserves and retained earnings.

b) Gearing ratio

The Management Board of the Group reviews the capital structure. As part of this review, the Management Board considers the costs associated with each class of capital. The actual gearing ratio in 2022 was 138.91% (2021: 155.56%).

(All amounts are expressed in thousands of HRK)

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

b) Gearing ratio (continued)

The gearing ratio at year-end was as follows:

	2022	2021
Borrowings (Note 19)	384,488	271,010
Cash and cash equivalents (Note 16)	(8,923)	(32,023)
Net debt	375,565	238,987
Principal	270,356	153,626
Net debt-to-equity ratio	**1,39**	**1,56**

Debt is defined as long-term and short-term borrowings. Equity includes all capital and reserves of the Group.

c) Categories of financial instruments

	2022	2021
Financial assets		
Trade receivables	1,033	2,532
Cash and cash equivalents	8,923	32,023
Loans to employees	36	72
Term deposits	9,259	7,466
Financial liabilities		
Borrowings	384,488	271,010
Accrued interest	985	3,799
Trade payables	40,503	23,288

The above stated carrying amounts represent the Group's maximum exposure to credit risk for receivables.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

c) Categories of financial instruments (continued)

Of the total trade receivables in the amount of HRK 1,033 thousand, 41.18% refers to the exposure to one customer (2021: of the total trade receivables in the amount of HRK 2,532 thousand, 89.81% referred to one customer). After the balance sheet date, these receivables were collected in full.

d) Financial risk management objectives

The Corporate Treasury function of the Group provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effects of these risks. The Group does not enter into or trade with financial instruments, including derivative financial instruments, for speculative purposes.

The Group operates in the international market, which exposes it to market risk arising from fluctuations in exchange rates.

e) Price risk management

The largest market in which the Group sells and provides its services is the international market. The Management Board of the Company determines the prices of its services by reference to market prices.

If the daily charter rate would change by 1%, with other variables held constant, the following changes in the Group's revenue and net profit would occur: in the event of an increase in rent, 2022 revenue would amount to HRK 222,759 thousand and net profit would amount to HRK 113,089 thousand (2021: revenue would amount to HRK 208,501 thousand and net profit would amount to HRK 102,766 thousand). In the event of a decrease in rent, 2022 revenue would amount to HRK 218,347 thousand and net profit would amount to HRK 108,677 thousand (2021: revenue would amount to HRK 204,373 thousand and net profit would amount to HRK 98,638 thousand).

f) Interest rate risk

The Group is exposed to interest rate risk as it borrows funds at floating interest rates. Most of the Group's borrowings were contracted at variable interest rates.

Interest rate risk sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rate changes during the year. For floating rate liabilities, the analysis is prepared according to the repayment plan per separate borrowing or finance lease.

(All amounts are expressed in thousands of HRK)

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

f) Interest rate risk (continued)

An increase or decrease in interest rates by 50 basis points is used in internal reporting on interest rate risk and represents the management's assessment of the reasonably possible change in interest rates.

If the interest rate on the total variable interest rate debt outstanding were to change by 50 basis points, with all other variables held constant, the impact on the Group's profit would be as follows: in 2022, the change would amount to HRK 663 thousand (2021: the change would amount to HRK 676 thousand).

g) Credit risk

The Group has no significant concentration of credit risk with any counter party having similar characteristics. The Group monitors the financial position of a customer as part of its credit risk management.

The maximum credit risk exposure is represented by the carrying amount of each financial asset included in the statement of financial position. The Management Board believes that its maximum exposure is reflected by the amount of receivables and other current assets net of provisions for impairment recognised at the reporting date.

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The 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 from defaults. The Group only transacts with entities that are rated the equivalent of the investment grade and above. The Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Trade receivables consist of receivables from a limited number of customers from the international market. Credit evaluation is performed based on the receivables balance and, where appropriate, credit guarantee insurance coverage is purchased.

h) Foreign currency risk management

The Group undertakes most transactions denominated in foreign currencies and is exposed to foreign exchange risk on that basis. Exchange rate exposures are managed within approved policy parameters.

The following table presents the carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date:

At 31 December	Liabilities		Assets	
	2022	2021	2022	2021
USA (USD)	298,312	190,360	14,911	41,483
European Union (EUR)	32,389	16,996	4,177	340

(All amounts are expressed in thousands of HRK)

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

h) Foreign currency risk management

Foreign currency sensitivity analysis

The Group is mainly exposed to the currencies of the countries whose currency is USD and EUR.

The following table details the Group's sensitivity to a 10% decrease in HRK against USD and EUR. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding monetary items denominated in foreign currencies and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external borrowings, as well as loans to foreign operations of the Group denominated in a currency that is not the currency of the lender or the borrower. A positive number indicates an increase in profit and other equity where the Croatian kuna strengthens against the relevant currency by 10%. For a 10% weakening of the Croatian kuna against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be reversed. As of 1 January 2023, the euro became the official monetary unit and legal tender in the Republic of Croatia. Therefore, the currency risk regarding the euro has been eliminated (Note 23).

	USD impact		**EUR impact**	
	2022	**2021**	**2022**	**2021**
Loss	(28,340)	(14,888)	(2,821)	(1,666)

i) Liquidity risk management

The ultimate responsibility for liquidity risk management rests with the Management Board, which has built an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, using appropriate banking facilities and central reserves borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and financial liabilities. All activities undertaken by the Management for the purposes of liquidity risk management are explained in Note 2.2. c Going concern.

(All amounts are expressed in thousands of HRK)

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

i) Liquidity risk management (continued)

Liquidity and interest rate risk tables

The Group's remaining contractual maturity for its financial liabilities is analysed in the following table. The table has been drawn up based on the undiscounted cash flows of financial liabilities according to the earliest date on which the Group can be required to pay.

	Weighted average effective interest method %	**Up to 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 2 years**	**Over 2 years**	**Total**
2022							
Trade payables		19,830	7,117	4,885	8,671	-	**40,503**
Interest bearing	4.68%	2,858	16,846	42,856	80,881	292,521	**435,962**
		22,688	**23,963**	**47,741**	**89,552**	**292,521**	**476,465**
2021							
Trade payables		8,430	1,895	12,963	-	-	**23,288**
Interest bearing	3.96%	1,859	13,480	42,055	65,016	188,659	**311,069**
		10,289	**15,375**	**55,018**	**65,016**	**188,659**	**334,357**

The Group's non-interest bearing liabilities up to one month comprise mainly trade payables in the amount of HRK 19,830 thousand for 2022 (2021: HRK 8,430 thousand).

(All amounts are expressed in thousands of HRK)

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

i) Liquidity risk management (continued)

The tables below detail contractual maturities of the Group's financial assets presented in the statement of financial position at the end of the period.

The tables have been drawn up based on the undiscounted cash inflows of financial assets at their due date. The tables include both principal and interest cash flows.

	Weighted average effective interest method %	Up to 1 month	1 to 3 months	3m Up to 1 year	1 to 2 years	Over 2 years	Total
2022							
Non-interest bearing		9,623	62	244	-	9,286	**19,215**
Interest bearing	4%	-	-	-	36	-	**36**
		9,623	**62**	**244**	**36**	**9,286**	**19,251**
2021							
Non-interest bearing		34,304	63	7,654	-	-	**42,021**
Interest bearing	4%	-	-	-	72	-	**72**
		34,304	**63**	**7,654**	**72**	**-**	**42,093**

j) Fair value of financial assets and financial liabilities

The fair value of financial assets and financial liabilities is determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models, based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

As at 31 December 2022 and 2021, the reported amounts of cash, short-term deposits, trade receivables, loans to employees, short-term borrowings, accrued interest and trade payables approximate their market values due to the short-term nature of those assets and liabilities.

22. RELATED PARTY TRANSACTIONS

Company owner

As presented in Note 18, the Company is indirectly owned by the Republic of Croatia through the Restructuring and Sale Centre, which is the legal successor of the Agency for State Property Management.

Transactions with key management and members of the Supervisory Board

Remuneration to the Management Board includes regular monthly salary payments and other receipts. Remuneration paid to the Management Board is disclosed in Note 6.

Remuneration to members of the Supervisory Board is disclosed in Note 7.

Other related party transactions

The Company is associated with government institutions and other state-owned entities since its majority owner is the Republic of Croatia.

Significant related party transactions refer to the government grant for trainee boarding received from the Ministry of Maritime Affairs, Transport and Infrastructure under the Programme of co-financing boarding for deck, engine and electrical engineering trainees on vessels in international and domestic voyages. Income from government grants for trainee boarding is disclosed in Note 4. Bank borrowings set out under items (1), (2), (3), and (4) in Note 20 are received from banks with majority state ownership. During the year, the interest expense arising from these borrowings amounted to HRK 5,700 thousand (2021: HRK 6,868 thousand).

23. EVENTS AFTER THE REPORTING DATE

Introduction of EUR as of 1 January 2023

As of 1 January 2023, the euro became the official monetary unit and legal tender in the Republic of Croatia. The fixed conversion rate has been set at HRK 7.53450 for one euro.

The introduction of the euro as the official currency in the Republic of Croatia represents a change in the functional currency that will be calculated prospectively and does not represent a post balance sheet event requiring an adjustment of the amounts in these financial statements.

Delivery of new LPG vessel "Vis"

On 16 March 2023, the LPG vessel "Vis", built in the Japanese shipyard Sasaki Shipbuilding Co. Ltd., was delivered having the same technical features as the first LPG vessel "Marko Marulic". The vessel financing structure included 40% of own funds and 60% of a borrowing from the Croatian Bank for Reconstruction and Development. In 2022, an advance was given in the amount of HRK 41.5 million. The borrowing was granted for a period of 10.5 years with a 6-year grace period. The borrowing is repaid quarterly at the agreed interest SOFR + CAS 3M + 1.66%. The vessel's first commercial voyage began on 17 March 2023.

23. EVENTS AFTER THE REPORTING DATE (continued)

Sale & Leaseback

On 27 March 2023, a sale and leaseback agreement was concluded with Moon Rise Shipping Co., SA, Panama, for the vessels Peristil and Solin. The agreed repayment term is 4.5 years, with the vessel repurchase option after half of the repayment period has lapsed, which is why control over the vessels was not transferred. A portion of the obtained funds was used to close a portion of the Macquarie bank borrowing, which was secured by mortgages on the vessels Peristil and Solin. Due to more favourable financial conditions and a lower interest rate (SOFR + 2.25%), the interest expenses accrued for the entire repayment period are lower by HRK 58 thousand compared to the refinanced borrowing, with a higher principal amount of USD 5.9 million. Also, the refinanced borrowing includes the balloon payment in the amount of USD 6 million maturing in 2026. The Company believes that the aforementioned transaction will have a favourable effect on the Company's financing costs and financial operations.

Appendix 1 (unaudited)
Supplementary statements in thousands of USD
For the year ended 31 December 2022

Consolidated statement of comprehensive income

The consolidated statement of comprehensive income and the consolidated statement of financial position have been prepared on different bases as set out below. The consolidated statement of comprehensive income represents the USD values of transactions in USD and USD equivalent values of transactions in other currencies translated into USD at the exchange rates prevailing at the transaction date. The consolidated statement of financial position is derived from the statement of financial position prepared in HRK translated into USD at the exchange rates prevailing on the dates of the statement of financial position, 31 December 2022 (USD 1 = HRK 7.06) and 31 December 2021 (USD 1 = HRK 6.64).

(all amounts expressed in thousands of USD)	**2022**	**2021**
Revenue	40,761	32,383
Other operating income	2,542	1,854
Total revenue	**43,303**	**34,237**
Vessel operating expenses	(21,766)	(17,066)
Depreciation and amortisation expense	(5,759)	(4,184)
Staff costs	(1,139)	(1,267)
Other operating expenses	(1,457)	(1,719)
Reversal of previous impairment of vessels	3,208	9,109
Total operating expenses	**(26,913)**	**(15,127)**
Operating profit/(loss)	**16,390**	**19,110**
Net finance loss	(693)	(3,952)
Profit/(loss) before tax	**15,697**	**15,158**
Income tax	-	-
Profit/(Loss) for the year	**15,697**	**15,158**
Other comprehensive income		
Translation reserves	828	2,394
Other comprehensive income for the year	**828**	**2,394**
Total comprehensive income	**16,525**	**17,552**
Basic and diluted earnings/(loss) per share (in USD)	**9,65**	**9,32**

These supplementary statements are not part of the audited consolidated financial statements and are provided for illustrative purposes only. They represent the Group's consolidated statement of financial position and statement of comprehensive income.

Appendix 1 (unaudited)

Supplementary statements in thousands of USD (continued)

For the year ended 31 December 2022

Consolidated statement of financial position

(all amounts expressed in thousands of USD)	**2022**	**2021**
ASSETS		
Property, plant and equipment	87,846	63,639
Advances given for property, plant and equipment	5,875	-
Intangible assets	6	8
Deferred tax assets	2	2
Term deposits	1,331	1,124
Non-current assets	**95,060**	**64,773**
Inventories	1,268	323
Assets measured at amortised cost		
- Trade receivables	146	381
- Cash and cash equivalents	1,263	4,820
- Loans to employees	5	11
Other receivables	1,872	1,332
Current assets	**4,554**	**6,867**
Total assets	**99,614**	**71,640**
EQUITY AND LIABILITIES		
Share capital	2,317	2,464
Treasury shares	(343)	(365)
Reserves for treasury shares	343	365
Translation and other reserves	35,727	37,108
Accumulated losses and profit for the year	228	(16,448)
Principal	**38,272**	**23,124**
Borrowings	43,062	34,366
Provisions	20	21
Non-current liabilities	**43,082**	**34,387**
Borrowings	11,506	6,999
Trade and other payables	6,323	4,436
Deferred income	369	1,656
Accrued expenses	62	1,038
Current liabilities	**18,260**	**14,129**
Total liabilities	**61,342**	**48,516**
Total equity and liabilities	**99,614**	**71,640**

These supplementary statements are not part of the audited consolidated financial statements and are provided for illustrative purposes only. They represent the Group's consolidated statement of financial position and statement of comprehensive income.