JADROPLOV d.d., SPLIT

CONSOLIDATED ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

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

Content

Consolidated Management Report

The Management Board presents its annual report for the year ended 31 December 2021.

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 (collectively 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 2021, the Group's fleet consisted of 5 ships, with a total capacity of 242,727 deadweight tonnage (DWT) and average age of 14.80 years.

Supervisory Board

Supervisory Board members were as follows: Vesna Gudelj (Chairman until 06/09/2021, member until 14/09/2021), Ksenija Koščević Čuvalo (Vice-Chairman until 03/09/2021), Siniša Prnjak (member until 29/09/2021), Goran Matešić (member, Chairman from 06/09/2021 to 29/09/2021), Tibor Konjevod (member, as of 08/09/2021 Vice-Chairman), Jasmina Dužević Đonlagić (member as of 15/09/2021), Dražen Ivanušec (Chairman as of 29/09/2021) and Dantea Krnčević Šarac (member as of 26/11/2021).

Management Board

The Management Board until 06/09/2021 consisted of Branimir Kovačić (President) and Mario Radačić (member), and as of 06/09/2021 Ivan Pavlović acts as the President and only member until 06/09/2026.

Shareholder's structure of Jadroplov d.d. (as at 31 December 2021)	**Number of shares**	**Capital share %**
Restructuring and Sale Center	1,152,904	70.44%
Domestic natural persons	437,855	26.75%
Financial institutions	31,989	1.96%
Companies	2,624	0.16%
Foreign investors	1,291	0.08%
Treasury shares	10,011	0.61%
Total	**1,636,674**	**100.00%**

Total number of shareholders as at 31 December 2021 was 2,815.

Result

The Group's total result realized in 2021 amounted to HRK 100,702 thousand (USD 15,158 thousand) in gains (2020: HRK 101,119 thousand (USD 16,475 thousand) in gains). With the exclusion of the negative effect of foreign exchange differences amounting to HRK 2,630 thousand (USD 586 thousand)(2020: HRK 12,388 thousand (USD 126 thousand)) and the income from value adjustment amounting to HRK 60,513 thousand (USD 9,109 thousand) (2020: -), the actual operating results balance would amount to HRK 42,819 thousand (USD 6,635 thousand) in gains (2020: HRK 113,507 thousand(USD 16,349 thousand) in gains).

Significant events during 2021

(1) *Trends in the maritime market*

In 2021, the global economy grew in relation to 2020 due to China's economic growth, and increased demand for iron ore.

In 2021, the global GDP increased by 5.9% compared to 2020, when it dropped by 3.1%.

In 2021, India (9.0%) and China (8.1%) recorded the largest GDP increase. GDP growth was recorded globally. The lowest GDP growth rate (1.6%) in relation to the prior year was recorded in Japan.

The European Union's economy recovered and annual GDP grew by 5.2% in comparison to 2020, when GDP dropped by 6.4%.

These indicators had a positive impact on global trade as a whole and, thus, maritime transport of goods.

During 2021, the maritime commerce increased by 3.3%. In particular, the transportation of oil and oil products decreased by 1.5%, container transport increased by 5.6% and dry bulk transportation increased by 3.8%.

The largest increase was recorded in the coal and wheat trade.

In this year, there was an increase in demand for vessels accounting for 4.8% in tonne-miles, whereas the dry bulk carrier fleet increased by 3.6%. We find particularly interesting the 40,000 to 70,000 DWT capacity segment, which grew at a 2.9% rate.

The Company possesses 5 dry bulk carriers, which is why we provide a brief overview of this particular maritime market segment.

Dry bulk freight market

Since the majority of our ships for transport of bulk cargo (bulk carriers) have individual capacity of about 48,823 DWT, we shall focus on the market of "Supramax" ships, although their average capacity is slightly higher than the capacity of our ships.

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

- 22 April 2016 – 558 points,
- 23 December 2016 – 903 points,
- 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.

Significant events during 2021 *(continued)*

(1) *Trends in the shipping 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 21 October 2021, BSI reached its maximum value of 3,624 index points or USD 37,799 per day. The average earnings of Supramax ships amounted to USD 27,355 in 2021.

Annual average of hire rates in USD:

	T/C BCI	T/C BPI	T/C BSI	T/C BHSI
2019	17,880	12,301	10,867	9,608
2020	13,220	9,945	8,813	8,395
2021	33,220	26,273	27,355	25,748
% change in relation to 2020	151.3	164.2	210.4	206.7

The above table shows that BDI increased from 151.3% to 210.4% compared to 2020 for all types of bulk carriers.

This is primarily due to the increase in the containerised cargo trade, increase in maritime bulk cargo trade and the increase in fleet capacity in the observed period, that grew in the relevant period by 3.6% on an annual basis in 2021. Increased vaccination level (decreased impact of the pandemic), fleet increase and growth of the Chinese and Indian economy resulted in the increase of the dry bulk freight market. In 2020, the fleet capacity increased by 3.8%, accompanied by a drop in the bulk cargo trade of 1.6%. In 2021, the fleet increased by 3.6%, while maritime bulk cargo trade accounted for 3.8%. This data shows that supply and demand equalised, and further market trends will be a result of the pace of the global economy's recovery and movement of oil prices on the global market.

Events after the date of the statement of financial position

(1) *Trends in the shipping market*

a) *Dry bulk market*

Freight rates are substantially higher in 2021 than in 2020. 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	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sept**	**Oct**	**Nov**	**Dec**
2018	**11,000**	**11,750**	**13,000**	**13,000**	**13,250**	**13,250**	**13,000**	**13,000**	**13,250**	**13,250**	**12,750**	**12,000**
2019	**11,750**	**9,500**	**11,125**	**10,000**	**10,625**	**9,125**	**9,750**	**10.000**	**12,438**	**9,750**	**9.750**	**9.625**
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**	**22,313**	**26,125**	**27,625**	**29,000**	**22,500**	**24,125**
2022	**24,625**	**19,325**	**30,513**	**30,638**								

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

The above table shows that daily charter rates were substantially higher than in the beginning of 2021.

b) Expectations for 2022

The *Clarkson Dry Bulk Trade Outlook* anticipates an increase in demand for shipping space by 2.5% tonne-miles, and a 2.1% growth in the bulk cargo fleet in 2022. The overall maritime bulk cargo trade accounted for 1.9% i.e., 5.5 million tonnes in 2022 (2.5% tonne-miles) since growth stabilised after a post-Covid jump in 2021. Iron ore trade should increase by 1% due to a drop in China's demand, while coal trade should increase by a moderate 2% (after a 6% increase in 2021).

In line with 2022 projections, cereal trade would grow at a 4% rate, and minor bulk trade around 2%. According to 2023 projections, maritime bulk cargo trade is expected to drop to around 1.4% (1.7 tonne-miles). The projected 2022 GDP growth rate would amount to 4.8% for China and 9.0% for India, although these projections could be adversely affected by an increase in number of Covid-19 cases in some areas, increased ship congestion in some of the main world ports, as well as the military confrontation between Russia and Ukraine.

Bulk cargo trade is expected to increase around 2.1% in 2022 and 0.3% in 2023, with a high probability of a larger increase in the number of vessels sold to breaking yards in 2023, due to new environmental rules in force.

In 2021, 57 bulk carriers were sold to breaking yards (5.2 million DWT), while around 7.8 million DWT are planned to be recycled in 2022, and 21.9 million DWT in 2023.

Application of new regulations, more demanding environmental protection regulations and movement in energy prices should define the operating guidelines for shipping companies in the following period. Having focused on the gradual cost reduction in previous years, Jadroplov managed to become cost competitive in relation to other international dry bulk shipping companies, enabling the Company's quick recovery in case of moderate market improvements. In this year, the turnover is expected to increase and the impact of the Covid-19 pandemic is expected to decrease.

Business projections for 2022

In the second semester of 2022, considering the currently strong market, freights are expected to stabilise, which could make the 2022 business results exceed those of 2021.

On 21 March 2022, the Company concluded a transport contract with the contracting party, company CE-ZA-R, Centar za reciklažu d.o.o., Zagreb. Based on the relevant contract, Jadroplov d.d. shall provide to the contracting party freight transport services with the motor vessel Split, the oldest ship in Jadroplov's fleet, built in 1998, for a 5-year period from the Croatian ports of Rijeka and Split to Turkish ports in the Mediterranean and Sea of Marmara. The projected annual revenue of the vessel amounts to USD 10 million, that is USD 50 million in 5 years, securing the company a stable source of revenue.

Business projections for 2022 (continued)

Based on the authorisation of the Supervisory Board, the Company is undertaking preparatory works for the purpose of recapitalisation. Increasing share capital shall secure additional funds for fleet renewal.

The ongoing Covid-19 pandemic and its social and economic impact in the Republic of Croatia and the military conflict between Russian and Ukraine may result in assumptions and estimates requiring revisions which may lead to material adjustments to the carrying value of assets and liabilities within the next financial year.

Risks that the Group is exposed to

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 floating interest rates. All of the Group loans 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 of not meeting contractual obligations of the counter party, whereby the Group would have suffered financial losses. The Group has no material credit risk because it has adopted a policy of leasing ships to first-class charterers.

Currency risk

Since the Group operates in the international market, most transactions are denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. 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. Leasing ships in time charter with payment contracted at the beginning of the 15-day period and increase in daily hire I represent additional insurance for the necessary liquidity level.

Environment protection

The Company's principal activity is international maritime transport, which means that it is exposed to environmental risks. In 2021, there were no environmental incidents. In order to increase environmental protection, great attention is paid to regular maintenance and renewal of the fleet, and also to the professional training of maritime personnel. In line with the relevant regulation, installation of a ballast water treatment system is under way. One ship completely meets the regulation, and two ships are currently installing the system. On the other two ships installation will be done in line with the regulations in force.

Share buy-back

In 2021, 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 branches and does not invest in research and development.

For and on behalf of the Management Board:

Ivan Pavlović
Member of the Management Board

JADROPLOV LTD
INTERNATIONAL MARITIME TRANSPORT
SPLIT, CROATIA

29 April 2022

Corporate Governance Statement

General info

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 Code of Corporate Governance 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 the following: 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 Statute 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 note 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 Statute.

The regular annual General Assembly was held on 26 November 2021.

Supervisory Board

The Supervisory Board oversees the management of the Company's affairs. To this end, it reviews and examines the business records, accounts, and documentation of the Company. 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: Vesna Gudelj (Chairman until 06/09/2021, member until 14/09/2021), Ksenija Koščević Čuvalo (Vice-Chairman until 03/09/2021), Siniša Prnjak (member until 29/09/2021), Goran Matešić (member, Chairman from 06/09/2021 to 29/09/2021), Tibor Konjevod (member, as of 08/09/2021 Vice-Chairman), Jasmina Dužević Đonlagić (member as of 15/09/2021), Dražen Ivanušec (Chairman as of 29/09/2021) and Dantea Krnčević Šarac (member as of 26/11/2021).

Management Board

The Management Board manages the Company's affairs, defines business plans and controls their realization, and coordinates the activities of individual organizational units of the Company. The number of Board members varies from one to five. The Management Board until 06/09/2021 consisted of Branimir Kovačić (President) and Mario Radačić (Member), and as of 06/09/2021 Ivan Pavlović acts as the President and only member until 06/09/2026

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

Complete 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 annual report in accordance with International Accounting Standards and International Financial Reporting Standards adopted by the European Union.

Ivan Pavlović
Member of the Management Board

29 April 2022

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 in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs") to give a truthful and fair review of the financial position and the results of the business operations of Jadroplov d.d. ("the Company") and its subsidiaries ("the Group") for each presented period.

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

In preparing the financial statements, the responsibilities of the Management Board include the following:

- selection and consistent implementation of suitable accounting policies;
- provision of reasonable and prudent judgements and estimates;
- adherence to the applicable accounting standards, subject to any material discrepancies disclosed and explained in the consolidated financial statements; and
- preparation of consolidated financial statements on the going concern basis, unless it is inappropriate to assume that the Group will continue as a going concern.

The Management Board is responsible for keeping proper accounting records, which shall at any time reflect with reasonable accuracy the financial position and the results of operations 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. Furthermore, 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.

The consolidated financial statements set out on pages 17 to 65 and supplementary information set out on pages 66 to 67 were authorised by the Management Board and are signed below to signify this.

Signed on behalf of the Management Board on 29 April 2022.

Ivan Pavlović
Member of the Management Board

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INDEPENDENT AUDITOR'S REPORT

to the shareholders of the Jadroplov d.d., Split

Statement of Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of the company Jadroplov d.d., Split ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies ("financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with the Audit Act and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code") and have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Opening balance restatement
As provided in note 2.a "Opening balance restatement", the Group adjusted the accounting errors from prior periods and restated comparable data. Our opinion is not modified in respect of this matter.

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INDEPENDENT AUDITOR'S REPORT (continued)

Statement of Audit of the Financial Statements (continued)

Key Audit Matter

Key audit matter is that matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current period. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

<table>
<tr><th>Valuation and impairment of investments in vessels</th><th>How Our Audit Addressed the Key Audit Matter</th></tr>
<tr><td colspan="2">For accounting policies see Summary of significant accounting policies, note 2.1.f) and 2.2. For additional information related to the identified key audit matter, see note 10 to the financial statements.</td></tr>
<tr><td>The net carrying value of the Group’s vessels amounts to HRK 400,140 thousand (2020: HRK 356,371 thousand) for the year ended 31 December 2021.

In line with the International Accounting Standard 36: Impairment of Assets, the Management Board of the Group must test individual items of non-current tangible assets or cash-generating units for items with impairment indicators or potential to recognise previously impaired amounts.

Any such impairment is recognised in the amount in which the net carrying value of the assets, i.e., cash-generating unit, exceeds its recoverable amount or, in case the previously impaired amount is recoverable, up to its net carrying value, in case there had there been no prior impairments.

The estimation of the recoverable amount of vessels, which is generally considered to be their value in use (based on discounted cash flow models) or, in some cases fair value less costs to sell, relies on significant judgements and assumptions about the future, including:
- future profitability growth,
- capital expenditure,
- working capital,
- residual value,
- inflation and the most appropriate discount rate.

These projections are exposed to significant variability due to changing market conditions. Therefore, the assessment of the recoverable amount and impairment testing of vessels is a key audit matter.</td><td>In line with the identified key audit matter, during our audit, we conducted the following auditing procedures:
- Reviewed the Group’s conclusions on the identification of impairment triggers;
- Assessed the adequacy of the Group’s judgements concerning the identification of assets or CGUs subject to impairment;
- Assessed the appropriateness of allocation of assets to CGUs;
- Critically assessed the Group’s assumptions and estimates used to determine the recoverable amounts of vessels and any impairment losses recognised, using our own valuations specialists. This entailed:
o Retroactive assessment of model accuracy based on discounted cash flow models, by means of comparison of estimated amounts from prior periods and amounts realised;
o Examination of the mathematical accuracy and completeness of the model, and examination of the reasonableness of key model assumptions applied (future hire rates, estimated operating costs, residual value assessment, discount rate used and growth rates) in comparison to publicly available data.</td></tr>
</table>

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INDEPENDENT AUDITOR'S REPORT (continued)

Statement of Audit of the Financial Statements (continued)

Other Information

The Management Board is responsible for other information. Other information comprises the information included in the Annual Report but does not include the financial statements and our Independent Auditor's Report.
Our opinion on the annual financial statements does not cover the other information.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. With respect to the Management Report and the Corporate Governance Statement, which are included in the Annual Report, we have also performed the procedures prescribed by the Accounting Act. These procedures include examining whether the Management Report and Corporate Governance Statement include required disclosures as set out in articles 21, 22, and 24 of the Accounting Act and whether the Corporate Governance Statement includes the information specified in articles 21, 22, and 24 of the Accounting Act.
Based on the procedures performed during our audit, to the extent we are able to assess it, we report that:

1. Information included in the other information is, in all material respects, consistent with the accompanying financial statements.
2. The Management Report has been prepared, in all material respects, in accordance with articles 21 and 24 of the Accounting Act.
3. Corporate Governance Statement has been prepared, in all material aspects, in accordance with Article 22, paragraph 1, items 3 and 4 of the Accounting Act, and also includes the information from Article 22, paragraph 1, items 2, 5, 6, and 7, and Article 24, paragraph 2 of the same Act.

Based on the knowledge and understanding of the Group and its environment, which we gained during our audit of the financial statements, we have not identified material misstatements in the other information.

Responsibilities of the Management Board and Those Charged with Governance for the Financial Statements

The Management Board is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and for such internal controls as the Management Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, the Management Board 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 the Management Board 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 Company's financial reporting process.

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INDEPENDENT AUDITOR'S REPORT (continued)

Statement of Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of Financial Statements

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal controls 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 the Management Board;
- Conclude on the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements. We also conclude, 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 the auditor's report to the disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Group audit. We are solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with those charged with governance, we are required to determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless a 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.

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INDEPENDENT AUDITOR'S REPORT (continued)

Reporting in line with Other Legal and Regulatory Requirements

Reporting based on the requirements of the Delegated Regulation (EU) 2018/815 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 ("ESEF")

Auditor's reasonable assurance report on the compliance of financial statements, prepared in line with the provision of Article 462 (5) of the Capital Market Act by applying the requirements of the Delegated regulation (EU) 2018/815 prescribing the single electronic reporting format for issuers ("ESEF Regulation") We undertook a reasonable assurance engagement on whether the financial statements of Jadroplov d.d. for the financial year ended 31 December 2021, prepared for publication in line with Article 462 (5) of the Capital Market Act, in the electronic file jadroplovdd-2021-12-31-hr have been prepared in all material aspects in compliance with the requirements of the ESEF Regulation.

Responsibilities of the Management Board and Those Charged with Governance

The Management Board is responsible for the preparation and content of financial statements prepared in line with the ESEF Regulation.

In addition, the Management Board is responsible for maintaining an internal control system enabling the preparation of ESEF documents that are free from material misstatement, whether due to fraud or error.

The Management Board of the Group is also responsible for:

- preparing financial statements contained in the annual report in a valid XHTML format;
- selecting and using XBRL markups in line with the requirements of the ESEF Regulation.

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

Auditor's responsibilities

Our responsibility is to carry out a reasonable assurance engagement and to express a conclusion, based on audit evidence collected, on whether the financial statements have been prepared without material departures from the requirements of the ESEF Regulation. We conducted our limited assurance engagement in line with the *International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information* ("ISAE 3000"). This standard requires that we plan and perform the engagement to obtain reasonable assurance for providing a conclusion.

Quality assurance

We have conducted the engagement in compliance with independence and ethical requirements as provided by the Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants. The code is based on the principles of integrity, objectivity, professional competence and due diligence, confidentiality, and professional conduct. We comply with the *International Standard on Quality Control (ISQC 1)* for audits and reviews of financial statements, and other assurance and related services engagements and accordingly maintain an overall management control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and statutory requirements.

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

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INDEPENDENT AUDITOR'S REPORT (continued)

Reporting in line with Other Legal and Regulatory Requirements (continued)

Reporting based on the requirements of the Delegated Regulation (EU) 2018/815 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 ("ESEF") (continued)

Procedures carried out

We carried out the following procedures:

- we have read the requirements of the ESEF Regulation;
- we have gained an understanding of the internal controls of the Group relevant for the application of the ESEF Regulation;
- we have identified and assessed the risks of material non-compliance with the ESEF Regulation, due to fraud or error;
- as a result, we designed appropriate procedures as a response to risks identified and for obtaining reasonable assurance for the purpose of expressing our opinion.

The aim of our procedures was to assess whether:

- the financial statements, included in the annual reports, were prepared in a valid XHTML format;
- the data contained in the financial statements, as defined in the ESEF Regulation, were marked up and all of the markups meet the following requirements:
- XBRL language was used for markups.
    - elements of core taxonomy provided in the ESEF Regulation were used unless an extended taxonomy element was used in line with Annex IV to the ESEF Regulation;
    - markups comply with the Common rules on markups from the ESEF Regulation.

We believe the audit evidence we obtained to be sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on the procedures carried out and evidence obtained, we believe that the Group's financial statements in ESEF format, provided in the file cited above, and in line with the provision of Article 462 (5) of the Capital Market Act, have been prepared in all material aspects in compliance with the requirements of Article 3, 4, and 6 of the ESEF Regulation for the year ended 31 December 2021.

In addition to this conclusion and the opinion provided in this Independent Auditor's Report on the accompanying financial statements and annual report for the year ended 31 December 2021, we shall not express an opinion on the information contained therein or other information contained in the previously cited file.

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

Deloitte.

INDEPENDENT AUDITOR'S REPORT (continued)

Reporting in line with Other Legal and Regulatory Requirements

Other reporting obligations as required by Regulation (EU) No. 537/2014 of the European Parliament and the Council and the Audit Act

We were appointed as the statutory auditor of the Group by the General Assembly on 26 November 2021 to perform the audit of accompanying financial statements. Our total uninterrupted engagement has lasted 2 years and covers the period from 1 January 2020 to 31 December 2021.
We confirm that:

- our audit opinion on the accompanying financial statements is consistent with the additional report issued to the Audit Committee of the Company on 29 April 2022 in accordance with the Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council;
- no prohibited non-audit services referred to in Article 5, paragraph 1 of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided.

In addition to the statutory audit services, we provided the following service to the Company and its controlled undertakings:
- Independent limited assurance report on the 2021 remuneration report, based on the provisions of Article 272.r (3) of the Companies Act.

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

Marina Tonžetić

Director and Certified Auditor

Deloitte d.o.o.
29 April 2022
Radnička cesta 80
10 000 Zagreb
Republic of Croatia

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

Consolidated statement of comprehensive income

for the year ended 31 December 2021

(All amounts are expressed in thousands of HRK)

	Note	2021	2020
			restated
Operating income	3	206,437	82,833
Other operating income	4	72,345	13,495
Total operating income		**278,782**	**96,328**
Vessel operating expenses	5	(122,336)	(107,908)
Depreciation and amortisation expense	10, 11	(12,588)	(21,103)
Staff expenses	6	(8,125)	(5,395)
Other operating expenses	7	(11,006)	(10,948)
Total operating expenses		**(154,055)**	**(145,354)**
Profit/(loss) from operations		**124,727**	**(49,026)**
Financial income	8	6,948	202,971
Financial expenses	8	(30,971)	(52,809)
Net financial (expenses)/income		**(24,023)**	**150,162**
Profit before tax		**100,704**	**101,136**
Income tax	9	(2)	(17)
Profit for the year		**100,702**	**101,119**
Profit attributable to:			
Owners of the parent company		**100,702**	**101,119**
Non-controlling interest		**-**	**-**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating the foreign operations			
Exchange differences arising during the year		15,894	(4,353)
Other comprehensive income/(loss) attributable to owners		**15,894**	**(4,353)**
Total comprehensive income attributable to owners		**116,596**	**96,766**
Basic and diluted profit per share (in HRK)	19	**61.91**	**62.16**

The accompanying notes on pages 21 to 65 form an integral part of these consolidated financial statements.

Consolidated statement of financial position
as at 31 December 2021
(All amounts are expressed in thousands of HRK)

	Note	31/12/2021	31/12/2020	31/12/2019
ASSETS			*restated*	*restated*
Property, plant and equipment	10	409,031.	359,077	412,978
Intangible assets	11	53	-	-
Deferred tax assets	9	16	18	33
Prepaid expenses and advance payments	14	7,154	8,020	7,819
Non-current assets		**416,254**	**367,115**	**420,830**
Inventories	12	2,145	4,047	3,023
Assets held at amortised cost				
- Trade receivables	13	2,532	4,180	2,526
- Fuel receivables	13.1	4,552	4,015	3,452
- Cash and cash equivalents	17	32,023	1,662	607
- Term deposits	16	7,466	13,696	3,638
- Loans to employees		72	5	5
- Other receivables	15	1,354	1,532	4,526
Prepaid expenses and advance payments	14	9,544	9,658	10,446
Current assets		**59,688**	**38,795**	**28,223**
Total assets		**475,942**	**405,910**	**449,053**
EQUITY AND LIABILITIES				
Share capital	18	16,367	16,367	81,834
Own shares	18	(2,423)	(2,423)	(2,423)
Reserves for own shares	18	2,423	2,423	2,423
Translation and other reserves	18	246,532	230,638	234,991
Loss carried forward and profit for the year		(109,273)	(209,975)	(376,563)
Equity		**153,626**	**37,030**	**(59,738)**
Debts for which interests are calculated	20	228,311	275,965	171,134
Provisions	21	137	155	180
Non-current liabilities		**228,448**	**276,120**	**171,314**
Interest-bearing loans and borrowings and accrued interest	20	46,498	45,730	276,046
Trade and other payables	22	29,468	36,725	53,815
Accrued expenses and deferred income	22.1	17,902	10,305	7,615
Current liabilities		**93,868**	**92,760**	**337,476**
Total liabilities		**322,316**	**368,880**	**508,790**
Total equity and liabilities		**475,942**	**405,910**	**449,053**

The accompanying notes on pages 21 to 65 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

as at 31 December 2021

(All amounts are expressed in thousands of HRK)

	Shareholders' equity	Treasury shares	Reserves for treasury shares	Translation and other reserves	Loss carried forward and profit for the year	Total
As at 31 December 2019 before restatement	**81,834**	**(2,423)**	**2,423**	**234,991**	**(370,885)**	**(54,059)**
Restated (note 2.1a)	-	-	-	-	(5,678)	(5,678)
As at 31 December 2019 after restatement	**81,834**	**(2,423)**	**2,423**	**234,991**	**(376,563)**	**(59,738)**
Profit for the year (adjusted) (note 19)	-	-	-	-	101,119	**101,119**
Other comprehensive income						
Translation reserves	-	-	-	(4,353)	-	**(4,353)**
Total other comprehensive income	-	-	-	(4,353)	-	**(4,353)**
Total comprehensive income	**-**	**-**	**-**	**(4,353)**	**101,119**	**96,766**
Losses covered by reduction of share capital	(65,467)	-	-	-	65,467	**-**
As at 31 December 2020	**16,367**	**(2,423)**	**2,423**	**230,638**	**(209,975)**	**37,030**
Profit for the year (note 19)	-	-	-	-	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**
As at 31 December 2021	**16,367**	**(2,423)**	**2,423**	**246,532**	**(109,273)**	**153,626**

The accompanying notes on pages 21 to 65 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

as at 31 December 2021

(All amounts are expressed in thousands of HRK)

	Note	2021	2020
Operating activities			*restated*
Profit for the year before tax		100,704	101,136
Adjustments for:			
Amortisation and depreciation	10, 11	12,588	21,103
Net carrying value of assets sold	10	36,199	-
Value adjustment of property, plant and equipment, net	4	(60,513)	2,971
Value adjustment of trade receivables	7	-	733
Collection of previously value adjusted receivables	4, 13	(28)	-
Value adjustment of other receivables	7	-	1,340
Movement in provisions	21	(18)	(25)
Written-off principal of received borrowings and interest	8	-	(187,890)
Write-off of other liabilities	4	(759)	-
Interest and similar expenses	8	21,397	25,364
Interest and similar income	8	(4)	(24)
Prepaid expenses	14	990	585
		110,556	**(34,707)**
Movements in working capital			
Decrease/(increase) in trade and other receivables		192	(4,344)
Decrease/(increase) in inventories		1,902	(1,024)
Increase in trade and other payables		113	18,607
Cash used in operating activities		**112,763**	**(21,468)**
Interest paid		(17,850)	(43,190)
Net cash generated from/(used in) operating activities		**94,913**	**(64,658)**
Investing activities			
Purchase of property, plant and equipment	10	(11,157)	(318)
Net investment in deposits		6,834	(10,058)
Given loans		(85)	-
Proceeds from given loans		18	-
Interest collected		24	24
Net cash used in investing activities		**(4,366)**	**(10,352)**
Financing activities			
Borrowings	20	123,828	274,221
Repayment of borrowings	20	(184,014)	(198,156)
Net cash (used in)/generated from financing activities		**(60,186)**	**76,065**
Net increase in cash and cash equivalents		**30,361**	**1,055**
Cash and cash equivalents at the beginning of the year		**1,662**	**607**
Cash and cash equivalents at the end of the year	17	**32,023**	**1,662**

The accompanying notes on pages 21 to 65 form an integral part of these consolidated financial statements.

1. GENERAL DATA

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 (collectively 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

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

The following new standards, amendments to the existing standards and new interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period and have been adopted by the Group:

- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases"** - Interest **Rate Benchmark Reform — Phase 2** (effective for annual periods beginning on or after 1 January 2021),

- **Amendments to IFRS 16 "Leases"** – Covid-19-Related Rent Concessions beyond 30 June 2021 (effective from 1 April 2021 for annual periods beginning on or after 1 January 2021),

- **Amendments to IFRS 4 "Insurance Contracts" – Extension of the Temporary Exemption from Applying IFRS 9**, adopted by the EU on 16 December 2020 (the expiry date for the temporary exemption from IFRS 9 was extended from 1 January 2021 to annual periods beginning on or after 1 January 2023),

Adoption of amendments to the existing standards and interpretations are not relevant for the Group's operations and do not materially impact the financial statements.

Standards and amendments to the existing standards and interpretations issued by IASB and adopted by the EU but not yet effective

The following standards, amendments to the existing standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU are not yet effective for the current reporting period.

- **Amendments to IAS 1 "Presentation of Financial Statements"** – Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** – Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IAS 16 "Property, Plant and Equipment"** – Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022),

- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** - Onerous Contracts — Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022),

- **Amendments to IFRS 3 "Business Combinations"** - Reference to the Conceptual Framework with amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2022),
- **IFRS 17 "Insurance Contracts"**, including amendments to IFRS 17 issued by IASB on 25 June 2020 – adopted by the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023),

Amendments to various standards due to "Improvements to IFRSs (cycle 2018 -2020)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 28 June 2021 (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.).

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at date of publication of financial statements (the effective dates stated below is for IFRS as issued by IASB):

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) – the European Commission decided to delay the adoption of this transitional standard until the issue of its final version,

- **Amendments to IAS 1 "Presentation of Financial Statements"** – Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IAS 12 "Income Taxes"** – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),

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

The Group anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Group in the period of initial application.

2.1. SIGNIFICANT ACCOUNTING POLICIES

a. OPENING BALANCE RESTATEMENT

In 2021, certain restatements were made in relation to the financial statements of the Company for the year 2020 and prior periods. The reasons for the restatements and specific restated positions are provided below.

/i/ Recognising default interest for court proceedings and related accrued expenses

In prior periods, the Group lost one court proceeding and did not recognise the default interest and belonging reservation for default interest in the relevant proceeding.

In 2021, the Group, in line with the requirements of IAS 8: “Accounting Policies, Changes in Accounting Estimates and Errors”, stipulating that the entity needs to adjust the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied.

All of the above resulted in the following restatements in the financial statements of the Group:

- Accrued default interest as at 1 January 2020 was increased by HRK 5,678 thousand and losses carried forward were increased in the equivalent amount;
- Accrued default interest as at 1 January 2021 was increased by HRK 241 thousand and financial expenses were increased in the equivalent amount;

The overview of the relevant restated opening balances of the comparative period (01/01/2020) and closing balances of the comparative period (31/12/2020) due to the described correction of the accounting error for prior periods is provided in Table 1 and Table 2.

(All amounts are expressed in thousands of HRK)

2.1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. OPENING BALANCE RESTATEMENT

Table 1 - Restatements in the Consolidated statement of financial position as at 1 January 2020:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 1 January 2020		(in HRK '000)		
		Disclosed in 2019	Restatements	Restated in 2019
	ACCRUED EXPENSES AND DEFERRED INCOME			
	Accrued expenses and deferred income /i/	1,937	5,678	7,615
	EQUITY			
	Loss carried forward and profit for the year /i/	-	(5,678)	(5,678)

Table 2 - Restatements in the Consolidated statement of financial position as at 31 December 2020:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 December 2020		(in HRK '000)		
		Disclosed in 2020	Restatements	Restated in 2020
	ACCRUED EXPENSES AND DEFERRED INCOME			
	Accrued expenses and deferred income /i/	4,386	5,919	10,305
	EQUITY			
	Loss carried forward and profit for the year /i/	(204,056)	(5,919)	(209,977)

Table 3 - Restatements in the Consolidated statement of comprehensive income for 2020:

		Note	(in HRK '000)		
			Disclosed in 2020	Restatements	Restated in 2020
	NET FINANCIAL (EXPENSES)/INCOME				
	Interest and similar expenses /i/	8	(25,123)	(241)	(25,364)
	PROFIT BEFORE TAXATION		**101,377**	**(241)**	**101,136**
	Income tax	9	(17)	-	(17)
	PROFIT FOR THE YEAR		**101,360**	**(241)**	**101,119**
	Earnings per share	19	62.31	(0.15)	62.16

(All amounts are expressed in thousands of HRK)

2.1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 on the historical cost 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 31/12/2021:

	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	-

The financial statements are denominated in Croatian kuna (HRK) and rounded to the nearest thousand. At 31 December 2021, the exchange rate for USD 1 was HRK 6.64 and for EUR 1 was HRK 7.52, respectively (31 December 2020: USD 1 was HRK 6.14 and EUR 1 was HRK 7.54, respectively).

b) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires the Management Board 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 and their reported amounts of revenues and expenses during the reporting period. These estimates are based on the information available as at the reporting date and actual results could differ from those 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.

2.1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Going concern

The Group obtained a permit from the European Commission on 2 May 2018, as a process for the realisation of its restructuring plan, which was realised in 2020.

The plan secured the refinancing of most credit liabilities for a period of seven to ten years which would result in a better solvency of the Group, thus creating the preconditions for stabilizing the business over a longer period. Refinancing of credit liabilities is explained in more detail in note 20.

In the year ended 31 December 2021, the Group recorded profit after tax amounting to HRK 100,576 thousand (2020: HRK 101,119 thousand profit after tax). Furthermore, as at 31 December 2021, the Group's current liabilities exceeded its current assets by HRK 34,180 thousand (2020: HRK 53,965 thousand).

Having sold the vessel Bene, as agreed in January 2021, and realised on 4 March 2021, current liabilities and current assets became nearly equal.

In 2021, new borrowings were contracted in the amount of HRK 123,828 thousand and existing loan liabilities amounting to HRK 182,214 thousand were extinguished (as detailed in note 20, under item 5).

Furthermore, activities concerning further possible financing with foreign creditors are currently under way in order to decrease interest expenses and improve overall maturity of borrowings. In addition, negotiations with a domestic creditor are under way to reduce effective interest rates.

With the realisation of the restructuring plan and the improved conditions on the global freight market, the Management Board considers that the Group can provide adequate resources in the foreseeable future, i.e. to continue operating on the going concern basis. Current movements in the international dry bulk cargo market point to significant improvements in relation to the prior year, so the company has no liquidity issues.

The restructuring plan foresees the recapitalisation of the Company, that should additionally contribute to the improvement in working capital and ensure the company's position for the realisation of planned investments into new vessels of the future. Based on the authorisation of the Supervisory Board, the Management Board of the Company is undertaking preparatory works for the purpose of recapitalisation. The planned recapitalisation will be done by issuing new shares through a public offering.

In the event of non-existence of planned market conditions, which could be achieved in accordance with external expert forecasts, while at the same time implementing measures from the restructuring plan, the Group has enough space to realize the economic benefits of its assets and to ensure the solvency of the Group in the future.

2.1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) 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 consolidated financial statements incorporate the financial statements of the subsidiaries from the effective date of acquisition and up to the effective date on which the Company has no longer control over a subsidiary. A listing of subsidiaries is provided in note 2a.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

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

e) Foreign currencies

The functional currency of the company 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 Croatian kuna are initially recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Gains and losses arising on exchange are included in net profit or loss for the period. Non-monetary assets carried at historical cost of foreign currency are not retranslated at the new rates.

(ii) Financial statements of foreign operations

Assets and liabilities are translated in HRK at the exchange rate at the reporting date, while items of income and expense are translated at the exchange rate 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. Translation of subsidiary company balances into HRK at year end is done using the current rate method.

2.1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Property, plant and equipment

Property, plant and equipment are recognised at purchase cost less accumulated depreciation and impairment. Property, plant and equipment under construction are stated at cost less any recognised impairment loss. Cost includes expenditures directly attributable to bringing the assets to a working condition for their intended use, including borrowing costs during construction of the qualifying asset.

If acquisition of property, plant and equipment was aided through government grant, purchase cost or carrying value of property, plant and equipment, respectively, it is reduced 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 purchase cost less the amount of government grant and estimated residual value of the asset.

Depreciation is charged to profit or loss and it is calculated using the straight-line method over their estimated useful lives. Assets under construction are not depreciated.

Depreciation method and useful life, as well as the residual value are revised each year. If there is an indication for impairment, impairment estimates are made.

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

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

g) Repairs and maintenance

Repair and maintenance costs are charged to profit or loss when incurred, except for reconstruction and adaptations, by which the capacity or purpose of the property, plant and equipment is changed, in which case the costs are capitalized.

2.1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Intangible assets

Intangible assets are stated at purchase cost less accumulated amortisation and any impairment loss. 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 the profit and loss statement as they are incurred.

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

Amortisation is charged to profit or loss and it is calculated using the straight-line method over the estimated useful lives of individual items of intangible assets unless the estimated useful life is unlimited.

Estimated useful lives are revised on an annual basis. If there is an indication for impairment, impairment estimates are made.

Estimated useful lives of intangible assets are as follows:

Software	5	years

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

Carrying value of property, plant and equipment and intangible assets of the Group is revised at every reporting date to determine if there is any indication of impairment. If such an indication exists, the recoverable amount of assets is estimated.

Assets subject to depreciation and amortisation are revised every time there is an event or change in circumstances which indicate that the carrying value of assets may not be recoverable.

Impairment losses are recognised in the statement of profit or loss when the carrying amount of assets or a cash-generating unit exceeds the recoverable amount. Loss from impairment is charged to profit and loss statement 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 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 to which the asset belongs.

Loss from impairment is reversed if there has been a change in the estimates used for determining the recoverable amount.

Reversal of impairment loss is charged to the amount not exceeding the book value of the asset which would have been determined after reduction for depreciation (amortisation), if the loss from impairment had not been initially recognised.

2.1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Leases

The Group as a lessee

The Group assesses whether a contract is or contains a lease, at the beginning of the contract. The Group recognises a right-of-use asset and a corresponding 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, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease 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 rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease if the lease term reflects the lessee's exercise of the 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).

2.1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) 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 period of the lease term and the useful life of the underlying asset. 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 on 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 a lessor

The leases in which the Group acts as a lessor are classified as finance or operating leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise, a lease is classified as an operating lease. Revenue from operating leases is recognised on the straight-line basis over the term of the relevant lease. Initial direct costs resulting from the negotiation stage and contracting terms of operating leases are credited to the carrying amount of the leased item and recognised on a straight-line basis over the lease term.

2.1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Inventories

Inventories are stated at the lower of cost and 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 method. Inventories consist mainly of lubricants, fuels, and spare parts.

l) Financial assets

Financial assets
Financial assets of the Group entail bank accounts, cash, and receivables.
Jadroplov, at initial recognition at fair value, 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 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' model – trade and other receivables; cash and cash equivalents. Having passed the test of cash flows that are solely payments of principal and interest on the principal outstanding, financial assets are measured at depreciated cost in this business model.

(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 rate method and are subject to impairment. All gains or losses arising from the derecognition, adjustment or impairment of assets are recognised in profit or loss. Financial assets at amortised cost include trade and other receivables, prepaid expenses and accrued income, and deposits given.

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

2.1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) 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.

m) Receivables

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

n) Cash

For the needs of statement of financial position and statement of cash flows, cash and cash equivalents comprise cash in hand and bank account balances, and highly liquid instruments with original maturities of up to three months or less and are subject to risk of change in value.

o) Liabilities

Trade and other payables are measured initially at fair value and are carried subsequently at amortised cost.

p) Provisions

A provision is recognised only if Jadroplov has an outstanding liability (legal or constructive obligation) as a result of a past event and if it is probable that an outflow of funds with economic benefits will be necessary in order to settle the liability, and it is possible to estimate the liability amount with certainty. Provisions are calculated by discounting future cash flows using a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligation.

2.1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q) Retirement benefit and jubilee awards costs

The Group has no defined post-retirement benefit plans for its employees or management in Croatia or abroad. Accordingly, the Group has no outstanding liabilities in this respect, either to its present or former employees. The Group makes payments to its employees for retirement benefits and jubilee awards in accordance with the Rules of operation. Retirement benefit right 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.

r) Revenue

In line with IFRS 15, an entity recognises revenue when (or as) it satisfies a performance obligation by transferring the promised goods or services (i.e., assets) to the customer. The assets are considered transferred when (or as) the customer obtains control over the assets. The control over the assets relates to the option to control the use of the assets and enjoy almost all residual benefits thereof. The control includes the option to prevent other entities from controlling the use of the asset and enjoying benefits thereof. Control is transferred over time or a particular point in time.

Freight income is realised from time charter and voyage charter operations.

Time charter – lease income

Time charter makes the vessel available to the customer for a certain period of time and the customer uses it in exchange for a daily freight rate. Performance obligations stipulated in a time charter have been settled during the contract’s duration, starting from the moment the vessel was submitted to the customer up to its return to Jadroplov. Time charters are considered operating leases and do not, therefore, fall into the scope of IFRS 15 because (i) vessels are identifiable assets; (ii) Jadroplov does not hold the right to substitute assets; and (iii) the customer has the right to control the use of a vessel during the contract term and obtains all of the economic benefits from such use (note 2j).

2.1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s) Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods necessary to match them with the related costs. 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, government grant is deducted in arriving at the carrying amount of the underlying asset and is recognised in the profit or loss over the useful life of depreciable asset by way of a reduced depreciation charge.

t) Net financial (costs)/income

Net financial costs and income consist of interest costs, interest income on investments and foreign exchange gains or losses.

Interest cost on borrowings is recognised in profit or loss using the applicable interest rate. 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 arising from receivables is recognised in profit or loss in the period when incurred. Dividend income is recognised in profit or loss when declared.

u) Taxes

Income tax is the sum of the current tax liability and deferred taxes.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the date of the financial statements, and any adjustment to tax payable in respect of previous years. Deferred tax is recognised using the balance sheet 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 measurement of deferred tax is based on the assumed manner of realisation or settlement of the carrying amount of assets and liabilities, based on tax rates enacted at the reporting date. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available. Deferred tax assets are reduced by the amount that is no longer a probable tax relief.
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 on 01 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 ships meeting all stipulated requirements and, most importantly, to engage in strategic and commercial management of ships in Croatia. Tonnage tax is not covered in IAS 12.

2.1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

u) Taxes (continued)

Jadroplov has been included in the system of tonnage tax for a 10-year period on 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 ships meeting all stipulated requirements and, most importantly, to engage in strategic and commercial management of ships in Croatia.

x) 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.

2.2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, as 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 relevant. Actual results may differ from those 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 revision and future periods if the revision affects both current and future periods. Please find below the Management Board's key judgements description, during the process of implementation of the Company's accounting policies, which have affected the amounts recognised in the consolidated financial statements the most.

Revenue recognition

In line with IFRS 15, Jadroplov uses the input method to measure performance progress. Output methods recognise revenues based on direct measuring of the value goods or services transferred by a certain date have for the customer, in relation to the remaining goods or services promised in the contract. The Group uses a practical solution from IFRS 15.B16 since it has the right to consideration from the client in the amount which directly corresponds to the value – it recognises revenue in the amount it is entitled to invoice. When (or as) Jadroplov satisfies a performance obligation, it recognises the amount of the transaction price as revenue (excluding the estimates of variable fees that are limited) allocated to the relevant performance obligation. Transaction price is the amount of the consideration to which the entity expects to be entitled in exchange for the transfer of promised goods or services to the customer, excluding amounts collected on behalf of third parties. Consideration stipulated in the contract with the customer may include fixed amounts, variable amounts or both.

Impairment of financial assets

At each reporting date, Jadroplov examines whether the credit risk for the financial instrument significantly increased since initial recognition, using changes in risk of default during the expected lifetime of the financial instrument instead of changes in the amount of expected credit losses, except for trade receivables. In order to complete the assessment, Jadroplov compares the risk of default of the financial instrument as at the reporting date with the risk of default of the financial instrument as at the date of initial recognition and considers reasonable and acceptable data.

2.2. 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 reasonably measured. When assessing provisions, Jadroplov considers professional legal advice.

Vessel depreciation

Residual value is estimated as "lightweight" tonnage of each vessel multiplied by an expected "scrap" value per tonne estimated at USD 565 per tonne, which represents the market price of steel scrap, determined based on data disclosed on the website Clarksons Shipping Intelligence Network (http://www.clarksons.net/sin2010) maintained by Clarkson Research Services Limited, London, England.

Impairment of value of vessels and dry-docking costs

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 during its useful life. When determining value in use, certain assumptions (including expected daily freight rates, operating costs, discount interest rate, and average price of steel as a secondary raw material) referring to the estimates of future cash flows are of predictable nature, including revenue estimates within existing contracts. Certain assumptions, referring to the estimates of future cash flows of the vessel are probably less predictable, such as expected daily freight rates outside of the existing contract term and residual value of the vessel, due to the long-term volatility of factors such as freight rates on the spot and time charter market and the expected residual value of the vessel.

(All amounts are expressed in thousands of HRK)

3. OPERATING INCOME

	2021	2020
Time charter	206.437	82.833
	206,437	**82,833**

4. OTHER OPERATING INCOME

	2021	2020
Income from value adjustment of vessels with market value	60,513	-
Fuel income	3,995	4,588
Insurance refunds and damage claims	2,015	1,998
Hold cleaning	1,506	2,076
Income from grants for trainee boarding	1,437	1,217
Write-off of liabilities	759	-
Rental income	700	1,015
Collected, previously adjusted trade receivables	28	-
Income from court proceedings	11	257
Other	1,381	2,344
	72,345	**13,495**

5. VESSEL OPERATING COSTS

	2021	2020
Crew costs	35,122	34,922
Materials and spare parts	23,738	19,086
Costs resulting from the lessee's inability to use the vessel	13,410	5,324
Dry-docking costs	13,842	9,975
Brokerage, agency costs and commissions	9,734	4,095
Repairs and maintenance	8,945	7,056
Insurance	7,197	7,844
Fuel costs	2,643	12,302
Port costs	326	171
Other	7,379	7,133
	122,336	**107,908**

Item 'Other' predominantly refers to port costs, speeding fines, communication costs, environmental costs, and other similar costs.

(All amounts are expressed in thousands of HRK)

6. STAFF EXPENSES

	2021	2020
Net wages and salaries	3,877	3,034
Taxes and contributions from salaries	1,678	1,258
Contributions on salaries	881	687
Allowance for termination of service	944	-
Other staff expenses	745	416
	8,125	**5,395**

The number of employees at the year-end was 36 (2020: HRK 34).

Remuneration to Management Board members:

	2021	2020
Gross salaries	524	553
Allowance for termination of service	944	-
Other benefits (benefits in kind)	2	-
	1,470	**553**

7. OTHER OPERATING EXPENSES

	2021	2020
Intellectual services	2,624	1,326
Damage compensations	1,397	669
Legal costs	1,359	305
Bank charges and commissions	1,010	873
Other services	917	809
Taxes and contributions irrespective of operating result	630	562
Costs of fixed assets disposal	627	-
Raw materials	312	378
Fees to Supervisory Board members	198	123
Business travel expenses	177	74
Value adjustment of property, plant and equipment	-	2,971
Value adjustment of other receivables from SSM	-	1,340
Value adjustment and write-off of trade receivables (note 13), net	-	733
Other	1,755	785
	11,006	**10,948**

The largest portion of costs within the 'Other services' item refers to maintenance costs amounting to HRK 246 thousand

(All amounts are expressed in thousands of HRK)

7. OTHER OPERATING EXPENSES (CONTINUED)

(2020: HRK 201 thousand), post services amounting to HRK 145 thousand (2020: HRK 169 thousand) and utility services amounting to HRK 128 thousand (2020: HRK 101 thousand). In the item 'Other', the largest portion of expenses relates to membership, administrative, and court fees amounting to HRK 413 thousand (2020: HRK 160 thousand), insurance costs amounting to HRK 166 thousand (2020: HRK 220 thousand), and software use costs amounting to HRK 178 thousand (2020: HRK 112 thousand).

8. FINANCIAL INCOME AND EXPENSES

	2021	**2020**
Interest and similar income	4	24
Foreign exchange gains	6,944	15,057
Written-off principal of received borrowing and interest	-	187,890
Total financial income	**6,948**	**202,971**
Interest and similar expenses	(21,397)	(25,364)
Foreign exchange losses	(9,574)	(27,445)
Total financial expenses	**(30,971)**	**(52,809)**
Net financial (expenses)/income	**(24,023)**	**150,162**

9. INCOME TAX

Income tax is calculated at a rate of 12% (2020: 12%), in line with the Croatian law .

Reconciliation of income tax expense is as follows:

	2021	**2020**
Current tax expense	-	-
Deferred tax expense	2	17
Income tax	**2**	**17**

Reconciliation of deferred tax assets is as follows:

	2021	**2020**
Balance at 1 January	18	35
(Release of) deferred tax assets	(2)	(17)
Balance as at 31 December	**16**	**18**

(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 and the profit reported in profit or loss is as follows:

	2021	2020
Profit before tax	**100,704**	**101,136**
Profit from activities taxed based on net tonnage	(114,250)	(116,820)
Loss from the activities taxed by income tax	**(13,546)**	**(15,684)**
Income tax at the rate of 12%	(1,626)	(1,882)
Non-deductible expenses	23	7
Losses for which deferred tax assets have not been recognised	1,601	1,858
Income tax	**(2)**	**(17)**

Tax losses

Tax losses can be utilised for offsetting against future taxable profits. 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 asset to tax losses carried forward.

	2021	2020
Tax loss from 2016 – expires on 31 December 2021	-	(12,534)
Tax loss from 2017 – expires on 31 December 2022	(12,454)	(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)	-
	(79,436)	**(66,076)**

Pursuant to the Article 429 of the Maritime code, which defines terms and conditions of the 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. Income Tax Act is applied to all other business activities. The Group registered five vessels in the system of tonnage tax (2020: six vessels). Tonnage tax for 2021 in the amount of HRK 171 thousand (2020: HRK 199 thousand) 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 12%, 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	Plants and equipment	Vessels	Assets under construct-ion	Total
Cost					
Balance at 1 January 2020	42,335	11,898	1,213,974	-	1,268,207
Additions	-	248	-	70	318
Exchange rate differences	-	(261)	(93,262)	(2)	(93,525)
Balance at 31 December 2020	**42,335**	**11,885**	**1,120,712**	**68**	**1,175,000**
Balance at 1 January 2021	42,335	11,885	1,120,712	68	1,175,000
Additions	-	4,061	-	7,096	11,157
Decrease	-	(1,249)	(112,276)	(4,061)	(117,586)
Exchange rate differences	-	253	85,379	393	86,025
Balance at 31 December 2021	**42,335**	**14,950**	**1,093,815**	**3,496**	**1,154,596**
Accumulated depreciation and impairment					
Balance at 1 January 2020	39,883	10,494	804,852	-	855,229
Depreciation charge for the year	997	429	19,677	-	21,103
Impairment	-	-	2,971	-	2,971
Exchange rate differences	-	(221)	(63,159)	-	(63,380)
Balance at 31 December 2020	**40,880**	**10,702**	**764,341**	**-**	**815,923**
Balance at 1 January 2021	40,880	10,702	764,341	-	815,923
Depreciation charge for the year	447	492	11,649	-	12,588
Reversal of impairment	-	-	(60,513)	-	(60,513)
Decrease	-	(836)	(80,551)	-	(81,387)
Exchange rate differences	-	205	58,749	-	58,954
Balance at 31 December 2021	**41,327**	**10,563**	**693,675**	**-**	**745,565**
Net carrying value					
Balance at 31 December 2021	**1,008**	**4,387**	**400,140**	**3,496**	**409,031**
Balance at 31 December 2020	**1,455**	**1,183**	**356,371**	**68**	**359,077**

Property, plant and equipment in the amount of HRK 404,963 thousand (2020: HRK 358,706 thousand) is pledged as a security for the repayment of borrowings (Note 20).

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Fleet fair value and impairment

Based on the Management Board and independent appraiser's valuations, as at 31 December 2021, fleet vessels' value exceeds their net carrying value.

Since the market fair value less cost to sell exceeds the net carrying value of the fleet vessels, this leads to indications of potential correction of prior impairment, and the Group determined the value in use of the vessels for which the net carrying value as at 31 December 2021 was lower than their net marketable value.

In accordance with *IAS 36: Impairment of Assets*, the Group calculated the vessels' value in use by applying a discount rate of 8% (2020: 7.2%) to estimated cash flows and risks specific for the Group's assets and activities. Estimated cash flows are based on a five-year business plan, which assumes a 15% average revenue drop rate over the next five years, according to the assessment of an independent broker Simpson, Spence & Young (2020: 2% revenue growth rate), up to the stabilisation level of USD 12,000 in the period after the fifth year expires, until the end of the useful life of individual vessels (2020: 2% growth rate).

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

(All amounts are expressed in thousands of HRK)

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 31 December 2021, the Group owned and operated a fleet of five vessels (2020: six vessels), whose technical description is presented in the following table.

Technical data of the vessels in the fleet of the Group as at 31 December 2021

No.	Vessel	Class	Type	Gross tonnage	Net tonnage	Deadweight tonnage (DWT)	Volume	Engine power - kW	Lifting tonnes	Length (in m)	Width (in m)	Max draft (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	20	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	23	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	11	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	11	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	9	Croatia
		TOTAL		**168,402**	**99,015**	**292,939**	**355,209**	**48,200**	**-**	**-**		**-**	**-**	**-**	

(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 2021, vessels under operating lease were disclosed in accordance with IAS 16*: Leases.*

	Vessels	Plants and equipment	Total
Cost			
Balance at 1 January 2020	1,213,974	3,710	1,217,684
Additions	-	123	123
Exchange rate differences	(93,262)	(261)	(93,523)
Balance at 31 December 2020	**1,120,712**	**3,572**	**1,124,284**
Balance at 1 January 2021	1,120,712	3,572	1,124,284
Additions	-	3,711	3,711
Decrease	(112,276)	(920)	(113,196)
Exchange rate differences	85,379	253	85,632
Balance at 31 December 2021	**1,093,815**	**6,616**	**1,100,431**
Accumulated depreciation and impairment			
Balance at 1 January 2020	804,852	2,500	807,352
Depreciation charge for the year	19,677	413	20,090
Impairment	2,971	-	2,971
Exchange rate differences	(63,159)	(220)	(63,379)
Balance at 31 December 2020	**764,341**	**2,693**	**767,034**
Balance at 1 January 2021	764.3414	2,693	767,034
Depreciation charge for the year	11,649	412	12,061
Reversal of impairment	(60,513)	-	(60,513)
Decrease	(80,551)	(506)	(81,057)
Exchange rate differences	58,748	205	58,953
Balance at 31 December 2021	**693,675**	**2,804**	**696,479**
Net carrying value			
Balance at 31 December 2021	**400,140**	**3,812**	**403,952**
Balance at 31 December 2020	**356,371**	**879**	**357,250**

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

All vessels owned by the Group are chartered under operating lease terms, which vary from contract to contract. Lease term ranges from 1 month to 3 months. An average daily charter rate (hire) as at 31 December 2021 amounts to USD 26,100 (2020: USD 9,320).

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

	2021	**2020**
Up to 1 year	8,943	1,060
1 to 5 years	-	-
	8,943	**1,060**

11. INTANGIBLE ASSETS

	Software
Cost	
Balance at 1 January 2020	1,373
Balance at 31 December 2020	**1,373**
Balance at 1 January 2021	1,373
Additions	53
Balance at 31 December 2021	**1,426**
Accumulated depreciation	
Balance at 1 January 2020	1,373
Depreciation charge for the year	-
Balance at 31 December 2020	**1,373**
Balance at 1 January 2021	1,373
Depreciation charge for the year	-
Balance at 31 December 2021	**1,373**
Net carrying amount	
Balance at 31 December 2021	**53**
Balance at 31 December 2020	**-**

(All amounts are expressed in thousands of HRK)

12. INVENTORIES

	31/12/2021	31/12/2020
Lubricants	2,145	1,583
Fuel	-	2,464
	2,145	**4,047**

13. RECEIVABLES

	31/12/2021	31/12/2020
Trade receivables	28,042	28,888
Impairment allowance on trade receivables	(25,510)	(24,708)
	2,532	**4,180**

Ageing of net trade receivables after impairment	**2021**	**2020**
Up to 30 days	2,301	3,848
30 – 90 days	43	271
90 – 180 days	148	42
180 – 365 days	25	19
Over 365 days past due	15	-
Balance at 31 January	**2,532**	**4,180**

Impairment allowance on trade receivables	**2021**	**2020**
Balance at 1 January	24,708	27,040
Additions (note 7)	-	733
Collected (note 4)	(28)	-
Write-offs	(1,136)	(17)
Exchange rate differences	1,967	(3,048)
Balance as at 31 December	**25,510**	**24,708**

(All amounts are expressed in thousands of HRK)

13. RECEIVABLES (CONTINUED)

2021

Impairment allowance

	12-month expected credit loss	Lifetime expected loss - no credit losses	Lifetime expected loss - credit losses	**Total**
Balance at 1 January	-	-	**24,708**	**24,708**
Losses recognised in profit or loss	-	-	(28)	(28)
Decrease in impaired assets balance	-	-	(1,136)	**(1,136)**
Exchange rate differences	-	-	1,967	**1,967**
Balance at 31 December	-	-	**25,510**	**25,510**

2020

Impairment allowance

	12-month expected credit loss	Lifetime expected loss - no credit losses	Lifetime expected loss - credit losses	**Total**
Balance at 1 January			**27,040**	**27,040**
Losses recognised in profit or loss	-	-	733	**733**
Decrease in impaired assets balance	-	-	(17)	**(17)**
Exchange rate differences	-	-	(3,048)	**(3,048)**
Balance at 31 December	-	-	**24,708**	**24,708**

Total trade receivables, after impairment, held by the Group as at 31 December 2021 amounted to HRK 2.314 thousand (2020: HRK 4,180 thousand). As at the date of issue of these consolidated financial statements, the Group had collected all trade receivables.

(All amounts are expressed in thousands of HRK)

13. RECEIVABLES (CONTINUED)

The credit risk results 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 IFRS 9 simplified approach to measuring ECL provisions based on the adjustment of expected loss for all trade receivables. For measuring ECL, trade receivables and contracted assets have been grouped based on joint credit risk characteristics and days past due.

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is high, as customer base is formed from a limited number of customers from the international market. Accordingly, the Management Board believes that there is no further impairment required in excess of the allowance for doubtful debts. The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected proceeds.

For trade receivables, Jadroplov applies a simplified calculation of expected credit losses as detailed below:

2021	Up to 365	Over 365 and enforced	Total
Expected credit loss rate	8%	100%	
Gross carrying value of trade receivables	2,314	25,510	27,824
Compensation for loss	-	(25,510)	(25,510)

2020	Up to 365	Over 365 and enforced	Total
Expected credit loss rate	8%	100%	
Gross carrying value of trade receivables	4,180	24,708	28,888
Compensation for loss	-	(24,708)	(24,708)

(All amounts are expressed in thousands of HRK)

13.1. FUEL RECEIVABLES

	31/12/2021	31/12/2020
Fuel receivables	4,552	4,015

14. PREPAID EXPENSES AND ADVANCE PAYMENTS

	31/12/2021	31/12/2020
Prepaid expenses	15,348	16,818
Undue income payments	13	41
Advance payments given	1,337	819
	16,698	**17,678**

Prepaid expenses predominantly refer to limited dry-docking fees amounting to HRK 13,756 thousand (2020: HRK 15,771 thousand), and the rest consists of limited insurance costs amounting to HRK 1,041 thousand (2020: HRK 844 thousand) and the brokerage fee amounting to HRK 550 thousand (2020: HRK 203 thousand).

15. OTHER RECEIVABLES

	31/12/2021	31/12/2020
Receivables for damages	711	915
Receivables for court proceedings	1	1,034
Impairment of receivables for court proceedings	-	(790)
Other receivables	642	373
	1,354	**1,532**

The largest portion of other receivables relates to receivables for vessel calculations amounting to HRK 347 thousand (2020: HRK 181 thousand), VAT receivables amounting to HRK 193 thousand (2020: HRK 76 thousand), business deposit receivables amounting to HRK 60 thousand (2020: HRK 55 thousand) and receivables from employees amounting to HRK 30 thousand (2020: HRK 21 thousand).

16. TERM DEPOSITS

	31/12/2021	31/12/2020
Receivables for term deposits	7,466	13,696

Receivables for term deposits consist of deposits related to loan agreements and guarantee liabilities with an interest rate from 0.01% to 0.1% p.a. (2020: with an interest rate from 0.01% to 0.1% p.a.).

(All amounts are expressed in thousands of HRK)

17. CASH AND CASH EQUIVALENTS

	31/12/2021	31/12/2020
Foreign currency accounts at banks	32,003	1,626
Giro account balance	16	32
Cash in hand	4	4
	32,023	**1,662**

18. EQUITY AND RESERVES

Share capital

	Number of shares issued	Total amount	Treasury shares	Total
	Number	HRK '000	Number	HRK '000
Balance at 31 December 2020	1,636,674	16,367	(2,423)	13,944
Balance at 31 December 2021	1,636,674	16,367	(2,423)	13,944

Pursuant to the Decision of the General Assembly dated 7 December 2020 on the simplified decrease of share capital, the share capital was decreased by HRK 65,467 thousand, from HRK 81,834 thousand to HRK 16,367. Nominal amount of Company share of HRK 50.00 was decreased by HRK 40.00 to the amount HRK 10.00.

Ownership structure of the Company is as follows:

Overview of shareholders as at 31 December	Number of shares 2021	Share in capital (%) 2021	Number of shares 2020	Share in % 2020
Restructuring and Sale Center	1,152,904	70.44%	1,152,904	70.44%
Domestic natural persons	437,855	26.75%	427,428	26.11%
Financial institutions	31,989	1.96%	37,161	2.27%
Companies	2,624	0.16%	5,123	0.31%
Foreign investors	1,291	0.08%	4,047	0.25%
Treasury shares	10,011	0.61%	10,011	0.61%
Total	**1,636,674**	**100.00%**	**1,636,674**	**100.00%**

18. CAPITAL AND RESERVES *(CONTINUED)*

Share capital of the Company consists of 1,636,674 ordinary shares (2020: 1,636,674), of which 10,011 were treasury shares (2020: 10,011).

Translation and other reserves

Translation reserves in the amount of HRK 246,453 thousand (2020: HRK 230,558 thousand) 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 (2020: HRK 2,423 thousand) and to reserves for investments in the amount of HRK 81 thousand (2020: HRK 81 thousand).

19. BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share are calculated as follows:

	2021	**2020** *adjusted*
Profit for the year in thousands of HRK	100,702	101,119
Weighted average number of shares in issue	1,626,663	1,626,663
Basic and diluted earnings per share *(in HRK and lp)*	**61.91**	**62.16**

(All amounts are expressed in thousands of HRK)

20. INTEREST BEARING LOANS AND BORROWINGS

	Principal in foreign currency (on loan origination)	Principal in foreign currency at 31/12/2021	31/12/2021	31/12/2020
(a) Long-term bank borrowings				
(1) Secured loan	USD 4,150,000	USD 2,965,625	19,702	22,407
(2) Secured loan	USD 6,045,000	USD'5,333,824	35,435	37,110
(3) Secured loan	HRK 55,000,000	HRK 55,000,000	55,000	55,000
(4) Secured loan	HRK 48,000,000	HRK 45,307,628	45,308	45,230
(5) Secured loan	USD 25,500,000	USD 25,500,000	-	156,545
(6) Secured loan	USD 19,250,000	USD 17,395,000	115,565	-
Total long-term bank borrowings			**271,010**	**316,294**
Current portion of long-term borrowings			(42,699)	(40,329)
Long-term portion of bank borrowings			**228,311**	**275,965**
Long-term portion of bank borrowings			228,311	275,965
Total current portion of long-term borrowings			42,699	40,329
Total interest-bearing borrowings			**271,010**	**316,294**
Calculated interest			3,799	5,401
Total			**274,809**	**321,695**

Borrowings totalling HRK 271.010 thousand (2020: HRK 316,294 thousand) are secured by the Group's fleet (Note 10).

Movement adjustments of loan liabilities with cash flows from financial activities

During the year, HRK 184,014 thousand (2020: HRK 198,156 thousand) of loan liabilities were repaid, financial liabilities in equity were not written off (2020: HRK 163,827 thousand), while the remaining change in financial liabilities amounting to HRK 14,902 thousand (2020: HRK 13,922 thousand) is the result of the change of the foreign exchange rate.

(All amounts are expressed in thousands of HRK)

20. INTEREST BEARING LOANS AND BORROWINGS *(CONTINUED)*

	2021	2020
Balance at 1 January	**316,294**	**417,978**
New loans	123,828	274,221
Loan repayment	(184,014)	(198,156)
Written-off principal	-	(163,827)
Exchange rate differences	14,902	(13,922)
Balance as at 31 December	**271,010**	**316,294**

The repayment schedule of bank borrowings for the next five years, according to the balance as at 31/12/2021, is as follows:

Year	Amount
2021	42,699
2022	56,444
2023	30,458
2024	25,912
2025	72,778
After 2025	42,719
	271,010

(1) The long-term loan was approved for working capital in the amount of USD 4,150,000. The loan was approved in May 2015 and withdrawn in 2 parts: first in the amount of USD 2,500,000 on 5 June 2015 and second in the amount of USD 1,650,000 on 31 July 2015 with interest rate of 6,75% per annum (variable). The loan principal is repayable semi-annually, with the first instalment due on 30 November 2016 and the ultimate repayment deadline 31 May 2020. The interest is repayable on the monthly basis, beginning from the 30 June 2015. As security, a mortgage on the vessel “Trogir” and property has been registered in favor of the Bank. On 14 December 2017, the bank decided on the moratorium period for principal repayment by 31 March 2018 with unchanged maturity date. On 27 June 2018, the bank decided on the moratorium period for principal repayment by 30 September 2018 with 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 repayment of the newly formed principal shall be done in 48 equal instalments, with the first one maturing on 30 April 2021, and the last one maturing on 31 March 2025.

(2) The long-term loan was approved for working capital in the amount of USD 6,045,000. The loan was approved in July 2016 and withdrawn in 5 parts from 3 August 2016 until 12 December 2016, with interest rate of 5.18% per annum. The loan principal is repayable quarterly, with the first instalment due on 30 September 2018 and the ultimate repayment deadline on 30 September 2022. The interest is repayable quarterly, beginning from 31 December 2016. As security, a mortgage on the properties of the Company have been recognised. The Management Board believes that the fair value of fixed interest loans is not significantly different from the carrying amount. Annex IV to the Loan Agreement dated 19 February 2020.

20. INTEREST-BEARING LOANS AND BORROWINGS *(CONTINUED)*

defined the additional grace period for loan principal repayment, with the first instalment due on 30 September 2020 and the 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 Loan Agreement dated 27 April 2020 stipulated a moratorium for liabilities due from 01/04/2020 to 30/06/2020. On 16/07/2020, the bank agreed on the additional moratorium for payment of liabilities due from 01 July 2020 to 31 December 2020 the latest.

(3) A long-term loan was approved for capital assets (settling liabilities towards financial institutions) and working capital in the amount of HRK 55,000,000. The loan was approved in February 2020 and withdrawn in 5 individual requests for use in the period from 28 February to 18 March 2020. The (fixed) interest rate amounts to 4% p.a. (fixed). The loan principal is repayable semi-annually, with the first instalment due on 30 September 2022 and the ultimate repayment deadline 30 September 2030. The interest is repayable quarterly, beginning from 30 June 2020. As security, a mortgage on the vessels "Split" and "Trogir" and the Company's property with the guarantee of the Republic of Croatia has been registered in favour of the Bank. Annex I to the Loan 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 16/07/2020, the bank agreed on the additional moratorium for payment of liabilities due from 01 July 2020 to 31 December 2020 the latest. The restructuring plan foresees the loan realisation.

(4) A long-term loan was approved for working capital (settling liabilities towards financial institutions and trade payables) in the amount of HRK 48,000,000. The loan was approved in August 2020 with an interest rate of 4% + EURIBOR p.a. The loan principal is repayable quarterly, with the first instalment due on 6 August 2021 and the ultimate repayment deadline on 6 August 2030. The interest is repayable quarterly, beginning from 06 November 2020. The guarantee of the Republic of Croatia has been registered as security. The restructuring plan foresees the loan realisation. Annex II to the Loan Agreement of 21 December 2021 approved the fixed interest rate of 2.1%.

(5) The long-term loan was approved for capital assets in the amount of USD 25,500,000. The loan was approved in February 2020 with an interest rate of 9% + LIBOR p.a. The principal is repayable quarterly, with the first instalment due on 30 June 2020 and the ultimate repayment deadline 31 March 2025, along with the repayment of the outstanding 50% amount of the principal. The interest is repayable quarterly, beginning from 30 June 2020. Vessels "Peristil", "Sveti Dujam", "Solin" and "Bene" been pledged as collateral for the borrowings. On 18 June 2021, the loan was refinanced and closed with a new arrangement.

(6) The long-term loan was approved for capital assets in the amount of USD 19,250,000. The loan was approved in June 2021 with an interest rate of 4.75% + LIBOR p.a. The principal is repayable quarterly, with the first instalment due on 30 September 2021 and the ultimate repayment deadline 31 March 2026, along with the repayment of the outstanding amount of the principal. The interest is repayable quarterly, beginning from 30 June 2021. Vessels "Peristil", "Sveti Dujam", and "Solin" have been pledged as collateral for the borrowings.

(All amounts are expressed in thousands of HRK)

21. PROVISIONS

	Provisions for jubilee awards and retirement bonuses	**Total provisions**
Balance at 1 January 2020	**180**	**180**
Used during the year	(25)	(25)
Balance at 31 December 2020	**155**	**155**
Used during the year	(18)	(18)
Balance at 31 December 2021	**137**	**137**

22. TRADE AND OTHER PAYABLES

	31/12/2021	**31/12/2020**
Trade payables	23,288	29,526
Payables to employees	5,021	4,863
Other liabilities	1,159	2,336
	29,468	**36,725**

22.1. ACCRUED EXPENSES AND DEFERRED INCOME

	31/12/2021	**31/12/2020**
		restated
Accrued expenses and deferred income	17,902	10,305
	17,902	**10,305**

Accrued cost payments predominantly comprise interest costs resulting from court proceedings, paid in February 2022 in the amount of HRK 6,178 thousand (2020: -) and provisions for unused annual leave amounting to HRK 334 thousand (2020: HRK 297 thousand). Deferred income predominantly refers to hire paid before the reporting date which relate to the period after the reporting date and amount to HRK 11,005 thousand (2020: HRK 4,068 thousand).

(All amounts are expressed in thousands of HRK)

23. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

In two disputes with SSM, the Group has receivables in the amount of HRK 5,515 thousand, with statutory penalty interest, reported in the bankruptcy proceedings.

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Capital risk management

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

The capital structure of the Group consists of debt, which includes borrowings, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued 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 risks associated with each class of capital. The actual gearing ratio in 2021 was 255.50% (2020: 732.57%).

The gearing ratio at the end of the year was as follows:

	2021	**2020**
Interest-bearing loans and borrowings (Note 20)	271,010	316,294
Cash and cash equivalents (note 17)	(32,023)	(1,662)
Net debt	238,987	314,632
Equity	153,626	42,949
Net debt-to-equity ratio	**1.56**	**7.32**

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

(All amounts are expressed in thousands of HRK)

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

c) Categories of financial instruments

	2021	2020
Financial assets		
Trade receivables	2,532	4,180
Fuel receivables	4,552	4,015
Cash and cash equivalents	32,023	1,662
Term deposits	7,466	13,696
Loans to employees	72	5
Other receivables	1,354	1,532
Financial liabilities		
Interest-bearing loans and borrowings and accrued interest	274,809	321,695
Trade and other payables	29,468	36,725

The above stated amount represents the Group's maximum exposure to credit risk for loans given and receivables.

Clients with the highest outstanding amounts as at 31 December 2021 are the following:

	2021
DUCAT MARITIME LTD	2,274
XB AHTS HERO SHIPPING INC	79
ATTORNEY-AT-LAW BORIS IVANČIĆ	45
PAŠKO IVANČIĆ	43
PELIG D.O.O.	38
	2,479
Trade receivables	**2,532**
Share in total receivables (%)	**97.91%**

(All amounts are expressed in thousands of HRK)

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Clients with the highest outstanding amounts as at 31 December 2020 are detailed in the following table. All of the aforementioned customers have settled their liabilities in 2021.

	2020
OLDENDORFF CARRIERS GmbH & Co. KG	2,891
EFE DENZICILIK SAN.TIC. LTD. STI	594
ELIM SPRING MARINE (HONG KONG) LTD	227
AFRI-BULK NAVIGATION PRIVATE LTD	141
UNIVERSAL SOLUTIONS GROUP LLC	127
	3,980
Trade receivables	**4,180**
Share in total receivables (%)	**95.22%**

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 financial instruments, including derivative financial instruments, for speculative purposes.

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

e) Price risk management

The largest market in which the Group sells and provides its services is international market. The Management Board of the Company determines the prices of its services based on the market rates.

If the daily charter rate changes for 1 percentage point, with the presumption of all other variables being constant, the following changes in revenue and net profit of the Group would occur: in case hire increased, 2021 revenue would amount to HRK 208,501 thousand and net profit would amount to HRK 102,766 thousand (in 2020: revenue would amount to HRK 83,661 thousand and net profit would amount to HRK 101,947 thousand). In case hire decreased, 2021 revenue would amount to HRK 204,373 thousand and net profit would amount to HRK 98,638 thousand (in 2020: revenue would amount to HRK 82,005 thousand and net profit would amount to HRK 100,291 thousand).

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

f) Interest rate risk

The Group is exposed to interest rate risk as it borrows funds at floating interest rates. All of the Group loans were contracted at variable interest rates.

Interest rate risk sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates during the year. For floating rate liabilities, the analysis is prepared according to repayment plan per separate liability over borrowing or received financial lease. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates changed by 50 basis points with the presumption of all other variables being constant, the following changes in interest expenses of the Group would incur: in 2021, the relevant change would amount to HRK 2,238 thousand (2020: the relevant change would amount to HRK 3,927 thousand).

g) Credit risk

The Group has no significant concentration of credit risk with any counter party having similar characteristics. The Group monitors financial position of a customer as a 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. In the opinion of the Management Board, its maximum exposure is reflected by the amount of trade receivables and other current asset 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 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 limited number of customers from international market. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

(All amounts are expressed in thousands of HRK)

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

h) Foreign currency risk management

The Group undertakes certain transaction denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters.

The table below details the carrying amounts of the Company's foreign-currency denominated monetary assets and liabilities at the reporting date.

As at 31 December	**Liabilities**		**Assets**	
	2021	**2020**	**2021**	**2020**
USA (USD)	195,304	250,686	71,248	24,822
European Union (EUR)	16,996	952	340	326

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 foreign currency denominated monetary items and adjusts their translation at the year-end for the 10% change in the relevant foreign exchange rate. 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 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 negative.

	USD exposure		**EUR impact**	
	2021	**2020**	**2021**	**2020**
Loss	(12,406)	(22,586)	(1,666)	(63)

(All amounts are expressed in thousands of HRK)

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

i) Liquidity risk management

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 liabilities.

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 based on the earliest date on which the Group can be required to pay.

	Weighted average effective interest rate %	**Up to 1 month**	**1-3 months**	**3 months to 1 year**	**1-2 years**	**Over 2 years**	**Total**
2021							
Non-interest bearing		13,737	1,895	13,836	-	-	**29.4683**
Interest bearing	4.33 %	886	11,627	33,986	56,444	171,867	**274,810**
		14,623	**13,522**	**47,822**	**56,444**	**171,867**	**304,278**
2020							
Non-interest bearing		14,694	4,904	15,164	-	-	**34,762**
Interest bearing	5.88 %	1,914	750	259,500	68	59,521	**321,753**
		16,608	**5,654**	**274,664**	**68**	**59,521**	**356,515**

The Group's non-interest bearing liabilities up to one month comprise mainly trade payables in the amount of HRK 8,430 thousand for 2021 (HRK 9,566 thousand in 2020) and payables to employees in the amount of HRK 5,021 thousand for 2021 (HRK 4,878 thousand in 2020).

Interest bearing liabilities include short-term and long-term borrowings.

The Management Board is aware of the uncertainty of the Company's ability to realize its financing needs and to refinance or service its liabilities as they fall due, but it is important to note that, in the current period of improved freight, the Group is in a position to regularly settle current liabilities and loan liabilities.

(All amounts are expressed in thousands of HRK)

24. 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 were prepared based on the undiscounted cash outflows on financial assets at the maturity date. The tables include both interest and principal cash flows.

	Weighted average effective interest rate %	Up to 1 month	1-3 months	From 3 months to 1 year	From 1 to 2 years	Over 2 years	Total
2021							
Non-interest bearing		40,368	475	8,421	-	-	**49,264**
Interest	4.00 %	-	-	72	-	-	**72**
		40,368	**475**	**8,493**	**-**	**-**	**49,336**
2020							
Non-interest bearing		10,301	1,003	15,827	-	-	**27,131**
Interest	4.44 %	-	-	5	-	-	**5**
		10,301	**1,003**	**15,832**	**-**	**-**	**27,136**

j) Fair value of financial assets and financial liabilities

The fair values of financial assets and financial liabilities are 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 2021 and 2020, the recognised amounts of cash, short-term deposits, receivables, short-term liabilities, accrued expenses, short-term borrowings and other financial instruments correspond to their market value due to the short-term nature of those assets and liabilities.

25. RELATED-PARTY TRANSACTIONS

Ultimate parent

As shown 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 ships in international and domestic voyages. Income from government grants for trainee boarding is disclosed in note 4. Bank loans under numbers (1), (2), (3), and (4) in note 20 are received from banks with majority state ownership. Interest expense for these loans during the year were HRK 6,868 thousand (2020: HRK 5,728 thousand).

26. EVENTS AFTER THE REPORTING DATE

On 24 February 2022, Jadroplov's account was distrained for the amount of HRK 9,296 thousand based on a final distraint order in favour of SSM. Thus, the Company recorded a cash outflow from equity and default interest liabilities.

The Group assessed the impact of military operations in Ukraine and related sanctions to the Russian Federation. This might require changes to certain assumptions and estimates resulting in adjustments to the carrying value of certain assets and liabilities in the following financial year. At this stage, we are not able to reliably estimate the impact as events are unfolding day-by-day.

27. AUTHORISATION OF FINANCIAL STATEMENTS

The Management Board authorised these consolidated financial statements on 29 April 2022.

JADROPLOV LTD
INTERNATIONAL MARITIME TRANSPORT
SPLIT, CROATIA 1

Ivan Pavlović
Member of the Management Board

Appendix 1
Supplementary statements in thousands of USD
for the year ended 31 December 2021

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 follows. 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 respective year end rates at 31 December 2021 (USD 1 = HRK 6.64) and 31 December 2020 (USD 1 = HRK 6.14).

(All amounts are expressed in thousands of USD)	**2021**	**2020**
Operating income	32,383	12,619
Other operating income	10,853	2,072
Total income	**43,236**	**14,691**
Vessel operating costs	(19,242)	(16,331)
Depreciation and amortisation expense	(2,008)	(3,206)
Staff expenses	(1,267)	(823)
Other operating expenses	(1,724)	(1,688)
Total operating expenses	**(24,241)**	**(22,048)**
Profit/(loss) from operations	**18,995**	**(7,357)**
Net financial loss	(3,837)	23,834
Profit/(loss) before tax	**15,158**	**16,477**
Income tax	-	(2)
Profit/(loss) for the year	**15,158**	**16,475**
Other comprehensive income		
Translation reserves		(709)
Other comprehensive income for the year	**2,394**	**(709)**
Total comprehensive income	**17,552**	**15,766**
Basic and diluted profit/(loss) per share (in USD)	**8.32**	**10.13**

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

Appendix 1
Supplementary statements in thousands of USD *(continued)*
for the year ended 31 December 2021

Consolidated statement of financial position

(All amounts are expressed in thousands of USD)	**2021**	**2020**
ASSETS		
Non-current assets		
Property, plant and equipment	52,463	58,491
Intangible assets	8	-
Deferred tax assets	2	3
Prepaid expenses and advance payments	1,077	1,306
	62,656	**59,800**
Current assets		
Inventories	323	659
Receivables and other assets	3,841	5,389
Cash and cash equivalents	4,820	271
	8,984	**6,319**
Total assets	**71,640**	**66,119**
EQUITY AND LIABILITIES		
Equity		
Share capital	2,464	2,666
Own shares	(365)	(395)
Reserves	37,474	38,673
Accumulated losses	(16,448)	(34,203)
	23,125	**6,032**
Non-current liabilities		
Interest-bearing borrowings	34,366	44,952
Provisions	21	25
	34,387	**44,977**
Current liabilities		
Interest-bearing borrowings	6,999	7,449
Trade and other payables	7,129	7,661
	14,128	**15,110**
	48,515	**60,087**
Total equity and liabilities	**71,640**	**66,119**

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