

JADROPLOV d.d., SPLIT

CONSOLIDATED ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

This version of the consolidated annual report is a 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 consolidated annual report takes precedence over this translation.

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Consolidated Management Report

The Management Board presents its Annual Report for the year ended December 31, 2023.

Primary Activity

Jadroplov d.d. ("Company") was established in the Republic of Croatia as a joint-stock company, registered at the Commercial Court in Split, number 060000041. The Company and its subsidiaries (collectively referred to as the "Group") own and operate a fleet of vessels sailing under the Croatian flag. The main activities of the Group include chartering, crew management and technical maintenance of vessels. The principal activity is predominantly carried out outside of Croatia, across the world's seas in the Atlantic, Indian, and Pacific Oceans.

As of December 31, 2023, the Group's fleet consisted of 7 vessels, of which 5 were bulk carriers with a total deadweight tonnage (DWT) of 242,727 and an average age of 17.3 years. Since October 24, 2022, and March 16, 2023, respectively, the Group has also owned 2 LPG vessels with a capacity of 7,500 cbm.

Supervisory Board

The Supervisory Board of the Company consists of: Dražen Ivanušec (Chairman), Tibor Konjevod (Deputy Chairman), Goran Matešić, Jasmina Dužević Đonlagić, and Dantea Krnčević Šarac (Members).

Management Board

Since September 6, 2021, the President and sole member of the Management Board is Ivan Pavlović, with a mandate lasting until September 6, 2026.

Overview of shareholders of

Jadroplov d.d. as of December 31, 2023

	Number of shares	Share in the Equity Capital %
Center for Restructuring and Sales	1,152,975	70.45%
Domestic individuals	430,171	26.28%
Financial institutions	40,637	2.48%
Commercial companies	1,607	0.10%
Foreign entities	1,273	0.08%
Treasury shares	10,011	0.61%
Total	1,636,674	100.00%

The total number of shareholders as of December 31, 2023 was 2,744.

Results

The total result achieved by the Group in 2023 amounted to a loss of EUR 4,540 thousand (USD 5,016 thousand) (2022: a profit of EUR 14,717 thousand (USD 15,697 thousand)).

Consolidated Management Report (continued)

Significant events during 2023

1.) Trends in the maritime market

The market for maritime bulk cargo transport had a rather weak start to the year, with the sector's average earnings around USD 8,000 per day during January and February 2023, representing a 57% decrease compared to the previous year. However, by mid-March, hire rates increased to approximately USD 13,000 per day, reaching the highest level since December 2022.

The average earnings of bulk carriers fell by 40% compared to the previous year, amounting to USD 12,371 per day. This decrease was caused by the reduction in fleet inefficiencies (e.g., decreased port congestion) and the impact of cumulative fleet growth in recent years. The fourth quarter was seasonally better (with average earnings of USD 17,468 per day). Capesize vessel earnings (on the spot market) averaged USD 12,429 per day in 2023, similar to the weaker year of 2022, while earnings in the lower segments of bulk cargo vessels declined.

Global GDP growth for 2023 was slightly lower at about 3.1%, compared to 3.5% in 2022. The highest GDP growth in 2023 was observed in India at 7.6% and China at 5.2%. The eurozone recorded the lowest growth with a rate of just 0.5%.

During 2023, there was an overall growth in sea trade of 3%. The highest growth (by volume) was in car transport, which increased by about 15%, LPG by around 6%, and dry cargo transport by 4.3% compared to the previous year.

Throughout the year, there was an increase in demand for shipping space by about 4.8% ton-miles, while the bulk cargo fleet grew at a rate of 3.1%. Particularly interesting for us is the fleet segment of vessels with a capacity of 40,000 to 70,000 DWT, which grew at a rate of 3.4%.

The Company owns 5 bulk carriers and 2 LPG vessels, thus we provide a brief overview of these maritime market segments.

Bulk cargo market

Since our 5 bulk carriers each have a carrying capacity of around 48,823 DWT, we will focus on the "Supramax" vessels market, although their average capacity is slightly larger than our vessels.

The Baltic Supramax Index (BSI) has experienced significant fluctuations over the past few years, and for example was as follows:

- February 7, 2019 - 414 points
- September 4, 2019 - 1,351 points
- April 23, 2020 - 383 points
- October 6, 2020 - 985 points
- February 8, 2021 - 1,149 points
- October 21, 2021 - 3,624 points
- February 2, 2022 - 1,570 points
- October 18, 2022 - 1,678 points

Consolidated Management Report (continued)

Significant events during 2023 (continued)

1.) Trends in the maritime market (continued)

- February 2, 2023 – 684 points
- May 5, 2023 – 1,096 points
- October 18, 2023 – 1,285 points

This market segment has been in recession since 2010, reaching its historical minimum on February 12, 2016, when the index value was 243. Following this, the market experienced a recovery marked by a strengthening index. On December 5, 2023, the BSI reached its highest value of 1,565 index points or USD 17,213 per day. The average earnings of Supramax vessels (Tripcharter) in 2023 amounted to USD 12,422.

Annual average charter rates in USD:

	T/C BCI	T/C BPI	T/C BSI	T/C BHSI
2021	33,220	26,273	27,355	25,748
2022	17,385	20,837	23,467	20,820
2023	17,240	13,012	12,422	11,306
% change compared to 2022	(0.8)	(37.6)	(47.1)	(45.7)

From the above table it is evident that average charter rates decreased by 0.8% to 47.1% across all types of bulk cargo vessels compared to 2022. The reduction in charter rates compared to 2022 was primarily due to ongoing port congestion in some locations, negligible growth in maritime bulk cargo transport, and an increase in fleet capacity during the observed period.

In 2023, a total of 489 bulk cargo vessels were delivered, equating to 35.268 million DWT, while 92 vessels (5.407 million DWT) were sent to scrapyards. The average age of the global fleet increased to 12.6 years (compared to 9.7 years in 2013), with Clarkson predicting that 31% of tonnage will be classified under categories D or E according to the new CII (Carbon Intensity Indicator) regulations.

Globally, shipbuilding in shipyards increased by 10% compared to the previous year, reaching 35 million CGT (with China delivering 50% of newbuildings for the first time). There was a positive trend in new build orders during 2023 (a 19% decrease in gross tonnage compared to the previous year but a slight increase in DWT to 109 million), with a significant rise in tanker orders (+235% by capacity). The order book still constitutes only 12% of the fleet but is heavily oriented towards orders for container ships and gas carriers in the incoming years (which could impact constraints on orders for tanker and bulk cargo shipbuilding).

LPG cargo market

In 2023, we witnessed a volatile cargo market, with records being broken and reset. Low water levels in the Panama Canal and geopolitical conflicts dominated headlines in the LPG market this year. Increased exports coupled with increased inefficiency in shipping operations resulted in record-high cargo volumes.

Consolidated Management Report (continued)

Significant events during 2023 (continued)

1. Trends in the maritime market (continued)

Despite a reduction in active drilling operations, production in the USA continued to increase at an annual rate of 11% in a year when the USA accounted for 44% of global LPG exports by ship. The EIA reported that inventories were 107% higher compared to the same period last year. Over 50% of US exports go to Asia, and low water levels in the Panama Canal significantly impacted LPG trade routes as we know them.

On the other side of the Suez Canal, LPG exports from the AG (Arabian Gulf) remained stable throughout the year, recording a 2.5% annual increase, with the vast majority of this export destined for India and China. If you are just catching up, the typical route from USG (U.S. Gulf) through the Panama Canal, which usually takes about 30 days, has effectively been closed to VLGCs due to low water levels in Gatun Lake. After some record-breaking auction bids in the Panama Canal, with winning bids nearing USD 4 million, most ships began redirecting through the Suez Canal, adding over two weeks of additional sailing time to the journey.

But it doesn't end there - the Suez Canal has now become an area of increasing risk for ships passing through the Red Sea. Ships loaded with LPG destined for Asia from the USG effectively have no other choice but to round the Cape of Good Hope - adding an extra three weeks to the voyage and further straining available tonnage, resulting in higher freight costs.

Last year saw the delivery of 39 VLGCs to the LPG fleet. Normally, a newbuild delivery exceeding 10% of the fleet would certainly reduce freight rates; however, 2023 proved to be far from a normal year. With increased ton-miles due to the inefficiencies mentioned above, the market was able to absorb the additional tonnage with open arms. The order book includes an additional 22 VLGCs scheduled for delivery next year.

It didn't take long for the VLGC freight market to trickle down to smaller LPG segments. As a result of a strong VLGC market and high demand for LPG throughout the year, charter rates for the LGC, MGC, and Handy segments recorded record earnings.

2. Long-term transport contract for the ship Split

On March 21, 2022, the Company entered into a transport contract with the customer, CE-ZA-R, Centar za reciklažu d.o.o., Zagreb, Republic of Croatia. Based on this contract, Jadroplov d.d. will provide cargo transport services to the customer using the motor vessel Split, the oldest ship in Jadroplov's fleet, built in 1998, over a period of 5 years on the route from Croatian ports Rijeka and Split to the Turkish ports of the Mediterranean and the Sea of Marmara. On October 1, 2022, the contract with CE-ZA-R was terminated, and an identical contract was signed with CIOS CARGO d.o.o., Zagreb, Republic of Croatia.

3. Introduction of the Euro as of January 1, 2023

On January 1, 2023, the euro became the official monetary unit and legal tender in the Republic of Croatia. The fixed conversion rate was set at 7.53450 kuna for one euro. The introduction of the euro as the official currency in the Republic of Croatia represents a change in the functional currency.

Consolidated Management Report (continued)

Significant Events During 2023 (continued)

4. Purchase of the LPG ship "Vis"

On March 16, 2023, the handover of the LPG ship "Vis" was completed. The ship was built in the Japanese shipyard Sasaki Shipbuilding Co. Ltd. and was largely financed by a loan from the Croatian Bank for Reconstruction and Development. The loan was approved for a period of 10.5 years with a grace period of 6 months. The loan repayment is quarterly with an agreed interest rate of SOFR + CAS 3M + 1.66%. The ship's first commercial voyage began on March 25, 2023.

Main characteristics of the ship are:

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

The ship has been chartered on a time charter basis for one year with a daily charter rate of USD 13,000, with an option to extend the charter for an additional 1 + 1 year.

The ship Vis stands out as unique in its class, equipped with a main propulsion engine that can use LPG as fuel. This represents an innovative and environmentally responsible option in the coastal terminal supply segment. Its ability to use LPG as fuel offers significant savings in costs and emissions, making it an ideal choice for cost- and environmentally-conscious charterers.

This capability offers several significant advantages:

- Significant savings in fuel costs and CO₂ emissions, making it an ideal choice for cost- and environmentally-conscious charterers
- Flexibility in fuel supply due to the ability to use both LPG and MGO
- Additional maintenance cost savings due to reduced engine load
- Substantial reduction in CO₂ and other harmful emissions into the atmosphere, making the ship Vis an environmentally friendly option
- Contribution to the preservation of natural resources and environmental protection

The ship Vis is currently successfully operating in Southeast Asia, supplying coastal terminals in Malaysia, Singapore, Brunei, the Philippines, and Thailand, under the control of Norwegian Equinor.

5. Sale & Leaseback Arrangement

On March 27, 2023, a sale and leaseback agreement was concluded with Moon Rise Shipping Co., S.A., Panama, for the ships Peristil and Solin. Part of the funds obtained was used to repay part of the loan from Macquarie Bank, which was secured by mortgages on the ships Peristil and Solin. Due to significantly more favorable conditions, the arrangement was expected to have a positive impact on the Company's financing costs and financial operations.

Consolidated management report (continued)

Significant events during 2023 (continued)

Fair value of real estate

To determine the fair value of real estate, valuation reports were prepared by a certified court expert for construction and real estate valuation. Based on these reports, the estimated fair value of the real estate at the beginning of March 2023 amounted to EUR 8,943 thousand.

Events after the reporting date

1. Trends in the maritime market

a) Bulk cargo market

The market for bulk cargo vessels began 2024 in an optimistic note, with an average charter rate of around USD 14,000 per day during January and the first half of February, what is an increase from about USD 8,000 per day compared to the previous year. Increased exports from key areas in the Atlantic Ocean, along with inefficiencies and burdens arising from navigation issues in the Red Sea (including the rerouting of vessels around the Cape of Good Hope instead of the usual shorter route through the Suez Canal), present an opportunity for higher charter rates.

Daily charter rate in USD (for a period of 12 months) for modern "handymax"/"supramax" vessels in the first week of each month was as follows:

Year/												
Month	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
2021	11,250	12,313	16,875	15,750	18,250	20,438	25,250	25,188	27,750	29,000	20,625	23,750
2022	23,375	23,125	26,000	26,750	26,250	26,250	20,500	15,875	14,000	15,250	12,250	13,125
2023	13,250	13,625	15,750	13,500	14,500	12,250	10,750	10,688	12,375	11,750	11,000	13,750
2024	13,000	14,250	15,500	14,500								

According to the data from the previous table, it is evident that the beginning of 2024 was marked by approximately the same charter rate values compared to the beginning of 2023.

Expectations for 2024

The bulk cargo vessel market began 2024 with the sector's average earnings at around USD 15,000 per day during the first quarter, compared to around USD 10,000 per day a year ago, marking the strongest start to the year since the high market values recorded at the beginning of 2022.

The recent market growth largely reflects an increasing demand trend; the total bulk cargo trade indicator rose by about 5% compared to the same period last year during January and February. The rerouting of vessels away from the Red Sea and through the Suez Canal also supports the increase in the mentioned demand.

The outlook for 2024 is a growth in the bulk cargo vessel market exceeding that of 2023, with a clearly visible positive start to the year, accompanied by optimistic sentiment among shipowners for the coming months.

Consolidated Management Report (continued)

Events after the reporting date (continued)

Expectations for 2024 (continued)

Recent drone attacks on ships passing through the Gulf of Aden (Red Sea) have been a significant concern. The passage of bulk cargo ships through the Suez Canal decreased by about 45% in the first half of March compared to the first half of December 2023, as many shipowners avoided the area and rerouted their vessels to sail the longer route around the Cape of Good Hope. On the other hand, stricter restrictions in the Panama Canal due to reduced draft limits have led to an 80% drop in bulk cargo ship transits compared to the first half of 2023, as shipowners continue to redirect part of the trade (especially grain between the USA and Asia) to longer alternative routes. Demand trends are expected to 'normalize' once disruptions cease, but prolonged rerouting of ships to avoid the mentioned areas could impact the demand for bulk cargo space.

Overall, current projections assume a demand growth in ton-miles for dry bulk cargo of about 3% in 2024 (helping absorb a supply growth of around 3%), supported by already contracted volumes of major cargoes, continuing disruptions in the Red Sea during the first half of the year (adding ~0.6% to full-year ton-mile growth), with potential growth if the disruption lasts longer. Meanwhile, there is a possibility of additional support for the bulk cargo market due to slower ship speeds (a 2% decrease compared to the previous year so far) and longer retrofit times due to ETS rules.

Fleet growth for bulk cargo is estimated to slow from 3.1% in 2023 to 2.3% by 2025. Deliveries have been relatively modest in recent years, while the order book remains stable at limited levels (about 9% of fleet capacity, not far above the 30-year low).

b) LPG Cargo Market

Looking ahead, supply and demand fundamentals allow US LPG to remain competitive despite the above-mentioned inefficiencies in maritime transport. The EIA forecasts that domestic LPG production will continue to grow while domestic demand remains subdued, indicating continued export growth. Chinese investments in new PDH projects, which primarily use imported LPG as a feedstock, will further drive demand for US exports in the long term, despite the currently low PDH utilization rate.

Expectations for 2024

While entering the New Year on uncharted territory, it is expected that the current situations in the Panama Canal and the Middle East will remain key factors at least through the first quarter of 2024. Longer voyages will reduce available tonnage and support a strong gas market in the short term.

c) Refinancing of the loan with Macquarie Bank

On February 15, 2024, a loan restructuring with Macquarie Bank was completed, increasing the amount by USD 3.5 million. The loan was approved for a period of 5 years. The principal repayment is made quarterly in varying amounts per each year, with a balloon payment of USD 4.4 million at the end of the period and the interest rate remaining unchanged. Interest payments are made quarterly.

Consolidated Management Report (continued)

Business projection for 2024

Compared to the previous year, an improvement in ongoing business is expected as the Company has decided to take on risk and redirect part of its bulk cargo vessels for the transport of grain from Ukraine to various destinations worldwide. It is important to note that this type of operation, with increased risk and additional costs of war insurance and crew bonuses, brings significantly higher revenue and a better financial result for the company. Most of these voyages are done on a 'voyage charter' basis, which is a significant change from the previous commercial operations. This employment method generates higher revenues but also increased expenses due to port charges and fuel costs.

It is important to mention that such voyages by the two oldest ships, Split and Trogir (despite the recent dry-docking of the ship Split and the expected dry-docking of the ship Trogir in June 2024), lead to additional costs due to the need for increased maintenance to keep the ships functional. The Company will make significant efforts to minimize costs. Given this, we expect a positive result, which largely depends on the situation in Ukraine and its ports concerning bulk cargo vessels.

Regarding the LPG vessels, the situation is significantly more favorable, as both vessels have long-term charter that ensure stable operations and the ability to meet the loan obligations.

It is important to note that in 2024, according to FED announcements, at least three interest rate reductions (SOFR) are expected, which will significantly reduce the Company's financial burden and improve liquidity, given part of the loan debt is in USD.

Based on the approved restructuring plan and the Supervisory Board's consent, recapitalization process is expected. To achieve long-term business stabilization, we believe it would be most acceptable for the Company to align with an entity whose operations generate significant transport service needs.

The Group risk exposure

Price risk

The Group operates in the international shipping market, exposing it to significant market risk due to cyclical changes in supply and demand in the shipping space market, affecting freight level.

Interest rate risk

Since the Group uses loans with variable interest rates, it is exposed to the risk of interest rate changes. Part of the Group's loans are contracted with variable interest rates. The Company has not contracted instruments to hedge against interest rate risk.

Credit risk

Credit risk is related to trade receivables and refers to the risk of non-fulfillment of contractual obligations by the other contracting party, which could cause financial losses to the Group. The Group does not have significant credit risk because it has adopted a policy of leasing vessels to first-class charterers.

Currency risk

Since the Group operates in the international market, most transactions are executed in foreign currencies, exposing it to exchange rate risks. The Group is mainly exposed to transactions in USD.

Consolidated Management Report (continued)

The Group risk exposure (continued)

Liquidity risk

The Company has a management process in place to ensure sufficient liquidity to meet obligations as they become due. Chartering ships on a time charter basis with payment agreements at the beginning of a 15-day period and increasing daily charter rates provide additional assurance of the necessary liquidity level.

Environmental protection

The primary activity of the Company is international maritime transport, which means there is exposure to environmental protection risks. During 2023, there were no environmental incidents. To improve environmental protection, great attention is paid to the regular maintenance and renewal of the fleet, as well as to the professional training of maritime personnel. In accordance with legal regulations, ballast water treatment systems were installed on four bulk carriers by the end of 2022, and during 2023 on the last bulk carrier.

Share buyback

In 2023, there were no share buybacks by either the Company or the Company's Management.

Subsidiaries

Jadroplov d.d., Split conducts its international maritime transport operations with ships owned by associated companies abroad. Since Jadroplov d.d. manages these subsidiaries from a single business management headquarters, under a unified name and leadership, it keeps the business books and prepares consolidated financial statements for overall operations both domestically and internationally.

Research and development

The Group does not have branches and does not invest in research and development.

For and on behalf of the Management:

Ivan Pavlović

Member of the Management Board

April 30, 2024

Corporate Governance Statement

General Information

The Company adheres to the objectives and guidelines of the Corporate Governance Code and the principles contained therein in accordance with the legal regulations and laws of the Republic of Croatia. The goal of such corporate governance is to ensure an efficient and transparent allocation of roles and responsibilities of corporate bodies, balanced strategic oversight, management, and control functions with an emphasis on risk management and asset protection.

Jadroplov d.d. is a company whose shares are listed on the official market of the Zagreb Stock Exchange and it applies the Corporate Governance Code adopted by the Croatian Financial Services Supervisory Agency and the Zagreb Stock Exchange. The Code is published on the Zagreb Stock Exchange's website.

Corporate Governance Structure

According to the Companies Act and the Company's Statute, the Company's bodies are: the General Assembly, the Supervisory Board and the Management Board. Their duties and responsibilities are regulated by these acts.

General Assembly

The General Assembly decides on issues determined by the Law and the Company's Statute, and among other things, adopts the Statute, decides on the use of profits, decides on the increase and decrease of capital, elects and dismisses members of the Supervisory Board, grants discharges to members of the Management and Supervisory Boards, appoints the Company's external auditor, and performs other tasks in accordance with the Law and the Company's Statute.

The regular annual General Assembly was held on August 31, 2023.

Supervisory Board

The Supervisory Board supervises the management of the Company's affairs and for this purpose reviews and examines the Company's business books and documentation. The Supervisory Board submits a written report on the supervision of the Company's affairs to the General Assembly. The Supervisory Board consists of five members. Regular meetings of the Supervisory Board are usually convened once every three months. On important and urgent matters, the Supervisory Board may decide at meetings held in writing/by telephone. The Supervisory Board consists of: Dražen Ivanušec (Chairman), Tibor Konjevod (Deputy Chairman), Goran Matešić, Jasmina Dužević Đonlagić, Dantea Krnčević Šarac (Members).

Management Board

The Management Board manages the Company's affairs, determines business plans, controls their realization, and coordinates the activities of individual organizational parts of the Company. The number of board members varies from one to five. Since September 6, 2021, the Management Board consists of the president and the sole member, Ivan Pavlović, with a mandate until September 6, 2026.

Corporate Governance Statement (continued)

Key Elements of Internal Control and Risk Management Systems Related to Financial Reporting

The overall control systems include:

- Appropriate organizational structure at all levels with the distribution of duties and defined levels of authority.
- Internal controls integrated into business processes and activities.
- Providing reasonable and prudent judgments and estimates.
- A comprehensive set of accounting policies and procedures related to the preparation of the Annual Report in accordance with the International Financial Reporting Standards adopted by the European Union.

Ivan Pavlović

Member of the Management Bord

April 30, 2024

Statement of the Management Board's responsibility

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

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

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

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

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

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

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

Signed for and on behalf of the Management Board on 30 April 2024.

Ivan Pavlović

Member of the Management Board



Independent Auditors' Report to the shareholders of Jadroplov d.d.

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the consolidated financial statements of Jadroplov d.d. ("the Company") and its subsidiaries (together referred to as "the Group"), which comprise the consolidated statement of financial position of the Group as at 31 December 2023, and its consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information (further referred to as "the financial statements").

In our opinion, except for the effect on the corresponding figures for 31 December 2022 of the matter described in the *Basis for Qualified Opinion* section in our report, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of 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 ("EU IFRS").

Basis for Qualified Opinion

As described in the Other Matter section of the report, the opinion on prior year consolidated financial statements was qualified due to the disagreement with management as to the adequacy of impairment test of non-current assets performed by the Group as at 31 December 2021 and its effects on the income statement for the year ended 31 December 2022. In the year ended 31 December 2021 the Group reversed the impairment loss recognised in prior periods with respect to certain vessels. However, the data and assumptions applied in the impairment test were internally inconsistent and the amount of loss reversal exceeded the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the vessels in prior periods, which constitutes a departure from the requirements of IAS 36 *Impairment of assets*. The effects of the departure on the corresponding figures for the year ended 31 December 2022 have not been determined. Our opinion on the current period's financial statements is also qualified because of the effects of this matter on the comparability of the current period's figures and the corresponding figures.

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Croatia and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other Information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.



Independent Auditors' Report to the shareholders of Jadroplov d.d. (continued)

Report on the Audit of the Financial Statements (continued)

Other Information (continued)

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, we also performed procedures required by the Accounting Act in Croatia ("Accounting Act"). Those procedures include considering whether:

- the Management Report has been prepared in accordance with the requirements of Articles 21 and 24 of the Accounting Act,
- the Corporate Governance Statement includes the information specified in Article 22 of the Accounting Act.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and procedures above, in our opinion:

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

In addition, in light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, we are also required to report if we have identified material misstatements in the Management Report and the Corporate Governance Statement. As described in the Basis for Qualified Opinion section of the report, the corresponding figures for the year ended 31 December 2022 are materially misstated. We concluded that the Management Report is also materially misstated for the same reason with respect to amounts and other items included in the Management Report.

Material Uncertainty Related to Going Concern

We draw attention to Note 2. *Basis of preparation of consolidated financial statements*, section c) *Going concern* which indicates the Group realised loss for the year in the amount of EUR 4,540 thousand and that as of 31 December 2023 Group's current liabilities exceed current assets by EUR 20,377 thousand. These facts together with other events outlined in Note 2 c) indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.



Independent Auditors' Report to the shareholders of Jadroplov d.d. (continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were 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 these matters. In addition to the matters described in the Basis for Qualified Opinion and in the Material Uncertainty Related to Going Concern sections of the report we have identified the following key audit matter to communicate in our auditor's report:

Impairment of vessels

The carrying amount of vessels and capitalised drydocking costs ("vessels") as at 31 December 2023 amounted to EUR 97,126 thousand (31 December 2022: EUR 82,088 thousand). For 2023, net impairment losses amounted to EUR 95 thousand (2022: reversal of impairment losses in the amount of EUR 3,008 thousand).

Refer to accounting policy 2.1. f) of Material accounting policies and financial disclosures in notes 2.3 Key accounting estimates and 12 Property, plant and equipment of the consolidated financial statements.

Key audit matter	How our audit addressed the matter
<p>As at 31 December 2023, the carrying amount of vessels, carried at cost less accumulated depreciation and any accumulated impairment losses, represented approximately 94% of the Group's total assets.</p> <p>As described in Note 2.3 of the financial statements, in the current year, the Group has identified impairment indicators, primarily, realised operating loss, the market capitalisation below the carrying amount of the Group's net assets and uncertain outlook of freight market.</p> <p>As required by relevant financial reporting standards, vessels for which impairment indicators exist are required to be tested by the Group for potential impairment. Any such impairment would be recognised in the amount by which the carrying amount of the vessel (or a related Cash generating unit ("CGU")) exceeds its recoverable amount.</p>	<p>Our audit procedures in this area, performed assisted by our own valuation specialists, included, among others:</p> <ul style="list-style-type: none">• Evaluating, against the requirements of the relevant financial reporting standards, the Group's accounting policy for identification of impairment indicators, and for measurement and recognition of any impairment losses in respect of vessels. As part of the above, we identified the relevant methods, assumptions and sources of data, and assessed whether such methods, assumptions, data and their application are appropriate in the context of the said requirements;• Assessing the appropriateness of asset grouping into CGUs, based on our understanding of the Group's operations and business units;• Inspecting minutes of the Supervisory Board meetings for any indications of changes in market trends or operational plans, with either potential positive or adverse effects on the recoverable amounts of vessels;



Independent Auditors' Report to the shareholders of Jadroplov d.d. (continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the matter
<p>The determination of the recoverable amount of the vessels based, generally, on the estimate of their value in use, relies on significant judgments and assumptions about the future, including those regarding freight rates, operating days, operating costs, capital expenditure, residual value, inflation and the most appropriate discount rate. These projections are subject to significant estimation uncertainty due to the changing and volatile market conditions.</p> <p>In the wake of the above factors, we considered determination of the recoverable amount of vessels to be associated with a significant risk of material misstatement in the financial statements. Therefore, the area required our increased attention in the audit and as such was determined to be a key audit matter.</p>	<ul style="list-style-type: none"> • Critically assessing the Group's assumptions within the model used to determine the recoverable amounts of vessels. This included: <ul style="list-style-type: none"> - Testing the relevance and reliability of data used in the model; - Assessing reasonableness of the key assumptions applied in the model (such as, freight rates, operating days, operating costs, capital expenditures, residual values, inflation and discount rate), by reference to publicly available market reports, as well as the Group's internal documents, such as budgets, customer contracts and sales reports; • Assessing susceptibility of the impairment model and its outcome to management bias, by challenging the Group's analysis of the model's sensitivity to changes in key underlying assumptions; • Assessing the accuracy and completeness of impairment-related disclosures in the financial statements against the requirements of the financial reporting standards.

Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2022 were audited by another auditor who expressed a modified opinion on those statements on 30 June 2023 due to inadequate impairment test performed by the Group as of 31 December 2021.

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

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

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

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

This version of our audit report is a 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.



Independent Auditors' Report to the shareholders of Jadroplov d.d. (continued)

Report on the Audit of the Financial Statements (continued)

Auditors' Responsibilities for the Audit of the 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing 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 International Standards on Auditing, we exercise professional judgment 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 controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' 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 remain solely responsible for our audit opinion.

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



Independent Auditors' Report to the shareholders of Jadroplov d.d. *(continued)*

Report on the Audit of the Financial Statements *(continued)*

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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, actions taken to eliminate threats or safeguards applied.

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

Report on Other Legal and Regulatory Requirements

We were appointed by those charged with governance on 31 August 2023 to audit the consolidated financial statements of Jadroplov d.d. for the year ended 31 December 2023. Our total uninterrupted period of engagement is one year, covering the year ended 31 December 23.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company dated XX April 2024;
- we have not provided any prohibited non-audit services (NASs) referred to in Article 44 of the Audit Act. We also remained independent of the audited entity in conducting the audit.

The engagement partner on the audit resulting in this independent auditors' report is Joško Džida.



Independent Auditors' Report to the shareholders of Jadroplov d.d. (continued)

Report on Compliance with the ESEF Regulation

In accordance with the requirements of Article 462 paragraph 5 of Capital Market Act, we are required to express an opinion on compliance of the consolidated financial statements of the Group as at and for the year ended 31 December 2023, as included in the attached electronic file jadroplovdd-2023-12-31-hr.zip, with the requirements of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "RTS on ESEF").

Responsibilities of Management and Those Charged with Governance

Management is responsible for the preparation of the consolidated financial statements in a digital format that complies with the RTS on ESEF. This responsibility includes:

- the preparation of the consolidated financial statements in the applicable xHTML format and their publication;
- the selection and application of appropriate iXBRL tags, using judgment where necessary;
- ensuring consistency between digitised information and the consolidated financial statements presented in human-readable format; and
- the design, implementation and maintenance of internal control relevant to the application of the RTS on ESEF.

Those charged with governance are responsible for overseeing the Group's ESEF reporting, as a part of the financial reporting process.

Auditors' Responsibilities

Our responsibility is to express an opinion on whether the consolidated financial statements comply, in all material respects, with the RTS on ESEF, based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with the RTS on ESEF. The nature, timing and extent of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements of set out in the RTS on ESEF, whether due to fraud or error. Reasonable assurance is a high degree of assurance. However, it does not guarantee that the scope of procedures will identify all significant (material) non-compliance with the RTS on ESEF.

Our procedures included, among other things:

- obtaining an understanding of the tagging process;
- evaluating the design and implementation of relevant controls over the tagging process;
- tracing the tagged data to the consolidated financial statements of the Group presented in human-readable format;
- evaluating the completeness of the Group's tagging of the consolidated financial statements;

This version of our audit report is a 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.



Independent Auditors' Report to the shareholders of Jadroplov d.d. (continued)

Report on Compliance with the ESEF Regulation (continued)

Auditors' Responsibilities (continued)

- evaluating the appropriateness of the use of iXBRL elements selected from the ESEF taxonomy used and creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- evaluating the use of anchoring in relation to the extension elements; and
- evaluating the appropriateness of the format of the consolidated financial statements.

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

Opinion

In our opinion, based on the procedures performed and evidence obtained, the consolidated financial statements of the Group as at and for the year ended 31 December 2023 presented in ESEF format and contained in the aforementioned attached electronic file, have been prepared, in all material respects, in accordance with the requirements of the RTS on ESEF.

Our opinion does not represent an opinion on the true and fair view of the financial statements as this is included in our Report on the Audit of the Financial Statements. Furthermore, we do not express any form of assurance with respect to the documents accompanying the annual report included in the attached electronic file.

KPMG Croatia d.o.o. za reviziju
Croatian Certified Auditors
Eurotower, 17th floor
Ivana Lučića 2a
10000 Zagreb
Croatia

30 April 2024

Consolidated statement of comprehensive income

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

	Note	2023	2022
Revenue	4	28,154	38,689
Other operating income	5	1,093	2,366
Total revenue		29,247	41,055
Vessel operating expenses	6	(20,767)	(20,761)
Depreciation and amortisation expense	12,13	(6,684)	(5,487)
Staff costs	7	(1,122)	(1,092)
Other operating expenses	8	(1,236)	(1,373)
(Impairment of vessels) / reversal of previous impairment of vessels	9	(95)	3,008
Total operating expenses		(29,904)	(25,705)
Operating profit		(657)	15,350
Finance income	10	904	2,543
Finance costs	10	(4,787)	(3,176)
Net finance costs		(3,883)	(633)
(Loss) / profit before tax		(4,540)	14,717
Income tax	11	-	-
(Loss) / profit for the year		(4,540)	14,717
(Loss) / profit attributable to:			
Owners of the parent company		(4,540)	14,717
Non-controlling interests		-	-
		(4,540)	14,717
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Foreign exchange differences on translating foreign operations		(2,313)	776
Other comprehensive income attributable to owners		(2,313)	776
Total comprehensive income attributable to owners		(6,853)	15,493
Basic and diluted (loss) / earnings per share (in EUR)	20	(2.79)	9.05

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

Consolidated statement of financial position

As at 31 December 2023

(All amounts are expressed in thousands of EUR)

	Note	31 December 2023	31 December 2022
ASSETS			
Property, plant and equipment	12	97,326	82,361
Advances given for property, plant and equipment	12.1	-	5,508
Intangible assets	13	4	5
Deferred tax assets	11	2	2
Deposits	17	1,930	1,248
Non-current assets		99,262	89,124
Inventories	14	1,506	1,189
Assets measured at amortised cost			
- Trade receivables	15	806	137
- Cash and cash equivalents	18	550	1,184
- Loans to employees		1	5
Other receivables	16	1,246	1,755
Current assets		4,109	4,270
Total assets		103,371	93,394
EQUITY AND LIABILITIES			
Share capital	19	1,637	2,172
Treasury shares	19	(322)	(322)
Capital reserves	19	535	-
Reserves for treasury shares	19	322	322
Translation and other reserves	19	31,183	33,496
Retained earnings/(accumulated loss)		(4,326)	214
Principal		29,029	35,882
Borrowings	21	49,832	40,373
Provisions		24	19
Non-current liabilities		49,856	40,392
Borrowings	21	15,912	10,788
Trade and other payables	22	8,014	5,928
Deferred income	23	458	346
Accrued expenses	24	102	58
Current liabilities		24,486	17,120
Total liabilities		74,342	57,512
Total equity and liabilities		103,371	93,394

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

Consolidated statement of changes in equity

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

	Share capital	Treasury shares	Capital shares	Reserves for treasury shares	Translation and other reserves	(Accumulated losses) / retained earnings	Total
Balance at 1 January 2022	2,172	(322)	-	322	32,720	(14,503)	20,389
Profit for the year	-	-	-	-	-	14,717	14,717
<i>Other comprehensive income</i>							
Translation reserves	-	-	-	-	776	-	776
Total other comprehensive income	-	-	-	-	776	-	776
Total comprehensive income	-	-	-	-	776	14,717	15,493
Balance at 31 December 2022	2,172	(322)	-	322	33,496	214	35,882
Loss for the year	-	-	-	-	-	(4,540)	(4,540)
<i>Other comprehensive income:</i>							
Foreign exchange differences on translating foreign operations	-	-	-	-	(2,313)	-	(2,313)
Total other comprehensive income	-	-	-	-	(2,313)	-	(2,313)
Total comprehensive income	-	-	-	-	(2,313)	(4,540)	(6,853)
Transactions with owners recognized directly in equity:							
Transfer to capital reserves following conversion to the euro	(535)	-	535	-	-	-	-
Total transactions with owners recognized directly in equity	(535)	-	535	-	-	-	-
Balance at 31 December 2023	1,637	(322)	535	322	31,183	(4,326)	29,029

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

Consolidated statement of cash flows

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

	Note	2023	2022
Operating activities			
Profit for the year before tax		(4,540)	14,717
<i>Adjustments for:</i>			
Depreciation and amortisation	12,13	6,684	5,487
Impairment of property, plant and equipment, net	9	95	(3,008)
Expected credit losses - net	8	-	11
Change in provisions		5	1
Write-off of other liabilities	5	(20)	(1)
Interest and similar expenses	10	4,413	1,967
Interest and similar income	10	-	(20)
Effect of change in exchange rates		(951)	(845)
		5,686	18,309
Changes in			
Trade and other receivables		(1,326)	(264)
Inventories		(317)	(905)
Trade and other payables		3,231	46
Cash generated from operating activities		7,274	17,186
Interest paid		(3,648)	(2,165)
Net cash from operating activities		3,626	15,021
Investing activities			
Purchase of property, plant and equipment		(6,842)	(32,988)
Investments in deposits		(1,205)	(828)
Proceeds from deposits		-	646
Proceeds from loans granted		4	5
Interest received		-	1
Net cash from investing activities		(8,043)	(33,164)
Financing activities			
Borrowings	21	11,733	22,494
Repayment of borrowings	21	(7,950)	(7,457)
Net cash from financing activities		3,783	15,037
Net decrease in cash and cash equivalents		(634)	(3,106)
Effects of change in exchange rate on cash and cash equivalents		-	40
Cash and cash equivalents at the beginning of the year		1,184	4,250
Cash and cash equivalents at the end of the year	18	550	1,184

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

Notes to the consolidated financial statements

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

1. GENERAL INFORMATION

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

a) Basis of presentation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The financial statements have been prepared under the historical cost convention and on the going concern basis. The consolidated financial statements of Jadroplov d.d. include assets and liabilities, i.e., income and expenditures of the following subsidiaries wholly owned by Jadroplov d.d., with reported vessels held in their possession as at 31 December 2023:

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	Vis
4. Peristil Maritime Inc., Majuro, Marshall Islands	Peristil
5. Radunica Maritime Inc., Majuro, Marshall Islands	Sveti Dujam
6. Split Maritime Inc., Majuro, Marshall Islands	Split
7. Trogir Maritime Inc., Majuro, Marshall Islands	Trogir
8. Vis Maritime Inc., Majuro, Marshall Islands	Marko Marulić

Given that the Republic of Croatia has introduced the euro as its official currency from January 1, 2023, in accordance with the Act on the Introduction of the Euro as the Official Currency in the Republic of Croatia, the Group has changed its presentation currency from the Croatian kuna to euros for the purpose of preparing the financial statements for the year ended December 31, 2023. Therefore, the financial statements for the year ended December 31, 2023, were prepared in euros for the first time, rounded to the nearest thousand (where applicable). From January 1, 2023 the Euro is also functional currency of the Group (until January 1, 2023 it was Croatian kuna). In this regard, for the conversion of comparative data in the consolidated financial position statement, a fixed conversion rate of 7.53450 kuna per euro was used, while for the translation of comparative data in the consolidated statement of comprehensive income and the consolidated statement of cash flows, the euro exchange rate on the transaction date (historical exchange rate) was used.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

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

a) Basis of presentation (continued)

Although the change in presentation currency in the financial statements represents a change in accounting policy requiring retrospective application, the Company did not publish a third balance sheet in the financial statements for the year ended December 31, 2023, in accordance with International Accounting Standard 8 (IAS 8) *Accounting Policies, Changes in Accounting Estimates and Errors*, since it determined that the change in presentation currency does not have a significant impact on the financial statements of the Group, due to the stable HRK/EUR exchange rate over the last few years.

Amounts in these financial statements have been presented in euros, rounded to the nearest thousand. Exchange rate as of 31 December 2023 was EUR 1 = USD 1.1050 (31 December 2022: EUR 1 = USD 1.0666).

b) Use of estimates and judgements

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

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

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

c) Going concern

In the year ended December 31, 2023, the Group reported a loss after taxation of 4,540 thousand euros (2022: profit after taxation of 14,717 thousand euros). Furthermore, as of December 31, 2023, the Group has short-term liabilities exceeding short-term assets by 20,377 thousand euros (2022: 12,850 thousand euros).

In 2023, new borrowings amounted to 34,351 thousand euros, and existing loan liabilities were settled in the amount of 18,607 thousand euros (as disclosed in Note 21).

The situation is very challenging, primarily due to extremely high interest rates, as the reference interest rate of the US Federal Reserve for the US dollar is between 5.25% and 5.5%, causing a significant increase in interest expenses for companies like Jadroplov.

Out of the total borrowing, the Company has 4 loans with included SOFR, while 4 loans from domestic banks have fixed interest rates. Given these conditions, the Group believes that the best possible agreement has been reached with domestic banks.

Regarding 2 loans from domestic banks, approved in 2020 in the total amount of 13.7 million euros with state guarantees, the contracts stipulated a grace period of one or two years for the repayment of the principal. Additionally, for the loan from 2016, taken from a domestic bank with an approved state guarantee, there was an obligation to repay the remaining amount of 3.8 million USD with the maturity date on March 31, 2023, which led to the loan being restructured so that the matured principal is repaid in 12 equal quarterly instalments, with the first instalment due on March 31, 2023, and the last instalment on December 31, 2025.

Despite favourable interest rates, the aforementioned repayment dynamics presents a significant burden on the company's liquidity, especially considering that the mentioned loan liabilities (as part of the approved Restructuring Plan) arose from the need to preserve or improve current liquidity, while the vessels were becoming older and less valuable.

In the previous 1.5 years, Jadroplov has purchased 2 new LPG vessels at agreed prices lower than market prices, with most of the necessary funds secured through loan borrowings. Despite the exceptional additional effort and the credit burden for the purchase of these vessels, we believe that the agreed interest rate and maturity of domestic bank loans, along with long-term lease agreements for vessels for 3+2 years for the LPG vessel Marko Marulić and 1+1+1 years for the LPG vessel Vis, should ensure loan repayment without special effort.

Since September 2021 and the arrival of the new Management, vessels have been chartered for voyages, with particular importance given to the agreement with CIOS Cargo for the transportation of scrap iron by the vessel Split between Croatian and Turkish Mediterranean ports.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

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

c) Going concern (continued)

As one of the potential solutions at this point, transportation of cereals from Ukraine to various destinations worldwide has emerged. When it comes to this type of cereal transportation from Ukraine, there is a freight premium, as well as additional war risk insurance premium. It is important to note that through special negotiations with the insurer, insurance premiums have been reduced, and after the realization of a certain number of voyages, a retroactive bonus on premiums has been agreed upon.

Except from indebtedness, one of the major problems is the age of bulk carrier vessels, which cause high maintenance costs, especially the vessel Split, even after completion of the dry docking in October 2023.

According to the Management's opinion, two main indicators of every shipping company's performance are operational costs of technical vessel maintenance (so-called opex, which was slightly above the industry average) and vessel charter revenue based on the so-called Time Charter Equivalent (which was below the Baltic Freight Index for this type of vessels).

In order to improve these indicators, the following steps have been taken: internationalization of the crew has been carried out, so foreign nationals now making up 50% of the crew; new personnel have been engaged in the technical sector; a change in the method of managing vessel maintenance has been implemented; the commercial mode of operation has been changed to assume more risk in business, and vessels are chartered on a voyage charter basis, including sailing in the war risk areas.

The Restructuring Plan, approved by the European Commission, with previously mentioned loan debts realised in the year 2020, envisages the Group's recapitalization through an increase in share capital of 20-30 million USD. By accumulating new capital and investing in new vessels with secured long-term contracts, the Company would be in a position to regularly meet its loan obligations.

Unfortunately, for various reasons, the Government of the Republic of Croatia as the majority owner has not yet given consent to proceed with the recapitalization, but we hope that this will happen after the parliamentary elections.

Regarding the uncertainty of business, it primarily arises with bulk carrier vessels, considering the long-term contracts concluded for LPG vessels. According to predictions by global brokers, in the second half of 2024, freight rates are estimated at 13-15 thousand dollars per day, and for the following year at 12-14 thousand dollars per day, which is still significantly higher than operating costs and supports reasonable expectations of profitability and positive margins in the long term. However, since vessels are financed by long-term loans that require long-term repayment periods, there is significant uncertainty regarding liquidity and the ability to pay short-term liabilities (including liabilities to suppliers, short-term portions of long-term loans, and interest on loans).

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

2.1. MATERIAL ACCOUNTING POLICIES

a) Consolidation

Subsidiary undertakings are enterprises controlled by the Company. Control is achieved when the investor has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date of acquiring control until the date that control ceases. A listing of subsidiaries is provided in Note 2.a.

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

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

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

b) Foreign currencies

The Company's functional currency is the euro (EUR), and the functional currency of the subsidiaries is the US dollar (USD).

(i) Foreign currency transactions

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

(ii) Financial statements of foreign operations

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

2.1. MATERIAL ACCOUNTING POLICIES (CONTINUED)

c) Property, plant and equipment

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

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

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

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

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

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

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

d) Repairs and maintenance

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

2.1. MATERIAL ACCOUNTING POLICIES (CONTINUED)

e) Intangible assets

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

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

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

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

The estimated useful life of intangible assets is as follows:

Software	5 years
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f) Impairment of property, plant and equipment and intangible assets

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

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

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

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

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

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

2.1. MATERIAL ACCOUNTING POLICIES (CONTINUED)

g) Leases

The Group as the lessee

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

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

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

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

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

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

2.1. MATERIAL ACCOUNTING POLICIES (CONTINUED)

g) Leases (continued)

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

Right-of-use assets are depreciated over the shorter of the lease term and the useful life. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of the lease.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property and Equipment' policy.

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

The Group as the lessor

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

h) Inventories

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

2.1. MATERIAL ACCOUNTING POLICIES (CONTINUED)

i) Financial assets

Financial assets

The Group's financial assets include bank accounts, cash, term deposits, loans granted to employees and trade receivables.

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

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

(I) Financial assets measured at amortised cost

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

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

2.1. MATERIAL ACCOUNTING POLICIES (CONTINUED)

i) Financial assets (continued)

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

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

j) Receivables

Receivables represent the right to collect determined amounts from customers or other debtors with regard to Jadroplov operations. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for expected credit losses as set out in Note 2.1.j.

k) Cash

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

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

l) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest rate method.

Borrowings arising from the construction of a qualifying asset are capitalised in the period that is required to finalise and prepare the asset for its intended use. Other borrowings are included in expenses for the period. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

2.1. MATERIAL ACCOUNTING POLICIES (CONTINUED)

m) Trade and other current payables

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

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

n) Provisions

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

o) Retirement benefits and jubilee awards

The Group has no defined post-retirement benefit plans for its employees or management in Croatia or abroad. Consequently, the Group has no outstanding obligations to its current and former employees arising from post-retirements benefits. The Group makes payments to its employees for retirement benefits and jubilee awards in accordance with the Rules of operation. The retirement benefit is defined as a EUR 1,400 lump sum per employee. Employees earn jubilee awards under the following criteria:

- EUR 280 for 10 years of continuous service
- EUR 336 for 15 years of continuous service
- EUR 392 for 20 years of continuous service
- EUR 448 for 25 years of continuous service
- EUR 504 for 30 years of continuous service
- EUR 560 for 35 years of continuous service
- EUR 672 for 40 years of continuous service

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

2.1. MATERIAL ACCOUNTING POLICIES (CONTINUED)

p) Revenue from contracts with customers

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

Voyage charters

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

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

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

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

Time charters

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

q) Government grants

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

2.1. MATERIAL ACCOUNTING POLICIES (CONTINUED)

r) Net finance (costs)/income

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

s) Tax

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustments to tax payable in respect of previous years. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Income tax was calculated based on the regulations and acts in currently in force. Jadroplov has been included in the system of tonnage tax for a 10-year period as of 1 January 2014. Companies meeting the requirements stipulated in the Maritime code and choosing the tonnage tax option are required to stay in the system for ten years. The requirement is that the relevant company is a shipping company and income taxpayer in the Republic of Croatia based on all of its belonging profit. Another condition is to manage vessels meeting all stipulated requirements and, most importantly, to engage in strategic and commercial management of vessels in Croatia. Tonnage tax is not covered by IAS 12.

t) Operating segments

The Group's primary business activity is shipping, with the fleet consisting of five bulk carriers and two LPG carriers, resulting the Group has two operational segments. The Group generates revenue from international shipping based on time or voyage charter contracts.

u) Events after the balance sheet date

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

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

2.2 ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS

Current standards, amendments to existing standards, and implementations – adopted during 2023

In 2023, the following standards, amendments to existing standards, and interpretations came into effect:

- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates*,
- Amendments to IAS 1 *Presentation of Financial Statements and Practice Statement 2 Making Materiality Judgements: Disclosure of Accounting Policies*,
- Amendments to IAS 12 *Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction*,
- Amendments to IAS 12 *Income Taxes: International Tax Reform – Pillar Two Model Rules*

The adoption of these standards has not resulted in significant effects on the amounts recognized in the balance sheet or the income statement, or on the disclosed accounting policies.

Standards, amendments to existing standards, and interpretations that have been issued but are not yet effective

Several new amendments and interpretations to existing standards have been issued but are not yet effective as of the date of publication of the financial statements. If applicable, the Company intends to adopt these standards when they become effective.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

2.3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Revenue recognition

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

Impairment of financial assets

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

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

Provisions for contingent liabilities

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

Vessel depreciation

Useful lives of property, plant and equipment

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

Residual value (scrap value)

Residual value is estimated as the "lightweight" tonnage of each vessel multiplied by the expected scrap value per tonne, which is estimated at USD 510 per tonne as at 31 December 2023. This represents the market price of scrap steel, determined based on data published on the Clarksons Shipping Intelligence Network website (<http://www.clarksons.net/sin2010>) maintained by Clarkson Research Services Limited, London, England.

Impairment of vessels

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

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

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

The impairment of vessels (continued)

Due to the crisis in the bulk carrier market and the decline in freight rates in previous years, the market value of vessels decreased, leading the Company to impair the carrying value of its vessels. With the recovery of the global economy following the pandemic-induced global crisis caused by the COVID-19 virus, there has been a recovery in the market and an increase in charter rates. Consequently, the value of vessels has increased, prompting the Company to reverse the impairment losses recognized in 2021 and 2022. During 2023, charter rates declined and the loss was realised, with a gradual recovery observed towards the end of the year.

As a result of market changes, the Company monitors the market value of its vessels and assesses their recoverable amount to determine adequate vessel valuation, including the need for impairment or reversal of impairment losses as necessary.

The assumptions used in the calculation model for the vessels' recoverable amount in 2023 are as follows:

Revenue trends in the period from 2023 - 2028	-0.21% (average rate of decline in revenue)
EBITDA margin	34% - 25%
Discount rate	9.34%
Long-term growth rate	2%
Residual value of vessels (scrap)	\$ 510 per tonne

Prepared impairment tests suggest the need for impairment of two vessels amounting to EUR 665 thousand and the reversal of impairment losses for two vessels amounting to EUR 570 thousand, resulting in a net impairment loss of EUR 95 thousand.

Sensitivity analysis

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

- if the projected five-year revenues were to be lower by 1%, the Group would have to record an impairment of vessels in the amount of EUR 1,030 thousand,
- if the EBITDA margin within the projected period were to decrease by 1%, the Group would have to record an impairment of vessels in the amount of EUR 731 thousand,
- if the discount growth rate were to increase by 0.5 p.p. the Group would have to record an impairment of vessels in the amount of EUR 1,323 thousand,
- if the terminal growth rate were to decrease by 0.5 p.p. the Group would have to record an impairment of vessels in the amount of EUR 469 thousand,
- if the residual value were to decrease by 5% following the decline in the value of steel, the Group would have to record an impairment of vessels in the amount of EUR 559 thousand.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

3. OPERATING SEGMENTS

The Group monitors total revenues, operating costs of ships and depreciation by segment depending on the type of ships. One segment consists of bulk carriers and the other by liquefied gas transport ships (LPG ships.). Segmentation follows the structure used by the Group for internal reporting purposes.

As a measure of the success of segments, Group uses the amount of margin that is realized after reducing operating costs of ships, depreciation and impairment of ships from operating income. Employee costs, other operating expenses and financial costs are not allocated to segments.

The following tables show the performance indicators used by the Management, as well as additional indicators related to segments.

Business results for 2023:

	Bulk carriers	LPG carriers	Other	Total
Revenues	21.387	6.767	-	28.154
Other operating income	759	39	295	1.093
Total revenue	22.146	6.806	295	29.247
Vessel operating expenses	(16.342)	(4.425)	-	(20.767)
Depreciation and amortization expenses	(5.145)	(1.503)	(36)	(6.684)
Impairment of vessels	(95)	-	-	(95)
Margin	564	878	259	1.701
Staff costs				(1.122)
Other operating expenses				(1.236)
Operating loss				(657)
Finance income				904
Finance costs				(4.787)
Net finance costs				(3.883)
Loss before tax				(4.540)
Income tax				-
Loss for the year				(4.540)

Segmental analysis of assets as at 31. December 2023 that the Group tracks:

	Bulk carriers	LPG carriers	Other	Total
Property, plant and equipment	54,774	42,408	144	97,326
Trade receivables	337	406	63	806

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

3 OPERATING SEGMENTS (CONTINUED)

Business results for 2022

	Bulk carriers	LPG carriers	Other	Total
Revenues	37,877	812	-	38,689
Other operating income	1,978	-	388	2,366
Total revenue	39.855	812	388	41.055
Vessel operating expenses	(19,756)	(1,005)	-	(20,761)
Depreciation and amortization expenses	(5,300)	(150)	(37)	(5,487)
Reversal of previous impairment of vessels	3,008	-	-	3,008
Margin	17,807	(343)	351	17,815
Staff costs				(1,092)
Other operating expenses				(1,373)
Operating profits				15,350
Finance income				2,543
Finance costs				(3,176)
Net finance costs				(633)
Profit before tax				14,717
Income tax				-
Profit for the year				14,717

Segmental analysis of asset entries as at 31. December 2022 that the group tracks:

	Bulk carriers	LPG carriers	Other	Total
Property, plant and equipment	58,753	23,430	178	82,361
Trade receivables	82	7	48	137

There are no transactions between segments.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

4. REVENUE

	2023	2022
Time charter (lease of vessels)	21,276	29,283
Voyage charter (revenue from contracts with customers)	<u>6,878</u>	<u>9,406</u>
	<u>28,154</u>	<u>38,689</u>

5. OTHER OPERATING INCOME

	2023	2022
Fuel income	322	1,264
Hold cleaning	189	188
Income from grants for trainee boarding	148	237
Business premises rental income	102	101
Insurance refunds and damage claims	73	466
Other	<u>259</u>	<u>110</u>
	<u>1,093</u>	<u>2,366</u>

6. VESSEL OPERATING EXPENSES

	2023	2022
Crew costs	7,778	5,665
Fuel costs	3,159	3,334
Materials and spare parts	2,856	3,661
Repairs and maintenance	1,509	1,916
Insurance	1,504	1,338
Port costs	1,200	1,385
Brokerage, agency costs and commissions	1,166	1,440
Other	<u>1,595</u>	<u>2,022</u>
	<u>20,767</u>	<u>20,761</u>

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

7. STAFF COSTS

	2023	2022
Net salaries and wages	610	536
Taxes and contributions from salaries	285	241
Contributions on salaries	143	124
Termination benefits	-	90
Other staff costs	84	101
	<u>1,122</u>	<u>1,092</u>

At year-end, the number of employees was 36 (2022: 33).

Key management compensation:

	2023	2022
Gross salaries	220	185
Other benefits (benefits in kind)	2	2
	<u>222</u>	<u>187</u>

Key management compensation relates to 5 employees (2022: 4 employees).

Salary costs include an amount of EUR 179 thousand (2022: EUR 155 thousand) including pension insurance contributions paid to mandatory state pension funds in Croatia.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

8. OTHER OPERATING EXPENSES

	2023	2022
Bank charges	163	163
Damage compensations	109	150
Intellectual services	124	140
Legal costs	103	120
Taxes and contributions irrespective of operating results	81	81
Business travel expenses	87	72
Consumables (directorates)	47	46
Compensation to Supervisory Board members	37	38
Impairment of trade receivables (expected credit losses)	-	11
Other services	237	314
Other	248	238
	<u>1,236</u>	<u>1,373</u>

9. IMPAIRMENT OF VESSELS / (REVERSAL OF PREVIOUS IMPAIRMENTS OF VESSELS)

	2023	2022
Impairment / (reversal of previous impairment) of vessels (Note 12)	<u>95</u>	<u>(3,008)</u>
	<u>95</u>	<u>(3,008)</u>

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

10. FINANCE INCOME AND COSTS

	2023	2022
Interest and similar income	-	20
Foreign exchange gains	904	2,523
Total finance income	904	2,543
Interest and similar expenses	(4,413)	(1,967)
Foreign exchange losses	(374)	(1,209)
Total finance costs	(4,787)	(3,176)
Net finance costs	(3,883)	(633)

11. INCOME TAX

The income tax liability is calculated on the tax base at a tax rate of 10% (2022: 10%) in line with the Croatian law.

The reconciliation of income tax is as follows:

	2023	2022
Current tax expense	-	-
Deferred tax expense	-	-
Income tax	-	-

The reconciliation of deferred tax assets is as follows:

	2023	2022
At 1 January	2	2
Release of deferred tax assets	-	-
At 31 December	2	2

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

11. INCOME TAX (CONTINUED)

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

	2023	2022
(Loss) / profit before tax	(4,540)	14,717
(Loss) / profit from activities taxed based on net tonnage	(2,710)	16,553
Loss from activities subject to income tax	(1,830)	(1,836)
Income tax at the rate of 10%	(183)	(184)
Non-deductible expenses	5	5
Losses for which no deferred tax asset was recognised	178	179
Income tax	-	-

Tax losses

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

	2023	2022
Tax loss from 2018 - expires on 31 December 2023	-	(1,601)
Tax loss from 2019 - expires on 31 December 2024	(1,791)	(1,791)
Tax loss from 2020 - expires on 31 December 2025	(2,061)	(2,061)
Tax loss from 2021 - expires on 31 December 2026	(1,773)	(1,773)
Tax loss from 2022 - expires on 31 December 2027	(1,789)	(1,789)
Tax loss from 2023 - expires on 31 December 2028	(1,776)	-
	(9,190)	(9,015)

Pursuant to Article 429 of the Maritime code, which defines the terms and conditions of shipping companies in the international shipping market, shipping companies may choose to have their shipping activities taxed on the basis of the net tonnage of their fleet rather than income tax which they would otherwise have to pay on profits earned from international shipping. Tonnage tax is a tax that is accounted for and paid instead of income tax as regulated by the Income Tax Act, irrespective of profit or loss generated in the tax period for which the tax liability based on net tonnage is determined. The Income Tax Act is applied to all other business activities. The Group registered seven vessels in the system of tonnage tax (2022: six vessels). Tonnage tax for 2023 amounted to EUR 22 thousand (2022: EUR 21 thousand) and is disclosed within other operating expenses (Note 8).

Based on the amendment to the Income Tax Act, the Company is obliged to calculate income tax at a rate of 10%, since taxable income amounted to less than EUR 1 million in the tax period.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and equipment	Vessels	Assets under construction	Total
Cost					
At 1 January 2022	5,632	1,543	150,944	465	158,584
Additions	-	559	27,431	-	27,990
Disposals (sales)	-	(588)	-	-	(588)
Transfers	-	-	518	(518)	-
Foreign exchange differences	(13)	(472)	6,586	53	6,154
At 31 December 2022	5,619	1,042	185,479	-	192,140
At 1 January 2023	5,619	1,042	185,479	-	192,140
Additions	-	-	21,587	3,378	24,965
Disposals	-	-	(2,726)	-	(2,726)
Transfers	-	-	3,408	(3,408)	-
Foreign exchange differences	-	(17)	(6,821)	30	(6,808)
At 31 December 2023	5,619	1,025	200,927	-	207,571
Accumulated depreciation and impairment					
At 1 January 2022	5,498	1,397	95,446	-	102,341
Depreciation charge for the year	18	56	5,412	-	5,486
Reversal of previous impairment (note 9)	-	-	(3,008)	-	(3,008)
Disposals	-	(588)	-	-	(588)
Foreign exchange differences	(13)	20	5,541	-	5,548
At 31 December 2022	5,503	885	103,391	-	109,779
At 1 January 2023	5,503	885	103,391	-	109,779
Depreciation charge for the year	17	56	6,610	-	6,683
Reversal of previous impairment (note 9)	-	-	95	-	95
Disposals	-	-	(2,726)	-	(2,726)
Foreign exchange differences	-	(17)	(3,569)	-	(3,586)
At 31 December 2023	5,520	924	103,801	-	110,245
Net book amount					
At 31 December 2023	99	101	97,126	-	97,326
At 31 December 2022	116	157	82,088	-	82,361

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Property, plant and equipment in the amount of EUR 97,280 thousand (2022: EUR 82,299 thousand) was pledged as security for the repayment of borrowings (Note 21).

The increase in the value of assets in 2023 in the total amount of EUR 24,965 thousand relates to the increase in the value of vessels, of which EUR 21,587 thousand relates to the purchase of a new vessel, EUR 4,827 thousand relates to the increase in value due to dry-docking and EUR 343 thousand relates to the investment in a ballast water treatment system.

Fleet fair value and impairment

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

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

Based on the analysis, it was determined that the book amount of the vessels Trogir and Sv. Dujam exceeds the obtained value in use, and the vessels were impaired in the amount of EUR 665 thousand. Also, the analysis determined that the book amount of the vessels Peristil and Solin is lower than the obtained value in use, which is why the previous impairment of the vessels in the total amount of EUR 570 thousand was reversed. The net effect of the impairment in the amount of EUR 95 thousand is recognised in the statement of comprehensive income and presented in Note 9.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 31 December 2023, the Group owned and operated a fleet of 7 vessels (2022: 6 vessels), whose technical description is presented in the following table:

Technical data of the vessels in the Group's fleet as at 31 December 2023

No.	Vessel	Class	Type	Gross tonnage	Net tonnage	Deadweight tonnage (DWT)	Volume	Engine power - kW	Lifting tonnes	Length (in m)	Width (in m)	Max draught (in m)	Manufactured in	Age (in yrs)	Flag
1	Trogir	CRS, BV	Bulk Carrier	25,600	14,558	44,389	53,648	8,260	4x30	183,00	32,20	11,50	Croatia	22.8	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	25.5	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	13.3	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	13.6	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	11.4	Croatia
6	Marko Marulic	BV	LPG	6,515	2,200	7,261	7,500	3,000	-	116,82	19	6,8	Japan	1.2	Croatia
7	Vis	BV	LPG	6,515	2,200	7,249	7,500	3,000	-	116,82	19	6,8	Japan	0.8	Croatia
TOTAL				153,439	86,338	257,237	312,073	46,110	-	-	-	-	-	-	

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

When carrying out its core business activities the Group leases the ships in the time charter to a various lessees.

As at the reporting date, in accordance with IFRS 16 Leases, four vessels (2022: four vessels). owned by the group are chartered under operating lease terms. The net book amount of these vessels as at the reporting date is EUR 69,103 thousand (2022: EUR 59,239 thousand).

The net book amount of the vessels which are not chartered at the reporting date is EUR 28.023 thousand (2022: EUR 21,453 thousand).

Vessels, plant and equipment with a total net value of EUR 97,181 thousand (2022: EUR 82,183 thousand) were pledged as security for the repayment of borrowings (Note 21).

Four vessels owned by the Group are chartered under operating lease terms (time charter), which vary from contract to contract. Lease terms range from 1 month to 3 years. The average daily charter rate (hire) as at 31 December 2023 amounted to USD 10,500 (2022: USD 14,625).

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

	2023	2022
Up to 1 year	5,770	7,674
1 to 5 years	<u>14,772</u>	<u>9,137</u>
	<u>20,492</u>	<u>16,811</u>

12.1. ADVANCES GIVEN FOR TANGIBLE ASSETS

In 2022, advances were given for the vessel Vis in the total amount of EUR 5,508 thousand. Advances were closed in March 2023, when the vessel Vis was delivered.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

13. INTANGIBLE ASSETS

	Software
Cost	
At 1 January 2022	189
Additions	-
At 31 December 2022	189
At 1 January 2023	189
Additions	-
At 31 December 2023	189
Accumulated amortisation	
At 1 January 2022	182
Amortisation charge for the year	2
At 31 December 2022	184
At 1 January 2023	184
Amortisation charge for the year	1
At 31 December 2023	185
Net book amount	
At 31 December 2023	4
At 31 December 2022	5

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

14. INVENTORIES

	31 December 2023	31 December 2022
Lubricants	343	277
Fuel	1,163	912
	1,506	1,189

15. RECEIVABLES

	31 December 2023	31 December 2022
Trade receivables	4,249	3,703
Impairment allowance (expected credit losses) on trade receivables	(3,443)	(3,566)
	806	137

Ageing of net trade receivables after impairment	2023	2022
Up to 30 days	569	93
30 – 90 days	63	20
90 – 180 days	114	19
180 – 365 days	35	1
Over 365 days	25	4
At 31 December	806	137

Impairment allowance (expected credit losses) on trade receivables	2023	2022
At 1 January	3,566	3,394
Increase (Note 8)	-	11
Collected (Note 5)	(1)	(39)
Foreign exchange differences	(122)	200
At 31 December	3,443	3,566

As at the date of issue of these consolidated financial statements, the group had collected approximately 80% of trade receivables.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

15. RECEIVABLES (CONTINUED)

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

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

As at 31 December 2023 and 31 December 2022, the rate of expected credit losses for unimpaired trade receivables is close to zero. Impairment in the amount of EUR 3,443 thousand (2022: EUR 3,566 thousand) refers to the individual impairment of trade receivables that have been impaired in the full amount of receivables and no collection is expected.

16. OTHER RECEIVABLES

	31 December 2023	31 December 2022
Fuel receivables	882	1,125
Prepaid expenses	184	194
Contract assets	-	160
Advances given	100	178
Receivables for damages	57	24
Other receivables	23	74
	<u>1,246</u>	<u>1,755</u>

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

17. TERM DEPOSITS

	31 December 2023	31 December 2022
Receivables for term deposits	<u>1,930</u>	<u>1,248</u>

Receivables for term deposits consist of deposits related to loan agreements and guarantee liabilities with an interest rate from 0.01% to 5.31% p.a. (2022: with an interest rate from 0.01% to 4,31% p.a.).

The credit loss assessment is negligible, and no provision has been made for these receivables.

18. CASH AND CASH EQUIVALENTS

	31 December 2023	31 December 2022
Giro account balance	550	1,183
Cash on hand	<u>-</u>	<u>1</u>
	<u>550</u>	<u>1,184</u>

The credit loss assessment is negligible, and no provision has been made for these receivables.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

19. CAPITAL AND RESERVES

Share capital

	Number of shares issued	Total amount EUR'000	Treasury shares EUR'000	Total EUR'000
At 31 December 2022	1,636,674	2,172	(322)	1,850
At 31 December 2023	1,636,674	1,637	(322)	1,315

The Company's share capital amounts to EUR 1,637 thousand. The Company has 1,636,674 shares with a nominal value of EUR 1,00.

The Company's ownership structure is as follows:

Shareholders' structure of Jadroplov d.d. as at 31 December	Number of shares 2023	Holding in share capital % 2023	Number of shares 2022	Holding in share capital % 2022
Restructuring and Sale Center (CERP)	1,152,975	70.45%	1,152,904	70.44%
Domestic individuals	430,171	26.28%	436,885	26.69%
Financial institutions	40,637	2.48%	33,363	2.04%
Companies	1,607	0.10%	2,438	0.15%
Foreign investors	1,273	0.08%	1,073	0.07%
Treasury shares	10,011	0.61%	10,011	0.61%
Total	1,636,674	100.00%	1,636,674	100.00%

The Company's share capital consists of 1,636,674 ordinary shares (2022: 1,636,674), of which 10,011 were treasury shares (2022: 10,011).

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

Capital reserves

Capital reserves were created following the introduction of the euro and the adjustment of the nominal value of the share to 1 euro. As a result of the adjustment, portion of the share capital in the amount of EUR 535 thousand was transferred to capital reserves.

Own shares reserves

Reserves for own shares in the amount of EUR 322 thousand correspond to the amount of own shares expressed as deductible within the capital (2022: EUR 322 thousand).

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

19. CAPITAL AND RESERVES (CONTINUED)

Translation and other reserves

Translation reserves in the amount of EUR 31,172 thousand (2022: EUR 33,485) arose on conversion of the financial statements of foreign subsidiaries.

Other reserves relate to investments in the amount of EUR 11 thousand (2022: EUR 11 thousand).

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

20. BASIC AND DILUTED (LOSS) / EARNINGS PER SHARE

Earnings per share are calculated as follows:

	2023	2022
(Loss) / profit for the year in thousands of EUR	(4,540)	14,717
Weighted average number of shares in issue	<u>1,626,663</u>	<u>1,626,663</u>
Basic and diluted loss / earnings per share (in EUR and cents)	<u>(2,79)</u>	<u>9.05</u>

Earnings per share (EPS) is calculated by dividing the Group's net profit by the weighted average number of issued shares, excluding treasury shares.

Both basic and diluted earnings per share are the same as the Group has no dilutive instruments.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

21. BORROWINGS

	Principal in foreign currency (on loan origination)	Principal in foreign currency 31 December 2023	31 December 2023	31 December 2022
(a) Long-term borrowings				
(1) Secured loan	USD 4,150,000	USD 1,216,667	1,101	1,925
(2) Secured loan	USD 6,045,000	USD 3,259,559	2,950	3,667
(3) Secured loan	EUR 7,383,046	EUR 6,387,285	6,387	6,844
(4) Secured loan	EUR 6,427,424	EUR 4,786,318	4,786	5,318
(5) Secured loan	USD 19,250,000	USD 4,218,750	3,818	13,709
(6) Secured loan	USD 16,347,000	USD 15,121,437	13,685	15,327
(7) Secured loan	EUR 3,500,000	EUR 2,159,575	2,979	3,500
(8) Secured loan	USD 15,200,000	USD 14,829,353	13,420	-
(9) Secured loan	USD 20,500,000	USD 16,703,700	15,116	-
Total long-term borrowings			64,242	50,290
Prepaid arrangement fee			(562)	-
Total long-term borrowings			63,680	50,290
Current portion of long-term borrowings			(14,095)	(9,917)
Current portion of arrangement fee			247	-
Total long-term borrowings			49,832	40,373
(b) Short-term borrowings				
(10) Unsecured loan	USD 2,000,000	USD 1,281,439	1,160	740
Total current portion of long-term borrowings			(14,095)	9,917
Total current portion of arrangement fee			247	-
Interest			904	131
Total short-term borrowings			15,912	10,788
Total			65,744	51,161

Interest-bearing borrowings in the total amount of EUR 64,242 thousand (2022: EUR 50,290 thousand) are secured by the Group's fleet and properties (Note 12)

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

21. BORROWINGS (CONTINUED)

Terms and repayment

- (1) A long-term loan was approved for working capital in the amount of USD 4,150,000. The loan was approved in May 2015 and drawn down in 2 parts: the first in the amount of USD 2,500,000 on June 5, 2015, and the second in the amount of USD 1,650,000 on July 31, 2015, with an interest rate of 3.5% + 6-month LIBOR annually (variable). Principal repayment is made semi-annually, with the first instalment due on November 30, 2016, and the final maturity date being May 31, 2020. Interest payments are made monthly, and interest payments began on June 30, 2015. As security for these loans, the Bank has registered a mortgage on the ship "Trogir" and on the company's real estate. On December 14, 2017, a decision was made to postpone the repayment of the principal until March 31, 2018, with an unchanged maturity date. On June 27, 2018, a decision was made to postpone the repayment of the principal until September 30, 2018, with an unchanged maturity date. On February 13, 2019, a decision was made to postpone the repayment of the principal until March 31, 2019, with an unchanged maturity date until March 31, 2020. On June 30, 2020, a decision was made to postpone the repayment of the principal until March 31, 2021, with a reduction in the principal of the loan by the amount of the designated term deposit of USD 500,000. The repayment of the newly formed principal will be made through 48 equal monthly instalments, with the first instalment due on April 30, 2021, and the last on March 31, 2025. On June 30, 2023, LIBOR ceased to be quoted and was replaced by SOFR.
- (2) A long-term loan was approved for working capital in the amount of USD 6,045,000. The loan was approved in July 2016 and drawn down through 5 requests between August 3 and December 12, 2016, at an annual interest rate of 5.18%. Principal repayment is made quarterly, with the first instalment due on September 30, 2018, and the final maturity date being September 30, 2022. Interest payments are made quarterly, and interest payments began on December 31, 2016. As security for these loans, the Bank has registered a mortgage on the company's real estate. Management believes that the fair value of the obligation under the fixed interest rate loan is not significantly different from the book value. Addition IV to the Loan Agreement dated February 19, 2020, defined an additional grace period for the repayment of the loan principal, with the first instalment due on September 30, 2020, with an unchanged final maturity date of September 30, 2022. Due to the impact of the coronavirus epidemic on business, Addition V to the Loan Agreement dated April 27, 2020, agreed to a moratorium for obligations due from April 1 to June 30, 2020. On July 16, 2020, the bank's consent was received for an additional moratorium on the repayment of obligations due from July 1, 2020, at the latest until December 31, 2020. Addition VII to the Loan Agreement dated May 4, 2021, defined the bank's consent to extend the moratorium on principal repayment from December 31, 2020, to June 30, 2021, with the principal repayment due on September 30, 2021, according to the earlier agreed repayment schedule, and the principal due during the moratorium period will be added to the final instalment due on March 31, 2023. Based on the company's request, the bank has agreed to reduce the regular interest rate from 5.18% annually to 3.67% annually, effective from April 1, 2022.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

21. BORROWINGS (CONTINUED)

Terms and repayment (continued)

Addition IX to the Loan Agreement dated April 4, 2023, agreed to restructure the loan obligation on December 31, 2022, in a manner where the principal in the total amount of USD 3,911,471 (including a 'balloon' payment due on March 31, 2023) will be further repaid in 12 equal consecutive quarterly instalments, with the first instalment due on March 31, 2023, and the final instalment on December 31, 2025. Regular interest is calculated and paid quarterly.

- (3) A long-term loan was approved for fixed assets (closing obligations to financial institutions) and working capital in the amount of EUR 7,383,046. The loan was approved in February 2020 and drawn down in 5 individual drawdown requests during the period from February 28 to March 18, 2020. The interest rate is 4% annually (fixed). Principal repayment is made semi-annually, with the first instalment due on September 30, 2022, and the final maturity date being September 30, 2030. Interest payments are made quarterly, with the defined start of payments on June 30, 2020. As security for these loans, the Bank has registered a mortgage on the vessels "Split" and "Trogir" as well as on the company's real estate, with an approved guarantee from the Republic of Croatia. The loan realization is envisaged in the restructuring plan. Addition I to the Loan Agreement dated April 27, 2020, defined instalment repayment of interest due on June 30, 2020, in 12 equal monthly instalments starting from July 31, 2020. Due to the impact of the coronavirus epidemic on business, on July 16, 2020, the bank's consent was obtained for an additional moratorium on the repayment of obligations due from July 1, 2020, at the latest until December 31, 2020. Addition II to the Loan Agreement dated September 11, 2020, defined the bank's consent to introduce a moratorium on obligations due from March 1 to December 31, 2020, due to the COVID-19 pandemic. Obligations due after the expiry of the moratorium period will be repaid according to the earlier agreed repayment schedule. Addition III to the Loan Agreement dated May 4, 2021, defined the bank's consent to extend the moratorium period from December 31, 2020, to June 30, 2021, with an unchanged first principal repayment date on September 30, 2022. Based on the company's request, the bank has agreed to reduce the regular interest rate from 4% annually (fixed) to 2.20% annually (fixed), effective from April 1, 2022.
- (4) A long-term loan was approved for working capital (covering obligations to financial institutions and suppliers) in the amount of EUR 6,427,424. The loan was approved in August 2020 with an interest rate of 4% + EURIBOR annually. Principal repayment is made quarterly, with the first instalment due on August 6, 2021, and the final maturity date being August 6, 2030. Interest payments are made quarterly, starting from November 6, 2020. The security for the loan is the guarantee of the Republic of Croatia. The loan realization is envisaged in the restructuring plan. Addition II to the Loan Agreement dated December 21, 2021, approved a fixed interest rate of 2.1%.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

21. BORROWINGS (CONTINUED)

Terms and repayment (continued)

- (5) A long-term loan was approved for fixed assets in the amount of USD 19,250,000. The loan was approved in June 2021 with an interest rate of 4.75% + LIBOR annually. Principal repayment is made quarterly, with the first instalment due on September 30, 2021, and the final maturity date being March 31, 2026, with the repayment of the remaining principal. Interest payments are made quarterly, starting from June 30, 2021. The loan security consists of mortgages on the vessels Peristil, Sveti Dujam, and Solin. A portion of the loan in the amount of USD 9,935,000 was refinanced on March 27, 2023, with the remaining mortgage on the vessel Sveti Dujam as loan security. The loan was refinanced in February 2024 with an increase in the loan amount by USD 3,500,000, with the interest rate remaining unchanged.
- (6) A long-term loan was approved for fixed assets in the amount of USD 16,347,500. The loan was approved in October 2022 with a fixed annual interest rate of 4.15%. Principal repayment is made quarterly, with the first instalment due on March 31, 2023, and the final maturity date being December 31, 2032. Interest payments are made quarterly, starting from December 31, 2022. The loan security consists of a mortgage on the LPG vessel Marko Marulić and a cash deposit in the amount of USD 800,000.
- (7) A long-term loan was approved for working capital in the amount of EUR 3,500,000. The loan was approved in December 2022 with an annual interest rate of 3.20% + 6-month EURIBOR. Principal repayment is made monthly in 47 equal monthly instalments, with the first instalment due on June 30, 2023, and the last on April 30, 2027. Interest payments are made monthly, starting from December 31, 2022. The loan was approved as part of the Individual Insurance Program and the Insurance Premium Subsidy Program (measures to aid the Croatian economy after the Russian aggression on Ukraine). The loan security consists of the insurance premium of HBOR and a second-order mortgage on real estate.
- (8) A long-term loan was approved for fleet investments in the amount of USD 14,000,000, as well as a portion for working capital in the amount of USD 1,200,000. The loan was approved in March 2023 with an annual interest rate of 1.66% + 3-month SOFR + CAS 3M. Principal repayment is made quarterly in 40 equal instalments, with the first installment due on December 31, 2023, and the last on September 30, 2033. Interest payments are made quarterly, starting from December 31, 2023. The loan security consists of a mortgage on the LPG vessel Vis and a cash deposit of USD 1,500,000, which must be paid by December 31, 2024.
- (9) A long-term loan was obtained based on a sale and leaseback agreement with Moon Rise Shipping Co., S.A., Panama, for the vessels Peristil and Solin. The agreed repayment term is 4.5 years, with an option for the Group to repurchase the vessels, which the Group intends to exercise, thus there was no transfer of control over the vessels but rather financing. Part of the funds received was used to settle a portion of the loan from Macquarie Bank, which was secured by mortgages on the vessels Peristil and Solin. Principal and interest repayment is made monthly at an interest rate of 2.25% + 1-month SOFR.
- (10) A short-term loan in the amount of 2,000,000 USD was taken for working capital. There is no collateral or agreed interest rate. The repayment term follows the business dynamics with the customer, and repayment through offsetting receivables from the customer is agreed until the end of 2024.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

21. BORROWINGS (CONTINUED)

Terms and repayment (continued)

The repayment schedule of bank borrowings for the next five years, according to the balance as at 31 December 2023, is as follows:

Year	Amount
2024	15,255
2025	11,486
2026	12,004
2027	7,489
2028	4,443
After 2028	14,725
	65,402

Reconciliation of loans liability to cash flows from financing activities

	2023.	2022.
Balance as of January 1	51,161	36,557
Received loans	11,733	22,494
Loan repayments	(7,950)	(7,457)
Total changes from financial cash flows	3,783	15,037
Exchange differences	(1,675)	(831)
Loan liability offset with receivables from customers	(1,401)	-
Loan liability closed from deposits	(62)	-
New loan used to pay suppliers directly	13,584	-
Interest and similar expenses	4,413	1,967
Interest and similar expense liabilities closed from deposits	(411)	-
Paid interest and similar expenses	(3,648)	(1,569)
Total other changes	10,798	(433)
Balance as of December 31	65,744	51,161

A new loan in the amount of EUR 9,034 thousand was used to directly pay off an existing loan obligation, which did not affect the total amount of loan obligations.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

22. TRADE AND OTHER PAYABLES

	31 December 2023	31 December 2022
Trade payables	6,731	5,375
Liabilities to employees	385	476
Liabilities from received advances	826	40
Other liabilities	72	37
	<u>8,014</u>	<u>5,928</u>

23. DEFERRED INCOME

	31 December 2023	31 December 2022
Deferred income	458	346
	<u>458</u>	<u>346</u>

Deferred income refers to the deferral of rents invoiced before the reporting period date, pertaining to periods after the reporting date

24. ACCRUED EXPENSES

	31 December 2023	31 December 2022
Accrued expense for unused annual leave	54	47
Accrued expense for incurred expenses	48	11
	<u>102</u>	<u>58</u>

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Capital risk management

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

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

b) Gearing ratio

The Management Board of the Group reviews the capital structure. As part of this review, the Management Board considers the costs associated with each class of capital. The actual gearing ratio in 2023 was 220.72% (2022: 138.91%).

The gearing ratio at year-end was as follows:

	2023.	2022.
Borrowings (Note 21)	65,402	51,030
Cash and cash equivalents (Note 18)	<u>(550)</u>	<u>(1,184)</u>
Net debt	64,852	49,846
Principal	<u>29,029</u>	<u>35,882</u>
Net debt-to-equity ratio	<u>2.23</u>	<u>1.39</u>

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

c) Categories of financial instruments

	2023	2022
Financial assets		
Trade receivables	806	137
Cash and cash equivalents	550	1,184
Loans to employees	1	5
Deposits	1,930	1,248
Financial liabilities		
Borrowings	65,402	51,030
Accrued interest	904	131
Trade payables	6,731	5,375

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

Of the total trade receivables in the amount of EUR 806 thousand, 43.67% refers to the exposure to one customer (2022: of the total trade receivables in the amount of EUR 137 thousand, 41.18% referred to one customer). After the balance sheet date, these receivables were collected in full.

d) Financial risk management objectives

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

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

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

e) Price risk management

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

If the daily charter rate would change by 1%, with other variables held constant, the following changes in the Group's revenue and loss/ net profit would occur: in the event of an increase in rent, 2023 revenue would amount to EUR 21,489 thousand and loss would amount to EUR 4,327 thousand (2022: revenue would amount to EUR 29,576 thousand and net profit would amount to EUR 15,010 thousand). In the event of a decrease in rent, 2023 revenue would amount to EUR 21,063 thousand and loss would amount to EUR 4,753 thousand (2022: revenue would amount to EUR 28,990 thousand and net profit would amount to EUR 14,424 thousand).

f) Interest rate risk

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

Interest rate risk sensitivity analysis

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

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

If the interest rate on the total variable interest rate debt outstanding were to change by 50 basis points, with all other variables held constant, the impact on the Group's profit would be as follows: in 2023, the change would amount to EUR 179 thousand (2022: the change would amount to EUR 88 thousand).

g) Credit risk

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

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

g) Credit risk (continued)

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of the investment grade and above. The Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

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

h) Foreign currency risk management

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

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

At 31 December	Liabilities		Assets	
	2023	2022	2023	2022
USA (USD)	56,014	39,593	3,035	1,979

Foreign currency sensitivity analysis

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

The following table details the Group's sensitivity to a 10% decrease in EUR against USD. 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 external borrowings, as well as loans to foreign operations of the Group denominated in a currency that is not the currency of the lender or the borrower. A positive number indicates an increase in profit and other equity where the euro strengthens against the dollar 10%. For a 10% weakening of euro against the dollar, there would be an equal and opposite impact on the profit, and the balances below would be reversed.

	USD impact	
	2023	2022
Loss	(5,298)	(3,761)

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

i) Liquidity risk management

The ultimate responsibility for liquidity risk management rests with the Management Board, which has built an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, using appropriate banking facilities and central reserves borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and financial liabilities. All activities undertaken by the Management for the purposes of liquidity risk management are explained in Note 2. c Going concern.

Liquidity and interest rate risk tables

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

	Weighted average effective interest method %	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 2 years	Over 2 years	Total
2023							
Trade payables		1,087	2,285	2,091	283	985	6,731
Interest bearing liabilities	5,67%	3,067	3,685	12,565	13,824	43,917	77,058
		4,154	5,970	14,656	14,107	44,902	83,789
2022							
Trade payables		2,632	945	648	1,151	-	5,376
Interest bearing liabilities	4,68%	379	2,236	5,688	10,735	38,824	57,862
		3,011	3,180	6,336	11,886	38,824	63,238

The Group's non-interest bearing liabilities up to one month comprise mainly trade payables in the amount of EUR 1,087 thousand EUR for 2023 (2022: EUR 2,632 thousand).

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

i) Liquidity risk management (continued)

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

The tables have been drawn up based on the undiscounted cash inflows of financial assets at their due date.

The tables include both principal and interest cash flows.

	Weighted average effective interest method %	Up to 1 month	1 to 3 months	3m up to 1 year	1 to 2 years	Over 2 years	Total
2023							
Non-interest bearing		1,356	-	-	-	1,930	3,286
Interest bearing	4%	-	1	-	-	-	1
		1,356	1	-	-	1,930	3,287
2022							
Non-interest bearing		1,277	8	32	-	1,232	2,549
Interest bearing	4%	-	-	-	5	-	5
		1,277	8	32	5	1,232	2,554

j) Fair value of financial assets and financial liabilities

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

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

As at 31 December 2023 and 2022, the reported amounts of cash, short-term deposits, trade receivables, loans to employees, short-term borrowings, accrued interest and trade payables approximate their market values due to the short-term nature of those assets and liabilities.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

26. RELATED PARTY TRANSACTIONS

Company owner

As presented in Note 19, 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 7.

Remuneration to members of the Supervisory Board is disclosed in Note 8.

Other related party transactions

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

Significant related party transactions refer to the government grant for trainee boarding received from the Ministry of Maritime Affairs, Transport and Infrastructure under the Programme of co-financing boarding for deck, engine and electrical engineering trainees on vessels in international and domestic voyages. Income from government grants for trainee boarding is disclosed in Note 5.

Bank borrowings set out under items (1), (2), (3), (4), (6), (7), (8) disclosed in Note 21 are received from banks with majority state ownership. During the year, the interest expense arising from these borrowings amounted to EUR 2,074 thousand (2022: EUR 756 thousand).

27. EVENTS AFTER THE REPORTING DATE

Refinancing of the loan with Macquarie Bank

On February 15, 2024, the loan with Macquarie Bank was refinanced with an increase in the amount by USD 3.5 million. The loan was approved for a period of 5 years. Principal repayment is made quarterly in varying amounts per year, with a balloon payment of USD 4.4 million at the end of the period and an unchanged interest rate. Interest payments are made quarterly.