JADROPLOV d.d., SPLIT

CONSOLIDATED ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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

Management report

The Management Board presents its annual report for the year ended 31 December 2020.

Principal activity

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

As at 31 December 2020, the Group's fleet consisted of 6 ships, with a total capacity of 292,939 deadweight tonnage (DWT) and average age of 14.75 years.

Supervisory Board

Supervisory Board members were as follows: Vesna Gudelj (President), Ksenija Koščević Čuvalo (Vice-president), Siniša Prnjak, Goran Matešić (as of 07 December 2020) and Tibor Konjevod (as of 07 December 2020).

Management Board

Management Board members were as follows: Branimir Kovačić (President) and Mario Radačić (members), with a 5-year mandate until 31 July 2022.

Shareholder structure of Jadroplov d.d. (as at 31 December 2020)	**Number of shares**	**Capital share %**
Restructuring and Sale Center	1,152,904	70.44%
Domestic natural persons	427,428	26.11%
Financial institutions	37,161	2.27%
Companies	5,123	0.31%
Foreign investors	4,047	0.25%
Treasury shares	10,011	0.61%
Total	**1,636,674**	**100.00%**

Total number of shareholders as at 31 December 2020 was 2,826.

Result

The Group's total result realized in 2020 amounted to HRK 101,360 thousand (USD 16,517 thousand) in gains (2019: HRK 294,713 thousand (USD 44,181 thousand) in loss). With the exclusion of the negative effect of foreign exchange differences amounting to HRK 12,388 thousand (i.e. the positive effect of foreign exchange differences amounting to USD 126 thousand) (2019: HRK 2,249 thousand (USD 247 thousand)) and the cost of value adjustment of vessels amounting to HRK 2,971 thousand (USD 484 thousand) (2019: HRK 219,898 thousand (USD 33,068 thousand)), the actual operating results balance would amount to HRK 116,719 thousand (USD 16,869 thousand) in gains (2019: HRK 71,652 thousand) (USD 10,866 thousand).

Significant events during 2020

(1) *Trends in the shipping market*

In 2020, the global economy suffered a downturn in relation to 2019 on account of the Covid-19 pandemic.

Global GDP dropped by 3.3% in 2020 compared to 2.8% in 2019.

Same as in the previous year, in 2020 China retained its primacy in terms of its GDP with a growth rate of 2.3%. The rest of the world recorded a drop in GDP. The slightest drop was recorded in the USA with a drop rate of 3.5% and in Japan with a drop rate of 4.8% compared to the prior year.

The European Union's economy took a downturn and annual GDP fell by 6.6% in comparison to 2019, when GDP grew by 1.3%.

These indicators had an adverse effect on global trade as a whole and, thus, maritime transport of goods.

During 2020, maritime commerce dropped by 3.4%. Thereof, the transportation of oil and oil derivatives dropped by 8.9%, container transport by 1.4% and dry bulk transportation decreased by 1.6%.

Throughout the year, transportation capacity of the dry bulk carrier fleet increased by 3.8%, but the market segment with the capacity from 40,000 to 65,000 DWT, which grew at the rate of 3.6%, is of particular interest to us.

The Company possesses 5 dry bulk carriers. Therefore, we will give a brief overview of this particular maritime market segment.

Dry bulk freight market

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

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

- 12 February 2016 – 243 points
- 22 April 2016 – 558 points
- 23 December 2016 – 903 points
- 08 June 2017 – 649 points
- 22 December 2017 – 914 points
- 13 February 2018 – 817 points
- 11 October 2018 – 1,207 points
- 07 February 2019 - 414 points
- 04 September 2019 – 1,351 points
- 23 April 2020 - 383 points
- 06 October 2020 – 985 points.

Significant events during 2020 *(continued)*

(1) <u>*Trends in the shipping market (continued)*</u>

This market segment has been in recession since 2010, and reached its historical minimum on 12 February 2016, when the index value amounted to 243, after which the market bounced back and the index strengthened.

Annual average of hire rates in USD:

	T/C BCI	T/C BPI	T/C BSI	T/C BHSI
2017	15,751	9,812	10,680	7,840
2018	16,276	11,670	12,783	8,945
2019	17,880	12,301	10,867	9,608
2020	13,220	9,945	8,813	8,395
% change in relation to 2019	-26.1	-19.2	-18.9	-12.6

The above table shows that BDI dropped from 26.1% to 12.6% compared to 2019 for all types of dry bulk carriers.

This is primarily due to the drop in the bulk cargo trade as a result of the pandemic and the simultaneous increase in fleet capacity in the observed period, that grew in the relevant period by 3.8% on an annual basis in 2020. In the prior year, due to the impact of the pandemic, the increase in fleet capacity was disproportionate to the increase in the dry bulk freight market. In 2019, the fleet capacity increased by 3.9%, accompanied by a growth in the bulk cargo trade of 2.2%. In 2020, the fleet increased by 3.8%, while maritime cargo commerce increased by 1.4%. This data demonstrates the imbalance in supply and demand, and further market trends will be determined by the movement of oil prices and time necessary for the recovery of the world economy.

Events subsequent to the date of the statement of financial position

(1) <u>*Trends in the maritime market*</u>

a) <u>*Dry bulk market*</u>

Freight rates are higher in 2021 than in 2020.

The daily charter rate - hire expressed in USD (for a period of 12 months) for the modern “Handymax” and “Supramax” vessels in the first weeks of the months was as follows:

Year/ Month	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
2018	**11,000**	**11,750**	**13,000**	**13,000**	**13,250**	**13,250**	**13,000**	**13,000**	**13,250**	**13,250**	**12,750**	**12,000**
2019	**11,750**	**9,500**	**11,125**	**10,000**	**10,625**	**9,125**	**9,750**	**9,750**	**12,438**	**9,750**	**11,000**	**11,000**
2020	**9,375**	**9,813**	**9,625**	**9,313**	**8,625**	**9,625**	**9,875**	**10,063**	**10,625**	**10,625**	**9,563**	**10,250**
2021	**11,250**	**12,313**	**16,875**	**15,750**								

Subsequent events (continued)

The above table shows that daily charter rates were substantially higher than than in the beginning of 2020.

b) Expectations for 2021

According to the order books, around 55.6 million DWT of new dry bulk deliveries should have been made in 2020, out of which the Handymax sector accounted for about 9.7 million DWT. Realized deliveries amounted to 32.69 million DWT. This data is important because the realisation of deliveries was around 59% of what was planned due to the pandemic. Considering the overall market situation, a further decline in the influx of newly built vessels is expected due to the market saturation of new container vessels. Demolition activity of older ships shows that 3.081 million DWT was scrapped up on the global market up to 13 March of this year, compared to 4.191 million DWT up to 13 March of the year before. During last year, 15.434 million DWT of bulk carriers was scrapped. If we look at the realisation in this year’s Q1, the fleet capacity grew by 0.9%, which would result in a 3.6% growth p.a. Further increase in capacity will be based on financial assets available and the size of ships intended for demolition, considering the entry into force of new regulations.

Application of new regulations, more demanding environmental protection regulations and movement in energy prices should define the operating guidelines for shipping companies in the following period.

Having focused on the gradual cost reduction in previous years, Jadroplov managed to become cost competitive in relation to other international dry bulk shipping companies, enabling the Company’s quick recovery in case of moderate market improvements.

In this year, the turnover is expected to increase and the impact of the Covid-19 pandemic is expected to decrease.

Business projections for 2021

In the second semester of 2021, considering the currently strong market, freights are expected to stabilise, which could make the 2021 business results exceed those of 2020.

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

Risks that the Company is exposed to

Market risk

The Group operates in the international shipping market, and therefore is exposed to considerable market risk due to cyclical changes in supply and demand in the shipping market, which affects the level of freights. Also, there are risks due to potential changes in foreign exchange rates.

Interest risk

The Group is exposed to interest rate risk as it borrows funds at floating interest rates. All of the Group loans were contracted at variable interest rates. The Company does not have instruments to hedge against interest rate risk.

Credit risk

Credit risk is related to trade receivables, and refers to the risk of not meeting contractual obligations of the counter party, whereby the Group would have suffered financial losses. The Group has no significant concentration of credit risk because it has adopted a policy of operating only with creditworthy parties, i.e. giving ships into lease to first class charterers.

Currency risk

Since the Group operates in the international market, most transactions are denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The Group is mainly exposed to the currencies of the countries whose currency is USD and EUR.

Liquidity risk

Due to the prolonged crisis in the shipping market and the historically low freight rates that reached the lowest level in 2016, the Group operates under conditions of aggravated liquidity. Considering the historically low rates recorded in the previous period, in order to ensure the existence of the Group, negotiations with the Group's creditors on the deferral of the principle were made, which allowed the maintenance of the level of liquidity sufficient for the operational business of the Group. In order to improve liquidity, the Company has undertaken several measures. For more details on liquidity risk, see Note 2 (b).

Environment protection

The Company's principal activity is international maritime transport, which means that it is exposed to environmental risk. In 2019, there were no environmental incidents. In order to increase environmental protection, great attention is paid to regular maintenance and renewal of the fleet, and also to the professional training of maritime personnel.

Share buy-back

In 2020, no shares were bought back from the Company nor the Company's Management Board.

Subsidiaries

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

For and on behalf of the Management Board:

Branimir Kovačić	**Mario Radačić**
President of the Board	Member of the Board

B. Kovačić

30 April 2021

JADROPLOV LTD
INTERNATIONAL MARITIME TRANSPORT
SPLIT, CROATIA
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Corporate governance statement

General info

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 regulations of the Republic of Croatia. The goal of such corporate governance is to ensure an effective and transparent distribution of corporate body roles and responsibilities, balanced strategic oversight, management and control functions, with emphasis on risk management and property protection.

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

Corporate governance structure

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

General Assembly

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

The regular annual General Assembly was held on 07 December 2020.

Supervisory Board

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

Supervisory Board members were as follows: Vesna Gudelj (President), Ksenija Koščević Čuvalo (Vice-president), Siniša Prnjak, Goran Matešić (as of 07 December 2020) and Tibor Konjevod (as of 07 December 2020).

Management Board

The Management Board manages the Company's affairs, designs business plans and controls their realization, and coordinates the activities of individual organizational units of the Company. The number of board members varies from one to five. Management Board members were as follows: Branimir Kovačić (President) and Mario Radačić (member), with a 5-year mandate until 31 July 2022.

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

Complete control systems include the following:

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

Branimir Kovačić
President of the Board

B. Kovačić

Mario Radačić
Member

30 April 2021

JADROPLOV LTD
INTERNATIONAL MARITIME TRANSPORT
SPLIT, CROATIA
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Statement of the Management Board's responsibility

Pursuant to the Accounting Act of the Republic of Croatia, the Management Board is responsible for ensuring that consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs") to give a truthful and objective review of the financial position and the results of the business operations of Jadroplov d.d. and its subsidiaries ("the Group") for that reporting period.

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

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

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

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

The consolidated financial statements set out on pages 16 to 55 and supplementary information set out on pages 56 to 57 were authorised by the Management Board and are signed below to signify this.

Signed on behalf of the Management Board on 30 April 2021.

Branimir Kovačić
President

B. Kovačić

Mario Radačić
Member

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INTERNATIONAL MARITIME TRANSPORT
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Deloitte d.o.o.
ZagrebTower
Radnička cesta 80
10 000 Zagreb
Croatia
TAX ID: 11686457780

Tel: +385 (0) 1 2351 900
Fax: +385 (0) 1 2351 999
www.deloitte.com/hr

INDEPENDENT AUDITOR'S REPORT

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

Statement of Audit of the Consolidated Financial Statements

Opinion

We have audited the financial statements of Jadroplov d.d. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, consolidated statement of comprehensive income of the Group, consolidated statement of changes in equity of the Group, and consolidated statement of cash flows of the Group for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies ("financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs").

Basis for Opinion

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

Emphasis of Matter

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

Going concern
We draw attention to *note 2.1. c) Going concern* to the financial statements, stating that, as at 31 December 2020, current liabilities of the Group exceed current assets by HRK 40,026 thousand (2019: HRK 295,758 thousand), and describing the measures the Management Board has undertaken or plans to undertake to ensure its future operations as a going concern. As detailed in note 2.1 c), the relevant circumstances point to the existence of material uncertainty 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.

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

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INDEPENDENT AUDITOR'S REPORT (continued)

Statement of Audit of the Financial Statements (continued)

Key Audit Matter

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

<table>
<tr><th>Key Audit Matter</th><th>How Our Audit Addressed the Key Audit Matter</th></tr>
<tr><td>Valuation and impairment of investments in vessels

The Group realised net profit amounting to HRK 101,360 thousand (2019: HRK 294,713 thousand) in the year ended 31 December 2020.
Furthermore, worsened economic outlook and low hire rates on the dry bulk market represent indicators of potential impairment of non-current tangible assets of the Group, i.e. its fleet.
In line with the International Accounting Standard 36: Impairment of Assets, the Management Board of the Group must test individual items of non-current tangible assets or cash-generating units for items with indications that assets may be impaired.
Any such impairment is recognised in the amount in which the net carrying value of the assets, i.e. cash-generating unit, exceeds its recoverable amount.
The estimation of the recoverable amount of vessels, which is generally considered to be their value in use (based on discounted cash flow models) or, in some cases fair value less costs to sell, relies on significant judgements and assumptions about the future, including:
- future profitability growth,
- capital expenditure,
- working capital,
- residual value,
- inflation and the most appropriate discount rate.

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

INDEPENDENT AUDITOR'S REPORT (continued)

Statement of Audit of the Financial Statements (continued)

Basis for Opinion (continued)

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

Other Information

The Management Board is responsible for other information. The other information comprises the information included in the consolidated annual report, but does not include the financial statements and our Independent Auditor's Report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. With respect to the Group's Management Report and the Corporate Governance Statement, which are included in the Annual Report, we have also performed the procedures prescribed by the Accounting Act. These procedures include the examination of whether the consolidated Management Report and Corporate Governance Statement include the required disclosures as set out in Articles 21, 22 and 24 of the Accounting Act and whether the Corporate Governance Statement includes the information specified in Articles 22 and 24 of the Accounting Act.

Based on the procedures performed during our audit, to the extent we are able to assess it, we report that:

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

Based on the knowledge and understanding of the Group's operations and the environment in which it operates we gained during our audit of the financial statements, we have not identified any material misstatement in the other information.

Statement of Audit of the Consolidated Financial Statements (continued)

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

The Management Board is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and for such internal control as the Management Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Management Board is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Management Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the financial reporting process established by the Group.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board;
- Conclude on the appropriateness of the Management Board'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 the auditor’s report to the disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern;

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INDEPENDENT AUDITOR'S REPORT (continued)

Statement of Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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 and appropriate audit evidence in connection with the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for directing, overseeing and performing the audit of the Group. We are solely responsible for our audit opinion.

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

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

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

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INDEPENDENT AUDITOR'S REPORT (continued)

Reporting in line with Other Legal and Regulatory Requirements

Other Regulatory Requirements of Regulation (EU) No. 537/2014 of the European Parliament and the Council and Audit Act

We were appointed as the statutory auditor of the Group by the shareholders on 12 December 2020 to perform the audit of accompanying consolidated financial statements. Our total uninterrupted engagement has lasted 2 years and covers the period from 01 January 2019 to 31 December 2020.

We confirm that:

- Our audit opinion on the accompanying financial statements is consistent with the additional report issued to the Audit Committee of the Company on 30 April 2021 in accordance with the Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council;
- No prohibited non-audit services referred to in the Article 5 (1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided.

There are no services, in addition to the statutory audit, which we provided to the Company and its controlled undertakings, and which have not been disclosed in the consolidated Annual Report.

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

Domagoj Vuković
Director and Certified Auditor

30 April 2021

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

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

Consolidated statement of comprehensive income

for the year ended 31 December 2020

(All amounts are expressed in thousands of HRK)

	Note	2020	2019
			restated
Operating income	3	82,833	111,722
Other operating income	4	13,495	26,344
Total operating income		**96,328**	**138,066**
Vessel operating costs	5	(107,908)	(128,621)
Depreciation and amortization expense	10.11	(21,103)	(42,584)
Staff expenses	6	(5,395)	(5,297)
Other operating expenses	7	(10,948)	(226,882)
Total operating expenses		**(145,354)**	**(403,384)**
Operating loss		**(49,026)**	**(265,318)**
Finance income	8	202,971	1,950
Finance expenses	8	(52,568)	(31,347)
Net finance income/(expenses)		**150,403**	**(29,397)**
Profit/(loss) before tax		**101,377**	**(294,715)**
Income tax	9	(17)	2
Profit/(loss) for the year		**101,360**	**(294,713)**
Profit attributable to:			
Owners of the Group		**101,360**	**(294,713)**
Non-controlling interest		**-**	**-**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange rate differences arising on translating the foreign operations			
Exchange rate differences arising during the year		(4,353)	8,115
Other comprehensive (loss)/income for the year attributable to owners		**(4,353)**	**8,115**
Total comprehensive income/(loss) attributable to owners		**97,007**	**(286,598)**
Basic and diluted profit/(loss) per share (in HRK)	19	**62.31**	**(181.17)**

The accompanying notes on pages 20 to 66 form an integral part of these consolidated financial statements.

Consolidated statement of financial position
as at 31 December 2020
(All amounts are expressed in thousands of HRK)

	Note	31/12/2020	31/12/2019	01/01/2019
ASSETS			*restated*	*restated*
Property, plant and equipment;	10	359,077	412,978	656,800
Intangible assets	11	-	-	1
Deferred tax assets	9	18	35	33
Non-current assets		**359,095**	**413,013**	**656,834**
Inventories	12	4,047	3,023	4,542
Assets held at amortised cost				
- Trade receivables	13	4,180	2,526	1,604
- Fuel receivables	13.1	4,015	3,452	7,575
- Cash and cash equivalents	17	1,662	607	1,517
- Term deposits	16	13,696	3,638	3,546
- Loans to employees		5	5	63
- Other receivables	15	1,532	4,526	5,152
Prepaid expenses and advance payments	14	17,678	18,263	11,185
Current assets		**46,815**	**36,040**	**35,183**
Total assets		**405,910**	**449,053**	**692,017**
EQUITY AND LIABILITIES				
Share capital	18	16,367	81,834	81,834
Own shares	18	(2,423)	(2,423)	(2,423)
Reserves for own shares		2,423	2,423	2,423
Translation reserves	18	230,638	234,991	226,876
Loss carried forward and profit/(loss) for the year		(204,056)	(370,885)	(76,170)
Equity		**42,949**	**(54,059)**	**232,540**
Debts for which interests are calculated	20	275,965	171,134	164,246
Provisions	21	155	180	170
Non-current liabilities		**276,120**	**171,314**	**164,416**
Interest-bearing borrowings and accrued interest	20	45,730	276,046	256,127
Trade and other payables	22	41,111	55,752	38,934
Current liabilities		**86,841**	**331,798**	**295,061**
Total liabilities		**362,961**	**503,112**	**459,477**
Total equity and liabilities		**405,910**	**449,053**	**692,017**

The accompanying notes on pages 20 to 66 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2020

(All amounts are expressed in thousands of HRK)

	Shareholders' equity	Treasury shares	Reserves for treasury shares	Translation reserves	Loss carried forward and (loss)/profit for the year	Total
As at 31 December 2018	**81,834**	**(2,423)**	**2,423**	**226,876**	**(76,170)**	**232,540**
Total comprehensive income						
Loss for the year (restated) (note 2a)	-	-	-	-	(294,713)	**(294,713)**
Other comprehensive income						
Translation reserves	-	-	-	8,115	-	**8,115**
Total other comprehensive income	-	-	-	8,115	-	**8,115**
Total comprehensive income	**-**	**-**	**-**	**8,115**	**(294,715)**	**(286,600)**
As at 31 December 2019	**81,834**	**(2,423)**	**2,423**	**234,991**	**(370,885)**	**(54,059)**
Total comprehensive income						
Profit for the year	-	-	-	-	101,360	**101,360**
Other comprehensive income						
Translation reserves	-	-	-	(4,353)	-	**(4,353)**
Total other comprehensive income	-	-	-	(4,353)	-	**(4,353)**
Total comprehensive income	**-**	**-**	**-**	**(4,353)**	**101,360**	**97,007**
Losses covered by reduction of share capital	(65,467)	-	-	-	65,467	**-**
As at 31 December 2020	**16,367**	**(2,423)**	**2,423**	**230,638**	**(204,056)**	**42,949**

The accompanying notes on pages 20 to 66 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2020

(All amounts are expressed in thousands of HRK)

	Note	2020	2019
Operating activities			***restated***
Profit/(loss) for the year before tax		101,377	(294,715)
Adjustments for:			
Amortisation	10.11	21,103	42,585
Net carrying value of written-off equipment	10	-	147
Value adjustment of property, plant and equipment	10	2,971	219,898
Value adjustment of trade receivables	7	733	1,164
Value adjustment of other receivables	7	1,340	-
Movement in provisions	21	(25)	10
Written-off principal of received borrowings and interest	8	(187,890)	-
Interest and similar expenses	8	25,123	27,421
Interest and similar income	8	(24)	(273)
Prepaid expenses	14	585	(7,708)
		(34,707)	**(10,841)**
Movements in working capital			
(Increase)/decrease in trade and other receivables		(4,344)	2,866
(Increase)/decrease in inventories		(1,024)	1,519
Increase in trade and other payables		18,607	16,610
Cash used in operating activities		**(21,468)**	**10,154**
Interest paid		(43,190)	(11,177)
Net cash used in operating activities		**(64,658)**	**(1,023)**
Investing activities			
Acquisition of property, plant and equipment	10	(318)	-
Net investment in deposits		(10,058)	-
Proceeds from given loans		-	58
Interest received		24	273
Net cash (used in) / generated from investing activities		**(10,352)**	**331**
Financing activities			
Borrowings	20	274,221	-
Repayment of borrowings	20	(198,156)	(216)
Net cash generated from/ (used in) financing activities		**76,065**	**(216)**
Net increase / (decrease) in cash and cash equivalents		**1,055**	**(910)**
Cash and cash equivalents at the beginning of the year		**607**	**1,517**
Cash and cash equivalents at the end of the year		**1,662**	**607**

The accompanying notes on pages 20 to 66 form an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

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

2. ADOPTION OF NEW AND REVISED STANDARDS

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

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

• Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" - Definition of Material - adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020),

• Amendments to IFRS 3 "Business Combinations" - Definition of a Business, adopted by the EU on 21 April 2020 Amendments to IFRS 3 "Business Combinations" - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period),

• Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" - Interest Rate Benchmark Reform - adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020), (effective for annual periods beginning on or after 01 January 2020),

• Amendments to IFRS 16 "Leases" - Covid-19-Related Rent Concessions (adopted by the EU on 9 October 2020 and effective at the latest, as from 1 June 2020 for financial years starting on or after 1 January 2020),*

• Amendments to References to the Conceptual Framework in IFRS Standards adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020).

The adoption of amendments to the existing standards has not led to any material changes in the Group's financial statements.

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

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

At the date of authorisation of these financial statements, the following amendments to the existing standards were issued by IASB and adopted by the EU and which are not yet effective:

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

- Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases" - Interest Rate Benchmark Reform — Phase 2 adopted by the EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021).

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

At present, IFRSs as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to existing standards, which were not endorsed for use in EU as at 16 March 2021 (the effective dates stated below refer IFRSs as issued by IASB):

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

- IFRS 17 "Insurance Contracts" including amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023),

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

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

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

- Amendments to IFRS 3 "Business Combinations" - Reference to the Conceptual Framework with amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2022),

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

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

The adoption of amendments to the existing standards has not led to any material changes in the Group's financial statements.

2.1. SIGNIFICANT ACCOUNTING POLICIES

a. OPENING BALANCE ADJUSTMENT

In 2020, certain restatements were made in relation to the financial statements of the Company for the year 2019 and prior periods. The reasons for the restatements and specific restated positions are provided below.

/i/ Reclassification of fuel inventory

In prior periods and certain transactions, the Group simultaneously contracted the sale and repurchase of fuel inventory in vessels in operating lease. Since the transactions were completed at pre-agreed prices, that do not match the market prices, the Group did not gain control of the fuel inventory at the end of the reporting period. Thus, the fuel does not constitute an inventory controlled by the Group, but a receivable from the current lessee as at the reporting date for the contracted value of the fuel upon the termination of the lease.

In 2020, the Group, in line with the requirements of IAS 8: "Accounting Policies, Changes in Accounting Estimates and Errors", stipulating that the entity needs to adjust the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied.

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

- fuel inventory as at 01 January 2019 was reduced by HRK 7,574 thousand and fuel receivables were increased in the equivalent amount;
- fuel inventory as at 31 December 2019 were reduced by HRK 4,367 thousand;
- fuel receivables as at 31 December 2019 were increased by HRK 3,452 thousand;
- loss for the business year 2019 was increased by HRK 914 thousand.

The overview of the relevant restated opening balances of the comparative period (01/01/2019) and closing balances of the comparative period (31/12/2019) due to the described correction of the accounting error for prior periods is provided in Table 1 and Table 2.

/ii/ Fuel income and fuel costs

In prior periods, the Group presented certain fuel purchase and sale transactions, with equal purchase and sale prices, on a gross basis. The Group recorded the relevant transactions on a gross basis, recognising fuel income and costs, although fuel in certain transactions is not controlled by the Group, which is not in line with the International Financial Reporting Standard 15: Revenue from contracts with customers. The Group retroactively recognised the relevant transactions on a net basis. Furthermore, the Group did not examine the fuel quantity in vessels as at 31/12/2019, thus recognising a fuel quantity greater than the actual quantity. The Group retroactively recognised the actual fuel quantity and recognised the adequate cost.

In 2020, the Group, in line with the requirements of IAS 8: "Accounting Policies, Changes in Accounting Estimates and Errors", stipulating that the entity needs to adjust the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied.

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

- fuel income and fuel costs as at 31/12/2019 have been decreased by HRK 37,410 thousand, resulting from the fuel sale and purchase transaction, with equal purchase and sale prices;
- fuel costs as at 31/12/2019 were increased by HRK 914 thousand;
- loss for the year 2019 was increased by HRK 914 thousand.

The overview of the relevant restated closing balances of the comparative period (31/12/2019) due to the described correction of the accounting error for prior periods is provided in Table 3.

(All amounts are expressed in thousands of HRK)

2.1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. OPENING BALANCE RESTATEMENTS

Table 1 - Restatements in the Consolidated statement of financial position as at 01 January 2019:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 01 January 2019		(in HRK '000)		
		Disclosed in 2018	**Restatements**	**Restated in 2018**
	INVENTORIES			
	Inventories (fuel) /i/	10,024	(7,574)	**2,450**
	FUEL RECEIVABLES			
	Fuel receivables /i/	-	7,574	**7,575**

Table 2 - Restatements in the Consolidated statement of financial position as at 31 December 2019:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 December 2019		(in HRK '000)		
		Disclosed in 2019	**Restatements**	**Restated in 2019**
	INVENTORIES			
	Inventories (fuel) /i/	5,588	(4,367)	**1,221**
	Fuel receivables /i/	-	3,452	**3,452**
	Profit/(loss) for the year /i/	(293,799)	(914)	**(294,715)**

Table 3 - Restatements in the Consolidated statement of comprehensive income for 2019:

		Note	(in HRK '000)		
			Disclosed in 2019	**Restatements**	**Restated in 2019**
	OPERATING INCOME				
	Other operating income (fuel income) /ii/		49,794	(37,410)	12,384
	TOTAL OPERATING EXPENSES				
	Vessel operating expenses (fuel) /ii/		59,581	(38,324)	23,085
	LOSS BEFORE TAXATION		**(293,801)**	**(914)**	**(294,715)**
	Income tax		2	-	2
	LOSS FOR THE YEAR		**(293,799)**	**(914)**	**(294,713)**
	Loss per share		(180.61)	(0.56)	(181.17)

2.1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The principal accounting policies adopted are set out below.

a) Basis of presentation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The financial statements have been prepared on the historical cost basis. The consolidated financial statements of Jadroplov d.d. include assets and liabilities, i.e. income and expenses of the following subsidiaries wholly owned by Jadroplov d.d.:

1. April Marine Inc., Monrovia, Liberia
2. Bene Maritime Inc., Majuro, Marshall Islands
3. Mosor Maritime Inc., Majuro, Marshall Islands
4. Peristil Maritime Inc., Majuro, Marshall Islands
5. Radunica Maritime Inc., Majuro, Marshall Islands
6. Split Maritime Inc., Majuro, Marshall Islands
7. Trogir Maritime Inc., Majuro, Marshall Islands

The financial statements are denominated in Croatian kuna (HRK) and rounded to the nearest thousand. At 31 December 2020, the exchange rate for USD 1 was HRK 6.14 and for EUR 1 was HRK 7.54 (31 December 2019: USD 1 was HRK 6.65 and EUR 1 was HRK 7.44).

b) Use of estimates and judgements

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

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

2.1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Going concern

In the year ended 31 December 2020, the Group recorded profit after tax amounting to HRK 101,360 thousand (2019: HRK 294,713 thousand). Furthermore, as at 31 December 2020, the Group's current liabilities exceeded its current assets by HRK 40,026 thousand (2019: HRK 295,758 thousand).

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

In addition, it should be noted that the Group obtained a permit from the European Commission on 02 May 2018, as a process for the realisation of its restructuring plan, which was realised in 2020.

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

In 2020, new borrowings were contracted amounting to HRK 274,221 thousand and existing loan liabilities amounting to HRK 361,982 thousand were extinguished, of which HRK 198,156 thousand were paid and HRK 163,827 were written off (as provided in note 20, under items 1, 2, and 3).

Furthermore, activities concerning further possible financing with foreign creditors are currently under way in order to decrease interest expenses and improve overall maturity of borrowings.

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

In addition, the Group is considering another option envisaged in the restructuring plan, that is to sell the property which currently holds the Group's registered seat, in order to improve the Group's solvency.

The restructuring plan foresees the recapitalisation of the Company, that should additionally contribute to the improvement in working capital and ensure the company's position for the realisation of planned investments into new vessels of the future.

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

2.1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Consolidation

Subsidiary undertakings are enterprises controlled by the Company. Control is achieved when the investor has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns. The consolidated financial statements incorporate the financial statements of the subsidiaries from the effective date of acquisition and up to the effective date on which the Company has no longer control over a subsidiary. A listing of subsidiaries is provided in note 2a.

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

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

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

e) Foreign currencies

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

(i) Foreign currency transactions

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

(ii) Financial statements of foreign operations

Assets and liabilities are translated in HRK at the exchange rate at the reporting date, while items of income and expense are translated at the exchange rate at the date of the transaction. Resulting exchange rate differences are recognised in statement of comprehensive income within reserves (translation reserves), through a cumulative translation adjustment. Translation of subsidiary company balances into HRK at year end is done using the current rate method.

2.1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Property, plant and equipment

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

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

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

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

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

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

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

g) Repairs and maintenance

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

2.1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Intangible assets

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

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

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

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

Estimated useful lives of intangible assets are as follows:

Software	5	years

2.1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Loss resulting from impairment is charged to profit or loss when the carrying value of asset or money generating unit exceeds its recoverable amount. Loss from impairment is charged to profit and loss statement under other operating expenses.

Recoverable amount of assets is the higher of fair value less costs of disposal and value in use. Value in use is estimated through discounting of estimated cash receipts and expenditures, using a discount rate before tax, which reflects the current market estimated time value of money and risks specific to the asset. For assets not generating independent cash receipts, the recoverable amount is determined based on the group to which the asset belongs.

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

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

2.1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Leases

The Group as a lessee

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using 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 comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of 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 remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

2.1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Leases (continued)

The Group did not make any lease adjustments during the periods presented. The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The 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, Plant and Equipment' policy.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contracts that contain 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 lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2.1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Inventories

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

l) Financial assets

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

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

(I) Financial assets measured at amortised cost

Jadroplov measures financial assets at amortised cost if both of the following conditions have been met: the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows; and contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets at amortised cost are subsequently measured using the effective interest rate method and are subject to impairment. All gains or losses arising from the derecognition, adjustment or impairment of assets are recognised in profit or loss. Financial assets at amortised cost include trade and other receivables, prepaid expenses and accrued income, and deposits given.

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

2.1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Financial assets (continued)

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

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

m) Receivables

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

n) Cash

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

o) Liabilities

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

p) Provisions

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

2.1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q) Retirement benefit and jubilee awards costs

The Group has no defined post-retirement benefit plans for its employees or management in Croatia or abroad. Accordingly, the Group has no outstanding liabilities in this respect, either to its present or former employees. The Group makes payments to its employees for retirement benefits and jubilee awards in accordance with the Rules of operation. Retirement benefit right is defined as a HRK 8,000 lump sum per employee. Employees earn jubilee awards under the following criteria:

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

r) Revenue

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

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

Time charter – lease income

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

2.1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r) Revenue (continued)

Voyage charters

In case of voyage charters, the vessel is contracted for a single journey between two or more ports. Jadroplov transfers the control of services over time and thus satisfies the performance obligation over time and recognises income, since the customer simultaneously receives and uses the benefits resulting from Jadroplov's performance, while Jadroplov satisfies the performance obligations. The satisfaction of the performance obligation in the voyage charter starts when the vessel begins loading cargo. Jadroplov established that its voyage charters entail a single performance obligation concerning shipping cargo within a certain period of time. Therefore, the performance obligation is satisfied evenly as the journey progresses and, as a result, revenue is recognised on a straight-line basis from the moment cargo loading starts until cargo loading ends.

Jadroplov uses the output method for measuring the progress towards complete satisfaction of the performance obligations based on the time elapsed. Output methods recognise revenues based on direct measuring of the value goods or services transferred by a certain date have for the customer, in relation to the remaining goods or services promised in the contract.

Time charters are considered operating leases and do not, therefore, fall into the scope of IFRS 16 because (i) Jadroplov holds the right to substitute assets; and (ii) the customer has the right to control the use of a vessel during the contract term.

Jadroplov uses a practical solution from IFRS 15.B16 since it has the right to consideration from the customer in the amount which directly corresponds to the value – it recognises revenue in the amount it is entitled to invoice.

Commission costs for contracts are depreciated during the contract term, unless the depreciation period lasts for 1 year or less, in which case it is recognised as revenue when incurred.

s) Government grants

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

2.1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t) Net finance (costs)/income

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

Interest expense on borrowings is recognised in profit or loss using the applicable interest rate. Borrowing costs for loans raised to finance items of property, plant and equipment that take a substantial period of time to get ready for their intended use are capitalised.

Interest income arising from receivables is recognised in profit or loss in the period when incurred. Dividend income is recognised in profit or loss when declared.

u) Tax

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the date of the financial statements, and any adjustment to tax payable in respect of previous years. Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The measurement of deferred tax is based on the assumed manner of realisation or settlement of the carrying amount of assets and liabilities, based on tax rates enacted at the reporting date. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available. Deferred tax assets are reduced by the amount that is no longer a probable tax relief.
Income tax was calculated based on the regulations and acts in currently in force. Jadroplov has been included in the system of tonnage tax for a 10-year period on 01 January 2014. Companies meeting the requirements stipulated in the Maritime code and choosing the tonnage tax option are required to stay in the system for ten years. The condition is that the relevant company is a shipping company and income taxpayer in the Republic of Croatia based on all of its belonging profit. Another condition is to manage ships meeting all stipulated requirements and, most importantly, to engage in strategic and commercial management of ships in Croatia. Tonnage tax is not covered in IAS 12.

Jadroplov has been included in the system of tonnage tax for a 10-year period on 01 January 2014. Companies meeting the requirements stipulated in the Maritime code and choosing the tonnage tax option are required to stay in the system for ten years. The condition is that the relevant company is a shipping company and income taxpayer in the Republic of Croatia based on all of its belonging profit. Another condition is to manage ships meeting all stipulated requirements and, most importantly, to engage in strategic and commercial management of ships in Croatia.

v) Operating segments

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

2.2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, as described in Note 2, the Management Board is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from 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 revision and future periods if the revision affects both current and future periods. Please find below the Management Board's key judgements description, during the process of implementation of the Company's accounting policies, which have affected the amounts recognised in the consolidated financial statements the most.

Revenue recognition

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

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

Impairment of financial assets

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

Provisions for contingent liabilities

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

Vessel depreciation

Residual value is estimated as “lightweight” tonnage of each vessel multiplied by an expected “scrap” value per tonne estimated at USD 365 per tonne, which represents the market price of steel scrap, determined based on data disclosed on the website Clarksons Shipping Intelligence Network (http://www.clarksons.net/sin2010) maintained by Clarkson Research Services Limited, London, England.

Impairment of value of vessels and dry-docking costs

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

(All amounts are expressed in thousands of HRK)

3. OPERATING INCOME

	2020	2019
- Time charter	82,833	101,606
- Voyage charter	10,116	10,116
Route charter shipping – operating lease	**82,833**	**111,722**

4. OTHER OPERATING INCOME

	2020	2019
Write-off of liabilities	-	246
Fuel income	4,588	12,384
Hold cleaning	2,076	1,809
Insurance refunds and damage claims	1,998	3,514
Income from grants for trainee boarding	1,217	900
Rental income	1,015	952
Income from court proceedings	257	591
Restructuring subsidy	-	5,000
Other	2,344	948
	13,495	**26,344**

5. VESSEL OPERATING COSTS

	2020	2019
Crew costs	34,922	38,690
Materials and spare parts	19,086	23,679
Fuel costs	12,302	23,085
Dry-docking costs	9,975	5,990
Insurance	7,844	8,160
Repairs and maintenance	7,056	6,844
Costs resulting from the lessee's inability to use the vessel	5,324	7,637
Brokerage, agency, commissions	4,095	5,751
Port costs	171	800
Other	7,133	7,985
	107,908	**128,621**

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

(All amounts are expressed in thousands of HRK)

6. STAFF EXPENSES

	2020	**2019**
Net wages and salaries	3,034	2,977
Taxes and contributions from salaries	1,258	1,237
Contributions on salaries	687	688
Other employee expenses	416	395
	5,395	**5,297**

The number of employees at the year-end was 34 (2019: 31).

Remuneration to Management Board members:

	2020	**2019**
Gross salaries	644	769
Other benefits (benefits in kind)	-	1
	644	**770**

7. OTHER OPERATING EXPENSES

	2020	**2019**
Value adjustment of property, plant and equipment	2,971	219,898
Value adjustment of other receivables from SSM	1,340	-
Intellectual services	1,326	539
Other services	1,114	1,131
Bank charges and commissions	873	924
Value adjustment and write-off of trade receivables (note 13), net	733	1,164
Damage compensations	669	379
Taxes and contributions irrespective of operating result	562	575
Raw materials	378	423
Fees to Supervisory Board members	123	139
Business travel expenses	74	456
Other	785	1,254
	10,948	**226,882**

The largest portion of expenses in item 'Other services' relates to current maintenance costs amounting to HRK 201 thousand (2019: HRK 221 thousand), legal costs amounting to HRK 305 thousand (2019: HRK 214 thousand), post services amounting to HRK 169 thousand (2019: HRK 166 thousand) and utility services amounting to HRK 101 thousand (2019: HRK 109 thousand). In the item 'Other', the largest portion of expenses relates to membership, administrative, and court fees amounting to HRK 160 thousand (2019: HRK 229 thousand), insurance costs amounting to HRK 220 thousand (2019: HRK 184 thousand), and the right to use software amounting to HRK 112 thousand (2019: HRK 121 thousand).

(All amounts are expressed in thousands of HRK)

8. FINANCE INCOME AND EXPENSES

	2020	2019
Interest and similar income	24	273
Foreign exchange gains	15,057	1,677
Written-off principal of received borrowing and interest	187,890	-
Total finance income	**202,971**	**1,950**
Interest and similar expenses	(25,123)	(27,421)
Foreign exchange losses	(27,445)	(3,926)
Total financial costs	**(52,568)**	**(31,347)**
Net finance income/(expenses)	**150,403**	**(29,397)**

9. INCOME TAX

Corporate income tax is calculated at a rate of 12% (2019: 12%) on the tax base determined by the Croatian law.

Reconciliation of income tax expense is as follows:

	2020	2019
Current tax expense	-	-
Deferred tax (income)/cost	17	(2)
Income tax	**17**	(2)

Reconciliation of deferred tax assets is as follows:

	2020	2019
Balance as at 1 January	35	33
(Release)/increase of deferred tax assets	(17)	2
Balance as at 31 December	**18**	**35**

(All amounts are expressed in thousands of HRK)

9. INCOME TAX (CONTINUED)

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

The reconciliation of income tax for the year and the profit reported in profit or loss is as follows:

	2020	2019
Profit/(loss) before taxation	**101,360**	**(293,799)**
Loss from shipping activities taxed based on net tonnage	(117,044)	(280,225)
Loss from the activities taxed by income tax	**(15,684)**	**(13,574)**
Income tax at rate of 12%	(1,882)	(1,629)
Non-deductible tax expenses	7	7
Losses for which deferred tax assets have not been recognised	1,858	1,620
Income tax	**17**	**(2)**

Tax losses

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

	2020	2019
Tax loss from 2015 – expires on 31 December 2020	-	(18,609)
Tax loss from 2016 – expires on 31 December 2021	(12,534)	(12,534)
Tax loss from 2017 – expires on 31 December 2022	(12,454)	(12,454)
Tax loss from 2018 – expires on 31 December 2023	(12,066)	(12,066)
Tax loss from 2019 – expires on 31 December 2024	(13,496)	(13,496)
Tax loss from 2020 – expires on 31 December 2025	(15,633)	-
	(66,183)	**(69,159)**

Pursuant to the Article 429 of the Maritime code, which defines terms and conditions of the shipping companies in the international shipping market, shipping companies may choose to have their shipping activities taxed on the basis of the net tonnage of their fleet rather than income tax which they would otherwise have to pay on profits earned from international shipping. Tonnage tax is a tax that is accounted for and paid instead of income tax as regulated by the Income Tax Act, irrespective of profit or loss generated in the tax period for which the tax liability based on net tonnage is determined. Income Tax Act is applied to all other business activities. The Group registered six vessels in the system of tonnage tax. Tonnage tax for 2020 in the amount of HRK 199 thousand (2019: HRK 199 thousand) is disclosed within other operating expenses (note 7).

Based on the amendment to the Income Tax Act in 2017, the Company is obliged to calculate income tax at a rate of 12%, since taxable income for income tax is less than HRK 7.5 million in the tax period.

(All amounts are expressed in thousands of HRK)

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plants and equipment	Vessels	Assets under construction	Total
Cost					
Balance at 01 January 2019	42,335	12,764	1,180,983	147	1,236,229
Additions	-	644	-	53	697
Transfers	-	-	-	(53)	(53)
Decreases	-	(1,602)	-	(147)	(1,749)
Exchange rate differences	-	92	32,991	-	33,083
Balance at 31 December 2019	**42,335**	**11,898**	**1,213,974**	**-**	**1,268,207**
Balance at 01 January 2020	42,335	11,898	1,213,974	-	1,268,207
Additions	-	248	-	70	318
Exchange rate differences	-	(261)	(93,262)	(2)	(93,525)
Balance at 31 December 2020	**42,335**	**11,885**	**1,120,712**	**68**	**1,175,000**
Accumulated depreciation and impairment					
Balance at 01 January 2019	38,886	11,686	528,857	-	579,429
Depreciation charge for the year	997	351	41,236	-	42,584
Impairment	-	-	219,898	-	219,898
Decrease	-	(1,602)	-	-	(1,602)
Exchange rate differences	-	59	14,861	-	14,920
Balance at 31 December 2019	**39,883**	**10,494**	**804,852**	**-**	**855,229**
Balance at 01 January 2020	39,883	10,494	804,852	-	855,229
Depreciation charge for the year	997	429	19,677	-	21,103
Impairment	-	-	2,971	-	2,971
Exchange rate differences	-	(221)	(63,159)	-	(63,380)
Balance at 31 December 2020	**40,880**	**10,702**	**764,341**	**-**	**815,923**
Net carrying value					
Balance at 31 December 2020	**1,455**	**1,183**	**356,371**	**68**	**359,077**
Balance at 31 December 2019	**2,452**	**1,404**	**409,122**	**-**	**412,978**

Property, plant and equipment with a total net value of HRK 358,706 thousand (2019: HRK 412,787 thousand) was pledged as security for the repayment of borrowings (note 20).

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Fleet fair value and impairment

Based on the Management Board's assessment, as at 31 December 2020, the recoverable value of the vessel Bene is below its net carrying value.

Since the fair value less cost to sell of the vessel Bene is below its net carrying value, there are indications of potential impairment, and the Group determined the value in use of the vessel Bene.

In accordance with *IAS 36: Impairment of Assets*, the Group calculated the vessels' value in use by applying a discount rate of 7.2% (2019: 7.2%) to estimated cash flows and risks specific for the Group's assets and activities. Estimated cash flows are based on a five-year business plan, which assumes a 2% growth rate over the next five years (2019: 10%) and a growth rate of 2% in the period after the fifth year until the end of the lifetime of a single vessel (2019: 2%).

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

Considering the selling price of the vessel Bene in 2021, the Group adjusted the net carrying value of the vessel Bene in the amount of HRK 2,971 thousand for 2020.

(All amounts are expressed in thousands of HRK)

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 31 December 2020, the Group owned and operated a fleet of six vessels (2019: six vessels), whose technical description is presented in the following table.

Technical data of the vessels in the fleet of the Group as at 31 December 2020

No.	Vessel	Class	Type	Gross tonnage	Net tonnage	Deadweight tonnage (DWT)	Volume	Engine power - kW	Lifting tonnage	Length (in m)	Width (in m)	Max draft (in m)	Manufactured in	Age (in yrs)	Flag
1	Trogir	CRS, BV	Bulk Carrier	25,600	14,558	44,389	53,648	8,260	4x30	183.00	32.20	11.50	Croatia	19	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	22	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	10	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	10	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	8	Croatia
6	Bene	CRS, LR	Bulk Carrier	27,993	17,077	50,212	58,136	8,090	4x30	189.80	32.26	11.925	Japan	19	Croatia
		TOTAL		**168,402**	**99,015**	**292,939**	**355,209**	**48,200**	**-**	**-**		**-**	**-**	**-**	

(All amounts are expressed in thousands of HRK)

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

In the course of its ordinary business, the Group charters its vessels to various charterers under operating leases. As at 31 December 2020, vessels under operating lease were disclosed in accordance with IAS 16*: Leases*

	Vessels	Plants and equipment	Total
Cost			
Balance at 01 January 2019	1,180,983	2,978	1,183,961
Additions	-	640	640
Exchange rate differences	32,991	92	33,083
Balance at 31 December 2019	**1,213,974**	**3,710**	**1,217,684**
Balance at 01 January 2020	1,213,974	3,710	1,217,684
Additions	-	123	123
Exchange rate differences	(93,262)	(261)	(93,523)
Balance at 31 December 2020	**1,120,712**	**3,572**	**1,124,284**
Balance at 01 January 2019	528,857	2,107	530,964
Depreciation charge for the year	41,236	334	41,570
Impairment	219,898	-	219,898
Exchange rate differences	14,861	59	14,920
Balance at 31 December 2019	**804,852**	**2,500**	**807,352**
Balance at 01 January 2020	804,852	2,500	807,352
Depreciation charge for the year	19,677	413	20,090
Impairment	2,971	-	2,971
Exchange rate differences	(63,158)	(220)	(63,378)
Balance at 31 December 2020	**764,342**	**2,693**	**767,035**
Net carrying value			
Balance at 31 December 2020	**356,370**	**879**	**357,249**
Balance at 31 December 2019	**409,122**	**1,210**	**410,332**

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

All vessels owned by the Group are chartered under operating lease terms, which vary from contract to contract. Lease term ranges from 1 month to 3 months. An average daily charter rate (hire) as at 31 December 2020 amounts to USD 9,320 (2019: USD 7,019).

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

	2020	**2019**
Up to 1 year	1,060	3,274
1 to 5 years	-	-
	1,060	**3,274**

11. INTANGIBLE ASSETS

	Software
Purchase value	
Balance at 01 January 2019	1,373
Additions	-
Balance at 31 December 2019	**1,373**
Balance at 01 January 2020	1,373
Additions	-
Balance at 31 December 2020	**1,373**
Accumulated depreciation	
Balance at 01 January 2019	1,372
Depreciation charge for the year	1
Balance at 31 December 2019	**1,373**
Balance at 01 January 2020	1,373
Depreciation charge for the year	-
Balance at 31 December 2020	**1,373**
Balance at 31 December 2020	**-**
Balance at 31 December 2019	**-**

(All amounts are expressed in thousands of HRK)

12. INVENTORIES

	2020	2019
Lubricants	1,583	1,802
Fuel	2,464	1,221
	4,047	**3,023**

13. RECEIVABLES

	2020	2019
Trade receivables	28,888	29,566
Impairment of trade receivables	(24,708)	(27,040)
	4,180	**2,526**

Ageing of net trade receivables after impairment	**2020**	**2019**
Up to 30 days	3,848	439
30 – 90 days	271	1,118
90 – 180 days	42	146
180 – 365 days	19	388
Over 365 days	-	435
Balance at 31 December	**4,180**	**2,526**

Impairment of trade receivables	**2020**	**2019**
Balance at 01 January	27,040	25,947
Increase (note 7)	733	1,164
Writte-offs	(17)	(274)
Exchange rate differences	(3,048)	203
Balance at 31 December	**24,708**	**27,040**

(All amounts are expressed in thousands of HRK)

13. RECEIVABLES (CONTINUED)

2020

Impairment allowance

	12-month expected credit loss	Lifetime expected loss – no credit losses	Lifetime expected loss - credit losses	Total
Balance at 01 January			**27,040**	**27,040**
Losses recognised in profit or loss	-	-	733	**733**
Decrease in impaired assets balance	-	-	(17)	**(17)**
Exchange rate differences	-	-	(3,048)	**(3,048)**
As at 31 December	-	-	**24,708**	**24,708**

2019

Impairment allowance

	12-month expected credit loss	Lifetime expected loss – no credit losses	Lifetime expected loss - credit losses	Total
Balance at 01 January			**25,947**	**25,947**
Losses recognised in profit or loss	-	-	1,164	**1,164**
Decrease in impaired assets	-	-	(274)	**(274)**
Exchange rate differences	-	-	203	**203**
Balance at 31 December	-	-	**27,040**	**27,040**

Total trade receivables, net of allowances, held by the Group at 31 December 2020 amounted to HRK 4.180 thousand (2019: HRK 2,526 thousand).

(All amounts are expressed in thousands of HRK)

13. RECEIVABLES (CONTINUED)

The credit risk results from cash and cash equivalents, deposits in banks and financial institutions, as well as credit exposures to clients, including outstanding receivables. The credit risk is managed on a Group level. The risk management control process assesses the customers' creditworthiness, considering their financial position, prior experience and other factors. The Group applies the IFRS 9 simplified approach to measuring ECL provisions based on the adjustment of expected loss for all trade receivables. For measuring ECL, trade receivables and contracted assets have been grouped based on joint credit risk characteristics and days past due.

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

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

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

2019	Up to 365	Over 365 and enforced	Total
Expected credit loss rate	8%	98%	
Gross carrying value of trade receivables	2,091	27,475	29,566
Compensation for loss	-	(27,040)	(27,040)

(All amounts are expressed in thousands of HRK)

13. 1. FUEL RECEIVABLES

	2020	**2019**
Fuel receivables	4,015	3,446

14. PREPAID EXPENSES AND ADVANCE PAYMENTS

	2020	**2019**
Prepaid expenses	16,818	18,071
Undue income payments	41	29
Advance payments given	819	163
	17,678	**18,263**

Prepaid expenses predominantly refer to limited dry-docking fees amounting to HRK 15,771 thousand (2018: HRK 17,074 thousand), and the rest consists of limited insurance costs amounting to HRK 844 thousand (2018: HRK 933 thousand) and the brokerage fee amounting to HRK 203 thousand (2019: HRK 64 thousand).

15. OTHER RECEIVABLES

	2020	**2019**
Claims for damages	915	2,857
Receivables for court proceedings	1,034	830
Impairment of receivables for court proceedings	(790)	(790)
Other receivables	373	1,629
	1,532	**4,526**

16 TERM DEPOSITS

	2020	**2019**
Receivables for term deposits	13,696	3,638

Receivables for term deposits consist of deposits related to the loan agreements and guarantee liabilities at an interest rate from 0.01% to 0.1% annually (2019: at an interest rate from 0.01% to 0.1% annually).

(All amounts are expressed in thousands of HRK)

17. CASH AND CASH EQUIVALENTS

	2020	2019
Foreign currency accounts at banks	1,626	528
Giro account balance	32	72
Cash in hand	4	7
	1,662	**607**

18. CAPITAL AND RESERVES

Share capital

	Number of shares issued	Total amount	Treasury shares	Total
	Number	HRK '000	Number	HRK '000
Balance at 31 December 2019	1,636,674	81,834	(2,423)	79,411
Balance at 31 December 2020	1,636,674	16,367	(2,423)	13,944

Pursuant to the Decision of the General Assembly dated 07 December 2020 on the simplified decrease of share capital, the share capital was decreased by HRK 65,467 thousand, from HRK 81,834 thousand to HRK 16,367. Nominal amount of Company share of HRK 50.00 was decreased by HRK 40.00 to the amount HRK 10.00.

Ownership structure of the Company is as follows:

Overview of shareholders As at 31 December	Number of shares 2020	Share in % 2020	Number of shares 2019	Share in % 2019
Restructuring and Sale Center	1,152,904	70.44%	1,152,904	70.44%
Domestic natural persons	425,709	26.00%	425,709	26.00%
Financial institutions	37,161	2.27%	37,161	2.27%
Companies	5,123	0.33%	5,123	0.33%
Foreign investors	5,766	0.35%	5,766	0.35%
Treasury shares	10,011	0.61%	10,011	0.61%
Total	**1,636,674**	**100.00%**	**1,636,674**	**100.00%**

18. CAPITAL AND RESERVES *(CONTINUED)*

Share capital of the Company consists of 1,636,674 ordinary shares (2020: 1,636,674), of which 10,011 were treasury shares (2019: 10,011).

Translation and other reserves

Translation reserves in the amount of HRK 230,558 thousand (2019: HRK 234,911 thousand) arose on conversion of the financial statements of foreign subsidiaries.

Other reserves relate to reserves for treasury shares in the amount of HRK 2,423 thousand (2019: HRK 2,423 thousand) and to reserves for investments in the amount of HRK 81 thousand (2019: HRK 81 thousand).

19. BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share are calculated as follows:

	2020	**2019**
Profit/(loss) for the year in thousands of HRK	101,360	(294,714)
Weighted average number of shares in issue	1,626,663	1,626,663
Basic and diluted earnings/(loss) per share (in HRK)	**62.31**	**(181.17)**

(All amounts are expressed in thousands of HRK)

20. INTEREST-BEARING LOANS AND BORROWINGS

	Principal in foreign currency (on loan origination)	**Principal in foreign currency at 31/12/2020**	**2020**	**2019**
(a) Long-term bank borrowings				
(1) Secured loan	$ 33,000,000	$ 23,100,000	-	153,613
(2) Secured loan	$ 30,000,000	$ 26,840,000	-	178,483
(3) Secured loan	$ 2,750,000	$ 1,390,675	-	9,248
(3) Secured loan	EUR 2,500,000	EUR 1,187,460	-	8,838
(4) Secured loan	$ 4,150,000	$ 3,650,000	22,407	27,597
(5) Secured loan	$ 6,045,000	$ 6,045,000	37,110	40,199
(6) Secured loan	HRK 55,000,000	HRK 55,000,000	55,000	-
(7) Secured loan	$ 25,500,000	$ 25,500,000	156,545	-
(8) Secured loan	HRK 48,000,000	HRK 45,230,030	45,230	-
Total long-term bank borrowings			**316,294**	**417,978**
Current portion of long-term bank borrowings			(40,329)	(246,844)
Long-term portion of bank borrowings			**275,965**	**171,134**
Long-term portion of bank borrowings			275,965	171,134
Total current portion of long-term borrowings			40,329	246,844
Total interest-bearing borrowings			**316,294**	**417,978**
Calculated interest			5,401	29,202
Total			**321,695**	**447,180**

Borrowings totalling HRK 316.294 thousand (2019: HRK 417,978 thousand) are secured by the Group's fleet and property (note 10).

Movement adjustments of loan liabilities with cash flows from financial activities

During the year HRK 198,156 thousand (2019: HRK 216 thousand) was repaid on loans, liabilities amounting to HRK 163,827 thousand were written off, while the remaining change in financial liabilities in the negative amount of HRK 13,922 thousand (2019: HRK 11,151 thousand) is the result of the change of the foreign exchange rate.

(All amounts are expressed in thousands of HRK)

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

	2020	2019
Balance at 01 January	**417,978**	**407,043**
New loans	274,221	-
Repayment of borrowings	(198,156)	(216)
Written-off principal	(163,827)	-
Exchange rate differences	(13,922)	11,151
Balance at 31 December	**316,294**	**417,978**

The repayment schedule of bank borrowings for the next five years, according to the balance as at 31/12/2020, is as follows:

Year	Amount
2021	42,995
2022	38,759
2023	53,111
2024	33,465
2025	30,158
After 2025	117,806
	316,294

(1) A long-term loan was approved to finance the building of the motor vessel “Solin” in the amount of USD 33,000,000. The loan was approved in December 2010, with an interest rate equal to LIBOR + 3.0% and withdrawn on 24 May 2011. The loan principal and interest are repayable on a quarterly basis, with the first instalment due on 24 August 2011 and the ultimate repayment deadline 24 May 2018. As security, mortgage on the vessels “Peristil” and “Sveti Dujam” has been registered in favour of the Bank. On 02 November 2016, an Annex to the Agreement was signed by which the moratorium period for repayment of principal until February 2018 was agreed. According to Letter of intent from 02 January 2019, it is planned to reprogram this loan in such a way that the remaining principal of this loan and loan under number (2) will be aggregated into one loan in the total amount of USD 50 million with the offered interest rate of LIBOR plus 2.75%, a quarterly payments in 28 instalments of USD 1 million starting from the second quarter of 2019 and ending in 2026 with a one-time payment of the remaining principal. Security for a single loan will be mortgages on the vessels "Peristil", "Sveti Dujam", "Solin" and "Bene" and a state guarantee in the amount of 20% of the loan value Based on the notification received on 09 July 2019 and the Bank’s decision on its intent to stop approving loans to the shipping sector and stop reprogramming existing loans to the shipping sector, after several months of negotiations, on 05 March 2020, the company settled its loan liabilities using new credit arrangements.

(2) A long-term loan was approved for working capital and for the purchase of the motor vessel “Bene” in the amount of USD 30,000,000. The loan was approved in September 2013 and withdrawn on 01 October 2013 in several tranches, with weighted average interest rate equal to LIBOR + 2.98%. The loan principal and

interest are repayable on a quarterly basis, with the first instalment due on 01 October 2014 and the ultimate repayment deadline 01 July 2023 and 01 July 2021. As security, a mortgage on the vessels “Solin” and “Bene” has been registered in favour of the Bank. On 02 November 2016 an Amendment Agreement was signed by which the moratorium period for repayment of principal until April 2018 was agreed. According to the Letter of intent from 02 January 2019, we plan to reprogram this loan together with the loan under number (1). On 05 March 2020, the Group settled its loan liabilities using new credit arrangements, as described in the previous paragraph.

(3) Long-term loans were approved to restructure consolidated balance sheet of Jadroplov Group in June 2012. Both loans were withdrawn on 29 June 2012; first in the amount of EUR 2,500,000 with interest rate of 3-month EURIBOR + 4.0%, and second in the amount of USD 2,750,000 with interest rate of 3-month LIBOR + 4.8%. The principal and interest are repayable on a quarterly basis. Interest repayment started on 01 October 2012, with the first instalment due on 01 April 2013, and the ultimate repayment deadline 01 January 2019. As security, a mortgage on the vessel “Split” has been recognised. On 25 October 2017 the bank decided on the moratorium period for principal repayment by 01 January 2018, with the first instalment on 01 April 2018, and with unchanged maturity date. On 06 June 2018, the bank decided on the moratorium period for principal repayment by 01 July 2018 with unchanged maturity date. On 23 October 2018, a decision was made on the one-time repayment of the outstanding loan amount by the end of the repayment deadline on 01 January 2019. On 18 January 2019, a decision was made on a one-off repayment of the remaining loan amount by the end of the repayment deadline on 01 April 2019. On 18 April 2019, a decision was made on a one-off repayment of the remaining loan amount by the end of the repayment deadline on 01 June 2019. Based on the bank’s offer dated 06 December 2019 and the Agreement on Debt Settlement dated 27 February 2020, the Group settled a portion of the liability in the amount of EUR 1,500,000 with a new loan, and another portion in the amount of EUR 90.000 from regular operations. The outstanding amount of debt of EUR 310,000 was settled on 26 August 2020.

(4) 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 withdrawn in 2 parts: first in the amount of USD 2,500,000 on 5 June 2015 and second in the amount of USD 1,650,000 on 31 July 2015 with interest rate of 6,75% per annum. The loan principal is repayable on semi-annually basis, with the first instalment due on 30 November 2016 and the ultimate repayment deadline 31 May 2020. The interest is repayable on the monthly basis, beginning from the 30 June 2015. As security, a mortgage on the vessel “Trogir” and property has been registered in favor of the Bank. On 14 December 2017, the bank decided on the moratorium period for principal repayment by 31 March 2018 with unchanged maturity date. On 27 June 2018, the bank decided on the moratorium period for principal repayment by 30 September 2018 with unchanged maturity date. On 13 February 2019, the bank decided on the moratorium period for principal repayment by 31 March 2019 with an unchanged maturity date of 31 March 2020. On 30 June 2020, the bank decided on the moratorium period for principal repayment by 31 March 2021, reducing the loan principal by the amount of the term deposit in the amount of USD 500,000. The repayment of the newly formed principal shall be done in 48 equal instalments, with the first one maturing on 30 April 2021, and the last one maturing on 31 March 2025.

(5) 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 withdrawn in 5 parts in the period from 03 August 2016 until 12 December 2016, with interest rate of 5.18% per annum. The loan principal is repayable quarterly, with the first instalment due on 30 September 2018 and the ultimate repayment deadline on 30 September 2022. The interest is repayable quarterly, beginning from 31 December 2016. As security, a mortgage on the properties of the Company have been recognised. The Management Board believes that the fair value of fixed interest loans is not significantly different from the carrying amount. Annex IV to the Loan Agreement dated 19 February 2020 defined the additional grace period for loan principal repayment, with the first instalment due on 30 September 2020 and the ultimate repayment deadline on 30 September 2022 Due to the impact of the Covid-19 pandemic on the Group's operations, Annex V to the Loan Agreement dated 27 April 2020 stipulated a moratorium for liabilities due from 01/04/2020 to 30/06/2020. On 16/07/2020, the bank agreed on the additional moratorium for payment of liabilities due from 01 July 2020 to 31 December 2020 the latest.

(6) A long-term loan was approved for capital assets (settling liabilities towards financial institutions) and working capital in the amount of HRK 55,000,000. The loan was approved in February 2020 and withdrawn in 5 individual requests for use in the period from 28 February to 18 March 2020. The (fixed) interest rate amounts to 4% p.a. The loan principal is repayable on a semi-annual basis, with the first instalment due on 30 September 2022 and the ultimate repayment deadline 30 September 2030. The interest is repayable quarterly, beginning from 30 June 2020. As security, a mortgage on the vessels "Split" and "Trogir" and the Company's property with the guarantee of the Republic of Croatia has been registered in favour of the Bank. Annex I to the Loan Agreement dated 27 April 2020 defined the in instalment repayment of interest due on 30 June 2020 in 12 equal monthly instalments as of 31 July 2020. Due to the impact of the Covid-19 pandemic on the Group's operations, on 16/07/2020, the bank agreed on the additional moratorium for payment of liabilities due from 01 July 2020 to 31 December 2020 the latest. The restructuring plan foresees the loan realisation.

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

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

(All amounts are expressed in thousands of HRK)

21. PROVISIONS

	Provisions for jubilee awards and retirement bonuses	Total provisions
Balance at 01 January 2019	170	170
Provided for during the year	21	21
Used during the year	(11)	(11)
Balance at 31 December 2019	**180**	**180**
Provided for during the year	(19)	(19)
Used during the year	(6)	(6)
Balance at 31 December 2020	**155**	**155**

22. TRADE AND OTHER PAYABLES

	2020	2019
Trade payables	29,526	44,653
Accrued expenses and deferred income	4,386	1,937
Amounts due to employees	4,863	5,565
Other liabilities	2,336	3,597
	41,111	**55,752**

23. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

In 2018, a dispute with SSM, for which the Group recognised trade payables in the amount of HRK 2,944 thousand, was finalized in favour of the supplier. In the other two disputes with the same supplier, the Group has receivables in the amount of HRK 5,515 thousand, with statutory penalty interest, reported in the bankruptcy proceedings and expected to be offset.

(All amounts are expressed in thousands of HRK)

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Capital risk management

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

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

b) Gearing ratio

The Management Board of the Group reviews the capital structure. As part of this review, the Management Board considers the risks associated with each class of capital. The actual gearing ratio in 2020 was 732.57% (2019: 785.36%).

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

	2020	**2019**
Interest-bearing loans and borrowings (Note 20)	316,294	417,978
Cash and cash equivalents (note 17)	(1,662)	(607)
Net debt	314,632	417,371
Equity	42,949	(53,144)
Net debt-to-equity ratio	**7.32**	**(7.85)**

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

(All amounts are expressed in thousands of HRK)

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

c) Categories of financial instruments

	2020	2019
Financial assets		
Trade receivables	4,180	2,526
Fuel receivables	4,015	-
Cash and cash equivalents	1,662	607
Term deposits	13,696	3,638
Loans to employees	5	5
Other receivables	1,532	4,524
Financial liabilities		
Interest-bearing loans and borrowings and accrued interest	321,695	447,180
Trade and other payables	34,820	50,684

At the reporting date, there are no significant concentrations of credit risk for loans and receivables. The above stated amount represents the Group's maximum exposure to credit risk for loans given and receivables.

Clients with the highest outstanding amounts as at 31 December 2020 are the following:

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

As at the publication date of these financial statements, all customers settled their liabilities towards the Group.

(All amounts are expressed in thousands of HRK)

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Clients with the highest outstanding amounts as at 31 December 2019 are detailed in the following table. All customers have settled their liabilities in 2020.

	2019
MINISTRY OF FINANCE – TAX ADMINISTRATION SPLIT	862
TEHNIKA D.D. ZAGREB	435
SOL SHIPPING INTERNATIONAL PTE LTD	398
CENTURY SCOPE GROUP	352
PELIG D.O.O.	128
	2,175
Trade receivables	**2,526**
Share in total receivables (%)	**86.10%**

d) Financial risk management objectives

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

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

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

e) Price risk management

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

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

f) Interest rate risk

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

Interest rate risk sensitivity analysis

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

If interest rates had changed for 50 basis points with the presumption of all other variables being constant, the following changes in interest expenses of the Group would incur: in 2020, the relevant change would amount to HRK 3,927 thousand (2019: the relevant change would amount to HRK 4,598 thousand).

g) Credit risk

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

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

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

Trade receivables consist of receivables from limited number of customers from international market. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

(All amounts are expressed in thousands of HRK)

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

h) Foreign currency risk management

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

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

As at 31 December	**Liabilities**		**Assets**	
	2020	**2019**	**2020**	**2019**
USA (USD)	250,686	480,588	24,822	7,818
European Union (EUR)	952	13,797	326	473

Foreign currency sensitivity analysis

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

The following table details the Company's sensitivity to a 10% decrease in HRK against USD and EUR. The 10% sensitivity rate is the rate used in internal key management reports and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for the 10% change in the relevant foreign exchange rate. The sensitivity analysis includes external borrowings, as well as loans to foreign operations of the Group denominated in a currency that is not the currency of the lender or the borrower. A positive number indicates an increase in profit and other equity where Croatian kuna strengthens against the relevant currency by 10%. For a 10% weakening of the Croatian kuna against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	USD exposure		**EUR impact**	
	2020	**2019**	**2020**	**2019**
Loss	(22,586)	(47,277)	(63)	(1,332)

(All amounts are expressed in thousands of HRK)

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

i) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Management Board, which has built an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, using appropriate banking facilities and central reserves borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity and interest rate risk tables

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

	Weighted average effective interest rate %	Up to 1 month	1 to 3 months	3 months to 1 year	1 – 2 years	Over 2 years	Total
2020							
Non-interest bearing		14,694	4,904	3,807	8,654	2,703	**34,762**
Interest bearing	5.88 %	1,914	750	259,500	68	59,521	**321,753**
		16,608	**5,654**	**263,307**	**8,722**	**62,224**	**356,515**
2019							
Non-interest bearing		20,294	7,917	8,230	4,674	9,569	**50,684**
Interest bearing	5.88 %	292,006	-	-	148,080	7,094	**447,180**
		312,300	**7,917**	**8,230**	**152,754**	**16,663**	**497,864**

The Group's non-interest bearing liabilities up to one month comprise mainly trade payables in the amount of HRK 9,566 thousand for 2020 (2019: HRK 14,486 thousand) and liabilities towards employees in the amount of HRK 4,878 thousand for 2020 (2019: HRK 5,565 thousand).

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

The Management Board is aware of the uncertainty of the Company's ability to realize its financing needs and to refinance or service its liabilities as they fall due, but it is important to note that, in the current period of improved freight, the Group is in a position to regularly settle current liabilities and a portion of interest liabilities to be additionally decreased by refinancing loan liabilities, as detailed in note 17.

(All amounts are expressed in thousands of HRK)

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

i) Liquidity risk management (continued)

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

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

	Weighted average effective interest rate %	Up to 1 month	1 to 3 months	From 3 months to 1 year	From 1 to 2 years	Over 2 years	Total
2020							
Non-interest bearing		10,301	1,003	14,173	20	1,634	**27,131**
Interest	4.44 %	-	-	-	0.	5	**5**
		10,301	**1,003**	**14,173**	**20**	**1,639**	**27,136**
2019							
Non-interest bearing		1,047	3,936	717	3,728	2,030	**11,458**
Interest	4.44 %	-	-	-	5	-	**5**
		1,047	**3,936**	**717**	**3,733**	**2,030**	**11,463**

j) Fair value of financial assets and financial liabilities

The fair values of financial assets and financial liabilities are determined as follows:

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

As at 31 December 2020, the carrying amounts of cash, short-term deposits, receivables, short-term liabilities, accrued expenses, short-term borrowings and other financial instruments correspond to their market value due to the short-term nature of those assets and liabilities.

(All amounts are expressed in thousands of HRK)

25. RELATED-PARTY TRANSACTIONS

Ultimate parent

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

Transactions with key management and members of the Supervisory Board

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

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

Other related-party transactions

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

Significant related-party transactions refer to the government grant for trainee boarding received from the Ministry of Maritime Affairs, Transport and Infrastructure under the Programme of co-financing boarding for deck, engine and electrical engineering trainees on ships in international and domestic voyages. Income from government grants for trainee boarding is disclosed in Note 4. Bank loans under numbers (4), (5), (6), and (8) in note 20 are received from banks with majority state ownership. Interest expense for these loans during the year were HRK 5,728 thousand (2019: HRK 3,678 thousand).

26. EVENTS AFTER THE REPORTING DATE

Pursuant to the Contract of sale of the vessel Bene, the handover of the vessel took place in the port of Nagasaki on 04 March 2021. Through this transaction, the Group realised USD 5,125 thousand and used it to partially close one portion of short-term debt from bank borrowings.

27. AUTHORISATION OF THE FINANCIAL STATEMENTS

The Management Board authorised these consolidated financial statements on 30 April 2021.

Branimir Kovačić	**Mario Radačić**
President	Member
B. Kovačić	

JADROPLOV LTD
INTERNATIONAL MARITIME TRANSPORT
SPLIT, CROATIA
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Consolidated statement of comprehensive income

The consolidated statement of comprehensive income and the consolidated statement of financial position have been prepared on different bases as follows. The consolidated statement of comprehensive income represents the USD values of transactions in USD and USD equivalent values of transactions in other currencies translated into USD at the exchange rates prevailing at the transaction date. The consolidated statement of financial position is derived from the statement of financial position prepared in HRK translated into USD at the respective year end rates at 31 December 2019 (USD 1 = HRK 6.14) and 31 December 2019 (USD 1 = HRK 6.65).

(All amounts are expressed in thousands of USD)	**2020**	**2019**
Operating income	12,619	16,842
Other operating income	29,648	9,671
Total income	**42,267**	**26,513**
Vessel operating costs	(16,331)	(25,006)
Depreciation and amortization expense	(3,206)	(6,417)
Staff expenses	(823)	(799)
Other operating expenses	(1,688)	(34,129)
Total operating expenses	**(22,048)**	**(66,351)**
Profit/(loss) from operations	**20,219**	**(39,838)**
Net financial loss	(3,705)	(4,343)
Profit/(loss) before tax	**16,514**	**(44,181)**
Income tax	3	-
Profit/(loss) for the year	**16,517**	**(44,181)**
Other comprehensive income		
Translation reserves	(709)	1,220
Other comprehensive income for the year	**(709)**	**1,220**
Total comprehensive income	**15,808**	**(42,961)**
Basic and diluted profit/(loss) per share (in USD)	**10.15**	**(27.16)**

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

Appendix 1

Supplementary statements in thousands of USD *(continued)*

for the year ended 31 December 2020

Consolidated statement of financial position

(All amounts are expressed in thousands of USD)	**2020**	**2019**
ASSETS		
Non-current assets		
Property, plant and equipment	58,491	62,103
~~Intangible assets~~	-	-
Deferred tax assets	3	-
	58,494	**62,103**
Current assets		
Inventories	659	1,111
Receivables and other assets	6,695	4,360
Cash and cash equivalents	271	91
	7,625	**5,562**
Total assets	**66,119**	**67,665**
EQUITY AND LIABILITIES		
Equity		
Share capital	2,666	12,306
Own shares	(395)	(365)
Reserves	37,964	35,702
Accumulated losses	(33,239)	(55,635)
	6,996	**(7,992)**
Non-current liabilities		
Interest-bearing borrowings	44,952	25,735
Provisions	25	27
	44,977	**25,762**
Current liabilities		
Interest-bearing borrowings	7,449	37,120
Trade and other payables	6,697	12,775
	14,146	**49,895**
	59,123	**75,657**
Total equity and liabilities	**66,119**	**67,665**

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