MAISTRA d.d., Rovinj

ANNUAL REPORT AND
INDEPENDENT AUDITOR´S REPORT
31 DECEMBER 2022

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Independent Auditor's Report

To the Shareholders of MAISTRA d.d.

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of MAISTRA d.d. (the "Company") and its subsidiary (together - the "Group") as at 31 December 2022, the Group's and the Company's consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee dated 18 April 2023.

What we have audited

The Group's and the Company's consolidated and separate financial statements comprise:

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

Basis for opinion

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

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

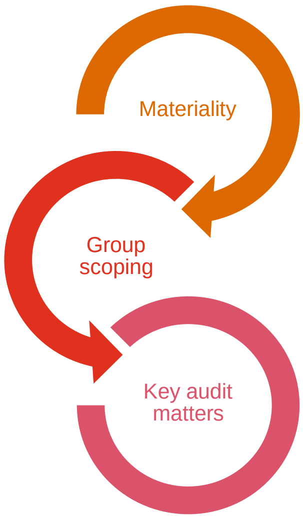
Independence

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

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No. 537/2014, and furthermore, we have not provided any other permitted non-audit services to the Group and the Company in the period from 1 January 2022 to 31 December 2022.

Our audit approach

Overview



- Overall materiality for the financial statements of the Group as a whole: HRK 15,672 thousand, which is 3% of EBITDA.
- Overall materiality for the financial statements of the Company as a whole: HRK 15,034 thousand, which is 3% of EBITDA.
- EBITDA is operating profit plus depreciation, amortisation and impairment.

- We conducted audit work at the Company and the subsidiary Grand Hotel Imperial d.o.o.
- The Group engagement team visited the following locations - Rovinj and Dubrovnik.
- Our audit scope addressed 100% of the Group's revenues and 100% of the Group's absolute value of profit before tax.

- The Group and the Company – Recoverable amounts of property, plant and equipment

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

Materiality

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

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

Overall materiality for the financial statements of the Group and the Company as a whole	The Group: HRK 15,672 thousand The Company: HRK 15,034 thousand
How we determined it	The Group: 3% of EBITDA; EBITDA (HRK 522,428 thousand) is operating profit (HRK 255,881 thousand) plus depreciation, amortisation and impairment (HRK 266,547 thousand). The Company: 3% of EBITDA; EBITDA (HRK 501,166 thousand) is operating profit (HRK 247,543 thousand) plus depreciation, amortisation and impairment (HRK 253,623 thousand).
Rationale for the materiality benchmark applied	We believe that EBITDA is the appropriate benchmark because it is an indicator against which the performance of the Group and the Company is measured in the industry in which the Group and the Company operate. We chose the percentage which is consistent with quantitative materiality thresholds used for companies in the same sector.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
The Group and the Company – Recoverable amounts of property, plant and equipment As at 31 December 2022, the Group recorded property, plant and equipment with the carrying value of HRK 2,971,255 thousand (the Company: HRK 2,771,902 thousand). Property, plant and equipment mainly consists of tourist facilities (hotels, campsites and other tourist resorts) and related assets which are included in the consolidated and separate balance sheet at historical cost less accumulated depreciation and impairment. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised as the difference between the asset's carrying amount and its recoverable amount. During 2022, the Management Board did not perform an impairment test for these assets, since no impairment indicators were identified and the macro-economic environment had a positive impact on the Group's and the Company's overall operations. We focused on this area due to possible significant effects on the financial statements if impairment indicators were not identified on time.	We considered external factors that could have affected the indicators of impairment of the Group's and the Company's property, plant and equipment, such as the results of the tourist season and announcements made by the Ministry of Tourism for the following season. We also considered the level of recovery of the tourism segment for the counties where the Group and the Company have operated compared to the pre-pandemic year 2019. Furthermore, we obtained the Group's and the Company's internal reports, which present earnings before taxes, interest, depreciation and amortisation (EBITDA) realised in 2022 by profit units, i.e. hotels, tourist resorts and campsites. We confirmed the accuracy and completeness of the presented EBITDA by performing the following audit procedures: • We compared the sum of individual EBITDA amounts by profit units with the total realised EBITDA for the tourism segment. • On the selected sample, we confirmed that salary costs, outgoing and incoming invoices were recorded in the correct profit units. • We verified the allocation of indirect costs by analysing the movement of these costs compared to the previous year and by recalculating the allocation of these costs on the selected sample. By reviewing the Group's and the Company's internal reports for each profit unit, we determined that the EBITDA realised in 2022 is positive. For one facility located in the Dubrovnik-Neretva County, where the number of tourist arrivals and overnight stays was below the pre-pandemic year 2019, we reviewed the EBITDA trend for 2022 compared to 2021 and identified a significant growth compared to 2021. We reviewed relevant disclosures in the consolidated and separate financial statements.

How we tailored our Group audit scope

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

Reporting on other information including the Management Report

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

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

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

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

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

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

In addition, in light of the knowledge and understanding of the Group and the Company and their environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management Report and the Corporate Governance Statement that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate 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 and the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s and the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent auditor’s report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor’s report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

Appointment

We were first appointed as auditors of the Company from the date of its incorporation, and we were also the auditors of the legal predecessors of the Company. Our appointment has been renewed annually by shareholder resolution with the most recent reappointment on 10 June 2022, representing a total period of uninterrupted engagement appointment of 20 years.

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

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

Description of the subject matter and applicable criteria

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

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

The requirements described in the preceding paragraph determine the basis for application in preparing the Financial Statements in the ESEF format and, in our view, constitute appropriate criteria to form a reasonable assurance conclusion.

Responsibility of the management and those charged with governance

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

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

Our responsibility

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

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

Procedures performed

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

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

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

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

Conclusion

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

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

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

PricewaterhouseCoopers d.o.o.
Heinzelova 70, Zagreb
26 April 2023

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

Pursuant to the current Croatian Accounting Act, the Management Board is responsible for ensuring that the separate and consolidated financial statements are prepared for each financial year in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, in order to give a true and fair view of the financial position and operating results of Maistra d.d. ('the Company') and its subsidiaries (hereinafter jointly: 'the Group') for each presented period .

The Management Board has a reasonable expectation that the Group and the Company 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 consolidated and separate financial statements.

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

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

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

Moreover, in accordance with the Accounting Act, the Management Board is obliged to prepare an Annual Report comprising the financial statements, the Management Report and the Statement on the application of the Corporate Governance Code. The Management Report was prepared in line with the requirements of Articles 21 and 24 of the Accounting Act and the Statement on the application of the Corporate Governance Code was prepared in line with Article 22 of the Accounting Act.

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

The Annual Report was approved for issuance by the Management Board on 19 April 2023.

Signed on behalf of the Management Board:

Tomislav Popović
Director

CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

		Maistra Group		Maistra d.d.	
(all amounts are expressed in thousands of HRK)	**Note**	**2022**	**2021**	**2022**	**2021**
Revenue from contracts with customers	5	1,530,496	1,142,163	1,462,288	1,102,723
Other income	6	44,009	85,643	43,928	81,947
Cost of trade goods sold		(3,240)	(3,063)	(3,240)	(3,063)
Cost of materials and services	7	(521,032)	(363,128)	(496,429)	(349,054)
Staff costs	8	(412,874)	(306,344)	(395,697)	(291,590)
Amortisation, depreciation and impairment	15, 16, 17	(266,547)	(247,339)	(253,623)	(234,436)
Other operating expenses	9	(115,411)	(82,150)	(110,337)	(78,490)
Other gains/(losses) – net	10	480	1,304	653	1,290
Operating profit		**255,881**	**227,086**	**247,543**	**229,327**
Finance income	11	370	1,473	845	1,954
Finance costs	11	(27,388)	(35,268)	(26,185)	(33,667)
Net finance costs		**(27,018)**	**(33,795)**	**(25,340)**	**(31,713)**
Profit before tax		**228,863**	**193,291**	**222,203**	**197,614**
Income tax	13, 22	60,727	(25,698)	62,040	(27,003)
Net profit		**289,590**	**167,593**	**284,243**	**170,611**
Other comprehensive income		**-**	-	-	-
Total comprehensive income for the year		**289,590**	**167,593**	**284,243**	**170,611**
Total comprehensive income attributable to:					
Company's shareholders		**288,587**	**168,175**	**284,243**	**170,611**
Non-controlling interest		**1,003**	**(582)**	**-**	**-**
		289,590	**167,593**	**284,243**	**170,611**
Basic/diluted earnings per share (in HRK)	14	26.37	15.37	25.97	15.59

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

CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

(all amounts are expressed in thousands of HRK)	Note	Grupa Maistra 31 December 2022	Grupa Maistra 31 December 2021	Maistra d.d. 31 December 2022	Maistra d.d. 31 December 2021
ASSETS					
Non-current assets					
Property, plant and equipment	15	2,971,255	3,049,234	2,771,902	2,838,849
Investment property	16	126,834	87.301	126,241	86,679
Intangible assets	17	26,206	23,005	16,492	13,291
Investment in subsidiaries	19	-	-	112,875	112,875
Trade and other receivables	21	9,439	9,944	9,439	9,944
Deferred tax assets	22	168,932	108,400	164,922	102,882
		3,302,666	**3,277,884**	**3,201,871**	**3,164,520**
Current assets					
Inventories	20	11,084	7,562	10,720	7,208
Financial assets at fair value through profit or loss		2,315	1,978	2,315	1,978
Trade and other receivables	21	174,871	42,335	183,390	59,034
Income tax receivable		751	751	-	-
Cash and cash equivalents	23	284,085	268,888	283,299	267,901
		473,106	**321,514**	**479,724**	**336,121**
TOTAL ASSETS		**3,775,772**	**3,599,398**	**3,681,595**	**3,500,641**
CAPITAL AND RESERVES					
Equity attributable to owners of the parent					
Share capital	24	1,277,986	1,277,986	1,277,986	1,277,986
Reserves from profit		55,753	55,753	55,753	55,753
Retained earnings		986,632	698,045	958,660	674,417
		2,320,371	**2,031,784**	**2,292,399**	**2,008,156**
Non-controlling interest		29,417	28,414	-	-
Total capital and reserves		**2,349,788**	**2,060,198**	**2,292,399**	**2,008,156**
LIABILITIES					
Non-current liabilities					
Non-current borrowings	25	652,436	1,053,564	641,506	1,031,764
Trade and other payables	27	31,664	26,226	31,664	26,226
Deferred tax liability	22	8,836	9,032	-	-
Provisions	28	132,673	118,608	132,381	118,336
		825,609	**1,207,430**	**805,551**	**1,176,326**
Current liabilities					
Current borrowings	26	391,086	194,738	380,087	183,727
Trade and other payables	27	181,499	119,062	177,525	115,663
Contract liabilities	27	25,996	17,970	24,239	16,769
Provisions	28	1,794	-	1,794	-
		600,375	**331,770**	**583,645**	**316,159**
Total liabilities		**1,425,984**	**1,539,200**	**1,389,196**	**1,492,485**
TOTAL EQUITY AND LIABILITIES		**3,775,772**	**3,599,398**	**3,681,595**	**3,500,641**

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

MAISTRA d.d., Rovinj

CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

Maistra Group

(in thousands of HRK)	Equity attributable to the Company's shareholders					
	Share capital	Reserves from profit	Retained earnings	Total	Non-controlling interest	Total equity
As at 1 January 2021	**1,277,986**	**55,753**	**529,870**	**1,863,609**	**28,996**	**1,892,605**
Total comprehensive income for the year	**-**	**-**	**168,175**	**168,175**	**(582)**	**167,593**
Transactions with owners:				-	-	
Transfer from retained earnings to reserves	-	-	-	-	-	-
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**
As at 31 December 2021	**1,277,986**	**55,753**	**698,045**	**2,031,784**	**28,414**	**2,060,198**
Total comprehensive income for the year			**288,587**	**288,587**	**1,003**	**289,590**
Transactions with owners:						
Transfer from retained earnings to reserves	-	-	-	-	-	-
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**
As at 31 December 2022	**1,277,986**	**55,753**	**986,632**	**2,320,371**	**29,417**	**2,349,788**

Maistra d.d.

(in thousands of HRK)	Share capital	Reserves from profit	Retained earnings	Total
As at 1 January 2021	1,277,986	55,753	503,806	**1,837,545**
Total comprehensive income for the year	-	-	170,611	**170,611**
Transfer from retained earnings to reserves	-	-	-	-
As at 31 December 2021	**1,277,986**	**55,753**	**674,417**	**2,008,156**
		-		
Total comprehensive income for the year	-	-	284,243	**284,243**
Transfer from retained earnings to reserves	-	-	-	**-**
As at 31 December 2022	**1,277,986**	**55,753**	**958,660**	**2,292,399**

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

CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

(all amounts are expressed in thousands of HRK)	Note	Maistra Group 2022	Maistra Group 2021	Maistra d.d. 2022	Maistra d.d. 2021
Cash flow from operating activities					
Cash generated from operations	31	568,567	540,428	545,982	528,557
Interest paid		(39,116)	(30,180)	(37,979)	(28,542)
Cash flow from operating activities		**529,451**	**510,248**	**508,003**	**500,015**
Cash flows from investing activities					
Purchase of property, plant and equipment and intangible assets	15, 17	(209,915)	(152,740)	(208,053)	(151,574)
Proceeds from sales of property, plant and equipment		22	3,452	22	3,452
Dividends received		68	73	68	73
Borrowings granted to related parties		(110,000)	-	(125,600)	(6,000)
Proceeds from borrowings granted to related parties		-	-	24,000	4,800
Interest received		243	-	747	636
Other inflows of cash classified as investing activities		2,925	-	2,925	-
Cash flow used in investing activities		**(316,657)**	**(149,215)**	**(305,891)**	**(148,613)**
Cash flows from financing activities					
Proceeds from borrowings		15,000	305,558	15,000	305,558
Repayments of borrowings		(206,683)	(419,439)	(195,800)	(408,586)
Lease payments		(5,914)	(4,510)	(5,914)	(4,510)
Cash flow used in financing activities		**(197,597)**	**(118,391)**	**(186,714)**	**(107,538)**
Net increase in cash and cash equivalents		**15,197**	**242,642**	**15,398**	**243,864**
Cash and cash equivalents at beginning of year		268,888	26,246	267,901	24,037
Cash and cash equivalents at end of year	23	**284,085**	**268,888**	**283,299**	**267,901**

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

NOTE 1 – GENERAL INFORMATION

Maistra d.d., Rovinj (the Company) was established by merging the companies Jadran-turist d.d., Rovinj and Anita d.d., Vrsar. The Company was registered on 15 March 2005 at the Commercial Court in Rijeka. On 1 January 2010, the Company merged with Rovinjturist d.d., Rovinj.

The Company is registered for hotel and campsite operations and catering services for tourist purposes. The Company's registered office is in Rovinj, Obala V. Nazora 6.

Maistra Group (the Group) comprises of Maistra d.d. and its subsidiary Grand Hotel Imperial d.d. (Note 19).

Maistra d.d., Rovinj is controlled by the company Adris grupa d.d., Rovinj registered in Croatia, V. Nazora 1, Rovinj, which is also its ultimate parent company. The ownership structure is presented in Note 24. The Company's shares are listed on the public joint stock company listing on the Zagreb Stock Exchange.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. All policies applicable to the Group are also applicable to the Company, unless otherwise stated.

2.1 Basis of preparation

The financial statements of the Group and the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

Accounting policies are consistent with accounting policies of the previous financial year.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Management Board to exercise its judgement in the process of applying the Group's and the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 Going concern

As a result of increased investments in hotel construction, the Group entered into borrowings over the last few years.

In the balance sheet as at 31 December 2022, current liabilities are higher than current assets by HRK 127,269 thousand for the Group while they are higher for the Company by HRK 103,921 thousand (31 December 2021: higher by HRK 10,256 thousand for the Group and lower by HRK 19,962 thousand for the Company).

Out of the total liabilities balance as at 31 December 2022, the balance of HRK 224,321 thousand for the Group and HRK 202,393 thousand for the Company (31 December 2021: HRK 324,221 thousand for the Group and HRK 291,410 thousand for the Company), relate to borrowings from related parties, mostly from the ultimate parent company.

The Management Board believes that neither the Group nor the Company have any liquidity problems given that the Company has HRK 282,579 thousand of cash on business accounts as at 31 December 2022 (HRK 267,346 thousand in 2021), while the Group has HRK 283,365 thousand on business accounts as at 31 December 2022 (2021.: HRK 268,293 thousand). In addition to the high level of liquidity, the Company and the Group are given continued access to funds via a revolving loan by the ultimate parent company Adris grupa d.d., Rovinj (Note 24).). As at 31 December 2022, the remaining unused amount of the revolving loan of HRK 838,484 thousand (31 December 2021: HRK 823,483 thousand), is sufficient to settle all remaining current liabilities of the Group and the Company to third parties, which is why the borrowing can be used without limitations. Given that funds were provided by the ultimate parent company, the Group and the Company are able to negotiate financing conditions, including the maturity of these liabilities.

In line with their business strategies, the Group and the Company have made significant investments over the past 10 years in improving their own-services portfolio. Investments over that period were mostly financed by borrowings from the ultimate controlling company, which have been replaced by bank borrowings in recent years. It is expected that current and future investments will continue to drive further growth and development of the Group and the Company.

Based on the assessment conducted, the Management Board has a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. The Group and the Company therefore continue to adopt the going concern basis in preparing the financial statements.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.2 New and amended standards adopted by the Group and the Company

The following amended standards were effective from 1 January 2022, but did not have significant influence on the Group and on the Company.

Revenues before Intended Use; Onerous Contracts – Cost of Fulfilling a Contract; Reference to the Conceptual Framework – Narrow-scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018–2020 Cycle – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022). The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such samples, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset.

The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

The amendment to IAS 37 explains the meaning of the 'cost of fulfilling a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

IFRS 3 has been amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 has been added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 2 rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It has also been clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.

Illustrative Example 13 accompanying IFRS 16 has been amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.2 New and amended standards adopted by the Group and the Company (continued)

IFRS 1 allows exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 has been amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 has been removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

Covid-19-Related Rent Concessions - Amendment to IFRS 16 amending the standard to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021). In May 2020, an amendment to IFRS 16 was issued providing lessees with an practical exemption from assessing whether a COVID-19-related rent concession is a lease modification which resulted in a reduction in lease payments due on or before 30 June 2021. The amendment published on 31 March 2021 extended the date of application of the practical solution from 30 June 2021 to 30 June 2022.

2.1.3 New standards and interpretations adopted by EU

Certain new standards and interpretations have been issued which are mandatory for reporting periods beginning on or after 1 January 2023 which have been adopted by EU and which have not been early adopted by the Group and the Company.

Insurance contracts - IFRS 17 (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023). IFRS 17 replaces IFRS 4 which allowed companies to continue reporting insurance contracts using existing practices. For this reason, it was difficult for investors to compare the financial performance of similar insurance companies. IFRS 17 is a standard that applies a single principle to the presentation of all types of insurance contracts, including reinsurance contracts of insurers. The standard requires the recognition and measurement of groups of insurance contracts at: (i) the risk-adjusted net present value of future cash flows (cash flows intended to fulfil the contract) which includes all available information about the cash flows intended to fulfil the contract to be consistent with information available in the market; increased (if this value is a liability) or reduced (if this value is an asset) by (ii) the amount representing the unrealised profit of the contract group (margin for the contracted service). Insurers will recognise profit for a group of insurance contracts over the period of coverage and as the risk is released. If the contract group realises or will realise a loss, the entity will recognise that loss as it arises.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.3 New standards and interpretations adopted by EU (continued)

Amendments to IFRS 17 and IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023). The amendments contain clarifications for the purpose of facilitating the implementation of IFRS 17, simplifying certain requirements of the standard and the transition to the standard. The amendments cover the eight areas of IFRS 17, but are not intended to change the underlying principles of the standard. IFRS 17 was amended as follows:

- *Effective date:* The effective date of IFRS 17 (together with its amendments) has been delayed by two years and now applies to annual reporting periods beginning on or after 1 January 2023; and the fixed expiry date of the temporary exemption from the obligation to apply IFRS 9 and IFRS 4 has also been postponed and now applies to annual reporting periods beginning on or after 1 January 2023.
- *Expected return of cash flows from the acquisition of insurance:* The entity is obliged to allocate part of the acquisition costs to the related expected renewals of the contract and recognise these costs as assets until it recognises the renewal of the contract. Entities are required to assess the recoverability of assets at each reporting date and include certain information about assets in the notes to the financial statements.
- *Margin for the contracted service attributable to investment services:* It is necessary to determine the break-even units, taking into account the degree of benefit and the expected period of break-even of insurance and investment services, for contracts concluded with variable fee and for other contracts with "investment return service" concluded according to the general model. If the entity performs activities to maximise the benefits of insurance break-even point for the policy holder, costs associated with investment activities should be included as cash flows within the insurance contract.
- *Existing reinsurance contracts - recovery of losses*: When an entity recognises a loss from the initial recognition of a loss-making group of underlying insurance contracts or from the inclusion of loss-making underlying contracts in a group of contracts, the entity should adjust the contracted service margin of the related group of existing reinsurance contracts and recognise a gain from the existing reinsurance contract. The amount of the recoverable loss under the existing reinsurance contract is determined by multiplying the loss recognised on the basis of the basic insurance contracts and the percentage of claims for damages under the basic insurance contracts, the amount of which the subject expects to recover on the basis of the existing reinsurance contract. This requirement would only apply when an existing reinsurance contract is recognized before or concurrently with the recognition of a loss under the underlying insurance contracts.
- *Other amendments:* Other amendments include exemptions from the scope of application of the standard for certain credit card agreements (or similar agreements) and certain loan agreements; presentation of assets and liabilities from insurance contracts within the portfolio instead by group in the Statement of Financial Position; possible application of risk reduction when mitigating financial risks using existing reinsurance contracts and non-derivative financial instruments at fair value in the Income statement; choosing an accounting policy for changing the estimates presented in earlier financial statements for the interim period when applying IFRS 17; inclusion of income tax payments and receipts that are separately charged to the policy holder according to the terms of the insurance contract in the fulfilment cash flows; and selected concessions when switching to the standard and other minor changes.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.3 New standards and interpretations adopted by EU (continued)

IFRS Practice Statement 2: Publication of Accounting Policies - amendments to IAS 1 and 2 (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). IAS 1 has been amended to require companies to disclose significant information regarding accounting policies rather than significant accounting policies. The amendment provide a definition of significant information regarding accounting policies. The amendment also clarifies that information regarding accounting policy is considered material if, without them, the stakeholders would not be able to understand other significant information published in the financial statements. The amendment provides illustrative examples of information's regarding accounting policy that are likely to be considered material to the entity's financial statements. Furthermore, the amendment to IAS 1 clarifies that there is no need to disclose immaterial information regarding accounting policies in financial statements of the entity. However, if published, they shall not obscure significant information regarding accounting policies. To clarify this amendment in more detail, 2. The Guidelines for Practice in addition to IFRSs, 'Making Judgments on Significance', have also been amended to provide guidance on application of the concept of materiality to accounting policy disclosures. The Group and the Company are currently assessing the impact of the amendments on their financial statements.

Amendments to IAS 8: Definition of Accounting Estimates (published on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarifies how companies should distinguish changes in the accounting policies from changes in accounting estimates.

Deferred tax related to assets and liabilities arising from a single transaction - Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023).
The amendments to IAS 12 set out how deferred taxes on transactions such as leases and obligations to restore are recognized. In certain circumstances, entities are exempt from deferred tax when they initially recognize assets or liabilities. Previously, there was some uncertainty about whether the exemption applies to transactions such as leases and obligations to restore, or to transactions in which both assets and liabilities were recognized. The amendments clarify that the exemption does not apply and that entities are required to recognize deferred tax on such transactions. The amendments require entities to recognise deferred tax on transaction on the basis of which, at initial recognition, equal amounts of taxable and deductible temporary differences arise.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.3 New standards and interpretations adopted by EU (continued)

Transitional option for insurers applying IFRS 17 – Amendments to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment relating to transitional provisions in IFRS 17 enables insurers to provide more useful information to investors when applying IFRS 17 for the first time. The amendment only applies to the transition of insurers to IFRS 17 and does not affect other requirements in IFRS 17. The transitional option in IFRS 17 and IFRS 9 are applied on different dates and will result in the following non-recurring classification differences in comparative data presented on first-time application of IFRS 17: accounting differences between insurance contract liabilities measured at present value and related financial assets that are measured at amortised cost, and if the entity decides to restate comparative data for IFRS 9, the differences in classification between financial assets that have ceased to be recognised in the comparative period (to which IFRS 9 will not apply) and other financial assets (to which IFRS 9 applies). The amendment will help insurers avoid these temporary accounting mismatches and thereby provide more useful comparative data for investors. This is achieved by enabling insurers to present comparative data on financial assets. In the first application of IFRS 17, entities will be able to apply a classification overlap to financial assets for which the entity does not prepare comparative information according to IFRS 9, for the purpose of presenting comparative data. The aforementioned possibility would be available for each individual instrument in the transitional period. The entity will be able to present comparative data as if the classification and measurement requirements of IFRS 9 were applied to that financial asset, but the entity will not be required to apply the impairment requirements of IFRS 9. The financial asset will be required to use reasonable and reliable information available at the transition date to determine the expected classification of the financial asset when applying IFRS 9.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.4 New standards and interpretations not yet adopted by EU

Certain new standards and interpretations have been issued which are mandatory for reporting periods beginning on or after 1 January 2023 which have not been adopted by EU and which have not been early adopted by the Group and the Company.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after the date to be determined by IASB). The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 (issued on 22 September 2022 and effective for annual periods beginning on or 1 January 2024). The amendments refer to leaseback transactions that meet the requirements to be reported as sales in accordance with IFRS 15. In particular, amendments require from the seller-lessee to determine subsequent measurement of liabilities in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use it retains. Applying these requirements defer such gain or loss, even when obligation to make variable payments that do not depend on an index or rate accrues.

Classification of Liabilities as Current or Non-current, deferral of the effective date – Amendments to IAS 1 (originally issued on 23 January 2020, subsequently amended on 15 July 2020 and 31 October 2022 and effective for annual periods beginning on or after 1 January 2024). The objective of the amendments is to clarify the principles for the classification of liabilities as either current or non-current. Liabilities are non-current if, at the end of the reporting period, the entity has the material right to postpone settlement for at least twelve months. The guidelines no longer require such a right to be unconditional. The amendments from October 2022 established that loan terms which shall be met after the reporting date do not affect the classification of loan as current or non-current at the reporting date. Management Board's expectations on subsequent right to defer settlement do not affect the classification of liabilities. A liability is classified as current if the condition is breached on or before the reporting date, even if the lender waives the said condition after the end of the reporting period. Conversely, a loan is classified as non-current in the event of a breach of the terms of the loan agreement only after the reporting date. Furthermore, the amendments include clarification of the classification requirements of the debt that the entity can settle by converting it into equity. "Settlement" is defined as the closing of an obligation with cash, other resources representing economic benefits or the entity's own equity instruments. An exception is provided for convertible instruments that can be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument if it is a separate component of a complex financial instrument.

Unless stated otherwise, it is not expected that new standards and interpretations will significantly affect the current and future financial statements of the Group and the Company.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed or is entitled to variable returns from its association with the entity and has the ability to influence those returns through its power over the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations (Note 2.4).

Investments in subsidiaries are accounted for at cost less impairment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (Note 2.9).

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Transactions and non-controlling interests

The Group applies a policy of treating transactions with non-controlling interests as transactions with majority owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in the consolidated statement of comprehensive income. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated statement of comprehensive income.

2.3 Merger of companies under common control

The predecessor method of accounting is used to account for the merger of entities under common control. The present value of assets and liabilities of the predecessor entity are transferred as balances in the merged entity. On the date of the merger, inter-company transactions, balances and gains and losses on transactions between the two entities merging are eliminated.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises:

- the fair values of the assets transferred;
- the liabilities incurred to the former owners of the acquiree;
- the equity interests issued by the Group;
- the fair value of any asset or liability resulting from a contingent consideration arrangement; and
- the fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an step acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net identifiable assets.

Acquisition-related costs are expensed as incurred in the consolidated statement of comprehensive income.

The excess of
- consideration transferred,
- the amount of any non-controlling interest in the acquiree and
- the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets of the acquired entity is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in the income statement as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity’s incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as a financial liability or equity. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the income statement.

If the business combination is achieved in stages, the acquisition-date carrying value of the acquirer’s previously held equity interest in the acquire is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the income statement.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Management Board of the Maistra Group that makes strategic decisions.

2.6 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of the Group and the Company are measured using the currency of the primary economic environment in which the ultimate parent company and subsidiaries operate ('the functional currency'). The financial statements of the Group and the Company are presented in Croatian kuna (HRK), which is the Group's functional and presentation currency.

(b) Transactions and balances in foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.
Foreign exchange gains and losses from operating activities are presented in the statement of comprehensive income within 'Other gains/(losses)'.
Foreign exchange gains and losses from financing activities are presented in the statement of comprehensive income within 'Finance income' or 'Finance costs'.

2.7 Revenue recognition

Revenue is realised through sales of goods and services in the ordinary course of the Group's and the Company's activities. Revenue is disclosed in transaction price amounts. The transaction price is the amount of consideration which the Group and the Company expect to be entitled to in exchange for transferring control over promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised, net of value added tax, returns of goods, granted rebates and discounts.

(a) Sales of tourist services

Tourist services comprise revenue from guest accommodation in hotels, resorts and campsites, sales of food and beverages and sales of other services related to the guests' stay. Revenue is recognised when accommodation units are filled (over time), when food and beverages are sold (at the time of sale) or when other services are provided (at the time of provision).
The Group and the Company provide tourist services under fixed price contracts, where contracted price lists form an integral part of each contract. Price lists indicate the quantities and types of accommodation units and other services, and are limited to the service period. All discounts applied to prices in the price list represent a decrease in sales price.

Agency commissions represent incremental costs of obtaining a contract, which the Group and the Company recognise as expenses when incurred, since the amortisation period is one year or less, and which they record within other operating expenses.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Revenue recognition (continued)

Revenue from tourist services is recorded within sales revenue.

Contract liabilities

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

Financing component

The Group and the Company do not expect to enter into any contracts where the period between the transfer of contracted goods or services to the customer and the payment for the transfer is longer than one year. Consequently, the Group and the Company do not adjust transactions prices for the present value of money.

(b) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.8 Earnings per share

Earnings per share is determined by dividing the profit or loss attributable to equity holders of the Group and the Company by the weighted average number of ordinary shares outstanding during the year.

2.9 Intangible assets

(a) Goodwill

Goodwill represents the excess of the fair value of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Separately recognised goodwill is tested annually for impairment, or whenever there are indications of impairment, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Each unit or group of units is determined based on the lowest level where goodwill is monitored for internal management purposes, i.e. the level of operating segments (Note 2.13).

(b) Software

Computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method over their estimated useful lives (5 years).
Useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Property, plant and equipment

Property, plant and equipment is included in the balance sheet at historical cost less accumulated depreciation and impairment, where required. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the item's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. Costs of replacing significant parts of property, plant and equipment are capitalised, while replaced parts are decommissioned and disposed of. All other minor repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Land and assets under construction are not depreciated. Depreciation of other items of property, plant and equipment is calculated using the straight-line method to allocate their cost over their estimated useful lives as follows:

	2022	**2021**
Buildings	15-100 years	15-100 years
Equipment	3-15 years	3-15 years
Small inventory	1-5 years	1-5 years
Other tangible assets	4-20 years	4-20 years

The Company applies the building components approach, where depreciation rates for each component are adjusted to their useful life.

Small inventory, which useful life is estimated from 1 to 5 years, includes: porcelain, glass, metal, kitchen utensils, textiles, sheets and other small inventory.

The residual value of an asset is the estimated amount that the Group and the Company would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group and the Company expect to use the asset until the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if necessary, at each balance sheet date.

Based on their technical specifications, buildings are divided into separate categories, for which past experience shows similar useful lives across all categories, in accordance with the nature and usual historical use of the relevant asset category.

Changes in the useful life of tangible assets imply changes in accounting estimates.
The effect of changes in accounting estimates of the useful life of tangible assets is recognised through profit or loss in the period of the change and future periods.

Change in the useful life of building – change in the accounting estimate

Based on the strategic investment plan for 2022, the company shortened the useful life of individual components of buildings which increased depreciation cost in the amount of HRK 10,100 thousands. The effect was recognised in the profit and loss statement in 2022.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Property, plant and equipment (continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.13).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Statement of Comprehensive Income in line item 'Other gains/(losses) - net'. Expenses are presented in 'Other operating expenses'.

2.11 Investment property

Investment property, principally comprising buildings and properties, offices, warehouses, shops and other commercial spaces in the hotel and on campsites is held for long-term rental yields or appreciation and is not occupied by the Group or the Company. Investment property is treated as a long-term investment unless it is intended to be sold in the next year and a buyer has been identified in which case it is classified within current assets.

Investment property is carried at historical cost less accumulated depreciation. Depreciation for buildings is calculated using the straight-line method to allocate cost over the estimated useful life from 5 to 100 years.

Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with it will flow to the Group and the Company and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred in the statement of comprehensive income. If an investment property becomes owner-occupied (Group and Company), it is reclassified to property, plant and equipment and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

Rental income where the Group or the Company are the lessor are recognised in the statement of comprehensive income on a straight-line basis over the lease term. The Group and the Company had no need to adjust for assets where they are lessors, as a result of the adoption of IFRS 16.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Leases

The Group and the Company are required to recognise right-of-use assets and lease liabilities at the commencement date of the lease. At the commencement date of the lease, right-of-use-assets are measured at cost, which comprises:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group and the Company;
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group and the Company incur the obligation for those costs either at the commencement date of the lease or as a consequence of having used the underlying asset during a particular period.

After the commencement date, the Group and the Company measure the right-of-use asset applying a cost model. When applying the cost model, the Group and the Company measure the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability.

Right-of-use assets are depreciated using the straight-line method from the commencement date until the end of the lease contract (1.5 – 45 years). Lease contracts are concluded for a definite or indefinite term. For leases with a definite term, the Group and the Company assessed the lease term with regard to the option to extend or terminate the lease, past practice regarding lease terms or significant costs associated with substituting the leased asset. The same approach was applied to leases with a fixed term, which was assessed on a lease-by-lease basis.

The Group and the Company lease mostly maritime property, buildings and commercial spaces and residential buildings.

At the commencement date of the lease, lease liabilities are measured at the present value of the lease payments that are not paid at that date. Lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined (mainly when leasing commercial spaces), the Group and the Company use the incremental borrowing rate. The Group and the Company determine their incremental borrowing rate based on publicly available data, taking into account different factors such as the lease term, value of the leased asset, the economic environment and specificities related to the lessee’s credit position.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date of the lease:

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Leases (continued)

After the commencement date of the lease, the Group and the Company measure lease liabilities by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made;
- remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. The periodic rate of interest is the discount rate, or if applicable the revised discount rate.

In accordance with IFRS 16, the Group and the Company, as lessees, elected not to apply the requirements of the standard to:

- current leases (with a term of 12 months or less);
- leases for which the underlying asset is of low value (lower than HRK 30,000).

In that case, the Group and the Company recognise the lease payments associated with those leases as an expense on a straight-line basis over the lease term. These leases mainly concern vehicles and equipment.

In the balance sheet, right-of-use assets are reported within‘ Property and equipment’, while lease liabilities are reported within ‘Trade and other payables’.

2.13 Impairment of non-financial assets

Assets that have an indefinite useful life, such as goodwill or land, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Financial assets

2.14.1 Classification

Using the valuation method, the Group and the Company classify their financial assets in the following categories: financial assets at fair value through profit or loss and financial assets at amortised cost. Classification is conducted at the time of the initial recognition and depends on the Group and the Company's business model for managing financial assets and on the contractual cash flow characteristics of the instrument. The classification of debt instruments will be modified if, and only if, the business model for managing these instruments changes.

2.14.2 Recognition and derecognition

Financial assets are recognised in the balance sheet when the Group and the Company become a party to the contractual provisions of the underlying instrument. Financial assets are derecognised when the rights to cash flows from the financial assets have expired or have been transferred, along with all other rights and liabilities.

When a financial asset is initially recognised, the Group and the Company are measuring it at its fair value plus transaction costs directly attributable to the acquisition of the financial asset in the case of financial assets not classified as financial assets at fair value through profit or loss. Transaction costs of financial assets carried at fair value through profit or loss are recognised in the income statement.

2.14.3 Subsequent measurement

a) Debt instruments – Financial assets measured at amortised cost

Debt instruments held in order to collect contractual cash flows are measured using the amortised cost method when these cash flows represent solely payments of principal and interest (SPPI).
Interest income from such financial assets is calculated using the effective interest method and recognised within 'Finance income' in the statement of comprehensive income. Impairment losses are recorded within 'Other operating expenses'.

The Group and the Company classify the following forms of assets in the above category:

- trade and other receivables;
- loans meeting classification criteria under the SPPI test and held in line with the definition of the 'hold to collect contractual cash flows' business model;
- cash and cash equivalents.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14.3 Subsequent measurement (continued)

b) Equity instruments

Interests in other entities comprise equity instruments of these companies, which do not imply control, joint control or significant influence.

Interests in other entities are initially recognised at fair value plus transaction costs. They are subsequently measured at fair value. With regard to all of its investments, the Group elected as follows:

- for strategic equity instruments – gains or losses from fair value change are recognised within other comprehensive income, as they are not held for generating investment returns. Given this choice, gains or losses from fair valuation are not subsequently reclassified to the income statement when the investment is derecognised. Impairment losses on equity instruments (and their release) classified at FVOCI are not recognised separately from other fair value changes;
- for non-strategic equity instruments – gains or losses from fair value change are recognised within other gains/losses in the statement of comprehensive income.

Dividends are recognised in profit or loss when the Group's right to receive the dividends is established.

As at 31 December 2022 and 31 December 2021, the Group and the Company do not have any strategic equity instruments.

The Group and the Company assess, on a forward-looking basis, the expected credit losses for debt instruments measured at amortised cost (AC). The Company measures expected credit losses and recognises net impairment losses on financial assets at each reporting date. The measurement of expected credit losses reflects: (i) an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes; (ii) the time value of money; (iii) all reasonable and supportable information which is available without undue cost and effort at the end of each reporting period, and which relates to past events, current conditions and forecasts of future conditions.

Debt instruments measured at amortised cost and contract assets are presented in the balance sheet position, net of the allowance for expected credit losses.

The Group and the Company apply the simplified expected credit loss approach to trade receivables, which results in the earlier recognition of impairment costs.

Impairment losses on cash and cash equivalents

Cash and cash equivalents are impaired individually for cash assets deposited in different financial institutions. In order to assess credit risk, internal scoring models are used for all financial institutions based on all publicly available information.
Since all components of cash have low credit risk at the reporting date, the Group and the Company recognise an allowance based on 12-month expected credit losses.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14.3 Subsequent measurement (continued)

Impairment losses on receivables

For trade receivables without a significant financing component, the Group and the Company apply the simplified approach in line with IFRS 9 requirements. Taking into account its historical experience in terms of default rates and recorded losses, regulatory requirements and future expected losses from this type of exposure, the Company expertly built a matrix for lifetime ECLs that specifies provision rates. Default rates are calculated for the following age groups:
- up to 90 days;
- 91–120 days;
- 121–180 days;
- 181–365 days;
- over 365 days.

Definition of default

A default is considered to have occurred when one of the following conditions is met:
- the Group deems it probable that the debtor will not fully settle its obligation to the Group, without relying on the possible realisation of collateral (unlikeliness to pay); or
- the debtor is more than 365 days past due on their contractual payments.

2.15 Financial liabilities

2.15.1 Financial liabilities – measurement categories

Financial liabilities are classified as subsequently measured at amortised cost, except for (i) financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition, and (ii) financial guarantee contracts and loan commitments.

2.15.2 Financial liabilities – derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).
Where there has been an exchange of debt instruments with substantially different terms between the Group and the Company and on their original lenders, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.
The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.
If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification of terms is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.
Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Inventories

Inventories of food and beverages are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated sales price in the ordinary course of business, less applicable variable costs to sell.

Inventories of trade goods are carried at sales prices less applicable taxes and margins.

2.17 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less impairment calculated using the expected credit loss model (Note 2.14).

The amount of the provision for impairment of credit losses for trade payables and subsequent recoveries of ECLs previously recognised are recorded in the income statement within 'Other operating expenses' as net expense or income.

2.18 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits held with banks and other current highly liquid investments with maturities of three months or less. Cash at banks satisfies the criteria of the SPPI test and the 'hold to collect' business model. In that regard, cash is carried at amortised cost, less impairment calculated using the expected credit loss model (Note 2.14).

2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss for the period, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated according to the tax laws effective in the Republic of Croatia at the balance sheet date for individual Group companies. The Management Board periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and consider establishing provisions where appropriate on the basis of amounts expected to be paid to the Tax Administration.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Current and deferred income tax (continued)

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when deferred tax items relate to the same Tax Administration.

Current tax assets and liabilities are offset when the Company has a legally enforceable right to set them off and intends to settle their balance on a net basis or realise the assets and settle the liabilities simultaneously.

2.20 Employee benefits

(a) Pension obligations and post-employment benefits

In the normal course of business through salary deductions, the Group and the Company make payments to mandatory pension funds on behalf of their employees as required by law. All contributions made to the mandatory pension funds are recorded as salary expense when incurred. The Group and the Company do not have any other pension scheme and, consequently, have no other obligations in respect of employee pensions. In addition, they are not obliged to provide any other post-employment benefits.

(b) Non-current employee benefits

The Group and the Company recognises a liability for non-current employee benefits, such as jubilee awards and termination benefits, evenly over the period the benefit is earned based on actual years of service. The non-current employee benefit liability is determined using assumptions regarding the likely number of staff to whom the benefit will be payable, estimated benefit cost and the discount rate (2022: 3.20%, 2021: 0.60%).

(c) Termination benefits

Termination benefits are recognised when employment is terminated by the Group and the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(d) *Current employee benefits*

The Group and the Company accrues bonuses where contractually obliged or where there is a past practice that has created a constructive obligation. In addition, the Group recognises a liability for accumulated compensated absences based on unused vacation days at the balance sheet date.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Share capital

Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of income tax, from the proceeds.

Where the Group and the Company purchase their treasury shares, the consideration paid, including any directly attributable transaction costs (net of income taxes), is deducted from equity attributable to the Group's and Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable transaction costs and the related income tax effects, is included in equity attributable to the Group's and the Company's equity holders.

2.22 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Borrowing costs directly attributable to assets under construction are capitalised during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are charged to comprehensive income.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.23 Provisions

Provisions for legal claims, concessions and non-current employee benefits are recognised when: the Group and the Company have a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Provisions are increased in each period to reflect the passage of time.

2.24 Value added tax (VAT)

The Tax Administration requires the settlement of VAT on a net basis. VAT related to sales and purchases is recognised and disclosed in the balance sheet on a net basis. Where a provision has been made for the impairment of credit losses for trade and other receivables, an impairment loss is recorded for the gross amount of the debtor, including VAT.

2.25 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.26 Government grants

Government grants are carried at fair value when it is reasonable to assume that the grant will be obtained and the Group and the Company will fulfil all related requirements.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support with no future related costs are recognised as income in other income in the period in which they become receivable.

NOTE 3 – FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's and the Company's activities expose them to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. The financial risks of the Group and the Company are actively managed by the central Treasury Department. Market risk management primarily concerns seasonal inflows denominated in foreign currencies.

(a) Market risk

(i) Foreign exchange risk

In 2022, part of sales revenue was realised in foreign currencies, mainly in euro. Since the Republic of Croatia has entered the eurozone and introduced the euro as an official and legal currency, as from 1 January 2023, the Group and the Company are no longer exposed to significant currency risk. A substantial part of the revenues and other inflows will be in EUR and negligible part of revenue will be realised in other currencies, which generate a negligible currency risk.

(ii) Price risk

The Group and the Company do not have significant concentrations of equity securities price risk, since the investments classified in the Statement of Comprehensive Income at fair value are not significant. The Group's and the Company's investments in equity instruments that are publicly traded are included in the CROBEX index.

As at 31 December 2022, if the value of the portfolio had increased/decreased by 10% (2021: 10%), with all other variables held constant, the Group's and the Company's profit after tax for the reporting period would have been HRK 204 thousand higher/lower (2021: profit after tax for the reporting period would have been HRK 170 thousand higher/lower) mainly as a result of gains/losses on equity securities classified at fair value through profit or loss.

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(iii) Cash flow and fair value interest rate risk

As the Group and the Company have no significant interest-bearing assets, their income and cash flows from operating activities are substantially independent of changes in market interest rates.

The majority of borrowings carries a fixed interest rate, while a part of borrowings carries variable interest rates. All borrowings carrying a variable interest rate do not refer to market rate benchmarks and are mostly inelastic with regard to changes in market conditions, except in a very limited number of cases.

Borrowings expose the Group and the Company to fair value interest rate risk. The carrying value of borrowings approximates their fair value, since the Group's and Company's contracted interest rates do not significantly differ from market rates at the balance sheet date.

As at 31 December 2022, had the effective interest rate on the Group's and the Company's borrowings increased by 1 percentage point on an annual level, profit after tax for the reporting period would have been HRK 1,684 thousand lower (31 December 2021: HRK 4,765 thousand lower).

As at 31 December 2022, had the effective interest rate on the Group's and Company's borrowings decreased by 1 percentage point on an annual level, profit after tax for the reporting period would have been HRK 1,699 thousand higher (31 December 2021: HRK 4,808 thousand higher).

(b) Credit risk

Assets that may potentially expose the Group and the Company to credit risk mainly comprise money, trade and other receivables (maximum credit risk exposure is presented in Note 20). The Group mainly deposits its cash at a bank with a BBB credit rating by Fitch Ratings (2021: BBB) and at other banks that are members of prominent banking groups in the EU.

The Group and the Company have policies in place to ensure that sales are made mostly to customers paying in advance, in cash or using major credit cards (individual customers, i.e. natural persons), and to customers with an appropriate credit history (mostly travel agencies). The Debt collection department monitors outstanding receivables from Group's and Company's customers on a daily basis and actively manages the credit risk of trade receivables. The Group and the Company do not grant credit limits to customers. The Management Board does not expect losses from defaults in payments of customers.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding and the ability to meet all obligations. The Management Board monitors rolling forecasts of the liquidity reserve at least once a week. At the corporate level, the parent company's Finance Department reviews internal financial reports on a monthly basis. The Company has a contracted revolving line, with the unused amount of 838,484 thousand HRK at 31 December 2022 (Note 25). In light of the above, the Company may amortise potential very high shocks to the company's liquidity, as a result of which the company would remain very stable.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on contractual maturity dates, including the principal and expected interests. The amounts disclosed in the table are the contractual undiscounted cash flows.

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The stated liabilities do not include payables to employees, taxes and contributions payable and advances.

(in thousands of HRK) **Group**	**Less than 6 months**	**6 to 12 months**	**1–2 years**	**2–5 years**	**More than 5 years**
As at 31 December 2022					
Non-current borrowings	84,502	120,312	150,568	179,382	403,436
Current borrowings	201,939	-	-	-	-
Lease liabilities	771	6,580	3,999	11,863	18,154
Trade and other payables	85,024	-	-	-	-
As at 31 December 2021					
Non-current borrowings	18,176	104,790	210,191	288,243	693,500
Current borrowings	15,845	82,341	-	-	-
Lease liabilities	2,006	1,974	4,189	8,429	15,817
Trade and other payables	45,926	-	-	-	-
Company					
As at 31 December 2022					
Non-current borrowings	84,068	109,057	139,311	179,382	403,436
Current borrowings	201,939	-	-	-	-
Lease liabilities	771	6,580	3,999	11,863	18,154
Trade and other payables	83,750	-	-	-	-
As at 31 December 2021					
Non-current borrowings	17,528	93,377	198,529	277,016	693,500
Current borrowings	15,734	82,341	-	-	-
Lease liabilities	2,006	1,974	4,189	8,429	15,817
Trade and other payables	45,175	-	-	-	-

3.2 Capital risk management

The Group monitors capital in accordance with Croatian laws and regulations which require a minimum paid in capital of HRK 200,000 for public listed companies. There are no specific measures required by the owners in managing capital. The Group is not subject to externally imposed capital requirements. In addition, there are no internally monitored capital objectives.

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation

The fair value of financial instruments is measured by levels of the following hierarchy:

- Quoted prices (unadjusted) in active market for identical assets (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's and the Company's assets measured at fair value as at 31 December 2022, grouped by fair value calculation:

(in thousands of HRK)	**Level 1**	**Level 2**	**Level 3**	**Total balance**
Assets				
Financial assets at fair value through profit or loss				
– Equity instruments	2,037	-	278	2,315
Total assets	**2,037**	**-**	**278**	**2,315**

The following table presents the Group's and the Company's assets measured at fair value as at 31 December 2021, grouped by fair value calculation:

(in thousands of HRK)	**Level 1**	**Level 2**	**Level 3**	**Total balance**
Assets				
Financial assets at fair value through profit or loss				
– Equity instruments	1,700	-	278	1,978
Total assets	**1,700**	**-**	**278**	**1,978**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group and the Company is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily equity investments in shares classified as trading securities, while instruments included in Level 3 include investments in shares of unlisted companies.

The Group and the Company do not have financial assets classifiable to Level 2.

NOTE 4 – SIGNIFICANT ACCOUNTING ESTIMATES

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under existing circumstances. The Group and the Company make estimates and assumptions concerning the future. The resulting accounting estimates are, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Legal claims and disputes

Provisions for legal claims and disputes are recorded based on the Management Board's estimate of probable losses and the probability of resolving these claims and disputes in a period of less/more than one year, after taking appropriate legal advice. Based on existing knowledge, it is reasonably possible that future litigation outcomes will be different from assumptions of probable losses.

b) Estimated useful life of property, plant and equipment

By using a certain asset, the Group and the Company use the economic benefits contained in this asset, which diminish more intensely with economic and technological ageing. Consequently, in the process of determining the useful life of an asset, in addition to assessing the expected physical utilisation, it is necessary to consider the changes in demand on the tourism market, which will cause a faster economic obsolescence as well as a more intense development of new technologies. Current business operations in the hotel industry impose the need for more frequent investments, and this circumstance contributes to the fact that the useful life of an asset is decreasing.

In line with the opinion of the Technical Department, the useful life of the fixed asset group 'Land and buildings' was assessed to be 15–100 years and appropriate for undisturbed operations. The useful lives of equipment and other assets have also been reassessed.

The useful lives will be periodically revised to reflect any changes in circumstances since the previous assessment. Changes in estimate, if any, will be reflected prospectively in a revised depreciation charge over the remaining, revised useful life.

If the useful lives of property, plant and equipment had been 5% longer, with all other variables held constant, the net profit for the year would have been HRK 9,126 thousand higher for the Group and HRK 8,664 thousand higher for the Company, and the net carrying value of property, plant and equipment would have been HRK 9,126 thousand higher for the Group and HRK 8,664 thousand higher for the Company (2021: net profit would have been HRK 10,991 thousand higher for the Group and HRK 10,428 thousand higher for the Company, and the net carrying value of property, plant and equipment would have been HRK 10,991 thousand higher for the Group and HRK 10,428 thousand higher for the Company).

If the useful lives of property, plant and equipment had been 5% shorter, with all other variables held constant, the net profit for the year would have been HRK 10,087 thousand lower for the Group and HRK 9,576 thousand lower for the Company, and the net carrying value of property, plant and equipment would have been HRK 10,087 thousand lower for the Group and HRK 9,576 thousand lower for the Company (2021: net profit would have been HRK 12,147 thousand lower for the Group and HRK 11,525 thousand lower for the Company, and the net carrying value of property, plant and equipment would have been HRK 12,147 thousand lower for the Group and HRK 11,525 thousand lower for the Company).

NOTE 4 – SIGNIFICANT ACCOUNTING ESTIMATES (continued)

c) Recoverable amount of property, plant and equipment

The Group and the Company at least once a year review the carrying amounts of their non-financial assets (including property, plant and equipment) to determine whether there is any indication that the assets may be impaired. If any such indication exists, the asset's recoverable amount is estimated. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Cash-generating units in the hotel industry/tourism are accommodation facilities. The accounting policy is presented in Note 2.13.

The calculation of the recoverable value was carried out in one of the following two ways: by calculating the fair value of assets or by calculating the value of the assets in use.

Fair value less costs to sell was calculated using the income approach for properties and the comparative method for land. Under the income approach, an asset's value is based on the amount of cash that it can generate over its lifetime. After determining all income and expenses associated with each accommodation unit, the net income for all future period is calculated and discounted using an appropriate discount rate in order to obtain the present value of future cash flows. Key assumptions used in the income approach were the price of overnight stays per accommodation unit, the average occupancy rate of the facility, the income distribution weight per service category, the gross EBITDA margin, and the capitalisation rate. For calculation of comparative prices, purchase and sale prices of those properties that show sufficiently similar characteristics with the estimated ones were used. If a sufficient number of purchase and sale prices in the area where the appraised property is located cannot be find, then purchase and sale prices from comparative areas that show sufficiently similar characteristics to the appraised area may be used for calculation of comparative prices.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. When determining recoverable value, the management analyses key indicators such as revenue growth rates based on facilities' occupancy rates, unit revenues, and the expected market growth in the hotel industry, etc. Valuation is based on 5-year cash flow projections approved by the Company's Management Board. A terminal growth rate (rate of remaining growth) was applied for the period following the 5-year period. Terminal growth rates used in the valuation and adjusted for expected growth rates in the hotel industry represent the projected annual growth of Croatia's GDP in the long term.

Below is an overview of assumptions used in the value-in-use calculation model:

Tourism

	2022*	**2021**
Gross EBITDA margin	-	41.7% average
Revenue growth rate	-	3.7%* average
Discount rate	-	6.2%
Rate of remaining growth	-	2.0%

* Considering the business result and the net book value of property, plant and equipment, there were no indicators of impairment in 2022. Accordingly, the Group and the Company did not calculate the recoverable value of property, plant and equipment.

NOTE 4 – SIGNIFICANT ACCOUNTING ESTIMATES (continued)

d) Goodwill impairment

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.13. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 17).

If the estimated costs of capital used in determining the pre-tax discount rate for the Accommodation segment had been 1% higher than the Management Board's estimates (for example, 11.10% instead of 10.10%), additional impairment of goodwill would not need to be recognised.

e) Discount rates used to determine lease liabilities

The Group and the Company calculate the discount rate based on their incremental borrowing rate because the interest rate implicit in the lease cannot be readily determined.

A 10% increase of the discount rate as at 31 December 2022 would decrease lease liabilities by HRK 215 thousand (31 December 2021: HRK 204 thousand), while a 10% decrease of the discount rate as at 31 December 2022 would increase lease liabilities by HRK 218 thousand (31 December 2021: HRK 207 thousand).

f) Deferred tax assets

Deferred tax assets include HRK 178,481 thousand for the Group (2021: HRK 118,095 thousand) and HRK 174,471 thousand for the Company (2021: HRK 112,576 thousand), which are stated on the basis of (1) investment aids, (2) transferred tax losses and (3) other temporary tax differences.

(1) The amounts stated on the basis of investment aids from 2018 for investments started in 2015 shall be used by the Group and the Company by the end of 2025, while the amounts of investment aids from 2022 for investments started in 2019 shall be used by the Group and the Company until the end of 2029 (Note 13).
(2) The Group have a remaining period of 3 years to utilise the amounts arising from tax loss carried forward,
(3) the realisation of deferred tax assets arising from other temporary differences is not time bound and there is thus very little uncertainty regarding their utilisation.

The Group and the Company consider that deferred tax assets are to be recovered from estimated future taxable income based on the Group's and the Company's approved business plans and budgets. Taking into account historical financial results of the Group and the Company and their constantly high level of profitability prior to the coronavirus outbreak, the Group and the Company are expected to fully utilise all tax loss carried forward in the next couple of year, i.e. before it expires.

NOTE 4 – SIGNIFICANT ACCOUNTING ESTIMATES (continued)

g) Provisions for land concession fees

Pursuant to the provisions of the Act on Tourist and Other Construction Land Not Evaluated in the Transformation and Privatisation Process ('Official Gazette' No. 92/2010, hereinafter: ATL), the Company submitted concession applications for tourist land in campsites, hotels and tourist resorts to the then competent Ministry of Tourism and local self-government units. In addition, for hotels and tourists resorts and other construction land, requests to determine the floor areas of facilities and evaluated land were submitted under Article 27 in conjunction with Articles 18, 19, 24 and 25 of the ATL. Unfortunately, the ATL failed to yield desired practical results because it did not address property law relations, which ultimately lead to the adoption of the new Act on Unevaluated Construction Land ('Official Gazette' No. 50/2020, hereinafter: AUCL) that entered into force on 2 May 2020.

Based on invoices served under the provisions of the ATL and its accompanying regulations, the Company paid concession fees for campsites in Rovinj and Vrsar, as well as invoices prepared and delivered by local self-government units. A provision for the remaining amount of concession fees has been made until proceedings have been finalised.

The new Act repeals the ATL and its accompanying regulations and provides for obligatory geodetic surveys for hotel properties, tourist resorts and other construction land. In terms of legal ownership status of properties, the new AUCL stipulates that the Company is the owner of the evaluated floor area of facilities in campsites, while unevaluated land in campsites is owned by the Republic of Croatia. With regard to hotels and tourist resorts, the legislator provided for legislative solutions to the ownership issue similar to those in the ATL. In other words, the Company would be the owner of the evaluated facility and land when the proceedings are finalised. Land in and used by hotels and tourist resorts, which was evaluated not to be part of the Company's share capital in the transformation process, would become the property of the local self-government units where the land is located.

The new Act stipulates that local self-government units or the competent ministry is required to invite the Company to conclude a 50-year lease contract after the proceedings are finalised. Currently, authorities have not adopted any implementing legislation (regulations) under the AUCL which would regulate in more detail the amount and payment of rent. Given all of the above, i.e. the fact that rules for rent to be paid under lease contracts upon their conclusion are still unknown, the Company retained the same provision model.

h) Recoverability of investments in subsidiaries

Investment in subsidiaries refers to shares in the subsidiary Grand Hotel Imperial d.d. on 31 December 2022 and 31 December 2021. The value of equity on which the fair value of the business unit is based represents the value of business for equity owners and is estimated using the income and market approach, using the discounted cash flow method.

The cash flow projections used in the income approach are based on five-year projection and a discount rate is set as a weighted average cost of capital ("WACC") of 8.2% (2021: 6.2%). The valuations were prepared by the Company based on five-year cash flow plans approved by the Company's Management Board. When determining the recoverable value of investments, the Management Board considers key indicators such as revenue growth based on facility occupancy, revenue per unit and expected market growth. After the end of the five-year period, the applied terminal growth rate is 2.0% (2021: 1.5%). The terminal growth rates used in the valuation represent a projection of the annual GDP growth of the Republic of Croatia in the long run and are in line with the expected growth rates in the observed industry.

The Company has considered the impact of reasonable changes in key assumptions (increase/decrease of 5%) and determined that change in variables did not indicate value impairment as at 31 December 2022.

NOTE 5 – SEGMENT INFORMATION

The Management Board has determined the operating segments based on the reports reviewed by the Management Board of Maistra that are used to make strategic decisions.

The Management Board defined its reportable segments as operations based on the differences in the type of accommodation facilities. The reportable segments are as follows: (1) Hotels, (2) Resorts and (3) Campsites. Other segments include mainly administrative functions and eliminations.

The Management Board of Maistra assesses the performance of the operating segments based on earnings before interest, taxes, depreciation and amortisation (EBITDA). However, internal reporting of performance also includes revenue from basic services (accommodation and board meals).

(in thousands of HRK)	**Hotels**	**Resorts**	**Campsites**	**Other**	**Total**
Segment income in 2022	826,584	260,289	459,281	38,885	1,585,039
Segment income in 2021	638,917	201,271	351,531	34,912	1,226,631
EBITDA 2022	231,677	54,851	233,945	6,676	527,149
EBITDA 2021	210,053	58,787	192,742	7,073	468,655

Reconciliation of EBITDA and revenues of operating segments with net profit and income for the period:

(in thousands of HRK)	**2022**	**2021**
EBITDA – operating segments	527,149	468,655
Amortisation, depreciation and impairment	(266,547)	(247,339)
Net finance costs	(27,018)	(33,795)
Other	56,006	(19,928)
Net profit for the period	289,590	167,593

(in thousands of HRK)	**2022**	**2021**
Segment income	1,585,039	1,226,631
Government grants	(1,929)	(48,545)
Other adjustments	(52,614)	(35,923)
Revenue from contracts with customers	1,530,496	1,142,163

Internal reporting of an operating segment's performance is specific to the operations and key events for each segment; therefore, the disclosure of those information has been adjusted accordingly for the current year and the previous period.

Hotels*(in thousands of HRK)*	**2022**	**2021**
Income	826,583	638,917
Operating costs	(594,906)	(428,864)
EBITDA	231,677	210,053

Resorts*(in thousands of HRK)*	**2022**	**2021**
Income	260,289	201,271
Operating costs	(205,438)	(142,484)
EBITDA	54,851	58,787

Campsites*(in thousands of HRK)*	**2022**	**2021**
Income	459,281	351,531
Operating costs	(225,336)	(158,789)
EBITDA	233,945	192,742

Rather than monitoring assets and liabilities on the Group or segment level, the Management Board monitors them only on the Company level.

NOTE 5 – SEGMENT INFORMATION (continued)

All income and non-current tangible assets of the segments are realised and located in Croatia.

Sales revenues depend on the customers' country of origin.

The Management Board also monitors the occupancy rate of accommodation units for each segment by sales channels.

Analysis of sales by category *(in thousands of HRK)*	**Maistra Group**		**Maistra d.d.**	
	2022	**2021**	**2022**	**2021**
Income from accommodation	1,048,224	803,159	997,110	773,670
Income from food and beverages	439,746	310,883	430,328	304,733
Income from other tourist services	37,381	23,026	29,705	19,225
Other income	5,145	5,095	5,145	5,095
	1,530,496	**1,142,163**	**1,462,288**	**1,102,723**

NOTE 6– OTHER INCOME

(in thousands of HRK)	**Maistra Group**		**Maistra d.d.**	
	2022	**2021**	**2022**	**2021**
Income from subsidies /i/	1,929	48,545	1,929	45,111
Services provided	7,846	7,846	7,846	7,846
Rentals	21,705	16,772	21,705	16,772
Reimbursement of damages	2,984	3,393	2,966	3,312
Other income	9,545	9,087	9,482	8,906
	44,009	**85,643**	**43,928**	**81,947**

/i/ The Group and the Company used electric price subsidy from the Government of the Republic of Croatia in 2022. The Group and the Company used job preservations grants of the Republic of Croatia in 2021.

NOTE 7 – COSTS OF MATERIALS AND SERVICES

	Maistra Group		Maistra d.d.	
(in thousands of HRK)	**2022**	**2021**	**2022**	**2021**
Raw materials and supplies				
Raw materials and supplies consumed	164,582	107,206	159,588	104,395
Energy and water consumed	113,158	60,674	109,835	58,895
	277,740	167,880	269,423	163,290
External services				
Maintenance	53,735	44,229	51,529	42,585
Tourist agency commissions	64,845	55,209	61,764	53,327
Cleaning services	27,502	20,939	27,502	20,939
Current leases not recognised as a liability	554	207	489	146
Leases of low-value assets not recognised as a liability	22,505	16,351	22,505	16,346
Advertising and promotion	18,137	14,883	17,618	14,640
Services from related parties	14,230	12,007	7,371	8,182
Utility services	9,451	6,743	9,241	6,590
Student employment agency services	11,552	8,767	11,455	8,739
Security services	5,918	4,231	5,745	4,143
Laundry services	3,294	2,385	1,717	1,737
Environmental protection costs	4,558	4,552	4,557	4,552
Transportation services	525	398	525	398
Other services	6,486	4,347	4,988	3,440
	243,292	195,248	227,006	185,764
	521,032	**363,128**	**496,429**	**349,054**

NOTE 8 – STAFF COSTS

	Maistra Group		Maistra d.d.	
(in thousands of HRK)	**2022**	**2021**	**2022**	**2021**
Net salaries	238,168	182,095	226,658	171,936
Taxes and contributions /i/	104,930	80,818	100,205	76,966
Provision for termination benefits and jubilee awards (Note 28)	219	411	199	139
Other staff costs /ii/	69,557	43,020	68,635	42,549
	412,874	**306,344**	**395,697**	**291,590**

/i/ Contributions for pension insurances amounted to HRK 52,778 thousand (2021: HRK 40,503 thousand) for the Group, and HRK 50,275 thousand (2021: HRK 38,346 thousand) for the Company.

/ii/ Other staff costs comprise official travel expenses, transport costs, educations, Christmas bonuses and holiday bonuses.

As at 31 December 2022, the Group had 2,044 employees (2021: 1,674 employees) and the Company had 1,947 employees (2021: 1,578 employees).

NOTE 9 – OTHER OPERATING EXPENSES

	Maistra Group		Maistra d.d.	
(in thousands of HRK)	**2022**	**2021**	**2022**	**2021**
Concession costs outside the scope of IFRS 16	16,365	13,375	16,365	13,375
Taxes and fees	16,740	10,650	15,169	9,052
Net book value of buildings, equipment and small inventory sold	11,860	5,055	11,860	5,055
Insurance premiums	6,188	5,556	5,486	4,937
Water protection fee	6,090	5,856	6,090	5,856
Intellectual services	11,982	10,722	11,734	10,566
Bank services	9,925	7,600	8,969	7,021
Radio and television subscription	1,349	896	1,193	773
Provisions for legal disputes (Note 28)	1,794	2,714	1,794	2,714
Expenses of cars and other vehicles	1,441	918	1,441	918
Telecommunication services	2,372	2,152	2,029	1,833
Guest animation expenses	4,791	2,666	4,791	2,666
Membership fees to Tourist Boards and other memberships	4,915	3,643	4,825	3,578
Entertainment	4,611	3,232	4,371	3,144
Humanitarian aid and donations	170	155	170	155
Net impairment of financial assets	545	3	233	134
Other	14,273	6,957	13,817	6,713
	115,411	**82,150**	**110,337**	**78,490**

NOTE 10 – OTHER GAINS/(LOSSES) – NET

	Maistra Group		Maistra d.d.	
(in thousands of HRK)	**2022**	**2021**	**2022**	**2021**
Gains on sale of tangible assets	7	653	7	653
Foreign exchange differences – net	57	296	230	282
Fair value gains	419	356	419	356
Other losses	(3)	(1)	(3)	(1)
	480	**1,304**	**653**	**1,290**

NOTE 11 – NET FINANCE COSTS

	Maistra Group		Maistra d.d.	
(in thousands of HRK)	**2022**	**2021**	**2022**	**2021**
Finance income				
Interest income	370	4	845	647
Net exchange differences from financial activities	-	1,469	-	1,307
	370	**1,473**	**845**	**1,954**
Finance costs				
Interest expense – related parties (Note 32)	(7,781)	(17,191)	(6,617)	(15,590)
Interest expense	(18,461)	(17,568)	(18,461)	(17,568)
Net foreign exchange differences from financing activities	(578)	-	(539)	-
Interest expense from lease contracts with related companies (Note 32)	(27)	(30)	(27)	(30)
Interest expense from lease contracts	(541)	(479)	(541)	(479)
	(27,388)	**(35,268)**	**(26,185)**	**(33,667)**
Net finance costs	**(27,018)**	**(33,795)**	**(25,340)**	**(31,713)**

NOTE 12 – LEASES

Amounts recognised in the balance sheet and movements over the year are presented in Note 15 – Property, plant and equipment and in Note 27 – Trade and other payables.

In the Statement of Comprehensive Income for 2022 and 2021, the following is reported:

	Maistra Group		Maistra d.d.	
(in thousands of HRK)	**2022**	**2021**	**2022**	**2021**
Deprecation charge for right-of-use				
Property	4,038	2,518	4,038	2,518
Maritime property	1,145	1,145	1,145	1,145
	5,183	**3,663**	**5,183**	**3,663**
Interest expense (Note 11)	568	509	568	509
Expenses associated with current leases (Note 7)	554	207	489	146
Expenses associated with leases of low-value assets not recognised as current leases (Note 7)	22,505	16,351	22,505	16,346

Income from leases where the Group or the Company are the lessor are recognised within other income (Note 6).

In 2022, total lease liabilities for the Group and the Company amounted to HRK 5,914 thousand (2021: HRK 4,510 thousand).

NOTE 13 – INCOME TAX

	Maistra Group		Maistra d.d.	
(in thousands of HRK)	**2022**	**2021**	**2022**	**2021**
Current tax	-	-	-	-
Deferred tax (Note 22)	(60,727)	25,698	(62,040)	27,003
	(60,727)	**25,698**	**(62,040)**	**27,003**

The reconciliation of the tax expense for the Group and the Company per the statement of comprehensive income and taxation at the statutory rate is detailed in the table below:

	Maistra Group		Maistra d.d.	
(in thousands of HRK)	**2022**	**2021**	**2022**	**2021**
Profit before tax	228,863	193,291	222,203	197,614
Income tax at a rate of 18%	41,195	34,792	39,996	35,570
Effect of non-taxable income /i/	(876)	(9,760)	(876)	(9,142)
Effect of non-deductible expenses /ii/	1,116	1,775	1,002	575
Effect of used transferred tax losses	-	(1,109)	-	-
Effect of recognised government grants /iii/	(106,674)	-	(106,674)	-
Effect of additional income tax from using government grants /iv/	4,512	-	4,512	-
Tax expense	**(60,727)**	**25,698**	**(62,040)**	**27,003**

/i/ Non-taxable income relates mainly to government grants and other income excluded from the tax base (in accordance with tax legislation).

/ii/ Non-taxable expenses related mainly to impairment of trade receivables and costs related to personal transport and representation costs.

/iii/ Pursuant to the Investment Aid Act, the company acquired the status of beneficiary of support in the amount of HRK 106,674 thousand in 2022. Aids must be used within a period of 10 years from the year the investment began, while meeting all legally prescribed criteria from this regulation, such as maintaining the set number of employees and similar measures. The company expects to receive confirmation from the Ministry of Economy, Entrepreneurship and Crafts in 2023.

/iv/ Additional income tax is prescribed only for the year 2022, based on the Act on Additional Profit Tax (Official Gazette 151/22, 09/23), which ensures the implementation of Chapter III. Council Regulation (EU) 2022/1854 of 6 October 2022 on emergency intervention to address the issue of high energy prices (OJ L 261I, 7.10.2022). The company is liable for additional income tax according to the regulation on income taxation, if in the tax period for which the obligation of additional income tax is determined, has generated revenues of more than HRK 300,000 thousand. The amount of the calculated additional income tax for the year 2022 of HRK 4,512 thousand is reduced by the amount of deferred tax assets on the item of investment incentives approved in 2018.

In accordance with regulations of the Republic of Croatia, the Tax Authority may at any time inspect the Company’s or any of its subsidiaries’ books and records within 3 years following the year in which the tax liability is reported and may impose additional tax assessments and penalties. The Company’s Management Board is not aware of any circumstances, which may give rise to potential material liabilities in this respect.

NOTE 14 – EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net losses by the weighted average number of ordinary shares, excluding the average number of ordinary shares purchased by the Company and held as treasury shares. Basic profit per share equals diluted as there are no diluted shares.

	Maistra Group		**Maistra d.d.**	
	2022	**2021**	**2022**	**2021**
Net profit for the Company's shareholders *(in thousands of HRK)*	288,587	168,175	284,243	170,611
Weighted average number of shares	10,944,339	10,944,339	10,944,339	10,944,339
Earnings per share *(in HRK)*	**26.37**	**15.37**	**25.97**	**15.59**

NOTE 15 – PROPERTY, PLANT AND EQUIPMENT

Maistra Group

(in thousands of HRK)	**Land and buildings**	**Right-of-use assets – land and buildings**	**Right of use assets - maritime property**	**Equipment**	**Small inventory**	**Other tangible assets**	**Assets under construction**	**Total**
Balance as at 1 January 2021								
Cost	4,152,064	21,513	17,525	1,145,468	83,797	32,014	60,134	5,512,515
Accumulated depreciation and impairment	(1,605,185)	(4,476)	(2,277)	(656,864)	(60,764)	(14,997)	-	(2,344,563)
Net book value	**2,546,879**	**17,037**	**15,248**	**488,604**	**23,033**	**17,017**	**60,134**	**3,167,952**
For the year ended 31 December 2021								
Net book value at the beginning of the period	2,546,879	17,037	15,248	488,604	23,033	17,017	60,134	3,167,952
Transfer to investment property (note 16)	(11,431)	-	-	-	-	-	-	(11,431)
Additions	410	234	96	418	10,765	-	128,350	140,273
Transfer	87,490	-	-	41,288	-	8,118	(136,896)	-
Depreciation and impairment for the year	(139,243)	(2,518)	(1,145)	(84,663)	(11,320)	(1,436)	-	(240,325)
Disposals, loss and sale	(4,649)	-	-	(1,857)	(710)	-	-	(7,216)
Reclassification and other	75,704	-	-	(75,704)	-	-	(19)	(19)
Closing net book value	**2,555,160**	**14,753**	**14,199**	**368,086**	**21,768**	**23,699**	**51,569**	**3,049,234**
Balance as at 31 December 2021								
Cost	4,432,657	21,747	17,621	966,001	85,369	39,774	51,569	5,614,738
Accumulated depreciation and impairment	(1,877,497)	(6,994)	(3,422)	(597,915)	(63,601)	(16,075)	-	(2,565,504)
Net book value	**2,555,160**	**14,753**	**14,199**	**368,086**	**21,768**	**23,699**	**51,569**	**3,049,234**

NOTE 15 – PROPERTY, PLANT AND EQUIPMENT (continued)

Maistra Group (continued)

(in thousands of HRK)	Land and buildings	Right-of-use assets – land and buildings	Right of use assets - maritime property	Equipment	Small inventory	Other tangible assets	Assets under construction	Total
For the year ended 31 December 2022								
Net book value at the beginning of the period	2,555,160	14,753	14,199	368,086	21,768	23,699	51,569	3,049,234
Transfer to investment property (note 16)	(39,465)	-	-	-	-	-	(6,011)	(45,476)
Additions	1,788	13,342	-	75	19,850	-	202,589	237,644
Transfer	125,873	-	-	48,903	-	726	(175,502)	-
Transfer to intangible assets	-	-	-	-	-	-	(380)	(380)
Depreciation and impairment for the year	(163,964)	(4,038)	(1,145)	(74,006)	(11,523)	(1.626)	-	(256,302)
Disposals, loss and sale	(9,306)	-	-	(444)	(706)	-	(3,009)	(13,465)
Closing net book value	**2,470,086**	**24,057**	**13,054**	**342,614**	**29,389**	**22.799**	**69,256**	**2,971,255**
Balance as at 31 December 2022								
Cost	4,467,314	35,089	17,621	1,000,386	95,503	40.500	69,256	5,725,669
Accumulated depreciation and impairment	(1,997,228)	(11,032)	(4,567)	(657,772)	(66,114)	(17.701)	-	(2,754,414)
Net book value	**2,470,086**	**24,057**	**13,054**	**342,614**	**29,389**	**22.799**	**69,256**	**2,971,255**

NOTE 15 – PROPERTY, PLANT AND EQUIPMENT (continued)

Maistra d.d.

(in thousands of HRK)	Land and buildings	Right-of-use assets – land and buildings	Property with the right of use - maritime property	Equipment	Small inventory	Other tangible assets	Assets under construction	Total
Balance as at 1 January 2021								
Cost	3,849,944	21,513	17,525	1,086,452	83,797	32,014	60,135	5,151,380
Accumulated depreciation and impairment	(1,499,504)	(4,476)	(2,277)	(624,155)	(60,764)	(14,997)	-	(2,206,173)
Net book value	**2,350,440**	**17,037**	**15,248**	**462,297**	**23,033**	**17,017**	**60,135**	**2,945,207**
For the year ended 31 December 2021								
Net book value at the beginning of the period	2,350,440	17,037	15,248	462,297	23,033	17,017	60,135	2,945,207
Transfer to investment property (note 16)	(10,809)	-	-	-	-	-	-	(10,809)
Additions	-	234	96	-	10,765	-	128,012	139,107
Transfer	87,490	-	-	41,288	-	8,118	(136,896)	-
Depreciation and impairment for the year	(130,420)	(2,518)	(1,145)	(80,582)	(11,320)	(1,436)	-	(227,421)
Disposals, loss and sale	(4,649)	-	-	(1,857)	(710)	-	-	(7,216)
Reclassification and other	75,704	-	-	(75,704)	-	-	(19)	(19)
Closing net book value	**2,367,756**	**14,753**	**14,199**	**345,442**	**21,768**	**23,699**	**51,232**	**2,838,849**
Balance as at 31 December 2021								
Cost	4,132,347	21,747	17,621	906,566	85,369	39,774	51,232	5,254,656
Accumulated depreciation and impairment	(1,764,591)	(6,994)	(3,422)	(561,124)	(63,601)	(16,075)	-	(2,415,807)
Net book value	**2,367,756**	**14,753**	**14,199**	**345,442**	**21,768**	**23,699**	**51,232**	**2,838,849**

NOTE 15 – PROPERTY, PLANT AND EQUIPMENT (continued)

Maistra d.d. (continued)

(in thousands of HRK)	**Land and buildings**	**Right-of-use assets – land and buildings**	**Right-of-use assets - maritime property**	**Equipment**	**Small inventory**	**Other tangible assets**	**Assets under construction**	**Total**
For the year ended 31 December 2022								
Net book value at the beginning of the period	2,367,756	14,753	14,199	345,442	21,768	23,699	51,232	2,838,849
Transfer to investment property (Note 16)	(39,494)	-	-	-	-	-	(6,011)	(45,505)
Additions	-	13,342	-	-	19,850	-	202,589	235,781
Transfer	125,873	-	-	48,566	-	726	(175,165)	-
Transfer to intangible assets	-	-	-	-	-	-	(380)	(380)
Depreciation and impairment for the year	(155,036)	(4,038)	(1,145)	(70,010)	(11,523)	(1,626)	-	(243,378)
Disposals, loss and sale	(9,306)	-	-	(444)	(706)	-	(3,009)	(13,465)
Closing net book value	**2,289,793**	**24,057**	**13,054**	**323,554**	**29,389**	**22,799**	**69,256**	**2,771,902**
Balance as at 31 December 2022								
Cost	4,165,225	35,089	17,621	940,539	95,503	40,500	69,256	5,363,733
Accumulated depreciation and impairment	(1,875,432)	(11,032)	(4,567)	(616,985)	(66,114)	(17,701)	-	(2,591,831)
Net book value	**2,289,793**	**24,057**	**13,054**	**323,554**	**29,389**	**22,799**	**69,256**	**2,771,902**

NOTE 15 – PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 December 2022, the cost of the Group's and the Company's fully written off property, plant and equipment amounted to HRK 612,260 thousand and HRK 587,950 thousand, respectively (31 December 2021: HRK 541,316 thousand for the Group and HRK 518,772 thousand for the Company).

Property, plant and equipment under construction by the Group and the Company as of 31 December 2022 mainly relate to the construction of the plot and landscaping for new mobile homes, renovation of sanitary facilities and reconstruction of parts of existing facilities (31 December 2021: landscaping of campsites and tourist resorts).

As at 31 December 2022, land and buildings owned by Maistra d.d. and having a net present value of HRK 928,856 thousand (31 December 2021: HRK 971,069 thousand) were pledged in favour of the Erste&Steiermärkische Bank d.d., as security for the repayment of the loan in the total amount of HRK 76,569 thousand (31 December 2021: HRK 101,857 thousand) and the Croatian Bank for Reconstruction and Development, Zagreb up to a total amount of HRK 741,576 thousand (31 December 2021: HRK 807,326 thousand).

NOTE 16 – INVESTMENT PROPERTY

Group Maistra

(in thousands of HRK)	**Investment property – land and buildings**
Balance as at 1 January 2021	
Cost	124,060
Accumulated depreciation and impairment	(44,629)
Net book value	**79,431**
For the year ended 31 December 2021	
Net book value at the beginning of the period	79,431
Additions	40
Transfer from property, plant and equipment	11,431
Depreciation charge for the year	(3,601)
Closing net book value	**87,301**
Balance as at 31 December 2021	
Cost	156,305
Accumulated depreciation and impairment	(69,004)
Net book value	**87,301**
For the year ended 31 December 2022	
Net book value at the beginning of the period	87,301
Additions	-
Transfer from property, plant and equipment	45,476
Depreciation charge for the year	(5,943)
Closing net book value	**126,834**
Balance as at 31 December 2022	
Cost	211,513
Accumulated depreciation and impairment	(84,679)
Net book value	**126,834**

NOTE 16 – INVESTMENT PROPERTY (continued)

Maistra d.d.

(in thousands of HRK)	**Investment property – land and buildings**
Balance as at 1 January 2021	
Cost	124,060
Accumulated depreciation and impairment	(44,629)
Net book value	**79,431**
For the year ended 31 December 2021	
Net book value at the beginning of the period	79,431
Additions	40
Transfer from property, plant and equipment	10,809
Depreciation charge for the year	(3,601)
Closing net book value	**86,679**
Balance as at 31 December 2021	
Cost	155,175
Accumulated depreciation and impairment	(68,496)
Net book value	**86,679**
For the year ended 31 December 2022	
Net book value at the beginning of the period	86,679
Additions	-
Transfer from property, plant and equipment	45,505
Depreciation charge for the year	(5,943)
Closing net book value	**126,241**
Balance as at 31 December 2022	
Cost	210,375
Accumulated depreciation and impairment	(84,134)
Net book value	**126,241**

Investment property relates to land and buildings that are leased or held for the purpose of future realisation through lease or sale.

The Group’s and the Company’s lease income is presented within other income in 2022 amounts to HRK 21,705 thousand (2021: HRK 16,772 thousand).

The fair value of investment property was based on the Company’s internal estimates and estimate of external appraisers. For 2022 the fair value of investment property amounts to HRK 228,995 thousand (2021: HRK 244,791 thousand).

In 2022, direct operating costs for Group and Company incurred on assets generating lease income amounted to HRK 2,944 thousand (2021: HRK 2,275 thousand).

Direct operating costs for Group and Company incurred on assets not generating lease income amounted to HRK 504 thousand in 2022 (2021: HRK 493 thousand).

NOTE 17 – INTANGIBLE ASSETS

Maistra Group

(in thousands of HRK)	**Goodwill**	**Software**	**Other intangible assets**	**Total**
Balance as at 1 January 2021				
Cost	9,715	30,155	34,967	74,837
Accumulated amortisation	-	(22,497)	(33,596)	(56,093)
Net book value	**9,715**	**7,658**	**1,371**	**18,744**
For the year ended 31 December 2021				
Net book value at the beginning of the period	9,715	7,658	1,371	18,744
Additions	-	-	7,655	7,655
Transfers	-	4,180	(4,180)	-
Amortisation charge for the year	-	(2,755)	(658)	(3,413)
Other	-	-	19	19
Closing net book value	**9,715**	**9,083**	**4,207**	**23,005**
Balance as at 31 December 2021				
Cost	9,715	27,732	35,180	72,627
Accumulated amortisation	-	(18,649)	(30,973)	(49,622)
Net book value	**9,715**	**9,083**	**4,207**	**23,005**
For the year ended 31 December 2022				
Net book value at the beginning of the period	9,715	9,083	4,207	23,005
Additions	-	-	7,123	7,123
Transfers	-	11,035	(11,035)	-
Transfers from tangible assets	-	-	380	380
Amortisation charge for the year	-	(3,784)	(517)	(4,301)
Disposals, loss and sale	-	(1)	-	(1)
Closing net book value	**9,715**	**16,333**	**158**	**26,206**
Balance as at 31 December 2022				
Cost	9,715	37,719	31,680	79,114
Accumulated amortisation	-	(21,386)	(31,522)	(52,908)
Net book value	**9,715**	**16,333**	**158**	**26,206**

Other intangible assets relate to other rights and intangible assets in preparation.

NOTE 17 – INTANGIBLE ASSETS (continued)

Maistra d.d.

(in thousands of HRK)	**Software**	**Other intangible assets**	**Total**
Balance as at 1 January 2021			
Cost	29,999	3,514	33,513
Accumulated amortisation	(22,359)	(2,125)	(24,484)
Net book value	**7,640**	**1,389**	**9,029**
For the year ended 31 December 2021			
Net book value at the beginning of the period	7,640	1,389	9,029
Additions	-	7,656	7,656
Transfers	4,180	(4,180)	-
Amortisation charge for the year	(2,737)	(676)	(3,413)
Other	-	19	19
Closing net book value	**9,083**	**4,208**	**13,291**
Balance as at 31 December 2021			
Cost	27,577	35,181	62,758
Accumulated amortisation	(18,494)	(30,973)	(49,467)
Net book value	**9,083**	**4,208**	**13,291**
For the year ended 31 December 2022			
Net book value at the beginning of the period	9,083	4,208	13,291
Additions	-	7,123	7,123
Transfers	11,035	(11,035)	-
Transfers from tangible assets	-	380	380
Amortisation charge for the year	(3,784)	(517)	(4,301)
Disposals, loss and sale	(1)	-	(1)
Closing net book value	**16,333**	**159**	**16,492**
Balance as at 31 December 2022			
Cost	37,564	31,681	69,245
Accumulated amortisation	(21,231)	(31,522)	(52,753)
Net book value	**16,333**	**159**	**16,492**

Other intangible assets relate to other rights and intangible assets in preparation.

NOTE 17 – INTANGIBLE ASSETS (continued)

As at 31 December 2022, the cost of the Group's and the Company's fully amortised intangible assets amounted to HRK 19,434 thousand (31 December 2021: HRK 18,580 thousand).

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to operating segments.

Summary of the goodwill allocation by operating segments is presented below.

		31 December 2022	
	Accommodation	**Food and beverages**	**Total**
Goodwill	9,715	-	9,715

		31 December 2021	
	Accommodation	**Food and beverages**	**Total**
Goodwill	9,715	-	9,715

The recoverable amount of a CGU is determined based on value-in-use calculations.

These calculations use pre-tax cash flow projections based on financial budgets approved by Management Board covering a five-year period (2021: five years). Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the non-current average growth rate for the industry in which the CGU operates.

The key assumptions used for value-in-use calculations are as follows:

	2022	**2021**
Gross EBITDA margin /i/	34.7% average	36.6% average
Revenue growth rate /ii/	3.0% average	3.7% average
Discount rate /iii/	8.2%	6.2%
Terminal growth rate /iv/	2.0%	1.5%

/i/ Budgeted gross EBITDA margin.
/ii/ Weighted average growth rate used to extrapolate cash flows beyond the budgeted period.
/iii/ Pre-tax discount rate applied to the cash flow projections.
/iv/ Expected terminal growth rate.

These assumptions have been used for the analysis of each CGU within the operating segment. The Management Board determined the budgeted gross EBITDA margin based on past performance and its expectations of market development.

Impairment testing determined no impairment as at 31 December 2022 and 31 December 2021.

NOTE 18 – FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	Maistra Group		**Maistra d.d.**	
(in thousands of HRK)	**2022**	**2021**	**2022**	**2021**
Assets				
Trade and other receivables	18,970	9,720	18,863	9,633
Non-current trade receivables	1,111	1,632	1,111	1,632
Loans given	109,770	-	119,542	18,000
Cash and cash equivalents	284,085	268,888	283,299	267,901
Total financial assets at amortised cost	413,936	280,240	422,815	297,166
Financial assets at fair value through profit or loss	2,315	1,978	2,315	1,978
	416,251	**282,218**	**425,130**	**299,144**

	Maistra Group		**Maistra d.d.**	
(in thousands of HRK)	**2022**	**2021**	**2022**	**2021**
Other financial liabilities				
Borrowings	1,043,522	1,248,302	1,021,593	1,215,491
Trade and other payables /i/	123,476	75,857	122,202	75,105
Total financial liabilities at amortised cost	1,166,998	1,324,159	1,143,795	1,290,596

/i/ Trade and other payables do not include liabilities for salaries, taxes and contributions and advances received.

NOTE 19 – INVESTMENTS IN SUBSIDIARIES

	Maistra Group		Maistra d.d.	
(in thousands of HRK)	**2022**	**2021**	**2022**	**2021**
Investments in subsidiary Grand Hotel Imperial d.d. /i/	-	-	112,875	112,875
	-	**-**	**112,875**	**112,875**

/i/ As at 31 December 2022, the investment in the company Grand Hotel Imperial represents a 81.91% (31 December 2021: 81.91%) share in the stated company and is carried at cost in the separate financial statements.

The principal place of business and the country of incorporation of Grand Hotel Imperial d.d. is the Republic of Croatia. Non-controlling interests hold an 18.09% (31 December 2021: 18.09%) share in the company, which equals their share in voting rights.

Below is a summary of financial information of the subsidiary in which non-controlling interests relevant for the Group hold shares. The amounts disclosed for the subsidiary are the amounts prior to eliminations between companies.

Summary of Statement of Financial position

(in thousands of HRK)	Grand Hotel Imperial d.d.	
	31 December 2022	**31 December 2021**
Current assets	3,156	3,391
Current liabilities	(26,552)	(33,861)
Total net current assets	(23,396)	(30,470)
Non-current assets	154,865	166,347
Non-current liabilities	(11,222)	(22,072)
Total net non-current assets	143,643	144,275
Total net assets	**120,247**	**113,805**
Accumulated non-controlling interest in the company	29,417	28,414

Summary of Income Statement

(in thousands of HRK)	Grand Hotel Imperial d.d.	
	2022	**2021**
Income	68,350	39,570
Profit before tax	7,951	(3,431)
Income tax	1,509	(1,109)
Net profit (loss) / Total comprehensive income (loss)	6,442	(2,322)
Total comprehensive income (loss) attributable to non-controlling interests	1,003	(582)

Summary of Statement of Cash Flows

(in thousands of HRK)	Grand Hotel Imperial d.d.	
	2022	**2021**
Cash flows from operating activities	20,944	9,598
Cash flows from investing activities	(1,862)	(1,166)
Cash flows from financing activities	(19,283)	(9,653)

In 2022 and 2021, dividends were not paid to non-controlling interests.

NOTE 20 – INVENTORIES

	Maistra Group		Maistra d.d.	
(in thousands of HRK)	**2022**	**2021**	**2022**	**2021**
Raw materials and supplies	9,381	5,891	9,019	5,541
Trade goods	1,703	1,671	1,701	1,667
	11,084	**7,562**	**10,720**	**7,208**

The cost of inventories reported under costs of raw materials and supplies and disclosed within costs of materials and services, amounted to HRK 164,582 thousand for the Group and HRK 159,588 thousand for the Company (2021: HRK 107,206 thousand for the Group and HRK 104,395 thousand for the Company).

NOTE 21 – TRADE AND OTHER RECEIVABLES

	Maistra Group		Maistra d.d.	
(in thousands of HRK)	**2022**	**2021**	**2022**	**2021**
Financial assets at amortised cost				
Trade receivables	19,511	10,057	19,223	9,898
Receivables from related parties (Note 32)	1,570	1,307	1,570	1,303
Credit loss allowance	(2,111)	(1,644)	(1,930)	(1,568)
Net trade receivables	**18,970**	**9,720**	**18,863**	**9,633**
Loans receivables from related party (Note 32) /i/	110,122	-	119,944	18,251
Credit loss allowance	(352)	-	(402)	(251)
Net loan receivable	**109,770**	**-**	**119,542**	**18,000**
Receivables from local government authorities	1,111	1,632	1,111	1,632
	129,851	**11,352**	**139,516**	**29,265**
Other non-financial receivables				
Receivables for government grants	12,882	7,560	12,858	7,339
Deposits given /ii/	8,328	8,311	8,328	8,311
Advances given	22,827	14,333	22,555	14,140
Prepaid expenses	7,507	9,198	6,728	8,444
Other receivables	2,915	1,525	2,844	1,479
	184,310	**52,279**	**192,829**	**68,978**
Less: non-current portion	(9,439)	(9,944)	(9,439)	(9,944)
Current portion	**174,871**	**42,335**	**183,390**	**59,034**

NOTE 21 – TRADE AND OTHER RECEIVABLES (continued)

/i/ As at 31 December 2022, receivables from borrowing to related parties refer to a revolving loans granted to a related parties, one maturing in April 2023, while other matures in July 2023. The revolving loans were contracted in HRK for the maximum total amount of HRK 240,000 thousand with a variable interest rate.
The loan interest rate is adjusted annually to the loan interest rate between related parties (prescribed annually by the Ministry of Finance) and for that reasons is considered variable. For 2022 it amounted to 2.68% per annum (2021: 3.00%). One of the loans is secured by a blank promissory note.

/ii/ As at 31 December 2022, amount of HRK 7,750 thousand of the total deposits given (31 December 2021: HRK 7,750 thousand) relates to a deposit with a public notary for the purpose of resolving a legal dispute in accordance with the reached settlement. Deposits given represent non-financial assets since they are non-refundable.

The carrying amounts of trade and other receivables for the Group and the Company are denominated in the following currencies:

	Maistra Group		**Maistra d.d.**	
(in thousands of HRK)	**2022**	**2021**	**2022**	**2021**
EUR	4,189	6,491	4,189	6,491
GBP	-	22	-	22
HRK	125,662	4,839	135,327	22,752
	129,851	**11,352**	**139,516**	**29,265**

These receivables do not include receivables from employees, from the state nor prepayments to suppliers and prepaid expenses.

The maximum exposure to credit risk at the reporting date is the sum of the book values of each class of receivables mentioned above and the present value of cash and demand deposits. The Company holds certain collateral as security.

The fair value of trade and other receivables is not materially different from the book value.

The Group and the Company use the simplified method approach under IFRS 9 to measure expected credit loss, where the provision for lifetime ECL is used for all trade receivables.

Expected credit loss provision is related to trade receivables, in accordance with IFRS 9 methodology, mostly refer to trade receivables overdue for more than 365 days. In 2022 such trade receivables formed 92% of expected credit loss provision (2021: 80%) for the Group and 92% (2021: 77%) for the Company. Expected credit loss rates for other maturity categories of trade receivables are immaterial for the Group and the Company.

NOTE 21 – TRADE AND OTHER RECEIVABLES (continued)

Based on the above mentioned calculation, the expected credit loss provision related to trade receivables is adjusted to reflect the initial provision for losses as follows:

	Maistra Group		**Maistra d.d.**	
(in thousands of HRK)	**2022**	**2021**	**2022**	**2021**
Provision for losses as at 1 January	1,644	3,466	1,568	3,460
Changes to estimates and assumptions	627	(447)	522	(522)
Derecognition during the period	(164)	(1,378)	(164)	(1,373)
Foreign exchange differences	4	3	4	3
Balance as at 31 December	**2,111**	**1,644**	**1,930**	**1,568**

NOTE 22 – DEFERRED TAX

Deferred tax assets

	Maistra Group		**Maistra d.d.**	
(in thousands of HRK)	**2022**	**2021**	**2022**	**2021**
Deferred tax assets recoverable within one year	46,526	46,287	43,829	44,778
Deferred tax assets recoverable after more than one year	131,955	71,808	130,642	67,798
	178,481	**118,095**	**174,471**	**112,576**

Deferred tax assets incurred on temporary differences arising between the carrying book value of assets and liabilities defined for financial reporting purposes and the legally prescribed tax base.

NOTE 22 – DEFERRED TAX (continued)

The movement in the Group's deferred tax assets during the year is as follows:

	Government investment subsidies	Other (IFRS 9)	Impairment and accelerated depreciation	Termination benefits and jubilee awards	Customer loyalty programme	Accrued liabilities	Exceeded borrowing costs	Tax loss	Total
As at 1 January 2021	**77,961**	**127**	**22,732**	**454**	**193**	**2,013**	**3,092**	**37,562**	**144,134**
Charged to the Income Statement	-	20	710	25	18	2,494	(3,092)	(26,214)	(26,039)
As at 31 December 2021	**77,961**	**147**	**23,442**	**479**	**211**	**4,507**	**-**	**11,348**	**118,095**
Charged to the Income Statement	70,009	376	727	36	34	(3,458)	-	(7,338)	60,386
As at 31 December 2022	**147,970**	**523**	**24,169**	**515**	**245**	**1,049**	**-**	**4,010**	**178,481**

The movement in the Company's deferred tax assets during the year is as follows:

	Government investment subsidies	Other (IFRS 9)	Impairment and accelerated depreciation	Termination benefits and jubilee awards	Customer loyalty programme	Accrued liabilities	Exceeding borrowing costs	Tax loss	Total
As at 1 January 2021	**77,961**	**127**	**22,732**	**454**	**193**	**2,013**	**3,092**	**33,152**	**139,724**
Charged to the Income Statement	-	20	710	25	18	2,494	(3,092)	(27,323)	(27,148)
As at 31 December 2021	**77,961**	**147**	**23,442**	**479**	**211**	**4,507**	**-**	**5,829**	**112,576**
Charged to the Income statement	70,009	376	727	36	34	(3,458)	-	(5,829)	61,895
As at 31 December 2022	**147,970**	**523**	**24,169**	**515**	**245**	**1,049**	**-**	**-**	**174,471**

NOTE 22 – DEFERRED TAX (continued)

Deferred tax assets (continued)

Pursuant to the Investment Aid Act, the Company was granted the status of beneficiaries of investment support beneficiary in 2018. Based on this project, the Company was granted a total of HRK 138,909 thousand of state investment aids. The remaining unused amount of HRK 41,296 thousand was disclosed as deferred tax assets in 2022 (2021: HRK 77,961 thousand). Aids must be used within a period of 10 years from the year of investments start. During this period, the Company shall ensure that other criteria from this regulation are met, such as maintaining the specified number of employees and similar measures. During 2022 and 2021, all criteria are met.
Based on the Law on the promotion of investments in 2022 the Company has delivered all of the required supporting documentation to the Ministry of Economy, Entrepreneurship and Crafts regarding the investment in the Company's existing products. The calculation of planned gross grant equivalent of the investment aid, with the maximum aid intensity during the period of use of the aid amounts to HRK 106,674 thousand. Aids must be used within a period of 10 years from the moment of acquiring the status of beneficiary of investment aid while meeting all the legally prescribed criteria from above mentioned regulation, such as maintaining the set number of employees and similar measures.

Deferred tax liability

	Maistra Group		Maistra d.d.	
(in thousands of HRK)	**2022**	**2021**	**2022**	**2021**
Deferred tax assets recoverable within one year	341	341	145	145
Deferred tax liability recoverable after more than one year	18,045	18,386	9,404	9,549
	18,386	**18,727**	**9,549**	**9,694**

The deferred tax liability in the amount of HRK 18,386 thousand for the Group (31 December 2021: HRK 18,727 thousand) and HRK 9,549 thousand for the Company (31 December 2021: HRK 9,694 thousand) is calculated on temporary differences between the tax base of tangible assets and their fair value in the financial statements.

As at 31 December 2022 the deferred tax liability in the amount of HRK 9,549 thousand, for the Company and the Group, is disclosed net of deferred tax assets in accordance with the provisions allowing the offset of tax liabilities (2021: HRK 9,694 thousand).

The movement in the Group and the Company's deferred tax liability during the year is as follows:

	Maistra Group		Maistra d.d.	
(in thousands of HRK)	**2022**	**2021**	**2022**	**2021**
As at 1 January	18,727	19,068	9,694	9,839
Charged to the Income Statement	(341)	(341)	(145)	(145)
As at 31 December	**18,386**	**18,727**	**9,549**	**9,694**

NOTE 23 – CASH AND CASH EQUIVALENTS

	Maistra Group		Maistra d.d.	
(in thousands of HRK)	**2022**	**2021**	**2022**	**2021**
Cash at bank	283,365	268,293	282,579	267,346
Cash on hand	720	595	720	555
	284,085	**268,888**	**283,299**	**267,901**

Cash equivalents are denominated in the following currencies:

	Maistra Group		Maistra d.d.	
(in thousands of HRK)	**2022**	**2021**	**2022**	**2021**
HRK	72,371	250,239	71,899	249,838
EUR	209,896	17,238	209,659	16,729
Other currencies	1,818	1,411	1,741	1,334
	284,085	**268,888**	**283,299**	**267,901**

The Group and the Company mainly deposit their cash at local banks that are members of banking groups with the following credit ratings by Fitch Ratings in 2022 (2021.: Fitch Ratings credit ratings):

	Maistra Group		Maistra d.d.	
(in thousands of HRK)	**2022**	**2021**	**2022**	**2021**
Cash at bank and deposits				
A- (2021: A-)	18,686	70,579	18,070	69,667
AA- (2021: AA-)	489	1,685	489	1,685
BBB (2021.: BBB)	222,628	196,029	222,457	195,994
No credit rating	42,282	595	42,283	555
	284,085	**268,888**	**283,299**	**267,901**

NOTE 24 – CAPITAL AND RESERVES

As at 31 December 2022 and 2021, the Company's share capital amounted to HRK 1,277,986 thousand, comprised of 10,944,339 ordinary shares. The nominal amount of a share is HRK 116.77 (2021: HRK 116.77). The Company's ownership structure was as follows:

	31 December 2022		31 December 2021	
	Number of shares	**%**	**Number of shares**	**%**
Adris grupa d.d.	10,096,841	92.26	10,046,492	91.80
Small shareholders	847,498	7.74	897,847	8.20
	10,944,339	**100.00**	**10,944,339**	**100.00**

NOTE 25 – NON-CURRENT BORROWINGS

	Maistra Group		Maistra d.d.	
(in thousands of HRK)	**2022**	**2021**	**2022**	**2021**
Non-current borrowings				
Bank borrowings /i/	818,145	909,183	818,145	909,183
Non-current borrowings from related parties (Note 32) /ii/	21,854	247,200	-	214,500
	839,999	**1,156,383**	**818,145**	**1,123,683**
Current portion of non-current borrowings	(187,563)	(102,819)	(176,639)	(91,919)
Non-current portion	**652,436**	**1,053,564**	**641,506**	**1,031,764**

/i/ These loans were granted by the Croatian Bank for Reconstruction and Development under loan agreements signed on 29 February 2016 (contractual repayment started in 2020) and 23 March 2018 (contractual repayment as of 2023). The loans, secured by a pledge over the properties, were granted to renovate hotel facilities. The annual interest rate is 2.35% and 2.50%, respectively. These loans contain special financial covenants with which the Group and the Company complied both in 2022 and 2021. Due to the Covid-19 pandemic, the Company requested and obtained moratoriums on the repayment of liabilities under the loan agreement from 1 March 2020 to 30 June 2021. During the moratorium period, regular interest and fees are not repaid, but calculated, while the loan repayment period is extended as the principal repayment is postponed for the duration of the moratorium. At the end of the moratorium period, accrued interest and accrued fees are repaid in 16 equal monthly instalments, the first of which is due one month after the end of the moratorium period. Repayment of the loan principal is extended for the duration of the moratorium. The annual interest rate is set at 2.35% and 2.5% per annum. The net effect of these modifications amounts to HRK 69 thousand. In 2020, as part of measures undertaken to address the COVID-19 pandemic, the Company was granted two bank borrowings to maintain liquidity, one amounting to EUR 13.55 million and the other amounting to EUR 26.1 million. The loan of EUR 13.55 million was obtained from one bank, while the loan of EUR 26.1 million was signed with syndicated loan. The loan of EUR 13.55 million bears interest rate of 1.15%, while for the loan obtained as a syndicated loan, a dual interest rate is applied – 0% and 2.52% – as it is contractually provided that each bank participants holds a 50% share in the syndication. The average weighted interest rate is set at 1.26%. Under both Agreements, interest is calculated by withdrawing funds from the loans. The loans were secured by two debentures for the total amount of the loan principal increased by interest, fees, costs and a liens on the property.

NOTE 25 – NON-CURRENT BORROWINGS (continued)

/ii/ The Company has no non-current borrowings from related parties in 2022 (2021: HRK 214,500 thousand) due to the fact that the loan from the parent Adris is classified as current. The parent company's loan is concluded in HRK and matures on 1 June 2024, with the possibility of early repayment at the request of Adris Group, which is reason of presenting the loan as current borrowings. The interest rate on the loan is adjusted annually to the interest rate on loans between related parties, updated annually by the Ministry of Finance, which is the reason why it is considered variable. For 2022 it was 2.68% (2021: 3.00%). The maximum amount of the revolving loan approved by the parent company is HRK 1,040,422 thousand (2021: HRK 1,040,422 thousand). The unused portion of the revolving loan at the balance sheet date was HRK 838,484 thousand (2021: HRK 823,483 thousand).
The Group's non-current borrowings refer to the borrowings received during 2018 in a subsidiary company from the related party Croatia osiguranje. The purpose of the borrowings is to cover part of the costs incurred for completion of renovation of the hotel. Repayment of the borrowings according to the contract began in 2019, and its final due is in 2024. According to the loan agreement signed in 2018, the interest rate on the loan is 4% per year.

The effective interest rates at the balance sheet date were as follows:

	Maistra Group		**Maistra d.d.**	
(in thousands of HRK)	**2022**	**2021**	**2022**	**2021**
Borrowings granted in EUR	1.15% - 4.0%	1.15% - 4.0%	1.15% - 2.5%	1.15% - 2.5%
Borrowings granted in HRK	2.35% - 3.0%	2.35% - 3.0%	2.35% - 3.0%	2.35% - 3.0%

The Group and the Company did not capitalize borrowing costs during 2022 and 2021.

The exposure of the Group's and Company's borrowings to interest rate changes:

	Maistra Group		**Maistra d.d.**	
(in thousands of HRK)	**2022**	**2021**	**2022**	**2021**
Total borrowings at variable interest rates	201,939	290,599	201,939	290,599

Variable interest rates are all interest rates with a variable portion linked to market trends that are automatically applied to interest calculations (e.g. EURIBOR, etc.). These category includes loans whose interest rate is linked to the interest rate on loans between related parties that is published each year by the Ministry of Finance. All other interest rates for which any potential changes are defined in separate acts or annexes to agreements without automatically applying the change to the loan are considered fixed interest rates.

NOTE 25 – NON-CURRENT BORROWINGS (continued)

The maturity of non-current borrowings is as follows:

	Maistra Group		Maistra d.d.	
(in thousands of HRK)	**2022**	**2022**	**2022**	**2021**
Between 2 and 5 years	283,592	421,465	272,662	399,665
Over 5 years	368,844	632,099	368,844	632,099
	652,436	**1,053,564**	**641,506**	**1,031,764**

Borrowings are denominated in the following currencies:

	Maistra Group		Maistra d.d.	
(in thousands)	**2022**	**2021**	**2022**	**2021**
EUR	250,898	404,064	239,968	382,264
HRK	401,538	649,500	401,538	649,500
	652,436	**1,053,564**	**641,506**	**1,031,764**

(in thousands of HRK)	**Borrowings – Group**	**Borrowings – Company**	**Lease liabilities – Group and Company**
Net debt as at 1 January 2021	**1,364,485**	**1,320,630**	**32,898**
Proceeds from borrowings	305,558	305,558	-
Repayments of borrowings and interest expense	(449,619)	(437,128)	-
Increase from lease contracts	-	-	307
Lease liability expense	-	-	(4,510)
Interest expense	34,759	33,158	509
Other movements	(6,881)	(6,727)	727
Net debt as at 31 December 2021	**1,248,302**	**1,215,491**	**29,931**
Proceeds from borrowings	15,000	15,000	-
Repayments of borrowings and interest expense	(245,800)	(233,779)	-
Increase from lease contracts	-	-	13,342
Lease liability expense	-	-	(5,914)
Interest expense	26,242	25,078	569
Other movements	(222)	(197)	524
Net debt as at 31 December 2022	**1,043,522**	**1,021,593**	**38,452**

NOTE 26 – CURRENT BORROWINGS

	Maistra Group		Maistra d.d.	
(in thousands of HRK)	**2022**	**2021**	**2022**	**2021**
Current portion of non-current bank borrowings	177,694	106,817	177,694	106,817
Current borrowings from related parties /i/ (Note 32)	202,467	77,021	202,393	76,910
Current portion of non-current borrowings from related parties	10,925	10,900	-	-
	391,086	**194,738**	**380,087**	**183,727**

/i/ Current borrowings from related parties comprise:

- a revolving loan from the parent company Adris grupa d.d. in the amount of HRK 201,939 thousand (31 December 2021: HRK 2,439 thousand) and;
- accrued interests on current borrowings from related parties.

NOTE 27 – TRADE AND OTHER PAYABLES

	Maistra Group		Maistra d.d.	
(in thousands of HRK)	**2022**	**2021**	**2022**	**2021**
Financial liabilities				
Trade payables	80,401	40,468	79,125	39,717
Liabilities towards related parties (Note 32)	4,623	5,458	4,625	5,458
Lease liabilities	38,452	29,931	38,452	29,931
	123,476	**75,857**	**122,202**	**75,106**
Other non-financial liabilities				
Net salaries, bonuses and termination benefits	49,863	39,426	47,457	37,720
Contributions and fees payable	31,907	25,391	31,385	24,619
Contract liabilities – prepayments /i/	25,996	17,970	24,239	16,769
Other liabilities	7,917	4,614	8,145	4,444
Total trade and other payables	**239,159**	**163,258**	**233,428**	**158,658**
Non-current portion (lease liabilities)	(31,664)	(26,226)	(31,664)	(26,226)
	207,495	**137,032**	**201,764**	**132,432**

/i/ Out of the total amount of contract liabilities as at 31 December 2022, HRK 13.2 million relates to liabilities for received advances for hotel accommodation bookings for 2023, while the remaining amount relates to received advances for leases and accommodation booked in previous years but not yet used (31 December 2021 HRK 2.5 million relates to liabilities for received advances for hotel accommodation bookings for 2022, while the remaining amount relates to received advances for leases and accommodation booked in previous years but not yet used).

NOTE 27 – TRADE AND OTHER PAYABLES (continued)

Non-current lease liabilities mature as follows:

	Maistra Group		Maistra d.d.	
(in thousands of HRK)	**2022**	**2021**	**2022**	**2021**
Between 2 and 5 years	14,282	11,225	14,282	11,225
Over 5 years	17,382	15,001	17,382	15,001
	31,664	**26,226**	**31,664**	**26,226**

Trade payables are denominated in the following currencies:

	Maistra Group		Maistra d.d.	
(in thousands of HRK)	**2022**	**2021**	**2022**	**2021**
EUR	4,158	17,508	4,158	17,508
HRK	80,912	28,321	79,638	27,570
Other currencies	(46)	97	(46)	97
	85,024	**45,926**	**83,750**	**45,175**

NOTE 28 – PROVISIONS

Group Maistra

(in thousands of HRK)	**Provision for legal disputes**	**Provision for termination benefits and jubilee awards**	**Provisions for concessions**	**Other provisions**	**Total**
Balance as at 1 January 2021	32,300	2,524	69,469	-	104,293
Used during the year	-	(282)	(2)	-	(284)
Release of provisions	(4,202)	(33)	-	-	(4,235)
Additions	6,916	726	11,192	-	18,834
Balance as at 31 December 2021	**35,014**	**2,935**	**80,659**	**-**	**118,608**
Current portion	-	-	-	-	-
Non-current portion	35,014	2,935	80,659	-	118,608
Balance as at 1 January 2022	35,014	2,935	80,659	-	118,608
Used during the year	-	(281)	(4)	-	(285)
Additions	-	500	13,850	1,794	16,144
Balance as at 31 December 2022	**35,014**	**3,154**	**94,505**	**1,794**	**134,467**
Current portion	-	-	-	1,794	1,794
Non-current portion	35,014	3,154	94,505	-	132,673

NOTE 28 – PROVISIONS (continued)

Maistra d.d.

(in thousands of HRK)	Provision for legal disputes	Provision for termination benefits and jubilee awards	Provisions for concessions	Other provisions	Total
Balance as at 1 January 2021	32,300	2,524	69,469	-	104,293
Used during the year	-	(282)	(2)	-	(284)
Release of provisions	(4,202)	(33)	-	-	(4,235)
Additions	6,916	454	11,192	-	18,562
Balance as at 31 December 2021	**35,014**	**2,663**	**80,659**	**-**	**118,336**
Current portion	-	-	-	-	-
Non-current portion	35,014	2,663	80,659	-	118,336
Balance as at 1 January 2022	35,014	2,663	80,659	-	118,336
Used during the year	-	(281)	(4)	-	(285)
Additions	-	480	13,850	1,794	16,124
Balance as at 31 December 2022	**35,014**	**2,862**	**94,505**	**1,794**	**134,175**
Current portion	-	-	-	1,794	1,794
Non-current portion	35,014	2,862	94,505	-	132,381

The provision for legal disputes mainly relates to disputes with respect to the right of using property.

Provisions for concessions relate to estimated concession fee payables that the Company is required to calculate and pay based on applications submitted in May 2020 under the Act on Unevaluated Construction Land or under provisions of the former act (Act on Tourist and Other Construction Land Not Evaluated in the Transformation and Privatisation Process) that was in force until the adoption of the new act (Act on Unevaluated Construction Land). These are estimates of concession fees for land regarding which no concession agreements have been signed and, as a result, they do not meet criteria under IFRS 16 – Leases, which is why concession liabilities are estimated and presented in accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets. Since no subordinate legislation (regulations) has been adopted yet that would regulate the level of compensation under the new Act on Unevaluated Construction Land, the Company continued to calculate its amount in accordance with acts that were in force until the adoption of the AUCL in May 2020.

NOTE 29 – CONTINGENT LIABILITIES

The Group and the Company are involved in a number of disputes that have been in the process for many years and have an uncertain outcome. Provisions for these disputes have not been created, since the Management Board does not expect a loss on these disputes and no disputes are expected to end in the next year.

After consultations with a lawyer the opinion of Management Board is that the outcome of the disputes will not lead to losses excessing the stated amount of provisions as at 31 December 2022.

NOTE 30 – COMMITMENTS

Contractual commitments

As at 31 December 2022, future commitments with respect to investments in tourist facilities amounted to HRK 236,688 thousand for the Group and HRK 236,688 thousand for the Company (2021: HRK 90,894 thousand for the Group and 90,392 thousand for the Company).

NOTE 31 – CASH GENERATED FROM OPERATIONS

		Maistra Group		Maistra d.d.	
(in thousands of HRK)	**Note**	**2022**	**2021**	**2022**	**2021**
Profit before tax		**228,863**	**193,291**	**222,203**	**197,614**
Adjustments for:					
Depreciation and amortisation	15, 16, 17	266,547	247,339	253,623	234,436
Impairment/write-off of property, plant and equipment	9	11,860	5,055	11,860	5,055
Finance costs – net	11	27,018	33,795	25,340	31,713
Foreign exchange differences – net	10	(57)	(296)	(230)	(282)
Impairment of financial assets – net		741	(125)	706	145
Fair value gains	10	(419)	(356)	(419)	(356)
Gains on sale of property, plant and equipment	10	(7)	(653)	(7)	(653)
Increase in provisions	28	15,859	14,314	15,839	14,042
Changes in working capital					
– trade and other receivables		(24,797)	(5,336)	(26,386)	(5,305)
– inventories		(3,523)	(1,306)	(3,512)	(1,302)
– contract liabilities		8,026	(2,451)	7,470	(2,611)
– trade and other payables		38,456	57,157	39,495	56,061
Cash generated from operations		**568,567**	**540,428**	**545,982**	**528,557**

NOTE 32 – RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions or is under joint control. Other related parties are all parties controlled by the ultimate controlling company. Maistra d.d. is controlled by Adris grupa d.d., Rovinj, which is also the ultimate parent company of the Company. In the ordinary course of business, the Company entered into a number of transactions with the parent company and with companies under joint control of the parent company Adris grupa.

		Grupa Maistra		**Maistra d.d.**	
(in thousands of HRK)	**Note**	**2022**	**2021**	**2022**	**2021**
Sale of goods and services					
Ultimate parent – Adris grupa d.d., Rovinj		1,035	802	1,035	802
Sale of goods and services to other related parties		13,453	12,891	13,445	12,870
		14,488	**13,693**	**14,480**	**13,672**
Purchase of goods and services					
Ultimate parent – Adris grupa d.d., Rovinj		7,815	5,605	7,373	5,605
Purchase of goods and services from other related parties		9,114	10,354	9,114	9,920
Purchase of goods and services from subsidiaries		-	-	19	20
		16,929	**15,959**	**16,506**	**15,545**
Interest expense					
Ultimate parent – Adris grupa d.d., Rovinj		5,606	8,957	5,606	8,957
Other related parties		2,202	8,264	1,038	6,663
	11	**7,808**	**17,221**	**6,644**	**15,620**
Interest income					
Other related parties		365	-	365	-
Subsidiary		-	-	475	643
		365	**-**	**840**	**643**
Foreign exchange gains (losses)					
Ultimate parent – Adris grupa d.d., Rovinj		(1)	-	(1)	-
Other related parties		(39)	161	-	-
Subsidiary		-	-	-	-
		(40)	**161**	(1)	-
Loans receivable					
Other related parties		110,122	-	110,122	-
Subsidiary		-	-	9,822	18,251
	21	**110,122**	**-**	**119,944**	**18,251**

NOTE 32 – RELATED PARTY TRANSACTIONS (continued)

		Grupa Maistra		Maistra d.d.	
(in thousands of HRK)	**Note**	**2022**	**2021**	**2022**	**2021**
Loan liabilities					
Ultimate parent – Adris grupa d.d., Rovinj		201,939	216,939	201,939	216,939
Other related parties		21,854	106,359	-	73,660
	25,26	**223,793**	**323,298**	**201,939**	**290,599**
Interest liabilities					
Ultimate parent – Adris grupa d.d., Rovinj		454	545	454	545
Other related parties		74	377	-	266
	26	**528**	**922**	**454**	**811**
Purchase of tangible assets from:					
Other related parties		6,320	5,914	6,320	5,675
		6,320	**5,914**	**6,320**	**5,675**
Receivables					
Ultimate parent – Adris grupa d.d., Rovinj		85	66	85	66
Other related parties		1,485	1,241	1,485	1,237
	21	**1,570**	**1,307**	**1,570**	**1,303**
Liabilities					
Ultimate parent – Adris grupa d.d., Rovinj		753	600	753	600
Other related parties		3,870	4,858	3,870	4,858
Subsidiary		-	-	2	-
	27	**4,623**	**5,458**	**4,625**	**5,458**

Key management compensation

	Maistra Group		Maistra d.d.	
(in thousands of HRK)	**2022**	**2021**	**2022**	**2021**
Gross salaries and other current management compensation	10,694	8,449	9,474	7,421

In 2022, key management comprises 13 persons (2021: 13) for the Group and 12 persons (2021: 12) for the Company.

NOTE 33 – EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

On 1 January 2023, the Republic of Croatia became a member of the Schengen zone and pronounced euro as its official currency. It is expected that the medium and long-term effects of Croatia's entry into the Schengen zone and the Eurozone will be positive for the Croatian economy and tourism, and consequently the positive effects should be reflected in the business affairs of the Group and the Company. Although the effects cannot be quantified, a better and greater flow of tourist and more frequent arrivals with the elimination of currency risk are expected.

MAISTRA

MANAGEMENT REPORT FOR 2022.

Rovinj, April 2023

1 INTRODUCTION

The year 2022 brought new challenges - uncertainty about the normalisation of the supply chain, the war in Ukraine and high inflationary pressures. These macroeconomic influences will also have a significant impact on business affairs in 2023.

Thanks to the strength of our team, business model and segments in which we operate, the achieved result in 2022 exceeded the pre-crisis 2019. Our leading position in the premium segments of the hotel offer has contributed to situation in which demand showed greater resilience.

In response to the crisis, numerous measures to optimise business processes and rationalise costs were initiated and continued. One of the segments is cost management, which also contians energy efficiency projects.

Continuity of product improvement has been maintained. HRK 220 million was invested in the improvement of existing products and in the preparation of new products, mostly in camps.

Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to HRK 522 million, which indicates that the performance of our core business continues to strengthen, driven by demand recovery and excellent operational performance.

2 GENERAL INFORMATION ON THE COMPANY

Maistra d.d. Rovinj (the Company) was established by merging the companies Jadran-turist d.d.,Rovinj and Anita d.d., Vrsar and was registered on 15 March 2005 at the Commercial Court in Rijeka. As of 1 January 2010, Maistra is merged with the company Rovinjturist d.d. Rovinj. On 30 September 2019, the related party Slobodna Katarina d.o.o. merged with Maistra d.d.

The Company is registered for hotel and campsite operations and catering services for tourist purposes. The Company's registered office is in Rovinj, Obala V. Nazora 6.

Maistra Group comprises Maistra d.d. and Grand Hotel Imperial d.d., Dubrovnik. The subsidiary's business activity is tourism.

Maistra d.d. is directly controlled by Adris grupa d.d., Rovinj. The Company's shares are listed on the public joint stock company listing on the Zagreb Stock Exchange. During 2022, there was no redemption of treasury shares.

3 DEVELOPMENT OF THE COMPANY

Maistra is one of the leading hospitality companies in Croatia and part of the Adris grupa concern. Maistra's tourist facilities are located in premium locations in Rovinj and Vrsar, two beautiful tourist destinations in Istria of exceptional natural, cultural and historical value.

A new development cycle of these Adriatic pearls began in 2001 when the then Tvornica duhana Rovinj, now Adris grupa, acquired the two largest tourist companies at those destinations. Maistra d.d. was formed in March 2005 by merging Jadran-turist Rovinj d.d. and Anita d.d. Vrsar. By combining 50 years' worth of experience in tourist operations with new technologies, by implementing international standards in the tourist industry, by fully complying with all sustainable development standards and paying particular attention to the protection of the environment as our most important resource, Maistra created the foundations of its future development.

It set ambitious plans to develop its tourist portfolio, as well as to create and build its own brands of tourist products offering top quality facilities and services. In accordance with its plans, Maistra has positioned itself at the forefront of national tourism development.

In that respect, its mission is to become a first class renown tourist company and an Adriatic destination that will rely heavily on destination brands and providing an authentic Istrian, Croatian and Mediterranean atmosphere, as well as on highly personalised and hospitable services and the development of modern and competitive facilities, to create memorable experiences in order to satisfy the needs of even the most demanding guests and in order to position itself among the best tourist companies in the Mediterranean.

With a view to realising its development plans, Maistra prepared a strategic development plan, comprising *inter alia* comprehensive construction and renovation projects of all existing tourist facilities and complexes. By the end of 2014, Maistra completed its investment cycle worth HRK 2.3 billion, making it the largest regional investor in tourism.

In 2005, the realisation of the plan began with investments in tourist resorts Petalon in Vrsar and Amarin in Rovinj, as well as investments aimed at improving facilities at campsites at both of those locations. Investments in 2006 totalled EUR 69 million, of which EUR 14 million was invested in the Belvedere tourist resort in Vrsar, while EUR 6 million was invested in the naturist park Koversada and an apartment complex in Vrsar, both of which served to increase the rating of these resorts to 4 stars. One of the most significant investments in 2006, worth EUR 26 million, related to the Istra Hotel in Rovinj, which served to brand the hotel as the first Mediterranean-themed wellness centre and even today as one of the most luxurious wellness centres in Croatia. Another investment in 2006 concerned the Eden Hotel and it was used to improve the quality of all accommodation units and some of the common areas and facilities. In 2007, investments related to the initial construction phase of the Monte Mulini zone, as well as the preparation to finalise the Belvedere tourist resort, Petalon and Koversada apartments. These investments continued in 2008 and reached EUR 50 million. Another significant investment by Maistra in 2008 related to the purchase of the Katarina hotel complex located on an island of the same name opposite the old town centre in Rovinj.

In 2009, despite downward trends in global economic developments, Maistra kept on course with its comprehensive investment cycle to create a portfolio of top quality tourist facilities and services. Maistra once again raised the bar in terms of quality in Rovinj and

Croatia by investing approximately EUR 27 million to open the first 5 star hotel in Rovinj – Monte Mulini, an exclusive boutique hotel of the highest standard catering to the luxury leisure market. A completely new product concept was launched mid 2009, an all-suite hotel on the Island of Sv. Andrija. Maistra's continued ambitious investments in 2010 served to begin construction of the Lone Hotel, the first 5 star design hotel in Croatia, which opened its doors to its first guests in 2011.

At the end of 2012, a total of HRK 219 million was invested to provide new facilities for the 2013 season. More than half of that amount was directed towards the reconstruction of the old part of the Amarin tourist resort, thus ensuring a 4 star rating of the entire resort. A significant portion of the investment served to build a common pool complex for the Lone Hotel and Eden Hotel. These investments also included a new wellness centre in the Eden Hotel, which yet again increased the quality of the hotel's offer.

In 2014, the Company continued to work on the quality of its portfolio by investing HRK 150 million in total. The single largest project, started in autumn 2013, concerned the development of the promenade and beach in the Lone Bay, located immediately below the Monte Mulini hotel. The project became operational mid-April 2014. Significant funds were invested in developing and improving the quality of services at campsites (Polari and Valkanela), as well as in renovating common facilities in tourist resorts. At the end of the year, renovations started on the Adriatic Hotel, which opened in July 2015, raising its hotel rating.

At the end of October 2014, Maistra became the majority owner of Grand Hotel Imperial d.d. in Dubrovnik, a hotel operating under the renown Hilton world brand. With the purchase of the Hilton hotel, Maistra continued to expand its business in the 5 star segment.

During 2015, investments in non-current assets were realised in the amount of HRK 163 million, which largely related to new hotel products; the renovation of the Adriatic Hotel was completed, the construction of the new Amarin Hotel began, and funds were invested in the new Park Hotel zone. At the end of the year, a property in Dubrovnik (the 'Pile' Palace) was acquired.

Investments in 2016 totalled HRK 457 million, largely relating to the completion of the construction of the Amarin Hotel and the start of the construction of the Park Hotel. Significant capital investments were realised at campsites, in particular at Valkanela, Veštar and Polari.

In the 2017 investment cycle, HRK 513 million was realised in relation to the construction of the Park Hotel, investments in campsites (Veštar, Polari and Valkanela), and the completion of the renovation of the accommodation units of the Eden Hotel. At the end of 2017, renovations on the Hilton hotel in Dubrovnik began with a plan to open the renovated facilities in April 2018.

The largest portion of the HRK 505 million in capital investments in 2018 relates to the construction of the Park Hotel, a greenfield investment recognised as a project of strategic importance for the Republic of Croatia. Funds were invested in campsites, primarily in completing investments from previous years and improving the quality of common facilities. Significant investments in the amount of HRK 45 million were also realised in the related party Grand Hotel Imperial with respect to the renovation of the hotel - reception, accommodation units, executive lounge and lobby bar. After a 5-month renovation, the hotel opened its door to its first guests mid-April 2018.

In 2019, funds were invested in the completion of the construction and the start of operations of the Grand Park Hotel Rovinj, which was opened at the beginning of April 2019. During the year, significant funds continued to be invested in campsites, largely in supporting infrastructure and improving the quality of common facilities. At the end of October, the final construction phase of the Hilton hotel in Dubrovnik began (common hotel facilities), with expected completion in mid-March 2020.

Work on improving products continued even in the exceptionally demanding 2020. Investments totalled HRK 188 million, with the largest portion being directed into improving the quality of additional facilities at campsites (Koversada/Porto Sole and Amarin zone). Both preparations of planned projects and investments for the post-2020 period continued as well. A new development cycle was launched with a focus on digitisation and operational excellence, aiming to strengthen the competitiveness and sustainability of operations.

In 2021, investments were made in the improvement of existing products, and in the preparation of new product projects, mostly in camps. Investments for the year amount to HRK 137 million.

During 2022, we continued realisation of the continuous improvement of the quality of our portfolio. The total amount of investment was HRK 220 million, of which over 60% refers to the camps - introducing new facilities and improving the quality of the accompanying infrastructure. Upon completion of the investment, during 2023, it is expected that almost all camps will be upgraded to the level of 4 stars (only one camp remains at level 3*).

In 2022, the Group and the Company did not incur any research and development costs.

Current investments and projected future investments prove that Maistra is the most ambitious investor in the Croatian tourist sector. They are also required to meet the company's and destination's ambition to position themselves on national and European markets.

The Maistra Group currently comprises 10 hotels with 1,919 accommodation units, 8 resorts with 1,949 accommodation units, and 6 camps with approximately 8,000 plots and mobile homes. It has a total of 12.2 thousand accommodation units catering to over 35,000 guests per day, which makes it possible to realise around 4% of overnight stays in Croatia in years of stable operations.

4 PROBABLE FUTURE DEVELOPMENT OF THE COMPANY

At the end of 2022, the Group prepared a new long-term development plan, including key intensive capital investments. In the forthcoming 3-year period, Maistra will invest additional HRK 1.9 billion, raising a portion of its portfolio to the highest ratings (4 and 5*).

5 OPERATING RESULTS IN 2022

In 2022, the Maistra d.d. achieved 1.59 million occupied units, which represent an increase of 23% in volume in comparison with previous year, and 5% increase in utilization in comparison with the pre-crisis 2019. The biggest increase of volume compared to the stable 2019 was realised in the luxury and camping of the hotel portfolio. Improved proactive sales activities as a consequence of developed direct sales channels, resulted in positive impact on growth in bookings. The Company achieved growth of the average price level compared to 2021 of 9%, and of 16% compared to 2019.

A total of HRK 1,575 million in operating revenues was generated, which is 28% higher than previous year and 21% higher in comparison to 2019.

Realised operating expenses amount to HRK 1,320 million exceeding previous year's expenses by 32% and were related to the strengthening of business activities and increase in energy prices.

Operational efficiency and rapid adjustment of operating business, i.e. timely opening of facilities and efficient cost management was another important prerequisite for achieving the level of consolidated EBITDA results of HRK 522 million, which is a growth of 14% in comparison with 2019.

The Group's net profit in 2022 amounted to HRK 290 million. Investment aids had positive impact on final financial result of the Group.

6 RISK EXPOSURE

a) Currency risk

The Group and the Company are not significantly exposed to currency risk. Most of the income is realised in euros. On 1 January 2023, the Republic of Croatia entered the eurozone and introduced the euro as an official and legal currency. A negligible part of income and other inflows is realised in other currencies. Therefore, the currency risk is negligible.

b) Price risk

The Company and the Group does not have significant concentrations of equity securities price risk, since the investments classified in the Statement of Financial Position at fair value are not significant. The Company's investments in equity instruments that are publicly traded are included in the CROBEX index.

c) Interest rate risk

As the Company and the Group do not have significant interest-bearing assets, income and cash flows from operating activities are substantially independent of changes in market interest rates.

The majority of borrowings carries a fixed interest rate, while a part of borrowings carries variable interest rates.

All borrowings that have an agreed variable interest rate do not relate to reference market rates and their change is largely inelastic to market conditions, except in very limited cases.

d) Credit risk

Assets that could lead the Group and the Company to exposure of credit risk include primarily cash and trade and other receivables . The Group mainly deposits its cash at a bank with a BBB credit rating by Fitch Ratings.

The Company has policies in place to ensure that sales are made mostly to customers paying in advance, in cash or using major credit cards (individual customers, i.e. natural persons), and to customers with an appropriate credit history (mostly travel agencies). The Company does not grant credit limits to customers. The Management Board does not expect losses from defaults in payments of customers.

e) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding and the ability to meet all obligations. The Management Board monitors rolling forecasts of the liquidity reserve at least once a week. At the corporate level, the parent Company's finance department reviews internal financial reports on a monthly basis.

7 OTHER

The Company did not prepare a non-financial report, in accordance with the exemption provided for under Article 21.a of the Accounting Act. Its parent company Adris grupa d.d. will prepare and publish a consolidated non-financial report.

Member of the Management Board:

Tomislav Popović

MAISTRA d. d. (Hereinafter: the Company), as well as the Group is a part of Adris grupa d.d. and acts in accordance with the business principles set out by Adris grupa d.d. The Company develops and acts in accordance with good corporate governance practice, and strives to contribute to transparent and efficient business and quality connections with the business environment in which it operates through its business strategy, business policy, key internal acts and business practice.

The Company applies the Corporate Governance Code jointly adopted by the Croatian Financial Services Supervisory Agency and the Zagreb Stock Exchange d.d., which is available on their websites, as its shares are listed on a regulated market.

The Company respects and applies the prescribed corporate governance measures, with an explanation of possible deviations, which is reflected in detail in the annual questionnaire published in accordance with the regulations on the websites of the Zagreb Stock Exchange, Croatian Financial Services Supervisory Agency and the Company (www.zse.hr; www.hanfa.hr; www.maistra.hr).

Significant shareholder

The share capital of the Company amounts to HRK 1,277,985,564.65 and is divided into 10,944,339 ordinary shares, with no nominal amount.

As at 31 December 2022, significant holders of ordinary shares are:

	Shareholder	Stock condition	%
1.	ADRIS GRUPA d.d.	9,833,062	89.85
2.	INTERKAPITAL VRIJEDNOSNI PAPIRI d.o.o.	164,964	1.51
3.	PRODANOV RISTO	66,718	0.61
4.	INTERKAPITAL VRIJEDNOSNI PAPIRI d.o.o.	65,634	0.60
5.	ISKRA BERISLAV	13,600	0.12
6.	NAVA BANKA d.d. u stečaju	6,500	0.06
7.	INTERKAPITAL VRIJEDNOSNI PAPIRI d.o.o.	5,933	0.05
8.	INTERKAPITAL VRIJEDNOSNI PAPIRI d.o.o.	5,864	0.05
9.	INTERKAPITAL VRIJEDNOSNI PAPIRI d.o.o.	5,656	0.05
10.	INTERKAPITAL VRIJEDNOSNI PAPIRI d.o.o.	5,578	0.05

Data on significant individual shareholders in the Company on the current day are available on the website of the Central Depository and Clearing Company (www.skdd.hr).
The company does not hold its own shares.

Bodies of the Company

The corporate governance structure of the Company is based on a dualistic system consisting of the Supervisory Board and the Management Board. Together with the General Assembly, in accordance with the Articles of Association and the Companies Act, they represent the three basic bodies of the Company.

The General Assembly is convened, works and has powers in accordance with the provisions of the Companies Act and the provisions of the Company's Articles of Association. The Company's Articles of Association are published on the Company's website (www.maistra.com). The rules on amending the Company's Articles of Association are determined by the Companies Act and there are no additional restrictions in the Company's Articles of Association.

The invitation to the General Assembly and proposed decisions and adopted decisions are publicly announced in accordance with the provisions of the Companies Act, the provisions of the Capital Market Act and the Rules of the Zagreb Stock Exchange d.d. Shareholders who apply to participate in the General Assembly no later than six (6) calendar days before the day of the General Assembly have the right to participate in the work of the General Assembly. The day of registration and the day of the General Assembly are not included in the stated period of six days.

Members of the Management Board are appointed and removed by the Supervisory Board. The Supervisory Board decides on the mandate of the members of the Management Board, with the mandate lasting a maximum of five years. The Management Board manages the Company's affairs in accordance with the provisions of the Companies Act and the provisions of the Articles of Association. The Supervisory Board adopted a decision in which it stated the categories of decisions and legal affairs that require the consent of the Supervisory Board. In accordance with this decision, prior approval of the Supervisory Board is required for important decisions that affect the company's strategy, significant investments, expenses and disposal of the company's assets, risk exposure, adoption or amendment of certain internal acts.

The only member of the Management Board as at 31 December 2022 is Mr. Tomislav Popović. He does not perform an activity that competes with the company's operations, he is not a member of the management or supervisory board of companies that perform such activities, nor does he hold more than 5% of shares in such companies.

The Procurator of the Company is Mr. Vitomir Palinec. He does not perform activities that compete with the company's operations, he is not a member of the Management Board or Supervisory Board of companies that perform such activities, nor does he hold more than 5% of shares in such companies.

The Supervisory Board is responsible for the appointment and removal of members of the Management Board, the strategic direction of the Company and the supervision of the Company's operations. The Supervisory Board of the Company consists of five members, of which four members are elected and removed by the General Assembly, while one member is elected and removed by employees. Members of the Supervisory Board are elected for a term of four years. Members of the Supervisory Board may be re-elected.

The composition of the Supervisory Board of the Company as at 31 December 2022 is as follows:

- mr. Ante Vlahović, President of the Supervisory Board
- Hrvoje Patajac, Deputy Chairman of the Supervisory Board
- Roberto Škopac, member of the Supervisory Board
- Stanko Damijanić, member of the Supervisory Board
- Nenad Drandić, member of the Supervisory Board.

Members of the Supervisory Board do not perform activities that compete with the company's operations, are not members of the Management Board or the Supervisory Board of companies that perform such activities or hold more than 5% of shares in such companies.

Within the Supervisory Board, there are two subcommittees that support the Supervisory Board in fulfilling its responsibilities: the Subcommittee on Appointments and Remuneration, and the Subcommittee on Audit and Risk Management.

Subcommittee on Appointments and Remuneration, participates in the preparation of procedures for selection and appointment of members of the Management Board and Supervisory Board, assessment of knowledge, skills and experience of candidates and preparation of descriptions of requests and tasks. Supervisory Board, assessing the composition, size, membership and quality of work of the Management Board and the Supervisory Board, as well as their knowledge, skills and experience, participates in the preparation of Remuneration Policy for members of the Supervisory Board, Management Board and senior management, recommends should receive members of the Management Board, recommends to the Supervisory Board the remuneration policy for members of the Supervisory Board, oversees the amount and structure of remuneration to senior management, and oversees the preparation of the statutory mandatory annual remuneration report.

During 2022, the subcommittee consisted of: Ante Vlahović, president, Hrvoje Patajac, member, Stanko Damijanić, member.

The Audit and Risk Management Subcommittee analyses financial statements, supports the Company's accounting, monitors the integrity of financial information, and in particular the correctness and consistency of accounting methods used by the Company and the Group, including criteria for consolidating financial statements of Group companies. The company discusses certain issues brought to its attention by auditors or management, monitors the effectiveness of the internal quality control system and risk management system, proposes the appointment of the audit company and advises the Supervisory Board. The Audit and Risk Management Subcommittee also monitors non-audit services provided by auditors in accordance with applicable law.

The subcommittee consisted of: Hrvoje Patajac, president, Roberto Škopac, member, Nenad Drandić, member.

A more detailed overview of the meetings of the Supervisory Board and its subcommittees with a report on their work are provided in the Report on the supervision of the Company's operations in 2022, published with the Company's Annual Report for 2022.

The rules on the appointment and removal of members of the Management Board, the election and removal of members of the Supervisory Board, the powers of the Management Board and the Supervisory Board are determined by the Company's Articles of Association, in accordance with the Companies Act. In governing and supervisory bodies, as at all other levels, there are no restrictions on gender, age, race or ethnicity, religion or other similar restrictions. Members are selected on the basis of knowledge, skills and competencies. With regard to the criteria of the profession, the Company applies a strategy of employment and development of management functions of the relevant profession and level of education, given the nature of the function and its requirements.

Internal controls and risk management in relation to the financial reporting process

The system of internal controls in the financial reporting process ensures that the financial statements of the Company with acceptable accuracy represent the financial result and financial position of the Company, as well as their compliance with International Financial Reporting Standards.

The Company's accounting policies represent the principles, rules and practices that the Company applies in preparing and presenting its financial statements. A summary of significant accounting policies is disclosed in the Company's financial statements.

Internal accounting control procedures include control of the formal, essential and accounting correctness of the accounting document:

- control of the formal correctness of the accounting document determines whether the document has been compiled in accordance with applicable regulations,
- substantial control of the accounting document determines whether the business change has actually occurred and whether it has occurred to the specified extent,
- control of the accounting correctness of the accounting document means the control of mathematical operations (division, multiplication, addition and subtraction) on the basis of which the results on the document were obtained.

The control of accounting documents is performed in accordance with the organizational structure of the Company and internal acts by the responsible person in accordance with the defined authorizations. The control of formal, essential and accounting correctness is confirmed by the physical signature and / or electronic confirmation of the responsible person who performed the control.

Tomislav Popovic

Member of the Management Board