LUKA RIJEKA D.D.

As of 28 April 2022, Supervisory Board meeting hasn't been held, therefore, set of financial reports for Zagreb Stock Exchange couldn’t be verified by members of the Supervisory Board. The investment public will be informed in time about Supervisory Board meeting and verification of reports.

LUKA RIJEKA D.D.
RIJEKA

ANNUAL REPORT FOR THE YEAR ENDED
31 DECEMBER 2021

This version of the Annual 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 the Annual Report takes precedence over this translation.

SADRŽAJ

Stranica

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LUKA RIJEKA GROUP

MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

LUKA RIJEKA D.D.
Riva 1, HR-51 000 RIJEKA
OIB: 92590920313

Rijeka, April 2022.

STRUCTURE OF LUKA RIJEKA GROUP

The Group is comprised of the following companies:

LUKA RIJEKA d.d. Rijeka (the Company)

The Parent is the largest concessionaire for shipping and reload of dry cargo in the Rijeka port basin. The principle activities of the Company comprise provision of maritime transport services, port services, storage of goods and freight forwarding. The Company is headquartered at Riva 1, Rijeka.

LUKA - PRIJEVOZ d.o.o. Kukuljanovo,

100% owned by Luka Rijeka d.d., whose principal activity is providing transport services.

The company is headquartered at Kukuljanovo 460, Kukuljanovo.

STANOVI d.o.o. Rijeka,

100% owned by Luka Rijeka d.d., whose principal activity is management of investment property owned by the Company and management of real-estate.

The company is eadquartered at Dubrovačka 4, Rijeka.

LUKA RIJEKA CONTAINER DEPOT d.o.o. Kukuljanovo,

100% owned by Luka Rijeka d.d., whose principal activity is providing container services.

The company is headquartered at Kukuljanovo 460, Kukuljanovo.

Luka Rijeka d.d. holds a 49% ownership share in **Jadranska vrata d.d.,** Rijeka and is consolidated using the equity method of accounting recognizing the Group's share in the profit or loss of the equity accounted investee AGCT.

As at 31 December 2021, the Company's share capital amounted to HRK 539.219 thousand, distributed among 13.480.475 shares with a nominal value of each share amounting to HRK 40. All issued shares are fully paid in and authorized.

The ownership interest of CERP, institution of the Republic of Croatia, at 31 December 2021. Was 25.02%.

As at 31 December 2021, the biggest single private investor is polish company Rubicon Partners Ventures ASI SP Z.O.O. with the share of 17,51 % in ownership structure of Company.

STRUCTURE OF LUKA RIJEKA GROUP (continued)

The overview of key shareholders and the ownership structure of the Company as at 31 December 2021 is as follows:

Shareholder	Number of shares	% of ownership
CERP/ REPUBLIKA HRVATSKA	3.372.495	25,02%
RUBICON PARTNERS VENTURES ASI	2.360.924	17,51%
OTP BANKA D.D./ AZ OMF KATEGORIJE B	2.024.227	15,02%
OT LOGISTICS SPOLKA AKCYJNA	1.315.835	9,76%
PRIVREDNA BANKA ZAGREB D.D./ STATE STREET CLIENT ACCOUNT	1.179.503	8,75%
ERSTE & STEIERMARKISCHE BANK	1.024.100	7,60%
OTP BANKA D.D./ ERSTE PLAVI OMF KATEGORIJE B	918.221	6,81%
OTP BANKA D.D./ ERSTE PLAVI EXPERT- DOBROVOLJNI MIROVINSKI FOND	123.093	0,91%
OTP BANKA D.D./ AZ OBVEZNI MIROVINSKI FOND KATEGORIJE A	115.000	0,85%
ZAGREBAČKA BANKA DD/ AZ PROFIT OTVORENI DOBROVOLJNI MIROVINSKI FOND	95.575	0,71%
OTHER SHAREHOLDERS	951.502	7,06%
Total	**13.480.475**	**100,00%**

The Company voluntarily applies the Corporate Governance Code jointly adopted by the Croatian Agency for Supervision of Financial Services and the Zagreb Stock Exchange, and regularly submits an annual Statement of corporate governance. Statement and Code of Corporate Governance are available on the Company's web site.

Management and Supervisory Bodies and Committees

Audit committee

Members of the Audit committee during 2021 were as follows:

Dragica Varljen	President of committee from 01 May 2019 to 16 March 2021
Ivan Pavlović	President of committee from 16 March 2021 to 02 November 2021
Alen Jugović	Member
Jerzy Grzegorz Majewski	Member to 02 June 2021
Witold Waldemar Rusinek	Member from 02 June 2021

Supervisory Board

Members of the Supervisory Board during 2021 were as follows:

Alen Jugović	President of Supervisory Board from 27 December 2017 to 20 January 2021 (term of office)
	Reappointed as a member of the Supervisory Board on 28 January 2021
	Re-elected Chairman of the Supervisory Board on 10 February 2021
Dragica Varljen	Vice president of Supervisory Board from 28 February 2020
Jerzy Grzegorz Majewski	Member from 27 December 2017 to 27 December 2021
Witold Waldemar	Member from 31 August 2020
Ivan Pavlović	Member from 31 August 2020 to 2 November 2021 (resigned)

Management Board

Members of the Management Board during 2021 were as follows:

Duško Grabovac	President of the Management Board from 01 May 2020
Bartlomiej M. Pastwa	Member from 19 June 2018

KEY EVENTS

CEF projects

On the CEF Rijeka project in 2021, works were performed as part of the 1st phase at the locations De Francechiev pier, north side of the silo, north side of warehouses 20, 21 and 22, Orlando pier west and Visin pier east. As part of the project, the old warehouses No. 13 and 14 were demolished.

On the CEF Bakar project, the contracted works were completed by the end of 2021, and activities are still being carried out on the preparation of the technical inspection with the acquisition of use permits.

In the port of Bršica, the Port of Rijeka Authority completed the reconstruction of the operational shore in 2021, which it handed over to the Port of Lijek for use.

Terminal container depot

For the needs of the expansion of the Terminal Depot on Škrljevo, construction works were performed on filling, leveling and compacting the unarranged open space, which enabled the additional use of over 70,000 m2 of new storage areas.

Rijeka Terminal

Warehouse No. 5,6,7 was demolished in Rijeka, in preparation for the arrangement of a warehouse for heavy loads. The works were financed by the Port of Rijeka Authority.

Related to the demolition of skl. 5,6,7 new premises have been arranged in which they have been moved: Mooring and unmooring service, fire brigade and offices of the Rijeka Terminal.

As part of the works on D403, and due to the construction of access roads to the Port and the demolition of the Maintenance building, Maintenance employees were moved to the old workshop in the Delta area.

Due to the sale of Mlaka at the address Milutina Barača no. 6, The cargo insurance service moved to the newly renovated smaller premises in Rijeka in the warehouse 17.

With the additional rationalization of the use of office space in the Administrative Building, the relocation of all administrative staff from 3 floors was carried out, and the vacated spaces were handed over for use to the Port of Rijeka Authority.

NATURAL INDICATORS OF OPERATIONS

Total turnover

Throughput amounted in 2021., realized 2.252.828 tons of cargo, with index 93 in comparison with 2020.
General cargo increased by 13%, and 657.085 tons were transhipped, while the tonnage of containers increased by 15 % to 89.183 tons.

Bulk cargo decreased by 15%.

Total throughput of Luka Rijeka d.d. from January to December 2020/ 2021 was as follows:

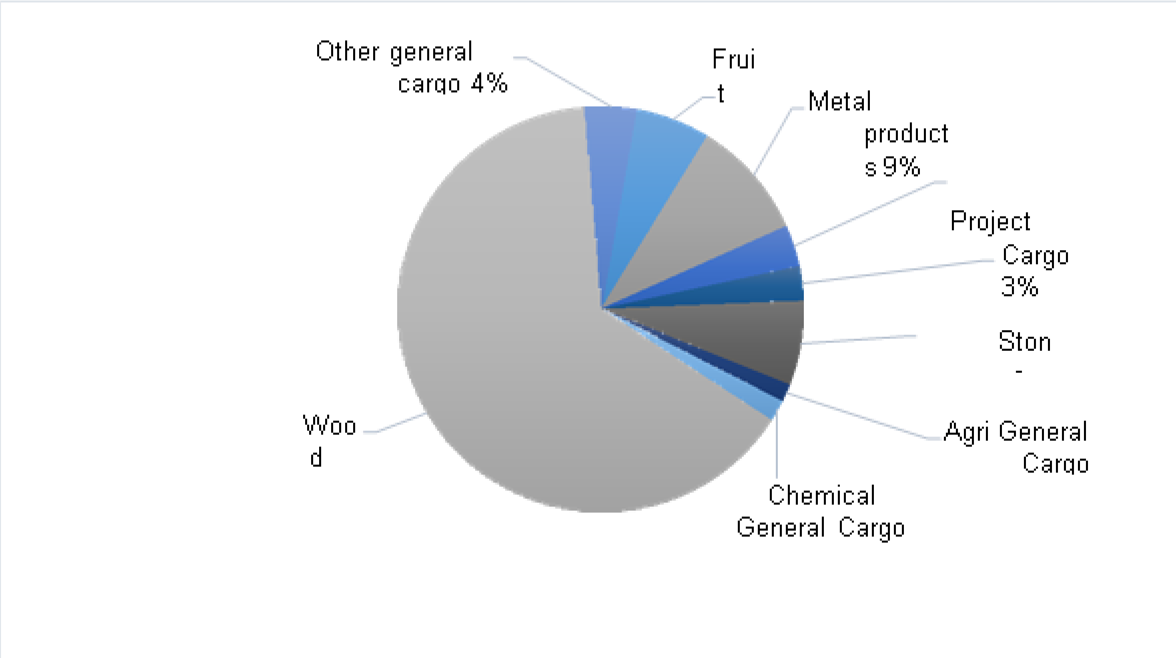
Luka Rijeka d.d	Realization 01.-12.2020.	Plan 2020.	Realization 01.-12.2021.	Indeks 2021/2020	Index 2020/Plan
General cargo (tons)	581.182	628.670	657.085	113	105
Dry Bulk Cargo (tons)	1.765.777	1.547.374	1.506.560	85	97
Containers (tons)	77.747	82.986	89.183	115	107
TOTAL (tons)	**2.424.706**	**2.259.030**	**2.252.828**	**93**	**100**

NATURAL INDICATORS OF OPERATIONS (continued)

General cargo

Total throughput of general cargo in 01-12 2021. amounts to 657.085 tons. The index is 113 compared to 2020, where turnover amounted to 581.182 tons.

Chart 1. General cargo structure 2021.



The general cargo structure in throughput realized during the reporting period indicates wood as dominant type of cargo. Total wood throughput (conventional and filling of containers) in the observed period amounts to 418.461 tons, which represents 64% of the total general cargo throughput. The turnover of softwood (fir) decreased by 27%, the cause is a shortage of container equipment on the market as well as high shipping fees. Hardwood turnover recorded an increase of 27% while total wood turnover accounted for 2% of the 2021 Plan. Metal products throughput is at increased for 98% and the Plan is realized with 21% increase.

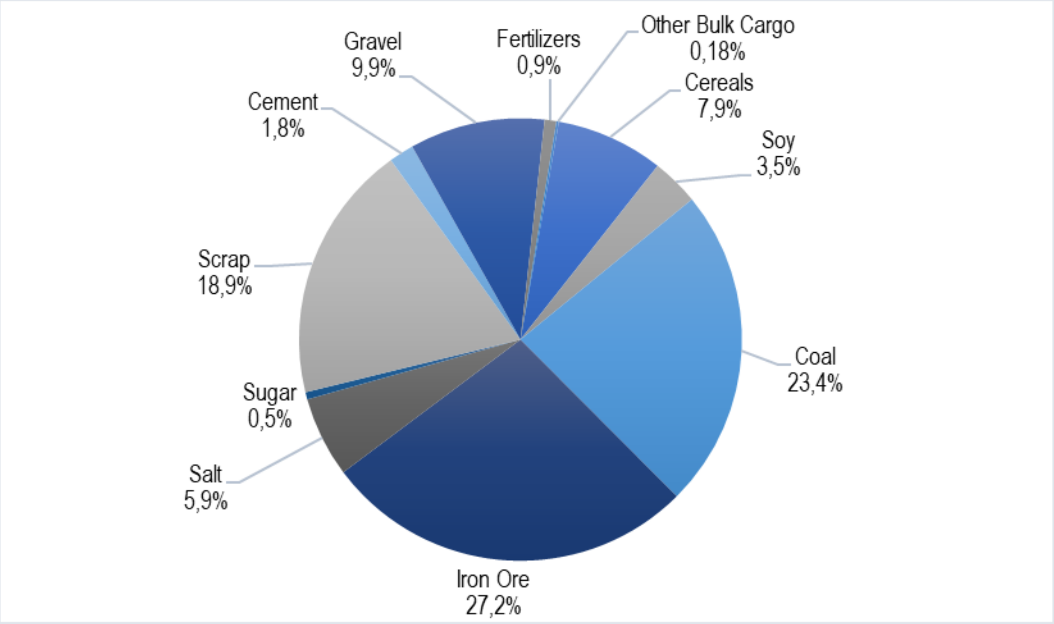
There is significant throughput increase of stone (index 159), chemical products (index 104), other general cargo (indekx 417) and vehicles (index 743).

NATUAL INDICATORS OF OPERATIONS (continued)

Bulk cargo

In observed period, realized cargo amounts to 1.506.560 tons, compared with 1.765.777 tons of throughput realized in 2020 (index 85).

Chart 2. Bulk cargo structure 2021.



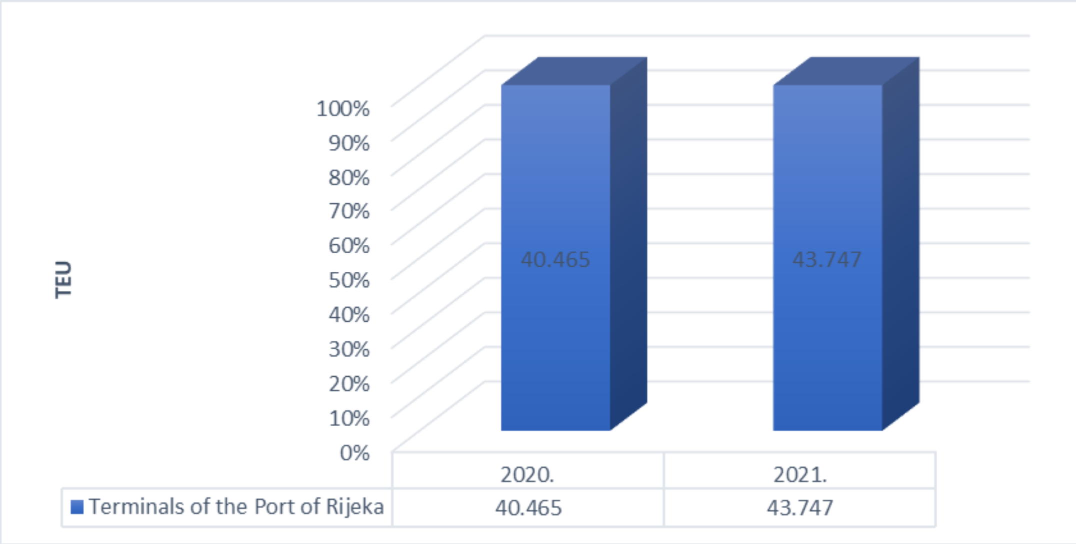
In 2021, the increase of 50% in turnover of cereals is visible, as well as an increase in the salt turnover by 113%. There was a greater increase in gravel (index 108), fertilizers (index 114) and other bulk cargo.

In the case of sugar in 2021, there are realizations of smaller quantities, 8.030 tons, while in 2020 there was none. The quantities of transhipped raw sugar are significantly affected by the market situation.

NATURAL INDICATORS OF OPERATIONS (continued)

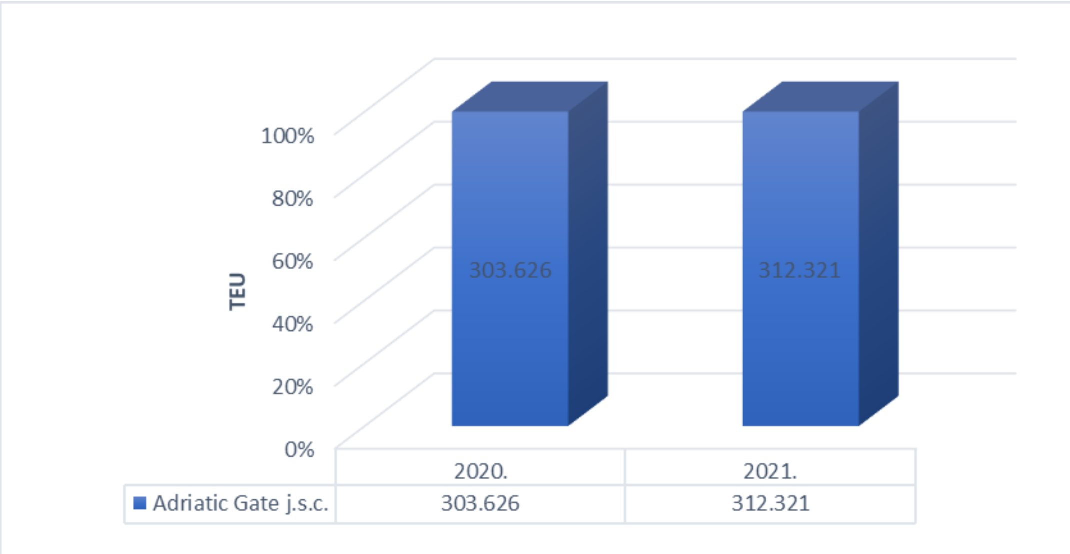
Container throughput

Chart 3. Container throughput of Luka Rijeka d.d. (TEU)



The above data shows an increase of 8% with 43.747 TEU in 2021. compared to 2020. Luka Rijeka d.d. deals with container loading and unloading services, and land-based manipulations of cargo from Terminal Brajdica to Terminal Škrljevo, Depo and Terminal Rijeka (and vice versa). At the newly opened Depo Terminal, only in the period from 10.-12.2021. 23.759 tons were realized, ie 14.637 TEU units.

Chart 4. Container throughput of Jadranska vrata d.d. (TEU)



Company Jadranska vrata d.d. achieved throughput of 312.321 TEU units, and increase of 3%. Jadranska vrata d.d. are doing the job of transportation of containers from container ships to trucks and wagons.

FINANCIAL INDICATORS

Total revenue

In the observed period total revenue amounts to HRK 165.211.145 with 12% decrease compared to the previous year. In the structure of total revenue, the greatest part is business revenue with HRK 163.462.213 and 1% lower than the last year. Realized financial revenue is HRK 944.239 HRK. Natural throughput is key business revenue generator from its core business. Revenue from port business amounted to HRK 139.732.817 accounting for 85% of business revenue. Other business revenues are noticeably increased (index 202) due to the sale of land on Mlaka in March 2021. while a 1% increase in parking revenues and rents is also noticeable.

Structure of business revenue

Structure of business revenue	01.-12.2020.	%	01.-12.2021.	%	Index
		2020.		2021.	2021/2020
Revenue from port services	144.399.556	88%	139.732.817	85%	97
Parking	2.255.597	1%	2.286.873	1%	101
Revenue from leases	12.737.453	8%	12.857.758	8%	101
Other revenue	5.548.529	3%	8.584.765	5%	155
Total business income:	**164.941.135**	**100%**	**163.462.213**	**100%**	**99**

Total costs

Total costs in the observed period of 2021. amount to HRK 192.724.491 and they are and they are on the same level compared to 2020. Business costs category for the mentioned period amount to HRK 178.533.634 and have been increased by 5% compared to last year. Largest impact of implemented IFRS 16 on P&L account can be seen in Other financial cost and amounts to HRK 12.134.693.

Structure of business costs

Structure of business costs	01.-12.2020.	%	01.-12.2021.	%	Index
		2020.		2021.	2021/2020
Material cost	51.658.403	30%	51.053.858	29%	99
Staff cost	72.364.741	43%	74.988.122	42%	104
Depreciation	19.407.377	11%	19.866.782	11%	102
Other business cost	26.158.646	15%	32.624.872	18%	125
Total business expenses:	169.589.167	100%	178.533.634	100%	105

Staff

According to personnel records on day 31 December 2021 Luka Rijeka d.d. has 502 employees that is, 21% less from the same period in 2020. During 2021, severance pay was paid to 118 employees.

RISK MANAGEMENT

Market risk

The port of Rijeka is part of the worldwide network of maritime trade traffic and the point of change of transport from maritime to land and vice versa. Complex supply chains are extremely dependent on the movement of the total world economy, as well as on the movement of the economy of certain regions of the world. Maritime trade market is cyclical and dependent on changes in the world economy.

The destination markets

Regarding the most important destination markets of the port of Rijeka, the situation is very different. Significant markets of the Middle East and North Africa continues to be shaken by political crisis, which escalated into conflicts and extensive emigration of the local population (especially from Syria, Iraq and Libia). Generally complex relationships in the Middle East generator are high risk in terms of the volume of overseas trade in these countries.
A particularly important element for all the countries of this region and the global economy in general are oil prices, while low oil prices significantly affect them in a negative way. The long-term effect is very destructive to the economy of these countries and thus their overseas trading.

Market competition

Competition in the gravitational area of Luka Rijeka is extremely strong. Key competitors of Luka Rijeka are ports in the North Adriatic cluster (Koper, Trieste, Venice, Ravenna, Monfalcone). By Croatian accession to the European Union, Luka Rijeka is becoming competitive to other ports of North Adriatic cluster, supported by recuperation of customers and cargos who had (especially during war period) left Luka Rijeka. North Adriatic port cluster has a natural advantage of the shortest maritime route for cargos originating from the east and passing through the Suez Canal. This advantage is more than 2,000 Nm, which is approx. 5-7 days of sailing, significantly affecting the overall transport shipping costs and therefore on the competitiveness of the goods on the market.
Nevertheless, the North Adriatic cluster has strong competitors in other clusters: the most significant European cluster is Northern Sea port cluster (Rotterdam, Amsterdam, Antwerp, Ghent, Hamburg, Bremen, etc.) which is connected with the port Constanta from the Black Sea cluster with Rhine-Main-Danube Canal, which passes through the heart of the gravitational area of the Luka Rijeka. This area (especially the markets of Poland and the Czech Republic) are targeted by the competitive Baltic direction (Rostock, Gdansk, Gdynia, Sczeczin, Swinoujscie etc.).

RISK MANAGEMENT (continued)

Market risk (continued)

Finally, the marginal clusters of the southern Adriatic and the Aegean Sea, which also target the southern part of the gravitational area of the Port of Rijeka should be mentioned. This is primarily Luka Ploče, which is oriented on Bosnia and Herzegovina, Luka Bar on Serbia and Montenegro, the port of Durres on Albania and Kosovo, and the Port of Thessaloniki and other Aegean ports which except Greece, target market of Macedonia and Serbia, but as above, represent the secondary zone of competing interests of Luka Rijeka.

Due to unknown development of situation with Corona Virus there is possibility of negative impact on throughput of goods in Luka Rijeka.

Management of the Company works on minimizing everyday risk through price adjustments - tariffs, continuous investments in technology, capacity increase and through increase in labor productivity.

Credit risk

The Group uses several methods of credit risk control, mostly with insight to credit reports provided by rating companies, and with other insurance instruments. The risk increases when contracting with new customers, where instances can occur that a service is contracted with an unreliable client (in terms of the non-fulfilment of the dynamics of the contract, payment etc.). This can cause a variety of problems (filling of warehouses with goods for which storage fees have not been paid and which occupy valuable space, delays with respect to the agreed schedules with liners and other shipping companies, or wagons and lorries, resulting in the penalties and other damages, etc.). This risk is minimized by updating the base of existing clients of the Company where all of their data over the years is accumulated, so that before any contract is signed, an assessment of the acceptability of the customer is reached

Currency risk

Exposure to foreign currency risk in EUR is reflected in the high share of foreign income in total operating income, as well as a significant part of the liabilities or their indexation to EUR. Furthermore, the risk of fluctuation of the Kuna towards the EUR is relatively moderated as long as CNB remains with policy of the currency pegged to the EUR.

Interest rate risk

The Company is exposed to interest rate risk as it borrows with floating interest rates. The Company enlarged it indebtedness and exposure to variable interest rate loans and estimates that the possible increase in variable interest rates is not significant in near future and does not warrant the use of specific hedging instruments with respect to interest rate risk.

RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is managed through maintaining adequate maturity structure of assets and liabilities, and through planning and management of inflows and outflows of cash funds, as well as with the provision of sufficient amounts of liquid assets to settle liabilities as they fall due. The Company regularly monitors the relationship between current assets and current liabilities.

Technological risk

Technological risk is reflected in the obsolescence of the existing port technology, which increases maintenance costs, reduces productivity of port manipulation, ie. the profitability of the process and reduces the competitiveness. Technological risks are reduced by the Company’s preventive maintenance, as well as by investing in technology, a necessity which enables speed, reliability and efficiency of loading and other port manipulation.

Increase in the capacity will enable long-term increase in traffic and is the main reason Luka Rijeka is investing in further expansion of the terminal Škrljevo, as well as the reconstruction of other terminals.

One of the technological factors significant to Luka Rijeka is adequate road and rail infrastructure. In relation to Luka Rijeka, the road connectivity is satisfying.

Technological processes that are based on technology and use of human resources and are directed towards the fulfilment of commercial objectives of the Company are also subject to risks. The risk is minimized by continuous monitoring and adjustments of the working process which is determined by manipulation of certain goods and services and implementation of changes through written procedures.

Human resource risk

Port industry is a labor-intensive industry. In operational terms it is dominated by the so-called 'Blue collar workers' or dockers (operators of technical equipment and port transport workers), and their support services (maintenance, cargo insurance, mooring and departing). Their number presents an important factor in the operation of Luka Rijeka. Besides that, the Company uses working force of subcontractors for running necessary port operations without disturbance.

RISK MANAGEMENT (continued)

Environmental risk

The main environmental risk for the Company is defined by the type and the way of handling the cargo. This primarily relates to bulk cargo, which while being manipulated can emit dust, or result in air, sea and soil pollution in the near proximity of manipulation site. This risk is reduced by installing technology that disables it. For example, at the terminal in Bakar were placed special floating dams for reception of ships, which increase the safety of unloading of cargo and prevent the spreading of possible pollution.

There is also a risk associated with the maintenance of vehicles and other manipulation items (waste oil, waste water from cleaning, old batteries, old tires, etc.), which is controlled by installation of oil separators in garages and workshops, as well as by standardized procedures and testing of collected liquid and solid wastes.

System of risk control

The system of internal control and risk control to which the Group is exposed, is done through:

- Business process control. The company has a certified quality system ISO 9001-2015, which is constantly monitored, checked and upgraded.
- Port of Rijeka d.d. received on 15.03.2021. a certificate of compliance of its energy management system with the international standard ISO 50001: 2018, which is valid until 15.3. 2024. In the meantime, two monitoring visits follow and it is necessary to continue to improve the energy consumption control system.
- Control of business/financial transactions and financial statements thorough the accounting system and the Controlling department
- Annual and long-term planning of the operations at the Group level and at the level of business units, as well as monthly, quarterly and yearly monitoring of the plan through Controlling department. Monitoring the implementation of the annual plan works internally on a monthly basis and covers the following main categories:
    - ✓ Monitoring of natural realization of the following categories and cargo terminals
    - ✓ Monitoring the financial implementation at the level of individual organizational units and the company as a whole in the format of the income statement
    - ✓ Ad hoc analysis of realization according to defined criteria using defined database that are complement monthly with realized quantities

A particular aspect of controlling is the prediction of the final result with combination of current realization and the rest of the planning period (“Forecasting”)

BUSINESS EXPECTATIONS

CEF PROJECTS

On the CEF Rijeka project in 2021, it is planned to perform works within the 1st phase, which includes de Franceschijev gat, the north side of the Silos and the north side of warehouses 20, 21 and 22.

The CEF Bakar project in 2021. is planned to be completed by October. Works will be carried out on phases 4, 5 and 6, which include railway 1a, 1 and railway switches 1,2,3 and 4. The COVID-19 pandemic causes delays in the implementation of the project due to the fact that all important materials (rails, switches, GRP pipes...) deliver outside the Republic of Croatia and the delivery deadlines are significantly longer than expected.

Terminal container depot

Works on the final arrangement of the Terminal Depot are planned, which relate to the construction of internal roads to the depot, with the necessary rainwater drainage and external lighting, asphalting of storage areas and the implementation of additional electrical connections for refrigerated containers. In addition, the preparation of documentation for the construction of the railway track from the railway entrance to Škrljevo to the Container Depot is also planned.

Refrigerator

It is planned to convert the warehouse for general cargo, called warehouse no. 5, at the Škrljevo Terminal, in the warehouse for conditioned cargo - reefer. For the necessary works, refrigeration equipment from the existing cold store on Orlando pier, which will become a floor storage, will be used, while the new cold store on Škrljevo will have over 60% higher capacity.

Plateau 2

It is planned to arrange an additional open storage space called Plato 2, which is located outside the fenced area of the customs zone on Škrljevo. In the first phase, about 20.000 m2 of leveled space will be fenced off and outdoor lighting will be provided. In the second phase, it is possible to expand the plateau to a total of about 50.000 m2 with the necessary filling and leveling of the terrain.

STATEMENT OF IMPLEMENTATION OF THE CORPORATE GOVENANCE CODE

General information

This Code has the force of recommendations that binds Company authorities and employees of the Company that in making all kinds of decisions, respect the principles laid down and elaborated by this Code. The aim of the Code is to establish high standards of corporate governance and business transparency of Luka Rijeka plc. and associated companies in majority ownership (hereinafter the Company). The Code defines the procedures of corporate governance in order to ensure that by good and responsible management and control of business and management functions, Company protects its shareholders, employees, elected and appointed holders of responsible functions in the Company as well as all other stakeholders. The basic principles of this Code are: business transparency, clearly defined procedures for the operation of the Supervisory Board, Management Board and other bodies and structures making important decisions, avoiding conflicts of interest, efficient internal control and effective system of accountability.

Any interpretation of the directives provided by this Code should be guided primarily by adherence to the principles and achieving these goals.

The Company is listed on the Official market of the Zagreb Stock Exchange, and has complied with the Zagreb Stock Exchange Governance Code. The Company respects and implements the prescribed corporate governance measures (as reported in detail in the prescribed annual questionnaire and published on the Zagreb Stock Exchange).

The major direct shareholders according to the Central Depository and Clearing Company data are listed in the table for structure of ownership in the Share Capital note to the financial statements. The Company is also obligated to its website and through the stock exchange to publish any acquisition or disposal of shares and other securities of the Society by each member of the Management Board and the Supervisory Board, and employees of the Company who have access to price sensitive / inside information of the Company and persons connected with them.

Jurisdiction, procedure of convening and quorum, as ways of making decisions of the General Assembly are regulated by the Articles of Association. When convening the General Assembly, the management board shall set a date by which will be established state in the register of shares that will be relevant for the exercise of voting rights at the General Assembly. This date should be before the General Assembly and may be up to 6 days before the general meeting.

The right to vote should include all shareholders of the Company in such a manner that the number of votes belonging to them in the General Assembly equals the number of shares they hold, regardless of class of shares. Should the company issue shares without voting rights or with restricted voting rights, shall publicly and timely announce all relevant information about the content of all rights resulting from such shares in order to enable the investors to make the right decision about buying these securities. The company shall act in the same manner and under the same conditions to all shareholders, regardless of the number of shares they hold, their country of origin and their other properties. This particularly applies to the duty of equal treatment of individual and institutional investors.

Election and appointment of the Supervisory Board are regulated by the Statute of the joint stock company Luka Rijeka plc. There are no restrictions based on gender, age, education, profession and so on. The Companies Act defines any amendments to the Articles of Association.

The basic medium for the publication of information is the National Gazette and the Company's internet website: www.lukarijeka.hr

Corporate governance structure

In accordance with the Companies Act and the Company's Articles of Association, the bodies of the Company are the General Assembly, the Supervisory Board, and the Management Board. The mentioned acts also regulate their duties and responsibilities.

General Assembly of the Company

The General Assembly makes decisions that are of significant impact on the status of assets, financial position, operating results, ownership structure and management of the company. Decisions will be made exclusively at the General Assembly, stipulated by majority of votes. The management board shall, as soon as possible, publish the decision of the General Meeting and the data on possible action to challenge these decisions. In 2021, a regular Annual General Assembly Meeting was held on 27 August 2021.

Supervisory Board

The tasks and responsibilities of the Supervisory Board are regulated by the Statute of the joint stock company Luka Rijeka plc. The Supervisory Board members should perform their duties with the diligence of an orderly and conscientious businessman and keep business secrets of Company. The Supervisory Board is obligated to make an assessment of its work in the preceding period. Such an assessment includes in particular the assessment of the work of committees established by the Supervisory Board and achievements in relation to the target objectives of the company. The Supervisory Board consists of five members. Chairman of the Supervisory Board is responsible for determining the calendar of regular annual meetings and extraordinary meetings whenever the need arises. The frequency of the Supervisory Board shall be determined in accordance with the needs of the Company.

Members of the Supervisory Board as at the date of this annual report and during the reporting period were as follows:

Alen Jugović	President of Supervisory Board from 27 Dev 2017 to 20 Jan 2021 (term of office)
	Reappointed as a member of the Supervisory Board on 28 January 2021
	Re-elected Chairman of the Supervisory Board on 10 February 2021
Dragica Varljen	Vice president of Supervisory Board from 10 February 2021
Jerzy Grzegorz Majewski	Member from 27 December 2017 to 27 December 2021
Witold Waldemar Rusinek	Member from 31 August 2020
Ivan Pavlović	Member from 31 August 2020 to 2 November 2021 (resigned)

During the reporting period, Supervisory Board had five members.

Audit Committee

Pursuant to its Articles of Association, the Supervisory Board of the Company has established an Audit Committee. The Audit Committee is the body that provides support to Management Board and The Supervisory Board in the effective execution of the obligations of corporate governance, financial reporting and control of the Company.

The Audit Committee, appointed in accordance with the law, during the previous year consisted of 5 members all of whom were also members of the Supervisory Board. During 2021, one meeting of the Audit Committee were held.

The Supervisory Board, with the help of the Audit Committee, monitored the adequacy of the internal control system, which is achieved through three independent control functions (internal audit, risk control, compliance), and in order to establish such a system of internal controls that will enable early detection and monitoring of all risks to which the Company is exposed in its operations.

Members of the Audit Committee as at the date of this annual report and during the reporting period were as follows:

Dragica Varljen	President of committee from 01 May 2019 to 16 March 2021
Ivan Pavlović	President of committee from 16 March 2021 to 02 Nov 2021
Alen Jugović	Member
Jerzy Grzegorz Majewski	Member to 02 June 2021
Witold Waldemar Rusinek	Member from 02 June 2021

Management Board

Management Board runs Company's business in accordance with the Articles of Association and legal regulations. Whole Management board represents the Company, chairman with another member, or member of Management board with another member. Management Board followed that business and other ledgers and business records are in accordance with the law, put together by accounting documents, realistically assessing the assets and liabilities, compiles financial and other reports in accordance with applicable accounting regulations and standards.

Members of the Management Board during the reporting period were as follows:

Duško Grabovac	President of the Management Board from 01 May 2020
Bartlomiej Michal Pastwa	Member from 19 June 2018

Key elements of the systems of internal controls and risk management relating to financial reporting for the Company and the Group

The Company is obliged to prepare its financial statements in accordance with International Financial Reporting Standards and publish them in the prescribed time limits defined by the Croatian legislation. Financial reports drawn up by the Management Board and audited by an independent external auditor, are to be published on the website of the Company.

President of the Management Board is responsible for the creation of an internal control system that organizes and monitors the flow of accurate, specific and complete information on the organization of society as well as data on compliance with financial, business and legal obligations that may pose a significant risk to society. Internal Auditor should analyze and examine the effectiveness of such a system at least once a year.

The company shall have independent external auditors as an important instrument of corporate governance, so their main function is to ensure that the financial statements adequately reflect the real state of society as a whole.

Independent auditors are required to report directly to the Management Board on the following issues:

- discussion on the main accounting policy,
- alternative accounting procedures,
- disagreement with the management, risk assessment, and
- possible analyses of fraud and / or abuse.

In its annual report and on its web pages the Company shall, in the prescribed form (annual questionnaire), note whether it has complied with the recommendations set out in this Code. This Code and its recommendations are based on the principle of "comply or explain", ie. If the company departs from or not applies some of the recommendations of the Code, the annual survey must give an explanation of why there has been a non- implementation or deviations. The annual survey is an integral part of this Code.

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

The Management Board of Luka Rijeka d.d. ("the Company") is required to prepare financial statements for each financial year which give a true and fair view of the financial position of the Company and the Group (the Company and its subsidiaries and associates form the Group) and of the results of their operations and their cash flows, in accordance with applicable accounting standards, and is responsible for maintaining proper accounting records to enable the preparation of such financial statements at any time. It has a general responsibility for taking such steps as are reasonably available to it to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

The Management Board is responsible for selecting suitable accounting policies to conform with applicable accounting standards and then apply them consistently; make judgements and estimates that are reasonable and prudent; and prepare the separate and consolidated financial statements (together further referred to as "the financial statements") on a going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

After making enquiries, the Management Board has a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the financial statements.

The Management is also responsible for the preparation and content of the Management Report and the Statement on the implementation of corporate governance code, as required by the Croatian Accounting Act. The Management Report and the Statement of implementation of the corporate governance code, as well as the accompanying financial statements were authorised and signed by the Management Board on 28 April 2022 for issue to the Supervisory Board. The Supervisory Board is required to approve the annual financial statements for submission to the General Assembly of Shareholders for adoption.

Duško Grabovac	**Bartlomiej M.Pastwa**	**28 April 2022**
President of the	Member of the	Riva 1
Management Board	Management Board	51000 Rijeka
		Hrvatska

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Rijeka, Riva 1

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Independent Auditors' report
To the shareholders of Luka Rijeka d.d.

Opinion

We have audited the separate financial statements of Luka Rijeka d.d. ("the Company") and the consolidated financial statements of the Company and its subsidiaries (together referred to as "the Group"), which comprise the separate and consolidated statements of financial position of the Company and the Group, respectively, as at 31 December 2021, and their respective separate and consolidated statements of comprehensive income, cash flows and changes in equity for the year then ended, and notes, comprising significant accounting policies and other explanatory information (hereinafter "the financial statements").

In our opinion, the accompanying financial statements give a true and fair view of the unconsolidated financial position of the Company and of the consolidated financial position of the Group as at 31 December 2021, and of their respective unconsolidated and consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS").

Basis for Opinion

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

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Key Audit Matters

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

Key Audit Matter	How our audit addressed the matter
The Group and the Company recognised right of use (ROU) assets for the year ended 31 December 2021 in the amount of HRK 161.830 thousand (31 Dec 2020: HRK 153.418 thousand) and liabilities arising from the concession arrangement of HRK 325.656 thousand (31 Dec 2020: HRK 382.476 thousand). Refer to accounting policy 3.7 and note 33 to the financial statements. The Group and the Company apply IFRS 16 Leases in accounting for the concession arrangement and have consequently recognized, in the statement of financial position, the ROU asset and corresponding liability associated with the port concession arrangement. The concession arrangement contains, among other things, an obligation to pay fixed and variable concession fees to the port authority, and to incur infrastructure related expenditures in the concession term. In applying IFRS 16, significant judgement is required from management in identifying the lease and non-lease components within the arrangement, and in developing estimates (including those in respect of the lease payments and discount rates)	Our procedures included the following: • Evaluating of the appropriateness of the accounting approach to the concession arrangement against the requirements of the standard and the identification of lease and non-lease components of the arrangement. • Recalculating the remeasurement of ROU liabilities (where applicable) and tracing of inputs in the model to relevant source documentation, including evaluating the applied discount rate. • Tracing the expected amounts of lease payments with relevant source documentation, (such as investments in infrastructure assets in previous periods, payment of fixed concession fees, etc.) • Evaluating whether the disclosures in the financial statements, as the lessee, appropriately include the relevant quantitative and qualitative information required by the applicable financial reporting framework. In respect of carrying amounts of ROU assets, our procedures, performed where applicable, included: • Challenging the management's assessment of the ROU assets for impairment with particular focus on the grouping of assets within appropriate cash-generating units and the appropriateness of the valuation technique

as part of the determination of the carrying amounts of the ROU asset and the lease liability. In addition, the Group and the Company regularly assess whether there are indicators of impairment of the concession ROU asset, and, if required, assesses its recoverability as part of an impairment test for the port cash-generating unit (CGU), which comprises assets within and outside of the concession area. The recoverable amount of the CGU is estimated using a present value technique based on a discounted cash flow model. The impairment test required a significant degree of judgement by management, including, but not limited to, in respect of the identification and determination of assets underlying the CGU, the reasonableness of assumptions with respect to cash flow forecasts used, and the determination of the appropriate discount rate. Due to the above factors, this area required our significant judgment and increased attention in the audit and we considered it to be a significant risk in our audit and our key audit matter.	applied for compliance with the relevant accounting. • Testing the integrity of the impairment model, including but not limited to: - assessing the discounted cash flow model against the requirements of the relevant financial reporting standards; - evaluation of key assumptions applied (such as discount rates and growth rates) for reasonableness compared to externally derived data and historical financial performance; - performing a sensitivity analysis to changes in key assumptions; • Evaluating the adequacy and completeness of impairment related disclosures in the financial statements.

Other Matter

The financial statements of the Group and of the Company as of 31 December 2020, were audited by another auditor whose report dated 23 April 2021, expressed an unmodified opinion on those statements.

Other Information

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

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

With respect to the Management Report and Corporate Governance Statement, we also performed procedures required by the Accounting Act in Croatia ("Accounting Act"). Those procedures include considering whether:

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

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

- the information given in the Management Report and Corporate Governance Statement for the financial year for which the financial statements are prepared, is consistent, in all material respects, with the financial statements

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Other Information (continued)

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

In addition, in light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, we are also required to report if we have identified material misstatements in the Management Report and Corporate Governance Statement. We have nothing to report in this respect.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

- 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 Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Report on Other Legal and Regulatory Requirements

We were appointed by those charged with governance on 27 August 2021 to audit the financial statements of the Company and the Group for the year ended 31 December 2021. At the date of this report Kulić and Sperk Revizija d.o.o. for the first time was engaged in performing legal audits of the Group and the Company.

We confirm that:

- for the period to which our statutory audit relates, we have not provided any non-audit services, hence we have not provided any prohibited non-audit services referred to in Article 44 of the Audit Act. We also remained independent of the Company and the Group in conducting the audit.

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Report based on the requirements of the ESEF Regulation (continued)

Auditor's assurance report on compliance of the annual consolidated and non-consolidated financial statements (hereinafter: financial statements), prepared pursuant to the provisions of article 462, paragraph 5 of the Capital Market Act (Official Gazette, no. 65/18, 17/20 and 83/21) by applying the requirements of the Delegated Regulation (EU) 2018/815 determining a single electronic reporting format for issuers (hereinafter: ESEF Regulation).

We performed our engagement with expressing reasonable assurance on whether the financial statements prepared for public disclosure purposes based on article 462, paragraph 5 of the Capital Market Act, included in the accompanying XBRL electronic file are prepared, in all material aspects, in accordance with the requirements of the ESEF Regulation.

Responsibilities of Management and Those Charged with Governance

The Company's Management is responsible for the preparation and content of the financial statements in accordance with the ESEF Regulation. The Company's Management is further responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material non-compliance, whether due to fraud or error, with the reporting requirements of the ESEF Regulation.

Management is also responsible for:

- publishing the financial statements included in the annual report in the valid XBRL format, and
- the selection and use of XBRL tags in compliance with the requirements of the ESEF Regulation -u.

Responsibilities of Management and Those Charged with Governance (continued)

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

Responsibilities of the Auditor

Our responsibility is to express a conclusion, based on obtained audit evidence, about whether the financial statements are free from material non-compliance with the requirements of the ESEF Regulation. We performed our engagement with expressing reasonable assurance in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (revised) – Assurance Engagements other than Audits or Reviews of Historical Financial Information.

Performed procedures

The nature, timing and extent of the procedures selected depend on the auditor's judgment. Reasonable assurance is a high degree of assurance, however it does not guarantee that the scope of testing will reveal any significant (material) non-compliance with the ESEF Regulation

As part of the selected procedures, we performed the following activities:

- we have read the requirements of the ESEF Regulation,
- we have obtained an understanding of internal controls relevant to the application of the requirements of the ESEF Regulation,
- we have identified and assessed the risks of material non-compliance with the ESEF Regulation, whether due to fraud or error; and
- based on this we have designed and performed procedures responsive to estimated risks, and to obtain a reasonable assurance for expressing our conclusion.

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Performed procedures (continued)

The objective of our procedures was to assess as to whether:

- the financial statements included in the consolidated financial statements have been prepared in the valid XBRL format,
- data, included in the consolidated financial statements as required by the
- ESEF Regulation, are tagged and whether all tags meet the following requirements:
    - use of XBRL tagging language,
    - use of basic taxonomy elements stated in the ESEF Regulation with the closest accounting meaning, unless an additional taxonomy element was created in accordance with Appendix IV. of the ESEF Regulations,
    - tags comply with the common tagging rules as required by the ESEF Regulation.

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

Conclusion

Based on the procedures performed and evidence obtained, in our opinion, the financial statements presented in the ESEF format and prepared for public disclosure purposes as required by the provisions of article 462, paragraph 5 of the Act on Market Capital comply, in all material aspects, with the requirements of the ESEF Regulation for the year ended 31 December 2021. Our conclusion is not an opinion on the true and fair presentation of the financial statements in electronic form. Furthermore, we do not express assurance on the other information disclosed with documents in the ESEF format.

Kulić i Sperk Revizija d.o.o.
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Croatia

Zagreb, 28 April 2022

Janja Kulić
Direktor, Ovlašteni revizor

KULIĆ I SPERK REVIZIJA d.o.o.
Radnička cesta 52, 10000 Zagreb - HR

Statement of comprehensive income

for the year ended 31 December 2021

	Note	**2021.** (in THRK) *Group*	**2020.** (in THRK) *Group*	**2021.** (in THRK) Company	**2020.** (in THRK) Company
Revenue from sales	7	142.528	147.617	142.020	146.653
Other income	8	21.436	18.456	21.443	18.285
		163.964	**166.073**	**163.462**	**164.938**
Materials, services and consumables used	9	(47.888)	(48.508)	(51.054)	(51.655)
Personnel expenses	10	(77.932)	(75.007)	(74.988)	(72.364)
Depreciation and amortisation	16,17,18, 33	(20.470)	(20.021)	(19.867)	(19.407)
Other expenses	11	(33.126)	(26.768)	(32.625)	(26.160)
		(179.417)	**(170.304)**	**(178.534)**	**(169.586)**
Finance income	12	1.754	1.677	1.749	19.312
Finance costs	13	(14.200)	(21.189)	(14.191)	(21.179)
Net finance costs		**(12.446)**	**(19.512)**	**(12.442)**	**(1.867)**
Share of profit of equity-accounted investees	19	28.026	20.581	-	-
Income / (loss) before tax		**127**	**(3.162)**	**(27.513)**	**(6.515)**
Income tax	14	404	(87)	404	-
Income / (loss) for the year		**531**	**(3.249)**	**(27.109)**	**(6.515)**
Change in fair value of financial assets		-	22	-	22
Deferred tax effect		-	(4)	-	(4)
Other comprehensive income		**-**	**18**	**-**	**18**
Total comprehensive income / (loss)		**531**	**(3.231)**	**(27.109)**	**(6.497)**
Income / (loss) per share (in HRK)					
- basic and diluted	15	0,04	(0,24)		

Statement of financial position

at 31 December 2021

ASSETS	Note	2021. (in THRK) *Group*	2020. (in THRK) *Group*	2021. (in THRK) Company	2020. (in THRK) Company
Non-current assets					
Intangible assets	16	7	38	7	38
Property, plant and equipment	17	520.522	537.654	519.545	536.413
Investment property	18	6.114	6.733	6.114	6.733
Concession assets with right of use	33	161.830	153.419	161.830	153.419
Investments in subsidiaries and equity accounted investees	19	146.344	118.318	11.787	11.787
Investments in equity instruments	20	-	166	-	166
Non-current financial assets	21	772	1.416	772	1.416
Deferred tax assets	14	8.956	9.604	8.956	9.604
Total non-current assets		**844.545**	**827.348**	**709.011**	**719.576**
Current assets					
Inventories		942	1.539	942	1.539
Trade and other receivables	23	43.926	52.422	43.179	51.777
Income tax receivable	24	-	1	-	-
Current financial assets	22	700	22.572	700	22.572
Cash and cash equivalents	24	62.133	19.626	60.837	18.016
Total current assets		**107.702**	**96.183**	**105.659**	**93.904**
Total assets		**952.247**	**923.531**	**814.670**	**813.480**

Statement of financial position (continued)

at 31 December 2021

EQUITY AND LIABILITIES	Note	**2021.** (in THRK) *Group*	**2020.** (in THRK) *Group*	**2021.** (in THRK) Company	**2020.** (in THRK) Company
Shareholders' equity					
Share capital	25	539.219	539.219	539.219	539.219
Capital and other reserves	26	38.624	38.624	38.624	38.624
Revaluation reserves	26	29.180	34.137	29.180	34.137
Accumulated losses		(214.095)	(219.508)	(346.414)	(324.180)
Total equity		**392.927**	**392.472**	**260.608**	**287.800**
Non-current liabilities					
Borrowings	27	94.004	61.210	93.940	60.885
Liabilities for concession assets with right of use	33	201.028	226.338	201.028	226.338
Provisions	28	2.364	2.365	2.364	2.365
Deferred tax liability	14	11.470	12.545	6.415	7.489
Total non-current liabilities		**308.867**	**302.458**	**303.747**	**297.077**
Current liabilities					
Trade and other payables	29	110.450	56.137	110.444	56.227
Liabilities for concession assets with right of use	33	124.629	156.138	124.629	156.138
Income tax liability	14	-	19	-	-
Borrowings	27	9.412	11.161	9.280	11.161
Provisions	28	5.962	5.077	5.962	5.077
Total current liabilities		**250.453**	**228.601**	**250.315**	**228.603**
Total liabilities		**559.320**	**531.059**	**554.062**	**525.680**
Total equity and liabilities		**952.247**	**923.531**	**814.670**	**813.480**

Statement of changes in equity

for the year ended 31 December 2021

GROUP	Share capital *(in THRK)*	Capital and other reserves *(in THRK)*	Revaluation reserves *(in THRK)*	Accumulated losses *(in THRK)*	Total *(in THRK)*
As at 1 January 2020	**539.219**	**38.624**	**34.119**	**(216.259)**	**395.703**
Loss for the year	-	-	-	(3.249)	(3.249)
Change in fair value of land	-	-	-	-	-
Change in fair value of equity instruments	-	-	22	-	22
Deferred tax effect	-	-	(4)	-	(4)
Other comprehensive income	-	-	18	-	18
Total comprehensive income / (loss)	-	-	18	(3.249)	(3.231)
As at 31 December 2020	**539.219**	**38.624**	**34.137**	**(219.508)**	**392.472**
Loss for the year	-	-	-	531	531
Change in fair value of land	-	-	(5.945)	5.945	0
Change in fair value of equity instruments	-	-	(82)	-	(82)
Deferred tax effect	-	-	1.070	(1.070)	0
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	531	531
As at 31 December 2021	**539.219**	**38.624**	**29.180**	**(214.102)**	**392.921**

Statement of changes in equity (continued)

for the year ended 31 December 2021

COMPANY	Share capital *(in THRK)*	Capital and other reserves *(in THRK)*	Revaluation reserves *(in THRK)*	Accumulated losses *(in THRK)*	Total *(in THRK)*
As at 1 January 2020	**539.219**	**38.624**	**34.119**	**(317.665)**	**294.297**
Loss for the year	-	-	-	(6.515)	(6.515)
Change in fair value of land	-	-	-	-	
Change in fair value of equity instruments	-	-	22	-	22
Deferred tax effect	-	-	(4)	-	(4)
Other comprehensive income	-	-	18	-	18
Total comprehensive income / (loss)	-	-	18	(6.515)	(6.497)
As at 31 December 2020	**539.219**	**38.624**	**34.137**	**(324.180)**	**287.800**
Loss for the year	-	-	-	(27.109)	(27.109)
Change in fair value of land	-	-	(5.945)	5.945	0
Change in fair value of equity instruments	-	-	(82)	-	(82)
Deferred tax effect	-	-	1.070	(1.070)	-
Other comprehensive income	-	-	-	-	-
Total comprehensive loss	-	-	-	(27.109)	(27.109)
As at 31 December 2021	**539.219**	**38.624**	**29.180**	**(346.414)**	**260.609**

Statement of cash flows

for the year ended 31 December 2021

	Note	2021. (in THRK) *Group*	2020. (in THRK) *Group*	2021. (in THRK) Company	2020. (in THRK) Company
Income / (Loss) before tax		127	(3.162)	(27.513)	(6.515)
Share of net profit of equity accounted investee	19	(28.026)	(20.581)	0	-
Depreciation and amortization	16,17,18,33	20.470	20.021	19.867	19.407
Gain on disposal of property, plant and equipment and intangibles	8	(6.159)	(2.874)	(6.159)	(2.874)
Impairment of property and equipment	11	-	-	-	-
Impairment of trade receivables - net	12	-	(42)	-	(42)
Interest income	12	(4)	(42)	(3)	(42)
Interest expense	13	13.504	14.644	13.496	14.636
Dividend income	12	-	-	-	(17.640)
Losses on equity instruments	20	-	-	-	-
Reversal of provisions	8,11	-	(246)	-	(246)
Foreign exchange differences - net		(1.032)	4.441	(1.029)	4.508
		(1.119)	**14.961**	**(1.341)**	**13.994**
Changes in working capital:					
Decrease/(increase) in inventories		597	129	597	129
Decrease/(increase) in trade and other receivables		7.824	(25.374)	7.926	(25.382)
Increase/(decrease) in trade and other payables		24.803	290	24.492	5.881
Decrease in provisions		885	716	885	716
Cash from operations		**34.108**	**(9.278)**	**33.900**	**(4.662)**
Income tax paid/(received)		-	46	-	-
Interest paid		(2.052)	(2.210)	(2.044)	(2.202)
Net cash from operating activities		**30.937**	**(11.442)**	**30.515**	**(6.864)**

Statement of cash flows (continued)

for the year ended 31 December 2021

	Note	2021. (in THRK) *Group*	2020. (in THRK) *Group*	2021. (in THRK) Company	2020. (in THRK) Company
Cash flows from investing activities					
Purchase of property, plant, equipment and intangibles		(3.099)	(623)	(2.491)	141
Proceeds from disposal of property, plant and equipment and invest		14.199	6.965	14.199	6.965
Net inflows/(outflows) related to Group and State owned apartment		1.964	2.358	1.964	2.358
Interest received		4	42	3	42
Dividend from equity accounted investees	19	-	17.640	-	17.640
Net inflows/(outflows) from bank deposits		21.872	(5.001)	21.872	(5.001)
Other net inflows/(outflows) from financial assets		166	28	166	28
Net cash from investing activities		**35.105**	**21.409**	**35.713**	**22.173**
Cash flows from financing activities					
Proceeds from loans	27	42.473	-	42.473	-
Repayment of loans	27	(8.913)	(8.920)	(8.913)	(8.920)
Repayments of leases	27	(2.377)	(3.784)	(2.248)	(4.048)
Receipts from grants related to capital investments	29	29.566	5.336	29.566	-
Infrastructure related expenditures for concession assets	33	(84.284)	(13.823)	(84.284)	(13.823)
Net cash from financing activities		**(23.536)**	**(21.191)**	**(23.407)**	**(26.791)**
Net increase of cash and cash equivalents		**42.507**	**(11.224)**	**42.821**	**(11.482)**
Cash and cash equivalents at beginning of year		19.626	30.850	18.016	29.498
Cash and cash equivalents at the end of year		**62.133**	**19.626**	**60.837**	**18.016**

NOTE 1 – GENERAL INFORMATION

History and incorporation

Luka Rijeka d.d. ('the Company') was formed through conversion of the former social company and registered as a joint-stock company at the Commercial Court in Rijeka on 25 January 1999 under the trade register number 040141664. The Company's PIN number is 92590920313. The principle activities of the Company comprise maritime loading, unloading, transshipment and storage of goods as well as mooring and unmooring ships. The Company is headquartered in Riva 1, Rijeka, Croatia. The Company and its subsidiaries and associates are together referred to as the Group.

Principal activities of subsidiaries and associates are as follows: management of investment property (subsidiary Stanovi d.o.o.), carriage, warehousing and freight (subsidiary Luka prijevoz d.o.o.) and container terminal management (associate Jadranska vrata d.d.). All subsidiaries and the associate are based in Rijeka and Bakar, Croatia.

Issued share capital of the Company amounts to HRK 539.219.000 and is distributed among 13.480.475 shares with a nominal value of HRK 40 each. The Company's shares are listed on the official market of the Zagreb Stock Exchange with the ticker LKRI-R-A. The shareholder structure is shown in note 2.

Members of the Supervisory Board of the Company during the reporting period and to the date of this report were as follows:

First name	Last name	Role	Appointed	Resigned
Alen	Jugović	President Member	20.01.2017. 27.12.2017.	-
Dragica	Varljen	Deputy president Member	28.02.2020. 04.07.2018.	-
Jerzy Grzegorz	Majewski	Member	27.12.2017.	27.12.2021.
Witold Waldemar	Rusinek	Member	31.08.2020.	-
Ivan	Pavlović	Member	31.08.2020.	02.11.2021.

Members of the Management Board during the reporting period are as follows:

Duško Grabovac	Deputy President until 1 May 2020 when he became President
Bartlomiej Michal Pastwa	Member from 19 June 2018

NOTE 2 – BASIS OF PREPARATION

(i) *Statement of compliance*

The separate and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS").

The separate financial statements are presented for the Company while the consolidated financial statements relate to the Company and its subsidiaries and equity accounted investees, i.e. the Group. The separate and consolidated financial statements are further together referred to as the "financial statements".

These financial statements were authorised for issue by the Management Board on 28 April 2022.

(ii) *Basis of measurement*

These financial statements have been prepared on the historical cost basis, except for the following:

- Land (note 3.6 (i))
- Financial assets measured at FVOCI or FVTPL (note 3.15)

Methods used for fair value measurement are explained in note 5.

(iii) *Functional and presentation currency*

These financial statements are prepared in the Croatian kuna ("HRK"), which is also the functional currency, rounded to the nearest thousand.

NOTE 3 – SUMMARY OF 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 by the Company and its subsidiaries to all periods presented in these financial statements and represent the accounting policies of the Group adopted in the preparation of these financial statements.

3.1. Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss. If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree’s employees (acquiree’s awards), then all or a portion of the amount of the acquirer’s replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree’s awards and the extent to which the replacement awards relate to pre-combination service.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Subsidiaries (continued)

In its separate financial statements, the Company accounts for its investments in subsidiaries at cost less any impairment.

(iii) Associates (equity accounted investees)

Associates are all entities over which the Group or the Company have significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. The Group accounts for investments in associates using the equity method and the Company accounts for them at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates are been changed where necessary to ensure consistency with the policies adopted by the Group.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2. Revenue recognition

Revenue recognition and performance obligations

The Group recognizes revenue when it transfers control over a good or service to a customer. The transfer of control of a good or service may take place continuously (revenue recognition on a progress towards completion basis) or on a specific date (recognition on completion). Before revenue is recognised, the Group identifies both the contract (a contract equivalent typically defined as a customer arrangement with direct reference to the prescribed tariff) and the various performance obligations contained in the contract. The number of performance obligations depends on the type of contract and activities. Most of the Group's customer arrangements involve several separate services which have a stand-alone and reliably measurable value to the customer (based on the tariff) whereby each separate service has its own separate performance obligation. Revenue is shown, net of value-added tax.

(i) Revenue from port services

The Group provides port related services such as carriage, transhipment, freight, handling (on and off loading) and warehousing of various types of cargo. Revenue is measured based on the consideration specified in a contract with a customer, which is based on the tariff for port services prescribed by the port authority. These services are predominantly recognized over time. The services that have been determined to be one performance obligation are highly inter-related and fulfilled over time. Revenue therefore continues to be recognized over time. Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed on the basis of the actual service provided as a proportion of the total services to be provided (for instance, number of tonnes off or on loaded compared to total shipment size; or number of storage days elapsed compared to the total number of storage days contracted).

(ii) Finance income

Finance income comprises interest income on funds invested, changes in the fair value of financial assets at fair value through profit or loss and foreign currency gains. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised when the right to receive payment is established.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3. Foreign currency transactions

Transactions and balances in foreign currencies

Transactions in foreign currencies are translated into the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the foreign exchange rate ruling at that date. 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 profit or loss.

Non-monetary assets and items that are measured in terms of historical cost of a foreign currency are not retranslated.

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into functional currency at foreign exchange rates ruling at the date of transaction.

3.4. Intangible assets

Where patents, licences, and similar rights are acquired by the Group from third parties the costs of acquisition are capitalised to the extent that future economic benefits are probable and will flow to the Group.

Licences are amortised over their estimated useful lives. Estimated useful lives are reviewed annually and impairment reviews are undertaken if events occur which call into question the carrying values of the assets.

Subsequent expenditure on capitalised intangible assets is capitalised only if it is probable that it increases the future economic benefits embodied in the specific asset to which it relates and those benefits will flow to the Group. All other expenditure is recognised in the profit or loss as an expense as incurred.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date on which they are available for use. The estimated useful lives of intangible assets are as follows:

Software	1 – 5 godina

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5. Investment property

Investment property comprises properties held to earn rentals, for capital appreciation, or both. Inbuilt equipment is considered part of the investment property. Cost includes all expenditure directly related to the acquisition of the asset. Investment property under course of construction is classified as non-current tangible assets in the course of construction until it is ready for use. Investment property is carried at cost less accumulated depreciation and any impairment losses.

Subsequent expenditure for investment property is capitalised only if it is probable that it increases the future economic benefits embodied in the specific asset to which it relates and it can be reliably measured. Regular maintenance expenditure is recognised in income statement as an expense as incurred.

Depreciation is charged to income statement over the estimated useful economic life on a straight-line basis to all investment property except from those in the course of construction (in the case of further development of existing investment property), using the following depreciation rates reflecting their estimated useful lives:

Residential apartments	65	years

3.6. Property, plant and equipment

(i) *Land*

After initial recognition at cost, land is carried at a revalued amount, being the fair value at the date of the revaluation less any subsequent accumulated impairment losses.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Land (continued)

When the carrying amount is increased as a result of revaluation, the increase is recognised in other comprehensive income and accumulated in equity as a revaluation reserve. Revaluation increase is recognized as income to the extent that it reverses a revaluation decrease of the same asset previously recognized as expense.

When the carrying amount is decreased as a result of revaluation, the decrease is recognized as a decrease in the revaluation reserve only to the extent that it does not exceed the amount held in the revaluation reserve for the same asset, and the remainder is recognised as expense in profit or loss.

The revaluation is carried out with sufficient regularity in a way that the carrying amount does not differ materially from the amount which would be determined using fair values at the reporting date. Certain land is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

Gains or losses arising from derecognition of land (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss when it is derecognised.

The relevant portion of the revaluation surplus realized in the previous revaluation is released to retained earnings on the disposal of the revalued asset.

(ii) Buildings, plant and equipment

Buildings, plant and equipment are included in the consolidated statement of financial position at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent expenditure is included in the asset’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 cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Buildings, plant and equipment (contunued)

Assets under construction are not depreciated. Depreciation of buildings, plant and equipment is calculated using the straight-line method to allocate their cost less any residual value over their estimated useful lives as follows:

Buildings	15 to 60 years
Equipment and fittings	2 to 8 years
Leasehold improvements	10 to 30 years

The residual value of an asset is the estimated amount that the Group 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 assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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 3.8).

Gains and losses on disposals are determined as the difference between the income from the disposal and the carrying amounts of the asset disposed, and are recognised in profit or loss within other income/expenses.

3.7. Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) As a lessee (continued)

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group’s incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by reference to interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. As a lessee (continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Other than with respect to right-of-use assets and liabilities arising from the Concession Agreement, the Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position. Concession related right-of-use assets and liabilities are presented as separate items in the statement of financial position.

Short-term leases and leases of low-value assets

The Group does not recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term. The number of such arrangements and the respective amounts is not significant.

ii. As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii. As a lessor (continued)

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract. The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of ‘other revenue’. Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from those under IFRS 16.

3.8. Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (apart from inventory and deferred tax assets which are separately reviewed) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation had no impairment loss been recognised for the asset (or cash- generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9. Inventories

Inventories of raw materials and spare parts are stated at the lower of cost, determined using the FIFO method, and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Trade goods are carried at the lower of purchase cost and net realisable value.

3.10. Trade receivables

Trade receivables are recognised initially at cost which is equal to the fair value at the moment of recognition and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

3.11. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term highly liquid instruments with original maturities of three months or less.

3.12. Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions associated with them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. Government grants that are receivable as compensation for expenses or loss already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13. Employee benefits

(i) Pension obligations and post-employment benefits

In the normal course of business through salary deductions, the Group makes payments to privately operated mandatory pension funds on behalf of its employees as required by law. All contributions made to the mandatory pension funds are recorded as salary expense when incurred. The Group is not obliged to provide any other post-employment benefits with respect to these pension schemes.

(ii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits as expenses 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.

(iii) Regular retirement benefits

Retirement benefits falling due more than 12 months after the reporting date are discounted to their present value based on the calculation performed at each reporting date by an independent actuary, using assumptions regarding the number of staff likely to earn regular retirement benefits, estimated benefit cost and the discount rate which is determined as average expected rate of return on investment in government bonds. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in profit or loss.

(iv) Long-term employee benefits

The Group recognises a liability for long-term employee benefits (jubilee awards) evenly over the period the benefit is earned based on actual years of service. The long-term employee benefit liability is determined annually by an independent actuary, using assumptions regarding the likely number of staff to whom the benefits will be payable, estimated benefit cost and the discount rate which is determined as the average expected rate of return on investment in government bonds. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in profit or loss.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Short-term employee benefits

The Group recognises a liability for employee bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

3.14. Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of discounting is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation, determined using the estimated risk free interest rate as the discount rate. Where discounting is used, the reversal of such discounting in each year is recognized as a financial expense and the carrying amount of the provision increases in each year to reflect the passage of time.

Provisions for restructuring costs are recognized when the Group has a detailed formal plan for the restructuring that has been communicated to parties concerned.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15. Financial assets

(i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at:

- amortised cost;
- FVOCI (fair value through other comprehensive income) – debt investment;
- FVOCI – equity investments;
- or FVTPL (fair value through profit or loss).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Classification and subsequent measurement (continued)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on; earning contractual interest income; maintaining a particular interest rate profile; matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows; or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business and/or the portfolio are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Classification and subsequent measurement (continued)

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Business model for receivables is for them to be held until collection.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing the basic criterion of whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that the basic criterion would not be met.

The structure of financial assets of the Group is simple as it primarily relates to trade receivables with no significant financing component and short-term bank deposits at fixed interest rates and cash and cash equivalents. This facilitates and minimizes the complexity of the assessment of whether or not the financial assets meets the basic criterion of representing 'solely payments of principal and interest'.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Classification and subsequent measurement (continued)

Subsequent measurement and gains and losses

The table below provides an overview of key features of the accounting policy that the Group applies with respect to subsequent measurement of financial assets and recognition of gains and losses per each type of financial asset:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividends clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

When the Group enters into transactions whereby it transfers financial assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognised.

3.16. Financial liabilities

(i) Recognition and initial measurement

Debt securities issued are initially recognised when they are originated. All other financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification and subsequent measurement

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as at FVTPL on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Derecognition

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

3.17. Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3.18. Impairment of non-derivative financial assets

Recognition of loss allowances

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI;
- and contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recognition of loss allowances (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on financial assets (primarily receivables) has increased significantly if early warning indicators are activated in line with the Group's policy or the contractual terms of the instrument.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 360 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Credit impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or considerable delays in payment of due receivables;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Write-off of financial assets

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group generally expects no significant recovery from the amount written off.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19. Borrowings and borrowing costs

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 the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are charged to the statement of income in the period incurred.

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 reporting date.

3.20. Share capital

Share capital consists of ordinary shares. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds of those transactions. Any excess of the fair value of the consideration received over the par value of the shares issued is presented in the notes as a share premium. Where the Group purchases its own equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Group's equity holders.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21. Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

3.22. Segment reporting

Segment represents a separable part of the Group either as a part engaged in providing products or services (business segment) or as a part engaged in providing products or services within a particular economic environment (geographical segment) that is subject to risk and benefits that differ from those of other segments. The Group does not report segment information in terms of the requirement of IFRS 8 Operating segments as internal reporting is not based on segmental information other than revenues per type of cargo which is disclosed within note 7 to the financial statements.

3.23. Taxation

(i) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax assets and liabilities

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit and differences relating to investments in subsidiaries and jointly controlled companies when it is probable that their status will not change in the near future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Deferred tax assets and liabilities (continued)

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

(iii) Tax exposures

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(iv) Value added tax (VAT)

The Tax Authorities require the settlement of VAT on a net basis. VAT related to sales and purchases is recognised and disclosed in the statement of financial position on a net basis. Where a provision has been made for impairment of receivables, impairment loss is recorded for the gross amount receivable, including VAT.

NOTE 4 – KEY ACCOUNTING JUDGEMENTS AND ESTIMATES

Critical judgements and estimates in applying accounting policies

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods. Judgments made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed below.

(i) Accounting for the Concession Agreement

Characteristics of the Concession Agreement

A significant part of the Group's registered activity is performed on an area under concession over maritime domain. According to the Maritime Domain and Seaports Act, the maritime domain is managed by the Port Authority of Rijeka, who is the concession Grantor. The concession agreement (“Concession Agreement”) was originally signed on 19 September 2000 for a period of 12 years and modified in 2011 thereby, amongst modifying other terms, extending the concession period by a further 30 years ending in 2042. The concession agreement concerns the port operations in the Port of Rijeka area, at the risk and responsibility of the Operator and taking into account; the applicable technical regulations; the terms and conditions of the licence for provision of port services; minimal service limits, and other requirements specified by the Port Authority of Rijeka. According to the concession arrangement, the Operator will have the right of use over the assets representing the infrastructure of the port owned by the Port Authority of Rijeka for the purpose of providing port services.

NOTE 4 – KEY ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(i) Accounting for the Concession Agreement (continued)

Under the Concession Agreement, the Operator has the obligation to cover all costs associated with performing concession activities (energy, water, gas, postal and telephone services, garbage collection and similar related costs), as well as utilities, water charges, water protection fees, insurance costs and other miscellaneous fees arising from the use of area under concession. In addition to the above costs, the Operator pays an annual concession fee composed of a fixed fee per square meter of area under concession and a variable fee per tonne of each type of cargo transhipped through the Port of Rijeka.

The Concession Agreement also defines obligations of the Operator to incur capital expenditure relating to the maintenance and replacement of port infrastructure assets and investments into equipment required for port operations in the concession area in a total amount of EUR 146 million of which approximately EUR 86 million relates to infrastructure related expenditure and investment into owned assets (equipment for port operations). The timing of expenditure and its nature (infrastructure related expenditure as opposed to investments into own assets/equipment) is regulated within a predefined schedule which the Operator is required to adhere to the extent allowable by circumstances (for more details see note 33). The assets representing the infrastructure of the port (which includes assets over which the right of use was transferred to the Operator at the signing of the Concession Agreement and the infrastructure related expenditure the Operator is required to incur during the concession term) constitute ‘‘relevant assets’’ the Operator is obligated to return back to the Grantor upon expiry of the concession term or demolish, at no cost and upon the request of the Grantor (currently the Operator does not expect any future demolition costs with respect to such assets).

The Group and Company have considered relevant financial reporting standards and interpretations in determining the appropriate approach to accounting for the Concession Agreement. The Group applies IFRS 16 to account for the Concession Agreement but, similar to prior years, continues to annually consider the applicability of IFRIC 12 Service Concession Arrangements (an interpretation governing the accounting for public-to-private service concession arrangements).

NOTE 4 – KEY ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(i) Accounting for the Concession Agreement (continued)

Considerations on the applicability of IFRIC 12

The Concession Agreement represents a form of public-to-private service concession arrangements and most of the characteristics of the arrangement are aligned with those specified in IFRIC 12. However, one of the main factors that related to the applicability of IFRIC 12 is the mechanism which regulates and revises prices of services. The fees charged by the Group to its customers are continuously significantly below the maximum fee tariff prescribed by the Port Authority of Rijeka and management assessed that the mechanism for regulating and revising prices that is currently in place does not represent a substantive price regulation whereby IFRIC 12 is not applicable.

Application of IFRS 16 to the Concession Agreement

By analysing the Concession Agreement, Management concluded that the Concession Agreement is in substance an arrangement containing lease components as defined by IFRS 16 and that the concession area and the related infrastructure represent the underlying identified asset(s) in the arrangement whose economic benefits from use throughout the period of the concession will substantially all be obtained by the Group. The Group has therefore identified the Concession Agreement as an agreement containing a lease which should therefore, in absence of applicability of IFRIC 12, be accounted for under IFRS 16.

Since the Concession Agreement contains various obligations which include, among other things, an obligation to pay fixed and variable concession fees, obligation to incur infrastructure-related expenditure as well as expenditure for own assets and maintenance in the concession area, the Group exercises judgement in identifying the lease and non-lease components in the arrangement.

In this context, the Group concluded that the obligations relating to payment of fixed concession fees and infrastructure- related expenditure represent lease components under IFRS 16 while the remaining obligations relating to expenditure for own assets (equipment) and maintenance as well as payments of variable concession fees do not represent lease components and are therefore accounted for under other relevant standards, primarily IAS 16 Property, plant and equipment.

NOTE 4 – KEY ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(i) Accounting for the Concession Agreement (continued)

In terms of the duration of the lease term, the Group concluded that the currently valid concession term ending in 2042 and starting from the end of 2011 (date of latest substantial modification of the Concession Agreement) is the most appropriate expected lease term for the purposes of measurement of ROU asset and relevant liabilities.

The Group also exercises judgements in assessing the recoverability of the ROU assets and determining the appropriate approach to impairment testing. In this context, the Group assessed the recoverability of the ROU assets recognised on transition to IFRS 16 in the preceding year as part of an impairment test on the level of a larger cash generating unit (CGU) which comprises both the area within and outside of the concession area (such as the supporting warehousing and logistics terminal). The recoverable amount of the combined CGU was measured using a present value technique based on a discounted cash flow model which required a significant degree of judgement in evaluating the reasonableness of grouping of assets into the combined CGU, the reasonableness of assumptions with respect to cash flow forecasts of the CGU and the determination of the appropriate discount rate and growth rate. The impairment test model included cash flow projections discounted with a weighted average cost of capital (WACC) of 6.5% and implied an annual growth rate of between 0.5% and 1% after the project period ending 2026.

The projected cash flows also reflect the expected use of EU (INEA) grants for currently active CEF projects for rehabilitation and modernisation of the port area. The Group and the Port Authority of Rijeka applied for financing from EU structuring funds for these projects and have received confirmation of funding in the amount of up to a maximum of 85% of the total expected capital expenditure of EUR 39.7 million. However, the projected cash flows from the EU grant money include an adjusting factor to reflect potential changes to the project budget due to its scale and complexity of execution.

During the past and current year, the Group observed disruptions in its operations due to the COVID 19 pandemic which has primarily affected the timeline of the execution of investments into the concession area (namely CEF projects), a significant part of which was to be executed by the reporting date. However, given a number of restrictions imposed by the pandemic, the Group reassessed the project execution timeline and now expect a 1-year delay in executing the CEF projects.

NOTE 4 – KEY ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(i) Accounting for the Concession Agreement (continued)

Since this change in the timing of cash flows was deemed significant given the magnitude of investments which amount to a total of 39.7 million euro, the Group remeasured the relevant ROU liability to reflect the modification in timeline of expected lease payments at a discount rate of 3% based on currently expected interest rates on long term debt. The effect of the remeasurement was accounted for as a change in the ROU liability with a corresponding effect on the ROU asset.

The Group has also reviewed whether indications of impairment of the ROU asset arose due to the pandemic. Given the long-term nature of the asset and the fact that the majority of its value derives from executing the required CAPEX, the Group concluded that the short term effects of reduced revenues and profitability as a result of the pandemic do not modify the long term plans with respect to its port operations other than extending the cash flow timeline to account for the delays in CAPEX execution. Based on the modification of its plans in accounting for the CAPEX delays, the Group concluded that the ROU asset does not require a reduction in the carrying value.

(ii) Deferred tax assets recognition

The net deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. In determining future taxable profits and the amount of tax benefits that are probable in the future, management makes judgements and applies estimation based on previous years taxable profits and expectations of future income that are believed to be reasonable under the existing circumstances (see notes 3.23 and 14).

(iii) Actuarial estimates used in determining obligations for employee benefits

The cost of defined benefits is determined using actuarial estimates. Actuarial estimates involve assumptions about discount rates, future salary increases, staff turnover and the mortality or fluctuation rates. Due to the long-term nature of those plans, these estimates contain an element of uncertainty (see note 3.13 and 28).

NOTE 4 – KEY ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(iv) Consequences of certain legal actions

There are a number of legal actions which have arisen from the regular course of operations. Management makes estimates of probable outcomes of the legal actions and recognises provisions for liabilities arising from these actions on a consistent basis.

The Group recognises a provision in the total expected amount of outflows of economic benefits as a result of the court case, which is generally the claim amount plus the estimated related legal costs and penalty interest (if applicable), if it is more likely than not, based on the opinion of management after consultation with legal advisers, that the outcome of the court case will be unfavourable for the Group. The Group does not recognise provisions for court cases or the expected related legal costs and penalty interest (if applicable) in cases where management estimates that an unfavourable outcome of the court case is less likely than a favourable outcome for the Group.

Where indications exist of a possible settlement in relation to a particular court case, a provision is recognised, based on the best estimate of management made in consultation with its legal advisers, in the amount of the expected settlement less any existing amounts already provided for in relation to that particular court case.

Where the Group is a plaintiff in a particular court case, any economic benefits expected to flow to the Group as a result are recognised only when virtually certain which is generally as at the date of inflow of these economic benefits.

Provisions for the Group's obligations arising legal actions are recognised on a consistent basis and estimated on a case by case principle (see note 3.14 and 28).

(v) Recoverability of trade and other receivables

The recoverable amount of trade and other receivables is estimated at present value of future cash flows discounted at the market interest rate at the measurement date. Short-term receivables with no stated interest rate are measured by the amount of original invoice if the effect of discounting is not significant.

NOTE 4 – KEY ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(v) Recoverability of trade and other receivables (continued)

The Group regularly reviews the ageing structure of trade receivables and monitors the average collection period. In cases where debtors with extended payment periods (generally above 120 days) are identified, the Group reduces the related credit limits and payment days for future transactions and, in cases where it deems it necessary, imposes restrictions on future transactions or delivery of cargo held in storage until the outstanding balance is repaid either entirely or in part. In cases where the Group identifies receivables toward debtors which have entered into pre-bankruptcy or bankruptcy proceedings, an impairment loss is immediately recognised in full.

In the process of regulating the collection of overdue debts, the Group actively negotiates with the respective debtors taking into account expectations of future business relations, significance of exposure to an individual debtor, possibilities of compensation, exercise of instruments of security (if any) or seizure of assets etc.

(vi) Revaluation of land

As the Group applies the revaluation model of accounting for land, management applies judgement with respect to the adequacy of the frequency of revaluations ensuring that they are performed on a basis regular enough to ensure that the carrying amount does not differ materially from the amount which would be determined using fair values at the reporting date. Management also applies judgement in ensuring that the revaluations are performed based on valuation reports from independent, expert valuers and, where applicable, that the estimates and assumptions used by the valuers reflect the management's own understanding of the specifics attached to each particular land plot.

NOTE 5 – DETERMINING FAIR VALUES

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to fair value measurement which assumes the overall responsibility of the Management Board in relation to the monitoring of all significant fair value measurements, consultation with external experts and the responsibility to report, with respect the above, to those charged with corporate governance.

Fair values are measured using information collected from third parties in which case the Board and the finance department assess whether the evidence collected from third parties support the conclusion that such valuations meet the requirements of IFRSs, including the level in the fair value hierarchy where such valuations should be classified.

All significant issues related to fair values estimates are reported to the Supervisory Board and the Audit Committee. Fair values are categorised into different level in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - inputs other than quoted prices included in level 1, that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3 - input variables for assets or liabilities that are not based on observable market data (unobservable inputs)

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, industry group, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

NOTE 5 – DETERMINING FAIR VALUES (CONTINUED)

If one or more significant inputs are not based on observable market data, the fair value estimate is included in level 3.

In preparing these financial statements, the Group has made the following significant fair value estimates statements as further explained in detail in following notes:

- note 17: Property, plant and equipment (with respect to land)
- note 20: Investments in equity instruments

NOTE 6 – NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Certain new accounting standards and interpretations have been published that are not mandatory for the reporting periods ending 31 December 2021 and that have not been early adopted by the Group in the preparation of these financial statements. Management does not expect any of these standards to have a significant impact on the financial statements of the Group.

7. Revenue from sales

	2021. (in THRK) Group	2020. (in THRK) Group	2021. (in THRK) Company	2020. (in THRK) Company
Sales to domestic customers	48.040	48.741	47.532	52.480
Sales to foreign customers	94.488	98.876	94.488	94.173
Total	**142.528**	**147.617**	**142.020**	**146.653**
An overview of revenue per type of cargo is given below:				
General cargo	59.527	59.979	59.527	59.979
Bulk cargo	50.332	61.183	50.332	61.183
Containers	5.539	6.678	5.539	6.678
Other port services	27.130	19.777	26.622	18.813
Total	**142.528**	**147.617**	**142.020**	**146.653**

General and bulk cargo revenue relates to services in relation to transhipment of those types of cargo for which the Group charges fees based on tonnes of transhipped cargo while other port services and containers relate to storage, warehouse handling and other services related to transhipment of other types of cargo.

8. Other income

	2021. (in THRK) Group	2020. (in THRK) Group	2021. (in THRK) Company	2020. (in THRK) Company
Gain on sale of non-current tangible and intangible assets	6.159	2.874	6.159	2.874
Donations and grants	-	31	-	-
Bad debts recovered	77	5	77	5
Insurance recoveries	390	199	339	199
Rental income (i)	12.752	12.692	12.858	12.736
Reversal of provisions	-	246	-	246
Income from court cases	104	120	104	120
Other income	1.954	2.289	1.906	2.105
Total	**21.436**	**18.456**	**21.443**	**18.285**

(i) Rental income relates to income from rental of parking lots and offices in the city of Rijeka.

9. Materials, services and consumables used

	2021. *(in THRK) Group*	2020. *(in THRK) Group*	2021. *(in THRK) Company*	2020. *(in THRK) Company*
Energy	14.325	13.281	13.746	13.278
Utilities	4.063	4.270	4.054	4.263
Postage and telecommunications	670	624	635	603
Concession fees¸(i)	1.669	1.999	1.669	1.999
Transport services	2.487	7.837	5.843	11.925
Quality control and desinfection	1.605	1.680	1.605	1.680
Freight handling services	5.302	1.736	5.302	1.736
Maintenance	9.532	9.296	9.725	9.134
Raw materials and consumables	6.826	6.675	6.728	5.975
Rent	982	413	992	367
Other materials expenses	426	697	755	695
Total	**47.888**	**48.508**	**51.054**	**51.655**

(i) Expenses for concession fees relate to the variable concession fee payable under the Concession Agreement. In addition to these variable concession fees, the Group and Company also incurred expenditure relating to fixed or in-substance fixed concession fees in the amount of HRK 4.113 thousand (2020: HRK 4.157 thousand) which have been accounted for as a reduction in the liability for concession assets with right-of-use.

10. Personnel expenses

	2021. (in THRK) Group	2020. (in THRK) Group	2021. (in THRK) Company	2020. (in THRK) Company
Gross salaries and wages	62.233	59.816	59.965	57.911
Contributions on salaries	10.276	10.080	9.905	9.560
Other employee related costs	5.424	5.111	5.119	4.893
Total	**77.932**	**75.007**	**74.988**	**72.364**

As at 31 December 2021 the number of staff employed by the Group was 519 (2020: 654) while the Company employed 503 employees (2020: 635).

11. Other expenses

	2021. (in THRK) Group	2020. (in THRK) Group	2021. (in THRK) Company	2020. (in THRK) Company
Bank charges	871	335	853	221
Intellectual services	1.605	1.634	1.468	1.538
Fines and penalties	550	1.871	550	1.871
Reimbursement of costs to employees	2.628	2.730	2.488	2.730
Severance pays (ii)	9.395	-	9.395	-
Non-income related taxes, contributions and fees (i)	10.486	11.203	10.408	11.164
Insurance	2.403	2.382	2.281	2.251
Court fees and expenses	289	491	289	491
Impairment of receivables	0	2.760	0	2.760
Marketing and entertainment	81	102	78	95
Increase in provisions for court cases	3.500	2.117	3.500	2.117
Other expenses	1.319	1.143	1.315	922
Total	**33.126**	**26.768**	**32.625**	**26.160**

(i) Non-income related taxes, contributions and fees relate to utility charges and fees for water regulation.

(ii) Based on the program of collective care for employees, which included the restructuring and formation of a new staff structure, in 2021 the Company paid severance pay for 118 employees.

12. Finance income

	2021. *(in THRK)* *Group*	2020. *(in THRK)* *Group*	2021. *(in THRK)* *Company*	2020. *(in THRK)* *Company*
Interest and similar income	4	42	3	42
Foreign exchange gains	1.728	1.356	1.724	1.352
Other financial income (i)	22	279	22	17.918
Total	**1.753**	**1.677**	**1.749**	**19.312**

(i) Other financial income relates to dividend income from the associated company Jadranska vrata d.d. During the year there was no dividend payment from the associated company (2020: HRK 17.640 thousand).

13. Finance costs

	2021. *(in THRK)* *Group*	2020. *(in THRK)* *Group*	2021. *(in THRK)* *Company*	2020. *(in THRK)* *Company*
Interest and similar expenses (i)	13.504	14.644	13.496	14.636
Foreign exchange losses	696	6.545	695	6.543
Total	**14.200**	**21.189**	**14.191**	**21.179**

(i) Interest and similar expenses include HRK 12.108 thousand (2020: HRK 11.817 thousand) for expense for unwinding of discount on the liability for concession assets with right of use while remaining amounts mainly include interest on bank loans.

14. Income tax

Tax income consists of:

	2021. *(in THRK)* *Group*	**2020.** *(in THRK)* *Group*	**2021.** *(in THRK)* *Company*	**2020.** *(in THRK)* *Company*
Current income tax	-	87	-	-
Deferred tax	(404)	-	(404)	-
Income tax expense / (benefit)	**(404)**	**87**	**(404)**	**-**

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

	2021. *(in THRK)* *Group*	**2020.** *(in THRK)* *Group*	**2021.** *(in THRK)* *Company*	**2020.** *(in THRK)* *Company*
Tax calculated at 18% (2020.: 18%)	**(5.022)**	**(569)**	**(4.952)**	**(1.173)**
Non-taxable income	-	(20)	-	(3.175)
Non-deductible expenses	3.605	3.929	3.597	3.902
Tax effect of share in result of equity accounted investee	(5.045)	(3.705)	-	-
Tax incentive - reduction of tax rate	(11)	(11)	(8)	(10)
Effect of unused tax loss	6.068	463	959	456
Tax expense / (benefit) recognised in the statement of comprehensive income	**(404)**	**87**	**(404)**	**-**
Effective tax rate	-	(3%)	-	-

As at 31 December 2021, the Company and the Group has unused tax losses to carry forward of HRK 45.469 thousand and HRK 46.051 thousand, respectively (31 December 2020: HRK 37.896 thousand and HRK 38.118 thousand, respectively) for which a deferred tax asset was not recognised as management believes that sufficient future taxable profits will not be available against which the tax losses can be offset.

14. Income tax (continued)

Movement in deferred tax assets for the Company and the Group was as follows:

2020 Company and Group	Opening balance	Recognised in equity	Recognised in profit or loss	Closing balance
	(in THRK)	*(in THRK)*	*(in THRK)*	*(in THRK)*
Land and buildings	8.460	-	-	8.460
Other financial assets	319	-	-	319
Financial assets available for sale	403	-	(4)	399
Provision for employee entitlements	426	-	-	426
Total	**9.608**	**-**	**(4)**	**9.604**

2021 Company and Group	Opening balance	Recognised in equity	Recognised in profit or loss	Closing balance
	(in THRK)	*(in THRK)*	*(in THRK)*	*(in THRK)*
Land and buildings	8.460	-	(249)	8.211
Other financial assets	319	-	0	319
Financial assets available for sale	399	-	(399)	0
Provision for employee entitlements	426	-	0	426
Total	**9.604**	-	**(648)**	**8.956**

Deferred tax assets with respect to provisions relate to temporary differences arising from provisions on employee entitlements (jubilee awards and retirement benefits) while the deferred tax asset with respect to land mostly relates to the impairment of land and buildings recorded in 2018 as presented in more detail in note 17.

14. Income tax (continued)

Movement in deferred tax liability for the Group was as follows:

2020 Group	**Opening balance** *(in THRK)*	**Recognised in equity** *(in THRK)*	**Recognised in profit or loss** *(in THRK)*	**Closing balance** *(in THRK)*
Revaluation of land	7.476	-	-	7.476
Financial assets available for sale	13	-	-	13
Investments in equity accounted investees	5.056	-	-	5.056
Total	**12.545**	**-**	**-**	**12.545**

2021 Group	**Opening balance** *(in THRK)*	**Recognised in equity** *(in THRK)*	**Recognised in profit or loss** *(in THRK)*	**Closing balance** *(in THRK)*
Revaluation of land	7.476	-	(1.075)	6.401
Financial assets available for sale	13	-	-	13
Investments in equity accounted investees	5.056	-	-	5.056
Total	**12.545**	**-**	**(1.075)**	**11.470**

Movement in deferred tax assets for the Company was as follows:

2020 Company	**Opening balance** *(in THRK)*	**Recognised in equity** *(in THRK)*	**Recognised in profit or loss** *(in THRK)*	**Closing balance** *(in THRK)*
Revaluation of land	7.476	-	-	7.476
Investments in equity accounted investees	13	-	-	13
Total	**7.489**	-	-	**7.489**

2021 Company	**Opening balance** *(in THRK)*	**Recognised in equity** *(in THRK)*	**Recognised in profit or loss** *(in THRK)*	**Closing balance** *(in THRK)*
Revaluation of land	7.476	-	(1.075)	6.401
Investments in equity accounted investees	13	-	-	13
Total	**7.489**	**-**	**(1.075)**	**6.414**

14. Income tax (continued)

At Group level, the deferred tax liability relating to investments in equity accounted investees relates to the surplus from measurement of remaining interest in a former subsidiary Jadranska vrata d.d. as a result of loss of control subsequent to the Group disposing of 51% of its shareholding in the subsidiary in 2011.

Deferred tax liability with respect to land stems from the Company's and the Group's application of the revaluation model of accounting for land and the respective revaluations.

15. Earnings per share

	2021. *(in THRK)* *Group*	**2020.** *(in THRK)* *Group*
Income / (Loss) for the year (in thousands of HRK)	531	(3.249)
Total and weighted number of issued shares	13.480.475	13.480.475
Earnings per share (basic and diluted) in HRK	**0,04**	**(0,24)**

Basic earnings per share are determined by dividing the Group's net earnings or losses with the weighted average number of ordinary shares in issue during the year. The Group does not own any treasury shares. The Group has not issued any potentially dilutive instruments.

16. Intangible assets

Movement in intangibles for the Group and Company was as follows:

(in THRK)	**Software**
Cost	
At 1 January 2020	**4.648**
Additions	39
Transfers	-
Disposals and write-off's	-
At 31 December 2020	**4.687**
Additions	1
Transfers	-
Disposals and write-off's	(19)
At 31 December 2021	**4.669**
Accumulated amortisation	
At 1 January 2020	**4.490**
Charge for the year	159
Disposals and write-off's	-
At 31 December 2020	**4.649**
Charge for the year	32
Disposals and write-off's	(19)
At 31 December 2021	**4.662**
Carrying amount	
At 31 December 2020	**38**
At 31 December 2021	**7**

17. Property, plant and equipment

Movement in property, plant and equipment for the Group was as follows:

(in THRK)	Land	Buildings	Equipment and fittings	Leasehold improvements	Assets under construction and advances	Total
Cost or revalued amount						
At 1 January 2020	226.950	373.768	166.140	366	-	767.224
Additions	-	-	764	-	2.914	3.678
Transfers	-	-	2.914	-	(2.914)	0
Disposals and write-off's	(4.091)	-	(48)	-	-	(4.139)
At 31 December 2020	**222.859**	**373.768**	**169.770**	**366**	**-**	**766.763**
Additions	-	-	342	-	2.757	3.099
Transfers	-	-	1.289	-	(1.289)	0
Disposals and write-off's	(5.900)	(3.707)	(4.833)	-	-	(14.440)
At 31 December 2021	**216.959**	**370.061**	**166.568**	**366**	**1.468**	**755.422**
Accumulated depreciation and impairment losses						
At 1 January 2020	12.666	53.486	150.181	65	-	216.398
Charge for the year	-	9.021	3.729	9	-	12.759
Disposals and write-off's	-	-	(48)	-	-	(48)
At 31 December 2020	**12.666**	**62.507**	**153.862**	**74**	**-**	**229.109**
Charge for the year	-	9.021	3.591	12	-	12.624
Disposals and write-off's	-	(2.102)	(4.734)	-	-	(6.836)
At 31 December 2021	**12.666**	**69.426**	**152.719**	**86**	**-**	**234.897**
Carrying amount						
At 31 December 2020	**210.193**	**312.025**	**15.144**	**292**	**-**	**537.654**
At 31 December 2021	**204.293**	**300.635**	**13.849**	**280**	**1.468**	**520.525**

17. Property, plant and equipment (continued)

Movement in property, plant and equipment for the Company was as follows:

(in THRK)	Land	Buildings	Equipment and fittings	Leasehold improvements	Assets under construction and advances	Total
Cost or revalued amount						
At 1 January 2020	**226.950**	**373.768**	**159.728**	**366**	**-**	**760.812**
Additions	-	-	-	-	2.914	2.914
Transfers	-	-	2.914	-	(2.914)	-
Disposals and write-off's	(4.091)	-	-	-	-	(4.091)
At 31 December 2020	**222.859**	**373.768**	**162.642**	**366**	**-**	**759.635**
Additions	**-**	**-**	**-**	**-**	2.757	2.757
Transfers	-	-	1.289	-	(1.289)	0
Disposals and write-off's	(5.900)	(3.707)	(4.341)	-	-	(13.948)
At 31 December 2021	**216.959**	**370.061**	**159.590**	**366**	**1.468**	**748.444**
Accumulated depreciation and impairment losses						
At 1 January 2020	**12.666**	**53.486**	**144.858**	**67**	**-**	**211.077**
Charge for the year	-	9.021	3.115	9	-	12.145
Disposals and write-off's	**-**	**-**	**-**	**-**	**-**	**-**
At 31 December 2020	**12.666**	**62.507**	**147.973**	**76**	**-**	**223.222**
Charge for the year	-	9.021	2.987	12	-	12.020
Disposals and write-off's	-	(2.102)	(4.242)	-	-	(6.344)
At 31 December 2021	**12.666**	**69.426**	**146.718**	**88**	**-**	**228.898**
Carrying amount						
At 31 December 2020	**210.193**	**311.261**	**14.669**	**290**	**-**	**536.413**
At 31 December 2021	**204.293**	**300.635**	**12.872**	**278**	**1.468**	**519.546**

17. Property, plant and equipment (continued)

Land and buildings of the Company with a carrying amount of HRK 429.101 thousand (2020: HRK 416.890 thousand) are mortgaged against the Company's borrowings.

Revaluation of land

The Group and the Company revalued their land during the second quarter of 2018 based on fair value estimates made by an independent expert valuer. Management considers that the fair values of land have not changed significantly since the date of that last valuation and that the carrying value of land as at the reporting date approximates its fair value. The carrying amount that would have been recognised had the land been carried under the cost model amounts to HRK 170.762 thousand (2020.: HRK 172.754 thousand). As at 31 December 2021, the revaluation surplus recognised in revaluation reserves amounts to HRK 29.180 thousand (2020.: HRK 34.055 thousand). Furthermore, valuation reports of independent valuators included also valuation of the buildings that are carried at cost model. For buildings where the recoverable amount was estimated to be less than the carrying amount, the carrying amount of the asset is reduced to the recoverable amount. No impairment losses were recognised in 2020 and 2021.

Measurement of fair values

Revaluation of land is performed on the basis of independent expert valuer reports. For most land plots, the method used for measuring the fair value of land by the valuer is the comparison of realised market selling prices for similar and comparable real estate taking into account geographical specifics, type of land plot, restrictions imposed by local building regulations and other factors.

The Group's land balance also includes a land plot which is currently used as a parking lot. The Group has not classified this land as investment property as the initial planned purpose was to build own premises for use in the principal activity, but is currently in the process of considering its purpose and conversion into investment property which would result in its reclassification.

18. Investment property

	31.12.2021. *(in THRK)* *Group*	31.12.2020. *(in THRK)* *Group*	31.12.2021. *(in THRK)* *Company*	31.12.2020. *(in THRK)* *Company*
Cost				
At 1 January	**10.876**	**10.876**	**10.876**	**10.876**
Disposals and write-off's	(710)	-	(710)	-
Total	**10.166**	**10.876**	**10.166**	**10.876**
Accumulated depreciation				
At 1 January	**4.143**	**3.960**	**4.143**	**3.960**
Charge for the year	111	183	111	183
Disposals and write-off's	(202)	-	(202)	-
	4.052	**4.143**	**4.052**	**4.143**
Carrying amount as at 31 December	**6.114**	**6.733**	**6.114**	**6.733**

Investment property relates to 35 apartments owned by the Group and leased for an indefinite period to protected tenants

Following the revision of the lease agreements with protected tenants, instead of paying a protected lease rental fee, the tenants agreed to pay for mandatory monthly maintenance fees and operational expenses stemming from the use of the apartments. As a result, the Group does not generate rental income from apartments but also does not incur direct operating expenses (including maintenance and repairs) as these are borne by lessees.

Overall business operations relating to investment property are performed by the subsidiary Stanovi d.o.o.

The Group regularly tests the investment property for impairment by analysis of comparable real estate prices. As at the reporting dates, current quoted market prices for similar properties and realised sales prices do not indicate impairment and the carrying amount is a reasonable approximation of fair value. Furthermore, in 2021, Group sold four apartments and gain on sale of HRK 796 thousand (2020: had no sale of apartments).

19. Investments in subsidiairies and equity accounted investees

	31.12.2021. (in THRK) Group	31.12.2020. (in THRK) Group	31.12.2021. (in THRK) Company	31.12.2020. (in THRK) Company
Investments in subsidiaries	-	-	60	60
Investment in equity accounted investees	146.344	118.318	11.727	11.727
Total	**146.344**	**118.318**	**11.787**	**11.787**

The investments in subsidiaries are as follows:

	Ownership interest		Investment	
(in THRK)	**31.12.2021.**	**31.12.2020.**	**31.12.2021.**	**31.12.2020.**
Luka - prijevoz d.o.o.	100%	100%	20	20
Stanovi d.o.o.	100%	100%	20	20
Luka Rijeka Container Depot d.o.o.	100%	100%	20	20
			60	**60**

The investments in equity accounted investees relate to the following:

	31.12.2021. (in THRK) Group	31.12.2020. (in THRK) Group	31.12.2021. (in THRK) Company	31.12.2020. (in THRK) Company
Jadranska vrata d.d.				
- at cost	-	-	11.727	11.727
- applying the equity method	146.344	118.318	-	-
Total	**146.344**	**118.318**	**11.727**	**11.727**

	31.12.2021. (in THRK) Group	31.12.2020. (in THRK) Group
As at 1 January	118.318	115.377
Share of profit/(loss) of associate	28.026	20.581
Dividend payment	-	(17.640)
As at 31 December	**146.344**	**118.318**

19. Investments in subsidiairies and equity accounted investees (continued)

Summary of information about the equity accounted investee Jadranska vrata d.d. is as follows:

Jadranska vrata d.d.	31.12.2021. *(in THRK)*	31.12.2020. *(in THRK)*
Assets	266.087	203.290
Liabilities	24.015	18.422
Revenue	177.443	152.733
Net profit/(loss)	57.204	42.009

The General Assembly of Jadranska Vrata d.d. did not vote a dividend during 2021 (2020: HRK 36.000 thousand) of which in 2020 HRK 17.640 thousand relates to the Company and was recognized as financial income in 2020 in the separate financial statements.

20. Investments in equity instruments

Investments in equity instruments comprise the following:

	31.12.2021. *(in THRK)* *Group*	31.12.2020. *(in THRK)* *Group*	31.12.2021. *(in THRK)* *Company*	31.12.2020. *(in THRK)* *Company*
Investment in quoted equity securities	-	166	-	166
Total	**-**	**166**	**-**	**166**

Movement in AFS financial assets was as follows:

	31.12.2021. *(in THRK)* *Group*	31.12.2020. *(in THRK)* *Group*	31.12.2021. *(in THRK)* *Company*	31.12.2020. *(in THRK)* *Company*
As at 1 January	166	144	166	144
Revaluation recognised through equity	-	22	-	22
Sales / write-offs	(166)	-	(166)	-
As at 31 December	**-**	**166**	**-**	**166**

20. Investments in equity instruments (continued)

Fair value measurement

The fair value of investments in shares of listed companies is based on stock market prices at the reporting date. In accordance with the input variables used, the assessment is categorized in the fair value hierarchy as level 1 (see note 5). Investments in equity instruments quoted on the stock exchange but where there is no active market are carried at cost and tested for impairment regularly.

21. Non-current financial assets

	31.12.2021. *(in THRK)* *Group*	**31.12.2020.** *(in THRK)* *Group*	**31.12.2021.** *(in THRK)* *Company*	**31.12.2020.** *(in THRK)* *Company*
Non-current receivables for apartments sold	732	1.322	732	1.322
Other financial assets	40	94	40	94
	772	**1.416**	**772**	**1.416**

Receivables for apartments sold

Non-current receivables relate to receivables for apartments sold on credit to employees which are EUR denominated and bear a below market interest rate. In 2021, 185 apartments were repaid in full (2020: 145 apartments). As at 31 December 2021, a total of 675 apartments were in repayment (2020: 860 apartments). Management considers that the fair value of non-current receivables approximates their carrying amount as the effect of discounting is estimated as immaterial due to low levels of current market interest rates for similar loans.

22. Current financial assets

	31.12.2021. *(in THRK)* *Group*	**31.12.2020.** *(in THRK)* *Group*	**31.12.2021.** *(in THRK)* *Company*	**31.12.2020.** *(in THRK)* *Company*
Short-term deposits in banks	700	22.572	700	22.572
As at 31 December	**700**	**22.572**	**700**	**22.572**

Interest rate on short-term deposits are variable, ranging from 0,02% to 1,45% per annum.

23. Trade and other receivables

	31.12.2021. (in THRK) Group	31.12.2020. (in THRK) Group	31.12.2021. (in THRK) Company	31.12.2020. (in THRK) Company
Receivables from domestic customers	12.714	13.267	12.643	12.823
Receivables from foreign customers	11.760	11.394	11.758	11.391
Receivables for apartments sold on credit	1.429	1.964	1.429	1.964
Taxes, contributions and fees receivable	210	277	208	238
Advances given (i)	16.115	24.269	16.057	24.269
VAT receivable	102	145	0	-
Prepaid expenses	432	788	424	775
Other receivables	1.164	318	661	317
	43.926	**52.422**	**43.179**	**51.777**

(i) Advances given relate to advance to contractors with respect to the capital expenditure on CEF projects.

Movements in the accumulated impairment allowance for trade receivables are as follows:

	31.12.2021. (in THRK) Group	31.12.2020. (in THRK) Group	31.12.2021. (in THRK) Company	31.12.2020. (in THRK) Company
At 1 January	12.780	10.485	12.780	10.485
Increase	235	2.760	235	2.760
Collected	(7)	(5)	(7)	(5)
Written-off	-	(460)	-	(460)
At 31 December	**13.008**	**12.780**	**13.008**	**12.780**

Impairment losses on trade receivables are included in note 'Other expenses'.

Ageing analysis of trade receivables is as follows:

	31.12.2021. (in THRK) Group	31.12.2020. (in THRK) Group	31.12.2021. (in THRK) Company	31.12.2020. (in THRK) Company
Up to 90 days	22.212	19.769	22.138	19.322
91-180 days	841	110	841	110
181-360 days	131	2.568	131	2.568
Over 360 days	1.290	2.214	1.290	2.214
	24.474	**24.661**	**24.400**	**24.214**

23. Trade and other receivables (continued)

Trade receivables are denominated in following currencies:

	31.12.2021. *(in THRK)* *Group*	31.12.2020. *(in THRK)* *Group*	31.12.2021. *(in THRK)* *Company*	31.12.2020. *(in THRK)* *Company*
HRK	12.714	13.267	12.643	10.337
EUR	11.600	10.852	11.598	13.335
USD	160	542	160	542
	24.474	**24.661**	**24.400**	**24.214**

24. Cash and cash equivalents

	31.12.2021. *(in THRK)* *Group*	31.12.2020. *(in THRK)* *Group*	31.12.2021. *(in THRK)* *Company*	31.12.2020. *(in THRK)* *Company*
Cash with banks	62.127	19.192	60.834	18.011
Cash at hand	5	434	3	5
	62.133	**19.626**	**60.837**	**18.016**

Cash with banks relates to cash accounts with commercial banks carrying an average interest rate of 0,01% per annum. Cash with banks includes HRK 13.540 thousand (2020: HRK 3.238 thousand) of restricted funds relating to grants received for the purpose of capital investments into CEF project for which bank guarantees have been issued.

25. Share capital

	31.12.2021. *(in THRK)* *Company*	31.12.2020. *(in THRK)* *Company*
Share capital	539.219	539.219
	539.219	**539.219**

As at 31 December 2021, the Company's share capital amounted to HRK 539.219 thousand, distributed among 14.480.475 shares with a nominal value of each share amounting to HRK 40. All issued shares are fully paid in and authorised.

An overview of key shareholders and the shareholder structure is as follows:

	% of ownership	
	2021	**2020**
CERP - Republic of Croatia	25,02%	25,75%
RUBICON PARTNERS VENTURES ASI SP. Z O.O.	17,51%	0,00%
OTP BANK d.d./AZ d.d. (custodial account)	15,20%	15,46%
OT LOGISTICS SPOLKA AKCYJNA	9,76%	27,35%
PRIVREDNA BANKA ZAGREB D.D.	8,75%	9,01%
ERSTE & STEIERMARKISCHE BANK D.D./PBZ CO OMF - KATEGORIJA B	7,60%	7,82%
OTP BANKA D.D./ ERSTE PLAVI OMF KATEGORIJE B	6,81%	6,81%
Other shareholders	9,35%	7,80%
Total	**100%**	**100%**

26. Reserves

	31.12.2021. *(in THRK)* *Group*	31.12.2020. *(in THRK)* *Group*	31.12.2021. *(in THRK)* *Company*	31.12.2020. *(in THRK)* *Company*
Capital and other reserves	38.624	38.624	38.624	38.624
Revaluation reserves	29.180	34.137	29.180	34.137
	67.804	**72.761**	**67.804**	**72.761**

The Company is required to create legal reserves under Croatian law amounting to a minimum of 5% of the profit for the year until the total legal reserves reach 5% of the share capital. The Company currently does not have any legal reserve.

Revaluation reserve relates to the revaluation of land.

27. Borrowings

	31.12.2021. *(in THRK)* *Group*	31.12.2020. *(in THRK)* *Group*	31.12.2021. *(in THRK)* *Company*	31.12.2020. *(in THRK)* *Company*
Non-current borrowings				
Bank loans	92.916	59.474	92.916	59.474
Lease liabilities	1.088	1.736	1.024	1.411
	94.004	**61.210**	**93.940**	**60.885**
Current borrowings				
Bank loans	8.897	8.920	8.897	8.920
Lease liabilities	515	2.241	383	2.241
	9.413	**11.161**	**9.281**	**11.161**
Total borrowings	**103.417**	**72.371**	**103.221**	**72.046**

27. Borrowings (continued)

The maturity of bank loans and loans from other financial institutions at the reporting date is as follows:

	31.12.2021. *(in THRK)* *Group*	**31.12.2020.** *(in THRK)* *Group*	**31.12.2021.** *(in THRK)* *Company*	**31.12.2020.** *(in THRK)* *Company*
1 year or less	8.897	8.920	8.897	8.920
1 - 2 years	11.022	8.920	11.022	8.920
2 – 5 years	35.394	26.762	35.394	26.762
Over 5 years	46.500	23.792	46.500	23.792
	101.813	**68.394**	**101.813**	**68.394**

The maturity of finance lease liabilities at the reporting date is as follows:

	31.12.2021. *(in THRK)* *Group*	**31.12.2020.** *(in THRK)* *Group*	**31.12.2021.** *(in THRK)* *Company*	**31.12.2020.** *(in THRK)* *Company*
Up to 1 year	515	2.241	383	2.241
Between 1 and 2 years	459	508	395	385
Between 2 and 5 years	629	1.228	629	1.026
Over 5 years	-	-	-	-
	1.603	**3.977**	**1.407**	**3.652**

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	31.12.2021. *(in THRK)* *Group*	**31.12.2020.** *(in THRK)* *Group*	**31.12.2021.** *(in THRK)* *Company*	**31.12.2020.** *(in THRK)* *Company*
EUR	103.417	70.503	103.221	70.178
USD	-	1.868	-	1.868
	103.417	**72.371**	**103.221**	**72.046**

27. Borrowings (continued)

Reconciliation of movements in borrowings to cash flows arising from financing activities for the Group is as follows:

	Loans (in THRK)	Leases (in THRK)	Total (in THRK)
Balance as at 1 January 2021	**68.394**	**3.977**	**72.371**
Cash transactions:			
Loans repaid	(8.913)	-	(8.913)
Received loans	42.473	-	42.473
Leases repaid	-	(2.377)	(2.377)
Total cash transactions	**33.560**	**(2.377)**	**31.183**
Non-cash transactions			
Exchange rate effect	(141)	3	(137)
Other non-cash transactions	-	-	-
Balance as at 31 December 2021	**101.813**	**1.603**	**103.417**

Liability for concession related right-of-use assets is disclosed separately as is the reconciliation of movement in said liability with cash flows from financing activities. See note 33.

Bank loans

Bank loans amounting to HRK 90.417 thousand have variable interest rates (2020: HRK 53.872 thousand). The variable interest rates for bank loans were in the range from 1,6% to 4% per annum (2020: from 1,7% to 2%).

Bank loans amounting to HRK 11.396 thousand have fixed interest rates (2020: HRK 14.522 thousand). The fixed interest rates for bank loans included in the table above were around 3% (2020: around 3%).

Leases

Leases of the Company and the Group relate to finance leases of equipment in the amount of HRK 1,603 thousand of equity as at 31 December 2021 with an interest rate of 3% per annum (2020: 3%).

Security

Bank borrowings in the amount of HRK 101.813 thousand (2020: HRK 68.394 thousand) are secured by mortgages over the Company’s and Group's land and buildings (note 17).

27. Borrowings (continued)

Debt terms

Under the loan agreement, the Group is required to comply with certain borrowing conditions. At the reporting dates, the Group did not maintain borrowing conditions. However, the Group has so far repaid the loan in accordance with the repayment schedule and financial institutions regularly review the Group's books of account and are adequately informed regarding the maintenance of borrowing conditions. The Management Board applied the judgment and estimated that the loan will not be repaid in full in the foreseeable future as a result of non-compliance with the terms of the loan.

Furthermore, the Management Board believes that the Group's ability to repay the loan according to the agreed maturities is not in question, as the Group could provide additional financing through collateralisation of its assets in case its operating cash flows are insufficient to service the loan.

28. Provisions

Group and Company	Jubilee awards and retirement benefits (in THRK)	Legal cases (in THRK)	Total (in THRK)
As at 31 December 2020			
Non-current	2.365	-	2.365
Current	-	5.077	5.077
	2.365	**5.077**	**7.442**
As at 31 December 2021	**2.365**	**5.077**	**7.442**
Non-current	-	-	2.365
Current	-	5.962	5.962
	2.365	**5.962**	**8.327**

28. Provisions (continued)

Movement in provisions was as follows:

Group and Company	Jubilee awards and retirement benefits (in THRK)	Legal cases (in THRK)	Total (in THRK)
As at 1 January 2020	2.365	4.607	6.972
Increase	-	2.117	2.117
Decrease	-	(1.647)	(1.647)
As at 31 December 2020	**2.365**	**5.077**	**7.442**
As at 1 January 2021	**2.365**	**5.077**	**7.442**
Increase	-	3.500	3.500
Decrease	-	(2.615)	(2.615)
As at 31 December 2021	**2.365**	**5.962**	**8.327**

(i) Jubilee awards and regular retirement benefits

According to the Collective Agreement (from 1 May 2021 in accordance with the internal acts) the Group has an obligation to pay jubilee awards and regular retirement benefits. No other post-retirement benefits are provided.

Provisions for both jubilee awards and regular retirement benefits are calculated based on a actuarial calculation using estimates derived on the basis of an actuarial calculation.

(ii) Legal cases

Legal provisions relate to a number of legal proceedings initiated against the Group which stem from regular commercial activities, Republic of Croatia Ministry of Finance - Tax Administration and court cases including former employees. The expenses relating to the provisions are included in the consolidated statement of comprehensive income within ‘Other expenses‘.

29. Trade and other payables

	31.12.2021. *(in THRK)* *Group*	**31.12.2020.** *(in THRK)* *Group*	**31.12.2021.** *(in THRK)* *Company*	**31.12.2020.** *(in THRK)* *Company*
Trade payables - domestic	30.073	12.495	31.054	13.543
Trade payables - foreign	-	134	-	134
Liabilities toward employees	5.677	5.701	5.514	5.659
Liabilities for apartments sold	7.343	6.312	7.343	6.312
Interest payable	133	190	133	190
Other taxes, contributions and fees payable	129	1.085	129	899
VAT liabilities	55	23	46	13
Salary taxes and contributions payable	2.234	2.161	2.141	2.161
Deferred income (i)	54.906	25.407	54.906	25.407
Accrued expenses	1.097	1.843	1.097	1.843
Other payables (ii)	8.803	786	8.081	66
	110.451	**56.137**	**110.444**	**56.227**

(i) Two funding contracts were concluded at the end of 2017, as part of the incentives of the European Commission for the reconstruction of the port area in Rijeka and Bakar, between the INEA Agency (the Innovation and Networks Executive Agency) as the Grantor, Port Authority of Rijeka as the coordinator and the Company. The Company and the Port Authority of Rijeka are also considered recipients of the grant (the Company has the right to approximately 96% of the total amount of the grant while the remainder relates to the port authority). The total amount of the grant for both contracts (CEF projects) is up to a maximum of 85% of the costs that will be required for the planned works in this area which amounts to 33.795 thousand euros. As of 31 December 2021, the Company received a total of HRK 54.906 thousand in grant related to the financed projects.

(ii) Continuing with point (i), Other payables mostly relate to the obligation to retain the amount of 10% of the interim situations performed for the above mentioned projects until the final situation.

30. Risk management

Capital risk management

Financial leverage ratio

The finance function of the Group reviews the capital structure on an annual basis. As part of this review, the Group considers the cost of capital and the risks associated with each class of capital. One of the ratios monitored is the financial leverage ratio which was as follows at the reporting date:

	31.12.2021. *(in THRK)* *Group*	**31.12.2020.** *(in THRK)* *Group*	**31.12.2021.** *(in THRK)* *Company*	**31.12.2020.** *(in THRK)* *Company*
Debt (long- and short-term borrowings) = D	(103.417)	(72.371)	(103.221)	(72.046)
Short term bank deposits	700	22.572	700	22.572
Cash and cash equivalents	62.133	19.626	60.837	18.016
Net cash / (debt)	**(40.584)**	**(30.173)**	**(41.684)**	**(31.458)**
Equity = E	(392.927)	(392.472)	(260.608)	(287.800)
Financial leverage ratio = D/(D+E)				
excl. concession related liabilities	21%	16%	28%	20%
incl. concession related liabilities	52%	54%	62%	61%

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

The Group manages its capital to ensure that it will be able to continue as a going concern.

Apart from the financial leverage ratio, the Group regularly monitors the relation between consolidated current assets and liabilities in order to assess the reasonableness of the going concern assumption applied in the preparation of its financial statements and identify any requirements for additional financial via debt or equity.

30. Risk management (continued)

Financial risk management

The Group operates with international customers and finances its operations using foreign currency denominated borrowings to a significant extent. As a result, the Group is exposed to the effect of changes in market prices and of exchange differences and changes in interest rates. In addition, due to credit terms extended to its customers, the Group is exposed to a risk of default. Categories of financial instruments are as follows:

	31.12.2021. *(in THRK)* *Group*	**31.12.2020.** *(in THRK)* *Group*	**31.12.2021.** *(in THRK)* *Company*	**31.12.2020.** *(in THRK)* *Company*
Financial assets at FVOCI	-	166	-	166
Total FVOCI financial assets	**-**	**166**	**-**	**166**
Non-current financial assets	772	1.416	772	1.416
Short-term financial assets	700	22.572	700	22.572
Trade receivables	27.169	27.088	26.490	26.495
Cash and cash equivalents	62.133	19.626	60.837	18.016
Total financial assets at amortised cost	**90.774**	**70.702**	**88.800**	**68.499**
Total financial assets	**90.774**	**70.868**	**88.800**	**68.665**
Lease liabilities	1.603	3.977	1.407	3.652
Liabilities for concession assets	325.656	382.476	325.656	382.476
Loan liabilities	101.813	68.394	101.813	68.394
Trade payables	46.352	19.917	46.611	20.245
Total financial liabilities at amortised cost	**475.425**	**474.764**	**475.487**	**474.767**
Total financial liabilities	**475.425**	**474.764**	**475.487**	**474.767**

Fair value of financial instruments

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

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

30. Risk management (continued)

Financial instruments held for collection in the normal course of operations are carried at the lower of cost and the net amount less the portion repaid. Fair value is determined as the amount at which a financial instrument can be exchanged between willing and knowledgeable parties in an arm's-length transaction, except in the event of forced sale or liquidation. The fair value of financial instruments is the one quoted on the securities market or obtained using the discounted cash flow method.

As at the reporting date, the carrying amounts of cash and cash equivalents, short-term deposits, receivables, short-term liabilities, accrued expenses, short-term borrowings and other financial instruments approximate their fair value due to the short-term nature of those assets and liabilities and due to the fact that a majority of short term assets and liabilities are at variable interest rates.

Management considers that the fair value of non-current receivables of the Group stemming from the sale of apartments to employees does not significantly differ from the carrying amount due to the currently low market interest rates for such receivables. Management regularly monitors relevant market interest rates on similar assets in order to assess the reasonableness of this assumption.

As at the reporting dates, the carrying amounts of borrowings arising from bank and other loans approximates their fair values as the majority of these borrowings bear variable interest rates or fixed interest rate approximating current market interest rates.

The carrying amount of finance lease liabilities relates mostly to a non-interest bearing finance lease agreement which has been discounted to its fair value by using the effective interest rate method at a discount rate on equal to market interest rates on similar leases.

30. Risk management (continued)

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Management board which manages the Group's short, medium and long-term funding and liquidity requirements. The Group manages liquidity risk by monitoring the consolidated net current asset position and addressing any expected current liquidity deficits. Management monitors but does not separately disclose the liquidity analysis at the standalone level as it is considered to be approximate to that at the consolidated level due to relative insignificance of operations in subsidiaries.

Liquidity risk analysis

The following tables detail the Group's remaining contractual maturity for its financial liabilities and its financial assets presented in the consolidated statement of financial position at the each reporting period end. The tables have been drawn up based on the undiscounted cash flows until maturity and include cash flows from both interest and principal.

(in THRK)	**Carrying amount**	**Contractual cash flows**	**Up to 1 year**	**1 – 2 years**	**2 - 5 years**	**Over 5 years**
As at 31 December 2021						
Non-interest bearing:						
Non-current receivables	2.202	2.202	1.429	315	458	-
Trade receivables	27.169	27.169	27.169	-	-	-
	29.371	**29.371**	**28.598**	**315**	**458**	**-**
Interest bearing:						
Current financial assets	700	700	700	-	-	-
Cash and cash equivalents	62.133	62.133	62.133	-	-	-
	62.833	**62.833**	**62.833**	**-**	**-**	**-**
Total	**92.204**	**92.204**	**91.431**	**315**	**458**	**-**

30. Risk management (continued)

Liquidity risk analysis (continued)

(in THRK)	Carrying amount	Contractual cash flows	Up to 1 year	1 – 2 years	2 - 5 years	Over 5 years
As at 31 December 2021						
Non-interest bearing:						
Lease liabilities	-	-	-	-	-	-
Trade payables	46.352	46.352	46.352	-	-	-
	46.352	**46.352**	**46.352**	**-**	**-**	**-**
Interest bearing:						
Lease liabilities	1.603	1.685	556	484	645	-
Liabilities for concession assets	325.656	347.050	134.643	190.411	8.834	13.162
Loan liabilities	101.813	114.861	9.887	11.001	39.611	54.362
	429.073	**463.596**	**145.086**	**201.896**	**49.090**	**67.524**
Total	**475.425**	**509.948**	**191.439**	**201.896**	**49.090**	**67.524**

The Group's analysis shows a deficit of short-term contractual cash flows. However, the majority of the short-term cash outflows relate to the liability for concession assets with right-of-use, more specifically to capital investments into port infrastructure as part of the CEF investment projects. As these projects have been approved for financing from the European Commission (INEA Agency) in the amount of up to a maximum of 85% of planned costs, management believes that the long-term liquidity position is stable.

30. Risk management (continued)

Liquidity risk analysis (continued)

The contractual maturities of financial assets and liabilities in the preceding period were as follows:

(in THRK)	Carrying amount	Contractual cash flows	Up to 1 year	1 – 2 years	2 - 5 years	Over 5 years
As at 31 December 2020						
Non-interest bearing:						
Non-current receivables	3.380	3.380	1.964	1.049	367	-
Trade receivables	27.088	27.088	27.088	-	-	-
Equity instruments at FVOCI	166	166	166	-	-	-
	30.634	**30.634**	**29.218**	**1.049**	**367**	**-**
Interest bearing:						
Current financial assets	22.572	22.579	22.579	-	-	-
Cash and cash equivalents	19.926	19.627	19.627	-	-	-
	42.198	**42.206**	**42.206**	**-**	**-**	**-**
Total	**72.832**	**72.840**	**71.424**	**1.049**	**367**	**-**

(in THRK)	Carrying amount	Contractual cash flows	Up to 1 year	1 – 2 years	2 - 5 years	Over 5 years
As at 31 December 2020						
Non-interest bearing:						
Lease liabilities	1.868	1.868	1.868	-	-	-
Trade payables	19.917	19.917	19.917	-	-	-
	21.785	**21.785**	**21.785**	-	-	-
Interest bearing:						
Lease liabilities	2.109	2.230	544	544	1.142	-
Liabilities for concession assets	382.476	382.476	156.138	151.431	63.636	11.271
Loan liabilities	68.394	75.723	10.212	10.069	26.672	28.770
	452.979	**460.429**	**166.894**	**162.044**	**91.450**	**40.041**
Total	**474.764**	**482.214**	**188.679**	**162.044**	**91.450**	**40.041**

30. Risk management (continued)

Interest rate risk management

The Group is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The variable interest rates currently applicable on the carrying values of floating rate debt as at the reporting dates are based on the following:

	31.12.2021. *(in THRK)* *Group*	**31.12.2020.** *(in THRK)* *Group*	**31.12.2021.** *(in THRK)* *Company*	**31.12.2020.** *(in THRK)* *Company*
EURIBOR based bank loans	90.417	53.872	90.417	53.872

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the reporting date. For floating rate liabilities, the analysis is prepared by calculating the effect of a reasonably possible increase in interest rates on floating rate debt on the expected contractual cash flows of such debt compared to those calculated using the interest rates applicable at the current reporting period end date. A 50 basis point increase/decrease is used when reporting interest rate risk internally to key management personnel and represents the management's assessment of the reasonably possible change in interest rates.

The estimated effect of the reasonably possible change in variable interest rates on the Group's result before tax for the reporting periods is as follows:

(in THRK)	**Contractual cash flows**
As at 31 December 2021	
At currently applicable int. rates	102.834
At currently applicable int. rates + 50 basis points	105.171
Effect of increase of int. rates by 50 basis points	**(2.337)**

The Group does not hedge interest rate risk as changes of interest rates are not expected to occur.

30. Risk management (continued)

Currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		**Liabilities**	
(in THRK)	31.12.2021. Group	31.12.2020. Group	31.12.2021. Company	31.12.2020. Company
EUR	103.417	68.853	103.221	68.528
USD	-	3.652	-	3.652
	103.417	**72.505**	**103.221**	**72.180**

	Assets		**Assets**	
(in THRK)	31.12.2021. Group	31.12.2020. Group	31.12.2021. Company	31.12.2020. Company
EUR	19.759	23.898	19.756	26.166
USD	388	2.650	388	2.650
	20.147	**26.548**	**20.144**	**28.816**

Foreign currency sensitivity analysis

The Group is mainly exposed to the fluctuations in the exchange rate of Croatian kuna to Euro and US dollar, since the most of the transactions with international customers is in Euro and US dollar. The relevant foreign exchange rates for the Euro and the US dollar during the reporting period were as follows:

	Spot FX rate		**Average FX rate**	
	31.12.2021.	31.12.2020.	31.12.2021.	31.12.2020.
EUR	7,517174	7,536898	7,524102	7,533080
USD	6,643548	6,139039	6,370942	6,610754

30. Risk management (continued)

Foreign currency sensitivity analysis (continued)

The following table details the Group's sensitivity to a 1% increase in Croatian kuna against the EUR and a 10% increase against the USD as the estimated reasonably possible change in the exchange rate of the respective currencies. The sensitivity analysis includes outstanding balances in foreign currencies which are recalculated at the reporting date applying a percentage change in foreign exchange rates. The sensitivity analysis includes monetary assets and monetary liabilities in foreign currencies. A negative number below indicates a decrease in profit and other equity where Croatian kuna increases against the relevant currency for the percentage specified above. For a weakening of Croatian kuna against the relevant currency in the same percentage, there would be an equal and opposite impact on the profit.

	EUR exposure		**EUR exposure**	
(in THRK)	31.12.2021. Group	31.12.2020. Group	31.12.2021. Company	31.12.2020. Company
Increase/(decrease) of net result	(837)	(450)	(835)	(424)

	USD exposure		**USD exposure**	
(in THRK)	31.12.2021. Group	31.12.2020. Group	31.12.2021. Company	31.12.2020. Company
Increase/(decrease) of net result	4	(100)	4	(100)

The Group does not currently hedge currency risk with respect to the EUR as the local currency is pegged against the EUR while the exposure with respect to USD is not considered significant.

Credit risk management

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

Customers are classified into risk groupings based on the financial indicators and own trading records, and appropriate credit risk mitigation measures are taken for each risk class. Customers are classified mainly on the basis of official financial statements of customers, and credit ratings supplied by independent rating agencies, and the history of trading with each customer. The Group's exposure and the credit ratings of its counterparties are continuously monitored and credit exposure is controlled by counterparty limits that are reviewed at least annually.

The Group has no significant credit exposures that would not be covered by collateral and which have not been assessed for impairment indicators as at the reporting date.

30. Risk management (continued)

Operational risk management

Sales concentration risk management

The Group generates approximately 34% (2020: 33%) of its revenue from domestic customers, whereas around 66% (2020: 67%) of the sales are generated from international customers (based on geographical location of customer). The Group determines the selling prices in accordance with the macroeconomic conditions prevailing in each of the markets where the customers are located having in mind the maximum approved tariffs for services defined in the concession agreement.

The Group's revenues are to a significant extent exposed to volatility due to high concentration of revenues from a smaller number of customers. In 2021, top 10 customers of the Group generated approximately 63% of operating revenues (2020: 61%) while the top five customer generated approximately 48% of operating revenues (2020: 44%). As a result of its exposure to a small number of customer, the Group manages this risk through active and frequent communication with key customers, acquisitions of new customers, and through monitoring of relevant competitors and market conditions both locally and internationally.

The Group expects increased risks associated with maintaining market position (both in terms of international and domestic customers) due to the strengthening of competitors. To lessen this effect, the Group aims to further increase its competitiveness by increasing productivity and capacity and modernising its technology, which it expects to achieve to a large extent through the realisation of planned capital investments coupled with the expected refurbishment of local railways.

31. Related party transactions

The Company has a related relationship with is majority shareholder (and companies under its control) and its subsidiaries and associates. The most important individual shareholder of the company Luka Rijeka d.d. is the Republic of Croatia holding a share of 25,02% in the share capital and voting rights of the Company. As at 31 December 2021 the most important individual shareholder of the company Luka Rijeka d.d. was OT Logistics S.A. with a 27,35% stake in the share capital and voting rights of the Company. During 2021, OT Logistics S.A. transferred shares to RUBICON PARTNERS VENTURES ASI SP. Z O.O. in the percentage of 17.51% of voting rights (see Note 25).

Furthermore, key management personnel including close family members of key management personnel and entities controlled, jointly controlled or significantly influenced by key management personnel and their close family members, are also considered related parties and disclosed in accordance with the definitions contained in International Accounting Standard 24 Related Party Disclosures ("IAS 24").

Given that the Republic of Croatia holds 25.02% of share capital and voting rights of the Group / Company via CERP and has significant influence over the Group/Company, the State and entities under its control or influence are also considered related parties. However, for the purposes of related party disclosures, routine transactions with various communal entities or other bodies controlled by the State with respect to taxes, levies or with respect to standard purchases of basic consumables are not considered or disclosed as related party transactions.

31. Related party transactions (continued)

Transactions with State and entities under its control or influence

Receivables and sales with the State and related parties:

(in THRK)	2021	2020
Petrokemija d.d.		
Sales of services	-	-
Receivables as at 31 December	-	-
Port Authority of Rijeka		
Rent of premises and provision of regular services	5.688	3.281
Receivables as at 31 December	635	548
Jadrolinija d.d.		
Sales of services	165	99
Receivables as at 31 December	8	7
Croatia insurance Group		
Insurance claims	-	-
Receivables as at 31 December	-	-
HEP Group		
Sales of services	-	-
Receivables as at 31 December	-	-
INA Group		
Sales of services	-	221
Receivables as at 31 December	-	22
Faculty of Maritime studies in Rijeka		
Sales of services	-	-
Receivables as at 31 December	-	-
Total sales	**5.852**	**3.601**
Total receivables as at 31 December	**643**	**577**

31. Related party transactions (continued)

Payables and purchases with the State and related parties:

(in THRK)	2021	2020
HEP Group		
Purchase of electricity	4.455	10.054
Liabilities as at 31 December	454	1.575
HŽ Cargo d.o.o.		
Purchase of transport services	4	-
Liabilities as at 31 December	-	9
INA Group		
Purchase of fuel	317	142
Liabilities as at 31 December	24	28
Total purchases	**4.776**	**10.196**
Total liabilities as at 31 December	**478**	**1.612**

Transactions with owners - OT Logistics S.A. and RUBICON PARTNERS VENTURES ASI SP.Z.O.O.

During 2021 and 2020, there were no transactions with OT Logistics S.A. and RUBICON PARTNERS VENTURES ASI SP. Z O.O.. As at 31 December 2021 and 31 December 2020, the Group and the Company did not have any receivables or payables towards OT Logistics S.A. and RUBICON PARTNERS VENTURES ASI SP. Z O.O.

Transactions with subsidiaries

During 2021, the Company purchased goods and services from subsidiaries in the amount of HRK 6.185 thousand (2020: HRK 5.349 thousand) and at 31 December 2021 owed to subsidiaries HRK 1.112 thousand (2020: HRK 1.099 thousand). During 2021, the Company sold goods and services to subsidiaries in the amount of HRK 106 thousand (2020: HRK 98 thousand) and at 31 December 2021 had receivables from subsidiaries in the amount of HRK 11 thousand (2020: 1 thousand kuna).

31. Related party transactions (continued)

Transactions with equity accounted investees

The Group enters into transactions with the associate company Jadranska vrata d.d. where Luka Rijeka d.d. has a 49% ownership interest. Transactions with the associate relating to balances in the statement of financial position as at 31 December 2021 and 31 December 2020 and transactions in the statement of comprehensive income for the years then ended are as follows:

(in THRK)	**2021**	**2020**
Trade receivables	430	345
Sales revenue and other income	63	100

Transactions with State bodies

(i) Concession fees

During 2021, in relation to the Concession Agreement, the Group paid fixed concession fees toward the Port Authority of Rijeka in the amount of HRK 4.113 thousand (2020: HRK 4.157 thousand) and recognized expenditure related to variable concession fees in the amount of HRK 1.651 thousand (2020: HRK 1.699 thousand). As at 31 December 2021, the Group had outstanding payables toward the Port Authority of Rijeka with respect concession and related expenses of HRK 446 thousand (31 December 2020: HRK 527 thousand).

During 2021, the Group had no the cost of variable concession fees (2020: HRK 300 thousand) to the Ministry of Economy (MINGO) of the Republic of Croatia related to the activities at the Škrljevo terminal and as at 31 December 2021 and 31 December 2020 there is no debt according to MINGO.

(ii) Leases

As at 31 December 2021, the Group has no lease liability to the Port Authority (31 December 2020: HRK 1.868 thousand). During 2021, the Group repaid a total of HRK 1.868 thousand of principal and interest on the basis of the said finance lease (2020: HRK 3.926 thousand).

31. Related party transactions (continued)

Remuneration to the Management Board members

Key management of the Group comprises the Management Board and consists of 2 persons (2020: 3 persons). During 2021, the Group paid out HRK 1.561 thousand to the Management Board (2020: HRK 2.236 thousand) with respect to gross salaries (including contributions on salaries).

32. Contingent liabilities and assets

Exposure to court cases

As at the reporting date, there are number of legal proceeding against the Group which stem from regular commercial activities and court cases including former employees.

Based on consultation with legal advisors, management applied its judgment as described in more detail in note 4 and estimated that the legal proceedings the Group is involved in should not give rise to significant losses apart from those already provided for as detailed in note 28.

Potential penalties arising from minimal service limits defined in the concession arrangement

According to the concession agreement in place, from 2016 onward the Group is obligated to maintain minimal service levels defined in quantities of transshipped cargo and based on the initial business plans submitted to the Port Authority of Rijeka at the inception of the agreement. Should the minimal service levels not be met, the Port Authority of Rijeka would be entitled to charge concession penalties based on the variance of actual versus initially planned service levels.

Current service levels are considerably lower than those included in the initial business plans. Calculated potential penalties by the Company, without interest, amount to approximately HRK 84,7 million, of which HRK 13,4 million relates to 2016, HRK 12,9 million to 2017, HRK 13,2 million for 2018, HRK 15,7 million for 2019, HRK 14,4 million for 2020 and HRK 15 million for 2021.

The Group is actively communicating with the port authority with respect to updating minimal levels of service and their alignment with current market conditions. Given the fact that the port authority historically did not charge these amounts and taking into account the changed market conditions as opposed to those present at the initial determination of minimal service level, the Group does not expect that the amount will be charged but it cannot exclude this entirely.

33. Concession related right-of-use assets, liabilities and contractual commitments

As described in note 4(i), the Group and Company applied IFRS 16 to account for the recognition of right-of- use assets and liabilities arising from the Concession Agreement.

As stipulated in the Concession Agreement modified at the end of 2011, the extension of the concession period up to 2042 was granted in return for expenditure to be made by the Group during the term of the concession in the total amount of EUR 146,5 million in relation to investments into rehabilitation of the port infrastructure and investments in equipment (a total of EUR 87,1 million of required expenditure) as well as in relation to maintenance of concession assets in the amount of EUR 59,4 million.

The Group recognised liabilities for concession assets with right-of-use as the present value of expected payments for infrastructure related expenditure and fixed or in-substance fixed concession fees, and has also recognised a corresponding right-of-use asset at cost less accumulated amortisation and impairment losses.

Expenditure related to investments into equipment and maintenance of the port concession area are disclosed as contractual commitments and will be recognised as assets (in case of investments into equipment) or expenditure (in case of maintenance) when they are incurred.

During 2021, the Group remeasured the ROU liability related to infrastructure capital expenditure in order to reflect the modification in timeline of expected lease payments with a discount rate of 3% based on currently expected interest rates on long term debt. The effect of the remeasurement was accounted for as a change in the ROU liability with a corresponding effect on the ROU asset.

33. Concession related right-of-use assets, liabilities and contractual commitments (continued)

The movement in the concession related right-of-use assets for the Group and Company was as follows:

(in THRK)	**Concession assets with right-of-use**
Cost	
At 1 January 2020	**358.269**
Effect of remeasurement	(25.992)
At 31 December 2020	**332.277**
Effect of remeasurement	16.117
At 31 December 2021	**348.394**
Accumulated amortisation and impairment	
At 1 January 2020	**171.938**
Charge for the year	6.920
At 31 December 2020	**178.859**
Charge for the year	7.705
At 31 December 2021	**186.564**
Carrying amount	
At 31 December 2020	**153.418**
At 31 December 2021	**161.830**

33. Concession related right-of-use assets, liabilities and contractual commitments (continued)

The movement in the liabilities for concession assets with right-of-use for the Group and Company was as follows:

(in THRK)	**Liabilities for concession assets with right of use**
At 1 January 2020	
Non-cash transactions	**406.066**
Unwiding of discount	11.817
Exchange rate differences	4.408
Effect of remeasurement	(25.992)
Cash transactions (i)	
Payment of concession fees	(4.157)
Infrastructure related expenditure	(9.666)
At 31 December 2020	**382.476**
Non-cash transactions	
Unwiding of discount	12.135
Exchange rate differences	(788)
Effect of remeasurement	16.117
Cash transactions (i)	
Payment of concession fees	(4.113)
Infrastructure related expenditure	(80.171)
At 31 December 2021	**325.656**

(i) Cash transactions with respect to movements in liabilities for concession assets with right-of-use are presented within cash flows from financing activities.

Maturity analysis of liabilities for concession assets with right-of-use is as follows:

(in THRK)	**31.12.2021.**	**31.12.2020.**
Up to 1 year - current portion of liability	124.629	156.138
1 - 2 years	184.182	151.431
2 - 3 years	2.718	55.959
3 - 4 years	2.842	4.615
4 - 5 years	1.673	3.062
Over 5 years	9.612	11.271
Net book value	**325.656**	**382.476**

33. Concession related right-of-use assets, liabilities and contractual commitments (continued)

The structure and status of total and outstanding expenditure requirements stipulated by the Concession Agreement, as at the reporting date is shown below:

(in TEUR)	**Executed** up to 2021	**Outstanding** *2022.-2042.*	**Total**
Infrastructure related expenditure	22.568	44.209	66.777
Equipment related expenditure	10.989	9.364	20.353
Maintenance of concession assets	29.579	29.821	59.400
	63.136	**83.394**	**146.530**

Where not specifically prescribed, the allocation of total expenditure to periods was allocated based on best estimate of expected timing of expenditure and classified by type based on management interpretations for the purpose of applying IFRS 16.

34. Events after the reporting date

The impact of the war in Ukraine

Due to the war in Ukraine and the interruption of their ports, as well as EU sanctions against Russia, there were significant disruptions or complete disruption of some routes through the Black Sea, which resulted in increased interest in traffic through the Port of Rijeka. According to current announcements and plans, continuous cargo growth is expected at all terminals of the Port of Rijeka by the end of the year.