

LIBURNIA RIVIERA HOTELI d.d.

**ANNUAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2018**

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

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Management Report to the shareholders of Liburnia Riviera Hoteli d.d. Opatija

Annual Report was composed based on the liability arising under article 250.a of the Companies Act and article 21 of the Accounting Act.

The report relates to the company Liburnia Riviera Hoteli d.d., Opatija, Maršala Tita 198, whose main activities are accommodation and hospitality services, travel agencies and tour-operator services with the aim of presenting the most significant operating achievements in 2018 and reference on the future expectations.

Review of business in 2018

In March 2018, the Remisens Hotel Admiral opened, which through investment gained eight new accommodation units as well as congress facilities where there were previously out of function a la carte tavern restaurants, as well as renovated wellness facilities. Investments were completed and the renovated hotels opened in April 2018; the Smart Selecton Hotel Istra with 37 additional accommodation units, the Remisens Hotel Marina in Mošćenička Draga (the investment includes 6 additional rooms and an outdoor pool), the Remisens Premium Grand Hotel Palace and the Remisens Premium Vila Abbazia (the former Villa Slatina that was out of function) with a capacity of 13 accommodation units, and the hotel now has an increased capacity with an additional three accommodation units and has raised its quality of service. The Remisens Villa Belvedere in Lovran gained an additional accommodation unit and an outdoor swimming pool and the Smart Selection Hotel Lungomare Opatija 3 * (ex Residenz 2*), gained one new additional accommodation unit as well as fully renovated and air-conditioned accommodation units.

In May 2018, the fully renovated Imperial Hotel opened, which through investment has increased its quality and became the Remisens Premium Heritage Hotel Imperial 4*. At the end of 2018, a new investment cycle for the renovation of hotels and seaside accommodation facilities began and is expected to be completed in the first half of 2019.

Key financial indicators

The business results of Liburnia Riviera Hotel d.d. in 2018 show that the Company is realizing its main goals. Realized total net operating revenues increased by 3% compared to the prior year, with a 1% increase in overnights.

GOP (gross operating profit) decreased by 25% compared to the prior year. EBITDA in the amount of approximately HRK 83.1 million is 32% or approximately HRK 39.7 million lower than the last year. GOP for current year decreased due to the Management Board bonuses as described below. Reported EBITDA is calculated as profit before tax increased by depreciation and interest expense on loans.

On June 15, 2018 the Supervisory Board of Liburnia Riviera Hotel d.d., passed a decision by which it allows conclusion of the Agreement on Termination of the Contract on the Performance of the role of President of the Management Board of the Company, previously signed on 1 October 2011 with Mr. Igor Šehanović. The above-mentioned Agreement on Termination of the Contract on the Performance of the role of President of the Management Board of the Company provides for payment of the Reward Bonus in the amount of HRK 14,139 thousand to Mr. Igor Šehanović, with a payment deadline no later than 30 June 2018. The total gross amount is HRK 28,075 thousand. On 15 June 2018 the Supervisory Board of the Company also passed a decision to revoke Mr. Igor Šehanović from the function of the President of the Management Board with effect as of 30 June 2018 and at the same time a decision to appoint member of the Management Board, Mr. Giorgio Cadum, as President of the Management Board from 30 June 2018 to 1 October 2019.

In 2018, the difference between one-off income and one-off expenses is negative, amounting to around HRK -10 million, while net one-off income for the same period in 2017 amounted to HRK -6.2 million.

In 2017 most of the one-off income in the total amount of HRK 15.0 million relates to income from the release of provisions (related to Hotel Mediteran property) in the amount of HRK 11.5 million. The majority of one-off expenses relate to the write off of the book value of the hotel and the Belvedere rooms in the amount of HRK 11.4 million).

Management Report to the shareholders of Liburnia Riviera Hoteli d.d. Opatija (continued)

In 2018, the most significant one-off expenses relate to reservation of the award bonus for the Management Board in the amount of around HRK 8.2 million (gross II), and the write-off of fixed assets and small inventory in the hotels in the amount of HRK 5.4 million.

In 2018 Liburnia Riviera Hotels d.d. realized a pre-tax loss of approximately HRK 16.7 million, which compared to the pre-tax profit realized in 2017 of about HRK 19.6 million, is about HRK 36.3 million lower.

Liquidity and solvency indicators, as well as the debt to equity ratio and cash flow are of high quality.

Key events after the year end

After the date of this report, during January 2019, the Company signed a loan agreement for investments in the amount of HRK 110 million.

Research and development activities

In the context of Company's activities possibility of significant investment in research and development of new products and technologies is open.

Expected development of the Company in the future

By the end of 2018, reconstruction of Remisens Premium hotel and Villa Ambassador had started, which, after the investment of over HRK 119.6 million will retain its existing categorisation with its rich offering, additional facilities and high quality. At the end of 2018, investments were initiated with the aim of maintaining the categorisation of the Remisens Hotel Admiral, Smart Secection Hotel Istra, Remisens Hotel Marina and Smart Selection Hotel Mediteran, at an estimated total cost of HRK 78.7 million. Two units of accommodation for seasonal workers will be renovated, valued at around HRK 12.1 million.

Information on purchase of own shares

The Company does not have own shares.

Financial instruments

The Company's policy on managing financial instruments defines main principals for maintaining short and long-term liquidity and safety of the investment with realizing maximal possible return with minimal risk.

Financial assets relate to cash and cash equivalents, trade and other receivables and loans granted. Out of total financial assets, majority relates to cash and cash equivalents, which secure short and long-term liquidity.

Financial liabilities relate to non-current borrowings, trade and other payables, which the Company settles in at maturity.

Company's policy on managing financial instruments defines exposure of the Company to risks and ways to mitigate those risks.

The Company's exposure to risks

The Company is exposed to market and financial risks through business operations. Financial risks relate to currency risk, interest rate risk, credit risk and liquidity risk.

Management Report to the shareholders of Liburnia Riviera Hoteli d.d. Opatija (continued)

Exchange rate risk

The Company is exposed to currency risk since loans, payables are denominated in euro.

Interest rate risk

The Company is exposed to interest rate risk as borrowings are agreed with variable interest rates.

Credit risk

In 2018, the Company has short term loans granted to related parties. All short term loans and interest are covered with promissory notes.

Liquidity risk

The Company manages liquidity risk through maintaining adequate reserves, bank facilities and borrowed funds reserves, continuously monitoring forecasted and actual cash flows and comparing maturity terms for financial assets and liabilities.

Corporate Governance Code Compliance Statement

Pursuant to Article 272. of the Companies Act (NN 111/93, 34/99, 52/00, 118/03, 107/07 and 148/08, hereinafter referred to as the CA) and Article 22 of the Accounting Act (NN 120/16), the Management Board of Liburnia Riviera Hoteli d.d. Opatija, M. Tita 198 ("The Company") at 21 March 2019, brings the following

CORPORATE GOVERNANCE CODE COMPLIANCE STATEMENT

1. The Company voluntarily applies the Corporate Governance Code prescribed by the Croatian Financial Services Supervisory Agency (HANFA) and the Zagreb Stock Exchange d.d., Zagreb
2. In 2018, the Company followed and applied the recommendations set out in the Code, publishing all the information whose publishing is anticipated by positive regulations and the information that is in the best interests of the Company's shareholders. The Company has an Audit Committee. The Company does not deviate from the Corporate Governance Code.
3. In accordance with a requirement of the Code and with the directives of the CA, the Supervisory Board conducts internal control of the Company through regular audits of the presented reports. The members of the Supervisory Board are regularly (at least once a month) provided with detailed information on the management and operations of the Company. At the Supervisory Boards meetings, all the matters within the competence of that body, prescribed by the CA and the Company's Articles of Association, are discussed and the decisions are made. The Supervisory Board's report on the conducted supervision of the management is a part of the Company's Annual Report, submitted to the General Assembly. In addition, the Supervisory Board performs internal control and oversight through the Audit Committee which provides professional support to the Supervisory Board and the Management Board in the effective performance of corporate governance, risk management, financial reporting and control of the Company. The Management Board is responsible for monitoring that the Company runs its business and other records and documentation, complies the accounting documents, evaluates assets and liabilities and prepares financial and other reports in accordance with accounting rules and standards, as well as applicable laws and regulations.

The Company does not have a formal diversity policy in place with respect to gender, age, education or education for its executive, management and supervisory bodies. The Company's policy of appointment to executive bodies is carried out in accordance with the needs of specific business activities in terms of knowledge, qualifications and competence on the part of potential executives, without taking into account gender or age. The Company's management and oversight bodies also require certain knowledge, education and competence on the part of potential executives in these bodies, in accordance with the criteria and decisions of the Supervisory Board and the Company's Assembly.

Corporate Governance Code Compliance Statement

4. Ten main shareholders as at 31 December 2018:

Nr.	Shareholder	Number of shares	Percentage of ownership
1.	SNH ALFA D.D.	93,825	31.0021
2.	NOVA LIBURNIJA D.O.O.	75,661	25.0002
3.	SNH BETA D.D.	57,506	19.0014
4.	OTP BANKA D.D.	24,218	8.0022
5.	SNH GAMA D.D.	9,318	3.0789
6.	CERP	8,560	2.8284
7.	SN PECTINATUS D.D.	2,600	0.8591
8.	HPB D.D.	1,659	0.5482
9.	ŠESTAN ALOJZIJE	1,058	0.3496
10.	HPB DD	1,025	0.3387

In accordance with the Company's Articles of Association, the voting right of a shareholder is not limited to a certain percentage or number of votes, nor there are time constraints to gain voting rights. Each regular share entitles to one vote at the General Assembly.

The Company's rights and obligations arising from the acquisition of its own shares are achieved in accordance with the directives of the CA.

5. The Management Board of the Company is composed of two members of the Management Board of the Company:

- Mr. Giorgio Cadum, president of the Management Board
- Mr. Dino Hrelja, member of the Management Board

The Management manages the Company's business in accordance with the Company's Articles of Association and legal regulations.

The Management Board appoints and revokes the Supervisory Board in accordance with the Company's Articles of Association and the CA and it is composed of the following members as at 31 December 2018:

- Franco Palma, president,
- Božena Mesec, vice president,
- Darko Ostoja, member,
- Joško Marić, member,
- Tin Dolički, member,
- Ksenija Juhn – Bojadžijev, member,
- Andreja Rudančić, member,
- Helena Masarić, member and
- Domijan Mršić, member.

The Supervisory Board appoints and revokes the Audit Board in accordance with the Company's Articles of Association and the CA and it is composed of the following members as at 31 December 2018:

- Franco Palma, president,
- Helena Masarić, member and
- Joško Marić, member.

Pursuant to the provisions of Article 250.a paragraph 4. and Article 272.p of the CA, this Statement is a separate section and an integral part of the Annual Report on the Company's status for the year 2018.

Statement of Management Board's responsibilities

The Management Board 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 of the results of its operations and its cash flows, in accordance with International Financial Reporting standards as adopted by EU, 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 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 financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Management is also responsible for the preparation and content of the Management Report and the Statement of the implementation of corporate governance code, as required by the Croatian Accounting Act. The Management Report and the Corporate Governance Code Compliance Statement set out on pages 1 to 5, were authorised for issuance by the Management Board. The Management Board is responsible for submitting the Annual Report to the Supervisory Board, including financial statements, and the Supervisory Board is required to approve the financial statements for submission to the General Assembly of Shareholders for adoption.

The Annual report was approved by the Management Board on 21 March 2019 for submission to the Supervisory Board and was signed below by:



Giorgio Cadum

President of the Management Board



Dino Hrelja

Member of the Management Board



Independent Auditors' Report to the shareholders of Liburnia Riviera Hoteli d.d.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Liburnia Riviera Hoteli d.d. ("the Company"), which comprise the statement of financial position of the Company as at 31 December 2018, and the statements of comprehensive income, cash flows and changes in equity of the Company for the year then ended, and notes, comprising significant accounting policies and other explanatory information (further referred to as "the financial statements").

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018 and of its financial performance and its 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 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.



Independent Auditors' Report to the shareholders of Liburnia Riviera Hoteli d.d. (continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters

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

Impairment and useful lives of tourism properties

The carrying amount of *property, plant and equipment* as at 31 December 2018 was HRK 866,891 thousand (2017: HRK 850,070 thousand).

Refer to Notes 2.3 of *Accounting policies*, Note 4(a) of *Critical accounting estimates*, and Note 14 on *Property, plant and equipment* of the financial statements.

Key audit matter	How our audit addressed the matter
<p>As at 31 December 2018, the carrying amount of property, plant and equipment represented approximately 93% of the Company's total assets. These assets, carried at cost less accumulated depreciation and any accumulated impairment losses, consist primarily of tourism properties and related assets, and are subject to annual review to assess whether or not they may be impaired.</p> <p>In the process, the Company first identifies its tourism properties where there is an indication of impairment. These properties are then subjected to a detailed impairment review through analysis of their value-in-use (based on an internal discounted cash flow model) or an estimate of their fair value less costs to sell. Any such impairment would be recognized in the amount by which the carrying amount of the asset (or its cash-generating unit, CGU) exceeds the recoverable amount.</p> <p>The Company's assessment relies on significant judgments and assumptions about tourism flows and the future, including: discount rates, growth rates, occupancy rates, asset useful lives, terminal values and revenue per available room.</p> <p>The magnitude of the property, plant and equipment balance also requires the application of significant judgement in assessing the continued relevance of the assets' useful lives. In conjunction with its</p>	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none">• Evaluating the appropriateness of allocation of assets to CGUs, based on our understanding of the Company's operations and business units;• Evaluating the Company's judgments regarding identification of tourism properties or related CGUs which may require further impairment testing. This included, but was not limited to, comparing of the asset's (or CGU's) actual performance to previous forecasts;• For the assets or CGUs that required further impairment testing, challenging the key assumptions used in determining their recoverable amounts. This included a comparison of occupancy rates, revenue per available room, market growth with externally derived data including external hotel industry reports and quoted prices for similar assets. We also analysed other key inputs such as estimated future costs, discount rates, asset useful life estimates and terminal multipliers, and considered the historical performance of the properties.• Analysing the methodology used in determining the remaining useful lives of the tourism properties and challenging the key assumptions used in the area by

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Independent Auditors' Report to the shareholders of Liburnia Riviera Hoteli d.d. (continued)

Report on the Audit of the Financial Statements (continued)

Key audit matter	How our audit addressed the matter
<p>year end reporting, the Company has assessed the remaining useful lives for tourism properties based on the detailed analysis performed for each component of the property, by applying inputs from the Company's technical experts as well as the analysis provided by an external appraiser engaged by the Company.</p> <p>Due to the above factors, accounting for impairment and useful lives of tourism properties were determined by us to be a key audit matter.</p>	<p>making enquiries of the management, the Company's technical experts and its finance team members, and also by reference to our understanding of the future utilisation of assets by the Company and the depreciation policies applied by other market participants operating similar assets;</p> <p>Evaluating the Company's analysis of the sensitivity of the impairment tests' results, in particular in respect of the assumptions with the greatest potential effects on the test results.</p>

Other Information

Management is responsible for the other information. The other information comprises the Management Report and Corporate Governance Statement included in the Annual Report of the Company, 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.

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

With respect to the Management Report and 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 Article 21. of the Accounting Act,
- the specific information in the Corporate Governance Statement required by Article 22., paragraph 1, items 3 and 4 of the Accounting Act ("relevant sections of the Corporate Governance Statement") has been prepared in accordance with the requirements of Article 22 of the Accounting Act; and
- the Corporate Governance Statement includes the information specified in Article 22., paragraph 1, items 2, 5, 6 and 7 of the Accounting Act.

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Independent Auditors' Report to the shareholders of Liburnia Riviera Hoteli d.d. (continued)

Report on the Audit of the Financial Statements (continued)

Other Information (continued)

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

- the information given in the Management Report and the relevant sections of the Corporate Governance Statement for the financial year for which the financial statements are prepared, is consistent, in all material respects, with the financial statements;
- the Management Report and the relevant sections of the Corporate Governance Statement have been prepared, in all material respects, in accordance with the requirements of Articles 21. and 22. of the Accounting Act, respectively;
- the Corporate Governance Statement includes the information specified in Article 22. paragraph 1, items 2, 5, 6 and 7 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 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 to cease operations, or has no realistic alternative but to do so.

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



Independent Auditors' Report to the shareholders of Liburnia Riviera Hoteli d.d. (continued)

Report on the Audit of the Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional 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 internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 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.



Independent Auditors' Report to the shareholders of Liburnia Riviera Hoteli d.d. (continued)

Report on the Audit of the Financial Statements (continued)

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

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.

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

From the matters communicated with those charged with governance, we 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 25 May 2018 to audit the financial statements of Liburnia Riviera Hoteli d.d. for the year ended 31 December 2018. Our total uninterrupted period of engagement is three years, covering the periods ending 31 December 2016 to 31 December 2018.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company dated 21 March 2019;
- we have not provided any prohibited non-audit services (NASs) referred to in Article 44 of the Audit Act. We also remained independent of the audited entity in conducting the audit;

The engagement partner on the audit resulting in this independent auditors' report is Domagoj Hrkač.

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

21 March 2019


Domagoj Hrkač
Director, Croatian Certified Auditor

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LIBURNIA RIVIERA HOTELI d.d.
STATEMENT OF COMPREHENSIVE INCOME
AS AT 31 DECEMBER 2018

<i>(in thousands of HRK)</i>	Note	2018	2017 * Restated
Revenue	5, 6.1	308,558	297,739
Other income	6.2	11,214	19,802
Cost of materials and services	7	(91,140)	(80,829)
Staff costs	8	(120,719)	(78,986)
Depreciation and amortisation		(97,957)	(98,355)
Other operating expenses	9	(25,665)	(35,081)
Impairment loss on trade receivables	2.1.1, 16	(338)	(1,285)
Other gains – net	10	195	247
Operating profit / (loss)		(15,852)	23,252
Finance income	11	2,560	2,247
Finance costs	11	(3,434)	(5,899)
Net finance costs	11	(874)	(3,652)
Profit / (loss) before tax		(16,726)	19,600
Income tax expense	12	3,787	(3,244)
Profit / (loss) for the year		(12,939)	16,356
Other comprehensive income		-	-
Total comprehensive income / (loss) for the year		(12,939)	16,356
Earnings/(loss) per share (in HRK) - basic and diluted	13	(42.75)	54.04

* The Company has initially applied IFRS 15 and IFRS 9 as at 1 January 2018. Under the transition methods chosen, comparative information has not been restated except for separately presenting impairment losses on trade receivables.

LIBURNIA RIVIERA HOTELI d.d.
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

<i>(in thousands of HRK)</i>	Note	31 December 2018	31 December 2017
ASSETS			
Non-current assets			
Property, plant and equipment	14	866,891	850,070
Intangible assets		421	478
Investments	15	500	500
Deferred tax assets	12	5,191	1,404
		<u>873,003</u>	<u>852,452</u>
Current assets			
Inventories		3,100	2,961
Loans granted	24	37,500	-
Trade and other receivables	16	6,721	8,097
Current tax receivables		2,265	-
Cash and cash equivalents	17	13,090	43,763
		<u>62,676</u>	<u>54,821</u>
Total assets		<u>935,679</u>	<u>907,273</u>
EQUITY			
Share capital	18	696,074	696,074
Legal reserves	18	45,019	45,019
Capital reserves	18	1,511	1,511
Retained earnings		16,389	29,328
		<u>758,993</u>	<u>771,932</u>
LIABILITIES			
Non-current liabilities			
Borrowings	19	101,595	69,425
Provisions for other liabilities and expenses	20	3,941	6,879
		<u>105,536</u>	<u>76,304</u>
Current liabilities			
Trade and other payables	21	33,464	34,776
Borrowings	19	29,526	22,166
Current tax liabilities		-	2,095
Provisions for other liabilities and expenses	20	8,160	-
		<u>71,150</u>	<u>59,037</u>
Total liabilities		<u>176,686</u>	<u>135,341</u>
Total liabilities and equity		<u>935,679</u>	<u>907,273</u>

The accompanying notes form a part of these financial statements.

LIBURNIA RIVIERA HOTELI d.d.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

<i>(in thousands of HRK)</i>	Note	Share capital	Legal reserves	Capital reserves	Retained earnings	Total
Balance at 1 January 2017		696,074	45,019	1,511	12,972	755,576
Profit for the year		-	-	-	16,356	16,356
Other comprehensive income		-	-	-	-	-
Total comprehensive income		-	-	-	16,356	16,356
Balance at 31 December 2017	18	696,074	45,019	1,511	29,328	771,932
Balance at 1 January 2018		696,074	45,019	1,511	29,328	771,932
Loss for the year		-	-	-	(12,939)	(12,939)
Other comprehensive income		-	-	-	-	-
Total comprehensive loss		-	-	-	(12,939)	(12,939)
Balance at 31 December 2018	18	696,074	45,019	1,511	16,389	758,993

The accompanying notes form a part of these financial statements.

LIBURNIA RIVIERA HOTELI d.d.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

<i>(in thousands of HRK)</i>	<u>Note</u>	<u>2018</u>	<u>2017</u>
Cash flow generated from operating activities			
Cash from operations	22	93,167	134,736
Income tax paid		(4,360)	(709)
Interest paid		(2,515)	(6,493)
Net cash generated from operating activities		86,292	127,534
Cash flow from investing activities			
Purchase of property, plant and equipment		(120,188)	(105,924)
Purchase of intangible assets		(177)	(18)
Proceeds from disposal of property, plant and equipment		363	8,547
Loans received		26,000	5,986
Interest received		1,008	-
Loans granted		(63,500)	-
Net cash used in investing activities		(156,494)	(91,409)
Cash flow from financing activities			
Borrowings received		69,072	-
Repayments of borrowings		(29,543)	(54,751)
Net cash from financing activities		39,529	(54,751)
Net decrease in cash and cash equivalents		(30,673)	(18,626)
Cash and cash equivalents at beginning of year		43,763	62,389
Cash and cash equivalents at end of year	17	13,090	43,763

The accompanying notes form a part of these financial statements.

LIBURNIA RIVIERA HOTELI d.d.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 1 – GENERAL INFORMATION

Liburnia Riviera Hoteli d.d. (hereinafter: the Company or LRH) with its registered office in Opatija, Maršala Tita 198, Croatia was established as a result of the transformation of the socially-owned company Liburnia Riviera Hoteli to a public limited company on 1 January 1993, when the transformation was registered at the Commercial District Court in Rijeka. The Company's principal activities are accommodation and hospitality services, travel agency and tour operator services, retail and wholesale as well as sports and recreational activities.

As at 31 December 2018 the Company's shares were listed on the Zagreb Stock Exchange.

Management Board and Supervisory Board

Management Board

Giorgio Cadum	President (since 30 June 2018)
Igor Šehanović	President (since 1 October 2015 until 30 June 2018)
Dino Hrelja	Member (since 1 October 2015)

The President and the members of the Management Board represent the Company solely and independently.

Supervisory Board

Franco Palma, President since 22 September 2015
Božena Mesec, Vice President since 22 September 2015
Domijan Mršić, Member since 23 August 2017
Joško Marić, Member since 27 August 2015
Darko Ostoja, Member since 27 August 2015
Tin Dolički, Member since 27 August 2015
Ksenija Juhn Bojadžijev, Member since 27 August 2015
Helena Masarić, Member since 7 September 2015
Andreja Rudančić, Member since 13 July 2017

LIBURNIA RIVIERA HOTELI d.d.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS"). The financial statements have been prepared under the historical cost convention except where otherwise disclosed. These financial statements have been prepared under the assumption that the Company will be able to continue as a going concern.

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

This is the first set of the Company's annual financial statements in which IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have been applied. Changes to significant accounting policies are described below.

2.1.1 Changes in accounting policies and disclosures

The Company has initially applied IFRS 15 and IFRS 9 from 1 January 2018. A number of other new standards are also effective from 1 January 2018 but they do not have a material effect on the Company's financial statements.

Due to the transition methods chosen by the Company in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards except as explained below.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Company analysed the impact of IFRS 15 application on Company's revenue streams and based on disclosure of comparable under both standards, the Company did not identify any impact neither to the opening balance of equity nor on the Company's financial statements. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information. Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18 and related interpretations.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

As a result of the adoption of IFRS 9, the Company has adopted consequential amendments to IAS 1 *Presentation of Financial Statements*, which require impairment of financial assets to be presented in a separate line item in the comprehensive income. Previously, the Company's approach was to include the impairment of trade receivables in other expenses. Consequently, the Company reclassified impairment losses amounting to HRK 1,285 thousand, recognised under IAS 39, from "other operating expenses" to impairment loss on trade receivables in the statement of comprehensive income for the year ended 31 December 2017. Impairment losses on other financial assets are presented under finance costs, similar to the presentation under IAS 39, and not presented separately in the statement of comprehensive income due to materiality considerations.

The Company has adopted IFRS 9 using the cumulative effect method (under this method the cumulative effect of initially applying the new standard is recorded as an adjustment to the opening balance of equity at the date of initial application and comparative period amounts were not restated). The Company analyzed the impact of IFRS 9 application and the Company did not identified any material impact to the opening balance of equity except for restatement of comparative information for separately presenting impairment losses on trade receivables.

Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities and derivative financial instruments.

LIBURNIA RIVIERA HOTELI d.d.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at 1 January 2018.

<i>(in thousands of HRK)</i>	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets				
Loan receivables	Loans and receivables	Amortised cost	-	-
Trade and other receivables	Loans and receivables	Amortised cost	8,097	8,097
Cash and cash equivalents	Loans and receivables	Amortised cost	43,763	43,763
Total financial assets			51,860	51,860
Financial liabilities				
Borrowings	Other financial liabilities	Other financial liabilities	91,591	91,591
Trade and other payables	Other financial liabilities	Other financial liabilities	34,776	34,776
Total financial liabilities			126,367	126,367

The Company's financial assets as at 31 December 2018 include: trade and other receivables and cash and cash equivalents. These were classified as loans and receivables under IAS 39 and are now classified at amortised cost.

Impairment of financial assets

IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39. For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. Initial effect was immaterial for the Company, therefore no effects were recognized on retained earnings and reserves as of 1 January 2018. Additional information about how the Company measures the allowance for impairment is described in Note 2.6.

2.2 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in thousands of Croatian kuna (HRK), which is the Company's functional currency and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income within "Finance income/costs".

Foreign exchange gains and losses relating to borrowings and cash and cash equivalents are recorded in the statement of comprehensive income within Finance income and costs. All other foreign exchange losses and gains are recorded in the statement of comprehensive income within "Finance income/costs".

The accompanying notes form a part of these financial statements.

LIBURNIA RIVIERA HOTELI d.d.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Property, plant and equipment

Property, plant and equipment is included in the statement of financial position at historical cost less accumulated depreciation and provision for impairment, where required. Historical cost includes the cost that is directly attributable to the acquisition of assets.

Subsequent costs are 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 Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred. The cost of replacement of larger items of property, plant and equipment is capitalised, and the carrying amount of the replaced part is derecognised.

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

Buildings (hotels)*	12-25 years
Equipment	2-15 years

*Average remaining useful life is defined based on the rest of weighted average useful life of individual building components.

Depreciation is calculated for each asset until the asset is fully depreciated or to its residual values if significant. The assets' 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.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the statement of comprehensive income within "Other gains/(losses) – net".

LIBURNIA RIVIERA HOTELI d.d.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3.1 Impairment of non-financial assets

The Company determines indicators for impairment of property, plant and equipment by applying the method of multiplying net carrying value and operating profit of the segment, in the way that the net carrying value of certain asset or its segment (identified as a cash generating unit) is put in a relationship with realized operating profit of the asset or segment.

In case that, for certain assets or segments (cash generating unit) multiplier of net carrying value and segment's operating profit exceeds set values, it's recoverable amount is determined as greater of its value in use and its fair value less costs to sell, whichever is higher.

Determining impairment indicators, together with assessing future cash flows and determining fair value of assets (or group of assets) requires significant judgement from management when recognizing and estimating impairment indicators, expected cash flows, applicable discount rates, useful lives and residual values.

Calculation of fair value less costs to sell is based on the method of market approach which uses prices and other relevant information from market transactions for the same or comparable (similar) assets, the same or comparable liabilities or group of assets or liabilities, for example certain business segment.

2.4 Intangible assets

Intangible assets comprising investments in technical documentation and the value of computer software licences are stated at cost. These costs are amortised over their estimated useful lives of 5 years. Assets under construction are not amortised.

2.5 Investments in associates

Associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights or otherwise has significant influence over the operations. Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the financial statements include the Company's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

Impairment of investments in associates

The net carrying amount of investments in associates is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in the statement of comprehensive income.

LIBURNIA RIVIERA HOTELI d.d.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Financial assets

2.6.1 Classification

Trade and other receivables and loans granted that were classified as loans and receivables under IAS 39 are now classified at amortised cost.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument. The unwinding of discount in future periods is recognised as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

2.6.2 Measurement and recognition

Regular purchases and sales of investments are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Trade and other receivables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method.

Fair values of investments listed on stock exchange are based on current supply prices. If the market for certain financial asset is not active (as for unlisted securities), the Company determines fair value using valuation techniques which take into account recent transactions under usual trading conditions and comparison with other similar instruments, taking full use of market information and relying minimally on information specific to business subject.

2.6.3. Impairment of non derivative financial assets

Policy applicable from 1 January 2018

Financial instruments

The Company recognises loss allowances for ECLs on financial assets measured at amortised cost;

The Company measures loss allowances at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company 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 Company's historical experience and informed credit assessment and including forward-looking information. The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 360 days past due.

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

- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or

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

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 Company expects to receive).

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

The accompanying notes form a part of these financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6.3 Impairment of non-derivative financial assets *(continued)*

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost 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 being significantly past due;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or

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.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 360 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company’s procedures for recovery of amounts due.

2.7 Inventories

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

2.8 Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less impairment.

2.9 Cash and cash equivalents

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

LIBURNIA RIVIERA HOTELI d.d.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Leases

Leases where the significant portion of risks and rewards of ownership are not retained by the Company are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease. Assets leased out under operating leases are included in “Property, plant and equipment” in the statement of financial position. Assets are depreciated on the straight-line basis equal to other property and equipment. Rental income is recognised over the period of the lease using the straight-line method.

2.11 Share capital

Ordinary shares are classified as equity. Gains directly attributable to the issue of new shares are shown in equity as a deduction, net of transactions costs and income tax.

2.12 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.13 Borrowings

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates. Borrowings are classified as current liabilities, unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

2.14 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity. In that case the tax is recognised directly in equity. The current income tax charge is calculated at a rate of 18% according to Croatian laws and regulations. The Management Board periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and consider establishing provisions, where appropriate, on the basis of amounts expected to be paid to the Tax Administration.

LIBURNIA RIVIERA HOTELI d.d.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.14 Current and deferred income tax *(continued)*

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred Tax assets and liabilities are determined using tax rates (and laws) that have been enacted or substantially enacted at the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.15 Employee benefits

(a) Pension obligations and post-employment benefits

In the normal course of business through salary deductions, the Company makes payments to 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 Company does not have any other pension scheme and consequently, has no other obligations in respect of employee pensions except for amounts payable to each employee once retired. In addition, the Company is not obliged to provide any other post-employment benefits.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits falling due more than 12 months after the reporting sheet date are discounted to their present value.

(c) Short-term employee benefits

The Company recognises a provision for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation. In addition, the Company recognises liabilities for accumulated compensated absences based on unused vacation days at the reporting date, as well as labour hours realised from the reorganisation of working hours not utilised up to the reporting date.

(d) Long-term employee benefits

The Company recognises a provision for jubilee awards and termination benefits where contractually obliged or where there is a past practice that has created a constructive obligation.

LIBURNIA RIVIERA HOTELI d.d.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.16 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions for future operating losses are not recognised.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.17 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in hotels and apartments, campsites and restaurants of the Company. Revenue is presented net of agency fees and value-added tax.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entities and specific criteria have been met for each of the Company's activities as described below.

(a) Sales of services

The Company sells hotel and tourism services. These services are provided based on fixed-price contracts. Revenues from hotel and tourism services are recognised over time when the services are provided.

(b) Food and beverages

The Company offers to its customers food and beverages in hotel rooms as well as in hotel restaurants. Revenues are recognized when services are provided at the point of time.

LIBURNIA RIVIERA HOTELI d.d.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.18 Earnings per share

Earnings per share are determined by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of participating shares outstanding during the reporting year.

2.19 Value added tax

The Tax Administration requires 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 receivables have been impaired for the purpose of adjustment, impairment loss is recorded for the gross amount of the debtor, including VAT.

2.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. The chief operating decision-maker is the Company's Management Board which is in charge of managing hotel and tourist facilities and contents.

2.21 Standards issued but not yet effective

IFRS 16 Leases

The Company has adopted IFRS 16 Leases from 1 January 2019. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

i. Leases in which the Company is a lessee

The Company recognised new assets and liabilities for its operating leases of maritime domain and cars. The nature of expenses related to those leases the Company is recognising as the depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Company recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

Based on the information currently available, the Company estimates that it will recognise additional lease liabilities of HRK 4,414 thousand as at 1 January 2019. The Company does not expect the adoption of IFRS 16 to impact its ability to comply with the loan covenant.

LIBURNIA RIVIERA HOTELI d.d.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Standards issued but not yet effective *(continued)*

IFRS 16 Leases *(continued)*

ii Leases in which the Company is a lessor

No significant impact is expected for leases in which the Company is a lessor.

iii. Transition

The Company applies IFRS 16 from 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 is recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

The Company applied the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

Other standards

The following amended standards and interpretations are not expected to have a significant impact on the Company's consolidated financial statements:

- IFRIC 23 Uncertainty over Tax Treatments.
- Prepayment Features with Negative Compensation (Amendments to IFRS 9).
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28).
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).
- Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards.
- Amendments to References to Conceptual Framework in IFRS Standards.
- IFRS 17 Insurance Contracts.

LIBURNIA RIVIERA HOTELI d.d.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 3 – FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Company's activities expose them to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Company does not have a written risk management programme, but overall risk management in respect of these risks is carried out by the Company's Management Board.

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

<i>(in thousands of HRK)</i>	2018	2017
	<u> </u>	<u> </u>
<i>Financial assets at amortised cost</i>		
Trade receivables	5,428	6,840
Other receivables	1,293	1,257
Loans granted	37,500	-
Cash and cash equivalents	13,090	43,763
	<u>57,311</u>	<u>51,860</u>
 <i>Liabilities at amortised cost</i>		
Trade and other payables	10,980	12,560
Borrowings	131,121	91,591
	<u>142,101</u>	<u>104,151</u>

(a) Market risk

(i) Currency risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the euro (EUR). Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

Most of foreign sales revenues and long-term debt is denominated in EUR. Therefore, movements in exchange rates between the euro and kuna may have an impact on the results of future operations and future cash flow.

LIBURNIA RIVIERA HOTELI d.d.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

<i>(in thousands of HRK)</i>	2018				2017			
	EUR	HRK	Other	Total	EUR	HRK	Other	Total
Financial assets								
Trade receivables	556	4,872	-	5,428	369	6,471	-	6,840
Loans granted	-	37,500	-	37,500	-	-	-	-
Cash and cash equivalents	10,794	2,296	-	13,090	35,597	8,068	98	43,763
	11,350	44,668	-	56,018	35,966	14,539	98	50,603
Financial liabilities								
Trade and other payables	560	10,420	-	10,980	700	11,860	-	12,560
Borrowings	131,121	-	-	131,121	91,591	-	-	91,591
	131,681	10,420	-	142,101	92,291	11,860	-	104,151
Net exposure	(120,331)	34,248	-	(86,083)	(56,325)	2,679	98	(53,548)

As at 31 December 2018, if the euro had weakened/strengthened by 1% (2017: 1%), with all other variables held constant, the Company's net profit for the year would have been HRK 1,203 thousand higher/lower (2017: HRK 563 thousand higher/lower), mainly as a result of foreign exchange gains/losses on translation of EURO-denominated borrowings and foreign cash funds. EUR foreign exchange rate as at 31 December 2018 was HRK 7,417575 per 1 EURO (2017: 7,513648).

(ii) Interest rate risk

The Company has interest-bearing short-term cash deposits which are contracted at variable rates and expose the Company to risk of changes in interest rates. This risk is not material given the low interest rates. The interest rate for time deposits was set at 0.1%-0.6% (2017: 0.5%-0.75%) The interest rate on funds held on giro and foreign currency accounts was 0.001% (2017: 0.15%-0.5%).

The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. As at 31 December 2018, the borrowings contracted at variable interest rates amount to HRK 131,121 thousand (2017: HRK 91,591 thousand). The remaining borrowings were contracted at fixed interest rates and expose the Company to fair value interest rate risk. The Company has no objectives or policies with respect to interest rate risk management. The interest rates on borrowings are 6M EURIBOR plus 1.5% and 6M EURIBOR plus 1.6%.

As at 31 December 2018, if interest rates on borrowings with variable interest rates had been 0.5% lower/higher (2017: 0.5% lower/higher), with all other variables held constant, the Company's net profit for the year would have been HRK 653 thousand higher/lower (2017: HRK 385 thousand).

(iii) Price risk

As at 31 December 2018, the Company did not had investment in equity securities and was not exposed to price risk. The Company is not exposed to commodity price risk.

The accompanying notes form a part of these financial statements.

LIBURNIA RIVIERA HOTELI d.d.
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

The maximum exposure of the Company to credit risk as at the reporting date:

<i>(in thousands of HRK)</i>	2018	2017
Loans and receivables		
Trade receivables	5,428	6,840
Loans granted	37,500	-
Cash and cash equivalents	13,090	43,763
Total	56,018	50,603

The credit quality of the Company's exposure is as follows:

<i>(in thousands of HRK)</i>	Trade receivables	Cash and cash equivalents	Loans granted	Total
2018				
Neither past due nor impaired	1,217	13,090	37,500	51,807
Past due but not impaired	582	-	-	582
Past due and impaired	3,446	-	-	3,446
Impairment	(3,446)	-	-	(3,446)
	1,799	13,090	37,500	52,389

<i>(in thousands of HRK)</i>	Trade receivables	Cash and cash equivalents	Loans granted	Total
2017				
Neither past due nor impaired	5,080	43,763	-	48,843
Past due but not impaired	1,760	-	-	1,760
Past due and impaired	3,388	-	-	3,388
Impairment	(3,388)	-	-	(3,388)
	6,840	43,763	-	50,603

The Company deposits its cash at banks with the following credit ratings by Standard & Poor's:

<i>(in thousands of HRK)</i>	2018	2017
Cash at bank		
BBB+	10,664	40,465
BBB-	702	1,554
Other or without rating	1,724	1,744
	13,090	43,763

The Company has policies that limit the amount of credit exposure to any financial institution.

The accompanying notes form a part of these financial statements.

LIBURNIA RIVIERA HOTELI d.d.
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

The Company has policies in place to ensure that sales of products are made to customers with an appropriate credit history, i.e. the Company's policy ensures that sales to customers are settled through advance payments, in cash or by major credit cards (individual customers, i.e. natural persons).

The Management Board monitors the collectability of receivables through weekly reports on individual balances of receivables. Trade receivables are impaired when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of all trade and other receivables has been impaired to their recoverable amount.

The Company's trade and other receivables are mainly secured by collaterals. The majority of impaired trade receivables is subject to legal proceedings. Both the outcome of the proceedings related to disputed receivables or the extent to which they will be collected cannot be anticipated with certainty.

Receivables past due but not impaired as at the reporting date have the following maturities:

<i>(in thousands of HRK)</i>	2018	2017
Up to one month	112	491
One to two months	103	161
Two to three months	84	85
Over three months	283	1,023
	582	1,760

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to meet all obligations. The Company aims to maintain flexibility in funding by keeping committed credit lines available. The Management Board monitors available cash resources based on reports on the balance of cash and liabilities on a daily basis.

The table below analyses the Company's financial assets into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

<i>as at 31 December 2018</i> <i>(in thousands of HRK)</i>	Carrying amount	Contractual cash flows	Up to 1 year	1-2 years	2-5 years	Over 5 years
Non-interest bearing assets						
Other receivables	1,293	1,293	1,293	-	-	-
Trade receivables	5,428	5,428	5,428	-	-	-
	6,721	6,721	6,721	-	-	-
Interest bearing assets						
Loans granted	37,500	37,972	37,972	-	-	-
Cash and cash equivalents	13,090	13,090	13,090	-	-	-
	50,590	51,062	51,062	-	-	-
	19,811	19,811	19,811	-	-	-

The accompanying notes form a part of these financial statements.

LIBURNIA RIVIERA HOTELI d.d.
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

<i>as at 31 December 2017</i> <i>(in thousands of HRK)</i>	Carrying amount	Contractual cash flows	Up to 1 year	1-2 years	2-5 years	Over 5 years
Non-interest bearing assets						
Other receivables	1,257	1,257	1,257	-	-	-
Trade receivables	6,840	6,840	6,840	-	-	-
	8,097	8,097	8,097	-	-	-
Interest bearing assets						
Loans granted	-	-	-	-	-	-
Cash and cash equivalents	43,763	43,763	43,763	-	-	-
	43,763	43,763	43,763	-	-	-
	51,860	51,860	51,860	-	-	-

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

<i>as at 31 December 2018</i> <i>(in thousands of HRK)</i>	Carrying amount	Contractual cash flows	Up to 1 year	1-2 years	2-5 years	Over 5 years
Non-interest bearing liabilities						
Other payables	22,411	22,411	22,411	-	-	-
Interest payables	498	498	498	-	-	-
Trade payables	11,059	11,059	11,059	-	-	-
	33,968	33,968	33,968	-	-	-
Interest bearing liabilities						
Loan liabilities	130,622	134,794	30,602	30,235	73,957	-
	164,590	168,762	64,570	30,235	73,957	-

<i>as at 31 December 2017</i> <i>(in thousands of HRK)</i>	Carrying amount	Contractual cash flows	Up to 1 year	1-2 years	2-5 years	Over 5 years
Non-interest bearing liabilities						
Other payables	22,216	22,216	22,216	-	-	-
Interest payables	359	359	359	-	-	-
Trade payables	12,560	12,560	12,560	-	-	-
	35,135	35,135	35,135	-	-	-
Interest bearing liabilities						
Loan liabilities	91,232	94,657	23,017	16,265	47,612	7,763
	126,367	129,792	58,152	16,265	47,612	7,763

The accompanying notes form a part of these financial statements.

LIBURNIA RIVIERA HOTELI d.d.
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 3 – FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the owner and to maintain an optimal capital structure to reduce the cost of capital. In accordance with the Companies Act, the Company is committed to maintain the level of capital above HRK 200 thousand as required for public limited companies.

3.3 Fair value estimation

Fair value represents the amount at which an asset could be exchanged, or a liability settled between knowledgeable and willing parties acting in their best interest.

The carrying amounts of current trade and other receivables and trade payables approximate their fair value. The carrying amount of borrowings approximates their fair value due to market interest rates on borrowings.

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES

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

(a) Estimated useful life of property, plant and equipment

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

The useful lives of property, plant and equipment will periodically be revised to reflect any changes in circumstances since the previous assessment. An analysis in prior periods performed determined that the existing depreciation rates do not reflect estimated useful life of these assets in the accounting records. Taking into account the current capacity utilisation and the assessment of assets used in future periods, and based on the experience with similar hotels and market practice, the remaining useful life of building components was changed to weighted average of 12 years.

The Company regularly assess useful lives of properties for new properties and significant reconstructions. Taking into consideration current capacity utilisation, estimation of property usage in the upcoming period, and based on experience with similar hotels and market practice, useful life of building components for newly build hotels was estimated at 25 years.

LIBURNIA RIVIERA HOTELI d.d.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 5 – SEGMENT INFORMATION

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Company’s Management, the chief operating decision-maker, which is responsible for allocating resources to the reportable segments and assessing its performance.

The Company records its operating revenue and costs by the type of services rendered in 2 basic segments: hotels & apartments and other business segments. Other business segments include campsite services, tourist agency services, rental services, central kitchen services and other similar services as well as central sector services.

The segment information for the year ended 31 December 2018 is as follows:

<i>(in thousands of HRK)</i>	Hotels & apartments	Other business segments	Total
Total sales	296,657	12,084	308,741
Inter-segment revenue	(183)	-	(183)
Revenue from external customers	296,474	12,084	308,558
GOP	101,054	4,286	105,340
Capital expenditure	119,967	194	120,161
Depreciation and amortisation	95,932	2,025	97,957
Income tax	(3,787)	-	(3,787)
Total assets	858,240	56,393	914,633
Total liabilities	170,387	2,358	172,745

The segment information for the year ended 31 December 2017 is as follows:

<i>(in thousands of HRK)</i>	Hotels & apartments	Other business segments	Total
Total sales	286,650	11,232	297,882
Inter-segment revenue	(143)	-	(143)
Revenue from external customers	286,507	11,232	297,739
GOP	135,020	4,928	139,948
Capital expenditure	105,482	442	105,924
Depreciation and amortisation	96,275	2,080	98,355
Income tax	3,244	-	3,244
Total assets	798,066	63,540	861,606
Total liabilities	124,211	2,156	126,367

The accompanying notes form a part of these financial statements.

LIBURNIA RIVIERA HOTELI d.d.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 5 – SEGMENT INFORMATION (continued)

Segment assets and liabilities are reconciled to the Company's assets and liabilities as follows:

<i>(in thousands of HRK)</i>	2018		2017	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Segment assets/liabilities	914,633	172,745	861,606	126,367
Unallocated:	21,046	3,941	45,667	8,974
- investments	500	-	500	-
- cash and cash equivalents	13,090	-	43,763	-
- current tax receivable	2,265	-	-	2,095
- deferred tax assets	5,191	-	1,404	-
- provisions	-	3,941	-	6,879
Total	<u>935,679</u>	<u>176,686</u>	<u>907,273</u>	<u>135,341</u>

All the Company's services relate to hospitality.

NOTE 6.1 – REVENUE

There were no effects of initially applying IFRS 15 on the Company's revenue from contracts with customers is described in Note 2.1.1.

Revenue streams

The Company generates revenue primarily from the accommodation services, food and beverages sales and provision of ancillary hotel services to its customers.

The Company's sales revenues can be classified according to the customers' origin:

<i>(in thousands of HRK)</i>	2018		2017	
Domestic sales	66,819		62,251	
Foreign sales	241,739		235,488	
	<u>308,558</u>		<u>297,739</u>	
Foreign sales	2018	%	2017	%
Germany	53,308	22	52,278	22
Austria	54,999	23	51,972	22
Italy	17,348	7	18,839	8
Slovenia	17,168	7	16,484	7
United Kingdom	7,025	3	4,710	2
France	6,495	3	7,065	3
Russia	2,718	1	2,355	1
Other EU members*	56,742	23	56,517	24
Other*	25,936	11	25,268	11
	<u>241,739</u>	<u>100</u>	<u>235,488</u>	<u>100</u>

*None of the customers' share in sales exceeds 10%.

The accompanying notes form a part of these financial statements.

LIBURNIA RIVIERA HOTELI d.d.
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 6.1 – REVENUE (continued)

The Company's sales revenues are classified according to the sales channel and type of service:

<i>(in thousands of HRK)</i>	2018	2017
<i>Revenue from hotel services</i>		
Individual guests	135,822	131,383
Groups	59,479	60,137
Allotment	49,922	42,563
MICE	12,388	13,045
	257,611	247,128
<i>Revenue from ancillary services</i>		
Food and beverages - other than hotel guests	31,184	30,914
Revenue from services rendered to hotel guests	9,311	9,256
Other revenue	10,452	10,441
	50,947	50,611
Total sales revenue	308,558	297,739

Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a good or service to a customer. Details on revenue recognition are disclosed in Note 2.

LIBURNIA RIVIERA HOTELI d.d.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 6.2 – OTHER INCOME

<i>(in thousands of HRK)</i>	<u>2018</u>	<u>2017</u>
Write-off of liabilities	572	429
Insurance claims recovered	876	17
Penalty interest income	46	74
Recharged costs to lessees and others	758	948
Collection of receivables previously written-off	178	152
Income from reversal of provision for legal disputes	1,000	8,539
Rental income	6,503	7,155
Other income	1,281	2,488
	<u>11,214</u>	<u>19,802</u>

NOTE 7 – COST OF MATERIALS AND SERVICES

<i>(in thousands of HRK)</i>	<u>2018</u>	<u>2017</u>
Food, beverages and other supplies	34,264	30,734
Energy and water used	17,578	15,595
	<u>51,842</u>	<u>46,329</u>
Tourist agency services	16,048	14,535
Maintenance	2,813	2,972
Advertising and promotion	2,495	2,643
Laundry services	6,606	6,222
Utilities	4,520	2,902
Rent	2,121	1,216
Entertainment of guests	1,892	1,766
Other expenses	2,803	2,244
	<u>39,298</u>	<u>34,500</u>
	<u>91,140</u>	<u>80,829</u>

NOTE 8 – STAFF COSTS

<i>(in thousands of HRK)</i>	<u>2018</u>	<u>2017</u>
Gross salaries and wages	66,417	61,330
Contributions on salaries	15,074	10,340
Other staff costs /i/	39,228	7,316
	<u>120,719</u>	<u>78,986</u>
Number of employees at year end	<u>586</u>	<u>646</u>

/i/Other staff costs comprise remuneration costs (bonuses) to management board members of HRK 35,053 thousand (2017: 3,617 thousand), termination benefits, compensations for transportation costs, remunerations for temporary services, jubilee awards, etc. Bonuses to management board include reward bonus to former president of the management board of HRK 28,075 thousand and current board members of HRK 8,160 thousand. Staff costs include provision for bonuses relates to management board bonuses provision as described in note on *Provisions*.

The accompanying notes form a part of these financial statements.

LIBURNIA RIVIERA HOTELI d.d.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 9 – OTHER OPERATING EXPENSES

<i>(in thousands of HRK)</i>	<u>2018</u>	<u>2017</u>
Professional services	3,453	3,557
Utility and similar fees	7,867	7,620
Write-off of property, plant and equipment and intangible assets	5,449	12,842
Insurance	1,178	1,251
Provisions for legal disputes (note 20)	40	61
Termination benefits	-	2,012
Bank charges and membership fees	1,086	1,038
Travel and entertainment	1,130	954
Other expenses	5,462	5,746
	<u>25,665</u>	<u>35,081</u>

Write-off of property, plant and equipment in 2018 relates mainly to the replacement of the equipment due to the new investments.

NOTE 10 – OTHER GAINS – NET

<i>(in thousands of HRK)</i>	<u>2018</u>	<u>2017</u>
Net gains on sale of property, plant and equipment	195	247
	<u>195</u>	<u>247</u>

NOTE 11 – NET FINANCE COSTS

<i>(in thousands of HRK)</i>	<u>2018</u>	<u>2017</u>
Finance income		
Interest income from financial assets at amortised cost	1,008	483
Net foreign exchange gains	1,552	1,764
	<u>2,560</u>	<u>2,247</u>
Finance costs		
Interest expense	(2,654)	(5,163)
Net foreign exchange losses	(780)	(736)
	<u>(3,434)</u>	<u>(5,899)</u>
Net finance costs	<u>(874)</u>	<u>(3,652)</u>

The accompanying notes form a part of these financial statements.

LIBURNIA RIVIERA HOTELI d.d.
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 12 – INCOME TAX

<i>(in thousands of HRK)</i>	<u>2018</u>	<u>2017</u>
Current tax expense		
Current year	-	3,244
Deferred tax (income)/expenses		
Origination and reversal of temporary differences	(2,000)	-
Recognition of tax losses	(877)	-
Recognition of previously unrecognised temporary differences	(910)	-
	<u>(3,787)</u>	<u>-</u>
Tax (income)/expense	<u>(3,787)</u>	<u>3,244</u>

<i>(in thousands of HRK)</i>	<u>2018</u>	<u>2017</u>
Profit/(loss) before tax	(16,726)	19,600
Tax rate of 18%	(3,010)	3,528
The effect of non-deductible expenses	133	73
Recognition of previously unrecognised temporary differences	(910)	(357)
Tax (income)/expense	<u>(3,787)</u>	<u>3,244</u>
Effective tax rate	23%	17%

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the tax rate of 18%. The reconciliation of the tax expense of the Company per the statement of comprehensive income and taxation at the statutory rate is detailed in the table above.

In accordance with local regulations, the Tax Administration may at any time inspect the Company's books and records within three years following the year in which the tax liability is reported and may impose additional tax assessments and penalties. The Company's Management Board is not aware of any circumstances, which may give rise to a potential material liability in this respect.

The accompanying notes form a part of these financial statements.

LIBURNIA RIVIERA HOTELI d.d.
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 12 – INCOME TAX (continued)

Deferred tax assets and liabilities

As of 31 December 2018, deferred tax assets amount to HRK 5,191 thousand (2017: HRK 1,404 thousand).

<i>(in thousands of HRK)</i>	Assets		Liabilities		Net	
	2018	2017	2018	2017	2018	2017
Provisions for other liabilities and expenses	1,468	-	-	-	1,468	-
Property, plant and equipment	2,846	1,404	-	-	2,846	1,404
Tax losses recognised	877	-	-	-	877	-
Total	5,191	1,404	-	-	5,191	1,404

The movement in deferred tax assets and liabilities during the year relates to the temporary differences as follows:

<i>(in thousands of HRK)</i>	As at 31 December 2016	Recognised in profit or loss	As at 31 December 2017	Recognised in profit or loss	As at 31 December 2018
Provisions for other liabilities and expenses	228	-	228	1,468	1,696
Property, plant and equipment	1,176	-	1,176	1,442	2,618
Tax losses recognised	-	-	-	877	877
	1,404	-	1,404	3,787	5,191

NOTE 13 – EARNINGS/(LOSS) PER SHARE (basic and diluted)

Basic

Basic earnings/(loss) per share are calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares.

	2018	2017
Profit/(loss) for the year <i>(in thousands of HRK)</i>	(12,939)	16,356
Weighted average number of shares (basic and diluted)	302,641	302,641
Earnings/(loss) per share (basic and diluted) <i>(in HRK)</i>	(42.75)	54.04

Diluted

Diluted earnings/(loss) per share are equal to basic earnings per share, since the Company did not have any convertible instruments nor share options outstanding.

The accompanying notes form a part of these financial statements.

LIBURNIA RIVIERA HOTELI d.d.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 14 – PROPERTY, PLANT AND EQUIPMENT

<i>(in thousands of HRK)</i>	Land	Buildings	Equipment	Assets under construction	Artwork	Total
As at 1 January 2017						
Cost	108,950	1,480,475	308,783	35,699	3,559	1,937,466
Accumulated depreciation	-	(867,906)	(206,273)	-	-	(1,074,179)
Net carrying amount	108,950	612,569	102,510	35,699	3,559	863,287
Year ended 31 December 2017						
Opening net carrying amount	108,950	612,569	102,510	35,699	3,559	863,287
Additions	-	1,146	23,803	80,975	-	105,924
Disposals and write-offs	(8,072)	(3,346)	(1,143)	(8,528)	(53)	(21,142)
Depreciation	-	(74,968)	(23,031)	-	-	(97,999)
Transfer	-	73,617	10,284	(83,901)	-	-
Closing net carrying amount	100,878	609,018	112,423	24,245	3,506	850,070
As at 31 December 2017						
Cost	100,878	1,502,713	313,299	24,245	3,506	1,944,641
Accumulated depreciation	-	(893,695)	(200,876)	-	-	(1,094,571)
Net carrying amount	100,878	609,018	112,423	24,245	3,506	850,070
As at 1 January 2018						
Cost	100,878	1,502,713	313,299	24,245	3,506	1,944,641
Accumulated depreciation	-	(893,695)	(200,876)	-	-	(1,094,571)
Net carrying amount	100,878	609,018	112,423	24,245	3,506	850,070
Year ended 31 December 2018						
Opening net carrying amount	100,878	609,018	112,423	24,245	3,506	850,070
Additions	-	2,294	28,711	89,152	4	120,161
Disposals and write-offs	-	(1,702)	(3,914)	-	-	(5,616)
Depreciation	-	(71,716)	(26,008)	-	-	(97,724)
Transfer	-	74,722	16,366	(91,088)	-	-
Closing net carrying amount	100,878	612,616	127,578	22,309	3,510	866,891
As at 31 December 2018						
Cost	100,878	1,576,043	304,298	22,309	3,510	2,007,038
Accumulated depreciation	-	(963,427)	(176,720)	-	-	(1,140,147)
Net carrying amount	100,878	612,616	127,578	22,309	3,510	866,891

As at 31 December 2018, land and buildings in the amount of HRK 213,088 thousand (2017: HRK 209,694 thousand) have been pledged as collateral for the repayment of borrowings (note 19).

The land surface included in the Company's records as at 31 December 2018 comprised 190,145 m² (2017: 190,145 m²) and together with the respective buildings has a net carrying value of HRK 713,494 thousand (2017: HRK 709,896 thousand).

Of the total land surface, a surface of 14,323 m² (2017: 22,714 m²) or land and buildings with a value of HRK 16,727 thousand (2017: HRK 27,735 thousand) are not legally owned by the Company (according to land registry data, see note 23), while 175,822 m² (2017: 167,431 m²) or HRK 595,510 thousand (2017: HRK 682,161 thousand) is legally owned by the Company.

Assets under construction relate to advance for reconstruction of hotel Ambassador, Admiral and Exelsior and other reconstructions.

The accompanying notes form a part of these financial statements.

LIBURNIA RIVIERA HOTELI d.d.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 14 – PROPERTY, PLANT AND EQUIPMENT *(continued)*

The carrying value of property, plant and equipment of the Company leased out under operating leases is as follows:

<i>(in thousands of HRK)</i>	<u>2018</u>	<u>2017</u>
Cost	17,021	18,212
Accumulated depreciation as at 1 January	<u>(9,066)</u>	<u>(9,568)</u>
Net carrying amount	<u>7,955</u>	<u>8,644</u>

The operating lease relates to the lease of hospitality facilities and stores. During 2018, the Company realised rental income in the amount of HRK 6,503 thousand (2017: HRK 7,155 thousand).

The aggregate lease payments receivable from operating leases is as follows:

	<u>2018</u>	<u>2017</u>
Up to 1 year	4,816	5,853
Between 2 and 5 years	<u>1,896</u>	<u>5,051</u>
	<u>6,712</u>	<u>10,904</u>

Lease agreements have been concluded for a period from 1 to 3 years (mainly 3 years) and are renewable at the end of the lease period at market prices.

NOTE 15 – INVESTMENTS

<i>(in thousands of HRK)</i>	<u>2018</u>	<u>2017</u>
Investments in Remisens	500	500

The Company owns 33% of total shares in Remisens d.o.o. (2017: 33%).

The accompanying notes form a part of these financial statements.

LIBURNIA RIVIERA HOTELI d.d.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 16 – TRADE AND OTHER RECEIVABLES

<i>(in thousands of HRK)</i>	<u>2018</u>	<u>2017</u>
Domestic receivables	3,366	3,659
Foreign receivables	1,879	2,676
Uninvoiced receivables /i/	3,629	3,893
Provision for impairment of trade receivables	<u>(3,446)</u>	<u>(3,388)</u>
Trade receivables – net	5,428	6,840
State and other receivables	1,293	1,257
	<u>6,721</u>	<u>8,097</u>

/i/ Uninvoiced receivables relate to receivables from guests staying at the hotel as at 31 December.

Movements in the impairment of trade and other receivables are as follows:

<i>(in thousands of HRK)</i>	<u>2018</u>	<u>2017</u>
At 1 January	3,388	4,865
Increase	338	1,285
Collection	(178)	(152)
Write-off	<u>(102)</u>	<u>(2,610)</u>
At 31 December	3,446	3,388

NOTE 17 – CASH AND CASH EQUIVALENTS

<i>(in thousands of HRK)</i>	<u>2018</u>	<u>2017</u>
Deposits up to 90 days	8,161	37,482
Foreign currency accounts	2,632	4,361
Cash on hand	903	965
Giro accounts	<u>1,394</u>	<u>955</u>
	<u>13,090</u>	<u>43,763</u>

During the term of the deposit, the Company may call the funds with a prior notification of three days.

The accompanying notes form a part of these financial statements.

LIBURNIA RIVIERA HOTELI d.d.
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 18 – CAPITAL AND RESERVES

Share capital

As at 31 December 2018, the Company's share capital amounted to HRK 696,074 thousand (2017: HRK 696,074 thousand) and comprises 302,641 ordinary shares with a nominal value of HRK 2,300 per share (2017: HRK 2,300 per share). Ordinary shares have equal voting rights and rights to receive dividend. The Company's share capital has been fully paid in cash.

The ownership structure as at 31 December 2018 and 31 December 2017 was as follows:

	Number of shares	HRK	%
SNH Alfa d.d., Zagreb	93,825	215,797,500	31.00
Nova Liburnija d.o.o., Opatija	75,661	174,020,300	25.00
SNH Beta d.d., Zagreb	57,506	132,263,800	19.00
OTP banka d.d./AZ OMF cat.B	24,218	55,701,400	8.00
Small shareholders	51,431	118,291,300	17.00
Total	302,641	696,074,300	100.00

Legal reserves

Under Croatian regulations, the legal reserve must be built up to a minimum of 5% of the profit for the year until total reserves together with the capital reserves reach 5% of the Company's share capital. Legal reserves are not distributable. Legal reserves include HRK 43,278 thousand from reduction of share capital in 2014.

Capital reserves

Capital reserves were created from reduction of share capital in 2014.

LIBURNIA RIVIERA HOTELI d.d.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 19 – BORROWINGS

<i>(in thousands of HRK)</i>	<u>2018</u>	<u>2017</u>
Bank borrowings	131.121	91.591
Less: non-current portion	<u>(101.595)</u>	<u>(69.425)</u>
Current portion	<u>29.526</u>	<u>22.166</u>

Bank borrowings are secured by a mortgage over land and a building (note 14). Of the total amount of current borrowings, HRK 498 thousand relates to interest payable (2017: HRK 359 thousand). Bank loan contract contains a loan covenant.

Maturities of long-term borrowings are as follows:

<i>(in thousands of HRK)</i>	<u>2018</u>	<u>2017</u>
Between 1 and 2 years	29.027	15.428
Between 2 and 5 years	72.568	46.284
Over 5 years	-	7.713
	<u>101.595</u>	<u>69.425</u>

Carrying value of borrowings is denominated in EUR. Effective interest rates at the reporting date are:

	<u>2018</u>		<u>2017</u>
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i> %
EUR	<u>131,121</u>	6M EURIBOR + 1.5% - 1.6%	<u>91,591</u> 6M EURIBOR + 1.5% - 1.6%

The accompanying notes form a part of these financial statements.

LIBURNIA RIVIERA HOTELI d.d.
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 20 – PROVISIONS FOR OTHER LIABILITIES AND EXPENSES

<i>(in thousands of HRK)</i>	Termination benefits and jubilee awards	Legal disputes /i/	Provision for bonus	Total
As at 1 January 2018	2,555	4,324	-	6,879
Increase	-	40	8,160	8,200
Paid during the year	(1,978)	-	-	(1,978)
Released during the year	-	(1,000)	-	(1,000)
As at 31 December 2018	<u>577</u>	<u>3,364</u>	<u>8,160</u>	<u>12,101</u>
Current portion	-	-	8,160	8,160
Non-current portion	577	3,364	-	3,941

/i/ The Company recorded provisions for legal disputes for the potential payment of the fee to the former property owners which is expected to be settled within 2 to 4 years.

/ii/ Contracts with management include option of payment of reward bonus in the case of fulfilment of certain conditions including the condition that the management board members is in service in that moment.

At each balance sheet date, the Company analyzes the probability of fulfilment of the above conditions and, if they are probable, a provision for the estimated amount would be recorded

In mid-2018, based on the decision of the Supervisory Board on the Contractual Termination of the Management Contract of the President of the Management Board, the reward bonus was paid out. In the financial statements for the year ended 31 December 2018 the Company recorded a provision for bonuses for the remaining board members as it considers that fulfilment of required conditions is probable.

NOTE 21 – TRADE AND OTHER PAYABLES

<i>(in thousands of HRK)</i>	2018	2017
Domestic trade payables	10,372	11,860
Foreign trade payables	687	700
<i>Total financial liabilities</i>	<u>11,059</u>	<u>12,560</u>
Due to employees	7,356	7,691
Taxes and contributions payable	1,793	1,920
Advances payable	7,552	8,555
Other liabilities	5,704	4,050
	<u>33,464</u>	<u>34,776</u>

The accompanying notes form a part of these financial statements.

LIBURNIA RIVIERA HOTELI d.d.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 22 – CASH GENERATED FROM OPERATIONS

Reconciliation of profit and cash generated from operations:

<i>(in thousands of HRK)</i>	<u>2018</u>	<u>2017</u>
Profit/(loss) before taxation	(12,939)	16,356
Adjustments for:		
Depreciation and amortization	97,957	98,355
Write-off of disposed property, plant and equipment and intangible	5,477	12,842
Gains on sale of property, plant and equipment	(195)	(247)
Provision for impairment of trade receivables – net	58	1,133
Net finance costs	874	3,652
Increase in provisions-net	5,222	(9,833)
Income tax	(3,787)	3,244
Changes in working capital:		
- trade and other receivables	1,318	1,927
- inventories	(139)	200
- trade and other payables	(679)	7,107
Cash generated from operations	<u>93,167</u>	<u>134,736</u>

In the statement of cash flows, proceeds from sale of property, plant and equipment comprise:

<i>(in thousands of HRK)</i>	<u>2018</u>	<u>2017</u>
Net carrying value of sold property, plant and equipment	5,616	8,300
Gains on sale of property, plant and equipment (note 10)	195	247
Proceeds from sale of property, plant and equipment	<u>5,811</u>	<u>8,547</u>

The accompanying notes form a part of these financial statements.

LIBURNIA RIVIERA HOTELI d.d.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 23 – CONTINGENCIES AND COMMITMENTS

Legal disputes

The Company is involved in a number of legal disputes arising from the ordinary course of business. In the financial statements for the year ended 31 December 2018, provisions for legal disputes have been made for which the Company anticipates outflow of economic benefits in the amount of HRK 3,364 thousand (2017: HRK 4,324 thousand), as set out in note 20.

Land ownership

Pursuant to the Agreement on the resolution of legal ownership rights and the transfer of 25% + 1 shares concluded on 14 June 2007 with the Croatian Privatisation Fund, Zagreb (CPF) and the City of Opatija (which concluded the Agreement in its own name and for the account of the Municipalities of Lovran, M. Draga and Matulji), the Company acquired the ownership right over the properties entered into the Company's share capital based on the Decision of CPF dated 5 July 1995, the Conclusion of CPF dated 30 April 1998, the Conclusion of CPF dated 10 June 1998 and the Conclusion of CPF dated 27 February 1998. In line with the stated Agreement, legal documentation has been issued for most of the properties subject to the Agreement, except for the cases where the land plot division process is still ongoing, since they have been entered into the Company's share capital as part of the cadastral plot, and not as the entire cadastral plot. It is not expected that the outcome of mentioned disputes will have a significant effect on the financial statements or the performance of the Company.

Dispute G.H.B. d.o.o. in bankruptcy

The claim was filed by G.H.B. d.o.o. (1st prosecutor) and Mr. Miroslav Brković (2nd prosecutor). After the bankruptcy was opened, the bankruptcy trustee G.H.B. d.o.o. in bankruptcy continued proceeding due to the fulfilment of the contractual obligations (deliver and transfer of the right of ownership of the property) in connection with the hotels and annex Belvedere in Opatija. A first-instance verdict was issued on August 8, 2014, which granted the claim of the 1st prosecutor, and the defendant was ordered to conclude with the 1st prosecutor a contract on the transfer of ownership of the property. The 2nd prosecutor's claim was dismissed in its entirety. The Company filed an appeal on 18 August 2014 against the verdict as well as the 2nd prosecutor. The respondent filed a response to the appeal of the 2nd prosecutor, and the 1st prosecutor filed a response to the Appellant's appeal. The second-instance proceedings before the High Commercial Court in Zagreb are pending.

Second-instance verdict no. 91. Pž-9806/2014 was issued on 31 May 2017 by High Commercial Court of Republic of Croatia and delivered to the attorney of the defendant on 6 July 2017, by which the defendant's appeal was rejected and above quoted first-instance verdict by the Commercial Court in Rijeka confirmed in its entirety. The defendant filed a revision against the above mentioned second-instance verdict to the Supreme Court of Republic of Croatia, by his attorney and within the statutory deadline. On 16 October 2017, based on the above mentioned final verdict, the Company handed over the hotel and annex Belvedere in Opatija to G.H.B. d.o.o. in bankruptcy, free of persons and things.

Capital and loan commitments

As at 31 December 2018, capital commitments with respect to investments in tourist facilities amount to HRK 86,240 thousand (2017: HRK 81,765 thousand).

LIBURNIA RIVIERA HOTELI d.d.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 23 – CONTINGENCIES AND COMMITMENTS *(continued)*

Operating leases commitments – where the Company is the lessee.

Future aggregate lease payments payable from operating leases are as follows:

<i>(in thousands of HRK)</i>	<u>2018</u>	<u>2017</u>
Up to 1 year	706	659
From 2 to 5 years	2,113	2,122
	<u>1,961</u>	<u>1,445</u>
	<u>4,780</u>	<u>4,226</u>

Lease agreements have been concluded for a period from 1 to 4 years and most of the agreements are renewable at the end of the lease period at market prices. The leases relate to operating leases of buildings and cars.

LIBURNIA RIVIERA HOTELI d.d.
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 24 – RELATED PARTY TRANSACTIONS

Parties are considered to be related if one of the parties has the power to exercise control over the other party or under common control or if it has significant influence over the other party in making financial or operational decisions. As of 31 December 2018, the Company has several owners but does not have ultimate parent and controlling company (note 18). There were no significant changes in the ownership structure as compared to 31 December 2017.

Related party transactions at the year-end are as follows:

<i>(in thousands of HRK)</i>	<u>2018</u>	<u>2017</u>
Sales of services:		
Related companies	1,476	1,390
Associates	3	5
City of Opatija	67	82
Municipality of Lovran	30	48
Municipality of Mošćenička Draga	-	1
	<u>1,576</u>	<u>1,526</u>
Other income – income from recharging – related companies	14	-
Cost of materials and services:		
City of Opatija	643	429
	<u>643</u>	<u>429</u>
Other operating expenses:		
Municipality of Opatija	3,928	3,813
Municipality of Lovran	1,330	1,309
Municipality of Mošćenička Draga	580	604
Bogdanović&Dolički	176	11
Associates	262	261
Other related companies	12	272
	<u>6,288</u>	<u>6,270</u>
Trade and other payables		
Related companies	-	11
Associates	25	20
Bogdanović&Dolički	12	11
Municipality of Opatija	85	-
Municipality of Lovran	9	15
	<u>131</u>	<u>57</u>
Trade and other receivables:		
Loans granted	37,500	-
Associates	-	1
Municipality of Lovran	-	3
Other related companies	157	172
	<u>37,657</u>	<u>176</u>

The Company has granted short term loans to related party Hoteli Cavtat d.d. of HRK 32,500 thousand and HRK 5,000 thousand to related party FTB Turizam d.d., both with interest rate of 4.55% and maturity in year 2019.

The accompanying notes form a part of these financial statements.

LIBURNIA RIVIERA HOTELI d.d.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 24 – RELATED PARTY TRANSACTIONS (continued)

The Management Board comprises two members as at 31 December 2018 (31 December 2017: three members).

<i>(in thousands of HRK)</i>	<u>2018</u>	<u>2017</u>
Management board compensation		
Net salaries	15,516	1,651
Pension contributions	1,557	379
Health insurance contribution	3,902	377
Other costs	<u>9,733</u>	<u>759</u>
	30,708	3,166

For the year 2018, compensation to management board include additional bonus to former President of the Management Board of HRK 28,075 thousand which was paid out based on the decision of Supervisory Board (Note 8).

Additionally, as described in note 8 *Staff costs*, the Company recorded a provision for management board bonuses of HRK 8,160 thousand.

	<u>2018</u>	<u>2017</u>
Supervisory board compensation	489	477

NOTE 25 – EVENTS AFTER THE REPORTING DATE

After the balance sheet date, during January 2019, the Company signed a loan agreement for investments in the amount of HRK 110 million.