

**Sunce Hoteli d.d.**

## **Related parties transaction report for the financial year 2020**

## AUDITOR'S INDEPENDENT ASSURANCE OPINION

to the Management Board of the company Sunce Hoteli d.d.

### Subject Matter of Review

In accordance with Article 498 of the Companies Act and the agreement concluded with the Company Sunce hoteli d.d. (the "Company"), we have performed a reasonable assurance engagement on the annexed Report on transactions with related companies for the financial year 2020 (the "Report"), prepared by the Company's Management Board.

### Applicable criteria

The applicable criteria for classification and disclosure of legal transactions and actions with related parties are provided in the provisions of Article 497 of the Companies Act.

The applicable criteria for evaluation of appropriateness of the value of performance are the Transfer Prices Agreement between the Company and the tax authority or one of the five (5) methods of determination of transfer prices in accordance with the provisions of the Corporate Profit Tax Law and the Corporate Profit Tax Ordinance.

### Special purpose and limitations to distribution

Our opinion is intended exclusively for the Company's Management Board for the purposes of reporting to the Supervisory Board of the Company in relation to the Company's compliance with the requirements set out in Article 497 of the Companies' Act and may not be distributed to other parties.

### Responsibilities of the Management Board

The Company's Management Board is responsible for preparation of the Report for the year 2020 in accordance with Article 497 of the Companies' Act, which includes presenting the following information in the Report:

- information on legal transactions and actions which the company concluded or undertook during 2020 with the parent company or its related companies,
- information on criteria applied for classification and disclosure of legal transactions and actions with related parties,
- information on criteria applied for evaluation of appropriateness of the value of performance,
- information on the values of performance and consideration,
- information on suffered damages, if any, and
- other information as prescribed by Article 497 of the Companies' Act.

The Company's Management Board is also responsible for maintaining a system of internal control which ensures, to a reasonable extent, that the aforementioned documentation does not contain any material errors, either due to fraud or mistake.

### Responsibilities of the Auditor

It is our responsibility to issue an opinion of the Report in accordance with the requirements set out in Article 498 of the Companies' Act. We have performed a reasonable assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (amended) - Assurance engagements other than audits or reviews of historical financial information, and in accordance with the provisions of Article 498 of the Companies' Act.

We apply the International Standard on Quality Control 1 and, in accordance therewith, maintain a comprehensive system of quality control, including documented policies and procedures related to satisfying ethical requirements, professional standards and applicable statutory and regulatory requirements.

We have satisfied the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Federation of Accountants (IFAC), based on basic principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Chosen procedures depend on the auditor's assessment. The procedures primarily include inquiries with persons responsible for financial reporting and risk management, and additional procedures directed at collecting evidence on information contained in the report.

We believe that the audit evidence we received is sufficient and appropriate to form a basis for our opinion. In relation to the subject matter of the review, we have performed the following procedures:

- we have made inquiries with the Management Board and other persons in the Company for the purposes of gaining understanding of procedures used by the Company to identify related parties, the parent company and affiliated companies, and agreements and legal transactions, and other actions, with the parent company and its affiliated companies which are to be included in the Report and the method applied to determine the amount of compensation in legal transactions and other actions shown in the Report, as well as the manner of determining any potential damages;

- we have made inquiries with the Supervisory Board members in relation to disclosures made in the Report and associated risks;
- we have verified consistency of the information on legal transactions and other actions shown in the Report with the accounting records of the company (the main ledger and assistant ledgers) and with the audited annual financial statements;
- we have verified consistency in application of one of the five (5) methods of determination of transfer prices for selected transactions shown in the Report on the Company's relationships, on a sample basis, i.e. have verified that the performance for the selected transactions does not exceed the appropriate methods of determination of transfer prices (inappropriately high);
- we have acquired understanding in relation to differences between expected and actual positions shown in the Report;
- we have reviewed, on a sample basis, the Company's relevant documentation (agreements and invoices) related to the transactions shown in the Report.

#### The Auditor's Conclusion

In our opinion:

(a) the statements made in the Report are, in all material respects, correct;

(b) in legal transactions shown in the Report, per the circumstances known at the time these legal transactions were concluded, the Company's performance was not, in all material respects, inappropriately high;

#### Inherent limitations

On the basis of the performed and above described procedures, this is a reasonable assurance opinion, and neither is its purpose, nor does it represent, a legal opinion as to compliance with Article 497 of the Companies' Act or other statutory regulations.

---

Zvonimir Madunić

Management Board member and certified auditor

Ernst & Young d.o.o.

Radnička Cesta 50

10000 Zagreb, Republic of Croatia

Zagreb, xx August 2021

**The Report of the Management Board of Sunce Hoteli d.d. on transactions with related companies for the year 2020, from 1 January 2020 to 31 December 2020**

**A. Introduction**

- 1 The Report of the Management Board of Sunce Hoteli d.d. (the „Company“) about relationships with related companies for financial year 2020 (hereinafter: the „Report“) has been prepared in accordance with Article 474 and in conjunction with Article 497 of the Companies Act (Official Gazette no. 111/93, 34/99, 118/03, 107/07, 136/08, 137/09, 152/11, 111/12, 68/13, 110/15), and pursuant to principles of conscientious and true accountability.
- 2 This Report is submitted to the Company's auditors and the Company's Supervisory Board for examination pursuant to the provisions of Articles 498 and 499 of the Companies Act.
- 3 Sunce Hoteli d.d. is registered with the register of the Commercial Court of Split under number 080502040; Croatian PIN (OIB): 06916431329.

The majority shareholder of the Company is the company Sunce Ulaganja d.o.o., Zagreb which holds a 50,46% stake in the share capital. The remainder are shares owned by minority shareholders of the Company.

**B. Legal transactions and legal actions with the controlling company and its related companies**

This Report lists the types of legal transactions and legal actions concluded and/or undertaken between Sunce Hoteli d.d. and its related companies.

The companies related with the company Sunce Hoteli d.d. for the purposes of this Report are listed below. Sunce Hoteli d.d. had business operations with these companies in the financial year 2020.

NAME	ADDRESS	POSTAL CODE	CITY	COUNTRY
Sunčane Toplice d.o.o.	Sunčana 39	31222	Bizovac	Croatia
Lucidus d.d.	Trpinjska 9	10000	Zagreb	Croatia
Sunčane Livade d.d.	Mali Grđevac 31	43270	Mali Grđevac	Croatia
Nest Plus d.o.o.	Trpinjska 9	10000	Zagreb	Croatia
WOT Hotels Adriatic Management d.o.o.	Trpinjska 9	10000	Zagreb	Croatia
Praona d.o.o.	Zadarska 1	21300	Makarska	Croatia
Izvor upravljanje d.o.o.	Trpinjska 9	10000	Zagreb	Croatia
Salve Regina-Marija Bistrica d.o.o.	Trpinjska 9	10000	Zagreb	Croatia
Sunčana Murvica d.o.o.	Bračka cesta 13	21420	Bol	Croatia
WOT Hotels Adriatic Asset Company d.o.o.	Dračevica 35	21325	Tučepi	Croatia
Zlatni Rat d.d.	Bračka cesta 13	21420	Bol	Croatia
Jako Vino d.o.o.	Bračka cesta 13	21420	Bol	Croatia
Stubaki d.o.o.	Zagrebačka 42	49246	Marija Bistrica	Croatia
Drvo trgovina d.o.o.	Industrijska 3	33520	Slatina	Croatia
Brač 500 Plus d.o.o.	Bračka cesta 13	21420	Bol	Croatia
Sunce Vital d.o.o.	Trpinjska 9	10000	Zagreb	Croatia
Aerodrom Brač d.o.o.	Gornji Humac 145	21424	Gornji Humac	Croatia
Lječilište Bizovačke Toplice d.o.o.	Sunčana 39	31222	Bizovac	Croatia

### C. Legal affairs with the controlling company and its related companies

The types of legal affairs undertaken with the controlling company and its related companies may in principle be grouped, as follows:

#### a) Purchase of goods and services

*The tables below include transactions from contracts for the purchase of goods and services of total turnover HRK 8,800,827.*

NAME	TURNOVER	PAYABLES
<b>Supplier payables in HRK</b>		
Nest Plus d.o.o.	3,066,142	1,367,609
Praona d.o.o.	1,619,926	1,267,224
Jako Vino d.o.o.	1,114,186	317,558
Drvo Trgovina d.o.o.	-	43,167
Lucidus d.d.	16,875	18,750
Izvor Osiguranje d.d.	1,413,000	-
Sunčane Toplice d.o.o.	838,999	-
Salve Regina-Marija Bistrica d.o.o.	248,000	-
WOT Hotels Adriatic Asset Company d.o.o.	19,978	-
Sunčane Livade d.o.o.	463,721	-
<b>Total</b>	<b>8,800,827</b>	<b>3,014,308</b>

NAME	TURNOVER	PAYABLES
<b>Other payables in HRK</b>		
Jako Vino d.o.o.	-	59,516
<b>Total</b>	<b>-</b>	<b>59,516</b>

*\* This report also includes liabilities to related companies for missing invoices.*

For the period from 1 January 2020 to 31 December 2020, the total turnover with the aforementioned suppliers amounted to **HRK 8,800,827** while the payables as of 31 December 2020 amounted to **HRK 3,073,824**.

Purchases from related companies mainly relates to services (rental and laundry) and products for resale and use in the hotel sector.

Prices in related party transactions correspond to market prices and are determined on the basis of a valid price list or contract, depending on the type of project.

#### b) Sales

The table below include transactions from contracts for the purchase of goods and services of total turnover HRK 1,913,779.

NAME	TURNOVER	RECEIVABLES
<b>Trade receivables in HRK</b>		
WOT Hotels Adriatic Asset Company d.o.o.	326,962	2,075,197
Salve Regina-Marija Bistrica d.o.o.	630,665	767,485
Jako Vino d.o.o.	504,100	753,547
Lucidus d.d.	4,902	596,035
Zlatni Rat d.d.	18,507	73,517
Sunčana Murvica d.o.o.	7,631	50,887
Izvor Upravljanje	335,868	30,367
WOT Hotels Adriatic Management d.o.o.	7,500	24,375
Stubaki d.d.	-	17,337
Brač 500 Plus d.o.o.	18,000	3,750
Aerodrom Brač d.o.o.	38,829	3,750
Sunce Vital d.o.o.	7,566	8,126
Lječilište Bizovačke Toplice d.o.o.	7,344	-
Sunčane Toplice d.o.o.	5,336	-
Nest Plus d.o.o.	569	-
<b>Total</b>	<b>1,913,779</b>	<b>4,404,373</b>

NAME	TURNOVER	RECEIVABLES
<b>Cession agreements and other receivables in HRK</b>		
Salve Regina-Marija Bistrica d.o.o.	-	109,152
Stubaki d.d.	-	65,163
<b>Total</b>	<b>-</b>	<b>174,315</b>

For the period from 1 January 2020 to 31 December 2020, the total turnover of Sunce Hoteli d.d. with the aforementioned customers amounted to HRK 1,913,779 while receivables as of 31 December 2020 amounted to HRK 4,578,688.

The most significant portion of the turnover indicated in the table above relates to services provided by Sunce Hoteli d.d. to related parties in the areas of delivery of equipment, services and solutions, as well as accompanying services in the area of the hotel-tourist industry.

Prices in related party transactions correspond to market prices and are determined on the basis of a valid price list or contract, depending on the type of project.

### c) Loan Agreements

The Company did not incur financial debt with related parties in the year 2020.

The Company approved loans to the company Aerodrom Brač d.o.o. in the financial year 2020. Table below shows the balance of receivables and turnover on loans given, and accrued interest on loans given.

NAME	TURNOVER	RECEIVABLES
<b>Loan receivables</b>		
Lucidus d.d.	-	76,141,735
Sunce Vital d.o.o.	-	40,000
Aerodrom Brač d.o.o.	1,182,000	2,378,208
<b>Total</b>	<b>1,182,000</b>	<b>78,559,943</b>
<b>Interest receivables</b>		
Lucidus d.d.	3,499,435	11,308,337
WOT Hotels Adriatic Asset Company d.o.o.	-	1,031,310
Sunce Vital d.o.o.	-	1,734
<b>Total</b>	<b>3,499,435</b>	<b>12,341,381</b>

### 6. Statement of the Management Board

The Company Sunce Hoteli d.d. concluded Agreements with related parties in the financial year 2020. The aforementioned contracts and agreements represent technical services and products which were concluded under the same terms and market prices as the contracts and agreements which the controlling company concluded with other partners on the market.

The Management Board considers that all of the said agreements have all material elements required for their validity and that Sunce Hoteli d.d., as the controlled company, is not put in a subordinated position in relation to the controlling company, that transfer prices are based on market prices and that these agreements are not to the detriment of Sunce Hoteli d.d.

In conclusion, the Management Board states that all transactions and actions have been included in the Report on the scope of ordinary business operations and that the Company has, as per the circumstances known at the time legal transactions and actions included in this Report were concluded and/or undertaken, received appropriate compensation for each transaction, without incurring any damages.

**Hrvoje Veselko,**  
**President of the**  
**Management Board**

**Ivan Potkrajčić,**  
**Member of the**  
**Management Board**

**August XX, 2021**