LUKA PLOČE d.d.

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS 31 DECEMBER 2011

Independent auditor's report

To the Shareholders of LUKA PLOČE d.d.

We have audited the accompanying financial statements of Luka Ploče d.d. (the 'Company') and consolidated financial statements of Luka Ploče d.d. and its subsidiaries (the 'Group') which comprise the balance sheet as at 31 December 2011 and the income statement, statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers d.o.o.

PricewaterhouseCoopers d.o.o.
Zagreb, 30 April 2012

Our report has been prepared in Croatian and in English languages. In all matters of interpretation of information, views or opinions, the Croatian language version of our report takes precedence over the English language version.

LUKA PLOČE d.d., Ploče

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2011

		Luka Ploče Group		**Luka Ploče d.d.**	
(all amounts expressed in thousands of HRK)	**Note**	**2011**	**2010**	**2011**	**2010**
Continuing operations					
Revenues	5, 6	145,856	151,689	125,255	131,509
Other income	6	4,255	1,150	4,009	881
Raw material and energy costs		(18,031)	(17,964)	(11,827)	(12,062)
Costs of services	7	(20,230)	(18,855)	(31,869)	(32,215)
Staff costs	8	(81,655)	(79,762)	(62,704)	(61,196)
Depreciation	13,14	(12,580)	(12,039)	(9,557)	(8,986)
Other operating expenses	9	(7,478)	(8,409)	(6,265)	(7,266)
Impairment of receivables – net	20	(1,820)	(3,913)	(22)	(1,443)
Other (losses)/gains – net	10	(1,222)	93	(1,215)	2,667
Operating profit		**7,095**	**11,990**	**5,805**	**11,889**
Finance income		20,993	4,332	21,008	4,319
Finance costs		(1,194)	(742)	(1,087)	(699)
Finance income/(costs) – net	11	19,799	3,590	19,921	3,620
Profit before tax		**26,894**	**15,580**	**25,726**	**15,509**
Income tax expense	12	(270)	(300)	-	-
Net profit from continuing operations		**26,624**	**15,280**	**25,726**	**15,509**
Discontinued operations					
Net profit from discontinued operations	5	-	356	-	-
Net profit attributable to:					
Equity holders of Luka Ploče d.d.		**27,098**	**15,804**	**25,726**	**15,509**
Non-controlling interests		(474)	(168)	-	-
Net profit		**26,624**	**15,636**	**25,726**	**15,509**
Earnings per share (in HRK)		**83.97**	**70.99**	**78.33**	**69.66**
Basic and diluted from continuing operations	23	83.97	69.39	78.33	69.66
Basic and diluted from discontinued operations	23	-	1.60	-	-

The financial statements set out on pages 2 to 54 were approved by the Management Board on 30 April 2012.

President of the Management Board
Ivan Pavlović

The notes on pages 8 to 54 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

(all amounts expressed in thousands of HRK)	Luka Ploče Group		Luka Ploče d.d.	
	2011	**2010**	**2011**	**2010**
Net profit	**26,624**	**15,636**	**25,726**	**15,509**
Other comprehensive income:		-	-	-
Total comprehensive income	**26,624**	**15,636**	**25,726**	**15,509**
Net profit from continuing operations attributable to:				
Equity holders of Luka Ploče d.d.	27,098	15,448	25,726	15,509
Non-controlling interests	(474)	(168)	-	-
Total	26,624	15,280	25,726	15,509
Net profit from discontinued operations attributable to:				
Equity holders of Luka Ploče d.d.	-	356	-	-
Non-controlling interests	-	-	-	-
Total	-	356	-	-
Total comprehensive income	**26,624**	**15,636**	**25,726**	**15,509**

The notes on pages 8 to 54 are an integral part of these financial statements.

LUKA PLOČE d.d., Ploče

BALANCE SHEET

AS AT 31 DECEMBER 2011

(all amounts expressed in thousands of HRK)	Note	Luka Ploče Group 31 December 2011	Luka Ploče Group 31 December 2010	Luka Ploče d.d. 31 December 2011	Luka Ploče d.d. 31 December 2010
Non-current assets					
Tangible assets	13	160,919	129,103	111,393	89,973
Advances for tangible assets		715	308	-	308
Investment property	14	5,315	5,412	5,315	5,412
Investments in subsidiaries	15	-	-	21,337	17,637
Investments in associates	16	80	80	80	80
Long-term loan receivables	18	4,482	4,453	4,482	4,453
Long-term deposits		380	-	-	-
Total non-current assets		**171,891**	**139,356**	**142,607**	**117,863**
Current assets					
Inventories	19	3,304	3,034	1,306	1,361
Trade and other receivables	20	282,339	47,390	288,869	52,787
Financial assets at fair value through profit or loss	21	275	2,331	275	2,331
Cash and cash equivalents	22	35,265	76,063	29,820	70,838
Total current assets		**321,183**	**128,818**	**320,270**	**127,317**
Total assets		**493,074**	**268,174**	**462,877**	**245,180**
Shareholders' equity					
Registered capital	23	169,187	89,046	169,187	89,046
Premium on issued shares		88,107	-	88,107	-
Legal reserves	23	4,157	3,382	4,157	3,382
Other reserves	23	50,306	50,712	48,945	49,225
Retained earnings		90,813	64,364	70,483	45,532
		402,570	207,504	380,879	187,185
Non-controlling interest		357	831	-	-
Total shareholders' equity		**402,927**	**208,335**	**380,879**	**187,185**
Non-current liabilities					
Borrowings	24	46,020	28,074	45,671	27,834
Provisions	25	7,396	8,843	6,599	7,716
Total non-current liabilities		**53,416**	**36,917**	**52,270**	**35,550**
Current liabilities					
Borrowings	24	11,109	6,493	9,561	6,364
Trade and other payables	26	20,242	15,750	14,980	15,635
Income tax payable		24	119	-	-
Provisions	25	5,356	560	5,187	446
Total current liabilities		**36,731**	**22,922**	**29,728**	**22,445**
Total liabilities		**90,147**	**59,839**	**81,998**	**57,995**
Total equity and liabilities		**493,074**	**268,174**	**462,877**	**245,180**

The notes on pages 8 to 54 are an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011

Luka Ploče Group

(all amounts expressed in thousands of HRK)	**Note**	**Share Capital**	**Premium on issued shares**	**Legal Reserves**	**Other reserves**	**Treasury shares**	**Retained earnings**	**Non-controlling interests**	**Total**
At 1 January 2010		**89,046**	**-**	**3,216**	**49,531**	**-**	**49,907**	**999**	**192,699**
Net profit for the year		-	-	-	-	-	15,804	(168)	15,636
Other comprehensive income		-			-	-	-	-	-
Transactions with owners:			-	-		-			
Transfer to legal reserves	23	-	-	166	-	-	(166)	-	-
Transfer to other reserves		-	-		1,181	-	(1,181)	-	-
At 31 December 2010		**89,046**	**-**	**3,382**	**50,712**	**-**	**64,364**	**831**	**208,335**
Net profit for the year		-	-	-	-	-	27,098	(474)	26,624
Other comprehensive income		-	-	-	-	-	-	-	-
Proceeds from issued shares	23	80,141	88,107	-	-	-	-	-	168,248
Transactions with owners:						**-**			
Transfer to legal reserves		-	-	775	-	-	(775)	-	-
Transfer to other reserves		-	-	-	(126)	-	126	-	-
Acquired treasury shares		-	-	-		(280)	-	-	(280)
At 31 December 2011		**169,187**	**88,107**	**4,157**	**50,586**	**(280)**	**90,813**	**357**	**402,927**

The notes on pages 8 to 54 are an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011

Luka Ploče d.d

(all amounts expressed in thousands of HRK)	**Note**	**Share Capital**	**Premium on issued shares**	**Legal Reserves**	**Other reserves**	**Treasury shares**	**Retained earnings**	**Total**
At 1 January 2010		89,046	-	3,216	47,644	-	31,770	171,676
Net profit for the year		-	-	-	-	-	15,509	15,509
Other comprehensive income		-	-	-	-	-	-	-
Transactions with owners:		-	-	-	-	-	-	-
Transfer to legal reserves	23	-	-	166	-	-	(166)	-
Transfer to other reserves			-	-	1,581	-	(1,581)	-
At 31 December 2010		**89,046**	**-**	**3,382**	**49,225**	**-**	**45,532**	**187,185**
						-		
Net profit for the year		-	-	-	-	-	25,726	25,726
Other comprehensive income		-	-	-	-	-	-	-
Proceeds from issued shares	23	80,141	88,107	,	-	-	-	168,248
Transactions with owners:								
Transfer to legal reserves		-	-	775	-	-	(775)	-
Transfer to other reserves		-	-	-	-	-	-	-
Acquired treasury shares		-	-	-	-	(280)	-	(280)
At 31 December 2011		**169,187**	**88,107**	**4,157**	**49,225**	**(280)**	**70,483**	**380,879**

The notes on pages 8 to 54 are an integral part of these financial statements.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2011

		Luka Ploče Group		Luka Ploče d.d.	
(all amounts expressed in thousands of HRK)	Note	2011	2010	2011	2010
Profit before tax including discontinued operations		26,894	15,936	25,726	15,509
Depreciation	13, 14	12,580	13,062	9,557	8,986
Provision for impairment of receivables		2,609	4,109	284	1,592
(Gains) / losses on fair valuation	10	55	(11)	55	(11)
Losses/(gains) on disposal of tangible assets	10	50	1,023	50	1,240
Finance income – net	11, 5i	(19,799)	(2,745)	(19,921)	(3,620)
Non-current provisions – net		3,349	909	3,623	1,151
Income from sale of shares	10, 5	-	(4,784)	-	(2,961)
Impairment of investments at fair value through profit or loss		2,001	-	2,001	-
Write-off of assets		87	-	49	-
Interest income	6	(3,856)	-	(3,816)	-
Total items not affecting cash		(2,924)	11,563	(8,118)	6,377
Changes in working capital:					
Trade and other receivables		5,935	(3,397)	10,661	(5,600)
Inventories		(270)	122	55	77
Trade payables		673	3,156	(239)	5,302
Other liabilities		4,891	2,039	607	133
		11,229	1,920	11,084	(88)
Interest paid		(1,072)	(1,587)	(1,022)	(636)
Income tax paid		(365)	(432)	-	-
Net cash generated from operations		**33,762**	**27,400**	**27,670**	**21,162**
Cash flows from investing activities					
Purchases of tangible assets	13	(44,585)	(13,162)	(31,128)	(7,503)
Proceeds from sale of tangible assets	10	149	847	149	462
Long-term loan repayments received		421	535	421	405
Long-term loans given		(450)	-	(450)	-
Net proceeds from sale of subsidiary	5, 15	-	6,096	-	6,111
Investments in subsidiaries	15	-	-	(3,700)	(99)
Short-term loans given		-		(2,500)	-
Investment in deposits		(219,720)	-	(219,389)	-
Net cash used in investing activities		**(264,185)**	**(5,684)**	**(256,597)**	**(624)**
Cash flows from financing activities					
Proceeds from finance leases and borrowings		27,216	-	24,089	-
Repayments of borrowings		(5,232)	(6,235)	(3,881)	(5,574)
Proceeds from issued shares		168,248	-	168,248	-
Purchase of treasury shares		(280)	-	(280)	-
Net cash from / (used in) financing activities		**189,952**	**(6,235)**	**188,176**	**(5,574)**
Net (decrease)/increase in cash and cash equivalents		**(40,471)**	**15,481**	**(40,751)**	**14,964**
Cash and cash equivalents, beginning of year		76,063	56,104	70,838	51,386
Foreign exchange (losses) / gains on cash and cash equivalents		(327)	4,478	(267)	4,488
Cash and cash equivalents, end of year	22	35,265	76,063	29,820	70,838

NOTE 1 – GENERAL INFORMATION

LUKA PLOČE d.d. (the "Company") is a joint stock company registered under the laws and jurisdictions of the Republic of Croatia. The Company is domiciled in Ploče, Croatia. The address of its registered office is Trg Kralja Tomislava bb, Ploče.

The Company's primary activities are port services (manipulation of goods), public warehousing and wholesale and retail services in domestic and foreign trade. Other activities of the Group include construction, maintenance, shipping, trade and other services.

At 31 December 2011, the LUKA PLOČE Group (the "Group") consists of the parent company LUKA PLOČE d.d. and 7 subsidiaries (2010: 7 subsidiaries) located in Ploče, Croatia (Note 15).

As at 31 December 2011, the Company's shares were listed on the public joint stock company listing on the Zagreb Stock Exchange.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements of the Group and the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) New and amended standards adopted by the Group and the Company

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2011

- *Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for financial years beginning on or after 1 February 2010).* The amendment allows rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The adoption of the amendment did not have any impact on the financial position and performance of the Company, as the Company does not have such instruments.

- *IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for financial years beginning on or after 1 July 2010).* The interpretation clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The adoption of the interpretation did not have any impact on the financial statements as the Company does not negotiate such terms with its creditors.

- *Amendment to IFRS 1 First time adoption – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective for financial years beginning on or after 1 July 2010).* The amendment clarifies that first time adopters do not need to provide comparative disclosures as introduced by the IFRS 7 amendment issued in March 2009. This amendment is not applicable as the Company is not a first-time adopter.

- *Amendments to IAS 24 Related Party Disclosures (effective for financial years beginning on or after 1 January 2011).* The amendments simplify the definition of a related party and modify certain related-party disclosure requirements for government-related entities. The implementation of these amendments did not have any impact on the financial position and performance of the Company and the related parties' disclosures.

- *Amendment to IFRIC 14 The Limit On A Defined Benefit Assets, Minimum Funding Requirements And Their Interaction (effective for financial years beginning on or after 1 January 2011).* Removes unintended consequences arising from the treatment of pre-payments where there is a minimum funding requirement. Results in pre-payments of contributions in certain circumstances being recognised as an asset rather than an expense. This amendment is not applicable as the Company does not have a defined benefit plan.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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

- *Improvements to International Financial Reporting Standards (issued in May 2010 and effective from 1 January 2011*). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 1 was amended (i) to allow previous GAAP carrying value to be used as deemed cost of an item of property, plant and equipment or an intangible asset if that item was used in operations subject to rate regulation, (ii) to allow an event driven revaluation to be used as deemed cost of property, plant and equipment even if the revaluation occurs during a period covered by the first IFRS financial statements and (iii) to require a first-time adopter to explain changes in accounting policies or in the IFRS 1 exemptions between its first IFRS interim report and its first IFRS financial statements; IFRS 3 was amended (i) to require measurement at fair value (unless another measurement basis is required by other IFRS standards) of non-controlling interests that are not present ownership interest or do not entitle the holder to a proportionate share of net assets in the event of liquidation, (ii) to provide guidance on acquiree's share-based payment arrangements that were not replaced or were voluntarily replaced as a result of a business combination and (iii) to clarify that the contingent considerations from business combinations that occurred before the effective date of revised IFRS 3 (issued in January 2008) will be accounted for in accordance with the guidance in the previous version of IFRS 3; IFRS 7 was amended to clarify certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date and not the amount obtained during the reporting period; IAS 27 was amended by clarifying the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008); IAS 34 was amended to add additional examples of significant events and transactions requiring disclosure in a condensed interim financial report, including transfers between the levels of fair value hierarchy, changes in classification of financial assets or changes in business or economic environment that affect the fair values of the entity's financial instruments; and IFRIC 13 was amended to clarify measurement of fair value of award credits.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2012 but not currently relevant to the Group and the Company (although they may affect the accounting for future transactions and events)

The following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2012 or later periods. The Company plans to adopt the applicable standards / amendments on their effective date, and they will not have a significant impact on the Company's financial statements.

- *Amendments to IFRS 7 Financial Instruments: Disclosures on Derecognition (effective for annual periods beginning on or after 1 July 2011).* This amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets.

- *Amendments to IFRS 1 First Time Adoption: Fixed Dates and Hyperinflation (effective for annual periods beginning on or after 1 July 2011).* These amendments include two changes to *IFRS 1 First-time adoption of IFRS*. The first replaces references to a fixed date of 1 January 2004 with 'the date of transition to IFRSs', thus eliminating the need for entities adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.

- *IAS 12 Income Taxes – Deferred Taxes (effective for annual periods beginning on or after 1 January 2012). IAS 12 Income taxes*, currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in *IAS 40 Investment property*. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, *SIC 21 Income taxes - recovery of revalued non-depreciable assets*, will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn.

- *Amendment to IAS 1 Financial Statement Presentation Regarding Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012).* The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

- *Amendment to IAS 19 Employee Benefits (effective for annual periods beginning on or after 1 January 2013).* These amendments eliminate the corridor approach and calculate finance costs on a net funding basis.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2012 but not currently relevant to the Group and the Company (although they may affect the accounting for future transactions and events) – continued

- *IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2015).* IFRS 9 is the first standard issued as part of a wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply.
- *IFRS 10 Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2013).* The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity (an entity that controls one or more other entities) to present consolidated financial statements. Defines the principle of control, and establishes controls as the basis for consolidation. Set out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. Sets out the accounting requirements for the preparation of consolidated financial statements.
- *IFRS 11 Joint Arrangements (effective for annual periods beginning on or after 1 January 2013).* IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.
- *IFRS 12 Disclosures of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2013).* IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.
- *IFRS 13 Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013).* IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.
- *IAS 27 (revised 2011) Separate Financial Statements (effective for annual periods beginning on or after 1 January 2013).* IAS 27 (revised 2011) includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2012 but not currently relevant to the Group and the Company (although they may affect the accounting for future transactions and events) – continued

- *IAS 28 (revised 2011) Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2013).* IAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

- *IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine, (issued in October 2011 and effective for annual periods beginning on or after 1 January 2013).* The interpretation clarifies that benefits from the stripping activity are accounted for in accordance with the principles of IAS 2, Inventories, to the extent that they are realised in the form of inventory produced. To the extent the benefits represent improved access to ore, the entity should recognise these costs as a 'stripping activity asset' within non-current assets, subject to certain criteria being met.

- *Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014).*The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement.

- *Disclosures—Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013).* The amendment requires disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off.

2.2 Consolidation

(a) Subsidiaries

In the non-consolidated financial statements, the Company records investments in subsidiaries at cost, less any impairment. Impairment is tested annually whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Investments in subsidiaries for which an impairment loss has been recorded are tested at each reporting date for a potential reversal of impairment.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

(a) Subsidiaries (continued)

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquire either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of bargain purchase, the difference is recognised directly in the statement of comprehensive income.

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

(b) Associates

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

(c) Transactions with non-controlling interests

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

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.3 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, responsible for allocating resources and assessing performance of the operating segments, has been identified as the Management Board of the Company.

2.4 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The consolidated financial statements are presented in Croatian kuna (HRK), which is the Company’s functional and the Group’s 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 income statement.

Foreign exchange gains and losses relating to borrowings and cash and cash equivalents are recorded in the income statement within ‘finance income or costs’. All other foreign exchange losses and gains are recorded in the income statement within 'other (losses)/gains – net'.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Tangible assets

Tangible assets are included in the balance sheet at historical cost less accumulated depreciation and provision for impairment, where required. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 Group or the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

	Years
Buildings	12-50
Equipment	4-15
Leasehold improvements	15

Leasehold improvements relate to improvements made on leased assets, located on maritime land.

The residual value of an asset is the estimated amount that the Group or the Company would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group or the Company expect to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7). Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within 'other gains/(losses) – net' in the income statement.

2.6 Investment property

Investment property, principally comprising flats, is held for long-term rental yields or appreciation and is not occupied by the Group or the Company. Investment property is classified as a non-current asset unless it is intended to be sold in the next year and a buyer has been identified in which case it is classified within current assets.

Investment property is carried at historical cost less accumulated depreciation and provision for impairment, where required. Depreciation of flats is calculated using the straight-line method to allocate cost over their estimated useful life (66 years).

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Impairment of non-financial assets

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

2.8 Financial assets

The Group and the Company classify its financial assets in the following two categories: at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other losses/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of 'other income' when the Company's right to receive payment is established.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are initially recognised at fair value plus transactions costs and subsequently are carried at amortised cost using the effective interest method.

The Group and the Company assess at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of loans and receivables is described in Note 2.11.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Leases

a) Accounting treatment of leases – the Group or the Company is the lessee

The Group leases certain property, plant and equipment. Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of fair value of the leased property or the present value of minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The interest element of the finance costs is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life or the lease term.

Leases where the significant portion of risks and rewards of ownership are not transferred to the Group or the Company are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

b) Accounting treatment of leases – the Group or the Company is the lessor

Assets under an operating lease are depreciated over their expected useful lives on a basis consistent with similar owned assets. Rental income is recognised on a straight-line basis over the lease term, even if the proceeds are not balanced, unless there is an alternative basis representing the time frame in which the benefits of the lease and the depreciation of the leased property are matched.

2.10 Inventories

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

2.11 Trade and loan receivables

Trade and loan receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group or the Company will not be able to collect all amounts due according to the original terms of receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement within 'impairment of receivables - net'. Subsequent recoveries of the provision for impairment of trade receivables are recorded in the income statement within 'impairment of receivables - net'.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Construction contracts

Contract costs are recognised as expense in the period in which they are incurred.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Group uses the ‘percentage of completion method’ to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

The Group or the Company present as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within ‘trade and other receivables’.

The Group or the Company present as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

2.13 Cash and cash equivalents

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

2.14 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 income statement over the period of the borrowings using the effective interest method. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Other borrowing costs are recognised as an expense.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan extent that it is probable that some or all of the facility will be drawn down.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Share capital

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

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

2.16 Income tax

All entities within Group are liable for income tax under the laws and regulations of the Republic of Croatia. The tax base represents the difference between income and expenses, as determined by the applicable law. Income tax is calculated at a rate of 20%. Management 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 authorities.

2.17 Deferred income tax

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

Deferred income tax 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.

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

Deferred income tax assets and liabilities are offset when there is legally enforceable right to offset current tax assets against current tax liabilities and when deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity ir different taxable entities where there is an intention to settle the balances on a net basis.

2.18 Value added tax (VAT)

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Employee benefits

(a) Pension obligations and post-employment benefits

In the normal course of business through salary deductions, the Group or the Company make 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 Group and the Company do not have any other pension scheme and consequently, has no other obligations in respect of employee pensions. In addition, the Group and the Company are not obliged to provide any other post-employment benefits.

(b) Long-term employee benefits

The Group and the Company recognise a liability for long-term employee benefits (jubilee awards) evenly over the period the benefit is earned based on actual years of service. The long-term employee benefit liability includes assumptions of the likely number of staff to whom the benefit will be payable, estimated benefit cost and the discount rate.

(c) Short-term employee benefits

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

(d) Termination benefits

Termination benefits are payable when employment is terminated by the Group or the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group or the Company recognise 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. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

2.20 Provisions

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

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.

2.21 Trade and other payables

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Earnings per share

Earnings per share is 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, less treasury shares.

2.23 Dividend distribution

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

2.24 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's and the Company's activities. Revenue is shown, net of value-added tax, estimated returns, rebates and discounts and after eliminating sales within the Group.

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

(a) Sales of goods
Sales of goods are recognised when the Group or the Company have delivered the products to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of loss have been transferred to the customer and the customer has accepted the products in accordance with the contract terms.

Products are sold with volume discounts and customers have a right to return faulty products. Sales are recorded based on the price specific in the sales contracts, net of estimated volume discounts and returns. Accumulated experience is used to estimate the discounts and returns.

(b) Sales of services
The Company's primary activity is providing port services: loading, unloading, transloading of goods and storage services, transportation, refinement and weighing of general freight, wood and wood products, loose freight, RO-RO freight, providing water and electric energy to ships. The prices of provided services are determined based on tariffs.

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(c) Interest income
Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group and the Company reduce the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

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

NOTE 3 – FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's and the Company's activities expose them to a variety of financial risks: foreign exchange risk, price risk, credit risk, liquidity risk and cash flow interest rate risk. The Group and the Company do not have a written risk management programme, but overall risk management in respect of these risks is carried out by the Company's finance department.

(a) Market risk

(i) Foreign exchange risk

The Group and the Company are exposed to foreign exchange risk arising from realised income and foreign purchases, as well as from borrowings issued in various currencies: Euros (EUR) and US dollars (USD). The majority of foreign sales revenue and long-term debt is denominated in USD. Therefore, movements in exchange rates between the USD, EUR and Croatian kuna (HRK) may have an impact on the results of future operations and future cash flow.

The following table presents an overview of the Group's and the Company's assets and liabilities denominated in foreign currencies as at 31 December 2011 and the effect on profit after taxation, with all other variables held constant:

Luka Ploče Group

Currency	**Assets**	**Liabilities**	**Net assets /(liabilities)**	**% change in currency**	**Effect on profit after taxation**
	(in thousands of HRK)		*(in thousands of HRK)*	**%**	*(in thousands of HRK)*
EUR	44,990	(35,129)	9,861	1.35	107
USD	260,041	(763)	259,278	0.28	580

Luka Ploče d.d.

Currency	**Assets**	**Liabilities**	**Net assets /(liabilities)**	**% change in currency**	**Effect on profit after taxation**
	(in thousands of HRK)		*(in thousands of HRK)*	**%**	**%**
EUR	39,137	(34,066)	5,071	1.35	55
USD	257,650	(763)	256,887	0.28	575

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(i) Foreign exchange risk (continued)

The following table presents an overview of the Group's and the Company's assets and liabilities denominated in foreign currencies as at 31 December 2010 and the effect on profit after taxation, with all other variables held constant:

Luka Ploče Group

Currency	**Assets**	**Liabilities**	**Net assets /(liabilities)**	**% change in currency**	**Effect on profit after taxation**
	(in thousands of HRK)		*(in thousands of HRK)*	%	*(in thousands of HRK)*
EUR	39,782	(13,000)	26,782	0.5	651
USD	68,266	(1,181)	67,085	5.5	3,109

Luka Ploče d.d.

Currency	**Assets**	**Liabilities**	**Net assets /(liabilities)**	**% change in currency**	**Effect on profit after taxation**
	(in thousands of HRK)		*(in thousands of HRK)*	%	*(in thousands of HRK)*
EUR	34,296	(12,234)	22,062	0.5	595
USD	66,692	(1,059)	65,633	5.5	2,989

The recorded effect on profit after taxation is mainly the result of foreign exchange gains/losses on translation of EUR-denominated borrowings, as well as EUR- and USD denominated trade payables, trade receivables and cash and cash equivalents. The Group and the Company do not use derivatives to actively hedge foreign exchange risk exposure.

(ii) Cash flow and fair value interest rate risk

As the Group and the company have significant interest-bearing assets (term deposits with banks), the Group's income and operating cash flows are substantially dependent of changes in market interest rates.

The Group's and the Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group and the Company do not use derivative instruments to actively hedge cash flow and fair value interest rate risk exposure.

The Group and the Company continuously monitor interest rate changes. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group and the Company calculate the impact on the income statement of a defined interest rate shift.

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(ii) Cash flow and fair value interest rate risk (continued)

As at 31 December 2011, if the effective interest rate on borrowings EURIBOR variable rate had increased/decreased by 0.42% and ZIBOR interest rate by 4% on an annual level (2010: 1%), the profit after tax for the reporting period would be HRK 148 thousand lower/higher for the Group (2010: HRK 251 thousand), and HRK 113 thousand for the Company (2010: HRK 248 thousand) as a result of a higher/lower interest expense.

(iii) Equity price risk

The Group is exposed to price risk with respect to equity securities classified by the Group and the Company at fair value through profit or loss. The portfolios of the Group and the Company include equity securities. All securities of the Group and the Company are actively traded on the Zagreb Stock Exchange and movements in the CROBEX index may have an impact on operating results.

The table below summarises the impact of increases/decreases of the index on the Group's (Company's) net profit. The analysis is based on the assumption that the CROBEX index had increased/decreased by 4.59% (2010: 4,2%), with all other variables held constant, and the equity instruments moved according to the historical correlation with the index.

	Luka Ploče Group		**Luka Ploče d.d.**	
	2011	**2010**	**2011**	**2010**
Index				
CROBEX	10	99	10	99

Post-tax profit for the year would increase/decrease as a result of gains/losses on equity securities classified as at fair value through profit or loss.

(b) Credit risk

The Group’s and the Company’s assets, which potentially subject them to concentrations of credit risk, primarily include cash and cash equivalents, trade receivables, receivables from employees and other receivables. The collection of the Group’s and the Company’s trade receivables is additionally secured by goods, while receivables from employees are secured by salary deductions. A detailed analysis and maximum exposure to credit risk are shown in Note 17a.

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(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 Group and the Company aim to maintain flexibility in funding by keeping committed credit lines available. The finance department regularly (monthly) monitors available cash resources.

The table below analyses financial liabilities of the Group and the Company according to contracted maturities. The amounts stated below represent undiscounted cash flows.

Financial liabilities do not include employee liabilities, contributions payable, taxes and advances received.

(in thousands of HRK)	**Less than 1 year**	**Between 1-5 years**	**Over 5 years**
Luka Ploče Group			
31 December 2011			
Finance lease	11,032	34,473	11,275
Borrowings	272	1,007	2,062
Trade and other payables	8,328	-	-
31 December 2010			
Finance lease	6,781	12,265	15,009
Borrowings	274	1,095	2,693
Trade and other payables	7,655	-	-

	Less than 1 year	**Between 1-5 years**	**Over 5 years**
Luka Ploče d.d.			
31 December 2011			
Finance lease	10,815	34,094	11,275
Borrowings	1,703	1,007	2,062
Trade and other payables	9,837	-	-
31 December 2010			
Finance lease	6,634	12,010	15,009
Borrowings	274	1,095	2,693
Trade and other payables	10,076	-	-

Trade and other payables as well as short-term borrowings are due within 12 months after the balance sheet date, while the maturity of long-term borrowings is disclosed in Note 24.

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital risk management

The Group and the Company monitor capital on the basis of laws and regulations of the countries in which they operate. Croatian laws and regulations require minimum paid in capital of HRK 200,000 for joint stock companies and HRK 20,000 for limited liability companies. There are no specific objectives required by the owners in managing capital. The Group is not subject to externally imposed capital requirements. In addition, there are no internally monitored capital objectives.

3.3 Fair value estimation

Effective 1 January 2009, the Group and the Company adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

The table below present the Group's and the Company's assets at fair value as at 31 December 2011 and 2010:

(in thousands of HRK)	**Level 1**	**Level 3**	**Total**
31 December 2011			
Listed companies	275	-	275
Unlisted companies	-	-	-
Total	275	-	275
31 December 2010			
Listed companies	329	-	329
Unlisted companies	-	2,002	2,002
Total	329	2,002	2,331

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

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

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:
- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The fair value of derivative financial instruments is based on quoted market prices at the balance sheet date (level 1) while the available-for-sale financial instruments are included in level 3.

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 the circumstances. The Group 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.

Provision for other long-term employee benefits

In line with the collective bargaining agreement, the Group and the Company provide jubilee awards to employees. For the present value calculation of these benefits, the Group and the Company estimate employee turnover based on past trends and determine the appropriate discount rate based on current market conditions. Were the discount rate and employee turnover used to differ by 10% from management estimates, the carrying amount of the related liability would not be significantly different from that recorded.

Legal claims and disputes

Provisions for legal claims and disputes are recorded based on management's estimate of probable losses after consultation with legal counsel. Based on existing knowledge, it is reasonably possible that future litigation outcomes will be different from management assumptions of probable losses.

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES (continued)

Recent volatility in global and Croatian financial markets.

The volume of global trade and the volume of imports and exports is exposed to a variety of changes in the global, regional and local economy, as well as economic, financial and political conditions which the Issuer cannot influence. These conditions are caused by changes in market cycles and macroeconomic factors, as well as the introduction of restrictions in the trade exchange (barriers, sanctions, boycotts and other measures), inflation and changes in interest rates, significant changes in the currency value in the Issuer's area of operation, reactions of relevant bodies to economic conditions and development, commercial disputes and cessation of work (especially in the area of transport) as well as wars, hostilities, natural disasters, epidemics or terrorism.

Furthermore, the main customers of the Group and the Company are directly influenced by raw material prices on the global market (heavy industry, power plants). The global economic crisis has significantly affected the market of Bosnia and Herzegovina, which particularly affected the decrease in coke production.

Nevertheless, in 2010 global trade recorded a strong recovery supported by economic incentives in the leading economies and restore confidence in the global financial system. IMF projections suggest that the recovery in the global trade should continue during the coming years, although at a slower pace than in 2010 However, any renewed disturbances of the global trade and/or recovery of the world's leading economies would have a negative impacted on future operations of the Group and Company.

Management is unable to reliably estimate the effects on the Group’s and the Company’s financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group’s and the Company’s business in the current circumstances.

Useful life of tangible assets

The Management of the Company and Group companies determines and reassesses the useful lives and related depreciation charge for tangible assets. This assessment is based on the estimated remaining useful life of assets and could significantly change as a result of technical innovation and activities of competitors. Management will increase the depreciation charge if it assesses that the useful life of assets is lower than prior to estimates, or it will write off obsolete and discarded property.

Were the actual useful lives of the tangible assets to differ by 10% from Management’s estimates, the estimated carrying amount of tangible assets would be an estimated HRK 1,039 thousand higher (2010: 1,020 thousand) or HRK 850 thousand lower (2010: 835 thousand).

NOTE 5 – SEGMENT INFORMATION

Management separately follows and discloses operating revenues, profit from operations, capital expenditure, total assets and total liabilities as follows:

1. The Port services segment provides manipulation of cargo (loading, unloading, transportation, refinement, weighing of general freight, wood and wood products, loose freight and RO-RO freight) and represents the parent Company.
2. The Storage of liquid derivatives segment provides the service of oil derivatives storage.
3. The Marine services segment provides freight forwarding and various ship handling services to users of port services.
4. The Construction segment is engaged in providing construction services and it was sold in 2010
5. Other business segments relate to the Group's secondary business activities (maintenance, restaurants and similar).

The segment results for the year ended 31 December 2011 are as follows:

(in thousands of HRK)	**Port services**	**Liquid derivatives segment**	**Marine services**	**Other segments**	**Total Group**
Operating revenues	114,375	10,801	6,446	14,234	145,856
Operating profit/(loss) before depreciation	15,807	3,002	821	(4,210)	15,420
Depreciation	(9,557)	(1,796)	(460)	(767)	(12,580)
Operating profit/(loss)	**6,250**	**1,206**	**361**	**(4,977)**	**2,840**
Capital expenditure	31,128	13,067	156	230	44,581
Total assets	**426,789**	**49,204**	**5,557**	**11,524**	**493,074**
Total liabilities	**(78,109)**	**(8,972)**	**(844)**	**(2,222)**	**(90,147)**

NOTE 5 – SEGMENT INFORMATION (continued)

/i/ During 2010, the parent company sold the 100% share in the subsidiary Luka Ploče Gradnja d.o.o. (Construction segment). During 2010, the Construction segment realised total revenues in the amount of HRK 1,370 thousand, operating expenses in the amount of HRK 4,953 thousand, finance costs in the amount of HRK 845 thousand, pre-tax loss in the amount of HRK 4,428 thousand, gain on sale of the Construction segment of HRK 4,784 thousand and as a result, net profit was realised in the amount of HRK 356 thousand. In 2010, the Construction segment did not have any income tax expense.

Receivables and liabilities of the company Luka Ploče Gradnja d.o.o. eliminated on sale are as follows:

Cash and cash equivalents	15
Trade and other receivables	5,924
Inventories	354
Tangible assets	23,972
Borrowings	(15,009)
Provisions	(543)
Trade and other current payables	(13,386)
Net book amount of sold assets	**1,327**
Proceeds on sale	**6,111**
Gain on sale of share	**4,784**

The net cash flow attributable to discontinuing operations in 2010 amounted to HRK 8 thousand, as a result of the net cash inflow from operating activities in the amount of HRK 1,150 thousand and the net cash outflow from financing activities in the amount of HRK 1,158 thousand. The discontinuing operations did not have any investing cash flows.

The segment results for the year ended 31 December 2010 are as follows:

(in thousands of HRK)	**Port services**	**Liquid derivatives segment**	**Marine services**	**Construction/ discontinued operations /i/**	**Other segments**	**Total Group**
Operating revenues	124,156	10,050	14,226	1,364	3,257	153,053
Operating profit/(loss) before depreciation	30,675	3,047	5,754	(2,560)	(10,663)	26,253
Depreciation	(8,986)	(1,745)	(489)	(1,023)	(819)	(13,062)
Operating profit/(loss) before sale of segment	21,689	1,302	5,265	(3,583)	(11,482)	13,191
Gain on sale of segment	(4,784)	-	-	4,784	-	-
Operating profit/(loss)	**16,905**	**1,302**	**5,265**	**1,201**	**(11,482)**	**13,191**
Capital expenditure	7,503	5,233	397	-	29	13,162
Total assets	**214,631**	**37,882**	**9,931**	-	**5,730**	**268,174**
Total liabilities	**45,587**	**8,151**	**4,376**	**-**	**1,725**	**59,839**

NOTE 5 – SEGMENT INFORMATION (continued)

The Group and the Company operate in three main geographical areas. Sales among geographical segments are allocated based on the country in which the customer is located.

	Luka Ploče Group		Luka Ploče d.d.	
	2011	**2010**	**2011**	**2010**
	(in thousands of HRK)		*(in thousands of HRK)*	
Sales including discontinued operations				
Croatia	33,917	22,863	35,910	20,015
Bosnia and Herzegovina	63,911	93,401	53,082	86,479
European Union countries	47,634	36,789	35,987	25,015
Other	394	-	276	-
Total	**145,856**	**153,053**	**125,255**	**131,509**

The Group's and the Company's revenues are mainly influenced by three buyers with whom 52.23% of total revenues are realised in 2011 (2010: 44.45%).

All assets and capital expenditure are located in Croatia.

NOTE 6 – REVENUES

	Luka Ploče Group		Luka Ploče d.d.	
	2011	**2010**	**2011**	**2010**
	(in thousands of HRK)		*(in thousands of HRK)*	
Revenues				
Sale of services				
- domestic sales	33,917	21,449	35,910	20,015
- foreign sales	111,939	130,240	89,345	111,494
	145,856	**151,689**	**125,255**	**131,509**
Other income				
Interest income	3,856	803	3,816	772
Other income	399	347	193	109
	4,255	**1,150**	**4,009**	**881**
	150,111	**152,839**	**129,264**	**132,390**

NOTE 7 – COSTS OF SERVICES

	Luka Ploče Group		Luka Ploče d.d.	
	2011	2010	2011	2010
	(in thousands of HRK)		*(in thousands of HRK)*	
Repairs and maintenance	3,501	4,421	17,561	19,050
Utilities	6,944	4,690	6,361	4,221
Security costs	2,820	2,725	2,820	2,725
Transport and telecommunication expenses	2,475	2,202	2,128	1,860
Advertising and entertainment expenses	960	661	675	527
Intellectual services	2,621	3,481	1,830	3,441
Other services	909	675	494	391
	20,230	**18,855**	**31,869**	**32,215**

NOTE 8 – STAFF COSTS

	Luka Ploče Group		Luka Ploče d.d.	
	2011	2010	2011	2010
	(in thousands of HRK)		*(in thousands of HRK)*	
Salaries	47,860	49,020	35,863	37,282
Taxes and contributions /i/	22,530	22,847	16,686	17,383
Termination benefits and jubilee awards /ii/ (Note 25)	5,985	1,910	5,967	1,708
Other employee benefits /iii/	5,280	5,985	4,188	4,823
	81,655	**79,762**	**62,704**	**61,196**

/i/ Pension contributions for pensions paid by the Group and the Company to mandatory pension funds for 2011 amounted to HRK 12,224 thousand and HRK 9,094 thousand (2010: HRK 12,673 thousand and HRK 9,364 thousand). Contributions are calculated as a percentage of the employees' gross salaries.

/ii/ Based on the Decision by the Company's Management Board, as at 31 December 2011 the Company made provision in the amount of HRK 4,896 for termination benefits for encouraging termination of employment by employees.

/iii/ Other employee benefits consist of gifts to employees, business travel expenses, daily allowances and other benefits.

The number of persons employed by the Group and the Company at 31 December 2011 was 780 and 617, respectively (2010: 816 and 649).

NOTE 9 – OTHER OPERATING EXPENSES

	Luka Ploče Group		Luka Ploče d.d.	
	2011	2010	2011	2010
	(in thousands of HRK)		*(in thousands of HRK)*	
Contributions & membership fees	671	939	638	873
Insurance premiums	2,213	2,112	1,733	1,568
Supervisory Board fees	510	314	510	314
Write-off of raw materials	150	417	150	417
Travel expense and daily allowances	577	396	459	295
Bank charges	573	288	475	162
Provisions for legal claims - net	-	1,958	-	1,987
Damages, penalties and demurrage	1,638	1,127	1,618	1,119
Donations	15	-	-	-
Other operating expenses	1,131	858	682	531
	7,478	**8,409**	**6,265**	**7,266**

NOTE 10 – OTHER (LOSSES)/GAINS – NET

	Luka Ploče Group		Luka Ploče d.d.	
	2011	2010	2011	2010
	(in thousands of HRK)		*(in thousands of HRK)*	
Fair value gains/(losses) on financial assets at fair value through profit or loss (Note 21)	(55)	11	(55)	11
Gain on sale of share (Note 15)	-	-	-	2,961
Impairment of investments at fair value through profit or loss (Note 21)	(2,001)	-	(2,001)	-
Loss on sale and disposal of tangible assets /i/	(50)	(1,023)	(50)	(1,240)
Disposal of tangible assets	(78)		(49)	
Net foreign exchange differences	962	1,105	940	935
	(1,222)	**93**	**(1,215)**	**2,667**

/i/ The sale of tangible assets consists of the following:

(in thousands of HRK)	Luka Ploče Group		Luka Ploče d.d.	
	2011	2010	2011	2010
Net book amount	(199)	(1,870)	(199)	(1,702)
Proceeds on sale of property, plant and equipment	149	847	149	462
Net loss on sale of property, plant and equipment	**(50)**	**(1,023)**	**(50)**	**(1,240)**

NOTE 11 – FINANCE INCOME/(COSTS) – NET

	Luka Ploče Group		Luka Ploče d.d.	
	2011	2010	2011	2010
	(in thousands of HRK)		*(in thousands of HRK)*	
Finance income				
Foreign exchange gains – net	20,993	4,332	21,008	4,319
Finance costs				
Interest expense	(1,194)	(742)	(1,087)	(699)
	(1,194)	(742)	(1,087)	(699)
Finance costs – net	**19,799**	**3,590**	**19,921**	**3,620**

NOTE 12 – INCOME TAX

	Luka Ploče Group		Luka Ploče d.d.	
	2011	2010	2011	2010
	(in thousands of HRK)		*(in thousands of HRK)*	
Current income tax	270	300	-	-
Deferred income tax	-	-	-	-
	270	**300**	**-**	**-**

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

	Luka Ploče Group		Luka Ploče d.d.	
	2011	2010	2011	2010
	(in thousands of HRK)		*(in thousands of HRK)*	
Profit before tax	**26,894**	**15,936**	**25,726**	**15,509**
Tax calculated at 20% tax rate	5,379	3,187	5,145	3,102
Effect of income not subject to tax	(446)	(511)	(289)	(174)
Effect of expenses not deductible for tax purposes	1,836	1,538	1,678	811
Effect of tax benefits /i/	(6,704)	(3,914)	(6,534)	(3,739)
Effect of tax losses for which deferred tax assets are not recognised	205	-	-	-
Tax charge	**270**	**300**	**-**	**-**
Effective tax rate	1.0%	1.9%	**-**	**-**

/i/ The Group performs business activities within the customs free zone and realises tax benefits in accordance with regulations. Tax benefits are realised for investments in the infrastructure within the customs free zone exceeding HRK 1 million (the Company) and for using the customs free zone (subsidiaries). Investors who meet the requirements are exempt from paying the tax liability in the 100% amount, while users of the customs free zone only pay 50% of the tax liability.

NOTE 12 – INCOME TAX (continued)

In accordance with Croatian regulations, the tax authorities may at any time inspect any of the Group company's books and records within 3 years subsequent to the year in which the tax liability is reported, and may impose additional tax assessments and penalties. The Group's management is not aware of any circumstances, which may give rise to a potential material liability in this respect.

NOTE 13 – TANGIBLE ASSETS

Luka Ploče Group *(in thousands of HRK)*	**Land and buildings**	**Equipment**	**Assets under construction**	**Leasehold improvements**	**Total**
At 1 December 2010					
Cost	32,761	179,494	7,971	10,700	230,926
Accumulated depreciation	(6,456)	(65,505)	-	(3,909)	(75,870)
Net book amount	**26,305**	**113,989**	**7,971**	**6,791**	**155,056**
Year ended 31 December 2010					
Opening net book amount	26,305	113,989	7,971	6,791	155,056
Additions	-	82	12,772	-	12,854
Transfer from assets under construction	-	6,626	(7,592)	966	-
Disposals	-	(1,870)	-	-	(1,870)
Sale of Luka Ploče Gradnja d.o.o.	-	(23,961)		(11)	(23,972)
Depreciation charge	(733)	(11,530)	-	(702)	(12,965)
Closing net book amount	25,572	83,336	13,151	7,044	129,103
At 31 December 2010					
Cost	32,761	145,945	13,151	11,482	203,339
Accumulated depreciation	(7,189)	(62,609)	-	(4,438)	(74,236)
Net book amount	**25,572**	**83,336**	**13,151**	**7,044**	**129,103**
Year ended 31 December 2011					
Opening net book amount	25,572	83,336	13,151	7,044	129,103
Additions	-	28	43,281	1,276	44,585
Transfer from assets under construction	26	31,970	(31,996)	-	-
Disposals	-	(286)	-	-	(286)
Depreciation charge	(734)	(11,027)	-	(722)	(12,483)
Closing net book amount	24,864	104,021	24,436	7,598	160,919
At 31 December 2011					
Cost	32,865	177,050	24,436	12,745	247,096
Accumulated depreciation	(8,001)	(73,031)	-	(5,145)	(86,177)
Net book amount	**24,864**	**104,019**	**24,436**	**7,600**	**160,919**

NOTE 13 – TANGIBLE ASSETS (continued)

Luka Ploče d.d. *(in thousands of HRK)*	**Land and buildings**	**Equipment**	**Assets under construction**	**Leasehold improvements**	**Total**
At 1 December 2010					
Cost	13,372	104,612	-	10,167	128,151
Accumulated depreciation	(1,701)	(29,597)	-	(3,484)	(34,782)
Net book amount	**11,671**	**75,015**	**-**	**6,683**	**93,369**
Year ended 31 December 2010					
Opening net book amount	11,671	75,015	-	6,683	93,369
Additions	-	-	7,195	-	7,195
Transfer from assets under construction	132	6,097	(7,195)	966	-
Disposals	-	(1,702)	-	-	(1,702)
Depreciation charge	(189)	(8,023)	-	(677)	(8,889)
Closing net book amount	11,614	71,387	-	6,972	89,973
At 31 December 2010					
Cost	13,503	108,332	-	11,133	132,968
Accumulated depreciation	(1,889)	(36,945)	-	(4,161)	(42,995)
Net book amount	**11,614**	**71,387**	**-**	**6,972**	**89,973**
Year ended 31 December 2011					
Opening net book amount	11,614	71,387	-	6,972	89,973
Additions	-	-	29,852	1,276	31,128
Transfer from assets under construction	-	29,852	(29,852)	-	-
Disposals	-	(248)	-	-	(248)
Depreciation charge	(189)	(8,571)	-	(700)	(9,460)
Closing net book amount	11,425	92,420	-	7,548	111,393
At 31 December 2011					
Cost	13,504	137,638	-	12,408	163,550
Accumulated depreciation	(2,079)	(45,218)	-	(4,860)	(52,157)
Net book amount	**11,425**	**92,420**	**-**	**7,548**	**111,393**

The Group's and Company's equipment with a net book value of HRK 61,758 thousand and HRK 61,158 thousand as at 31 December 2011 (2010: HRK 37,557 thousand and HRK 37,153 thousand) were pledged as security for the repayment of borrowings (Note 24).

Equipment includes the following amounts where the Group and the Company are lessee under a finance lease:

	Luka Ploče Group		**Luka Ploče d.d.**	
	2011	**2010**	**2011**	**2010**
	(in thousands of HRK)		*(in thousands of HRK)*	
Cost – capitalised finance lease	69,832	43,290	69,207	42,761
Accumulated depreciation	(8,074)	(5,733)	(8,049)	(5,608)
Net book amount	**61,758**	**37,557**	**61,158**	**37,153**

NOTE 14 – INVESTMENT PROPERTY

	Luka Ploče Group		Luka Ploče d.d.	
	2011	**2010**	**2011**	**2010**
	(in thousands of HRK)		*(in thousands of HRK)*	
Cost	6,481	6,481	6,481	6,481
Accumulated depreciation	(1,166)	(1,069)	(1,166)	(1,069)
Net book amount	**5,315**	**5,412**	**5,315**	**5,412**

The Company records as investment property flats that are leased to former and current employees at minimum lease payments. Based on current market prices and the location, Management determined that the fair value of investments approximates the net carrying value.

In 2011 the Group and the Company realised lease income of HRK 76 thousand (2010: HRK 61 thousand) included in other income, and a depreciation charge of HRK 97 thousand (2010: HRK 97 thousand). There were no other direct costs

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	Luka Ploče Group		Luka Ploče d.d.	
	2011	**2010**	**2011**	**2010**
	(in thousands of HRK)		*(in thousands of HRK)*	
Up to 1 year	76	61	76	61
From 1 to 5 years	304	305	304	305
Over five years	1,064	915	1,064	915
Total	**1,444**	**1,281**	**1,444**	**1,281**

NOTE 15 – INVESTMENTS IN SUBSIDIARIES

The holdings of the Company in each of its subsidiaries as at 31 December 2011 are as follows:

Subsidiaries	**Amount of share**	**Incorporation date**	**% of ownership**	**Principal activity**
	(in thousands of HRK)			
Luka Ploče - Održavanje d.o.o.	3,978	1998	100%	Repairs and maintenance services
Luka Šped d.o.o.	3,175	1998	100%	Freight forwarding services
Pomorski servis - Luka Ploče d.o.o.	1,807	1998	100%	Sea transport services
Luka Ploče Trgovina d.o.o.	9,557	1999	100%	Trade
Luka Ploče Usluge d.o.o.	1,347	1999	100%	Air transport services
Luka Ploče Hladnjača d.o.o.	300	2000	50%	Warehousing
Pločanska plovidba d.o.o.	1,173	2001	100%	Shipping services
	21,337			

NOTE 15 – INVESTMENTS IN SUBSIDIARIES (continued)

The subsidiaries' businesses primarily relate to Luka Ploče d.d. The remaining 50% of ownership in Luka Ploče Hladnjača d.o.o. is held by Grantmed S.a., Equador. The Group consolidates the subsidiary as it controls its operations through the only member of the Management Board who makes operational decisions, and who is appointed by the Group.

Changes in investments in subsidiaries are as follows:

	Luka Ploče d.d.	
	2011	**2010**
	(in thousands of HRK)	
At beginning of the year	17,637	20,688
Increase in investments /i/	3,700	99
Decrease in investments /ii/	-	(3,150)
At end of the year	**21,337**	**17,637**

/i/ During 2011, the Company increased the capital of the subsidiary Luka Ploče Usluge d.o.o. in the amount of HRK 3,000 thousand (2010: HRK 0) and subsidiary Pločanska plovidba d.o.o. in the amount of HRK 700 thousand (2010: HRK 0).

/ii/ During 2010, the Company sold its 100% share in the subsidiary Luka Ploče Gradnja d.o.o. for a total amount of HRK 6,111 thousand, while the value of the share amounted to HRK 3,150 thousand. The Company realised a gain on sale of the share of HRK 2,961 thousand (Note 5).

NOTE 16 – INVESTMENTS IN ASSOCIATES

(in thousands of HRK)	**2011**	**2010**
Lučka sigurnost d.o.o.	55	55
Vizir d.o.o.	25	25
Total	**80**	**80**

The Group and the Company have shares in associates of which the Company has investments in two associates of 49% in the total amount of HRK 80 thousand, whereas the remaining 51% is owned by the Port Authority. The Port Authority controls associates by appointing the only member of the Management Board responsible for making operational decisions, and it has the majority in the supervisory boards of these companies. The principal activity of the associates is the security of business premises. Transactions with these associates are disclosed in Note 27.

NOTE 17a – FINANCIAL INSTRUMENTS BY CATEGORY – GROUP

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

(in thousands of HRK)	Loans and receivables	Financial assets at fair value through profit or loss	Total
31 December 2011			
Financial assets			
Loans given	4,934	-	4,934
Long-term deposits	380	-	380
Other assets at fair value through profit or loss	-	275	275
Trade receivables	33,817	-	33,817
Short-term deposits	244,774	-	244,774
Cash and cash equivalents	35,265	-	35,265
Total	**319,170**	**275**	**319,445**

(in thousands of HRK)	Loans and receivables
31 December 2011	
Financial liabilities	
Borrowings	57,129
Trade payables	8,328
Total	**65,457**

(in thousands of HRK)	Loans and receivables	Financial assets at fair value through profit or loss	Total
31 December 2010			
Financial assets			
Loans given	4,822	-	4,822
Other assets at fair value through profit or loss	-	2,331	2,331
Trade receivables	42,247	-	42,247
Deposits	1,462	-	1,462
Cash and cash equivalents	76,063	-	76,063
Total	**124,594**	**2,331**	**126,925**

(in thousands of HRK)	Loans and receivables
31 December 2010	
Financial liabilities	
Borrowings	34,567
Trade payables	7,655
Total	**42,222**

NOTE 17a – FINANCIAL INSTRUMENTS BY CATEGORY – Luka Ploče d.d.

(in thousands of HRK)	Loans and receivables	Financial assets at fair value through profit or loss	Total
31 December 2011			
Financial assets			
Loans given	7,470	-	7,470
Other assets at fair value through profit or loss	-	275	275
Trade receivables	40,272	-	40,272
Deposits	242,825	-	242,825
Cash and cash equivalents	29,820	-	29,820
Total	**320,387**	**275**	**320,662**

(in thousands of HRK)	Loans and receivables
31 December 2011	
Financial liabilities	
Borrowings	55,232
Trade payables	9,837
Total	**65,069**

(in thousands of HRK)	Loans and receivables	Financial assets at fair value through profit or loss	Total
31 December 2010			
Financial assets			
Loans given	4,822	-	4,822
Other assets at fair value through profit or loss	-	2,331	2,331
Trade receivables	48,634	-	48,634
Deposits	1,134	-	1,134
Cash and cash equivalents	70,838	-	70,838
Total	**125,428**	**2,331**	**127,759**

(in thousands of HRK)	Loans and receivables
31 December 2010	
Financial liabilities	
Borrowings	34,198
Trade payables	10,076
Total	**44,274**

Financial instruments do not include business transactions with employees, receivables/payables for contributions, taxes and receivables/payables for advances received.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of the stated receivables. The Company does not hold any collateral as security.

NOTE 17b – CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are neither past due nor impaired is monitored according to the exposure of customers to various credit risks is as follows:

	Luka Ploče Group		Luka Ploče d.d.	
(in thousands of HRK)	**2011**	**2010**	**2011**	**2010**
Related parties	-	-	2,473	1,732
New customers	179	278	68	17
Existing customers – payments within maturity period	2,888	5,715	2,238	3,545
Existing customers – with some defaults in the past	13,677	14,267	12,085	14,518
Total	**16,744**	**20,260**	**16,864**	**19,812**

The Company mainly deposits its cash with financial institutions that are members of international banking groups with the following credit ratings by Standard & Poor's:

	Luka Ploče Group		Luka Ploče d.d.	
(in thousands of HRK)	**2011**	**2010**	**2011**	**2010**
A-1/A+	33,206	73,598	29,691	70,195
A-2/BBB+	356	165	124	91
B/BB+	1,604	-	4	-
Without rating	99	2,300	1	552
	35,265	**76,063**	**29,820**	**70,838**

NOTE 18 – LONG-TERM LOAN RECEIVABLES

	Luka Ploče Group		Luka Ploče d.d.	
(in thousands of HRK)	2011	2010	2011	2010
Long-term loan receivables	4,934	4,822	4,934	4,822
Current portion of loans receivable	(452)	(369)	(452)	(369)
	4,482	**4,453**	**4,482**	**4,453**

In previous years, the Company sold flats to its employees on long-term credits in accordance with legal regulations of the Republic of Croatia. The loans are repayable over a period of 20 – 35 years with an interest rate set at 1% p.a. The loans are repaid regularly in monthly instalments. The loans are not discounted. The loans are secured by mortgages on the apartments. The Company is obliged to pay 65% of the received repayments to the state budget (Note 24). All loan receivables are denominated in HRK.

In 2011, long-term loans were granted to 3 members of the Supervisory Board in the total amount of HRK 450 thousand. The interest rate is set at 4%, and maturity period is 7 years. The loans are secured by promissory notes.

The maturity of long-term borrowings is as follows:

	Luka Ploče Group		Luka Ploče d.d.	
	2011	2010	2011	2010
	(in thousands of HRK)		*(in thousands of HRK)*	
Up to 1 year	452	369	452	369
Between 1 and 5 years	1,766	1,460	1,766	1,460
Over 5 years	2,716	2,993	2,716	2,993
Total	**4,934**	**4,822**	**4,934**	**4,822**

NOTE 19 – INVENTORIES

	Luka Ploče Group		Luka Ploče d.d.	
	2011	2010	2011	2010
	(in thousands of HRK)		*(in thousands of HRK)*	
Raw materials	1,763	1,663	198	273
Spare parts	1,368	1,295	1,108	1,088
Trade goods	173	76	-	-
	3,304	**3,034**	**1,306**	**1,361**

NOTE 20 – TRADE AND OTHER RECEIVABLES

	Luka Ploče Group		Luka Ploče d.d.	
	2011	**2010**	**2011**	**2010**
	(in thousands of HRK)		*(in thousands of HRK)*	
Domestic trade receivables	7,910	11,372	15,631	18,503
Foreign trade receivables	30,400	34,538	24,925	31,148
Provision for impairment	(4,493)	(3,663)	(284)	(1,017)
	33,817	42,247	40,272	48,634
Current portion of long-term receivables (Note 18)	452	369	452	369
Receivable from state	345	947	330	939
VAT receivable	299	1,260	121	1,074
Advances	305	93	208	38
Deposits	1,135	1,462	1,135	1,134
Other receivables	1,212	1,587	990	1,174
Impairment of other receivables	-	(575)	-	(575)
Loans given to related parties /i/	-	-	2,536	-
Deposits with banks /ii/	244,774	-	242,825	-
	282,339	**47,390**	**288,869**	**52,787**

/i/ In 2011, the Company granted a short-term loan to Luka Ploče Trgovina d.o.o. in the amount of HRK 2,500 thousand at an interest rate of 7% for the realisation of the business plan for the construction of the Liquid cargo terminal. The loan matures in 2012. The loan is not secured.

/ii/ As at 31 December 2011, the Company had three deposits placed with business banks denominated in USD and EUR. The deposits mature in 2012.

As at 31 December 2011, the Group and the Company had trade receivables past due but not impaired in the amount of HRK 17,073 thousand and HRK 23,408 thousand, respectively (2010: HRK 21,987 thousand and HRK 28,822 thousand). The ageing of these receivables is based on the days outstanding after the maturity date as follows:

	Luka Ploče Group		Luka Ploče d.d	
	2011	**2010**	**2011**	**2010**
	(in thousands of HRK)		*(in thousands of HRK)*	
Up to 30 days	6,205	6,376	4,962	5,242
Up to 60 days	2,325	1,478	1,725	1,095
Up to 90 days	1,609	1,898	1,407	1,636
Over 90 days	6,934	12,235	15,314	20,849
	17,073	21,987	23,408	28,822

The stated receivables relate to a number of customers whose collection is certain based on historical data.

Receivables outstanding more than 90 days after the maturity date are considered for impairment. Based on historical data, it was estimated that a part of the stated receivables will be collected.

The fair value of trade receivables approximates their carrying amount.

NOTE 20 – TRADE AND OTHER RECEIVABLES (continued)

As at 31 December 2011, the provision for impairment of receivables amounted to HRK 4,493 thousand for the Group (2010: HRK 4.238 thousand) and HRK 284 thousand for the Company (2010: HRK 1,592 thousand). The provision relates to customers with some defaults in payments, who are in difficult economic situations.

Balances and movements on the provision for impairment of trade and other receivables are as follows:

	Luka Ploče Group		Luka Ploče d.d.	
	2011	**2010**	**2011**	**2010**
	(in thousands of HRK)		*(in thousands of HRK)*	
At 1 January	4,238	708	1,592	450
Provisions	2,609	4,109	284	1,592
Collected receivables previously written off	(789)	(196)	(262)	(149)
Receivables written off during the year as uncollectible	(1,565)	(383)	(1,330)	(301)
At 31 December	**4,493**	**4,238**	**284**	**1,592**

Financial assets are denominated in the following currencies:

	Luka Ploče Group		Luka Ploče d..d	
	2011	**2010**	**2011**	**2010**
	(in thousands of HRK)		*(in thousands of HRK)*	
EUR	23,670	27,533	20,821	25,312
USD	249,709	5,953	247,522	5,387
HRK	6,799	10,592	18,877	19,438
	280,178	**44,078**	**287,220**	**50,137**

NOTE 21 – FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Luka Ploče Group		Luka Ploče d.d.	
	2011	**2010**	**2011**	**2010**
	(in thousands of HRK)		*(in thousands of HRK)*	
At beginning of year	2,331	2,320	2,331	2,320
Fair value gains / (losses) (Note 10)	(55)	11	(55)	11
Impairment (Note 10)	(2,001)	-	(2,001)	-
At end of year	**275**	**2,331**	**275**	**2,331**

As at 31 December 2011, the amount of HRK 275 thousand (2010: HRK 2,331 thousand) relates to shares of two listed companies in which the Group's holding does not exceed 20% of ownership. The parent company impaired the investment in an unlisted company in the amount of HRK 2,001 thousand due to bankruptcy. The fair value estimation is set out in Note 3.3. Financial assets at fair value through profit or loss are denominated in HRK.

NOTE 22 – CASH AND CASH EQUIVALENTS

	Luka Ploče Group		Luka Ploče d.d.	
	2011	**2010**	**2011**	**2010**
	(in thousands of HRK)		*(in thousands of HRK)*	
Giro account	3,658	1,501	1,376	549
Foreign currency account	31,607	74,562	28,444	70,289
	35,265	**76,063**	**29,820**	**70,838**

In 2011 and 2010, the interest rates on funds held on giro and current accounts were 0.5 - 2%.

Cash and cash equivalents are denominated in the following currencies:

	Luka Ploče Group		Luka Ploče d..d	
	2011	**2010**	**2011**	**2010**
	(in thousands of HRK)		*(in thousands of HRK)*	
EUR	21,320	12,249	18,316	8,984
USD	10,287	62,313	10,128	61,305
HRK	3,658	1,501	1,376	549
	35,265	**76,063**	**29,820**	**70,838**

NOTE 23 – CAPITAL AND RESERVES

Share capital

As at 31 January 2011, the Issuer's Extraordinary General Assembly was held where it was decided to increase the share capital by contributions in cash and to issue ordinary shares through a public offering.

The subject of the public bid were 200,353 shares in line with the Prospectus issued as at 17 June 2011. As at 11 July 2011 the decision was made on the final price of shares of HRK 850. In the first round, the existing shareholders had the right to subscribe shares. In the first round, which lasted for 14 calendar days from the Public Call, when the shares were subscribed by the existing shareholders, 26,746 shares were appropriately subscribed an paid at a price of HRK 850, in the total amount of HRK 22,735 thousand. In the second round, which lasted for 5 calendar days from the announcement, in which shares were subscribed by the overall investment public, additional 173,607 shares were appropriately subscribed an paid, in the total amount of HRK 147,565 thousand.

By capital contribution, the Company's share capital was increased from the amount of HRK 89,046 thousand by HRK 80,141 thousand by issuing 200,353 new ordinary shares (with a nominal value of HRK 400) and as at 31 December 2011, it amounts to HRK 169,188 thousand (422,967 new ordinary shares, each with a nominal value of HRK 400).

NOTE 23 – CAPITAL AND RESERVES (continued)

The ownership structure as at 31 December 2011 and 2010 was as follows:

	2011		2010	
Shareholders	**Number of shares**	**Ownership (%)**	**Number of shares**	**Ownership (%)**
Small shareholders	234,501	55.45	86,341	38.8
Mandatory pension funds	75,738	17.91	-	-
Voluntary pension funds	28,226	6.67	-	-
Croatian Privatisation Fund	47,009	11.11	98,780	44.4
Croatian Institute for Pension Insurance	37,493	8.86	37,493	16.8
Total	422,967	100.0	222,614	100.0

Premium on issued shares
The Company realised the premium of HRK 90,159 thousand on newly issued shares, which was decreased by the costs of issuing new shares of HRK 2,052 thousand, and as at 31 December 2011 the premium for issued shares amounts to HRK 88,107 thousand.

Other reserves
As at 31 December 2011, the Company has other reserves in the total amount of HRK 48,945 thousand (2010: HRK 49,225 thousand), and the Group of HRK 50,306 thousand (2010: HRK 50,712 thousand). In earlier years, in the course of the Company's ownership transformation process, reserves were formed in the amount of HRK 15,850 thousand (Group: HRK 17,736 thousand), in accordance with the then applicable Sea Ports Law and the Law on Ownership Transformation, while an amount of HRK 33,095 thousand of the Company's reserves was formed based on Management decision in previous years. Other reserves are distributable.

Legal reserves
Legal reserves amount to HRK 4,157 thousand (2010: HRK 3,382 thousand) were formed in line with Croatian law and must be built up at a minimum of 5% of the profit for the year until the total legal reserve reaches 5% of the Company's share capital. Legal reserves are not distributable.

Treasury shares
From October to December 2011, the Company purchased 380 treasury shares at prices ranging between HRK 677 and HRK 727 per share.

NOTE 23 – CAPITAL AND RESERVES (continued)

Earnings per share

Basic earnings per share are calculated by dividing the Company's net profit by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the Company and held as treasury shares. Basic earnings per share equal diluted earnings, since there are no dilutive shares.

	Luka Ploče Group		Luka Ploče d.d.	
	2011	**2010**	**2011**	**2010**
Net profit attributable to shareholders from continuing operations *(in thousands of HRK)*	27,098	15,448	25,726	15,509
Net profit attributable to shareholders from discontinued operations *(in thousands of HRK)*	-	356	-	-
Weighted average number of ordinary shares in issue	322,696	222,614	322,696	222,614
Basic/diluted earnings per share from continuing operations*(in HRK)*	83.97	69.39	78.33	69.66
Basic/diluted earnings per share from discontinued operations *(in HRK)*	-	1.60	-	-

NOTE 24 – BORROWINGS

	Luka Ploče Group		Luka Ploče d.d.	
	2011	**2010**	**2011**	**2010**
	(in thousands of HRK)		*(in thousands of HRK)*	
Bank borrowings	1,361	-	-	-
Finance lease	52,839	31,425	52,303	31,056
Liabilities to the State (Note 18)	2,929	3,142	2,929	3,142
	57,129	**34,567**	**55,232**	**34,198**
Current portion	(11,109)	(6,493)	(9,561)	(6,364)
	46,020	**28,074**	**45,671**	**27,834**

Bank borrowings

In 2011, the subsidiary Luka Ploče Trgovina d.o.o. used three cash short-term borrowings from business banks in the amount of HRK 3,000 thousand. One borrowing was fully repaid during 2011. The remaining borrowings as at 31 December 2011 are denominated in HRK and EUR. The interest rates are set at 1mZibor + 3.8% and 3mEURIBOR + 3.95% p.a. The borrowings are secured by bills of exchange and promissory notes. The borrowings mature during 2012.

NOTE 24 – BORROWINGS (continued)

Finance lease

As at 31 December 2011, Luka Ploče d.d. uses three finance leases from leasing companies denominated in EUR and a lease in HRK from the Port Authority.

The finance lease agreement from 2008 was prolonged, and the repayment period was extended from 2013 to 2015.

In March 2011, a new finance lease agreement was concluded for the purchase of a crane, which matures in 2016. Leases are secured by promissory notes, bills of exchange, and after the takeover also by insurance policies. The effective interest rate on these leases in 2011 was 3.3%.

The lease of the Port Authority concluded in 2008 is repayable in equal monthly instalments and it is secured by promissory notes. The lease matures in 2024.

The gross liability under the finance lease is as follows

	Luka Ploče Group		Luka Ploče d.d.	
	2011	**2010**	**2011**	**2010**
	(in thousands of HRK)		*(in thousands of HRK)*	
Up to 1 year (current portion)	11,032	6,781	10,815	6,634
Between 1 and 5 years	34,473	12,265	34,094	12,010
Over 5 years	11,275	15,009	11,275	15,009
Future financing expenses	(3,941)	(2,630)	(3,881)	(2,598)
Current value of finance lease liabilities	**52,839**	**31,425**	**52,303**	**31,055**

Liability to the State for sold apartments

In relation to long-term loans given to its employees for apartments, the Company has created a liability to repay to the State budget 65% of all repayments received from the employees (Note 18).

The maturity of long-term borrowings is as follows:

	Luka Ploče Group		Luka Ploče d.d.	
	2011	**2010**	**2011**	**2010**
	(in thousands of HRK)		*(in thousands of HRK)*	
Up to 1 year (current portion)	11,109	6,493	9,561	6,364
Between 1 and 5 years	33,038	12,878	32,688	12,637
Over 5 years	12,982	15,196	12,983	15,197
	57,129	**34,567**	**55,232**	**34,198**

NOTE 24 – BORROWINGS (continued)

The exposure of the borrowings to interest rate changes at the balance sheet date is as follows (other borrowings are stated at fixed rates):

	Luka Ploče Group		Luka Ploče d.d.	
	2011	2010	2011	2010
	(in thousands of HRK)		*(in thousands of HRK)*	
3 months	53,120	31,425	52,303	31,056
1 month	1,080	-	-	-

The book value of the Group's long-term borrowings approximates fair value, as contracted interest rates approximate current market interest rates.

As borrowings are primarily stated in foreign currency, the Group is exposed to foreign currency risk as follows:

	Luka Ploče Group		Luka Ploče d.d.	
	2011	2010	2011	2010
	(in thousands of HRK)		*(in thousands of HRK)*	
EUR	34,893	12,424	33,829	12,057
HRK	22,236	22,143	21,403	22,141
	57,129	**34,567**	**55,232**	**34,198**

NOTE 25 – PROVISIONS

Group

(in thousands of HRK)	**Legal claims**	**Employee benefits**	**Total**
At 1 January 2011	**3,260**	**6,143**	**9,403**
Additional provisions	-	4,970	4,970
Utilised during the year	-	(1,621)	(1,621)
At 31 December 2011	**3,260**	**9,492**	**12,752**
Analysis of total provisions			
Non-current	3,260	4,136	7,396
Current	-	5,356	5,356
	3,260	**9,492**	**12,752**

Company

(in thousands of HRK)	**Legal claims**	**Employee benefits**	**Total**
At 1 January 2011	**3,260**	**4,902**	**8,162**
Additional provisions (Note 8)	-	4,896	4,896
Utilised during the year	-	(1,272)	(1,272)
At 31 December 2011	**3,260**	**8,526**	**11,786**
Analysis of total provisions			
Non-current	3,260	3,339	6,599
Current	-	5,187	5,187
	3,260	**8,526**	**11,786**

Provisions relate to legal claims, long and short-term employee benefits as defined by the collective bargaining agreement. Non-current provisions relate to legal claims, jubilee awards and retirement benefits, while current provisions relate to current portion of termination benefits, jubilee awards and unused vacation days as at 31 December 2011 and provisions for termination benefits for encouraging termination of employment by employees (Note 8).

NOTE 26 – TRADE AND OTHER PAYABLES

	Luka Ploče Group		Luka Ploče d.d.	
	2011	**2010**	**2011**	**2010**
	(in thousands of HRK)		*(in thousands of HRK)*	
Domestic trade payables	7,432	6,262	8,941	8,944
Foreign trade payables	896	1,393	896	1,132
	8,328	7,655	9,837	10,076
Salaries payable	4,259	4,428	3,211	3,458
Taxes/contributions from and on salaries	2,195	2,295	1,603	1,745
Deferred income	196	239	-	-
Other /i/	5,264	1,133	329	356
	20,242	**15,750**	**14,980**	**15,635**

/i/ Other Group's liabilities include HRK 4,412 thousand of liabilities of Luke Ploče Trgovina for water management and utility contributions for the construction of the terminal for warehousing and transhipment of liquid cargo.

Trade payables comprising financial liabilities are denominated in the following currencies:

	Luka Ploče Group		Luka Ploče d..d	
	2011	**2010**	**2011**	**2010**
	(in thousands of HRK)		*(in thousands of HRK)*	
EUR	237	576	237	177
USD	763	1,181	763	1,059
HRK	7,328	5,898	8,837	8,840
	8,328	**7,655**	**9,837**	**10,076**

NOTE 27 – RELATED PARTY TRANSACTIONS

Parties are considered to be related if one of the parties has the power to exercise control over the other party, is under common control or if it has significant influence over the other party's operations.

Related parties in 2010 which were not included in consolidation are companies under common control owned by the Republic of Croatia (the ultimate owner in 2010), the Port Authority as a state institution (entity with influence on the Group's business operations in accordance with the Concession agreement) and associates Vizir d.o.o. Ploče, Lučka Sigurnost d.o.o. Ploče (see Note 16).
In 2011, the Republic of Croatia is no longer the Company's majority owner, and therefore companies under the control of the Republic of Croatia are not considered related parties.

Items resulting from transactions and balances with the stated related parties as at 31 December 2011 and 2010 are as follows:

	Luka Ploče Group		Luka Ploče d..d	
	2011	2010	2011	2010
	(in thousands of HRK)		*(in thousands of HRK)*	
Receivables				
Port Authority	-	204	-	83
Associates	-	54	-	52
Total	**-**	**258**	**-**	**135**
Payables				
Port Authority	3,904	936	3,899	897
Associates	220	221	220	221
Entities under common control	-	185	-	185
Total	**4,124**	**1,342**	**4,119**	**1,303**
Revenues				
Port Authority	351	590	324	259
Associates	13	61	13	12
Total	**364**	**651**	**337**	**271**
Expenses				
Port Authority	3,378	1,624	3,315	900
Associates	2,820	2,726	2,820	2,725
Entities under common control	-	4,364	-	4,364
Total	**6,198**	**8,714**	**6,135**	**7,989**

The nature of services with the Port Authority (utilities), associates (security of business premises) and entities under common control (insurance, electricity, transport) is based on usual commercial terms.

NOTE 27 – RELATED PARTY TRANSACTIONS (continued)

Key management compensation

Key management compensation, including three members of the Management Board of the Company (2010: 3) and eight directors of the Group companies (2010: 6), was as follows:

	Luka Ploče Group		Luka Ploče d.d.	
	2011	**2010**	**2011**	**2010**
	(in thousands of HRK)		*(in thousands of HRK)*	
Salaries	1,757	1,550	838	657
Taxes and contributions	1,634	1,350	868	616
	3,391	**2,900**	**1,706**	**1,273**

Pension contributions for key management that the Group and the Company paid to mandatory pension funds for 2011 amounted to HRK 547 thousand and HRK 262 thousand, respectively (2010: HRK 493 thousand and HRK 216 thousand).

NOTE 28 – CONTINGENCIES AND COMMITMENTS

Legal claims. As at 31 December 2011 and 2010, the Group and the Company had no legal claims arising in the ordinary course of operations, which would result in a potential liability for the Group and the Company beyond that already provided for in Note 25.

Commitments. By signing concession agreements for the construction of the terminal for bulk and liquid cargo, the Company and the Group member Luka Ploče Trgovina committed to invest in transhipment equipment the amount of HRK 350 million and in the construction of the oil terminal of the total value of HRK 716 million. These investments are planned in three (3) phases until 2022, with various modes of funding. In accordance with the signed financing agreements, the dynamic investment plans are reassessed each year and may be modified.