Consolidated and separate

Financial statements of the JANAF GROUP and of JANAF D.D.

For the year ended

31 December 2011

Together with Independent Auditor's Report

Zagreb, March 2012

Contents

Pursuant to the Accounting Act of the Republic of Croatia, the Managing Board is responsible for ensuring that financial statements are prepared for each financial year in accordance with International Financial Reporting Standards ("the IFRSs"), as published by the International Accounting Standards Board, which give a true and fair view of the financial position and results of operations of Jadranski naftovod (JANAF D.D. or the Company) and the JANAF GROUP, comprising JANAF D.D. and its subsidiaries (jointly referred to as "the Group") for that year.

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

In preparing those consolidated and unconsolidated financial statements, the responsibilities of the Managing Board include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgments and estimates are reasonable and prudent;
- the applicable accounting standards are followed, subject to any material departures disclosed and explained in the consolidated and unconsolidated financial statements; and
- the consolidated and unconsolidated financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

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

Signed for and on behalf of the Company and the Group:

D.Sc. Dragan Kovačević, President of the Managing Board

Jakša Marasović, Member of the Managing Board

Bruno Šarić, Member of the Managing Board

Jadranski naftovod d.d.
Miramarska cesta 24
10000 Zagreb
Republic of Croatia

5 March 2012

Deloitte.

Deloitte d.o.o.
ZagrebTower
Radnička cesta 80
10 000 Zagreb
Hrvatska
OIB: 11686457780

Tel: +385 (0) 1 2351 900
Fax: +385 (0) 1 2351 999
www.deloitte.com/hr

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Jadranski naftovod d.d., Zagreb

We have audited the accompanying consolidated and unconsolidated financial statements of Jadranski naftovod d.d. (hereinafter: "the Company") and its subsidiaries (hereinafter jointly referred to as "the Group), which comprise the consolidated and unconsolidated statements of financial position at 31 December 2011, the consolidated and unconsolidated statements of comprehensive income, the consolidated and unconsolidated statements of changes in shareholders' equity and the consolidated and unconsolidated statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated and unconsolidated

Management is responsible for the preparation and fair presentation of the consolidated and unconsolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated and unconsolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and unconsolidated 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 consolidated and unconsolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and unconsolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and unconsolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the preparation and fair presentation of the consolidated and unconsolidated financial statements of the Company and the Group, respectively, 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 internal controls. 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 consolidated and unconsolidated financial statements.

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Opinion

In our opinion, the consolidated and unconsolidated financial statements present fairly, in all material respects, the respective financial positions of the Company and the Group at 31 December 2011, and the results of their operations and their cash flows for the year then ended in accordance with the International Financial Reporting Standards.

Regulatory framework

Pursuant to the Regulation on the Structure and Content of Annual Financial Statements of 28 March 2008 (Official Gazette No. 38/08), the Managing Board of the Company has prepared its annual financial statements in the prescribed format, set out on pages 53 to 61 (for the purpose of the public disclosure referred to as "The Statutory Annual Financial Statements"), which consist of the balance sheet as at 31 December 2011 and the statements of income and of cash flows for the year 2011. These Annual Statutory Financial Statements are the responsibility of the Company's Management. The financial information contained in the Annual Statutory Financial Statements has been derived from the unconsolidated financial statements of the Company, set out on page 4 to 52, on which we expressed an unqualified opinion.

Deloitte d.o.o.

Branislav Vrtačnik, Certified Auditor

Zagreb, Republic of Croatia

5 March 2012

Consolidated Statement of Comprehensive Income of the **JANAF GROUP**

For the year ended 31 December 2011

(All amounts are expressed in thousands of kunas)

	Notes	2011	2010
Sales	3	411,217	421,776
Other operating income	4	8,862	19,947
Operating income		**420,079**	**441,723**
Cost of material	5	(53,276)	(51,656)
Staff costs	6	(74,189)	(67,554)
Depreciation and amortisation	7,11,12	(165,864)	(147,487)
Other operating expenses	8	(64,280)	(52,902)
Operating expenses		**(357,609)**	**(319,599)**
Profit from operations		**62,470**	**122,124**
Financial income		24,852	27,253
Finance costs		(11,607)	(15,119)
Net financial income	9	**13,245**	**12,134**
Total income		**444,931**	**468,976**
Total expenses		**(369,216)**	**(334,718)**
Profit for the period		**75,715**	**134,258**
Income tax expense	10	(14,304)	(28,097)
Profit after taxation		**61,411**	**106,161**
Other comprehensive income		-	-
Total comprehensive income		**61,411**	**106,161**
Earnings per share (in HRK)	21	**63.82**	**123.05**

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

Statement of Comprehensive Income of **JANAF D. D.**

For the year ended 31 December 2011

(All amounts are expressed in thousands of kunas)

	Notes	2011	2010
Sales	3	411,217	421,776
Other operating income	4	8,898	19,947
Operating income		**420,115**	**441,723**
Cost of material	5	(53,220)	(51,626)
Staff costs	6	(73,654)	(67,407)
Depreciation and amortisation	7,11,12	(165,864)	(147,487)
Other operating expenses	8	(65,021)	(52,811)
Operating expenses		**(357,759)**	**(319,331)**
Profit from operations		**62,356**	**122,392**
Financial income		24,873	27,256
Finance costs		(11,607)	(15,119)
Net financial income	9	**13,266**	**12,137**
Total income		**444,988**	**468,979**
Total expenses		**(369,366)**	**(334,450)**
Profit for the period		**75,622**	**134,529**
Income tax expense	10	(14,285)	(28,097)
Profit after taxation		**61,337**	**106,432**
Other comprehensive income		-	-
Total comprehensive income		**61,337**	**106,432**
Earnings per share (in HRK)	21	**63.75**	**123.37**

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

Consolidated Statement of Financial Position of the **JANAF GROUP**

At 31 December 2011

(All amounts are expressed in thousands of kunas)

	Notes	2011	2010
NON-CURRENT ASSETS			
Intangible assets	11	85,056	78,341
Tangible assets	12	2,652,425	2,534,613
Other financial assets	13	37	-
Receivables		172	198
Deferred tax assets	10	8,786	3,333
		2,746,476	**2,616,485**
CURRENT ASSETS			
Receivables for subscribed capital unpaid	14	-	250,247
Inventories	15	10,307	7,756
Receivables:			
Receivables from related companies	29	12,108	10,270
Trade and other receivables	16	65,346	60,830
		77,454	*71,100*
Financial assets	13	388,805	238,797
Cash and cash equivalents	17	271,074	216,476
Other assets		53	188
		747,693	**784,564**
TOTAL ASSETS		**3,494,169**	**3,401,049**
CAPITAL AND RESERVES			
Share capital	18	2,720,677	2,720,677
Reserves	19	231,649	175,775
Retained earnings	20	185,661	185,932
Profit for the year	21	61,411	106,161
		3,199,398	**3,188,545**
LONG-TERM DEBT			
Provisions	22	54,575	41,472
Long-term debt	23	91,661	83,180
		146,236	**124,652**
CURRENT LIABILITIES			
Trade and other payables	24	138,056	76,342
Other liabilities	25	10,479	11,510
		148,535	**87,852**
TOTAL EQUITY AND LIABILITIES		**3,494,169**	**3,401,049**

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

Statement of Financial Position of **JANAF D. D.**

At 31 December 2011

(All amounts are expressed in thousands of kunas)

	Notes	2011	2010
NON-CURRENT ASSETS			
Intangible assets	11	85,056	78,341
Tangible assets	12	2,652,425	2,534,613
Investments in subsidiaries	13	47	30
Other financial assets	13	923	400
Receivables		172	198
Deferred tax assets	10	8,786	3,333
		2,747,409	**2,616,915**
CURRENT ASSETS			
Receivables for subscribed capital unpaid	14	-	250,247
Inventories	15	10,307	7,756
Receivables:			
Receivables from related companies	29	12,121	10,275
Trade and other receivables	16	68,345	60,830
		77,466	*71,105*
Financial assets	13	388,805	238,797
Cash and cash equivalents	17	270,337	216,206
Other assets		53	188
		746,968	**784,299**
TOTAL ASSETS		**3,494,377**	**3,401,214**
CAPITAL AND RESERVES			
Share capital	18	2,720,677	2,720,677
Reserves	19	231,651	175,775
Retained earnings	20	185,932	185,932
Profit for the year	21	61,337	106,432
		3,199,597	**3,188,816**
LONG-TERM DEBT			
Provisions	22	54,575	41,472
Long-term debt	23	91,661	83,180
		146,236	**124,652**
CURRENT LIABILITIES			
Trade and other payables	24	138,065	76,236
Other liabilities	25	10,479	11,510
		148,544	**87,746**
TOTAL EQUITY AND LIABILITIES		**3,494,377**	**3,401,214**

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

Consolidated Statement of Cash Flows of the **JANAF GROUP**

For the year ended 31 December 2011

(All amounts are expressed in thousands of kunas)

	2011	2010
Operating activities		
Net profit	61,411	106,161
Adjusted by:		
Income tax expense	14,304	28,097
Depreciation	159,662	141,681
Amortisation	6,202	5,806
Surpluses and net book value of non-current assets	(1,882)	(187)
Value adjustment of trade receivables	17,270	219
Provisions	13,103	7,000
Accrued interest on loans	4,339	3,804
Exchange differences on loans	4,154	6,849
Operating cash flows before changes in working capital	**278,563**	**299,430**
Increase in receivables	(41,045)	(12,151)
Increase / (decrease) in liabilities	69,953	(80,585)
Increase in inventories	(2,551)	(299)
Increase in provisions	(2)	-
Cash generated from operations	**304,918**	**206,395**
Interest paid	-	(127)
Prepaid income taxes	(29,038)	(28,777)
Net cash generated from operating activities	**275,880**	**177,491**
Investing activities		
Interest received	17,479	4,946
Purchases of shares	(37)	-
Proceeds from sale of tangible assets	103	56
Payments for purchases of tangible assets	(275,593)	(171,220)
Payments for purchases of intangible assets	(12,917)	(16,490)
Increase in deposits	(150,008)	(208,258)
Net cash used in investing activities	**(420,973)**	**(390,966)**
Financing activities		
Proceeds from issuance of shares	250,247	285,997
Dividends paid	(50,556)	-
Repayment of bank borrowings	-	(10,817)
Net cash generated from financing activities	**199,691**	**275,180**
Net increase in cash and cash equivalents	54,598	61,705
Cash and cash equivalents at the beginning of the year	**216,476**	**154,771**
Cash and cash equivalents at the end of year	**271,074**	**216,476**

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

Statement of Cash Flows **of JANAF D. D.**

For the year ended 31 December 2011

(All amounts are expressed in thousands of kunas)

	2011	2010
Operating activities		
Net profit	61,337	106,432
Adjusted by:		
Income tax expense	14,285	28,097
Depreciation	159,662	141,682
Amortisation	6,202	5,805
Surpluses and net book value of non-current assets	(1,882)	(187)
Value adjustment of trade receivables	17,270	219
Provisions	13,103	7,000
Accrued interest on loans	4,339	3,804
Exchange differences on loans	4,154	6,849
Operating cash flows before changes in working capital	**278,470**	**299,701**
Increase in receivables	(41,073)	(11,889)
Increase / (decrease) in liabilities	70.087	(80,988)
Increase in inventories	(2,551)	(299)
Other non-cash items	(17)	-
Cash generated from operations	**304,916**	**206,525**
Interest paid	-	(127)
Prepaid income taxes	(29,038)	(28,777)
Net cash generated from operating activities	**275,878**	**177,621**
Investing activities		
Interest received	17,500	4,946
Purchases of shares	(37)	-
Given loans	(486)	(400)
Proceeds from sale of tangible assets	103	56
Payments for purchases of tangible assets	(275,593)	(171,220)
Payments for purchases of intangible assets	(12,917)	(16,490)
Increase in deposits	(150,008)	(208,258)
Net cash used in investing activities	**(421,438)**	**(391,366)**
Financing activities		
Proceeds from issuance of shares	250,247	285,997
Dividends paid	(50,556)	-
Repayment of bank borrowings	-	(10,817)
Net cash generated from financing activities	**199,691**	**275,180**
Net increase in cash and cash equivalents	54,131	61,435
Cash and cash equivalents at the beginning of the year	**216,206**	**154,771**
Cash and cash equivalents at the end of year	**270,337**	**216,206**

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

Consolidated Statement of Changes in Equity of the **JANAF GROUP**

For the year ended 31 December 2011

(All amounts are expressed in thousands of kunas)

	Share capital	Legal reserves	Capital reserves	Profit for the year	Retained earnings	Other reserves	Total
At 1 January 2010	**2,720,677**	**12,330**	**54**	**118,481**	**129,653**	**99,167**	**3,080,362**
Allocation of undistributed profit from prior years	-	-	-	-	-	1,163	1,163
Deferred tax assets	-	-	-	-	-	859	859
Total comprehensive income	-	-	-	106,161	-	-	106,161
Allocation of 2009 profit	-	5,924	-	(118,481)	56,279	56,278	-
At 31 December 2010	**2,720,677**	**18,254**	**54**	**106,161**	**185,932**	**157,467**	**3,188,545**
At 1 January 2011							
Exchange differences on translation of a foreign operation	-	-	-	-	-	(2)	(2)
Dividends paid	-	-	-	(50,556)	-	-	(50,556)
Total comprehensive income	-	-	-	61,411	-	-	61,411
Allocation of 2010 profit	-	5,321	-	(55,605)	(271)	50,555	-
At 31 December 2011	**2,720,677**	**23,575**	**54**	**61,411**	**185,661**	**208,020**	**3,199,398**

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

Statement of Changes in Equity of **JANAF D. D.**

For the year ended 31 December 2011

(All amounts are expressed in thousands of kunas)

	Share capital	Legal reserves	Capital reserves	Profit for the year	Retained earnings	Other reserves	Total
At 1 January 2010	**2,720,677**	**12,330**	**54**	**118,481**	**129,653**	**99,167**	**3,080,362**
Allocation of undistributed profit from prior years	-	-	-	-	-	1,163	1,163
Deferred tax assets	-	-	-	-	-	859	859
Total comprehensive income	-	-	-	106,432	-	-	106,432
Allocation of 2009 profit	-	5,924	-	(118,481)	56,279	56,278	-
At 31 December 2010	**2,720,677**	**18,254**	**54**	**106,432**	**185,932**	**157,467**	**3,188,816**
At 1 January 2011							
Dividends paid	-	-	-	(50,556)	-	-	(50,556)
Total comprehensive income	-	-	-	61,337	-	-	61,337
Allocation of 2010 profit	-	5,321	-	(55,876)	-	50,555	-
At 31 December 2011	**2,720,677**	**23,575**	**54**	**61,337**	**185,932**	**208,022**	**3,199,597**

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

1. GENERAL INFORMATION

History and incorporation

Jadranski naftovod dioničko društvo, Zagreb, Miramarska cesta 24, ("the Company") was established upon the transformation of the socially owned enterprise into a public limited company in 1992 and is registered at the Commercial Court in Zagreb under the registration number: 080118427.

The Group comprises Jadranski naftovod d.d. and its two fully owned subsidiaries:

Janaf - upravljanje projektima d.o.o., Zagreb, and

Janaf – Terminal Brod, Brod, Republic of Bosnia and Herzegovina.

The principal activities of the Company comprise transport and storage of oil and oil products, and those of its subsidiaries are engineering and technical advisory services.

The subsidiaries started to operate in late 2010 with no significant volume of business, due to which Janaf d.d. did not compile the consolidated financial statements for the year 2010.

Managing Board

From 19 June 2009 until 10 February 2012 the members of the Managing Board of JANAF d.d. were as follows:

Ante Markov, President of the Managing Board

Members of the Managing Board:

Ante Dodig

Petar Grđan

Since 10 February 2012, the members of the Managing Board of JANAF d.d. have been as follows:

President of the Managing Board: Dragan Kovačević, D.Sc.

Members of the Managing Board:

Jakša Marasović

Bruno Šarić

1. GENERAL INFORMATION (CONTINUED)

Supervisory Board

From 13 November 2009 to 3 May 2011, the members of the Supervisory Board of Janaf d.d. were as follows:

Gordan Jandroković, President

Danijel Ropuš, Member

Anton Spicijarić, Member

Krešimir Baranović, Member

Alis Flego, Member

From 3 May 2011 to 26 October 2011, the members of the Supervisory Board of Janaf d.d. were as follows:

Branko Radošević, President

Milan Meden, Member

Boris Makšijan, Member

Krešimir Baranović, Member

Alis Flego, Member

From 26 October 2011 to 30 January 2012, the members of the Supervisory Board of Janaf d.d. were as follows:

Branko Radošević, President

Milan Meden, Member

Boris Makšijan, Member

Krešimir Baranović, Member

Barbara Šimić, Member

Alis Flego, Member

From 30 January 2012 to 3 February 2012, the members of the Supervisory Board of Janaf d.d. were as follows:

Branko Radošević, President

Milan Meden, Member

Boris Makšijan, Member

Srećko Ferenčak, Member

Goran Kovačevič, Member

Alis Flego, Member

1. GENERAL INFORMATION (CONTINUED)

From 3 February 2012 to 6 February 2012, the members of the Supervisory Board of Janaf d.d. were as follows:

Branko Radošević, President

Milan Meden, Member

Boris Makšijan, Member

Goran Kovačevič, Member

Alis Flego, Member

Since 6 February 2012, the members of the Supervisory Board of Janaf d.d. have been as follows:

Branko Radošević, President

Milan Meden, Member

Boris Makšijan, Member

Goran Kovačevič, Member

Krešimir Komljenovič, Member

Alis Flego, Member

Audit Committee of the Company

From 19 February 2009 to 3 May 2011, the members of the Audit Committee of Janaf d.d. were as follows:

Dražen Jurković, Chairman

Gordan Jandroković, Member

Danijel Ropuš, Member

From 14 July 2011 until the date of the adoption of the financial statements, the members of the Audit Committee of Janaf d.d. were as follows:

Milan Meden, Chairman

Alis Flego, Member

Barbara Šimić, Member

Dražen Jurković, Member

Branko Parać, Member

1. GENERAL INFORMATION (CONTINUED)

Related parties

Related parties comprise related and affiliated companies.

The subsidiaries of Janaf d.d. are Janaf - upravljanje projektima d.o.o., Zagreb and Janaf – Terminal Brod, Brod, Republic of Bosnia and Herzegovina.

The affiliated companies include HANDA – the Croatian Compulsory Oil Stocks Agency, fully owned by the Republic of Croatia, with an equity share in the Company of 26.28 percent.

Affiliated companies comprise the following:

Industrija nafte d.d.
HEP d.d.
Lučka uprava Rijeka (Rijeka Port Authority)
Croatia Airlines d.d.
Croatia Osiguranje d.d.
Auto cesta Rijeka–Zagreb d.d.
Hrvatska pošta d.d.
Croatian Radiotelevision
Hrvatske autoceste d.o.o.
Hrvatske ceste d.o.o.
Hrvatske vode
Hrvatske šume d.o.o.
Narodne novine d.d.
Vjesnik d.d.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In 2011, the accounting policies were amended to reflect the preparation of the consolidated financial statements. The amendments are presented in the accounting policies, which are set out below.

The financial statements are prepared in accordance with the provisions of International Accounting Standard 1 (IAS 1), International Accounting Standard 27 (IAS 27), applicable regulations adopted by the Croatian Accounting Standards Board , as well as under the regulations issued by the Croatian Financial Services Supervisory Agency ("CFSSA"). The financial statements complied under the CFSSA regulations are presented in the Appendix to the financial statements.

The Company prepares separate financial statements to reflect the operations of the Company, as the Parent, as well as consolidated financial statements for the Group.

The Company presents the following separate and consolidated financial statements:

- Statement of comprehensive income;
- Statement of financial position;
- Statement of cash flows;
- Statement of changes in equity, and
- Notes to the financial statements

The Company and the Group do not prepare the statements by reference to operating segments because of the inability to distinguish the assets and liabilities and expenses by operating segment. The Company and the Group make the mandatory disclosure of revenue at the level of individual business segments.

In addition to the annual financial statements, the Company prepares its Annual Report.

Pursuant to International Accounting Standard 34 (IAS 34), the provisions of the Capital Market Act and the accompanying regulations, the Company presents the financial statements for quarterly and semi-annual periods.

Preparation of the Consolidated Financial Statements

The Company prepares consolidated financial statements for the Group that comprises Janaf d.d. and the following subsidiaries: Janaf upravljanje projektima d.o.o., Zagreb, and Janaf – Terminal Brod d.o.o., Brod, Republic of Bosnia and Herzegovina.

Janaf - Terminal Brod d.o.o. represents a foreign operation. Exchange differences arisen on translation of the foreign operation are included in the consolidated financial statements as a separate component within the equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards and Interpretations effective in the current period

The following amendments to the existing standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period:

- **Amendments to IFRS 1 *First-time Adoption of IFRS***- Limited Exemption from Comparative IFRS 7 *Disclosures* for First-time Adopters (effective for annual periods beginning on or after 1 July 2010),
- **Amendments to IAS 24 *Related-party Disclosures* –** Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party (effective for annual periods beginning on or after 1 January 2011),
- **Amendments to IAS 32 *Financial Instruments: Presentation* - Accounting for rights issues** (effective for annual periods beginning on or after 1 February 2010);
- **Amendments to various standards and interpretations "Improvements to IFRSs (2010)"** resulting from the Annual Qualitative Improvement of IFRSs, published on 6 May 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) primarily with a view to removing inconsistencies and clarifying wording (to be applied for annual periods beginning on or after 1 July 2010 or on or after 1 January 2011, depending on the standard/interpretation),
- **Amendments to IFRIC 14 IAS 19 — *The Limit on a defined benefit Asset, Minimum Funding Requirements and their Interaction* -** Prepayments of a Minimum Funding Requirement (effective for annual periods beginning on or after 1 January 2011),
- **IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*** (effective for annual periods beginning on or after 1 July 2010)

The adoption of the amended and revised Standards and Interpretations has not lead to any changes in the Company's and Group's accounting policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards and Interpretations in issue not yet adopted

At the date of authorization of these consolidated and unconsolidated financial statements the following Standards, revisions and Interpretations were in issue but not yet effective:

- **IFRS 9 *Financial Instruments*** (effective for annual periods beginning on or after 1 January 2013),
- **IFRS 10 *Consolidated Financial Statements*** (effective for annual periods beginning on or after 1 January 2013),
- **IFRS 11 *Joint Arrangements*** (effective for annual periods beginning on or after 1 January 2013),
- **IFRS 12 *Disclosures of Involvement with Other Entities*** (effective for annual periods beginning on or after 1 January 2013),
- **IFRS 13 *Fair Value Measurement*** (effective for annual periods beginning on or after 1 January 2013),
- **IAS 27 (as revised in 2011) *Separate Financial Statements*** (effective for annual periods beginning on or after 1 January 2013),
- **IAS 28 (as revised in 2011) IAS 28 (Revised in 2011) *Investments in Associates and Joint Ventures***(effective for annual periods beginning on or after 1 January 2013)
- **Amendments to IFRS 1 *First-time Adoption of IFRS*** - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual periods beginning on or after 1 July 2011),
- **Amendments to IFRS 7 *Financial Instruments: Disclosures*** - Transfers of Financial Assets (effective for annual periods beginning on or after 1 July 2011),
- **Amendments to IAS 1 *Presentation of Financial Statements* -** Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012),
- **Amendments to IAS 12 *Income Taxes*** - Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2011),
- **Amendments to IAS 19 *Employee Benefits*** - Improvements to the Accounting for Post-employment Benefits (effective for annual periods beginning on or after 1 January 2013),
- **IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*** (effective for annual periods beginning on or after 1 January 2013),

The Company and the Group have elected not to adopt these Standards, revisions and Interpretations in advance of their effective dates and anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the consolidated and unconsolidated financial statements in the period of initial application.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of presentation

These financial statements have been prepared on the historical cost basis and under the going-concern assumption.

Unless specified otherwise, the financial statements are presented in the Croatian currency, the Croatian kuna (HRK), which is the functional currency of the Company, rounded to the nearest thousand.

The accounting policies have been consistently applied by the Company and the Group, unless stated otherwise.

Revenue recognition

Income from the sale of services is recognized net of value added tax upon the service is completed and when the risks and rewards of the service have passed onto the buyer.

Net finance costs

Net finance cost consists of interest expense on borrowings, late-payment interest, interest income on receivables and cash balances, foreign exchange gains and losses, gains or losses on financial assets at fair value through profit and loss, gains and losses on sale of shares, and dividends.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.
All other borrowing costs are charged to the statement of comprehensive income in the period in which they are incurred.

Foreign currencies

In the separate financial statements of the Company, as the Parent, transactions in currencies other than Croatian kuna are presented initially by translating them at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the balance sheet date. Exchange differences arisen on the retranslation are included in the Statement of comprehensive income.
In the consolidated financial statements, the results and financial position of each Group entity are expressed in the Croatian kuna (HRK), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

For the purpose of the consolidated financial statements, the financial statements of the foreign operation are translated as follows:

- items of the Statement of financial position are translated to the Croatian kunas using the exchange rate prevailing at the end reporting date;
- income and expense items are translated at the average exchange rate for the period;
- exchange differences arising from the translation of the financial statements are reported within reserves.

In the preparation of the annual financial statements set out below, unrealised exchange differences are reported within deferred income and accrued expenses.

Retirement benefit costs

The Company has no defined post-retirement benefit plans for its employees or management. Accordingly, the Company has no outstanding liabilities for post employment benefits for either its present or former employees.
Provisions were made to the extent of the present value of the benefits using a discount rate of 9 percent (2010: 9 %) and taking into account the employee turnover rate of 1.06 percent (2010: 1.12 %), determined by taking into account historical trends in the Company and the Group during past five years. The discount rate of 9% was determined by reference to the market yield on Government bonds, corrected by expected market risks, at the reporting date

Taxation

Individual Group members determine their income tax in accordance with the laws applicable in the jurisdictions in which they operate. The Company assesses and pays taxes in accordance with Croatian laws. Income tax expense comprises the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year, using the tax rates that have been enacted or substantively enacted at the date of the financial statements, including adjustments to the tax liability in respect of prior years. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is the tax expected to be payable or recoverable on the differences between the carrying amount of assets and liabilities using the tax rates that have been enacted or substantively enacted at the date of the financial statements. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.
The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognise to the extent that future taxable profits will be sufficient to allow those temporary differences and unused tax losses to be utilised. Deferred tax assets and reduced to the extent that it is no longer probable that the related tax benefit will be utilised.

(All amounts are expressed in thousands of kunas)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

Related parties comprise subsidiaries, related companies and affiliated companies.

Related companies

Related companies include entities controlled by the Republic of Croatia, or whose majority owner is the Republic of Croatia on the basis of an equity share in excess of 20 percent of the share capital and a significant influence in the Company.

Affiliated companies

Affiliated companies are those with which the Company has common management or partners but which are neither an investment nor an associated company.

Property, plant and equipment

Property, plant and equipment are recognised initially at cost, less accumulated depreciation and accumulated impairment losses. Cost includes the purchase price and directly associated cost of bringing the asset to a working condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Significant improvements and replacement of assets are capitalised. The cost of self-constructed assets includes cost of material, direct labour costs and a proportionate share of fixed overheads. Gains or losses on the retirement or disposal of tangible fixed assets are included in the statement of comprehensive income in the period they occur.

Depreciation is recognized in Statement of the comprehensive income on a straight-line basis over the estimated useful life of each item of property, plant and equipment. Land, cushion oil and assets under construction are not depreciated.

The estimated useful lives for individual categories of the assets are as follows:

	2011	**2010**
Buildings	40 years	40 years
Oil pipelines and tanks	40 years	40 years
Plant and equipment	10 – 20 years	10 – 20 years
Office furniture	5 years	5 years
Telecommunication and IT equipment	5 years	5 years
Personal cars	4 years	4 years

Additional investments in tanks, pipelines and other assets are amortised over the remaining or estimated useful life of the related assets. Capitalised cost of pipeline testing using the intelligent PIG are amortised over a period of five years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets

Intangible assets are carried at cost less accumulated amortisation.

Amortisation is recognized in Statement of the comprehensive income on a straight-line basis over the estimated useful life of each item of intangible assets. Amortisation commences from the date on which an asset is ready for its intended use over a period from four to five years. Assets with an indefinite useful life that are not amortise, but they are tested for impairment in accordance with IAS 36.

Currently, the Company has access to maritime demesne and assets thereon based on the concession agreement concluded with the State. Properties, plant and equipment covered by the agreement are presented at cost less accumulated depreciation.

Assets under the concession agreement are depreciated using the straight-line method over the estimated useful life of an asset, taking into account the period of concession agreement.

Properties held for sale

Properties for which a plan exists as at the date of the financial statements to dispose of are disclosed as held for sale and recognised at the lower of their carrying amount or fair value less costs to sell.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises costs directly attributable to purchase of inventories and bringing them to their present condition and at present location. Cost is determined using the weighted average method.

Impairment of assets

At each date of the financial statements, the Company and the Group review the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of any impairment loss. If the recoverable amount of an asset (or a cash-generated unit) is estimated to be less that its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount.

In 2011 there were no indications of a potential impairment of tangible assets, and the management estimates that the carrying amount of those assets is lower than the recoverable amount.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

In the ordinary course of operations, the Company uses primary financial instruments, such as

- investments in subsidiaries and subsidiaries
- investments in other financial instruments, which are presented on the face of the balance sheet.

Financial instruments included in assets are presented in nominal amounts, as reduced by appropriate impairment allowance, or at fair value if they relate to instruments subject to the recognition and measurement rules of IAS 39.

The Company and the Group recognise financial liabilities initially at their fair value plus transaction costs directly attributable with the acquisition or delivery of a financial liability. They are measured subsequently at amortised cost using the effective interest method.

Investments in subsidiaries

Investments in subsidiaries are carried initially at the nominal value of the investments and subsequently at cost less any impairment losses.

The Group consists of the Company and its subsidiaries. The Company prepares separate financial statements as well as consolidated financial statements for the Group.

The Company presents in its separate financial statements dividends receivable from its subsidiaries once the right to receive the dividend has been established.

Investments in other financial instruments

Investments in other financial instruments comprise financial assets and financial liabilities from the following categories:

- financial assets or financial liabilities at fair value through profit and loss, which are presented through the income statement;
- held-to-maturity investments;
- loans and receivables; and
- financial assets available for sale,

depending on the intent at the point of their acquisition.

Financial assets or financial liabilities at fair value through profit and loss

Financial assets at fair value through profit and loss comprise investments in funds and deposits. The assets and liabilities are measured at fair value. Gains and losses arising on changes in the fair value are included in the net profit or loss for the period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Available-for-sale investments

Investments available for sale comprise of equity shares of up to 20 percent of the share capital or voting power of the investee. Gains and losses arisen from changes in the fair value of available-for-sale investments are recognized directly in equity, until the security is disposed of or determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the net profit or loss for the period.

The fair value represents the market value on a regulated securities market, observed by reference to the official quotation of the Central Depository Agency, taking into account of the trading volume.

Unlisted equities are recognised at nominal amounts or values estimated by the management on the basis of observable public data.

The investment in Zarubezhneft Adria d.o.o. in the amount of HRK 37,200, representing 10 percent of the company's share capital, is considered as available for sale.

Loans and receivables

Loans and receivables comprise trde receivables, receivables for loans and other receivables with fixed and determinable payments that are not quoted in an active market.

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Deposits

Deposits include cash deposits for a term of over three months and are recognized at nominal amounts.

Cash and cash equivalents

Cash and cash equivalents comprise demand deposits, balances on accounts and cash in hand, as well as term deposits with original maturities of up to three months and investments in cash funds.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for impairment indicators at each date of the financial statements. balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have changed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

Objective evidence of impairment for financial assets, including securities classified as available for sale (shares), may include:

- significant financial difficulty of the issuer of the financial instrument that the Company and the Group hold; or
- default or delinquency in interest or principal payments; or
- the probability of bankruptcy, financial restructuring or liquidation of the debtor/borrower.

Impairment is assessed for category of financial assets individually.
The carrying amount of the financial asset is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss, except for equity instruments available for sale, where any subsequent increase in the fair value after an impairment loss was recognized is recognized directly in equity.

Derecognition of financial assets

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire; or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity.

Financial liabilities and equity instruments issued by the Company

Debt and equity instruments are classified as either financial liabilities or equity, in accordance with the substance of the contractual arrangement.

Hedge accounting

The Company and the Group do not apply any forms of hedge accounting other than natural hedge.

Provisions

Provisions are recognized in the Statement of comprehensive income and the Statement of financial position when the Company and the Group have a present legal or constructive obligation as a result of past events and where it is probable that an outflow of resources will be required to settle the obligation.

Comparatives

Where necessary, comparative information has been reclassified to conform to the current year's presentation. The consolidated financial statements include the comparative information for the prior year although no consolidated financial statements were presented for the previous year.

(All amounts are expressed in thousands of kunas)

3 SALES

The principal activities of the Group relate exclusively to the principal activities of JANAF d.d.

The revenue of the subsidiaries represents the results of intragroup transactions and was fully eliminated in the Group accounts. The principal activities of the Company are divided into oil transportation activities and storage of oil and refinery products.

	JANAF GROUP		JANAF D.D.	
	2011	**2010**	**2011**	**2010**
Oil transportation	246,137	261,031	246,137	261,031
Oil storage	114,825	114,877	114,825	114,877
Storage of refinery products	43,670	43,240	43,670	43,240
Other	6,585	2,628	6,585	2,628
	411,217	**421,776**	**411,217**	**421,776**

Operating income generated from the principal activities of the Company on the domestic and international markets is as follows:

	JANAF GROUP		JANAF D.D.	
	2011	**2010**	**2011**	**2010**
Domestic market				
Oil transportation	56,283	43,010	56,283	43,010
Oil storage	107,041	94,613	107,041	94,613
Storage of refinery products	43,670	43,240	43,670	43,240
Other	6,573	2,573	6,573	2,573
Total domestic revenue	*213,567*	*183,436*	*213,567*	*183,436*
Foreign market				
Oil transportation	189,854	218,021	189,854	218,021
Oil storage	7,784	20,264	7,784	20,264
Other	12	55	12	55
Total foreign revenue	*197,650*	*238,340*	*197,650*	*238,340*
Total	**411,217**	**421,776**	**411,217**	**421,776**

4 OTHER OPERATING INCOME

Other operating income of the Company and the Group in the amount of HRK 8.9 million (2010: HRK 19.9 million) comprises rental income in the amount of HRK 2.6 million (2010: HRK 375 thousand), income from inventory surplus in the amount of HRK 2.3 million (2010: HRK 360 thousand), income from damages received in the amount of HRK 3.3 million (2010: HRK 178 thousand) and other similar income of the Company and the Group. Other income for the year 2010 consists mainly of income on matured insurance policies in the amount of HRK 17.4 million. No such income was generated in 2011.

(All amounts are expressed in thousands of kunas)

5 COST OF MATERIAL

	JANAF GROUP		JANAF D.D.	
	2011	**2010**	**2011**	**2010**
Materials and spare parts	6,911	6,213	6,907	6,213
Other external expenses:				
Maintenance	16,060	16,398	16,060	16,398
Manufacturing service cost	14,218	12,847	14,218	12,847
Electricity	9,418	10,053	9,416	10,053
Other material costs	6,669	6,145	6,619	6,115
	46,365	45,443	46,313	45,413
	53,276	**51,656**	**53,220**	**51,626**

6 STAFF COSTS

	JANAF GROUP		JANAF D.D.	
	2011	**2010**	**2011**	**2010**
Gross salaries	67,014	60,398	66,095	60,270
Contributions on salaries	11,506	10,380	11,367	10,361
	78,520	**70,778**	**77,462**	**70,631**
Capitalised staff costs	(4,331)	(3,224)	(3,808)	(3,224)
Total staff costs	**74,189**	**67,554**	**73,654**	**67,407**
The gross salary cost comprises the following:				
Net salaries	43,227	38,443	42,646	38,360
Taxes and contributions out of salaries	23,787	21,955	23,449	21,910

At the date of these financial statements, there were 380 persons employed by the Company (2010: 394), including those retired as of 31 December 2011 or 1 January 2012. The total number of staff employed in the Group is 386 (2010: 399 employees).

Out of the total staff costs for the Group in the amount of HRK 78.5 million (2010: HRK 70.7 million), HRK 4.3 million (2010: HRK 3.2 million) were capitalised and recognised as investments, whereas the staff costs in the Statement of comprehensive income were reduced by these amounts.

Included in the staff costs are HRK 13.3 million (2010: HRK 12.1 million) of mandatory pension contributions paid during 2011, determined as a percentage of the individual worker's gross salary.

(All amounts are expressed in thousands of kunas)

7 DEPRECIATION AND AMORTISATION

In 2011, the depreciation/amortisation charge for the Group was equal to the charge for the Company and amounted to HRK 165.9 million (2010: HRK 147.5 million). Depreciation/amortisation is provided for each individual cost of an item of tangible and intangible assets using the straight-line method not taking account of residual values and using the rates established by the Company's and Group's accounting policy.

8 OTHER OPERATING EXPENSES

	JANAF GROUP		JANAF D.D.	
	2011	**2010**	**2011**	**2010**
8.1 Other expenses	31,940	38,706	32,681	38,615
8.2 Provisions	13,366	8,031	13,366	8,031
8.3 Other operating expenses	18,974	6,165	18,974	6,165
	64,280	**52,902**	**65,021**	**52,811**

8.1 Other expenses

	JANAF GROUP		JANAF D.D.	
	2011	**2010**	**2011**	**2010**
Local taxes	9,640	9,893	9,628	9,890
Business travel costs	6,200	5,630	6,134	5,617
Retirement and other employee benefits	2,612	4,787	2,612	4,787
Professional services	2,984	3,337	4,153	3,286
Insurance	2,209	3,326	2,209	3,326
Advertising and PR	1,496	2,157	1,496	2,157
Entertainment	1,406	1,283	1,406	1,283
Donations and sponsorships	1,401	4,228	1,401	4,228
Training	1,100	919	1,095	919
Fees to Supervisory Board and Audit Committee Members	731	293	384	270
Bank charges	152	183	149	183
Other expenses	2,009	2,670	2,014	2,669
	31,940	**38,706**	**32,681**	**38,615**

Severance pays and other employee benefits include all the obligations of the Company under the Collective Agreement and decisions adopted.

(All amounts are expressed in thousands of kunas)

8 OTHER OPERATING EXPENSES (CONTINUED)

8.2 Provisions

	JANAF GROUP		JANAF D.D.	
	2011	**2010**	**2011**	**2010**
Litigation provisions	9,283	4,971	9,283	4,971
Vacation accruals	3,050	-	3,050	-
Other provisions	1,033	3,060	1,033	3,060
	13,366	**8,031**	**13,366**	**8,031**

8.3 Other operating expenses

Other operating expenses represent impairment allowance on receivables identified as doubtful of collection at the time of preparation of these consolidated and unconsolidated financial statements, as well as costs identified on the reclassification of investments in tangible assets that are not eligible for capitalisation under IAS 16.

9 NET FINANCIAL INCOME

	JANAF GROUP		JANAF D.D.	
	2011	**2010**	**2011**	**2010**
Interest income and yield on investments	15,963	13,064	15,984	13,067
Foreign exchange gains	8,889	14,189	8,889	14,189
Total financial income	**24,852**	**27,253**	**24,873**	**27,256**
Interest on borrowings and late-payment interest	(4,339)	(3,850)	(4,339)	(3,850)
Foreign exchange losses	(7,268)	(11,269)	(7,268)	(11,269)
Total finance costs	**(11,607)**	**(15,119)**	**(11,607)**	**(15,119)**
Net financial income	**13,245**	**12,134**	**13,266**	**12,137**

The financial income and finance costs reflect transactions with unrelated companies.

Interest income of the Company and the Group, including yield on financial assets at fair value through profit and loss, covers the entire interest payable on borrowings, resulting in a net income of HRK 13.3 million (2010: HRK 12.1 million).

In 2011, the Company and the Group recognised a net foreign exchange gain in the amount of HRK 1.6 million (2010: HRK 2.9 million), resulting from both realised and unrealised exchange differences. Unrealized foreign exchange gains and losses were recorded on a net principle, that is, by netting off individual asset and liability items. Realized foreign exchange gains are presented gross.

Interest on the Central Libyan Bank amounts to HRK 4.3 million (2010: HRK 3.8 million).

(All amounts are expressed in thousands of kunas)

10 INCOME TAX

	JANAF GROUP		JANAF D.D.	
Income tax expense	**2011**	**2010**	**2011**	**2010**
Current tax	19,757	28,097	19,738	28,097
Deferred tax assets	(5,453)	-	(5,453)	-
Income tax expense	**14,304**	**28,097**	**14,285**	**28,097**

Profit before tax	75,715	134,258	75,622	134,529
Income tax at the rate of 20%	15,143	26,852	15,124	26,906
Effect of permanent differences	460	444	460	444
Effect of non-taxable income	(137)	(112)	(137)	(112)
Effect of deferred tax assets on previously unrecognised temporary differences and tax losses	(1,162)	54	(1,162)	-
Deferred tax assets recognised within reserves	-	859	-	859
Income tax expense	**14,304**	**28,097**	**14,285**	**28,097**

The income tax has been assessed on the basis of taxable profit determined in accordance with tax regulations applicable in the jurisdictions in which the Group entities are domiciled. Income tax on profits generated in Croatia is determined, by applying the rate of 20 percent to taxable profit for the year.

In 2011 deferred tax assets in the amount of HRK 5.5 million were recognised in the Company and the Group in respect of interest arising from legal actions, allowance on receivables and other provisions not recognised for tax purposes. The total deferred tax assets amount to HRK 8.8 million (2010: HRK 3.3 million)

Deferred tax assets in the amount of HRK 10,572 thousand was not recognised and it pertains to the value adjustment of the pipeline from Virje to Lendava, laid down in 2002, because the availability of those assets for utilisation is not certain.

The Group did not recognise deferred tax assets on tax losses Janaf - Terminal Brod d.o.o. brought forward from 2010 in the amount of HRK 30 thousand and the 2011 tax loss in the amount of HRK 226 thousand because the utilisation of those losses is uncertain.

(All amounts are expressed in thousands of kunas)

10 INCOME TAX (CONTINUED)

Movements in deferred tax assets:

	JANAF GROUP			JANAF D.D.		
	Opening balance	**Credited / (Charged) to Statement of comprehensive income**	**Closing balance**	**Opening balance**	**Credited / (Charged) to Statement of comprehensive income**	**Closing balance**
2011						
Provisions for late-payment interest	3,333	662	3,995	3,333	662	3,995
Provisions for long-service benefits	-	205	205	-	205	205
Impairment allowance on receivables	-	3,425	3,425	-	3,425	3,425
Other provisions	-	1,161	1,161	-	1,161	1,161
	3,333	**5,453**	**8,786**	**3,333**	**5,453**	**8,786**

	Opening balance	**Credited to other reserves**	**Closing balance**	**Opening balance**	**Credited to other reserves**	**Closing balance**
2010						
Provisions for late-payment interest	2,474	859	3,333	2,474	859	3,333
	2,474	**859**	**3,333**	**2,474**	**859**	**3,333**

(All amounts are expressed in thousands of kunas)

11 INTANGIBLE ASSETS OF JANAF D.D. AND THE JANAF GROUP

Item description	Patents, licences and other intangible assets	Assets on maritime demesne	Intangible assets under development	Total
COST				
Balance at 1 January 2010	24,573	360,772	2,260	387,605
Transferred from tangible assets under development	-	-	54,614	54,614
Additions	-	-	16,490	16,490
Transferred from assets under development	70,405	2,101	(72,506)	-
Balance at 1 January 2011	**94,978**	**362,873**	**858**	**458,709**
Additions	-	-	12,917	**12,917**
Transferred from assets under development	5,587	6,192	(11,779)	**-**
Balance at 31 December 2011	**100,565**	**369,065**	**1,996**	**471,626**
ACCUMULATED AMORTISATION				
Balance at 1 January 2010	**17,130**	**357,433**	**-**	374,563
Charge for the year	2,484	3,321	-	5,805
Balance at 1 January 2011	**19,614**	**360,754**	**-**	**380,368**
Charge for the year	6,060	142	**-**	**6,202**
At 31/12/2011	**25,674**	**360,896**	**-**	**386,570**
Carrying amount at 31 December 2011	**74,891**	**8,169**	**1,996**	**85,056**
Carrying amount at 1 January 2011	**75,364**	**2,119**	**858**	**78,341**

Title to Assets on Maritime Demesne

Under the existing law, assets on maritime demesne are state-owned property under the Maritime Demesne Concession Agreement concluded in 2003 between the Port Authorities of Rijeka, on behalf of the Croatian Government, and the company Jadranski naftovod d.d. The concession has been concluded for a period of 32 years, commencing on 4 July 2003. At 31 December 2011 the net book value of assets on maritime demesne amounted to HRK 8.2 million (2010: HRK 2.1 million), accounting for 2.2 percent of the total cost. Assets put in use on maritime demesne during the year amounted to HRK 6.2 million.

(All amounts are expressed in thousands of kunas)

12 TANGIBLE ASSETS OF JANAF D.D. AND THE JANAF GROUP

Item description	Land	Buildings	Plant and equipment	Tools, fittings and vehicles	Prepayments for tangible assets	Tangible assets under construction	Technological oil and other assets	Total
COST								
Balance at 1 January 2010	**380,340**	**4,604,259**	**918,247**	**35,085**	**16,514**	**607,144**	**222,720**	**6,784,309**
Additions	(2,431)	-	-	-	-	161,353	359	159,281
Transferred to intangible assets under development - prior-period investments	-	-	-	-	-	(54,614)	-	(54,614)
Transferred from assets under development	392	6,258	200,884	2,861	-	(210,395)	-	-
Increase in prepayments	-	-	-	-	12,297	-	-	12,297
Retirements	-	-	(1,707)	(494)	-	-	-	(2,201)
Assets disposed of or granted	-	-	(3,491)	(750)	-	-	-	(4,241)
Balance at 1 January 2011	**378,301**	**4,610,517**	**1,113,933**	**36,702**	**28,811**	**503,488**	**223,079**	**6,894,831**
Additions/revaluation	-	-	-	-	-	259,693	2,274	261,967
Transferred from assets under development	2,500	241,804	35,380	3,423	-	(283,107)	-	-
Increase in prepayments	-	-	-	-	15,901	-	-	15,901
Retirements	-	(131)	(407)	(451)	-	-	-	(989)
Assets disposed of or granted	-	-	(248)	(926)	-	-	-	(1,174)
Balance at 31 December 2011	**380,801**	**4,852,190**	**1,148,658**	**38,748**	**44,712**	**480,074**	**225,353**	**7,170,536**

(All amounts are expressed in thousands of kunas)

12 TANGIBLE ASSETS OF JANAF D.D. AND THE JANAF GROUP (CONTINUED)

Item description	Land	Buildings	Plant and equipment	Tools, fittings and vehicles	Prepayments for tangible assets	Tangible assets under construction	Technological oil and other assets	Total
ACCUMULATED DEPRECIATION								
Balance at 1 January 2010	**-**	**3,468,402**	**736,983**	**19,422**	**-**	**-**	**-**	**4,224,807**
Charge for the year	-	116,415	21,009	4,258	-	-	-	141,682
Retirements	-	-	(1,583)	(468)	-	-	-	(2,051)
Assets disposed of or granted	-	-	(3,491)	(729)	-	-	-	(4,220)
Balance at 1 January 2011	**-**	**3,584,817**	**752,918**	**22,483**	**-**	**-**	**-**	**4,360,218**
Charge for the year	-	121,036	34,621	4,005	**-**	-	-	159,662
Retirements	-	(63)	(224)	(447)	-	-	-	(734)
Assets disposed of or granted	-	-	(109)	(926)	-	-	-	(1,035)
Balance at 31 December 2011	**-**	**3,705,790**	**787,206**	**25,115**	**-**	**-**	**-**	**4,518,111**
Carrying amount At 31 December 2011	**380,801**	**1,146,400**	**361,452**	**13,633**	**44,712**	**480,074**	**225,353**	**2,652,425**
Carrying amount At 1 January 2011	**378,301**	**1,025,700**	**361,015**	**14,219**	**28,811**	**503,488**	**223,079**	**2,534,613**

12 TANGIBLE ASSETS OF JANAF D.D. AND THE JANAF GROUP (CONTINUED)

As regards the Company and the Group, additions primarily relate to the construction of new tanks, annexes and reconstruction work at the Žitnjak Terminal in Zagreb, modernisation of the fire protection and power supply system.

Fully depreciated tangible assets in the Company and the Group

Tangible fixed assets with a cost amount of HRK 1,392 thousand are still in use, although being fully depreciated as of 31 December 2011.

Commitments

At the date of the financial statements, the value of contracted and unrealized purchases of tangible fixed assets in the Company and the Group amounted to HRK 342.3 million (2010: HRK 215.8 million).

Cushion oil

Cushion oil is owned by the Company and the Group and comprises oil in pipelines and tanks to facilitate the transport of commercial oil. The value of the cushion oil in the amount of HRK 225.2 million at the date of these financial statements (2010: HRK 222.9 million) was presented at cost.

Assets under construction

Assets under construction in the Company and the Group represent investments in enhancing the safety of loading, transportation and storage of oil and refinery products and amounted to HRK 480.0 million (2010: HRK 503.5 million).

13 FINANCIAL ASSETS

Investments in subsidiaries

In 2010 Janaf d.d. founded two subsidiaries: Janaf – upravljanje projektima d.o.o., with a share capital of HRK 20 thousand, and Janaf - Terminal Brod, Brod, Republic of Bosnia and Herzegovina, with a share capital of EUR 1,023.64.

Other financial assets of Janaf d.d. and Janaf Group

In 2011, the Company purchased a share in Zarubezhneft Adria d.o.o. for HRK 37,200, having thus acquired ten percent of the investee's share capital. The share has been recognised as a financial asset available for sale and its fair value at 31 December 2011 approximates its cost, as the share was purchased in late 2011. The Company approved loan to the subsidiary Janaf-terminal Brod d.o.o. in the amount of EUR 64.5 thousand, while at the end of the year 2010 the Company approved loan to the subsidiary Jana-Upravljanje projektima d.o.o. in the amount of HRK 400 thousand.

Current financial assets of Janaf d.d. and Janaf Group

At the date of the financial statements, the balance of deposits with a term from 3 to 6 months in the Company and the Group amounted to HRK 388.8 million (2010: HRK 238.8 million).

(All amounts are expressed in thousands of kunas)

14 RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID - JANAF D.D.

At the date of the 2010 financial statements, the Company and the Group reported receivables for subscribed capital unpaid by HANDA in the amount of HRK 250.2 million, which was settled in June 2011 as soon as HANDA paid in the entire subscribed capital in the amount of HRK 715.0 million.

15 INVENTORIES

The inventories of the Company and the Group comprise spare parts and materials in the total amount of HRK 10,307 thousand (2010: HRK 7,756 thousand). Inventories of spare parts and maintenance supplies are carried at cost, which is determined using the weighted average cost method.

Small inventory and tires are written off when put in use. At the date of these financial statements, the cost of those inventories in the Company and the Group amounted to HRK 2.1 million (2010: HRK 2.1 million).

16 TRADE AND OTHER RECEIVABLES

	JANAF GROUP		JANAF D.D.	
	2011	**2010**	**2011**	**2010**
Domestic receivables - services, unrelated companies	64,224	33,442	64,224	33,442
Impairment allowance on trade receivables	(19,868)	(2,642)	(19,868)	(2,642)
Total trade receivables	**44,356**	**30,800**	**44,356**	**30,800**
Receivables for overpaid income tax	9,300	680	9,300	680
Interest receivable on term deposits	5,107	4,489	5,105	4,489
VAT receivable	3,921	3,644	3,921	3,644
Other receivables	2,305	225	2,305	225
Prepayments made	357	1,135	357	1,135
Other income receivable	-	19,857	-	19,857
Total other receivables	**20,990**	**30,030**	**20,989**	**30,030**
Total trade and other receivables	**65,346**	**60,830**	**65,345**	**60,830**

At the date of the financial statements, the total net balance of trade receivables of the Company and Group amounted to HRK 44.4 million (2010: HRK 30.8 million), of which HRK 38.7 million or 87.2 % with respect to four permanent customers (2010: 89.3%). Of the total net receivables, HRK 41.7 million were not yet due. Other income receivable reported in 2010 in the amount of HRK 19.8 million related to receivables under matured insurance policies and was collected in early 2011.

The average credit period on sales was 21 days (2010: 25 days). A penalty interest of 15 percent, determined by law, is charged on the outstanding invoices. The contractual due dates range from 15 to 30 days.

(All amounts are expressed in thousands of kunas)

16 TRADE AND OTHER RECEIVABLES (CONTINUED)

The Company and the Group have only few customers to whom it provides its services, mostly customers of long-standing who settle their debts regularly within the specified payment deadlines and with whom no additional security instruments are entered into. Prepayment is arranged for new or unknown customers using oil storage services.

Movement in the allowance for doubtful debts:

	JANAF GROUP		JANAF D.D.	
	2011	**2010**	**2011**	**2010**
Balance at 1 January	2,642	2,423	2,642	2,423
Increase	17,270	219	17,270	219
Write off - uncollectable	(44)	-	(44)	-
Balance at 31 December	**19,868**	**2,642**	**19,868**	**2,642**

Analysis of aging of past due trade receivables, but not impaired:

	JANAF GROUP		JANAF D.D.	
	2011	**2010**	**2011**	**2010**
Up to 30 days	2,451	911	2,451	911
31-60 days	159	3	159	3
61-90 days	78	-	78	-
over 91 days	6	2,706	6	2,706
	2,694	**3,620**	**2,694**	**3,620**

17 CASH AND CASH EQUIVALENTS

	JANAF GROUP		JANAF D.D.	
	2011	**2010**	**2011**	**2010**
Deposits with a term of up to 3 months	203,066	144,531	203,066	144,531
Balance on the gyro account with bank	37,282	8,328	36,550	8,063
Investments in cash funds	30,499	63,495	30,499	63,495
Cash in hand	227	122	222	117
	271,074	**216,476**	**270,337**	**216,206**

18 SHARE CAPITAL

At the date of these financial statements, the share capital of the Company amounted to HRK 2,721 million (2010: HRK 2,721 million).

In 2009, the share capital of the Company was increased by HRK 715.0 million through an issue of 264,812 B-series shares, with a nominal amount of HRK 2,700 per share. The additional share capital contribution was made only by HANDA, which, as a result, acquired an equity share of 26.28 percent.

(All amounts are expressed in thousands of kunas)

18 SHARE CAPITAL (CONTINUED)

At the date of the financial statements, authorised and issued share capital consists of 1,007,658 ordinary A and B series shares (742,846 plus 264,812, respectively), with a nominal value of HRK 2,700 each (2010: 1,007,658 shares).

Restrictions previously entered for the B-series shares at the Central Clearing and Depository Agency (SKDD) were deleted, rendering those shares equal to the A-series shares in terms of rights. The formal conversion of the B-series shares into A-series shares will take place following the adoption of such decision in the next General Shareholders' Meeting.

During 2011, the market value of the shares ranged from HRK 2,112 to HRK 3,520 per share.

The structure of the share capital at the date of the financial statements was as follows:

	2011		2010	
	Number of shares	**%**	**Number of shares**	**%**
AUDIO/HZMO (Croatian State Pension Fund)	375,440	37.26	375,440	37.26
HANDA- Croatian Compulsory Oil Stocks Agency	264,812	26.28	264,812	26.28
INA D.D.	118,855	11.80	118,855	11.80
AUDIO/Republic of Croatia	107,465	10.66	107,411	10.66
HEP D.D.	53,981	5.36	53,981	5.36
AUDIO/State Savings Deposit Insurance and Bank Rehabilitation Agency	43,379	4.30	43,379	4.30
Other private and institutional investors	43,726	4.34	43,780	4.34
	1,007,658	**100.00**	**1,007,658**	**100.00**

According to the SKDD records, the change in the ownership structure under the Croatian Government Decision on the transfer of 10.66-percent share in Jadranski naftovod d.d. to Retirement Fund, adopted in the 150th session held on 15 September 2011, was not yet entered at the date of the preparation of the financial statements.

19 RESERVES

	JANAF GROUP		JANAF D.D.	
	2011	**2010**	**2011**	**2010**
Share premium	54	54	54	54
Legal reserves	23,575	18,254	23,575	18,254
Other reserves	208,020	157,467	208,022	157,467
	231,649	**175,775**	**231,651**	**175,775**

Legal reserves of the Company are formed out of 5 percent of the 2002 profit, reduced by tax losses brought forward, and profit for the years 2003 up to inclusive 2010. The subsidiaries do not form any legal reserves. Other reserves of the Company were formed mainly out of prior-year profits, based on the decisions of the Company's Supervisory and Managing Boards.

(All amounts are expressed in thousands of kunas)

19 RESERVES (CONTINUED)

Movements in 'Other reserves' are presented below:

	JANAF GROUP		JANAF D.D.	
	2011	**2010**	**2011**	**2010**
Balance at 1 January	157,467	99,167	157,467	99,167
Distribution of 2010 profit	50,555	56,278	50,555	56,278
Transfer of prior-period dividends unpaid	-	1,163	-	1,163
Other reserves	-	859	-	859
Exchange differences on translation of profit	(2)	-	-	-
Balance at 31 December	**208,020**	**157,467**	**208,022**	**157,467**

Out of the 2010 profit HRK 50.5 million were allocated to other reserves, whereas the remaining balance of HRK 50.5 million was distributed as dividends. During the year, dividends of HRK 58.60 and HRK 26.53 per share were paid to the shareholders for each fully paid in (A-series) and partly paid (B-series) share, respectively.

20 RETAINED EARNINGS

At the date of these financial statements, the retained earnings of the Company amounted to HRK 185.9 million and of the Group amounted to HRK 185.7 million (2010: HRK 185.9 million for the Company and the Group).

Retained earnings were formed out of a portion of profits generated from 2003 up to inclusive 2009, and were allocated in accordance with the General Assembly decisions.

21 EARNINGS PER SHARE

In 2011, the Company generated profit for the year in the amount of HRK 61.3 million (2010: HRK 106.4 million). Pursuant to the provisions of the Statute of the Company, the amount of HRK 14.6 million is planned for dividend payment in 2012 and the amount of HRK 43.7 million related to remaining net profit after deduction for legal reserves is planned to transfer to retained earnings.

Earnings per share are based on the net result of the ordinary shareholder and the number of ordinary shares (742,846 A-series shares and 66,203 B-series shares relating to the additional capital contribution at 3 July 2009, 105,925 B-series shares paid up to 29 June 2010 and 92,684 B-series shares paid on 28 June 2011), and were calculated as follows:

(All amounts are expressed in thousands of kunas)

21 EARNINGS PER SHARE (CONTINUED)

	JANAF GROUP		JANAF D.D.	
	2011	**2010**	**2011**	**2010**
Profit after taxation	61,411	106,161	61,337	106,432
Weighted average number of issued and paid-in shares	962,205	862,737	962,205	862,737
Earnings per share (basic and diluted):	**63.82**	**123.05**	**63.75**	**123.37**

22 PROVISIONS

	JANAF GROUP		JANAF D.D.	
	2011	**2010**	**2011**	**2010**
Legal actions	49,048	35,099	49,048	35,099
Vacation accrual and other provisions	4,084	4,775	4,084	4,775
Long-service and retirement benefits	1,443	1,598	1,443	1,598
	54,575	**41,472**	**54,575**	**41,472**

Provisions in the amount of HRK 49.0 million at the year-end relate to legal actions outstanding against the Company (2010: HRK 35.1 million). The most significant portion of the provisions in the amount of HRK 29.2 million (2010: HRK 27.2 million) relates to a claim filed by Kutjevo d.d. to declare invalid the previous assignment agreements and the agreement from 2002, by which Kutjevo d.d. settled the debt to Janaf, which was the subject of the litigation. Given that the first-instance court ruling was in favour of the plaintiff and regardless of the High Commercial Court of the Republic of Croatia returning the case back to the first instance court, provisions were made for the entire amount claimed, increased by penalty interest accrued as at 31 December 2011 and court costs. Provisions for a legal action with former Jugobanka d.d. amount to HRK 2.2 million (2010: HRK 2.2 million). Provisions on the grounds of oil spillage on arable land during oil transport amount to HRK 1.7 million HRK 1.2 million). There is one legal action regarding the title to land in Zagreb, Veslačka Street for which a provision of HRK 3.0 million was made (2010: HRK 3.0 million). Provisions for labour disputes with former and present workers amount to HRK 2.2 million (2010: HRK 1.2 million). A provision of HRK 6.0 million was made for a legal dispute with Rijekatank d.o.o. in connection with the restoration of contaminated land at the Žitnjak Terminal. The level of the provisions was determined based on the final outcome as estimated by external attorneys and the legal department of the Company.

(All amounts are expressed in thousands of kunas)

22 PROVISIONS (CONTINUED)

Movements in provisions during the year were as follows:

	JANAF GROUP		JANAF D.D.	
	2011	**2010**	**2011**	**2010**
Balance at 1 January	41,472	34,483	41,472	34,483
Reduced during the year	(263)	(918)	(263)	(918)
New provisions made during the year	13,366	7,907	13,366	7,907
Balance at 31 December	**54,575**	**41,472**	**54,575**	**41,472**

23 LONG-TERM DEBT

	JANAF GROUP		JANAF D.D.	
	2011	**2010**	**2011**	**2010**
Borrowings due after one year	91,661	83,180	91,661	83,180
	91,661	**83,180**	**91,661**	**83,180**

At the date of these financial statements, the Company and the Group had an outstanding debt under a long-term loan of the Libyan Central Bank, with the agreed fixed rate of interest of 5 percent, which the Company cannot repay, as it is a succession issue yet to be resolved between the successor states of the former Yugoslavia. The increase in the debt by HRK 8.5 million during 2011 (2010: HRK 10.7 million) comprises accrued interest in the amount of HRK 4.3 million added to the principal (2010: HRK 3.8 million) and net foreign exchange losses in the amount of HRK 4.2 million (2010: HRK 6.9 million).

Based on the information of the Croatian National Bank, the negotiations that started in 2005 between the successor states of the former Yugoslavia regarding the split of the total debt to the Libyan Central Bank, which includes the amount owed by the Company, were still pending at the end of 2011, due to which it was not possible to determine the timing of the settlement of the entire loan debt.

(All amounts are expressed in thousands of kunas)

24 TRADE AND OTHER PAYABLES

	JANAF GROUP		JANAF D.D.	
	2011	**2010**	**2011**	**2010**
Trade payables	115,247	61,481	115,229	61,453
VAT payable on advances received	8,350	5,550	8,350	5,550
Amounts due to employees	3,696	3,491	3,643	3,453
Taxes, contributions and other duties payable	3,203	2,893	3,098	2,860
Liabilities in respect of the difference between taxes and surtaxes	2,854	-	2,854	-
Amounts owed to related companies	-	-	185	-
Income tax payable	-	2,812	-	2,812
Other liabilities	4,706	115	4,706	108
	138,056	**76,342**	**138,065**	**76,236**

The average days payables outstanding in the Company and the Group were 38 (2010: 47 days). Amounts due to employees and the related taxes and contributions are due and payable within three to five working days from the expiry of the month for which wages and salaries are paid. Other liabilities are paid within the prescribed or agreed payment periods.

In 2011, the payment period for amounts owed to suppliers was 45 days (2010: 60 days).

25 OTHER CURRENT LIABILITIES OF THE COMPANY AND THE GROUP

Other current liabilities of the Company and the Group in the amount of HRK 10.5 million (2010: HRK 11.5 million) relate to accruals for completed work on tangible assets under construction not yet billed.

26 FIXED COMPONENT OF THE CONCESSION FEE

The Company leased property and equipment under the Concession Agreement described in Note 11 – Intangible assets. The Concession Agreement has been concluded for a period of 32 years. The concession fee has been agreed in US dollars and is payable as from 4 June 2003. In addition, a concession agreement for maritime demesne with respect to the underwater pipeline Omišalj- Urinj has been concluded for a period of 40 years at a fixed annual fee in the amount of EUR 67,000. Under IAS 39 Financial Instruments: Recognition and Measurement, all such lease liabilities should be accounted for as embedded derivatives. Given that no market values are available for future contracts denominated in USD for periods beyond six months, the Company is not able to calculate the fair value of the embedded derivative. Accordingly, the related gains and losses will be included in the income statement upon the payment of the lease.

(All amounts are expressed in thousands of kunas)

26 FIXED COMPONENT OF THE CONCESSION FEE (CONTINUED)

The concession fee consists of a fixed and a variable component.

The variable component is paid per transported tons as follows:

Transported tons	USD/ton
Up to 7,000,000	0.01
Up to 10,000,000	0.02
Over 10,000,000	0.03

Based on the area of the maritime demesne in use, the fixed component will be as follows:

	2011	2010
Within one year	513	495
From two to five years	2,051	1,980
Due after five years	9,740	9,900
	12,304	**12,375**

27 CONTINGENT LIABILITIES

The details and estimates of maximum contingent liabilities that might have to be settled are set out below. The management has no additional information to conclude that the liabilities will have to be settled. In accordance with the legal advice, no provisions for these liabilities have been made in these financial statements. The amounts below are presented net of potential interest or other court costs because the management believes that no additional liabilities will eventuate.

Legal actions – former Yugoslavia

The Company is co-defendant (second defendant) with the Republic of Croatia (being the first defendant) in a legal action initiated by The Refinery Pančevo, Serbia, for undelivered oil. The process was discontinued because of the outbreak of war in Croatia in 1991. The claimed amount is USD 50.1 million.

The Company is defendant in a legal action filed by Naftagas promet, Novi Sad, Serbia, for the import of spare parts under a commission agreement. The process was discontinued because of the outbreak of war in Croatia in 1991. The claimed amount is USD 230.7 thousand.

In the opinion of the Managing Board, those actions will be resolved following the conclusion of succession agreements between the Croatian and Serbian governments, and no payments will be required in respect of the contingencies.

27 CONTINGENT LIABILITIES (CONTINUED)

The Company is a defendant in a counterclaim filed by Gradska banka d.d. in bankrupcy, Osijek, against Janaf as part of an action involving Kutjevo d.d. as plaintiff. The contingent liability in the amount of HRK 7.6 million has not been provided against based on the statement of the attorney that the counterclaim should be rejected as unfounded per Article 189 of the Civil Procedure Act.

There are two actions outstanding against the Company for the payment of damages for the dug in pipeline in the total amount of HRK 1.7 million, which were no provided against based on the first-instance-court rulings in favour of Janaf and the attorney's estimate that the plaintiffs will lose the case.

Environmental matters

The principal activities of the Company comprising oil transport and storage can have inherent effects on the environment in terms of emissions into arable land and water. A provision of HRK 7.7 million was established for outstanding legal actions against the Company in respect of indemnification as a result of oil spillage.

In 2011 a legal dispute was launched involving Rijekatank d.o.o. for the restoration of contaminated land at the Žitnjak Terminal, for which a provision of HRK 6.0 million was made. The dispute gives rise to a contingent liability of HRK 5.6 million that was not provided against based on the analysis of the legal grounds of the claim, resulting in the actual indemnity to reach maximum the amount provided against.

28 EVENTS AFTER REPORTING DATE

In February 2012 new president and members of the Company's Managing Board and two members of its Supervisory Board were appointed. The previous Managing and Supervisory Board members were revoked (Note 1).

In February 2012, the Managing Board of the Company adopted the 2012 Business Plan, which has been presented to the Supervisory Board for approval. The signing of the 2012 oil transportation agreement with the existing customers is in progress, except for NIS - Naftna Industrija Srbije, with whom such annual agreement has already been signed.

In January 2012 a refinery product storage agreement was concluded with HANDA, applicable as from 1 April 2012.

(All amounts are expressed in thousands of kunas)

29 RELATED-PARTY TRANSACTIONS

During the year, transactions between the Company and its related parties and between the Group and related parties are presented as follows:

JANAF GROUP

	Service and other sales		Purchases		Amounts owed by related parties		Amounts owed to related parties	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Related companies	**125,125**	**122,985**	**-**	**-**	**12,108**	**10,270**	**-**	**-**
HANDA	125,125	122,985	-	-	12,108	10,270	-	-
Affiliated companies	**72,264**	**56,672**	**17,950**	**36,028**	**11,409**	**4,704**	**2,675**	**5,534**

Transactions of Janaf Group with affiliated companies are equal to the transactions of Janaf d.d. and affiliated companies and are presented in the following table:

	Service and other sales		Purchases		Amounts owed by related parties		Amounts owed to related parties	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Related companies	**125,175**	**122,990**	**2,173**	**-**	**12,121**	**10,275**	**185**	**-**
HANDA	125,125	122,985	-	-	12,108	10,270	-	-
Janaf - Upravljanje projektima d.o.o.	43	5	2,173	-	6	5	185	-
JANAF - Terminal Brod d.o.o.	7	-	-	-	7	-	-	-
Affiliated companies	**72,264**	**56,672**	**17,950**	**36,028**	**11,409**	**4,704**	**2,675**	**5,534**
INA d.d.	65,565	54,366	4,915	2,179	8,296	3,950	723	88
Lučka uprava Rijeka	6,686	2,306	274	391	3,103	754	63	68
HEP d.d.	13	-	13,285	29,825	10	-	1,712	4,093
Hrvatske vode	-	-	(2,950)	1,231	-	-	-	1,138
Ostali	-	-	2,426	2,402	-	-	177	147

Sale of services to, and purchases from related parties have been made under common market conditions. In 2011, based on a court decision, Hrvatske vode decreased the charged water management fee for the construction of the tank from the year 2008, which resulted in impairment of the investments in progress during 2011 and is included in the table as the negative balance.

(All amounts are expressed in thousands of kunas)

29 RELATED-PARTY TRANSACTIONS (CONTINUED)

Key personnel remuneration

The remuneration paid to key personnel during the year was as follows:

	JANAF GROUP		JANAF D.D.	
	2011	**2010**	**2011**	**2010**
Gross salaries	4,724	4,742	4,565	4,719
Gross benefits in kind	1,073	891	726	868
	5,797	**5,633**	**5,291**	**5,587**

In 2011 and 2010, key personnel of the Company comprised three Managing Board members and eight directors and on the Group level the number of key personnel is five Managing Board members and eight directors in 2011, same as in 2010.

30 FINANCIAL INSTRUMENTS

30.1 Capital risk management

The Company and the Group manage its capital to ensure that the Company and the Group will be able to continue as a going concern. The capital structure of the Company and the Group is presented in Note 18.

Gearing ratio

The Managing Board reviews the sources of financing on a monthly basis. The sources of funding the Company's regular business and investments comprise mainly own cash funds.
The gearing ratio at the year-end can be presented as follows:

	JANAF GROUP		JANAF D.D.	
	2011	**2010**	**2011**	**2010**
Debt (i)	91,661	83,180	91,661	83,180
Cash and cash equivalents	271,074	216,476	270,337	216,606
Net debt	-	-	-	-
Equity (ii)	3,199,398	3,188,545	3,199,597	3,188,816
Net debt-to-equity ratio	-	-	-	-

(i) Debt comprises only the long-term loan debt to the Libyan Central Bank. The Company and the Group have no current borrowings.

(ii) Equity includes share capital, reserves, retained earnings and profit for the year.

(All amounts are expressed in thousands of kunas)

30 FINANCIAL INSTRUMENTS (CONTINUED)

30.2. Categories of financial instruments

	JANAF GROUP		JANAF D.D.	
	2011	**2010**	**2011**	**2010**
Financial assets:				
Cash	240,575	152,981	239,838	152,710
Deposits with a term of over three months	388,805	238,797	388,805	238,797
Loans and receivables	64,216	66,734	65,111	67,139
Financial assets at fair value through profit and loss (cash fund)	30,499	63,495	30,499	63,495
Assets available for sale	37	-	37	-
Receivables for subscribed capital unpaid	-	250,247	-	250,247
Total financial assets	**724.132**	**772.254**	**724.290**	**772.388**
Financial liabilities:				
Borrowings	91,661	83,180	91,661	83,180
Trade and other payables	138,781	78,646	138,948	78,621
Total financial liabilities	**230,442**	**161,826**	**230,609**	**161,801**

30.3 Risk exposures

These include credit risk and foreign exchange risk and arise in the ordinary course of business. There is no interest rate risk.

Credit risk

At the date of the financial statements, there were no significant credit risk concentrations at either the Company or the Group.

Interest rate risk management

The remaining debt is a loan with a fixed interest rate of 5 percent p.a., and the Managing Board of the Company considers that there is no exposure to interest rate risk.

Foreign exchange risk

The Company and the Group are mainly exposed to fluctuations in the exchange rates of the euro (EUR) and US dollar (USD) because a significant portion of its trade receivables and sales, cash and long-term borrowings are denominated in those currencies. Other assets and other liabilities are mainly denominated in the Croatian kuna. Foreign exchange risk is managed using natural hedge, by maintaining a required level of cash in US dollars, in which the outstanding long-term debt of the Company and the Group is denominated.

30. FINANCIAL INSTRUMENTS (CONTINUED)

Foreign exchange risk management

Set out below is an overview of the Company's and Group's cash and liabilities at 31 December denominated in foreign currencies, expressed in thousands of Croatian kunas:

	Assets		Liabilities	
	2011	2010	2011	2010
USD	96,797	60,967	91,661	83,180
EUR	5,646	19,682	-	-

The Company and the Group have assets and liabilities denominated in US dollars, so that it uses the so-called natural hedging; hence, it was not exposed to the risk of fluctuations in foreign exchange rates at the date of these financial statements.

Foreign currency sensitivity analysis

The Company and the Group are exposed mainly to the risk of fluctuation in the exchange rate against the US dollar (USD). The following table details the Company's and Group's sensitivity to a 10% increase and decrease in the exchange rate of the Croatian kuna against the US dollar. The sensitivity analysis includes outstanding monetary items and long-term debt denominated in US dollar at 31 December and adjusts their translation at the period end for the 10% change in the foreign exchange rate. The amounts were calculated in thousands of US dollars and Croatian kunas.

JANAF D:D: and JANAF GROUP

Analysis for a 10 % decrease in the exchange rate

	At 31/12/2011		**Exchange rate**	**Effect**	**At 31/12/2010**		**Exchange rate**	**Effect**
	USD	HRK	**>10%**		USD	HRK	**>10%**	
Assets	16,632	96,797	106,477	9,680	10,949	60,967	67,064	6,097
Liabilities	15,750	91,661	100,827	(9,166)	14,939	83,180	91,498	(8,318)
Net effect				**514**				**(2,221)**

Analysis for a 10 % decrease in the exchange rate

	At 31/12/2011		**Exchange rate**	**Effect**	**At 31/12/2010**		**Exchange rate**	**Effect**
	USD	HRK	**>10%**		USD	HRK	**>10%**	
Assets	16,632	96,797	87,118	(9,679)	10,949	60,967	54,870	(6,097)
Liabilities	15,750	91,661	82,496	9,165	14,939	83,180	74,862	8,318
Net effect				**(514)**				**2,221**

The foreign currency sensitivity analysis does not reveal any material amounts.

(All amounts are expressed in thousands of kunas)

30. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk

Responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the short-, medium- and long-term funding and liquidity management requirements. The Company and the Group manage liquidity risk by maintaining adequate reserve of financial assets, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Liquidity risk tables

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

JANAF GROUP

	Weighted average effective interest rate %	Up to 1 month	1 to 3 months	3 months to 1 year	1-5 years	5+ years	Total
2011							
Non-interest bearing	-	-	138,781	-	-	-	138,781
Interest bearing	5%	-	-	-	91,661	-	91,661
		-	**138,781**	**-**	**91,661**	**-**	**230,442**
2010							
Non-interest bearing	-	-	78,646	-	-	-	78,646
Interest bearing	5%	-	-	-	83,180	-	83,180
		-	**78,646**	**-**	**83,180**	**-**	**161,826**

JANAF D.D.

	Weighted average effective interest rate %	Up to 1 month	1 to 3 months	3 months to 1 year	1-5 years	5+ years	Total
2011							
Non-interest bearing	-	-	138,948	-	-	-	138,948
Interest bearing	5%	-	-	-	91,661	-	91,661
		-	**138,948**	**-**	**91,661**	**-**	**230,609**
2010							
Non-interest bearing	-	-	78,621	-	-	-	78,621
Interest bearing	5%	-	-	-	83,180	-	83,180
		-	**78,621**	**-**	**83,180**	**-**	**161,801**

(All amounts are expressed in thousands of kunas)

30. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (continued)

Liquidity risk tables

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

JANAF GROUP

	Weighted average effective interest rate %	Up to 1 month	1 to 3 months	3 months to 1 year	Total
2011					
Receivables and cash	-	94,983	-	-	94,983
Financial assets at FVTPL		30,536	-	-	30,536
Deposits and loans	3.81%	36,151	168,666	397,374	602,191
		161,670	**168,666**	**397,374**	**727,710**
2010					
Receivables and cash	-	74,502	-	-	74,502
Financial assets at FVTPL		63,495	-	-	63,495
Deposits and loans	3.46%	52,865	92,517	493,276	638,658
		190,862	**92,517**	**493,276**	**776,655**

JANAF D.D.

	Weighted average effective interest rate %	Up to 1 month	1 to 3 months	3 months to 1 year	Total
2011					
Receivables and cash	-	95,883	-	-	95,883
Financial assets at FVTPL	-	30,536	-	-	30,536
Deposits and loans	3.81%	36,151	168,666	398,269	603,086
		162,570	**168,666**	**398,269**	**729,505**
2010					
Receivables and cash	-	74,920	-	-	74,920
Financial assets at FVTPL	-	63,495	-	-	63,495
Deposits and loans	3.46%	52,865	92,517	493,676	639,058
		191,280	**92,517**	**493,676**	**777,473**

30. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of financial instruments

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

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).

- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

As at 31 December 2011 the presented amounts of cash, short term deposits, receivables, short therm liabilities, accrued expenses, short term loans and other financial instruments correspond to their market value due to short term nature of these assets and liabilities.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(All amounts are expressed in thousands of kunas)

30. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of financial instruments (continued)

JANAF GROUP and JANAF D.D.

31 December 2011	Level 1	Level 2	Level 3	Total
Investment in investment funds	30,499	-	-	30,499
	30,499	**-**	**-**	**30,499**

31 December 2010	Level 1	Level 2	Level 3	Total
Investment in investment funds	63,495	-	-	63,495
	63,495	**-**	**-**	**63,495**

31 NET CHANGE IN CASH AND CASH EQUIVALENTS

As of 31 December 2011 the Company reported total increase in cash and cash equivalents by the amount of HRK 54.1 million (2010: HRK 61.4 million). Positive cash flows in the amount of HRK 275.9 million (2010: HRK 177.6 million). were generated from operations. A negative cash flow of HRK 421.4 million (2010: HRK 391.4 million) from investing activities is a result of payments made for purchases of tangible and intangible fixed assets and an increase in term deposits. An increase in cash flows from financing activities was reported in the amount of HRK 199.7 million (2010: HRK 275.2 million) as a result of the additional capital paid in in the amount of HRK 250.2 million and a decrease in respect of dividends paid in the amount of HRK 50.5 million. Net changes in cash and cash equivalents for the Group are approximately the same as for the Company, with no significant differences.

32. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Managing Board and authorised for issue on 5 March 2012.

Signed for and on behalf of the Company and the Group:

D.Sc. Dragan Kovačević, President of the Managing Board

Jakša Marasović, Member of the Managing Board

Bruno Šarić, Member of the Managing Board

The Regulation on the Structure and Content of the Annual Financial Statements (Official Gazette No. 38/08, 12/09, 130/10) has been promulgated in accordance with the Croatian Accounting Act (Official Gazette No. 109/07). Set out in the tables below are the financial statements prepared in accordance with the Regulation. The reconciliation presents the information pertaining solely to JANAF d.d. because the consolidated information, which includes its subsidiaries, are presented in the same format without the amounts being materially different.

Income Statement of JANAF D.D.

Item description	EDP code	# Notes	Prior year	Current year
1	2	3	4	5
I OPERATING INCOME (112+113)	**111**		441,723,289	420,114,805
1 Sales	**112**	**3**	421,775,639	411,216,997
2 Other operating income	**113**	**4**	19,947,650	8,897,808
II OPERATING EXPENSES (115+116+120+124+125+126+129+130)	**114**		319,330,510	357,758,848
1 Changes in the value of inventories of work in progress and finished products	**115**		-	-
2 Material expenses (117 to 119)	**116**	**5**	51,626,087	53,219,501
a) Raw material and supplies	**117**		6,213,191	6,907,349
b) Cost of goods sold	**118**		-	-
c) Other external charges	**119**		45,412,896	46,312,152
3 Staff expenses (121 to 123)	**120**	**6**	67,407,085	73,654,337
a) Net salaries and wages	**121**		36,609,095	40,649,749
b) Taxes and contributions out of salaries	**122**		20,909,906	22,197,127
c) Contributions on salaries	**123**		9,888,084	10,807,461
4 Depreciation and amortisation	**124**	**7**	147,486,790	165,863,614
5 Other expenses	**125**	**8**	44,779,118	34,503,083
6 Value adjustment (127+128)	**126**		-	17,152,007
a) Non-current assets (other than financial assets)	**127**		-	-
b) Current assets (other than financial assets)	**128**		-	17,152,007
7 Provisions	**129**	**8**	8,031,430	13,366,306
8 Other operating expenses	**130**		-	-
III FINANCIAL INCOME (132 to 136)	**131**	**9**	27,256,192	24,872,703
1 Interest income, foreign exchange gains, dividend and similar income from related-party transactions	**132**		3,159	22,784
2 Interest income, foreign exchange gains, dividend and similar income from transactions with third entities and individuals	**133**		26,071,772	19,633,164
3 Share in the income of associates and entities in which there is a participating interest	**134**		-	-
4 Unrealised gains (income) from financial assets	**135**		1,181,261	5,216,755
5 Other financial income	**136**		-	-
IV FINANCIAL EXPENSES (138 to 141)	**137**	**9**	15,119,781	11,606,831
1 Interest expense, foreign exchange losses and other expenses from related-party transactions	**138**		-	-
2 Interest expense, foreign exchange losses and other expenses from transactions with third companies and individuals	**139**		15,119,781	11,606,831

Income Statement (continued)

3 Unrealised losses (expenses) from financial assets	**140**		-	-
4 Other financial expenses	**141**		-	-
V SHARE IN THE PROFIT OF ASSOCIATES	**142**		-	-
VI SHARE IN THE LOSSES OF ASSOCIATES	**143**		-	-
VII EXTRAORDINARY – OTHER INCOME	**144**		-	-
EXTRAORDINARY – OTHER EXPENSES	**145**		-	-
IX TOTAL INCOME (111+131+142 + 144)	**146**		468,979,481	444,987,508
X TOTAL EXPENSES (114+137+143 + 145)	**147**		334,450,291	369,365,679
XI PROFIT OR LOSS BEFORE TAXATION (146-147)	**148**		134,529,190	75,621,829
1 Profit before taxation (146-147)	**149**		134,529,190	75,621,829
2 Loss before taxation (147-146)	**150**		-	-
XII INCOME TAX	**151**	**10**	28,097,581	14,284,992
XIII PROFIT OR LOSS FOR THE PERIOD (148-151)	**152**		106,431,609	61,336,837
1 Profit for the period (149-151)	**153**	**21**	106,431,609	61,336,837
2 Loss for the period (151-148)	**154**		-	-
INCOME-STATEMENT SUPPLEMENT (to be completed by an entrepreneur preparing consolidated annual accounts)				
XIV PROFIT OR LOSS FOR THE PERIOD				
1 Attributable to the equity holders of the parent	**155**		-	-
2 Attributable to minority interest	**156**		-	-
STATEMENT OF OTHER COMPREHENSIVE INCOME (to be completed by an entrepreneur subject to IFRS reporting requirements)				
I PROFIT OR LOSS FOR THE PERIOD (=152)	**157**		106,431,609	61,336,837
II OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAX (159 to 165)	**158**		-	-
1 Exchange differences on translation of a foreign operation	**159**		-	-
2 Movements in reserves on revaluation of non-current tangible and intangible assets	**160**		-	-
3 Profit or loss on revaluation of financial assets available for sale	**161**		-	-
4 Profit or loss on determining the effectiveness of cash-flow hedges	**162**		-	-
5 Profit or loss on determining the effectiveness of hedges of a net investment in a foreign operation	**163**		-	-
6 Share in other comprehensive income/loss of associates	**164**		-	-
7 Actuarial gains/losses on defined benefit plans	**165**		-	-
III TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD	**166**		-	-
IV NET OTHER COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (158-166)	**167**		-	-
V COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	**168**		106,431,609	61,336,837
SUPPLEMENT to the Statement of Other Comprehensive Income (to be completed by an entrepreneur preparing consolidated annual accounts)				
VI COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD				
1 Attributable to the equity holders of the parent	**169**		-	-
2 Attributable to minority interest	**170**		-	-

Balance Sheet of JANAF D.D.

Item description	EDP code	# Notes	Prior year (net)	Current year (net)
1	2	3	4	5
ASSETS				
A) RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID	**001**		250,247,340	-
B) NON-CURRENT ASSETS (003+010+020+029+033)	**002**		2,616,915,345	2,747,409,251
I INTANGIBLE ASSETS (004 to 009)	**003**	**11**	78,340,931	85,055,623
1 Development expenses	**004**		-	-
2 Concessions, patents, licences, trade and service marks, software and other rights	**005**		77,482,520	83,058,945
3 Goodwill	**006**		-	-
4 Prepayments for purchases of intangible assets	**007**		-	-
5 Intangible assets under development	**008**		858,411	1,996,678
6 Other intangible assets	**009**		-	-
II TANGIBLE ASSETS (011 to 019)	**010**	**12**	2,534,612,450	2,652,425,103
1 Land	**011**		378,301,480	380,801,480
2 Buildings	**012**		1,025,698,761	1,146,399,252
3 Plant and equipment	**013**		361,012,660	361,450,220
4 Tools, plant fittings and vehicles	**014**		14,218,723	13,635,707
5 Biological assets	**015**		-	-
6 Prepayments for tangible assets	**016**		28,812,141	44,712,341
7 Tangible assets under construction	**017**		503,489,959	480,073,556
8 Other tangible assets	**018**		223,078,726	225,352,547
9 Investment properties	**019**		-	-
III NON-CURRENT FINANCIAL ASSETS (021 to 028)	**020**	**13**	430,182	970,178
1 Equity shares in related companies	**021**		30,182	47,266
2 Loans to related companies	**022**		400,000	885,712
3 Participating interests	**023**		-	-
4 Loans to entities in which there is a participating interest	**024**		-	-
5 Investments in securities	**025**		-	-
6 Given loans, deposits and similar	**026**		-	-
7 Other non-current financial assets	**027**		-	37,200
8 Investments accounted for under equity method	**028**		-	-
IV RECEIVABLES (030 to 032)	**029**		197,994	171,787
1 Receivables from related companies	**030**		-	-
2 Receivables in respect of credit sales	**031**		197,994	171,787
3 Other receivables	**032**		-	-
V DEFERRED TAX ASSETS	**033**	**10**	3,333,788	8,786,560
C) CURRENT ASSETS (035+043+050+058)	**034**		533,863,590	746,914,375
I INVENTORIES (036 to 042)	**035**	**15**	7,756,330	10,307,485
1 Raw material and supplies	**036**		7,756,330	10,307,485
2 Work in progress	**037**		-	-
3 Finished products	**038**		-	-

Balance Sheet (continued)

4 Merchandise	**039**		-	-
5 Prepayments for inventories	**040**		-	-
6 Non-current assets held for sale	**041**		-	-
7 Biological assets	**042**		-	-
II RECEIVABLES (044 to 049)	**043**		71,104,540	77,465,350
1 Receivables from related companies	**044**	**29**	10,275,528	12,120,715
2 Trade accounts receivable	**045**	**16**	30,800,060	44,356,905
3 Receivables from entities with participating interest	**046**		-	-
4 Amounts due from employees and owners	**047**		37,764	17,372
5 Receivables from the State and other institutions	**048**		4,326,575	13,221,199
6 Other receivables	**049**		25,664,613	7,749,159
III CURRENT FINANCIAL ASSETS (051 to 057)	**050**	**14**	238,797,169	388,804,762
1 Equity shares in related companies	**051**		-	-
2 Loans to related companies	**052**		-	-
3 Participating interests	**053**		-	-
4 Loans to entities in which there is a participating interest	**054**		-	-
5 Investments in securities	**055**		-	-
6 Given loans, deposits and similar	**056**		238,797,169	388,804,762
7 Other financial assets	**057**		-	-
IV CASH WITH BANKS AND IN HAND	**058**	**17**	216,205,551	270,336,778
D) PREPAID EXPENSES AND ACCRUED INCOME	**059**		188,366	52,879
E) TOTAL ASSETS (001+002+034+059)	**060**		3,401,214,641	3,494,376,505
F) OFF-BALANCE SHEET ITEMS	**061**		2,086,690,943	2,153,684,934
EQUITY AND LIABILITIES				
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	**062**		3,188,816,028	3,199,596,628
I SHARE (SUBSCRIBED) CAPITAL	**063**	**18**	2,720,676,600	2,720,676,600
II CAPITAL RESERVES	**064**	**19**	53,585	53,585
III RESERVES OUT OF PROFIT (066+067-068+069+070)	**065**	**19**	175,721,976	231,597,348
1 Legal reserves	**066**		18,254,093	23,575,674
2 Reserves for own shares	**067**		-	-
3 Own shares (deductible item)	**068**		-	-
4 Statutory reserves	**069**		-	-
5 Other reserves	**070**		157,467,883	208,021,674
IV REVALUATION RESERVE	**071**		-	-
V RETAINED PROFIT OR ACCUMULATED LOSSES (073-074)	**072**	**20**	185,932,258	185,932,258
1 Retained earnings	**073**		185,932,258	185,932,258
2 Accumulated losses	**074**		-	-

Balance Sheet (continued)

VI PROFIT OR LOSS FOR THE YEAR (076-077)	**075**	**21**	106,431,609	61,336,837
1 Profit for the year	**076**		106,431,609	61,336,837
2 Loss for the year	**077**		-	-
VII MINORITY INTEREST	**078**		-	-
B) PROVISIONS (080 to 082)	**079**	**22**	41,471,666	54,575,032
1 Provisions for retirement benefits, termination benefits and similar obligations	**080**		1,597,677	1,442,895
2 Provisions for taxes	**081**		-	-
3 Other provisions	**082**		39,873,989	53,132,137
C) NON-CURRENT LIABILITIES (084 to 092)	**083**		83,180,092	91,661,517
1 Liabilities to related companies	**084**		-	-
2 Liabilities for loans, deposits and similar	**085**		-	-
3 Due to banks and other financial institutions	**086**	**23**	83,180,092	91,661,517
4 Advances received	**087**		-	-
5 Trade accounts payable	**088**		-	-
6 Liabilities in respect of securities	**089**		-	-
7 Liabilities to entities in which there is a participating interest	**090**		-	-
8 Other non-current liabilities	**091**		-	-
9 Deferred tax liabilities	**092**		-	-
D) CURRENT LIABILITIES (094 to 105)	**093**	**24**	76,236,407	138,064,490
1 Liabilities to related companies	**094**		-	184,648
2 Liabilities for loans, deposits and similar	**095**		-	-
3 Due to banks and other financial institutions	**096**		-	-
4 Advances received	**097**		-	-
5 Trade accounts payable	**098**		61,453,116	115,229,168
6 Liabilities in respect of securities	**099**		-	-
7 Liabilities to entities in which there is a participating interest	**100**		-	-
8 Due to employees	**101**		3,453,432	3,643,863
9 Taxes, contributions and similar duties payable	**102**		5,672,215	5,951,811
10 Liabilities in respect of profit distributions (dividends payable)	**103**		-	-
11 Liabilities for non-current assets held for sale	**104**		-	-
12 Other current liabilities	**105**		5,657,644	13,055,000
E) ACCRUED EXPENSES AND DEFERRED INCOME	**106**	**25**	11,510,448	10,478,838
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	**107**		3,401,214,641	3,494,376,505
G) OFF-BALANCE SHEET ITEMS	**108**		2,086,690,943	2,153,684,934
BALANCE SHEET SUPPLEMENT (to be completed by entrepreneurs preparing consolidated annual accounts)				
A) CAPITAL AND RESERVES				
1 Attributable to the equity holders of the parent	**109**		-	-
2 Attributable to the minority interest	**110**		-	-

Note 1: Balance-sheet Supplement is to be completed by an entrepreneur preparing consolidated annual accounts.

Statement of Cash Flows of JANAF D. D.

Item description	EDP code	# Notes	Prior year	Current year
1	2	3	4	5
CASH FLOWS FROM OPERATING ACTIVITIES				
1 Profit before tax	**001**		134,529,190	75,621,829
2 Depreciation and amortisation	**002**		147,486,790	165,863,614
3 Increase in current liabilities	**003**		-	61,828,083
4 Decrease in current receivables	**004**		-	-
5 Decrease in inventories	**005**		-	-
6 Other increases in cash flows	**006**		17,339,859	19,715,066
I Total increase in cash flows from operating activities (001 to 006)	**007**		299,355,839	323,028,592
1 Decrease in current liabilities	**008**		80,987,891	-
2 Increase in current receivables	**009**		12,317,213	30,314,478
3 Increase in inventories	**010**		299,045	2,551,155
4 Other decreases in cash flows	**011**		28,097,581	14,284,992
II Total increase in cash flows from operating activities (008 to 011)	**012**		121,701,730	47,150,625
A1) NET INCREASE IN CASH FLOWS FROM OPERATING ACTIVITIES (007-012)	**013**		177,654,109	275,877,967
A2) NET DECREASE IN CASH FLOWS FROM OPERATING ACTIVITIES (012-007)	**014**		-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
1 Cash received from sale of non-current tangible and intangible assets	**015**		56,000	103,252
2 Cash received from sale of equity and debt instruments	**016**		-	-
3 Interest received	**017**		4,946,356	17,498,958
4 Dividends received	**018**		-	-
5 Other cash received from investing activities	**019**		-	-
III Total cash received from investing activities (015 to 019)	**020**		5,002,356	17,602,210
1 Cash paid for purchases of non-current tangible and intangible assets	**021**		187,709,960	288,509,547
2 Cash paid on acquisition of equity and debt instruments	**022**		-	-
3 Other cash used in investing activities	**023**		208,691,368	150,530,505
IV Total cash paid for investing activities (021 to 023)	**024**		396,401,328	439,040,052
B1) NET INCREASE IN CASH FLOWS FROM INVESTING ACTIVITIES (020-024)	**025**		-	-
B2) NET DECREASE IN CASH FLOWS FROM INVESTING ACTIVITIES (024-020)	**026**		391,398,972	421,437,842

Cash Flow Statement (continued)

CASH FLOWS FROM FINANCING ACTIVITIES				
1 Cash receipts on issuance of equity and debt instruments	**027**		285,996,960	250,247,340
2 Cash received from loan principal, debentures, borrowings and other borrowed funds	**028**		-	-
3 Other receipts from financing activities	**029**		-	-
V Total cash received from financing activities (027 to 029)	**030**		285,996,960	250,247,340
1 Repayments of loan and bond principals	**031**		10,817,309	-
2 Dividends paid	**032**		-	50,556,238
3 Cash paid under finance leases	**033**		-	-
4 Cash paid for purchase of own shares	**034**		-	-
5 Other cash used in financing activities	**035**		-	-
VI Total cash paid for financing activities (031 to 035)	**036**		10,817,309	50,556,238
C1) NET INCREASE IN CASH FLOWS FROM FINANCING ACTIVITIES (030-036)	**037**		275,179,651	199,691,102
C2) NET DECREASE IN CASH FLOWS FROM FINANCING ACTIVITIES (036-030)	**038**		-	-
Total increase in cash flows (013 – 014 + 025 – 026 + 037 – 038)	**039**		61,434,788	54,131,227
Total decrease in cash flows (014 – 013 + 026 – 025 + 038 – 037)	**040**		-	-
Cash and cash equivalents at beginning of period	**041**		154,770,763	216,205,551
Increase in cash and cash equivalents	**042**		61,434,788	54,131,227
Decrease in cash and cash equivalents	**043**		-	-
Cash and cash equivalents at end of period	**044**		216,205,551	270,336,778

Reconciliation between Non-standard annual financial statements with the Standard annual accounts

In accordance with the Regulation on the Structure and Content of the Annual Financial Statements (Official Gazette No. 38/08) and the Regulation on the Amendments to the Regulation on the Structure and Content of the Annual Financial Statements (Official Gazette No. 130/10), companies preparing IFRS financial statements have the obligation to deliver, for public disclosure purposes, their financial statements to the Financial Agency prepared under the Regulation („Standard Annual Financial Statements“), which represent an alternative presentation of the annual financial statements prepared under IFRS (for the purpose of public disclosure referred to as the Non-standard standard annual financial statements). IFRSs prescribe the minimum items to be disclosed, depending on the materiality of individual items for the financial statement taken as a whole, and a different classification of individual items which give rise to certain differences between the structure of the Standard financial statements and the Non-standard financial statements.

The differences between the Income Statement and the Statement of Comprehensive Income

In the Statement of Comprehensive Income, “Other operating expenses” in the amount of HRK 65,021 thousand (2010: HRK 52,811 thousand) contain the following Income Statement Items: “Other expenses” in the amount of HRK 34,503 thousand (2010: HRK 44,779 thousand), Value adjustment in the amount of HRK 17,152 thousand, and “Provisions” in the amount of HRK 13,366 thousand (2010: HRK 8,032 thousand).
All other items are identical in their descriptions, content and amounts as well as in the structure of the accompanying notes.

Differences between the Balance Sheet and the Statement of Financial Position

In the Statement of Financial Position “Receivables for subscribed capital unpaid” which are due after one year, are included in “Non-current assets”, whereas amounts due within up to one year are included in “Current assets” (HRK 250,247 thousand in 2010). This item is aggregated in the Balance Sheet, regardless of the maturity, and amounts to HRK 250,247 thousand for the year 2010, whereas no such item is disclosed for the year 2011.

In the Statement of Financial Position, included in “Trade and other receivables” in the amount of HRK 65,345 thousand (2010: HRK 60,830 thousand) are the following Balance Sheet items:
“Trade accounts receivable” in the amount of HRK 44,356 thousand (2010: HRK 30,800 thousand), “Amounts due from employees and owners” in the amount of HRK 18 thousand (2010: HRK 38 thousand), “Receivables from the State and other institutions” in the amount of HRK 13,221 thousand (2010: HRK 4,327 thousand), and “Other receivables” in the amount of HRK 7,750 thousand (2010: HRK 25,665 thousand).

"Other assets" reported in the Statement of Financial Position in the amount of HRK 53 thousand (2010: HRK 188 thousand) relate to the line item "Prepaid expenses and accrued income" disclosed in the Balance Sheet.

"Reserves" reported in the Statement of Financial Position in the amount of HRK 231,651 thousand (2010: HRK 175,775 thousand) relate to "Capital reserves" (HRK 54 thousand in both 2011 and 2010) and "Reserves out of profit" (2011: HRK 231,597 thousand; 2010: HRK 175,721 thousand) disclosed in the Balance Sheet.

In the Statement of Financial Position, included in “Trade and other payables” in the amount of HRK 138,065 thousand (2010: HRK 76,236 thousand) are the following Balance Sheet items:
“Liabilities to related companies" in the amount of HRK 185 thousand, "Trade accounts payable" in the amount of HRK 115,229 thousand (2010: HRK 61,453 thousand), “Due to employees” in the amount of HRK 3,644 thousand (2010: HRK 3,453 thousand), “Taxes, contributions and similar duties payable" in the amount of HRK 5,952 thousand (2010: HRK 5,672 thousand), and “Other current liabilities” in the amount of HRK 13,055 thousand (2010: HRK 5,658 thousand).

"Other liabilities" reported in the Statement of Financial Position in the amount of HRK 10,479 thousand (2010: HRK 11,510 thousand) relate to the line item "Accrued expenses and deferred income" disclosed in the Balance Sheet.

Differences between the (Standard) Cash Flow Statement and the (Non-standard) Statement of Cash Flows

In the Statement of Cash Flows, net profit is reported in the amount of HRK 61,337 thousand (2010: HRK 106,432 thousand), whereas in the Cash Flow Statement “Profit before tax” amounts to HRK 75,622 thousand (2010: HRK 134,529 thousand). The difference arises from the income tax presented in the Standard Cash Flow Statement under “Other decreases in cash flows” in the amount of HRK 14,285 thousand (2010: HRK 28,097 thousand).

"Other increases in cash flows" reported in the (Standard) Cash Flow Statement in the amount of HRK 19,715 thousand (2010: HRK 17,340 thousand) reflect the following items from the (Non-standard) Statement of Cash Flows: “Surpluses and net book value of non-current assets” in the amount of HRK (1,882 thousand) (2010: HRK (187 thousand)), “Accrued interest on loans” in the amount of HRK 4,339 thousand (2010: HRK 3,804 thousand), "Exchange differences on loans" in the amount of HRK 4,154 thousand (2010: HRK 6,849 thousand), “Increase in provisions” in the amount of HRK 13,103 thousand (2010: HRK 7,000 thousand) and "Interest paid" (2010: HRK (127 thousand)).

"Cash paid for purchases of non-current tangible and intangible assets" reported in the (Standard) Cash Flow Statement in the amount of HRK 288,510 thousand (2010: HRK 187,710 thousand) reflects the following items from the (Non-standard) Statement of Cash Flows: " Payments for purchases of tangible assets " in the amount of HRK 275,592 thousand (2010: HRK 171,220 thousand), and “Payments for purchases of intangible assets” in the amount of HRK 12,918 thousand (2010: HRK 16,490 thousand).